

ORDER NO. 25-065

ENTERED Feb 19 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2361

In the Matter of

AVISTA CORPORATION, dba AVISTA
UTILITIES,

Application for Authorization to Defer
Costs of Compliance with the Climate
Protection Plan.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 18, 2025, 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: February 18, 2025**

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: February 10, 2025

TO: Public Utility Commission

FROM: Charles Lockwood

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: AVISTA CORPORATION:
(Docket No. UM 2361)
Application for Authorization to Defer Costs of Climate Protection Program

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission (Commission) approve Avista Corporation (Avista or the Company) request for authorization to defer costs of compliance with the Climate Protection Program (CPP) for the 12-month period beginning January 1, 2025, through December 31, 2025.

DISCUSSION:

Issue

Whether the Commission should authorize Avista’s request to utilize deferred accounting for the 12-month period beginning January 1, 2025, through December 31, 2025, for compliance costs associated with the CPP.

Applicable Law

ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the

Docket No. UM 2361
February 10, 2025
Page 2

frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

ORS 757.259(2)(e).

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications.

Under ORS 757.259(4), the Commission may authorize deferrals for a period not to exceed 12 months. Amounts deferred under ORS 757.259 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. The commission may require that amortization of deferred amounts be subject to refund. ORS 757.259(5).

Analysis

Background

On December 16, 2021, the Oregon Department of Environmental Quality (ODEQ) adopted the CPP, which created administrative rules that set greenhouse gas (GHG) reduction targets.¹ The CPP sets a declining limit, or cap, on greenhouse gas emissions from fossil fuels used throughout the state of Oregon, including diesel, gasoline, natural gas, and propane used in transportation, residential, commercial, and industrial settings (the program is not inclusive of fossil fuel used in electric generation).

The CPP also regulates site-specific GHG emissions at large stationary sources, such as emissions from industrial processes. The program baseline is set at average GHG emissions from covered entities from years 2017–2019.² Reductions from this baseline are set at 50 percent by 2035 and 90 percent by 2050.

On September 13, 2022, in Docket No. UM 2254, the Commission approved an initial deferral filed by Avista to track and record the costs associated with CPP compliance in Order No. 23-145. The Commission reauthorized the deferral of the Company's CPP compliance costs through December 20, 2023, in Order No. 24-228.

On December 20, 2023, the Oregon Court of Appeals invalidated the CPP, concluding that the Oregon Environmental Quality Commission (OEQC) did not comply with the applicable heightened disclosure requirements.

¹ OAR 340-271-0010.

² OAR 340-271-8100(3)(b).

Docket No. UM 2361
February 10, 2025
Page 3

On November 21, 2024, the OEQC adopted new rules to establish the Climate Protection Program 2024 in Oregon, as part of OAR Chapter 340, Division 273. The newly adopted CPP rules mirror the original program with minor modifications such as language changes to rules governing Community Climate Investments (CCIs) and CCI funding, information the ODEQ will request from the Commission, introduction of emissions intensive trade exposed sources, new compliance periods, among additional changes.³

Reason for Deferral

As of January 1, 2025, Oregon investor-owned natural gas utilities must work to comply with the newly adopted CPP rules.⁴ In association with this requirement, the Company requests to defer the recovery of costs of compliance with the CPP for later ratemaking treatment. Avista states these costs may include energy efficiency services for transport customers offered through the Energy Trust of Oregon, introduction of renewable and alternative low carbon fuels, and purchase of CCIs, and any other costs the Company may incur to comply with OAR Chapter 240, Division 273.

Description of Expense

The Company does not have an estimate of what amounts will be recorded in the CPP deferral account for the upcoming 12-month period. The intricacy of this program requires a thorough examination of all compliance instruments, and the Company continues to evaluate how it will move towards compliance with the CPP. Additionally, given that ODEQ has just adopted new rules given the invalidation of the CPP, the estimation of costs remains unclear.

Proposed Accounting

The Company proposes to defer the costs associated with the CPP by recording the deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets), crediting FERC Account 407.4 (Regulatory Credits). Interest would accrue on this balancing account at the rate equal to the authorized weighted average cost of capital most recently approved the Commission.

Information Related to Future Amortization

- Earnings Review – Cost Recovery for costs associated with the costs of compliance with the Climate Protection Plan will be subject to an earnings review in accordance with ORS 757.259(5).

³ Oregon Department of Environmental Quality Climate Protect Program 2024 Fact Sheet, <https://www.oregon.gov/deq/ghgp/Documents/PPP2024ChangesFactSheet.pdf>.

⁴ OAR Chapter 340, Division 273.

Docket No. UM 2361
February 10, 2025
Page 4

- Prudence Review – Will be performed by Commission Staff no later than the proceeding to authorize amortization of the costs associated with the costs of compliance with the CPP.
- Sharing – All prudently incurred costs are recoverable by Avista with no sharing mechanism.
- Rate Spread/Design – Will be determined during the proceeding to authorize amortization of the costs associated with the deferral.
- Three or Six Percent Test (ORS 757.259(6)(7)(8)) – Amortization of the deferred costs will be subject to a three percent test in accordance with ORS 757.259(7) or possible six percent test in accordance with ORS 757.259(8) and with Commission authorization. These tests limit aggregated deferral amortizations during a 12-month period to no more than three or six percent of the utility's gross revenues for the preceding year.

Conclusion

Staff has reviewed the filing in detail and finds that the proposed deferral is just and reasonable. Staff, therefore, recommends approval of Avista's request for authorization to defer costs associated with compliance with the Climate Protection Program. Staff does reserve the right to conduct a thorough prudence review of any costs recorded to this deferral prior to approval of any rate making treatment.

PROPOSED COMMISSION MOTION:

Approve Avista's request for authorization to defer costs associated of compliance with the Climate Protection Program for the 12-month period beginning January 1, 2025, through December 31, 2025.

AVISTA UM 2361 CPP Deferral