

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1338

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER)	ORDER
)	
Application for Deferral of Costs Relating to)	
Renewable Resources Pursuant to Senate Bill 838.)	

DISPOSITION: APPLICATION APPROVED

On August 27, 2007, PacifiCorp, dba Pacific Power (Pacific Power) filed a request with the Public Utility Commission of Oregon (Commission) to defer costs related to renewable resources for a period of twelve months. The filing was made pursuant to Sections 13(1), 13(3), and 13(a) of Senate Bill 838, the Oregon Renewable Energy Act. A full description of the filing and Staff's recommendation are contained in the Staff Report, attached as Appendix A and incorporated by reference.

At its Public Meeting on October 23, 2007, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that Pacific Power's request to defer costs related to renewable resources for a period of twelve months beginning September 1, 2007, is approved.

Made, entered, and effective OCT 25 2007.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 23, 2007**

REGULAR _____ CONSENT X EFFECTIVE DATE September 1, 2007

DATE: October 4, 2007

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: *M. Sparling* Lee Sparling and Ed Busch *EB*

SUBJECT: PACIFIC POWER & LIGHT COMPANY: (Docket No. UM 1338)
Requests authorization for deferral of costs related to renewable resource projects.

STAFF RECOMMENDATION:

I recommend the Commission approve Pacific Power & Light Company's request for authorization to defer costs related to renewable resources for twelve months beginning September 1, 2007.

DISCUSSION:

On August 27, 2007, Pacific Power & Light Company (PacifiCorp or company) filed a deferred accounting application pursuant to Sections 13(1), 13(3) and 13a of Senate Bill 838, the Oregon Renewable Energy Act. PacifiCorp specifically applies to the Commission for an order authorizing the company to defer certain costs as follows: (1) starting September 1, 2007, the revenue requirement not included in PacifiCorp's net variable power costs (NVPC) for the 100.5 MW Leaning Juniper project, and (2) starting January 1, 2008, the revenue requirement not included in PacifiCorp's NVPC for the 140 MW Marengo project, the 94 MW Goodnoe Hills project, and the 23 MW Blundell Geothermal Plant (Blundell). PacifiCorp collectively refers to Leaning Juniper, Marengo, Goodnoe Hills and Blundell as Renewable Resources. The company seeks deferral to accurately track and preserve costs associated with the Renewable Resources for later incorporation in rates.

On June 6, 2007, SB 838 was enacted to create a Renewable Portfolio Standard (RPS) for electricity. The RPS requires large Oregon electric utilities to meet 25 percent of their Oregon load by 2025 with electricity generated by renewable resources. Sections 13(1), 13(3) and 13a authorize utilities to timely recover in rates all costs that are

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prudently incurred relating to investment in renewable energy facilities and associated transmission as authorized by SB 838. PacifiCorp believes and staff agrees that deferred accounting is a method of timely cost recovery for costs prudently incurred relating to investment in the Renewable Resources.

By approving the use of deferred accounting at this time, PacifiCorp states that it can begin matching customer costs and benefits of the Renewable Resources in a timely manner. The revenue requirement amounts to be deferred will include, but are not limited to: (1) return on the plant investment at the most recently authorized rate of return, (2) a project-specific forecasted fixed operation and maintenance expense, (3) depreciation expense, (4) applicable property taxes and (5) tax credits. Staff also recommends that the related dispatch benefits be included to the extent those benefits are not captured in the company's Transition Adjustment Mechanism (TAM).

Leaning Juniper went into service in September 2006, and the power cost benefits were included in NVPC for all of 2007 through the TAM. Pursuant to Section 13a, deferral of costs should apply to all prudently incurred costs since the date of the company's last general rate case, Docket UE 179, the final Order for which, Order No. 06-530, was issued on September 14, 2006. As part of the Stipulation approved in Order No. 06-530, however, PacifiCorp agreed not to file a general rate case prior to September 1, 2007. This stay-out precluded PacifiCorp from seeking recovery of capital costs, including deferred recovery of Leaning Juniper or any other new generating resources in Oregon before September 1, 2007.

PacifiCorp states that Morengo, Goodnoe Hills and Blundell are expected to be in service before December 31, 2007, and are included in the NVPC for 2008 in Docket UE 191, along with Leaning Juniper. The costs of these plants will be allowed into the deferral at the time they become used and useful.

For 2007, PacifiCorp estimates that approximately \$1.6 million will be deferred for costs relating to investment in the Renewable Resources as authorized by SB 838. The 2007 estimated costs relate entirely to Leaning Juniper for September 1, 2007 through December 31, 2007. For 2008, PacifiCorp has not determined the costs it expects to incur for the Renewable Resources as the final costs are not known at this time.

PROPOSED COMMISSION MOTION:

Pacific Power & Light Company's request for authorization to defer costs related to renewable resources for twelve months beginning September 1, 2007, be approved.

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