

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2308(1)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization of
Washington Climate Commitment Act
Carbon Compliance Costs.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 24, 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.

ITEM NO. CA6

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 24, 2025**

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

DATE: June 3, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2308(1))
Reauthorization of Deferral of Costs Associated with Washington CCA
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 (CCA) Carbon Compliance for later rate-making treatment for the 12-month period beginning January 1, 2025.

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

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation 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 frequency of

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

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting, as stated in OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the prudence of the deferred amounts and the utility's earnings at the time of application to amortize the deferral. If amortization is through an automatic adjustment clause, the earnings review is discretionary.

In this filing, 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 the Company requests authorization to continue to defer for later rate-making treatment the costs associated with Washington Climate Commitment Act carbon compliance.

Analysis

Background

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 the state law.³

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

The Washington Cap-and-Invest program sets a limit, or cap, on overall carbon emissions in the state of Washington and requires covered entities to obtain compliance

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

² See, <https://ecology.wa.gov/Air-Climate/Climate-Commitment-Act>.

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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instruments equal to their covered GHG emissions during a compliance period. These allowances can be obtained through quarterly auctions or bought and sold on a secondary market.

The GHG cap will be reduced over time to ensure that the State of Washington achieves its decarbonization goals. PGE, in its electric power operations both buys and sells power with entities operating in the state of Washington. PGE anticipates incurring covered emissions that will require PGE to procure compliance instruments, for instance, carbon allowances under the Washington Cap-and-Invest program.

The Company is continuing this deferral for 2025, as these costs were also not included in the 2025 Net Variable Power Cost forecast. The Commission adopted an agreement in Order No. 23-386, relating to the Washington CCA, and the Company submitted the initial application for the deferral of costs associated with the Washington CCA for the period of January 1, 2024 through December 31, 2024, which was approved by the Commission in Order No. 24-318. This is the first reauthorization request and was filed on December 31, 2024.

Description of the Expenses

The Company included the estimated Washington CCA carbon compliance cost in the 2024 Net Variable Power Cost forecast filed in Docket No. UE 416. However, Stipulating Parties in UE 416 agreed that the Company will remove the cost associated with Washington CCA carbon compliance from the 2024 NVPC forecast, and that PGE will file for a deferral of actual carbon compliance costs to be incurred under the Washington CCA.

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 expenses related to the procurement of instruments to comply with the Washington Cap-and-Invest program are the expenses PGE seeks deferral of in this filing.

Proposed Accounting

For collection amounts, the Company will continue to record the deferred amount in FERC Account 182.3 (Regulatory Assets), crediting FERC Account 232 (Accounts Payable). In the absence of deferral approval, PGE would record the expenses or revenues to the appropriate FERC accounts.

Reasons for Deferral

Pursuant to ORS 757.259(2)(e) and Commission Order No. 23-386, the Company seeks deferred accounting treatment for carbon compliance costs associated with the

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Washington CCA. Thus, the deferral will match appropriately the costs borne and benefits received by customers.

Estimate of Amounts

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

Information Related to Future Amortization

- Earnings Review - This deferral will be amortized through Schedule 125. Whether there will be an earnings review was not determined in the stipulation approved by the Commission.⁴ This question will be resolved at the time of amortization.
- Prudence Review - A prudence review should be performed at the time of deferral amortization.
- Sharing Percentages - Whether there will be sharing was not determined in the stipulation approved by the Commission. This issue will be resolved at the time of amortization.
- 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 2026 net variable power cost forecast (as incorporated in PGE's prices). Otherwise, this issue will be resolved at the time of amortization.

⁴ *In the Matter of Portland General Electric Company Request for a General Rate Revision*, UE 416, Order No. 23-386, Third Partial Stipulation at 3 (October 30, 2023). The Third Partial Stipulation provides, in part:

c. Parties agree that if PGE seeks to amortize any deferred amounts under ORS 757.259(5), it will request amortization through Schedule 125.

d. Although Parties agree to support PGE's deferral of Washington CCA costs, this agreement does not mean the Parties will necessarily support the amortization of those costs. Parties reserve the right to challenge the amortization of the costs and raise issues when PGE requests amortization of deferred amounts.

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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 a draft of this memo and agrees with Staff's recommendation to approve the application.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's 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, 2025.

Portland General Electric UM 2308(1)