

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 20, 2018

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: November 13, 2018

TO: Public Utility Commission

FROM: Caroline Moore *CM*

THROUGH: Jason Eisdorfer *EPF* and JP Batmale *JPB*

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 1930) Community Solar Implementation Update.  
Information only.

**STAFF RECOMMENDATION:**

Informational filing - no recommendation.

**DISCUSSION:**

Issue

This report provides an update on two key Community Solar Program (CSP) implementation milestones:

1. The competitive selection of the CSP Program Administrator (PA); and
2. The establishment of the process by which utilities will recover program start-up costs.

Applicable Law

*CSP Program Administrator*

Section 22 of Senate Bill (SB) 1547, effective March 8, 2016 and codified in Oregon Revised Statute (ORS) 757.386, directs the Public Utility Commission of Oregon (Commission) to establish a community solar program (hereinafter referred to as "Community Solar Program", "Program", or "CSP").

Division 88 of Chapter 860 of the Administrative Rules specifies that the Commission will select a CSP Program Administrator (PA) and Low Income Facilitator (LIF) through a competitive bidding process.<sup>1</sup>

#### *Competitive Procurement*

Oregon Administrative Rules (OAR) Chapter 125, Division 246 delegate procurement authority to the Department of Administrative Services (DAS) for procurements exceeding \$150,000. ORS 279B.060 and OAR 125-247-0260 set forth the methods for competitive sealed proposals. A combination of these methods is deployed in the process to procure CSP Program Administrator services.

#### *CSP Cost Recovery*

ORS 757.386(7) specifies different treatment for the start-up and ongoing costs of the CSP.

1. Start-up costs: Utilities may recover prudently-incurred program start-up costs as well as costs of energy purchased from CSP projects (Projects) from all ratepayers.
2. Ongoing costs: Owners and subscribers (i.e., program participants) bear the cost to construct and operate Projects, plus ongoing program administration costs.

OAR 860-088-0160(1) clarifies that start-up PA and LIF costs are recoverable in rates of all ratepayers. Further, the rules specify that utilities' prudently-incurred start-up costs recoverable from ratepayers include, but are not limited to, costs associated with customer account information transfer and on-bill crediting and payment, but exclude any costs associated with the electric company developing a project.<sup>2</sup>

OAR 860-088-0160(2) clarifies that ongoing PA and LIF costs are collected from CSP participants.<sup>3</sup>

#### Analysis

##### *Background*

At the September 25, 2018 Public Meeting, Staff provided an information only status update on UM 1930 Community Solar Program Implementation. In its update, Staff committed to provide two subsequent updates to the Commission:

- 1) A timing update if a contract for PA services is not executed within 60 days of the September 25, 2018 Public Meeting.

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<sup>1</sup> OAR 860-088-0020(1) and OAR 860-088-0030(1).

<sup>2</sup> OAR 860-088-0160(1)(b).

<sup>3</sup> The program rules do not specify recovery for utilities' ongoing costs.

- 2) An update on efforts to agree on the processes by which utilities will recover CSP start-up costs no later than November 2018.

This report is intended to provide the above two updates.

#### *PA Contract Update*

A contract for PA services has not been executed, and the solicitation remains in the contract negotiation phase led by DAS. Per state rules, DAS will remain the single point of contact throughout the remainder of the negotiation phase. At the September 25, 2018 Public Meeting, Staff estimated that contract negotiations could take 60 – 90 days. Staff now anticipates that the process will require at least 90 days, with the possibility of exceeding this timeframe. While contract negotiation is proving lengthier than anticipated, it represents the time required for DAS to adhere to state law and its firmly established procurement processes. Staff will continue to work with DAS to focus their efforts on three key principles:

- Ensuring the complete and timely delivery of these complex services;
- Transparency of process; and,
- Securing the best value for ratepayers.

Staff will notify the Commission when contract negotiations are complete, at which point the contract can be presented to the Commission for approval.

#### *Cost Recovery Update*

Utilities, stakeholders, and Staff have continued to work together to resolve start-up cost recovery issues by the end of November. A summary of progress is provided below.

On October 22, 2018, parties participated in a workshop to work through unresolved issues related to the utilities' proposals for recovery of both PA/LIF and utility start-up costs. Key takeaways from the workshop include<sup>4</sup>:

- There is general agreement with the utilities' proposals to recover PA/LIF start-up costs.
- The utilities will not be able to provide detailed information about the magnitude of anticipated utility start-up costs until the PA can provide detailed guidance about utility requirements to facilitate the program.
  - Idaho Power Company expects its billing system will be able to handle the requirements without expensive upgrades. Portland General Electric and PacifiCorp were not able to offer that supposition.

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<sup>4</sup> For a description of all CSP cost, see UM 1930 Community Solar Implementation Staff Report for the September 25, 2018 Public Meeting (Item No. 2), p. 4- 6.

- Utility deferral of capital utility start-up costs should follow the guidance provided in Docket No. UM 1909 Investigation of the Scope of the Commission's Authority to Defer Capital Costs. Utilities committed to filing deferrals for recovery of PA/LIF and utility start-up costs when this guidance is available.
- Utilities will file tariffs to recover PA/LIF and utility start-up costs when the PA/LIF's costs and utility requirements are known.
- Stakeholders and utilities shared thoughtful ideas for the transition between start-up and ongoing costs. Staff is considering these ideas in preparation for execution of a contract and finalization of a budget with the PA.

Following the workshop, additional developments occurred.

- On October 29, 2018, the Commission issued Order No. 18-423 in Docket No. UM 1909, which concluded that ORS 757.259(2)(e) provides the Commission no authority to allow deferrals of any costs related to capital investments.
- Portland General Electric filed an application for deferred accounting treatment of start-up costs associated with non-capital start-up costs on November 8, 2018. Staff is reviewing this application.<sup>5</sup>
- The utilities are working with Staff to address the implications of Order No. 18-423 and develop recommendations needed to implement the Commission's decision. The utilities are reviewing the Commission's guidance and developing new proposed processes for the recovery of capital utility start-up costs.

Staff will continue to update the Commission on the status of cost recovery efforts, including a status update no later than January 2019.

### Conclusion

#### *PA Selection*

The RFP remains in the contract negotiation phase lead by DAS. Staff will continue to provide updates to the Commission on the status of PA selection.

#### *Cost Recovery*

The utilities and stakeholders provided thoughtful discussion at the October 22, 2018 cost recovery workshop. Following guidance from in the Commission related to the deferral of capital costs, Portland General Electric filed an application for application for

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<sup>5</sup> See UM 1977 PGE Deferral of Start-up Costs Community Solar Program Implementation.

deferred accounting treatment of non-capital start-up costs on November 8, 2018. Staff is reviewing this application.<sup>6</sup>

The utilities are working with Staff to understand the Commission guidance related to deferral of capital costs and developing new proposed processes for the recovery of capital utility start-up costs.

Staff will continue to update the Commission on the status of PA selection and cost recovery efforts, including a status update no later than January 2019.

**PROPOSED COMMISSION MOTION:**

Informational filing - no recommendation.

UM 1930 Update

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<sup>6</sup> See UM 1977 PGE Deferral of Start-up Costs Community Solar Program Implementation.