

ORDER NO.

11 021

ENTERED

JAN 12 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1483

In the Matter of

PACIFICORP, dba PACIFIC POWER

Application for Deferred Accounting
Order.

ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On May 19, 2010, PacifiCorp, dba Pacific Power (Pacific Power), filed an application with the Public Utility Commission of Oregon (Commission) for an accounting order to defer costs associated with its Oregon Solar Incentive Program. The filing was made under ORS 757.365(10), ORS 469A.120(1) and (3), or ORS 757.259, because the Commission has not yet ruled on an application to defer costs associated with compliance with ORS 757.365. A description of the filing and its procedural history is contained in the Staff Report attached as Appendix A and incorporated by reference.

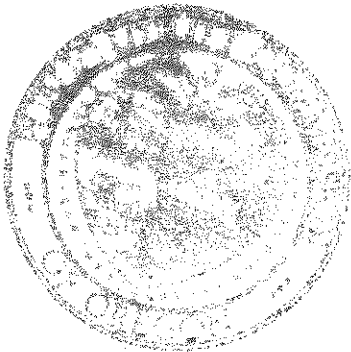
At its Public Meeting on December 28, 2010, the Commission adopted Staff's recommendation and approved Pacific Power's current request subject to the conditions contained in Appendix A.

ORDER

IT IS ORDERED that the application for an accounting order to defer costs associated with Pacific Power's Oregon Solar Incentive Program is approved, subject to the conditions listed in the Staff Report attached as Appendix A.

Made, entered, and effective JAN 12 2011

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA18

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2010**

REGULAR _____ CONSENT X EFFECTIVE DATE May 19, 2010

DATE: December 20, 2010

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: *in* Lee Sparling, *MEF* Maury Galbraith and *JG* Judy Johnson

SUBJECT: PACIFIC POWER & LIGHT: (UM 1483) Requests an accounting order to defer costs associated with its Oregon Solar Incentive Program.

STAFF RECOMMENDATION:

I recommend the Commission approve Pacific Power & Light's (PacifiCorp or Company) filing for the 12 month period beginning May 19, 2010, subject to the conditions that PacifiCorp be required to meet accounting and reporting requirements, as specified in this memo.

DISCUSSION:

PacifiCorp requests an order authorizing deferral of the costs and expenses associated with the photovoltaic feed-in tariff pilot program, including payments to owners of qualified systems for generation (i.e. a volumetric incentive rate) and costs associated with the administration of the pilot program. The Company will seek amortization of the deferred amount in a future Commission proceeding. This deferral is necessary to allow the Company to recover costs associated with compliance with ORS 757.365, as allowed by ORS 757.365(10).

The Company has filed its application in the alternative under ORS 757.365(10), ORS 469A.120(1) and (3), or ORS 757.259 because the Commission has not yet ruled on an application to defer costs associated with compliance with ORS 757.365, so the source of the Commission's legal authority to allow deferral of such costs has not yet been resolved. As ORS 757.365(10) provides the Commission authority independent of other statutes to authorize deferral of costs associated with compliance with ORS 757.365(10), the Company requests that the Commission authorize deferral under that statute.

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Alternatively, if the Commission finds that ORS 757.365(10) does not provide independent legal authority, such costs are appropriately deferred under ORS 469A.120 (1) and (3) as costs associated with compliance with the Oregon Renewable Portfolio Standards (RPS). Finally, if the Commission determines that neither of the aforementioned statutes allow for deferral of such costs, the Company requests authorization under ORS 757.269.¹

Subsequent to this filing, Staff convened two workshops with interested parties on August 18, 2010, and September 21, 2010, to discuss PacifiCorp's deferral application, along with Portland General Electric's similar application. Through these workshops, the utilities, Staff, and interested stakeholders reached agreement on a number of issues related to the deferrals for solar incentive programs, including the timing of filings, the types of costs to be recovered through the deferral, and the accounting formats that would be used to track and report the associated costs. The workshop attendees agreed that costs associated with this program should be incremental to those costs already included in rates. However, the workshop attendees did not reach general agreement on the cost allocation between customer classes for recovery of program costs.

Description of Utility Expense

The expense to be deferred includes the prudently incurred incremental expense associated with the preparations made by the Company for implementation on July 1, 2010, as well as the ongoing incremental costs to administer the program, including payments to participants in the program.

Reasons for Deferral

The incremental costs associated with compliance with ORS 757.365 are not currently included in rates. As the statute provides that prudently incurred costs associated with compliance with the statute are recoverable in rates, the deferral is necessary to accomplish that outcome.

Proposed Accounting

In its filing, the Company proposed to account for the deferred costs of the program by recording the deferral in Account 182.3 Other Regulatory Assets. As an aid to auditing the deferred costs associated with this filing prior to amortization, Staff proposed during the workshops that the costs be assigned to specific subaccounts of Account 182.3. PacifiCorp suggested and the workshop generally agreed to the following cost

¹ Subsequent to this filing, the Commission issued Order No. 10-200 establishing Division 084, Solar Photovoltaic Programs. While OAR 860-084-0060 establishes that a utility may recover costs through an automatic adjustment clause proceeding filed at the Commission pursuant to ORS 469A.120, it doesn't specify under which statute a request to defer should be made.

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categories: Program Development, Program Administration, Incentive Payments, and Metering. Credits to be applied against those costs include the categories Customer Charges and Avoided Energy Value.

Estimate of Amounts

At the time of the filing, PacifiCorp stated that given the variables associated with the program, the estimated incremental costs may range from \$1- \$1.2 million annually.

Staff's Analysis

As PacifiCorp's application to defer is appropriately made under the statutes, and the application meets the requirements of OAR 860-027-0300, Staff recommends approval with the condition that PacifiCorp's accounting of incremental program costs and credits be done in accordance with the recommendation above, and be reported using the spreadsheet format agreed to by the workshop attendees.

PROPOSED COMMISSION MOTION:

PacifiCorp's application be approved, subject to the conditions described in Staff's memo, for the 12 months beginning May 19, 2010.

PPL UM 1483 Solar Photovoltaic Pilot Program deferral