

ORDER NO. 11 28 1  
ENTERED AUG 01 2011

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1482(1)

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 April 28, 2011, 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 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 July 26, 2011, the Commission adopted Staff's recommendation.

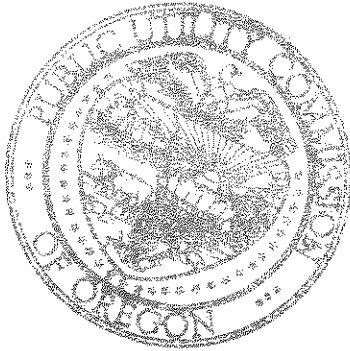
**ORDER**

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 be able to demonstrate, upon Staff's request, how costs are incremental to any costs currently included in rates.

Made, entered, and effective                     AUG 01 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. CA1

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 26, 2011**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE May 7, 2011

DATE: June 29, 2011

TO: Public Utility Commission

FROM: Carla Bird *CB*

THROUGH: *in* Lee Sparling, *in FOR* Maury Galbraith and *JK for JJ* Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1482(1)) Requests deferred accounting for costs associated with Photovoltaic Volumetric Incentive Rate Pilot Program.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission allow Portland General Electric (PGE) to track its actual costs related to the Photovoltaic Volumetric Incentive Rate Pilot Program using deferred accounting pursuant to ORS 757.259(2)(e) for the 12-month period beginning May 7, 2011, subject to the following condition:

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

**DISCUSSION:**

On April 28, 2011, PGE requested reauthorization to defer expenses associated with its Photovoltaic Volumetric Incentive Rate (PV VIR) Pilot Program. The Commission authorized this deferral for the previous 12-month period in Commission Order No. 10-198.

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. This balancing account requires annual reauthorization, typical of other deferral accounts filed pursuant to ORS 757.259.

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 rules, which address Solar Photovoltaic Programs. However, neither the statute nor the Commission Order, 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.

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 the first deferral period, PGE has accrued approximately \$400,000 of costs for this pilot. In the upcoming 12-month period, the Company estimates that the incremental costs may range from \$2 to \$4 million. 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. Staff notes that the amounts accrued for administrative and program costs are quite high in these first years (as anticipated). Staff commends PGE on its efforts to segregate cost and separately account for administrative costs, program costs, incentive payments and credits, as originally agreed in its initial application. The Company's segregation of costs allowed Staff the ability to quickly review and audit these activities. Staff encourages PGE to continue its diligent record-keeping in order to facilitate future audits and review of the costs of this pilot.

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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.

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

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**PROPOSED COMMISSION MOTION:**

The Commission allow PGE to track its actual costs related to the Photovoltaic Volumetric Incentive Rate Pilot Program using deferred accounting pursuant to ORS 757.259(2)(e) for the 12-month period beginning May 7, 2011, subject to the condition stated above.

PGE – UM 1482 – PV VIR deferral