

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 2, 2010**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE**  October 1, 2009

**DATE:** January 22, 2010

**TO:** Public Utility Commission

**FROM:** Deborah Garcia

**THROUGH:** Lee Sparling, Ed Busch, and Judy Johnson

**SUBJECT:** PACIFIC POWER & LIGHT: (Docket No. UM 1454) Application to defer costs related to the renewable resource known as McFadden Ridge.

**STAFF RECOMMENDATION:**

I recommend the Commission approve Pacific Power & Light's deferral application for a 12-month period beginning October 1, 2009.

**DISCUSSION:**

On October 1, 2009, Pacific Power & Light (PacifiCorp or Company) filed this application for authorization to use deferred accounting pursuant to ORS 469A.120(1) and (3)<sup>1</sup> to recover the revenue requirement, net of power cost (NPC) benefits, related to the renewable wind resource known as McFadden Ridge I which was placed into service on September 29, 2009.

Originally, PacifiCorp requested approval for a 15-month period beginning October 1, 2009. After a discussion with Staff, PacifiCorp sent a letter confirming that the Company intends this deferral request to be for 12 months. Near the end of the period, the Company plans to file a request for reauthorization for the remaining three months.

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<sup>1</sup> Senate Bill 838 (SB 838), enacted by the Oregon Legislature on June 6, 2007, established a renewable portfolio standard (RPS) applicable to certain Oregon utilities, including PacifiCorp, authorizing the recovery of prudently incurred costs associated with RPS compliance. In Docket UM 1330, the Commission authorized the use of deferred accounting as a method for cost recovery.

#### Description of Utility Expense

McFadden Ridge I is a 28.5 MW resource consisting of 19 wind turbine generators. All wind turbine generators were placed into service, producing power, and connected to transmission facilities on September 29, 2009.

#### Reasons for Deferral

McFadden Ridge I is not currently reflected in rates. Because the completion date was unknown at the time of the filing of the Company's 2010 Transition Adjustment Mechanism (TAM),<sup>2</sup> and last general rate case,<sup>3</sup> the resource is not expected to be reflected in rates implemented in 2010. The deferral will allow the Company to begin matching customer costs and benefits to recover prudently incurred costs for later inclusion in rates, as provided by SB 838.

#### Proposed Accounting

PacifiCorp proposes to account for the revenue requirement, net of NPC benefits, by recording the deferral in Account 182.3 (Regulatory Assets).

#### Estimate of Amount

PacifiCorp originally estimated that approximately \$900,000 plus interest might be deferred as the revenue requirement for the 15-month period. For the 12-month deferral currently requested, the Company estimates a deferral of approximately \$700,000.

This Application is for accounting purposes only, and approval will not authorize a change in rates. PacifiCorp will seek recovery of deferred costs in a subsequent proceeding before the Commission. As PacifiCorp's requested deferral meets the requirements of ORS 469A.120(1) and (3), and its application to defer (modified from a 15-month period to 12 months) meets the requirements of OAR 860-027-0300, I recommend Commission approval.

#### **PROPOSED COMMISSION MOTION:**

PacifiCorp's application to defer the revenue requirement, net of NPC benefits, of McFadden Ridge I be approved for the 12-month period beginning October 1, 2009.

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<sup>2</sup> Docket No. UE 207

<sup>3</sup> Docket No. UE 210