Briefing Paper
Legislation Update

May 4, 2011

Summary

The paper brings you up to date on developments in the 2011 legislature since our last report.

Discussion

Public-purpose charge bills. None of the bills appear to have traction:

- SB 673, which would allow utilities to collect public purpose charges from large users (over one average megawatt)
- HB 3587, which would sunset the 3% public purpose charge in October 2011
- SB 457, which would re-direct most of the fund to schools
- HB 2979, which would use public-purpose charge funds to compensate utilities for costs related to solar PV feed-in tariff pilot

BETC/RETC bills. At legislators' request, staff has been engaged in several discussions as these bills take shape:

- Residential energy tax credit (RETC), HB 2522 and SB 688:
  - Cap on total credits (as yet unspecified)
  - ODOE has flexibility to manage RETC within the cap
  - Credits geared to energy rather than project cost:
    - the lesser of $1,500 or first-year kWh output multiplied by 60 cents for space heating, cooling, electrical energy or water heating
    - the lesser of $750 or the first-year kWh output multiplied by 30 cents for whole-house air-to-air heat pump or a hydronic air handler
    - less for pools and spas
  - Projects must be at or above code
  - Appliances would not qualify for credit under the current Senate bill and would qualify under the House bill.
- Business energy tax credit (BETC) for energy conservation projects, HB 2414:
  - No more than $50 million in credits 7/1/12-7/1/13; ODOE may dedicate $15 million of this for innovative projects; and if applications exceed program cap, must allocate the rest under criteria adopted by rule (sec. 16).
  - Per-project:
    - credit is 20% of cost of Oregon projects that exceed conservation standards by 10% or more (sec. 2), not to exceed per-project caps (not yet set)

        - if a retrofit, the existing project may not be early in its service life
        - must have a payback period of between 2-25 years (which probably excludes solar-thermal systems)
        - subject to per-project cap (as yet unspecified)
        - ODOE must reduce credit if more than 75% of project cost would be paid by government incentives, grants or loans, or payback exceeds 15 years;
    - 20% of credit used per year for five years; credit may not be used in 2018 or later (sec. 4)
    - Credit may not be sold, new facility owner must apply for credit
    - In allocating credits, ODOE must use tiers based on energy savings
    - ODOE will have power to revoke credits under certain circumstances.
- <u>BETC for renewable projects</u>, HB 2208:
    - No more than $150 million in credits for 7/1/12-7/1/13 (sec. 16)
    - If applications exceed program cap, ODOE must allocate 10% to LEED projects, 10 % to innovative projects, and allocate the rest under criteria established by rule (sec. 16)
    - Per-project credit:
        - 20% of cost of Oregon projects (sec. 2)
        - Projects must cost less than $20 million; individual project credit no more than $2 million
        - Credit based on energy yield
        - ODOE must reduce credit if more than 75% of project cost would be paid by government incentives, grants or loans
        - 20% of credit for each of first four years; may claim a fifth year under sec. 12(5)
    - Solar thermal ineligible (applies only to generation projects)
    - Credit may not be sold, new facility owner must apply for credit
    - Systems must be certified before 2018
    - In allocating credits, ODOE must use tiers based on cost and diverse technologies; and prioritize projects in accordance with minimum performance standards
    - ODOE has power to revoke credits under certain circumstances, including if the project is not “economically viable” without the BETC
- A third BETC bill, HB 2523, would assign the renewable energy manufacturing credit program to Business Oregon.
- The BETC/RETC bills have moved from their policy committees to the Revenue Committee, and then will go to a Tax Credit Committee charged with associating dollars with each Oregon tax credit program.

<u>Energy Conservation in Schools</u>:

- HB 2960 appears to be the vehicle for the Governor’s “Cool Schools” idea. It would:

  - Authorize improvements in schools using bond funds issued for seismic safety improvements, and loans from the Oregon Small-Scale Energy Loan Program (SELP).
  - SELP loan costs would be reduced in various ways: by a federal bond program; the schools' public purpose funds in investor-owned utility territory; $1.5 million in residual EEAST-related lottery money in consumer-owned utility territory.
  - The OPUC would be directed to study the idea of treating utility investment in energy efficiency the same way generation investment is treated.
- The bill has moved to the Ways and Means/Natural Resource subcommittee with a work session expected in 10 days to two weeks.

Other:

- HB 2622 would revise the Renewable Portfolio Standard to include generation from a facility that previously burned coal and converts to renewable energy (i.e., the Boardman power plant). The bill has been sent to the floor with a "do-pass" recommendation.
- HB 3535, which would have required an energy-performance rating system, disclosure at time of sale; utilities to prioritize efficiency in planning, and other features, is apparently dead.