

# UM 1893 Request for Responses



Dear Stakeholders,

After reviewing the current status of greenhouse gas (GHG) accounting in energy efficiency avoided costs, Staff has decided to lead a detailed discussion on enhancing the modeling of carbon compliance costs into energy efficiency avoided costs in 2022, consistent with the passage of HB 2021 and implementation of DEQ's Climate Protection Program. This avoided cost of carbon compliance should reflect the regulatory risk associated with non-compliance with state law. Staff plans to work with the utilities and other stakeholders over the next year to have such a value incorporated into the 2023 avoided costs.

## **Current Status**

At this time, energy efficiency avoided costs already include some assumptions on the future cost of compliance.

For natural gas, each utility submits a forecast of future compliance costs derived for their most recent IRPs that predicts an annual cost per ton emitted. These assumptions can easily be adjusted as new forecasts of compliance costs are developed. Staff is considering directing Energy Trust to apply the social cost of carbon at a 2.5 percent discount rate as the future cost of compliance. This can be readily implemented though stakeholder feedback on this proposal is welcome.

The electric utilities do not currently provide explicit assumptions about compliance costs associated with carbon of GHGs. Instead, they use forecasts that have built-in assumptions about future carbon compliance costs across the overall electric market. These assumptions are embedded in the forward energy prices, and it is unclear whether or not these forecasts appropriately incorporate the cost of carbon associated with changes in state law. It may take some time to assess any issues of double-counting and to implement changes.

## **Potential Future Considerations**

In 2022, Staff intends to lead a deeper discussion on social cost of greenhouse gas forecasting as it pertains to energy efficiency resource planning, and consistent with Staff's forthcoming guidance for integrated resource planning when such advice is available. This may include forecasting energy costs with and without implicit assumptions about compliance costs, varying emissions across time and throughout the year, and other considerations.

In order to prepare for the launch of this discussion, Staff welcomes any immediate suggestions on: a) what elements to explore in the forthcoming discussion, and b) any suggestions for what actions utilities could more immediately take to align energy efficiency investments to meet energy sector clean energy goals in the 2030's.

## **Draft Action Plan**

Based on the schedules of Energy Trust processes and current status of available data, Staff's draft action plan and schedule is below. Staff welcomes feedback on this action plan.

#### Q4 2021

- Collect and review annual submission of energy efficiency avoided cost data through the standard annual process
- Apply social cost of carbon with 2.5% discount rate for natural gas utilities
- No change to social cost of carbon for electric utilities

#### Q1 2022

- Launch discussion on greenhouse gas accounting for electric and gas utilities

#### Q3 2022

- Finalize method for greenhouse gas accounting for electric and gas utilities

#### Q4 2022

- Collect and review annual submission of energy efficiency avoided cost data including any changes for GHG accounting

Please direct feedback and suggestions to Anna Kim [anna.kim@puc.oregon.gov](mailto:anna.kim@puc.oregon.gov).