State of Oregon
Department of Environmental Quality

Clean Fuels Program Rulemaking Advisory Committee #3 Discussion Paper – Electricity Topics

This paper presents proposals for several electricity-related topics that were previously discussed in the second Clean Fuels Program (CFP) Rulemaking Advisory Committee meeting on June 10, 2026. The proposals below are updated drafts for the purpose of soliciting additional detailed feedback and comments from the Committee, interested parties, and the public. DEQ is planning to move forward with the light duty electric vehicle energy economy ratio (EER) proposal[1] discussed in the electricity discussion paper for the last meeting, but does not have an update to that proposal so it is not discussed here.

Residential credit revenue spending

Oregon DEQ is proposing that as a condition of receiving future residential credits, all revenue from sale of residential credits that electric utilities receive must be spent on advancing transportation electrification. Residential credits are credits that are awarded to utilities by their ratepayers who own EVs charging at their residences. While the majority of residential credit spending is already directed toward transportation electrification, this requirement will help ensure that 100% of residential credit revenue is being used to further Oregon's transportation electrification goals under the Clean Fuels Program.

Defining transportation electrification

DEQ understands that transportation electrification needs across Oregon vary greatly between different utility service territories and appreciates the need to keep this definition flexible and broad. We would like to solicit additional comment on the definition of transportation electrification below:

For the purpose of utility residential credit revenue spending, transportation electrification projects are defined as any project that directly supports the electrification of the Oregon transportation sector. Eligible investments include:

1. Increasing the number of electric vehicles on the road through providing incentives to customers
2. Supporting the electric grid in ways that have a direct connection to enable additional EV charging
3. Providing and/or supporting EV charging equipment and access, and/or
4. Engaging and educating communities about electric vehicles.

Some example projects that meet the above four categories are:

1. Rebates for electric vehicle purchases, charging equipment, electric bikes, e-scooters
2. Installation support for home, public, multifamily, and/or fleet charging

[1] This proposal is that DEQ would review and update the light duty electric vehicle EER to 4.6 from 3.4 starting in 2027, and then every other year re-review the data and update that value based on trends in the state fleet's vehicle efficiencies.

3. Targeted grid capacity and/or resiliency upgrades to support increased electricity demand due to EVs, or to support the deployment of public or fleet fast charging stations. These projects can include energy efficiency and other non-transmission measures where a direct linkage can be shown to enabling additional EV charging.
4. Supporting deployment of public charging generally, including paid public charging and workplace charging
5. Free or subsidized public charging
6. Deployment of public charging in low-income areas, or areas where the ability to charge at single and multi-family homes is limited
7. Providing incentives for school districts, fleets, and others to purchase medium- and heavy-duty electric vehicles
8. Electric vehicle purchases for community-based organizations serving low-income or underserved populations
9. Customer education, outreach, and training
10. Consumer-sited non-wires solutions (like managed charging technologies and efficient, non-EV related equipment) to grid upgrades to allow greater capacity for EV adoption on the utility's distribution system
11. Supporting ZEV carsharing programs to increase transportation options and access
12. Other transportation electrification projects approved by DEQ
    a. If a utility has a project in mind that does not appear on the above list, the utility may provide a description of the proposed project to DEQ for approval

DEQ is proposing that if any utilities are found to be spending residential credit revenue on activities that do not meet the definition of transportation electrification outlined here for more than two years, their residential credits will be assigned to the backstop aggregator for future years.

Customer-focused incentives

As discussed in the second RAC meeting, DEQ is considering additional spending requirements for utilities who generate over a certain credit or revenue threshold for their residential credits. The majority of public comments on this topic supported a revenue-based threshold as opposed to credit-based. This would help ensure fairness in expectations of utilities if credit prices drop and they do not receive sufficient funding to continue certain programs.

DEQ is proposing that any utility who receives over $500,000 in revenue from residential credits for two consecutive years will be required to spend at least 50% of their credit revenue on direct consumer-focused incentives. DEQ would determine this by looking at the 2025 and 2026 annual residential revenue reports after they are submitted in 2027, and then each year thereafter.

Customer-focused incentives would be defined as being available to residential ratepayers or small business, small commercial, or non-profit customers to help cover the costs of purchasing an EV, Level 2 charger, or customer-side improvements needed for a Level 2 charger, such as panel upgrades.

Utilities under the $500,000 threshold would not be required to spend half of their revenue on direct consumer-focused incentives, however, they are still encouraged to do so or consider how these programs could work in their service territories in the future.

Reporting requirements

To ensure utilities are following these new spending requirements, DEQ will require accurate and consistent reporting on residential credit revenue spending. We understand that utilities have limited resources for reporting and that there is a strong desire to keep reporting simple. We are proposing to offer a reporting template that utilities can fill out demonstrating where their spending is going. This template is intended to streamline reporting and make it easier for utilities, not more complex or time-consuming.

The rules currently require that utilities include the following in their annual reporting on residential credit revenue spending:

> (a) Total revenue from the sale of base and incremental credits attributable to residential vehicle charging, if applicable in the prior year;
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> (b) For entities whose revenue or expenditures exceed $250,000 in a given year, the percentages that result when dividing the utility's CFP-related administrative costs, including but not limited to submitting reports, selling credits, and to administer any programs that were funded by CFP revenue from the utility's sale of incremental credits, including but not limited to project management and development and management of contracts to operate such programs by the amount of revenue reported under subsection (a);
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> (c) A description of the programs that were funded by CFP revenue the utility received from its sale of base credits and the amount spent in each category in the prior year; and
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> (d) A description of the programs that were funded by CFP revenue from incremental credits, the amount spent in each category in the prior year, a description of the class of individuals or listing of organizations that benefited from the programs, and any other data elements that DEQ informs each utility receiving incremental credits that it will require following consultations with the Equity Advisory Committee created under OAR 340-253-0330(12)(j).

DEQ is proposing to add the following reporting requirement to the above list:

> (e) For entities whose revenue exceeds $500,000 for two consecutive years, the percentage of that revenue that has been spent on consumer-focused incentives, and detailed narrative descriptions of those projects.

DEQ has drafted an optional template for utilities to use, posted on the CFP rulemaking webpage, using Washington and California's templates as models. DEQ would appreciate feedback on the draft template.

Equity considerations

For both the customer-focused incentives and the general transportation electrification spending, DEQ will recommend but not require that a portion of the revenue be used for projects that support equitable access to EVs for low and moderate-income Oregonians and those living in communities with environmental justice concerns, or reduce the diesel pollution burden on these groups. The agency recognizes the difficulties this recommendation imposes on utilities with fewer credits or those whose customer populations may limit opportunities for that type of spending.

As we consider which projects we should recommend to meet the needs of those communities and individuals, we are proposing the following list for feedback:

- Projects that benefit underserved communities, as defined under HB 2165 (2021 Legislature)
- Electrification of drayage trucks as well as other medium-, heavy-duty, or off-road vehicles including school and transit buses

- Investment in public EV charging infrastructure and EV charging infrastructure in multi-family residences
- Investment in electric mobility solutions, such as EV sharing and ride hailing programs
- Additional rebates and incentives for low-income individuals beyond existing local, federal, and State rebates and incentives for: purchasing or leasing new or previously owned EVs; installing EV charging infrastructure in residences, including panel and service upgrades; and offsetting costs for residential or nonresidential EV charging.
- Promoting use and additional incentives for use of public transit and other clean mobility solutions, via charging equipment or infrastructure that directly supports the following categories:
    - EV sharing and ride hailing programs
    - Electrification of public transit and school buses, including battery swap programs
    - Use or ownership of neighborhood electric vehicles, e-bikes, e-scooters, e-motorcycles, and other micromobility solutions
- Workforce development for transportation electrification and electric vehicle infrastructure applications
- Investments in grid-side distribution infrastructure necessary for medium- and heavy-duty EV charging

Residential crediting at baseline for electric utilities offering incentives

DEQ is planning to move forward with the proposal discussed in the last RAC meeting to temporarily modify how credits are calculated for residential charging for electric utilities that are offering customer-focused incentives. This would apply to utilities that are both above and below the proposed dollar value threshold discussed above, and this provision would adopt an identical definition as that provision for what customer focused incentives are.

Any utility that budgets to spend at least half of its base credit revenue on those incentives to be eligible for base crediting calculated against the gasoline baseline (96.50gCO2e/MJ) instead of the gasoline standard for five years, from 2027-31 (the standard for those years currently falls from 82.99 to 73.92g). For 2027 crediting, utilities would pledge to increase their budgeted spending on customer-focused incentives to that amount in 2028, and after that DEQ would verify it based on the utility reporting into the program.

This provision would modestly increase credit generation for those utilities during that time period where greater EV sales are needed to help unlock deeper targets for the program. There are few other clear options for decarbonizing the light duty fleet in an affordable way – ethanol is limited to up to 15% of the gallon for most internal combustion engine vehicles, and automakers are not producing flex fuel vehicles in significant quantities. There is not a clear technology pathway for renewable gasoline at affordable prices that has been demonstrated commercially. And while electricity rates have risen in recent years, EVs are efficient enough that when charged at home they are significantly less expensive per mile for Oregonians than gasoline is.

Advance crediting

Advance crediting is a component under the Clean Fuels Program that allows entities to apply for up to six years' worth of credits up front, calculated based on estimates of miles that will be traveled over that six-year period. The entity would then generate actual credits over the course of their payback period that would draw down their balance of advance credits, up until they generate enough credits to offset the advance and they can begin generating credits in real time. As of now, DEQ's rules only allow public entities such as local governments, port authorities, tribal governments, transit agencies, and school districts to apply for advance credits. Certain private entities, such as those under franchise agreements with public entities or that are on contract to provide a public service such as garbage trucks, can also apply.

DEQ has considered expanding the advance crediting program to allow private entities to participate and generate advance credits. One challenge with that, however, is that vehicles that generate advance credits must remain in the state of Oregon throughout the payback period. This makes sense for public fleets as they would ordinarily stay in state, however, allowing private fleets to participate poses a challenge in how to ensure those vehicles are staying in Oregon.

After careful consideration, DEQ is proposing to allow private entities to generate advance credits only for their medium- and heavy-duty chargers that are installed in Oregon. This would not apply to the vehicles themselves, and would be limited to medium- and heavy-duty chargers for public or private charging. The advance would be calculated similarly, using estimates of how many kWh of electricity would be going into that charger over the advance period, and the entity would report charging usage over the payback period to draw down their credit balance. DEQ would appreciate feedback on this proposal.

Renewable electricity

Following our review of the comments from the last rulemaking meeting, DEQ staff have prepared this updated proposal for additional feedback on a verification pathway for renewable energy certificates to be claimed in the Clean Fuels Program in addition to the existing Green-e Certification.

This proposal seeks to balance workability in the renewable electricity marketplace while avoiding creating a significant additional burden on agency staff or our verifiers – thus the limitation on the states where a generator can be located for this option. Generators in the Western Interconnection located in other states would still be able to use the existing Green-e Certification option; this option would be in addition to the existing pathway in the rules for using RECs.

What renewable electricity qualifies for Third Party Verification:

- The renewable electricity generator's start date must be on or after January 1, 2016.
- The generator must be located in Oregon, a neighboring state, or a state in the Western Interconnection that has a cap on emissions from the electricity sector.
- Vintage requirements for reporting are the same as the Green-e Standard for this option – for a given reporting year, RECs from the back half of the prior year, the full current reporting year, and the first quarter of the following year may be used.
- The generator must be producing electricity via:
    - Solar
    - Wind
    - Geothermal
    - Biomass, biogas, or biofuels
    - Hydrogen fuel cells
    - Tidal or wave ocean energy
- The carbon attributes of the REC must be maintained, so the verifier can check to see if the underlying electricity was reported by a load serving entity in California or Washington and counted under that state's cap and invest program, or any other state's clean electricity policy through an attestation requirement.
- RECs must still be registered and retired in WREGIS or a successor system approved by DEQ.

Attestation from the renewable electricity generator/seller

In order to create transparent and auditable documentation, we are proposing to require that an attestation must accompany the RECs used in the Clean Fuels Program from the eligible generator that states under penalty of perjury that the underlying power has not been sold into another state or jurisdiction where it has been claimed as zero carbon in a cap-and-trade program or clean electricity standard, or both. Renewable electricity where the underlying power is used in Oregon would be acceptable so long as it does not result in multiple claims outside of the existing allowance for reporting required under Oregon's Greenhouse Gas Reporting Program in OAR 340-215.

The attestation must include statements that the RECs specifically:

- Are not sourced from a resource under a power contract that conveys the resource's environmental attributes to, or supports a specified clean-energy import claim in, a California or Washington GHG compliance zone, and
- Have not been and will not be used for compliance under another jurisdiction's program or claimed under a separate voluntary instrument or agreement.

What needs to be verified:

The Third-Party Verifier would be responsible for reviewing RECs to ensure the following:

- exclusive ownership of the environmental attributes associated with the renewable generation and the retirement of the REC for the specific CFP claim
- the vintage requirements are met for the reporting period/year
- That there have not been multiple emissions-related claims across compliance and voluntary programs for a given REC through transparent documentation sufficient to support independent verification.

This verification would happen during the regular quarterly fuel transaction report verification if the reporting entity is subject to verification based on the 6,000 credit and deficit threshold, or the reporting entity would be required to go through a verification of just their RECs using this provision and related reporting.

How the verifier checks the above

The verifier would be expected to review the REC retirement records from WREGIS that are submitted as supplemental documentation in the reporting entity's quarterly report and ensure that all RECs have valid attestations. The REC retirement records combined with public WREGIS reports would cover the generator's location, fuel type, start date, the REC vintage, and that they were retired specifically for the Clean Fuels Program.

Staff are asking for feedback on the following:

- Beyond attestations, is there other documentation verifiers should review when verifying use of RECs?
- Should the attestations be submitted at the time of quarterly reporting or should we just require that they be maintained by the reporting entity?
- Should the reporting entity be required to clearly state at the time of reporting if their RECs will go through Green-e Certification, Verification, or both if they are using a mix of RECs?
- Can the existing verification bodies and verifiers take on this work?
- What areas or requirements need to be better defined?
- Does this proposal balance staff and verifier workloads by providing an incentive for additional renewable generation?
- We have had several requests to modify the requirements for dairy and swine manure to electricity projects to exempt them from the new date requirement required for other generators in order to

promote new and additional renewable electricity generation. Is there a compelling reason to treat these projects differently from the other eligible forms of renewable electricity?

Non-discrimination statement

DEQ does not discriminate on the basis of race, color, national origin, disability, age, sex, religion, sexual orientation, gender identity, or marital status in the administration of its programs and activities.

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