B-Engrossed
House Bill 3039

Ordered by the Senate June 8
Including House Amendments dated April 27 and Senate Amendments dated June 8

Sponsored by COMMITTEE ON SUSTAINABILITY AND ECONOMIC DEVELOPMENT

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

[*Requires each electric company to maintain specified generating capacity from qualifying solar photovoltaic energy systems on or before January 1, 2020. Specifies qualifications for systems.*]

[*Allows electric companies to set rates to recover reasonable return on investment in systems.*]

[*Allows electric companies to use systems to comply with renewable portfolio standard established by statute. Sunsets provision on January 2, 2014.*]

Directs Public Utility Commission to establish pilot program for each electric company to demonstrate use and effectiveness of [*systems*] **incentive rates and payments for electricity delivered from equipment and devices that have primary purpose of collecting solar energy and generating electricity by photovoltaic effect**. Directs commission to report on implementation of [*systems*] **pilot programs** to Legislative Assembly on or before January 1, 2011.

Declares emergency, effective on passage.

A BILL FOR AN ACT

Relating to qualifying renewable energy projects; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. As used in sections 1 to 3 of this 2009 Act:

(1) "Electric company" has the meaning given that term in ORS 757.600.

(2) "Nameplate capacity" means the maximum rated output of a generator or other electric power production equipment under specific conditions designated by the manufacturer.

(3) "Qualifying system" means:

(a) An alternative energy system used for emergency backup power by a state agency or facility that is at least 30 percent more efficient than existing agency or facility sources, including fuel cells; or

(b) A solar photovoltaic energy system that:

(A) Meets the electric company's customer load service obligation as its primary purpose;

(B) Directly connects to an electric company's electrical system within this state or indirectly connects through the system of an electric company's customer or the electric system of a third party that is not an electric company's customer but whose system is located within this state;

(C) Has meters or other devices in place to monitor and measure the quantity of energy generated by the solar photovoltaic energy system; and

(D) Meets any other siting, design, installation and electric output standards required by the laws of this state.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

(4) "Resource value" means the estimated value to an electric company of the electricity delivered from a solar photovoltaic energy system associated with:

(a) The avoided cost of energy, including avoided fuel price volatility, minus the costs of firming and shaping the electricity generated from the facility;

(b) Avoided distribution and transmission cost; and

(c) The renewable energy certificates established under ORS 469A.130.

(5) "Retail electricity consumer" means a retail electricity consumer, as defined in ORS 757.600, that is located in Oregon and is served by an electric company.

(6) "Solar photovoltaic energy system" means equipment and devices that have the primary purpose of collecting solar energy and generating electricity by photovoltaic effect.

SECTION 2. (1) The Public Utility Commission shall establish a pilot program for each electric company to demonstrate the use and effectiveness of volumetric incentive rates and payments for electricity delivered from solar photovoltaic energy systems that are permanently installed in this state by retail electricity consumers and that first become operational after the program begins. The cumulative nameplate capacity of the qualifying systems enrolled in all of the pilot programs may not exceed 25 megawatts of alternating current.

(2) The commission by rule shall adopt requirements for the pilot programs described in subsection (1) of this section. Each electric company shall file for commission approval rate schedules for the pilot programs that conform to the requirements.

(3) The commission may establish incentive rates for the pilot programs to enable the development of the most efficient solar photovoltaic energy systems.

(4) A retail electricity consumer participating in a pilot program may receive payments based on the actual electricity generated from solar photovoltaic energy system output for 15 years from the consumer's date of enrollment in the program, at rates or through a rate formula in a rate schedule established at the time of enrollment.

(5) The commission may adjust the rate schedule as needed for new pilot program participants for the purpose of meeting the goal established in subsection (1) of this section. Once a retail electricity consumer is enrolled in a program, the rates or rate formula for determining payments to the consumer may not be modified.

(6) The commission shall establish pilot programs designed to attain a goal of 75 percent of the energy under each program to be generated by small-scale qualifying systems. The commission by rule shall define the size of a small-scale qualifying system and may adjust the definition of size for small-scale qualifying systems based upon the costs of the energy generated, the feasibility of attaining the goal and other factors. The commission may also adjust the maximum percentage goal of energy generated by small-scale qualifying systems based upon the same factors.

(7) The commission may establish total generator nameplate capacity limits for an electric company so that the rate impact of the pilot program for any customer class does not exceed 0.25 percent of the electric company's revenue requirement for the class in any year.

(8) Ownership of renewable energy certificates established under ORS 469A.130 that are associated with renewable energy generation that is sold to an electric company under the pilot programs must be transferred to the electric company and may be used to comply with the renewable portfolio standard described in ORS 469A.052 or 469A.055.

(9) To the extent that incentive rates paid for electricity delivered to each electric company under a pilot program exceed the resource value, qualifying systems participating in the

pilot programs are not eligible for expenditures under ORS 757.612 (3)(b)(B) or tax credits under ORS 469.160 to 469.180 or 469.185 to 469.225.

(10) All prudently incurred costs associated with compliance with this section are recoverable in the rates of an electric company. The costs associated with the resource value are recoverable in the rates of all retail electricity consumers. Prudently incurred costs in excess of the resource value are recoverable from customer classes eligible for the pilot programs described in subsection (1) of this section.

(11) The commission shall advise and assist the owners and operators of qualifying systems in identifying and using grants, incentive moneys, federal funding and other sources of noninvestment financial support for the construction and operation of qualifying systems.

(12) The pilot programs described in subsection (1) of this section close to new participants on March 31, 2015, or when 25 megawatts of alternating current of nameplate capacity of solar photovoltaic energy systems have been permanently installed by retail electricity consumers under the pilot programs, whichever is earlier.

(13) The commission shall submit a report to the Legislative Assembly by January 1 of each odd-numbered year beginning in 2011. The report must evaluate the effectiveness of paying incentive rates under the pilot programs described in subsection (1) of this section compared to incentive rates described in subsection (9) of this section for promoting the use of solar photovoltaic energy systems and reducing system costs. The report must also evaluate the estimated cost of the program to retail electricity consumers.

SECTION 3. (1) Before constructing or renovating a major facility, an authorized state agency shall, after comparing various equipment options and to the greatest extent practicable, use fuel cell power systems for emergency backup power applications and for critical power applications in lieu of other equipment options.

(2)(a) The State Department of Energy shall, in consultation with the Oregon Department of Administrative Services, adopt rules establishing criteria for the comparison of fuel cell power systems and other equipment options required by subsection (1) of this section.

(b) Criteria to be established under this subsection must address:

(A) The impact of emissions, including but not limited to nitrous oxide, sulfur oxide, carbon monoxide, carbon dioxide and particulates, from various equipment options, on the environment, regardless of whether the equipment is installed indoors or installed outdoors;

(B) Life cycle costs, including but not limited to acquisition costs, installation and commissioning costs, siting and permitting costs, maintenance costs and fueling and decommissioning costs; and

(C) The complexity of equipment options and any ancillary equipment.

SECTION 4. The Public Utility Commission shall report to the Legislative Assembly prior to January 1, 2011, on any recommended legislative changes to improve implementation of the pilot programs and any adjustments the commission has made by rule as authorized by section 2 of this 2009 Act to improve implementation of the pilot programs.

SECTION 5. Sections 1 to 3 of this 2009 Act become operative on April 1, 2010.

SECTION 6. This 2009 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2009 Act takes effect on its passage.
