

ORDER NO. 12 063

ENTERED FEB 28 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1574

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application for Deferral of Revenue
Requirement of Incremental Costs Associated
with Baldock Solar Project.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on February 28, 2012, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

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. CA9

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 28, 2012

REGULAR _____ CONSENT X EFFECTIVE DATE January 18, 2012

DATE: February 21, 2012

TO: Public Utility Commission

FROM: Deborah Garcia *DG*THROUGH: *MG for BC* *MG* *JJ*
Bryan Conway, Maury Galbraith and Judy JohnsonSUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1574) Proposes to defer the revenue requirement related to the incremental costs of the Baldock Solar Project.**STAFF RECOMMENDATION:**

I recommend that PGE's application be approved for accounting purposes only, with ratemaking treatment reserved for a subsequent proceeding(s).

DISCUSSION:

Portland General Electric (PGE or Company) makes this filing, pursuant to ORS 469A.120(1), OAR 860-027-0300, and Order No. 07-572, to request deferral of the revenue requirement associated with the prudently incurred incremental costs for the Baldock Solar Project (Baldock) for the 12-month period beginning January 18, 2012. PGE is also requesting deferral of the gain recorded on the sale of property related to Baldock for the same period.

This proceeding is limited to requests to defer. The requests to amortize these deferrals will be considered in subsequent proceeding(s). Staff includes this clarification because on page 2 of its filing PGE states it is seeking recovery of the revenue requirement associated with the incremental costs for Baldock. Staff questioned whether this statement was intended to convey that PGE *will* be seeking recovery in a subsequent proceeding, and this interpretation was confirmed by PGE.

Background

1. Baldock Incremental Costs - ORS 469A creates a Renewable Portfolio Standard (RPS) that requires PGE to meet 25 percent of its Oregon load requirement with

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electricity generated by renewable resources by 2025.¹ The RPS includes interim goals of 5 percent by 2011, 15 percent by 2015, and 20 percent by 2020.

In Docket No. UM 1330, by Order No. 07-572, the Commission approved a stipulation regarding the Renewable Adjustment Clause (RAC) that supports the use of deferred accounting to allow the recovery of prudently incurred costs of an eligible resource for the period of time between the in-service date and when the resource is added to rates. In compliance with the Order, PGE filed Schedule 122, which sets out the process by which it may file for deferral or amortization of eligible costs.

PGE is also subject to requirements under the Solar Photovoltaic Capacity Standard pursuant to ORS 757.360-380.

2. Baldock Property Sale Gain – In Docket No. UP 278, PGE proposed to sell property related to Baldock as part of a sale-leaseback agreement with any gain being returned to customers via Schedule 122. For the details of Staff's review and recommendations to the Commission, see Commission Order No. 12-006.

Description of Project

Baldock is a small solar photovoltaic power plant with a capacity of approximately 1.75 MW developed by PGE and located on Oregon Department of Transportation property at the I-5 Northbound Baldock rest area, 24300 NE I-5, Aurora, Oregon 97002.

Reasons for Deferrals

Approval of these deferrals will allow PGE the opportunity to recover eligible costs pursuant to the RPS, and provide an offsetting credit from the recorded gain on the property sale to customers, appropriately matching the costs borne by and benefits received by customers.

Estimate of Amounts

PGE estimates the net amount of the two deferrals will be a credit to customers of approximately \$1.831 million. This amount represents the estimated revenue requirement associated with the incremental costs, net of approximately \$57,000 of estimated avoided power costs, and is inclusive of the estimated gain on the sale. As a renewable resource, Baldock will generate Renewable Energy Certificates (RECs) which PGE can use to meet RPS requirements.

¹ This standard, originating in SB 838 (codified by ORS 469A), also applies to all large Oregon electric utilities.

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Information Related to Future Amortization

- Earnings review – An earnings review does not apply to an automatic adjustment clause, pursuant to ORS 757.259(5).
- Prudence Reviews – For the incremental costs related to Baldock, Staff should conduct a prudence review that confirms that the costs were prudently incurred, and are incremental. For the deferred balance related to the property sale, Staff should verify that the requirements in Order No. 12-006 are met. For both deferrals, Staff should verify the accounting methodologies used to determine the final amortization balances.
- Sharing – It does not appear that a level of sharing for either deferral was specified by Commission order. Staff assumes the Company will be allowed to recover all prudently incurred incremental costs, and customer rates will include the entire recorded gain on the property sale.
- Rate Spread/Design – A determination of how the deferred balances will be spread should be determined during any proceeding related to amortization of the deferred balances.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. Should a deferred balance result in a credit to customers, the balance is exempt from the three percent test, per the advice of Staff's counsel.

Staff Analysis

The Company's application meets the requirements of ORS 469A.120, ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

PGE's application be approved for accounting purposes only, with ratemaking treatment to be considered in a subsequent proceeding(s).