

**HB 3274 -7 STAFF MEASURE SUMMARY**  
**House Committee On Energy and Environment**

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**Prepared By:** Misty Freeman, LPRO Analyst

**Meeting Dates:** 3/26, 3/28, 4/4, 4/9

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**WHAT THE MEASURE DOES:**

Makes declarations and findings regarding small-scale renewable energy facilities and a diverse portfolio of energy facilities. Identifies potential benefit from small-scale renewable low-impact hydroelectric facilities. Requires that by 2025, at least eight percent of the electricity sold in Oregon by each electric company that make sales of electricity to 25,000 or more retail electricity consumers be composed of electricity generated by small-scale renewable energy facilities that are not owned by a person that is an electric company; or electricity generated by a facility using biomass, that generates thermal energy for a secondary purpose.

Directs an electric company subject to provisions of this Act to make best efforts to continually increase the annual percentage of electricity sold in Oregon and generated by the aforementioned facilities until the year 2025. Requires an electric company subject to goals for community-based renewable energy projects in ORS 469A.210 to include in an implementation plan annual targets for acquisition and use of electricity generated by small-scale renewable energy facilities and the estimated cost of meeting annual targets, including the cost of transmission; the cost of firming, shaping, and integrating qualifying electricity; the cost of alternative compliance payments; and the cost of acquiring renewable energy certificates (RECs). Directs an electric company to use bundled RECs issued or acquired during the compliance year to establish compliance. Allows same bundled RECs to be used to comply with provisions of this Act and Oregon's renewable portfolio standard in ORS 469A.052. Directs the Public Utility Commission (PUC) to adopt rules necessary to implement these provisions.

Increases from 40 to 100 the average megawatts of electricity per year generated from a low-impact hydroelectric facility that may be used to comply with a renewable portfolio standard. Authorizes RECs for electricity generated from a certified low-impact hydroelectric facility described in ORS 469A.020 to be banked and carried forward, subject to certain rules.

Establishes that each public utility required to prepare, publish, and file with the PUC a schedule of avoided costs equaling the utility's forecasted incremental cost of electric resources over at least the next 20 years shall be responsible for proving that the prices in the schedule are fair, just, and reasonable for both customers and qualifying facilities. Directs the PUC to hold a hearing if a customer or qualifying facility challenges the schedule. Outlines requirements for the hearing. Establishes that schedules filed by public utilities that adjust avoided costs may not take effect until the latest of: 120 days after the public utility files the schedule; 120 days after the public utility serves notice of filing the schedule to each qualifying facility that will be affected by the adjustment; or 30 days after the PUC approves the schedule. Establishes that avoided costs shall include the electric utility's transmission costs. Allows a facility that is already being paid for energy and capacity to sell additional energy and capacity to the electric utility with the option to accept immediate payment of projected fixed costs that purchasing additional capacity from the facility would allow the electric utility to avoid, in exchange for delivering the energy and capacity. Adds rules for public utility to offer purchase options for energy or capacity delivered indirectly from a qualifying facility.

Directs the PUC to approve public utility's standard avoided cost rates and contracts for purchases of energy from qualifying facilities of 10,000 kW alternating current or less. Details calculation of design capacity of a qualifying facility and establishes that a qualifying facility, including associated energy storage devices, shall be eligible for

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standard avoided cost rates and contracts, as long as energy storage devices are charged solely with energy from the qualifying facility and the facility meets requirements of the Federal Energy Regulatory Commission for qualifying facilities. Establishes that a qualifying facility that uses generation technology that is variable or intermittent shall be eligible for standard avoided cost rates and contracts if approved by the PUC, with additional requirements. Describes process and jurisdiction for resolving disputes between a public utility and a qualifying facility. Describes the role of the PUC in such disputes. Prohibits a public utility from charging a qualifying facility for use of the public utility's transmission facilities unless the public utility joins a regional transmission organization or an independent system operator.

*REVENUE: May have revenue impact, but no statement yet issued.*

*FISCAL: May have fiscal impact, but no statement yet issued.*

### ISSUES DISCUSSED:

#### EFFECT OF AMENDMENT:

-7 Removes reference to ORS 758.545.

Modifies language outlining PUC hearing requirements. Removes dates by which adjustments to avoided costs must take place.

Modifies requirements for an electric utility to contract with a qualifying facility to offer the option of delivering energy and capacity in exchange for an immediate payment of the projected fixed costs of capacity that the electric utility would avoid by purchasing the output from the qualifying facility, requiring that if the qualifying facility has been paid by the electric utility for energy and capacity for at least 15 years, the electric utility offers the option. Stipulates that the electric utility may offer the aforementioned option to a qualifying facility that does not meet the requirement for having been paid by the electric utility for energy and capacity for at least 15 years.

Requires the PUC to approve standard avoided cost rates and contracts offered by public utilities for purchase of energy or energy and capacity from qualifying facilities with a design capacity of 10,000 kW or less. Establishes how the design capacity of a qualifying facility is calculated. Establishes that a qualifying facility that includes any associated energy storage devices shall be eligible for all applicable standard avoided cost rates and contracts offered to other qualifying facilities with similar design capacity, if the energy storage devices are charged with energy solely from that facility and the facility meets the requirements of the Federal Energy Regulatory Commission for qualifying facilities. Establishes that a qualifying facility that uses variable or intermittent generation technology shall be eligible for standard avoided cost rates and contracts approved for qualifying facilities that use firm, baseload, or nonvariable generation technology, if the facility is capable of reasonably demonstrating an ability to meet the same contribution to the public utility's peak capacity as a qualifying facility that uses firm, baseload, or nonvariable generation technology, or if the facility commits to contractual requirements for standard avoided cost rates for qualifying facilities that use firm, baseload, or nonvariable generation technology. Allows a qualifying facility that uses variable or intermittent generation technology to meet requirement through use of associated energy storage devices or other means.

Removes prohibition on a public utility charging a qualifying facility for the use of transmission facilities unless the public utility joins a regional transmission organization or an independent system operator.

#### BACKGROUND:

The Public Utilities Policies Act of 1978 (PURPA) requires electric utilities to offer to purchase power from, and interconnect with, qualifying energy generation projects. Implementation of PURPA is guided by rules established by the Federal Energy Regulatory Commission (FERC) and each state with jurisdiction over the electric utility.

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Avoided cost is the cost a utility avoids as a result of purchasing energy generated by a qualifying facility. Avoided cost rates and contracts are established by the Oregon Public Utility Commission and offer options for utilities to pay different avoided cost rates for standard and renewable energy generation projects.

In 2007, the Oregon Legislature passed Oregon's Renewable Portfolio Standard (RPS), which requires 50 percent of the electricity used in the state to come from renewable resources by 2040, with benchmarks required along the way. Renewable energy sources that comply with Oregon's RPS include wind energy, solar photovoltaic and solar thermal energy, wave, tidal, and ocean thermal energy, and geothermal energy. Electricity generated from biomass and biomass by-products may also be used to comply with Oregon's RPS. Currently, up to 40 average megawatts of electricity generated by certified low impact hydroelectric facilities per year may be used to comply with Oregon's RPS. Large utilities, those that serve three percent or more of Oregon's population, are required to adhere to RPS targets and report annual progress to the Oregon Department of Energy. From 2015-2019, these large utilities demonstrate compliance with Oregon's RPS by reporting that at least fifteen percent of megawatt hours of energy sold to consumers comes from qualifying sources.

House Bill 3274 would modify requirements that by the year 2025, eight percent of electricity sold in Oregon by each electric company that sells electricity to 25,000 or more retail electricity customers must be composed of electricity generated by small-scale renewable energy facilities with a generating capacity of 20 MW or less that are not owned by an electric company or facilities that are not owned by an electric company that generate electricity using biomass and that generate thermal energy for a secondary purpose. Current rules aggregate the electrical capacity of all large utility companies and require eight percent of the aggregated electricity sales to come from small-scale renewable sources or biomass with thermal energy as a secondary purpose.