



Oregon

Theodore R. Kulongoski, Governor



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Summary of Energy Legislation Passed by the 2007 Session

Governor Kulongoski's Renewable Energy Package

1. Senate Bill 838 - Renewable Portfolio Standard (RPS)

Senate Bill 838 establishes a Renewable Portfolio Standard (RPS) for electricity. The bill requires that 25% of Oregon's electric load come from new renewable energy by 2025. The RPS sets interim targets of 5% by 2011, 15% by 2015 and 20% by 2020. The RPS requirement of 25% by 2025 applies to electric utilities and any electricity service suppliers that serve at least 3% of Oregon's electric load. This covers Oregon's three largest electric utilities with over 75% of Oregon's electric load. Depending on load growth, this will likely cover most of the new resources needed to meet these utilities' new load.

Oregon's 31 smallest consumer-owned utilities that serve less than 1.5% of Oregon's electric load are exempt from the 25% standard but must meet 5% of their load from new renewable energy by 2025. Utilities which serve between 1.5% and 3% of Oregon's load must meet 10% of their load from new renewable energy by 2025. These lower targets for the smaller utilities require these utilities to avoid new acquisition of coal, except for limited circumstances.

Eligible renewable resources include wind, solar, ocean, geothermal, biomass, hydropower and other renewable resources that were operational after January 1, 1995. Eligible generating facilities do not have to be located in Oregon but at least 80% of the electricity from these resources must serve Oregon loads.

No utility will be required to give up access to low-cost firm power from BPA or low-cost hydro contracts with the Mid-Columbia dams owned by Washington PUDs. The RPS is not expected to increase rates; but a cost cap is built in as a backstop to limit any possible cost impact. Compliance with the RPS can occur by owning eligible resources, by buying the output of resources developed by others, or by acquiring a limited number of unbundled Renewable Energy Certificates.

The public purpose charge is extended through 2025. Use of the renewable energy portion of the public purpose charge is limited to small-scale renewable energy projects 20 megawatts or less to encourage a diversity of the types of renewable energy resources developed. There is a non-binding goal that one-third of the renewable energy resources will be small-scale renewable energy projects. The bill also authorizes investor-owned utilities to provide financing for energy conservation beyond what is provided by utilities through the public purpose charge.

House Bill 2210 - Biofuels Fuels Package.

House Bill 2210 provides a package of measures to encourage greater development, distribution and use of agricultural and forest material for biofuels, for electricity and for other forms of biomass energy use. The bill expands property tax incentives for biofuel and certain fuel additive production facilities, establishes a new tax credit for producers and collectors of biofuel raw materials, based on Btu content of feedstock, and creates an income tax credit for consumer use of biofuel.

House Bill 2210 also establishes a Renewable Fuel Standard for biodiesel and ethanol based on in-state production, prohibits the sale of gasoline that contains MTBE and certain other additives, provides a mandate on State agencies regarding biodiesel for backup power generation, modifies the site certificate exemption criteria for ethanol and biodiesel production facilities to preclude coal-fueled facilities, and allows certain farm biofuel production facilities on land zone for exclusive farm use (EFU).

House Bill 2211 – (Included in House Bill 3201). Business Energy Tax Credit (BETC).

House Bill 2211 amends the Business Energy Tax Credit to provide greater incentives for renewable energy. It was added to House Bill 3201, which contains a number of other tax credits. The bill increases the tax credit for renewable energy systems installed by businesses from 35% to 50% and increases the project cost limit from \$10 million to \$20 million. It also provides that the costs of constructing facilities to manufacture renewable energy systems and components are eligible for the increased tax credit for renewable energy.

House Bill 2211/ House Bill 3201 also makes combined heat and power projects (CHP) eligible for the increased tax credit, increases the size of hydro projects eligible for the tax credit from 1 megawatt to 10 megawatts for hydro projects meeting state and federal requirements for fish and wildlife, and repeals the offset of federal tax credits for projects which receive a federal and state credit.

The bill also clarifies the ability of investor-owned utilities to serve as pass-through partners for purposes of transferring the tax credit to others with little or no tax credit liability. It also provides an incentive to builders of high performance homes that reduce purchased energy use to near zero on an annual basis and makes homebuilders eligible for installation of renewable energy systems in new homes but at the value of the Residential Energy Tax Credit.

The bill applies to any project constructed or installed after January 1, 2007.

House Bill 2212 – (Included in House Bill 3201) Residential Energy Tax Credit (RETC).

House Bill 2212 was also included in House Bill 3201. It allows use of the residential energy tax credit for more than one qualifying item in the same year, e.g. for a solar water heater and for a solar electric system, and/or for multiple energy-efficient appliances. The bill also increases the maximum tax credit for fuel cells and for wind generation from \$1,500 to \$6,000 over four years.

The bill applies to any project constructed or installed after January 1, 2007.

Other Senate Bills

Senate Joint Memorial 1 – Hanford Resolution.

SJM 1 urges Congress to provide the necessary funding to clean up the nuclear weapons wastes at the US Department of Energy's Hanford Site. SJM 1 also urges a role for the State of Oregon in decisionmaking at Hanford, including a role in the Hanford Tri-Party Agreement.

Senate Bill 118: -- Abnormal Market Disruptions.

Senate Bill 118 authorizes the Governor to declare an abnormal disruption of market under certain circumstances. Certain essential consumer goods and services are covered including petroleum products and diesel fuel. During the period of a declared abnormal disruption of market limits are imposed on the price increase allowed for goods and services covered by the declaration.

Senate Bill 375: -- Appliance Efficiency Standards.

Senate Bill 375 establishes energy efficiency standards for certain appliances and electrical equipment, based on standards adopted by California and other states. The bill covers bottle-type water dispensers, commercial hot food holding cabinets, compact audio products, digital versatile disc players and recorders, portable electric spas, and walk-in refrigerators and freezers. The bill also gives rulemaking authority to the Department of Energy to adopt additional efficiency standards under certain circumstances.

Senate Bill 461: --Low Income Energy Assistance.

Senate Bill 461 increases from \$10 million to \$15 million annually the amount paid by PacifiCorp and Portland General Electric to the Department of Housing and Community Assistance for low income energy assistance.. This amount is in addition to the public purpose charge paid by these utilities for energy efficiency and renewable energy.

Senate Bill 479: -- School Light Fixture Bill.

Senate Bill 479 requires schools to remove all R type metal halide or mercury vapor light bulbs with T type light bulbs or with alternative lighting such as fluorescent lights by January 1, 2008. The T type and other alternative lighting are less hazardous and more energy-efficient than R type metal halide lights.

Senate Bill 790: -- Off-shore Leasing.

Senate Bill 790 prohibits leases within the state territorial sea (up to three miles seaward from the coastline) for any form of exploration, development or production of oil, natural gas or sulfur. The ban does not apply to exploration for scientific or academic research or for geologic survey purposes.

Senate Bill 812: -- PUD Statute Changes.

Senate Bill 812 makes a number of changes to the statutes governing peoples' utility districts (PUDs) so that PUDs can implement the Renewable Energy Standard contained in SB 838. These include the authority under certain circumstances to acquire renewable energy resources, to purchase renewable energy certificates, and to undertake other measures.

Senate Bill 814: -- Biofuels Bill Changes.

Senate Bill 814 makes two changes to the biofuel producer tax credit contained in House Bill 2210. It removes corn grain as an eligible feedstock from the biofuel producer tax credit and delays for two years wheat from eligibility for the producer tax credit. It does not preclude use of corn stalks, wheat wastes and similar material for the tax credit for cellulosic conversion to biofuel.

Senate Bill 819: -- Tax Credit / Kicker Refund Adjustment.

Senate Bill 819 makes revisions in the Oregon tax code so that purchasers of tax credits do not have the value of their tax credits reduced by a kicker refund due to revenues greater than 2% of the revenue forecast. This change benefits pass-through partners for the Business Energy Tax Credit as well as individuals and businesses who are transferred other tax credits for cash payment.

Senate Bill 875: -- Ocean Energy Rules.

Senate Bill 875 authorizes the Department of State Lands to develop rules relating to wave energy facilities. The rules may include requirements for site restoration and that the operator of a wave facility has evidence of financial assurance to meet the site restoration requirements. Senate Bill 875 also clarifies that ocean wave energy is distinct from hydroelectric energy and qualifies for the Business Energy Tax Credit as a separate form of renewable energy.

Other House Bills

House Bill 2272: -- Vehicle Emission Standards.

This legislation requires that new vehicles, beginning with the model year 2009, must comply with low emission standards of the Environmental Quality Commission in order to register the vehicle. In addition, the bill authorizes the Oregon Department of Transportation to deny registration to 2009 or later model year vehicles that do not comply with the new standards. This bill provides additional enforcement for the tailpipe emissions rules that the Oregon's Environmental Quality Commission (EQC) adopted in June 2006 requiring that new vehicles meet California auto emission standards. Besides cleaner air the standards result in increased vehicle efficiency.

House Bill 2565 :Appliance Efficiency Standards.

House Bill 2565 makes technical changes to two classes of equipment adopted as part of a package of appliance efficiency standards in 2005 by House Bill 3363. The changes are to single-voltage external AC to DC power supplies, and to incandescent reflector lamps. The changes make the requirements consistent with those adopted by California and other states which were modified after the adoption of House Bill 3363 in 2005.

House Bill 2565 also gives the Department of Energy the authority through rule to make modifications in energy efficiency standards to be consistent with the standards and the timing of the effective date of such standards in adjoining states and under other limited circumstances.

House Bill 2620: -- Solar Energy in Public Buildings.

House Bill 2620 provides that a state or local government must devote at least 1.5% of the cost of constructing a new building or renovating an existing building to solar energy technologies if the building receives state funds. Passive solar energy investments can meet the requirement if passive solar reduces energy use by at least 20%. The Department of Energy will establish rules and forms for determining the appropriateness and cost-effectiveness of the 1.5% requirement.

The 1.5% solar requirement carries over to future projects by the agency if the project is determined to be inappropriate or not cost-effective for solar use. This requirement is also in addition to the existing statutory requirements of state agencies to design and build state buildings to meet energy efficiency savings requirements.

House Bill 2628: -- Outdoor Lighting Brightness.

House Bill 2628 directs the Department of Energy to evaluate state statutes and building codes regarding outdoor lighting impacts on energy efficiency and night brightness. Upon release of a model lighting ordinance by the International Dark-Sky Association and the Illuminating Engineering Society of North America the Department shall review the ordinance and make recommendations for adoption of the ordinance in the state building code and in local ordinances. The Department will make its findings available in a report to the Legislature by October 1, 2008. In enacting the bill, the Legislative committee encouraged the Department to establish a broad-based stakeholder group to assist in review of the model ordinance.

House Bill 2925: -- Small Wave Energy Facility Licensing Exemption.

House Bill 2925 provides that a wave energy project located within Oregon's Territorial Sea is exempt from a water right permit and related licensing requirements of the Water Resources Department if the project does not exceed 5 megawatts and if a federal license is not required under the Federal Power Act to construct or operate the project.

House Bill 3244: -- Sustainability Board

House Bill 3244 reestablishes the Sustainability Board as a statutory board. The Sustainability Board is directed to identify, evaluate and recommend changes in laws, rules and policies to sustain, enhance and protect the quality of the environment, economy and community for the present and future benefit of Oregonians.

House Bill 3488: -- Solar Incentives.

House Bill 3488 expands the property tax exemption for residential use of solar energy to business and other uses of solar and other renewable energy systems, including systems which can be used for net metering. The exemption sunsets July 1, 2012. The bill also authorizes the Public Utility Commission to establish tariffs and rules to further encourage investor-owned utilities to invest in renewable energy beyond what is provided by utilities through the public purpose charge.

House Bill 3488 also includes a provision related to House Bill 2210, the biofuels bill. It provides the Governor with the direct authority to suspend the renewable fuel standard for ethanol in the event of the unavailability of ethanol fuel under certain conditions. The Department of Energy must make findings verifying the unavailability of ethanol before the Governor can suspend the standard.

House Bill 3543: -- Global Warming Actions.

House Bill 3543 takes a number of actions to reduce global warming emissions. The bill codifies Governor Kulongoski's greenhouse gas reduction goals: namely by 2010 to begin to reduce greenhouse gas emissions, by 2020 to achieve greenhouse gas levels 10% less than 1990 levels and by 2050 to achieve greenhouse gas levels 75% below 1990 levels.

The bill also establishes a Global Warming Commission. The Commission is responsible for recommendations to meet the greenhouse gas reduction targets. The Commission is also responsible for examining cap and trade systems, for developing an educational strategy on global warming issues, for tracking global warming impacts on Oregon and other issues. The bill also creates the Oregon Climate Research Institute in the Oregon University System.

House Bill 5005 -- Bond Limitation Bill.

HB 5005 provides authorization for state agencies to issue state bonds for various purposes. The bill authorizes \$150 million for the Energy Loan Program to issue low-interest loans for renewable energy and energy efficiency. This is an increase of \$25 million over the previous biennium. This will allow the Energy Loan Program to make more loans for renewable energy projects and will also allow over \$35 million in new loans for university and community college energy-savings projects.

House Joint Memorial 22:-- Wave Energy

This memorial recognizes the great potential that Oregon has for wave energy. The memorial also expresses the strong support of the Oregon Legislature for the development of wave energy as a renewable energy resource with great potential to reduce dependence on oil and other fossil fuels. The memorial further express concern to Congress about the disagreement among federal agencies as to who has lead federal authority. The memorial urges Congress to resolve that issue and direct establishment of a review process specific to wave energy.

House Resolution 1 – Hydrogen Resolution.

House Resolution 1 supports development of renewable energy sources of hydrogen and recommends that hydrogen be a top priority of current and future renewable energy research, policy and programmatic initiatives by the State of Oregon. The resolution also encourages private - public partnerships like the Northwest Hydrogen Alliance.