



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

May 06, 2010

Email / US Mail

Commission Filing Center
Public Utility Commission of Oregon
550 Capitol St NE #215
Salem OR 97301-2551

Re: **UM ___ Application for Deferral of Expenses**
Associated with a Photovoltaic Volumetric Incentive Rate Pilot

Ms. Bailey-Goggins:

Enclosed for filing are the original and one copy of Portland General Electric's Application for Deferral of Expenses Associated with a Photovoltaic Volumetric Incentive Rate Pilot.

We have provided notification of this application to the UE 197 and UM 1452 service lists. This application is being filed by electronic mail with the Filing Center. PGE waives paper service of documents in this proceeding and has E-filed a copy on this date.

Please direct all formal correspondence, questions, or requests to the following e-mail address:
pge.opuc.filings@pgn.com.

If you have any questions or require further information, please call me at (503) 464-7580 or Robert Macfarlane at (503) 464-8954.

Sincerely,

Patrick G. Hager
Manager, Regulatory Affairs

PGH/jw
encls.

cc: UE-197 and
UM 1452 service lists

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Order
Approving the Deferral of Expenses Associated
with a Photovoltaic Volumetric Incentive Rate
Pilot

**Application for Deferral of Expenses
Associated with a Photovoltaic Volumetric
Incentive Rate Pilot**

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company (“PGE”) hereby requests authorization to defer for later rate-making treatment expenses associated with the Photovoltaic Volumetric Incentive Rate Pilot, implemented in compliance with ORS 757.365, including payments to owners of Qualified Systems for generation and cost of administering and running the pilot. PGE may seek amortization of the deferred amount in a future Commission proceeding. In support of this Application, PGE states:

1. PGE is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Oregon Public Utility Commission (“Commission”).
2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. Communications regarding this Application should be addressed to:

Randy Dahlgren
Rates & Regulatory Affairs
Portland General Electric,
1 WTC0702
121 SW Salmon Street
Portland, Oregon 97204
Phone: 503.464.7857
E-mail: pge.opuc.filings@pgn.com

Douglas C. Tingey
Assistant General Counsel
Portland General Electric,
1 WTC1301
121 SW Salmon Street
Portland, Oregon 97204
Phone: 503.464.8926
E-mail: Doug.Tingey@pgn.com

PGE waives paper service in this proceeding. In addition to the names and addresses above the following are to received notices and communications via the e-mail service list:

Patrick G. Hager, Manager, Regulatory Affairs
E-mail: Patrick.Hager@pgn.com

Rob Macfarlane, Business Analyst, Rates and Regulatory Affairs
Email: Rob.Macfarlane@pgn.com

I. OAR 860-027-0300(3) Requirements

The following is provided pursuant to OAR 860-027-0300(3).

A. Background

ORS 757.365, as amended by House Bill 3690 (HB 3690) states, “The Public Utility Commission shall establish a pilot program for each electric company to demonstrate the use and effectiveness of volumetric incentive rates and payments for electricity or for the non-energy attributes of electricity, or both, from solar photovoltaic energy systems that are permanently installed in this state by retail electricity consumers and that first become operational after the program begins.” HB 3690 requires that the PV VIR Pilot program be available to customers by July 1, 2010..

The photovoltaic pilot program required by ORS 757.365 is commonly referred as a photovoltaic (PV) feed-in tariff (FiT) and a volumetric incentive rate (VIR) pilot. Under Docket AR 538, Commission rules for the PV VIR Pilot will be established, and UM 1452 will set out additional details to implement the pilot. PGE expects an order(s) order at any time. Consistent with the Commission’s order, PGE will file tariffs (rate schedules), a VIR form agreement, and undertake additional activities to provide incentive payments to qualifying photovoltaic installations, thereby establishing a PV VIR Pilot.

ORS 757.365 allows for cost recovery such that “[a]ll prudently incurred costs associated with compliance with this section are recoverable in the rates of an electric company.” This deferral is part of the process to allow PGE to recover costs associated with the PV VIR Pilot.

Applications for participation could approach 1,000 per year, even with annual limits imposed by the Commission. It is imperative that certain preparatory work begin soon in order to meet the anticipated timelines for implementing the new pilot program, including changes to PGE billing processes and customer support functions. In an effort to have the basic program capabilities in place by July 1, 2010, PGE must add resources now for both training and program process development. Resources (including temporary or contract staff) are needed to provide PV VIR program support to the customers and installers. A broad range of tasks is described below. These tasks represent substantial effort and PGE has limited existing resources available to deploy to the PV VIR Pilot. To have additional resources in place PGE is filing this deferral now, rather than waiting for an order from the Commission in both AR 538 and UM 1452.

Balancing Account

PGE will maintain a pilot cost recovery balancing account to accrue the incremental pilot costs. These incremental costs include, but are not be limited to the following:

- (1) Volumetric incentive payments and/or retail bill offsets to participants;
- (2) administrative costs associated with PV VIR program operations (applicant/participant support and informational services; application processing agreements, and billing/payment management; distribution system impact reviews and installation inspections);
- (3) data collection;
- (4) development costs for billing and website (including reporting available capacity);
- (5) customer surveys; and
- (6) regulatory reporting requirements.

Amounts accrued in the balancing account may either be recovered through a new "Part C" of Schedule 105, or an altogether new schedule. Balances accrue interest at the Commission-authorized rate of return for deferred accounts.

This application for deferral accounting facilitates the balancing account requirements that will be described in the cost recovery schedule. PGE intends to recover PV VIR Pilot costs from all applicable customer classes in the manner authorized by the Commission. Approval of the deferral application is necessary to proceed with the PV VIR Pilot since these incremental costs are not included in any other cost recovery mechanism.

B. Reasons for Deferral

PGE seeks this deferral pursuant to ORS 757.259(2)(e). The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. This deferral is necessary because ORS 757.365 requires the Photovoltaic Volumetric Incentive Rate Pilot and the costs of implementing and operating the PV VIR pilot are not currently in rates.

C. Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 407.4, Regulatory Credits. In the absence of a deferred accounting order from the Commission, PGE would record costs associated with the Photovoltaic Volumetric Incentive Rate Pilot to various FERC accounts.

D. Estimate of Amounts

Costs of the pilot consist of two types: (1) VIR payments to participants including any retail electricity service bill offset amounts, and (2) the program costs incurred to carry-out and administer (including system development) the requirements for a PV VIR Pilot. For both cost categories, the amounts deferred depend upon actual participation levels and PV system sizes of participants in the pilot. Deferred costs are therefore difficult to estimate.

Payments to FiT participants depend on the (1) rate paid to participants, (2) the output from the Qualifying Systems, and (3) the number of Qualifying Systems in operation. As such, PGE cannot

effectively estimate the payment amount. Further, the Commission may modify the VIR for small and some medium sized systems during the first four years of the pilot affecting the level of customer participation. PGE's share of the 25 MW statewide pilot capacity may also be adjusted by the Commission. Until more information is available, PGE's rough estimate of the incremental administrative costs may range from \$300,000 to \$500,000 annually for the first four years.

The PV VIR program is a pilot; therefore, PGE does not anticipate undertaking extensive or permanent system or staffing changing until the PV VIR program as currently proposed is expected to continue for an extended time. PGE will adjust staffing as necessary based on participation levels in a cost efficient manner as possible.

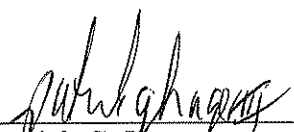
E. Notice

A copy of the notice of application for deferred accounting treatment and a list of persons served with the notice are attached to the Application as Attachment A.

II. Conclusion

For the reasons stated above, PGE requests permission to defer expenses associated with the Photovoltaic Volumetric Incentive Rate Pilot as described herein from the date of this Application.

DATED this 6th day of May, 2010.



Patrick G. Hager
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Portland General Electric Company
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Portland, OR 97204
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E-Mail: patrick.hager@pgn.com

Attachment A

**Notice Of Application For Deferral of Expenses
Associated With a Photovoltaic Volumetric Incentive Rate Pilot**

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM _____**

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Expenses Associated with a Photovoltaic Volumetric Incentive Rate Pilot

Notice of Application for Deferral of Expenses Associated with the Photovoltaic Volumetric Incentive Rate Pilot

On May 6, 2010, Portland General Electric Company ("PGE") filed an application with the Oregon Public Utility Commission (the "Commission") for an Order authorizing deferral of certain expenses associated with a Photovoltaic Volumetric Incentive Rate Pilot.

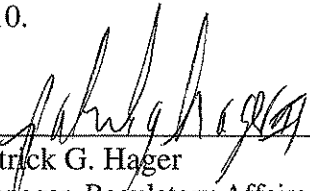
Approval of PGE's Application will not authorize a change in PGE's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Persons who wish to obtain a copy of PGE's application should contact the following:

PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street, 1WTC-0702
Portland, OR 97204
(503) 464.7857 (telephone)
(503) 464.7651 (fax)
pge.opuc.filings@pgn.com

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than June 5, 2010.

DATED this 6th day of May, 2010.

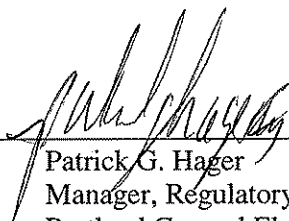


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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **Notice of Application for Deferral of Expenses Associated with a Photovoltaic Volumetric Incentive Rate Pilot** to be served by Electronic Mail to those parties whose e-mail addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, upon those parties on the attached service list who have not waived paper service from OPUC Docket No. UE 197 and UM 1452.

DATED this 6th day of May, 2010.



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