ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 9, 2019

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** N/A

DATE: April 2, 2019

TO: Public Utility Commission

FROM: Caroline Moore CM

THROUGH: Jason Eisdorfer and JP Batmale

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1930) Community solar start-up cost recovery and remittance of funds to the Program Administrator.

STAFF RECOMMENDATION:

The Oregon Public Utility Commission (OPUC or Commission) approve Staff's proposal for the following processes associated with Community Solar Program (CSP) start-up costs:

- Review monthly invoices from Energy Solutions for Program Administrator and Low-Income Facilitator services,
- Allocate approved start-up costs between Idaho Power Company (IPC), PacifiCorp (PAC), and Portland General Electric (PGE), and
- Direct IPC, PAC, and PGE to remit payment to Energy Solutions.

Further, Staff's memo provides a recommendation for efforts to implement start-up cost recovery and remittance to the PA through tariff filings.

DISCUSSION:

Issue

Whether the Commission should approve Staff's proposed process to review monthly invoices, allocate costs, and remit payment to Energy Solutions for CSP Program Administrator and Low-Income Facilitator start-up services.

Applicable Rule or Law

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 "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.[1]

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) states that start-up costs must be reviewed and approved by Commission order and 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, but exclude any costs associated with the electric company developing a CSP project.[2]

Analysis

Background

CSP start-up costs can be categorized as follows:

- PA/LIF start-up costs,
- Non-capital utility start-up costs, and
- Capital start-up costs.

Efforts to establish a process for recovering start-up costs and the associated tariff filings kicked off in June 2018, and included:

[1] OAR 860-088-0020(1) and OAR 860-088-0030(1).
[2] OAR 860-088-0160(1)(b).

- Staff hosted an initial workshop to scope cost recovery issues and identify key next steps on June 18, 2018. Due to the timeline to begin incurring and remitting payment for PA/LIF services, efforts focused on start-up costs.
- IPC, PAC, and PGE submitted CSP start-up cost recovery proposals to Staff on August 13, 2018.
- Parties submitted comments on the utilities' start-up cost recovery proposals on September 7, 2018.
- On October 22, 2018, stakeholders, utilities, and Staff participated in a workshop to discuss outstanding issues.

Through this process, parties agreed on the following methods:

Start-up cost category	**Conclusion of 2018 stakeholder discussion**
PA/LIF start-up costs	• IPC: Defer all start-up costs until the start-up period ends. Costs will be recovered through the net variable power cost Schedule 56. • PAC and PGE: Contemporaneous recovery using an automatic adjustment clause to recover forward forecasted costs and a deferral to recover any variance at year end. • As of December 18, 2018, each utility has a deferral in place for community solar start-up costs.
Non-capital utility start-up costs	Parties agreed that non-capital start-up costs incurred by the utilities would be recovered in the same manner as the PA/LIF start-up costs.
Capital utility start-up costs	Parties did not agree on a method to recover any capital start-up costs that utilities may incur because the Commission was deliberating the ability of utilities to defer capital costs in docket UM 1909. On October 29, 2018, the Commission issued Order No. 18-423, which concluded that ORS 757.259(2)(e) provides the Commission no authority to allow deferrals of any costs related to capital investments. Recognizing the impact of this decision on matters such as CSP, the Commission opened a new investigation on February 19, 2019 that will explore options for the recovery of capital costs, including those incurred through CSP start-up activities.

On March 5, 2019, the State of Oregon executed a contract for PA/LIF services with Energy Solutions. PA/LIF start-up activities are now underway and PA/LIF start-up costs are being incurred. Because of this immediate need, the following Staff recommendations focus on establishing a process for remitting start-up funds from utilities to Energy Solutions and the tariffs required to recover those costs from ratepayers.

PA/LIF start-up costs amount and allocation
The total not to exceed amount for PA and LIF start-up costs in the contract is $1,706,448. Actual start-up costs will be based on the hours and expenses required to complete start-up services, up to the not-to-exceed amount.

Staff recommends that the Commission allocate these PA/LIF start-up costs based on average customer count, which is in line with the utilities' joint recommendation. In its September 18, 2018 status update, Staff considered whether basing the allocation on 2016 system peak load would be more accurate because it reflects the opportunity of ratepayers to benefit from start-up costs through participation in CSP.[3] Staff has applied both allocation methods on the not-to-exceed start-up cost amount and determined that basing the allocation on 2016 system peak would increase the dollar amount of IPC's allocation by 58 percent, while only affecting PGE (decrease) and PAC (increase) by two percent. Staff finds that allocating based on average customer count can mitigate the impact of CSP start-up on IPC ratepayers, while minimally impacting PGE and PAC's allocation.

Based on the most recent average customer data available, the recommended allocations are provided in the table below. This allocation method will be used in the monthly invoicing and remittance process described in the next section.

Company	Average customers Source: 2017 stat book[4]	Allocation
PGE	870,333	59.22%
PAC	580,492	39.50%
IPC	18,937	1.29%

[3] Per OAR 860-088-0060 the capacity of CSP projects available to ratepayers of each utility is based on their utility's 2016 system peak.
[4]Based on Average Number of Customers provided on p. 9 of the 2017 Oregon Utility Statistics report. https://www.puc.state.or.us/docs/statbook2017.pdf.

PA/LIF invoice and payment process
Staff worked with each utility and Energy Solutions to design a process by which Commission Staff will review, approve, allocate, and direct utilities to remit payment for PA/LIF start-up services on a monthly basis. Due to the amount of resources required to carefully review monthly start-up expenses, Staff recommends that the Commission issue an order approving Staff's proposed monthly invoice and remittance process as follows.

1. Staff performs the invoice review:
    - On the 15th of every month in which start-up costs are incurred, beginning on April 15, 2019, Energy Solutions will provide OPUC Staff with a detailed monthly invoice for start-up costs that includes hours per employee per task, expenses incurred per task, progress toward completion of tasks, and expenses incurred in relation to the not to exceed amount established in the contract.
    - Commission Staff will carefully review the invoice against the program budget provided by Energy Solutions.
    - Staff will approve a total monthly invoice amount and notify Energy Solutions via email within 30 days of receipt of the invoice.
2. Staff determines utility allocations:
    - Following approval of the monthly invoice amount, Commission Staff will calculate each utilities' allocation per the method approved by the Commission.
3. Staff directs each utility to remit payment to Energy Solutions.
    - Staff will notify each utility of their monthly allocation of PA/LIF start-up costs via email within 30 days of receipt of the invoice.
    - Staff is working with the utilities to identify the format and content of this email.
4. Utilities remit payment directly to Energy Solutions:
    - The utilities will remit payment to Energy Solutions in the amount directed by Staff.
    - Payment will be made in a manner agreed upon by Energy Solutions and each utility. These discussions are currently underway.
    - Staff recommends that the Commission require the utilities to remit payment to Energy Solutions within 15 days of notice (Step 4). This will allow a net 45 day payment process for Energy Solutions, which adheres to reasonable business practices and prevents major impacts to Energy Solutions' operations, including timely payments to subcontractors. One

utility has agreed to these terms and two are confirming their ability to comply.

5. Staff and Energy Solutions will closely track start-up expenses and report to the Commission in the following ways:
    - Include an overview of start-up costs incurred to date in the regular status update to the Commission on implementation activities.
    - Perform an annual review, reconciliation, and external audit of program budget performance.

Tariff filings
Staff proposes that the utilities implement the above process and obtain cost recovery from ratepayers through the following tariff filings:

For PGE and PAC, Staff proposes that the companies file a tariff for contemporaneous recovery of both PA/LIF start-up costs and prudently incurred utility non-capital using an automatic adjustment clause to recover forward forecasted costs and a true-up mechanism to recover variances between forecasted and actual costs. The utilities have already filed under ORS 757.259 to defer the variance between actual and forecasted costs to properly implement the true-up mechanism. The tariffs will include a description of the Commission approved process by which utilities will remit monthly payments for PA/LIF start-up services to Energy Solutions within 15 days of notice from Commission Staff.

For IPC, Staff recommends that the company file a tariff that describes the Commission approved process by which utilities will remit monthly payments for PA/LIF start-up services to Energy Solutions within 15 days of notice from Commission Staff. Idaho Power has already filed an application to defer start-up costs for the Community Solar Program.

<u>Conclusion</u>

On March 5, 2019, the State of Oregon executed a contract for PA/LIF services with Energy Solutions. PA/LIF start-up activities are now underway and PA/LIF start-up costs are being incurred. Staff recommends the Commission approve the following process for reviewing invoices and remitting start-up funds from utilities to Energy Solutions:

- **Allocation of PA/LIF start-up costs:** Allocate start-up costs across utilities based on average customer count. The recommended allocations are as follows:

Company	Average customers - 2017 stat book[5]	Allocation
PGE	870,333	59.22%
PAC	580,492	39.50%
IPC	18,937	1.29%

- **PA/LIF invoice and payment process:** Approve Staff's proposed process to review, approve, allocate, and direct utilities to remit payment for PA/LIF start-up services, within 15 days of notice from Staff, on a monthly basis. Staff and Energy Solutions will closely track start-up expenses and report to the Commission regularly.

- **Tariff filings:** Approve Staff's proposal that the utilities implement cost recovery and remittance to the PA through tariff filings.

PROPOSED COMMISSION MOTION:

Approve Staff's proposal for the following processes associated with CSP start-up costs:

- Review monthly invoices from Energy Solutions for PA and LIF services and approve invoices for services that fall within terms of contract and Program requirements,
- Allocate approved start-up costs between IPC, PAC, and PGE,
- Direct IPC, PAC, and PGE to remit payment to Energy Solutions, and
- Utilities' cost recovery and remittance to the PA through tariff filings.

UM 1930 Start-up Costs

[5] Based on Average Number of Customers provided on p. 9 of the 2017 Oregon Utility Statistics report. https://www.puc.state.or.us/docs/statbook2017.pdf.