

ORDER NO. 25-059

ENTERED Feb 19 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2113(5)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization to Defer
Costs Associated with Beaverton Public
Safety Energy Storage Microgrid Pilot.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 18, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 18, 2025**

REGULAR CONSENT EFFECTIVE DATE _____ N/A

DATE: January 29, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2113(5))
Requests reauthorization of deferred accounting of costs associated with Energy Storage Pilots.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) re-authorization to defer costs of Energy Storage Pilots not otherwise included in rates for the 12-month period beginning September 1, 2024.

DISCUSSION

Issue

Whether the Commission should approve the Company's request for authorization to defer costs of Energy Storage pilots, more specific Coffee Creek Substation and Camino del Sol Mid-Feeder.

Applicable Law

Pursuant to ORS 757.259; OAR 860-027-0300; and Public Utility Commission of Oregon Order Nos. 18-290 (Docket No. UM 1856), 20-147 (Docket No. UM 1909), and 20-279 (Docket No. UE 370).

PGE is a public utility in the state of Oregon and its rates, service and accounting practices are subject to regulation by the Commission. This Application is filed pursuant

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to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation into rates.

Analysis

Background

House Bil (HB) 2193 (2015) required PGE to submit to the Commission a proposal to develop energy storage systems and procure any authorized projects by January 1, 2020. In accordance with HB 2193¹ and Docket No. UM 1751, PGE filed an Energy Storage Proposal and Final Potential Evaluation on November 1, 2017, proposing to develop five energy storage pilots: Mid-feeder (Baldock), Coffee Creek Substation, Generation Kick Start (Port Westward 2), Customer and Community Microgrid Resiliency Project (Microgrids), and Residential Battery Energy Storage.

PGE's Energy Storage Proposal was evaluated in Docket No. UM 1856 and approved through Commission Order No. 18-290, subject to conditions.²

PGE recovers costs of its HB 2193 energy storage systems through base rates or an automatic adjustment mechanism (Schedule 138) that allows recovery of systems not recovered through base rates. Schedule 138 is an AAC approved in PGE's 2022 general rate case (UE 394) through Commission Order No. 22-129. More specifically, the AAC and associated deferral allow cost recovery for Pilots from their in-service dates until the costs are incorporated in a future PGE general rate case.

Under Schedule 138, PGE recovers forecasted costs of energy storage systems and is required to establish a balancing account and file deferral applications to accrue the variance between actual and forecasted costs for later recovery or refund.

As a result of PGE's 2024 general rate case, Docket No. UE 416, the BPSC and Anderson Readiness Center Microgrids and Generation Kickstart Port Westward 2 project are in customer base rates and are no longer subject to deferral. The Camino del Sol project was placed on hold in 2023 due to estimated costs that exceeded the stipulated cost cap and was cancelled in 2024. The remaining project subject to this deferred accounting application reauthorization is the Coffee Creek Substation project.

Coffee Creek Substation: PGE is building a 17 MW, two-hour Energy Storage System on PGE-owned property adjacent to the existing Coffee Creek Substation. This system will be able to provide capacity, energy and ancillary services to the system during

¹ See, 2015 Oregon Laws Chapter 312.

² See, Commission Order No. 18-290, Appendix A, at <https://apps.puc.state.or.us/orders/2018ords/18-290.pdf> for a listing of the stipulated conditions PGE must meet.

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normal operations, as well as mitigate outages caused by asset failure or other system issues during outage conditions.

Description of Expenses

By implementing these projects, PGE will gain knowledge and experience with planning, installation, operations, maintenance, and informing larger scale BESS deployment. PGE will control and operate the project for system needs and will have the ability to dispatch the system as needed.

Reason for Deferral

Pursuant to ORS 757.259(2)(e), and for the reasons discussed above, PGE seeks deferred accounting treatment for the Coffee Creek project.

This Application will minimize the frequency of rate changes and/or match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets and credit the appropriate FERC expense accounts. When specific identification of the particular source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited.

Estimate of Amounts

The overnight capital costs for the Coffee Creek Substation project are capped at a maximum allowable cost of \$30.1 million (2017 dollars) as approved by Commission Order No. 18-290.

PGE will recover the costs of the Coffee Creek project via Schedule 138. PGE currently expects that the Coffee Creek Substation project will be completed by the end of Q4, 2024.

Also, as noted the AAC and associated deferrals will provide cost recovery for the Coffee Creek projects from their in-service dates until the costs are incorporated in a future PGE general rate case.

In addition, Table 1 provides capital cost cap amounts as established through Commission Order No. 18-290 and estimated annual O&M costs for the Coffee Creek Substation and Camino del Sol Mid-Feeder projects.

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Table 1

Name	Achieved/Estimated In-service Date	Actual/Estimated Total Capital Costs (Millions)	Annual O&M Costs (Millions)
Coffee Creek Substation	(Estimated) Q4 2024	Capital Cost Cap per Order \$30.1	Estimated* \$0.4
Camino del Sol (Formerly Baldock) Mid-Feeder	(Estimated) Post 2024	Capital Cost Cap per Order \$2.5	No estimate at this time.

*O&M costs are expected to be higher in year 6 (current estimate \$1.4 million) and year 9 (currently estimate \$0.6 million) due to battery augmentation work.

And Table 2 provides actual amounts deferred from 2020 through full year 2022.

Table 2

Name	In-Service Date	Actual Deferred 2020	Actual Deferred 2021	Actual Deferred 2022
BPSC	September 2020	\$79,528.07	\$119,860.51	\$136,988.05
PW2 Kickstart	October 2021	\$0	\$223,586.66	\$695,113.84

Information Related to Future Amortization

- Earnings Review – Cost recovery associated with the Pilots is not subject to an earnings review under Schedule 138.
- Prudence Review – PGE will submit Pilot evaluation reports that will provide detailed cost summaries. A prudence review can also be performed during the Pilots' operations.
- Sharing – The AAC does not include a sharing mechanism.
- Rate Spread/Rate Design – Applicable costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of revenue applied on a cents-per-kWh basis.
- Three Percent Test (ORS 757.259(6)) – The amortization of the Pilot's deferred costs will be subject to the three percent test in accordance with the ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period.

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Conclusion

Based on Staff's review of PGE's application to request authorization to defer, for future inclusion in customer rates, the revenue associated with the cost associated with the energy Storage Pilots, Staff recommends PGE's application be approved subject to Staff's recommended condition (Condition):

- No later than November 1 of each year, PGE can make a filing regarding the amounts deferred inclusion in the balancing account established under PGE Schedule 138.
- If PGE intends to seek a change of the rates of amortization set forth in Schedule 138, PGE will make an advice filing accompanied by information showing the prudence of the deferred costs.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve PGE's deferral costs of Energy Storage Pilot projects not otherwise included in rates for the 12-month period beginning on September 1, 2024, subject to the conditions set forth in Staff's memorandum.

Portland General Electric UM 2113(5)