

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2308

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Deferral of Costs
Associated with the Washington Climate
Commitment Act Carbon Compliance.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 19, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge



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 Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 19, 2024**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: September 3, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2308)
Request Authorization to defer costs associated with the Washington Climate Change Act Carbon Compliance.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) request to authorize the deferral regarding costs associated with the Washington Climate Change Act Carbon Compliance for later rate-making treatment for the 12-month period beginning January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for authorization to defer costs associated with the Washington Climate Change Act Carbon Compliance.

Applicable Law

Pursuant to ORS 757.259, OAR 860-027-0300, and Commission Order No. 23-386 issued in PGE's 2024 general rate case (Docket No. UE 416).¹

¹ See, Docket No. UE 416, October 30, 2023, Order No. 23-386.

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Analysis

Background

Portland General Electric Company (PGE) submitted this request on December 19, 2023, requesting authorization to defer for later rate-making treatment the costs associated with Washington Climate Commitment Act (CCA) carbon compliance.

Consistent with the terms of the Commission approved third partial stipulation in PGE's 2024 general rate case (Docket No. UE 416), PGE requested this deferral begin effective January 1, 2024.

The State of Washington passed the Climate Commitment Act,² which established a comprehensive, market-based cap-and-invest program aimed at reducing pollution and achieving the greenhouse gas (GHG) limits set in Washington State law.³

The Washington Department of Ecology finalized the cap-and-invest program (Washington Cap-and-Invest) regulations in October 2022 and the program was launched on January 1, 2023. Thus, entities that are covered under the program, such as PGE, started incurring emission compliance obligations January 1, 2023.

As a wholesale marketer of energy to the state of Washington, PGE anticipates incurring covered emissions that will require PGE to procure compliance instruments (e.g., carbon allowances) under the Washington Cap-and-Invest program.

The Company also initially included the estimated Washington CCA carbon compliance cost in the 2024 Net Variable Power Cost forecast filed in Docket No. UE 416. However, there were differing views among UE 416 parties on the proper value of the estimate. As such, from Staff's perspective, given that this is a new program lacking a history of data, the UE 416 stipulating Parties agreed that the Company would remove the Washington CCA carbon compliance cost from the 2024 NVPC forecast and that the Company will file for a deferral of actual carbon compliance costs that is incurred under the Washington CCA.

² Available at: <https://ecology.wa.gov/Air-Climate/Climate-Commitment-Act> and <https://ecology.wa.gov/Air-Climate/Climate-Commitment-Act/Cap-and-invest>.

³ Together with existing policies advancing clean energy and zero-emission vehicles, these new laws put Washington on a path toward achieving the greenhouse gas limits set in state law: 45 percent below 1990 levels by 2030, 70 percent below 1990 levels by 2040, and 95 percent below 1990 levels and net-zero carbon emissions by 2050.

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Thus, the Stipulating Parties, of which Staff is included, further agreed not to oppose this deferral request and that any amortization request will be made through Schedule 125, adopted by the Commission through Order No. 23-386.

Reason for Deferral

The deferral is intended to both reasonably match the costs borne and benefits received by customers as well as resolve a UE 416 contested issue, adopted by the Commission in Order No. 23-386.

Proposed Accounting

The Company proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets), crediting FERC Account 232 (Accounts Payable).

Estimate of Amounts

The Company did not provide an estimate of the amounts because Washington CCA carbon compliance costs can be impacted by numerous variable such as transaction volumes or Washington CCA carbon compliance prices and therefore it can vary significantly.

Information Related to Future Amortization

- Earnings Review – Staff supports not applying an earnings test given the resolution adopted in the UE 416 Stipulation that the prudently-incurred deferral amounts be amortized through Schedule 125.
- Prudence Review – A prudence review should be performed at the time of deferral amortization.
- Sharing Percentages – All prudently incurred cost and benefits will be collected/refunded from/to customers with no sharing mechanism.
- Rate Spread/Rate Design – The deferred amounts will be spread based on an equal percent of generation revenue applied on a cents per kWh basis, as specified in Schedule 125.
- Three Percent Test – The three percent test would not apply because any collections will automatically be included in PGE's 2025 net variable power cost forecast (as incorporated in PGE's prices).

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Conclusion

Staff concludes that Portland General Electric's authorization request meets the requirements of ORS 757.259 and OAR 860-027-0300 and is consistent with the Commission decision in UE 416.

The Company has reviewed this memo and voices no concern.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric 's (PGE or Company) request to authorize the deferral regarding costs associated with the Washington Climate Change Act Carbon Compliance for later rate-making treatment for the 12-month period beginning January 1, 2024.

PGE UM 2308