



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

November 9, 2006

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97310-2551

Attn: Vikie Bailey-Goggins, Administrator
Regulatory and Technical Support

RE: Application for Deferred Accounting Treatment of Certain Expenditures
Associated with the Bonneville Power Administration's Conservation Rate Credit

PacifiCorp (d.b.a. Pacific Power & Light Company) hereby submits for filing an original and five copies of the company's Notice of Application and Application for Deferred Accounting Treatment of Certain Expenditures Associated with the Bonneville Power Administration's Conservation Rate Credit.

It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com.

By Fax: (503) 813-6060

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Laura Beane at (503) 813-5542.

Very truly yours,

Andrea L. Kelly
Vice President, Regulation

Enclosures

cc: Service List UE-179

I hereby certify that on this 9th day of November, 2006, I caused to be served, via E-Mail, and U.S. Mail, a true and correct copy of PacifiCorp's Notice of Application and Application for Deferred Accounting Treatment of Certain Expenditures Associated with the Bonneville Power Administration's Conservation Rate Credit to the following:

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| <p>RATES & REGULATORY AFFAIRS PORTLAND GENERAL ELECTRIC RATES & REGULATORY AFFAIRS 121 SW SALMON STREET, 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com</p> | <p>JIM ABRAHAMSON -- COMMUNITY ACTION DIRECTORS OF OREGON 4035 12TH ST CUTOFF SE STE 110 SALEM OR 97302 jim@cado-oregon.org</p> |
| <p>KURT J BOEHM -- MICHAEL KURTZ BOEHM KURTZ & LOWRY 36 E SEVENTH ST - STE 1510 CINCINNATI OH 45202 kboehm@bkllawfirm.com</p> | <p>RICHARD LORENZ CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP 1001 SW 5TH AVENUE SUITE 2000 PORTLAND, OR 97204 rlorenz@chbh.com</p> |
| <p>LOWREY R BROWN -- CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY, SUITE 308 PORTLAND OR 97205 lowrey@oregoncub.org</p> | <p>JASON EISDORFER -- CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org</p> |
| <p>MELINDA J DAVISON -- IRION SANGER DAVISON VAN CLEVE PC 333 SW TAYLOR, STE. 400 PORTLAND OR 97204 mail@dvclaw.com</p> | <p>EDWARD A FINKLEA -- CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP 1001 SW 5TH, SUITE 2000 PORTLAND OR 97204 efinklea@chbh.com</p> |
| <p>JUDY JOHNSON - PUBLIC UTILITY COMMISSION 550 CAPITAL STREET, SUITE 215 SALEM OR 97308-2148 judy.johnson@state.or.us</p> | <p>JASON W JONES -- DEPARTMENT OF JUSTICE REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us</p> |
| <p>KATHERINE A MCDOWELL -- MCDOWELL & ASSOCIATES PC 520 SW SIXTH AVE. STE 830 PORTLAND OR 97204-8 Katherine@mcd-law.com</p> | <p>JIM DEASON ATTORNEY AT LAW ONE SW COLUMBIA STREET, SUITE 1600 PORTLAND, OR 97258 jimdeason@comcast.net</p> |
| <p>LON L. PETERS NORTHWEST ECONOMIC RESEARCH INC. 607 SE MANCHESTER PLACE PORTLAND, OR 97202 lpeters@pacifier.com</p> | <p>KARL HANS TANNER OREGON ENERGY COORDINATORS ASSOCIATION 2448 WEST HARVARD BLVD. ROSEBURG, OR 97470 Karl.tanner@ucancap.org</p> |
| <p>DAVID TOOZE PORTLAND CITY OF ENERGY OFFICE 721 NW 9TH AVENUE SUITE 350 PORTLAND, OR 97209 dtooze@ci.portland.or.us</p> | <p>BENJAMIN WALTERS PORTLAND CITY OF --OFFICE OF CITY ATTORNEY 1221 SW 4TH AVENUE ROOM 430 PORTLAND, OR 97204 bwalters@ci.portland.or.us</p> |

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|---|--|
| <p>RICHARD GRAY PORTLAND CITY OF – OFFICE OF TRANSPORTATION 1120 SW 5TH AVE. ROOM 800 PORTLAND, OR 97204 Richard.gray@pdxtrans.org</p> | <p>DOUGLAS C TINGEY PORTLAND GENERAL ELECTRIC 121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com</p> |
| <p>ANDREA FOGUE LEAGUE OF OREGON CITIES 1201 COURT STREET NE SUITE 200 SALEM, OR 97308 afogue@orcities.org</p> | <p>MICHAEL T. WEIRICH DEPARTMENT OF JUSTICE REGULATED UTILITY AND BUSINESS SECTION 1162 COURT STREET NE SALEM, OR 97301-4096 Michael.weirich@doj.state.or.us</p> |
| <p>LAURA BEANE PACIFIC POWER & LIGHT 825 NE MULTNOMAH STE 800 PORTLAND OR 97232 laura.beane@pacificcorp.com</p> | <p>JAMES T. SELECKY BRUBAKER AND ASSOCIATES, INC. 1215 FERN RIDGE PKWY – STE 208 ST. LOUIS, MO 63141 jtselecky@consultbai.com</p> |
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Peggy Ryan
Supervisor Regulatory Administration

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of PACIFIC
POWER & LIGHT (d/b/a PacifiCorp) for an
Order Approving the Deferral of Certain
Expenditures Associated with the
Bonneville Power Administration's Rate
Credit

NOTICE OF APPLICATION

On November 9, 2006, Applicant PacifiCorp applied to the Public Utility Commission of Oregon (the "Commission") for authorization to use deferred accounting.

PacifiCorp proposes to defer from the date of the application forward its incremental conservation and renewable resource investments undertaken pursuant to certain Bonneville Power Administration (BPA) programs for the benefit of ratepayers generally. PacifiCorp expects the annual deferral amounts could be up to \$1.48 million. PacifiCorp requests that the deferral continue until the United States Court of Appeals for the Ninth Circuit resolves issues related to the BPA programs, but in no event longer than twelve months from the date of this filing.

The granting of the Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Interested persons can obtain a copy of the Application by contacting:

Data Request Center
PacifiCorp
825 NE Multnomah Street
Lloyd Center Tower, Suite 2000
Portland, OR 97232
datarequest@pacificorp.com

Any person may submit to the Commission written comment on the Application, in accordance with the procedures prescribed by the Commission. The deadline for comments on the application is December 4, 2006.

DATED: November 9, 2006.



Natalie Hocken
Assistant General Counsel
PacifiCorp

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of
PacifiCorp for an Order Approving the
Deferral of Certain Expenditures Associated
with the Bonneville Power Administration's
Conservation Rate Credit

APPLICATION FOR DEFERRED
ACCOUNTING TREATMENT OF
CERTAIN EXPENDITURES
ASSOCIATED WITH THE
BONNEVILLE POWER
ADMINISTRATION'S
CONSERVATION RATE CREDIT

Pursuant to ORS 757.259 and OAR 860-027-0300, PacifiCorp hereby requests the Commission to authorize the deferral of certain incremental investments in conservation and renewable resources made under the Bonneville Power Administration's ("BPA") Conservation Rate Credit ("CRC") program for potential incorporation in rates at a later date.

In support of this Application, PacifiCorp states:

1. PacifiCorp is a public utility in the state of Oregon, and its rates, service, and accounting practices are subject to the regulation of the 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:

Laura Beane
State Manager
PacifiCorp
825 NE Multnomah Street
Lloyd Center Tower, Suite 2000
Portland, OR 97232
Laura.Beane@PacifiCorp.com

Natalie Hocken
Assistant General Counsel
PacifiCorp
825 NE Multnomah Street
Lloyd Center Tower, Suite 1800
Portland, OR 97232
Natalie.Hocken@PacifiCorp.com

Data requests regarding this matter should be addressed to:

Data Request Response Center
PacifiCorp
825 NE Multnomah Street
Lloyd Center Tower, Suite 2000
Portland, OR 97232
Fax: (503) 813-6060
Email (preferred): datarequest@pacificorp.com

I. OAR 860-027-0300 REQUIREMENTS

The following information is provided in accordance with OAR 860-027-0300(3).

A. DESCRIPTION OF CURRENT UTILITY EXPENSE

PacifiCorp's Oregon residential and small farm customers share in the value of the low-cost federal hydroelectric power system through the Residential Exchange Program ("REP").¹ These residential and small farm customers currently receive bill credits as a result of payments that BPA makes under a settlement of the REP that ends October 1, 2011 ("REP Settlement"). Since February 2001, BPA has offered a program called the Conservation and Renewable Discount ("C&RD"). Under the C&RD, BPA's utility customers (including PacifiCorp) were eligible to earn rate credits for the

¹ See Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. § 839c(c) (1980).

installation of conservation measures or by making other qualifying expenditures for renewable energy, qualified research projects, or through donations to qualifying organizations. The maximum amount of eligible C&RD rate credit available to each utility customer is determined by multiplying 0.5 mills times the amount of power purchases (in the case of BPA's public power utility customers) or REP Settlement (in the case of BPA's investor-owned utility customers). As a result of PacifiCorp's qualifying expenditures for renewable energy, PacifiCorp received a .5 mills/kWh rate credit on power purchased from BPA through September 30, 2006.

Effective October 1, 2006, BPA replaced the C&RD program with the CRC. The CRC has many of the same program attributes as the C&RD, including a .5 mills/kWh rate credit for certain investments in conservation and renewable resources.

To qualify for the CRC, PacifiCorp must make investments in cost-effective conservation and renewable resource development in the region. Additionally, such investments must be "incremental," in that conservation and renewable resource activities or spending must exceed "what the utility or customer is [already] required by law or regulatory requirements to accomplish." BPA Energy Efficiency Conservation Rate Credit and Conservation Acquisition Agreement Implementation Manual, dated October 1, 2006 ("CRC-CAA Implementation Manual") at 29. PacifiCorp is eligible for up to \$2.57 million in credits under the CRC in federal fiscal year² ("FY") 2007. In order

² The federal fiscal year runs from October 1 through September 30.

to earn the maximum credit, PacifiCorp projects spending \$1.13 million on renewable projects and \$1.44 million on conservation efforts during FY 2007.

Like the C&RD, the CRC will be administered by BPA as a credit against PacifiCorp's wholesale power purchases from BPA, rather than an increase in payments under the REP Settlement.

The REP Settlement is the subject of multiple petitions for review before the United States Court of Appeals for the Ninth Circuit.³ The amount of CRC that PacifiCorp is eligible to claim for its conservation and renewable resource investments is directly related to the level of the REP Settlement. As a result, if the Ninth Circuit reduces the amount of the REP Settlement, the CRC could be reduced as well. Accordingly, PacifiCorp seeks deferred accounting treatment for its incremental conservation and renewable resource investments made after October 1, 2006 to protect its ability to recover these current expenses in the event that BPA reduces or eliminates the CRC in response to an adverse decision from the Ninth Circuit involving the REP.

B. REASONS FOR DEFERRAL

Deferral of current expenses related to the CRC is necessary to appropriately match the costs borne by and benefits received by customers. ORS 757.259(2)(e). In the event that BPA modifies the CRC in response to an adverse decision from the Ninth Circuit, PacifiCorp would seek amortization of these expenses coincident with inclusion in rates. The investments in conservation and renewable energy projects that PacifiCorp

³ See, e.g., *Portland General Electric Company, et al. v. Bonneville Power Admin., et al.*, No. 01-70003, et al.; *Golden Northwest Aluminum, Inc., et al. v. Bonneville Power Admin., et al.*, No. 03-73426, et al.

intends to make under the CRC provide current benefits to PacifiCorp customers by reducing load and diversifying resources, thereby minimizing the need for new supply-side resources and providing greater long-term rate stability.

C. PROPOSED ACCOUNTING

PacifiCorp proposes to record deferred amounts related to CRC-related expenditures to FERC Account 182.3, Other Regulatory Assets, and will credit FERC Account 242, Miscellaneous Current and Accrued Liabilities, for payments received from BPA. In the absence of deferred accounting, expenditures not funded by the CRC would be debited to the appropriate O&M account based on the type of expenditure.

D. ESTIMATE OF AMOUNTS

PacifiCorp expects to receive reimbursement under the CRC from BPA for qualifying investments in conservation and renewable resources and thus does not expect to maintain a balance in the deferred account. On an annual basis, PacifiCorp expects to receive CRC reimbursement of up to \$2.57 million for investments in eligible conservation and renewable resources. Because Oregon receives 57.7% of the CRC, the annual deferral amounts could be up to \$1.48 million if an adverse decision from the Ninth Circuit limits PacifiCorp's ability to recover its conservation and renewable expenses made under BPA's CRC program.

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 this Application as Attachment A.

II. CONCLUSION

For the reasons stated above, PacifiCorp requests permission to defer current expenses resulting from investments in conservation and renewable resources made under BPA's Conservation Rate Credit program, as described herein, from the date of this Application.

DATED: November 9, 2006.



Natalie Hocken
Assistant General Counsel
PacifiCorp