ITEM NO. CA12

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2021

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ______**January 1, 2022**______

DATE: December 20, 2021

TO: Oregon Public Utility Commission

FROM: Eric Shierman

THROUGH: Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1351/Advice No. 21-43)
New Schedule 328 Clean Fuels Program Monetization for Nonresidential Customers.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Portland General Electric's (PGE or the Company) Advice No. 21-43, which authorizes the Company to monetize nonresidential customers' Clean Fuels Program (CFP) credits through a new Schedule 328.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposal to offer an optional service to monetize CFP credits that nonresidential customers generate on behalf of those customers.

Applicable Rule or Law

Under ORS 757.205(1):

> Every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any

> service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. Executive Order 20-04 establishes Governor Brown's new greenhouse gas emissions goals for the State of Oregon and directs state agencies to identify and prioritize actions to meet those goals. Section 5.4(8) of the Executive Order directs the Public Utility Commission to "[e]ncourage electric companies to support transportation electrification infrastructure that: supports GHG reductions, helps achieve the transportation electrification goals set forth in Senate Bill 1044 (2019), and is reasonably expected to result in long-term benefit to customers."

Administrative rules for the CFP are found in OAR Chapter 340 Division 253. The program is administered by the Oregon Department of Environmental Quality (DEQ). OAR 340-253-0330 contains provisions specific to the use of electricity as a transportation fuel.

<u>Analysis</u>

Background
The Clean Fuels Program was established in 2009 and has been modified several times in the past six years. In 2009, HB 2186 was passed by the Oregon Legislature, requiring DEQ to adopt rules to reduce the average carbon intensity of transportation fuels used in the state by 10 percent over a 10-year period. In 2015, the Oregon Legislature passed SB 324, amending provisions from HB 2186 and extending implementation of the CFP to 2025. Executive Order 20-04 directed DEQ to reduce the average amount of GHG emissions per unit of fuel energy by 20 percent below 2015 levels by 2030 and 25 percent below 2025 levels by 2035.

The CFP reduces the carbon intensity of Oregon's transportation fuel mix through a system of credits and deficits. Under the rules, "Regulated Parties" (all persons that produce in Oregon, or import into Oregon, any regulated fuel) can comply in two ways. The first compliance option is to generate credits through the purchase or import of fuels with lower carbon intensity when compared to the clean fuel standards. The second option is to purchase the CFP credits from "Credit Generators" to offset any deficits generated from higher carbon intensity fuel when compared to the clean fuel standards. To be a Credit Generator, an entity must opt-in by registering with DEQ as a generator or be an entity that is not regulated under the CFP. DEQ rules allow Credit Generators to include entities that provide lower carbon intensity fuels such as liquefied petroleum gas, natural gas, electricity, or renewable natural gas.

CFP Distinction Between Residential Customers and Nonresidential Customers.
Approval of Schedule 328 will not affect PGE's CFP-funded TE programs. Under the rules of the CFP, utilities can opt-in only as the generator of residential customer credits or the credits the utility generates from its own commercial charging. The residential customer credits fund utility CFP plans which include a portfolio of programs that promote the adoption of electricity as a motor fuel.

Unlike residential customers, nonresidential customers can generate CFP credits themselves and sell them to the market. This revenue stream directly subsidizes transportation electrification by nonresidential consumers of electricity.

CFP Market Barrier
In its filing, PGE identified that there is a market barrier for nonresidential customers that may otherwise want to monetize their CFP credits. PGE's proposal seeks to overcome this barrier by offering monetization services to the Company's nonresidential customers. PGE has gained expertise in monetizing CFP credits, and hopes that this offering will enable nonresidential customers that would otherwise not choose to monetize their credits to do so.

PGE's Proposal
The Company proposes to provide the following services:

- Registering nonresidential customers electric vehicle chargers with DEQ;
- Reporting the customers' charging data on their behalf to DEQ;
- Selling the CFP Credits through the DEQ marketplace; and
- Providing the proceeds to the participating customers, less PGE's administrative fee for these services.[1]

The Company filed a work paper estimating the marginal cost to provide these services.[2] At a meeting with Staff on November 23, 2021, PGE summarized the Company's analysis in two reference fleet cases: a large public transit provider and a small light-duty fleet. The costs to provide these services come from four components: a

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[1] *See* Docket No. ADV 1351, PGE, Advice No. 21-43, November 17, 2021, p 2.
[2] *See* Docket No. ADV 1351, PGE, PGE Advice No. 21-43 Clean Fuels Monetization Program_Work Paper_CONF_11.17.21.xlxs, November 17, 2021.

one-time registration fixed cost per charger, a fixed cost of reporting per year, a varying transaction cost, and an administrative fixed cost per customer to pay for management, data review, and a ½ FTE. Table 1 below shows the estimated credit revenue for two reference cases and estimates the annual cost of providing monetization services for these customers.

Table 1: Reference Cases[3]

	Large public transit provider (diesel)		Small light-duty fleet (gasoline)	
# sedans		0		10
# heavy duty vehicles		50		0
# chargers		17		5
kwh used by vehicle type		90000		3956
kwh used by vehicles		4500000		39560
Credits generated (diesel: 0.00118386; gas: 0.0006269112)		5,327.37		24.80
Credit revenue @ $125/credit	*$*	*665,921*	*$*	*3,100*
1 Time Fixed Cost (registration/charger = $81)	*$*	*1,377*	*$*	*405*
Ongoing Fixed cost (quarterly reporting/charger/year= $136)	*$*	*2,312*	*$*	*680*
Transaction costs (3 hours per transaction @ $118/hr.)	$	354	$	354
Average credits per transaction		2500		2500
Transaction Cost per credit	$	0.14	$	0.14
Transaction Cost	*$*	*754.36*	*$*	*3.51*
Program Fixed Cost per year (management, data review, 1/2 FTE)		$104,342		
Total Anticipated Credits for fleets		36316		
Cost per credit		$2.87		
Program cost per fleet		*$15,307*		*$71*
Total costs year 1	**$**	**19,750**	**$**	**1,160**
% credit revenue year 1		3%		37%
Total Costs year 2	**$**	**18,373**	**$**	**755**
% credit revenue year 2		3%		24%

[3] *See* Docket No. ADV 1351, PGE, Hypothetical Fleets – CFCM OPUC.xlxs, November 23, 2021.

PGE estimates the costs to provide these services to a large public transit provider to be just under $20,000 per year, and to a small fleet of light duty vehicles to be approximately $1,000 per year. These costs are relative to approximately $700,000 and $3,000 respectively in credit revenue for these customers. The availability of this annual incentive from the CFP might move more nonresidential customers to invest in TE projects. The availability of this annual incentive from the CFP might move more nonresidential customers to invest in TE projects.

Ensuring Other Customers are Held Harmless
To verify that the costs of PGE providing these services are recouped by program participants and not double-counted in the Company's TE O&M budgets, Staff will need to monitor this spending and match it with the fees collected. This is not a task unique to PGE's proposed Schedule 328. A holistic look at all TE-related activities will require the portfolio view Staff is working to develop in UM 2165.

Reason for Staff Recommendation
Staff finds PGE's proposal to be fair, just, and reasonable in accordance with ORS 757.210. Providing these services will help DEQ's CFP better fund nonresidential customers consistent with the program's intent, and the cost of PGE's services will be borne by the nonresidential customer. Accordingly, the Company has satisfied the requirements of OAR 860-022-0025(2) in its application and additional conversations with Staff.

Conclusion

DEQ's CFP allows nonresidential customers of utilities to generate their own CFP credits. PGE proposes to offer voluntary monetization services for CFP credits to nonresidential customers that may otherwise not take advantage of credit monetization. Participating customers will pay PGE a fee to cover the cost of these services. Staff recommends the Commission approve this proposal.

PROPOSED COMMISSION MOTION:

The Commission should approve PGE's Advice No. 21-43, which authorizes the Company to provide a voluntary service to nonresidential customers to monetize their CFP credits through a new Schedule 328.