

ORDER NO. 11 059  
ENTERED FEB 16 2011

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1482

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

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

ORDER

**DISPOSITION: DEFERRED ACCOUNTING APPROVED**

On May 6, 2010, Portland General Electric Company (PGE) filed a request with the Public Utility Commission of Oregon (Commission), under ORS 757.259(2)(e), for deferred accounting related to tracking costs associated with its Photovoltaic Volumetric Incentive Rate Pilot Program. 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 February 8, 2011, the Commission adopted Staff's recommendation.

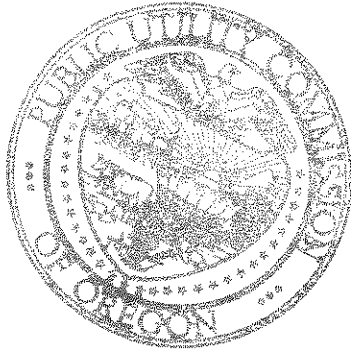
**ORDER**

IT IS ORDERED that:

1. Portland General Electric Company's request to defer the costs associated with its Photovoltaic Volumetric Incentive Rate Pilot Program, is approved.
2. Portland General Electric Company will maintain a balancing account for actual costs based upon the allowable cost identified in OAR 860-084-0280 through 0360, and will, upon Staff's request, be able to demonstrate how costs are incremental to any costs currently included in rates..

Made, entered, and effective FEB 16 2011

BY THE COMMISSION:



*Becky L. Beier*  
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**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. CA2

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 8, 2011**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE May 6, 2010

DATE: January 27, 2011

TO: Public Utility Commission

FROM: Carla Bird 

THROUGH: Lee Sparling, Maury Galbraith and Judy Johnson  

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1482) Requests deferred accounting for costs associated with Photovoltaic Volumetric Incentive Rate Pilot Program.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission allow Portland General Electric to track its actual costs related to the Photovoltaic Volumetric Incentive Rate Pilot Program using deferred accounting pursuant ORS 757.259(2)(e) effective May 6, 2010, subject to the following condition:

1. PGE will maintain a balancing account for actual costs based upon the allowable cost identified in OAR 860-084-0280 through 0360 and will (upon Staff's request) be able to demonstrate how costs are incremental to any costs currently included in rates.

**DISCUSSION:**

On May 6, 2010, Portland General Electric (PGE or the "Company") filed a request for deferred accounting related to tracking costs associated with its Photovoltaic Volumetric Incentive Rate (PV VIR) Pilot Program.

The photovoltaic pilot program is commonly referred to as a photovoltaic (PV) feed-in tariff (FIT) and a volumetric incentive rate (VIR) pilot. The PV VIR Pilot Program is required by ORS 757.365. The Commission adopted rules in Docket No. AR 538, Commission Order No. 10-200 establishing the structure of the pilot program designed for permanently installed systems owned by retail electricity consumers.

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Deferral Application Requirements:

PGE files its application to defer pursuant to ORS 757.259(2)(e). However, pursuant to OAR 860-084-0060, PGE submits its request for an automatic adjustment clause not subject to earnings reviews.

OAR 860-084-0060 establishes that a Utility may recover costs through an automatic adjustment clause.<sup>1</sup> Commission Order No. 10-200 establishes Division 084, which addresses Solar Photovoltaic Programs. However, neither statute defines the proper authority under which the utility could (or should) request authorization to defer under an automatic adjustment clause.<sup>2</sup>

Additionally, PGE proposes to record the deferred amounts as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with an offsetting credit to FERC account 407.4, Regulatory Credits.

Subsequent to this filing, Staff convened two workshops with interested parties on August 18, 2010, and September 21, 2010, to discuss PGE's deferral application, along with PacifiCorp's similar application (see docket no. UM 1483). 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.

In response, PGE has submitted draft templates of the proposed accounting procedures and has generally agreed to the following cost 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.

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.

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<sup>1</sup> (0060) An electric company may request recovery of its prudently incurred costs to comply with the solar photovoltaic capacity standard specified in OAR 860-084-0020 in an automatic adjustment clause proceeding filed at the Commission pursuant to ORS 469A.120.

<sup>2</sup> The importance of the automatic adjustment clause is that the utility would not be subject to an earnings test.

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### Estimates of Amounts

In its application, PGE states it is difficult to estimate the deferral amount as the ultimate outcome will depend on the program's effectiveness, including actual participation levels, and the types of systems that are installed. In this context, the Company estimates that the incremental costs on an annual basis may range from \$1 to \$1.2 million for the first four years. Interest will accrue during the deferral period compliant with UM 1147 at the Company's authorized cost of capital.<sup>3</sup>

### Staff Analysis:

Staff supports PGE's request for authorization to defer using an automatic adjustment clause. This does not change the fact that before rates associated with a proposed amortization take effect, they will be subject to audit and Commission approval. Staff proposes PGE should request to update these costs annually by filing a draft schedule in December showing costs it has actually incurred in the previous period that have been tracked into the balancing account. This balancing account would require annual reauthorization, typical of other deferral accounts filed pursuant to ORS 757.259.

### **PROPOSED COMMISSION MOTION:**

The Commission allow Portland General Electric to track its actual costs related to the Photovoltaic Volumetric Incentive Rate Pilot Program using deferred accounting pursuant ORS 757.259(2)(e) effective May 6, 2010 subject to the following conditions:

1. PGE will maintain a balancing account for actual costs based upon the allowable cost identified in OAR 860-084-0280 through 0360 and will (upon Staff's request) be able to demonstrate how costs are incremental to any costs currently included in rates.

PGE – UM 1482 PV VIR Deferral

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<sup>3</sup> For PGE in 2010 that amount is 8.033% per Commission Order 10-478 (UE 215).