

ORDER NO. 12 202

ENTERED JUN 05 2012

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1482(2)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

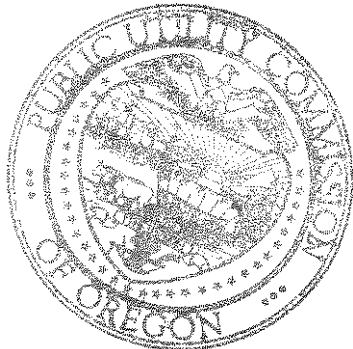
Application for Reauthorization to Defer
Expenses Associated with a Photovoltaic
Volumetric Incentive Rate Pilot, aka the PGE
Solar Payment Option Pilot.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on June 5, 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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 5, 2012**

REGULAR _____ CONSENT X EFFECTIVE DATE May 7, 2012

DATE: May 8, 2012

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: *J* Jason Eisdorfer and *ME* Maury Galbraith

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1482(2)) Requests reauthorization of 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 to ORS 757.259(2)(e) for the 12-month period beginning May 7, 2012, 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 May 7, 2012, Portland General Electric (PGE or the Company) submitted an application requesting authorization to defer costs associated with the Photovoltaic Volumetric Rate Pilot (PV VIR Pilot or Pilot). This PV VIR Pilot is also referred to as the PGE Solar Payment Option, Schedules 215,216, and 217.

Background

Under Docket AR 538, Commission rules for the PV VIR Pilot were established. Docket UM 1452 set out additional details of implementation through Commission Orders Nos.10-198, 10-304, 11-089, and 11-281. This Pilot provides payments to retail electric customers for electricity generated by permanently installed solar photovoltaic

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energy systems through Schedules 215, 216, and 217. This deferral is part of the process to allow PGE to recover costs associated with the Pilot, through Schedule 137, Customer Owned Solar Payment Option Cost Recovery Mechanism.

Description of Expense

For the 12-month period beginning May 6, 2012, PGE estimates a collection of approximately \$4 to \$5 million. The balancing account includes incremental costs consisting of volumetric incentive payments and/or retail bill offsets to participants, administrative costs associated with the PV VIR program operations, data collection, development costs for billing and website, customer surveys, and regulatory reporting requirements. Credits to the balancing account include: deposit forfeitures, interconnection application fees, customer charges, assignment fees, and the avoided energy value.

Reason for Deferral

PGE seeks reauthorization to defer incremental costs associated with this deferral pursuant to ORS 757.259(e), OAR 860-027-0300, OAR 860-084-0060, OAR 860-084-0380, and Commission Orders No. 10-198 and 11-281. The reauthorization of this deferral is necessary because ORS 757.365, and UM 1452 require the Pilot, and continuation of this deferral will minimize the frequency of rate changes or fluctuations and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets with a credit to FERC account 407.4, Regulatory Credits. In the absence of a deferred accounting order from the Commission, PGE would continue to record costs associated with the Pilot to 903 Customer Records and Collection expenses and 908 Customer Assistance expenses.

Estimate of Amounts

PGE estimates incremental costs may range from \$4 to \$5 million for the deferral period, May 7, 2012 through May 6, 2013. There may be a small over collection in 2012 and an under collection in 2013, which will minimize a rate change to customers during this period.

Information Related to Future Amortization

- Earnings review –The Company states that Schedule 137 recovers costs associated with the Solar Payment Option Pilot not otherwise included in rates. The adjustment schedule is implemented as an “automatic adjustment clause” as

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provided for under ORS 469A, and defined in the Renewable Portfolio Standards, ORS 757.210, and an earnings review is not applicable to this deferral.

- Prudence Review – A prudence review is a requirement of the earnings review which does not apply to this deferral.
- Sharing – Sharing is not applicable with an automatic adjustment clause.
- Rate Spread/Design – In Docket UE 237, Commission Staff and parties agreed that Schedule 137 costs be allocated to each schedule based on an equal percent of generation revenue applied on a cents per Kilowatt-hour basis.
- 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. The limit for these deferrals will be determined at the time of amortization. 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. The three percent test is not applicable to a balancing account.

Staff Analysis

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259, OAR 860-027-0300, OAR 860-0060, and OAR 860-084-0380. For these reasons, Staff recommends PGE's application be approved.

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, 2012, subject to the condition stated above.

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