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August 27, 2007

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
550 Capitol Street NE, Ste 215
Salem, OR 97301-2551


Attention: Vikie Bailey-Goggins, Administrator
Regulatory and Technical Support

**RE: Application of PacifiCorp for an Accounting Order Approving Deferral of Costs
Relating to Renewable Resources Pursuant to Senate Bill 838
Docket UM-_____**

Enclosed for filing by PacifiCorp dba, Pacific Power & Light Company ("PacifiCorp") is PacifiCorp's Application Deferral of Costs. An original and one (1) copy will be provided via overnight delivery. A copy of the Notice of Application attached as Exhibit A will be sent to the service list for PacifiCorp's most recent general rate case, Docket No. UE 179.

Please direct informal questions with respect to this filing to Joelle Steward at 503-813-5542.

Very truly yours,


Andrea L. Kelly
Vice President, Regulation

Enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UM _____

4 In the Matter of the Application of
5 PACIFICORP (d/b/a Pacific Power) for an
6 Accounting Order Approving Deferral of
7 Costs Relating to Renewable Resources
8 Pursuant to Senate Bill 838

**PACIFICORP'S APPLICATION FOR
DEFERRAL OF COSTS**

9 **I. INTRODUCTION**

10 Pursuant to Sections 13(1), 13(3) and 13a of Senate Bill 838 ("SB 838"), the Oregon
11 Renewable Energy Act, PacifiCorp d/b/a Pacific Power (the "Company") applies to the
12 Public Utility Commission of Oregon (the "Commission") for an order authorizing the
13 Company to defer certain costs as follows: (1) starting September 1, 2007 through
14 December 31, 2008, the revenue requirement not included in PacifiCorp's net variable
15 power costs ("NVPC") for the 100.5 MW Leaning Juniper project, and (2) starting January
16 1, 2008 through December 31, 2008, the revenue requirement not included in PacifiCorp's
17 NVPC for the 140 MW Marengo project, the 94 MW Goodnoe Hills project, and the 23
18 MW Blundell Geothermal Plant ("Blundell"). Leaning Juniper, Marengo, Goodnoe Hills
19 and Blundell are collectively referred to herein as the "Renewable Resources." PacifiCorp
20 seeks deferral to accurately track and preserve costs associated with the Renewable
21 Resources for later incorporation in rates.

22 **II. NOTICE**

23 Communications regarding this Application should be addressed to:

24 Joelle Steward
25 Regulatory Manager, Oregon
26 PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Ryan Flynn
Legal Counsel
PacifiCorp
825 NE Multnomah, Suite 1800
Portland, OR 97232

1 Telephone: (503) 813-5542
2 Email: joelle.steward@pacificorp.com

Telephone: (503) 813-5854
Email: ryan.flynn@pacificorp.com

3 In addition, PacifiCorp respectfully requests that all data requests regarding this
4 matter be addressed to:

5 By email (preferred) datarequest@pacificorp.com

6 By regular mail Data Request Response Center
7 PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

8 By facsimile (503) 813-6060

9 III. DEFERRAL OF COSTS

10 The following information is provided pursuant to Sections 13(1), 13(3) and 13a of
11 SB 838.

12 A. Description.

13 On June 6, 2007, SB 838 was enacted to create a Renewable Portfolio Standard
14 (“RPS”) for electricity. The RPS requires large, Oregon electric utilities to meet 25 percent
15 of their Oregon load by 2025 with electricity generated by renewable resources. This target
16 is phased-in starting with 5 percent of load served by renewables in 2011, 15 percent in
17 2015, and 20 percent in 2020.

18 Sections 13(1), 13(3) and 13a authorize utilities to timely recover in rates all costs
19 that are prudently incurred relating to investment in renewable energy facilities and
20 associated transmission as authorized by SB 838. Specifically, SB 838 authorizes the
21 deferral of certain costs as follows:

- 22 • all prudently incurred costs associated with compliance
23 with a renewable portfolio standard are recoverable in the
rates of an electric company. *See* Section 13(1).
- 24 • The Public Utility Commission shall establish an automatic
25 adjustment clause as defined in ORS 757.210 or another
26 method that allows timely recovery of costs prudently
incurred by an electric company to construct or otherwise

1 acquire facilities that generate electricity from renewable
2 energy sources and for associated electricity transmission.
3 *See* Section 13(3).

- 4 • The Public Utility Commission shall establish the
5 automatic adjustment clause or another method for timely
6 recovery of costs as required by section 13 (3) of this 2007
7 Act no later than January 1, 2008. The clause or method
8 shall apply to all prudently incurred costs described in
9 section 13 (3) of this 2007 Act incurred by an electric
10 company since the date of the company’s last general rate
11 case that was decided by the commission before the
12 effective date of this 2007 Act. *See* Section 13a.

9 Deferred accounting is “another method” of timely cost recovery for costs prudently
10 incurred relating to investment in the Renewable Resources and associated transmission
11 under SB 838, expressly authorized by Sections 13(3) and 13a.

12 PacifiCorp respectfully requests approval authorizing the deferral for future rate-
13 making treatment of these costs, which are not currently included in rates. By approving
14 the use of deferred accounting at this time, PacifiCorp can begin matching customer costs
15 and benefits of the Renewable Resources in a timely manner. The revenue requirement
16 amounts to be deferred will include, but are not limited to: (1) return on the plant
17 investment at the most recently authorized rate of return, (2) a project-specific forecasted
18 fixed operation and maintenance expense, (3) depreciation expense, (4) applicable property
19 taxes and (5) tax credits.

20 **B. Reasons for Deferral.**

21 This request seeks to match appropriately the costs associated with investment in the
22 Renewable Resources with the benefits of renewable energy received by PacifiCorp’s
23 customers. Pursuant to Sections 13(1), 13(3) and 13a of SB 838, this Application is
24 submitted to defer costs not captured in the Transition Adjustment Mechanism (“TAM”)¹

25 ¹ The TAM provides for the timely reflection in rates of the Company’s NVPC. The Company files the TAM
26 on an annual basis, with periodic updates. The variable costs of new resources that go into service prior to the
test year are included in the NVPC calculation.

1 or general rates, but incurred relating to the investment in renewable energy facilities as
2 authorized by SB 838.

3 Leaning Juniper went into service in September 2006, and the power cost benefits
4 were included in NVPC for all of 2007 through the TAM.² Pursuant to Section 13a,
5 deferral of costs will apply to prudently incurred costs since the date of the Company's last
6 general rate case, Docket UE 179, the final order for which, Order No. 06-530, was issued
7 on September 14, 2006. As part of the Stipulation approved in Order No. 06-530, however,
8 PacifiCorp agreed not to file a general rate case prior to September 1, 2007. This stay-out
9 precludes PacifiCorp from seeking recovery of capital costs, including deferred recovery of
10 Leaning Juniper or any other new generating resources in Oregon before September 1,
11 2007.³ Consistent with the terms of the Stipulation and Section 13a, the Company submits
12 this Application at this time to defer the non-NVPC revenue requirement for Leaning
13 Juniper starting September 1, 2007.

14 Marengo, Goodnoe Hills and Blundell are expected to be in service before December
15 31, 2007, and are included in the NVPC for 2008 in Docket UE 191, along with Leaning
16 Juniper. Accordingly, the Company also requests deferral of costs for Marengo, Goodnoe
17 Hills and Blundell starting January 1, 2008.

18 As part of the 2007 and 2008 TAM proceedings, parties have had the opportunity to
19 conduct discovery to address the prudence of the Renewable Resources. To date, no party
20 has challenged the inclusion of the Renewable Resources in NVPC. It would be contrary
21 to balanced regulatory principles to accept power cost advantages of a resource in the TAM
22 and deny the deferral of costs associated with those same renewable resources for future
23 inclusion in rates pursuant to SB 838.

24

25 ² See In the Matter of the Request of PacifiCorp, dba Pacific Power & Light Company, for a General Rate
Increase in the Company's Oregon Annual Revenues, Docket UE 179, Order No. 06-530 (Sept. 14, 2006).

26 ³ *Id.* at App. A at 6-7.

1 This Application is submitted as part of the Company's implementation of the
2 automatic adjustment clause pursuant to SB 838. To timely recover in rates the costs of
3 renewable resources pursuant to SB 838, the Company will use this deferral application in
4 conjunction with the proposed Renewable Cost Adjustment Clause ("RCAC") in Docket
5 UM 1330 and the TAM. To match the costs and benefits of the Renewable Resources in
6 rates and to minimize carrying charges, the Company may seek to amortize the deferred
7 cost balance related to this Application prior to December 31, 2008. Beginning in 2009,
8 the costs being deferred in 2007 and 2008 relating to the Renewable Resources will be
9 recovered through the RCAC, instead of through future deferred accounting mechanisms.
10 Attachment A to this Application demonstrates the timeline of the requested deferral versus
11 recovery of the Renewable Resource costs through the RCAC.

12 **C. Proposed Accounting and Subsequent Amortization.**

13 PacifiCorp respectfully requests to defer costs as follows: (1) for Leaning Juniper, for
14 the non-NVPC revenue requirement incurred starting on September 1, 2007 through
15 December 31, 2008; and (2) for Marengo, Goodnoe Hills and Blundell, for the non-NVPC
16 revenue requirement incurred starting January 1, 2008 through December 31, 2008. During
17 the period of deferral, PacifiCorp proposes to account for the deferred costs of the
18 Renewable Resources by recording the deferral in Account 182.3, Other Regulatory Assets.

19 **D. Estimate of Amounts.**

20 For 2007, PacifiCorp estimates that approximately \$1.6 million will be deferred for
21 prudently incurred costs relating to investment in the Renewable Resources as authorized
22 by SB 838. Attachment B to this Application shows the calculation of the estimated costs.
23 The 2007 estimated costs relate entirely to Leaning Juniper for September 1, 2007 through
24 December 31, 2007. For 2008, PacifiCorp has not determined the costs it expects to incur
25 for the Renewable Resources as the final costs are not known at this time. The Company
26

1 will make these cost estimates available prior to January 1, 2008, after all of the Renewable
2 Resources are placed in service.

3 **E. Notice.**

4 A copy of the Notice of Application and a list of persons served with the Notice are
5 attached to this Application as Exhibit A.

6 **F. Alternative Relief.**

7 PacifiCorp respectfully requests that the Commission authorize the deferral of the
8 costs described above under ORS 757.259 in the event that the Commission determines
9 that SB 838 does not, by itself, authorize deferral of the costs described above. In the event
10 that the Commission denies a deferral application for these costs, PacifiCorp will file a
11 separate application to recover these costs in rates effective January 1, 2008.

12 **G. Proposed Schedule**

13 Pursuant to Section 13a in SB 838, PacifiCorp anticipates a schedule that will allow
14 for Commission resolution of this matter by January 1, 2008, consistent with the schedule
15 adopted in Docket UM 1330.

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IV. CONCLUSION

PacifiCorp respectfully requests that, in accordance with Section 13(1), 13(3) and 13a of SB 838, the Commission authorize the Company to defer the costs described in this Application.

DATED: August 27, 2007



Ryan Flynn
Legal Counsel

PacifiCorp

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of
PACIFICORP (d/b/a Pacific Power) for an
Accounting Order Approving Deferral of
Costs Relating to Certain Renewable
Resources Pursuant to Senate Bill 838

**PACIFICORP'S APPLICATION FOR
DEFERRAL OF COSTS**

EXHIBIT A

**NOTICE OF APPLICATION
OF PACIFICORP (D/B/A PACIFIC POWER) FOR AN ACCOUNTING ORDER
APPROVING DEFERRAL OF COSTS RELATING TO CERTAIN RENEWABLE
RESOURCES PURSUANT TO SENATE BILL 838**

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UM** _____

4 In the Matter of the Application of
5 PACIFICORP (d/b/a Pacific Power) for an
6 Accounting Order Approving Deferral of
7 Costs Relating to Certain Renewable
8 Resources Pursuant to Senate Bill 838

NOTICE OF APPLICATION

9 On August 24, 2007, Applicant PacifiCorp applied to the Public Utility Commission
10 of Oregon (the "Commission") for authorization to defer costs relating to certain renewable
11 resources pursuant to Senate Bill 838 ("SB 838").

12 PacifiCorp proposes to defer costs incurred starting September 1, 2007 through
13 December 31, 2008, for Leaning Juniper, and starting January 1, 2008 through December
14 31, 2008, for Marengo, Goodnoe Hills, and Blundell Geothermal Plant, prudently incurred
15 relating to investment in these resources as authorized by SB 838. PacifiCorp seeks
16 deferral of these costs to accurately track and preserve such costs for later incorporation in
17 rates.
18 rates.

19 The granting of the Application will not authorize a change in rates, but will permit
20 the Commission to consider allowing such deferred amounts in rates in a subsequent
21 proceeding.
22 proceeding.

23 Interested persons can obtain a copy of Application by contacting:

24 Joelle Steward
25 Regulatory Manager, Oregon
26 PacifiCorp
825 NE Multnomah, Suite 2000

Ryan Flynn
Legal Counsel
PacifiCorp
825 NE Multnomah, Suite 1800


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Any person may submit to the Commission written comment on the Application, in accordance with procedures prescribed by the Commission. The deadline for comments on the Application is September 21, 2007.

DATED: August 27, 2007



Ryan Flynn
Legal Counsel

PacifiCorp

**Pacific Power
Timeline of Renewable Resource Deferral**

Plant	In-Service	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Mar-09	Apr-09	
Leaning Juniper	Sept 2006	Deferral period - Sept 07 through Dec 08 (Included in TAM beginning Jan 1, 2007)																	Recover through RCAC		
Marengo	Fall 2007	Deferral period - Jan 08 through Dec 08 (Included in TAM beginning Jan 1, 2008)																	Recover through RCAC		
Goodnoe Hills	Fall 2007	Deferral period - Jan 08 through Dec 08 (Included in TAM beginning Jan 1, 2008)																	Recover through RCAC		
Blundell	Fall 2007	Deferral period - Jan 08 through Dec 08 (Included in TAM beginning Jan 1, 2008)																	Recover through RCAC		
									↑ April-08 File 2009 RCAC & TAM												↑ April-09 File 2010 RCAC & TAM

Pacific Power
Oregon
Renewable Resource Filing
Total Revenue Requirement

Attachment B

CY 2007				
	Leaning Juniper	Factor	Factor %	Oregon Allocated
Capital Investment	175,472,668	SG	26.628%	46,724,647
Depreciation Reserve	(5,556,634)	SG	26.628%	(1,479,614)
Accumulated DIT Balance	(21,864,909)	SG	26.628%	(5,822,161)
Net Rate Base	<u>148,051,125</u>			<u>39,422,872</u>
	11.26%			11.26%
Pre-Tax Return on Rate Base	<u>16,665,346</u>			<u>4,437,628</u>
Operation & Maintenance	3,311,304	SG	26.628%	881,730
Depreciation	7,018,907	SG	26.628%	1,868,986
Property Taxes	1,293,185	GPS	28.445%	367,846
Renewable Energy Tax Credit	(9,559,856)	SE	26.173%	(2,502,069)
Oregon Business Energy Tax Credit (BETC)	(1,611,630)	IBT	30.023%	(483,865)
Rev. Req. Before Franchise Tax & Bad Debt	<u>17,117,256</u>			<u>4,570,256</u>
Franchise Taxes				106,944
Bad Debt Expense				28,059
Total Revenue Requirement				<u><u>4,705,259</u></u>
Revenue Requirement September to December 2007				<u><u>1,568,420</u></u>

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document on the
3 parties of record from PacifiCorp's last general rate case, Docket UE 179, on the date
4 indicated below by email and first-class mail, addressed to said parties at his or her last-
5 known address(es) indicated below.
6

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18
19
20 DATED: August 24, 2007



Debbie DePetris
Supervisor, Regulatory Administration

PacifiCorp