

HB 3407 STAFF MEASURE SUMMARY

House Committee On Energy and Environment

Prepared By: Misty Freeman, LPRO Analyst

Meeting Dates: 4/4, 4/9

WHAT THE MEASURE DOES:

Permits an electric company subject to a renewable portfolio standard to offer to purchase qualifying electricity generated by certain small hydroelectric facilities as defined in ORS 758.505 that have been certified as low-impact. Includes hydroelectric companies owned by:

- A domestic water supply district organized under ORS 264;
- An irrigation district organized under ORS 545;
- A drainage district organized under ORS 547;
- A diking district organized under ORS 551;
- A water improvement district organized under ORS 552;
- A water control district organized under ORS 553; or
- A district improvement company or corporation organized under ORS 554.

Requires electric company to pay for the value of both energy and capacity provided by the hydroelectric facility. Requires the price paid by the electric company to be at the avoided cost price for energy and capacity most recently approved by the Oregon Public Utility Commission (PUC), and requires the price to govern the contract with the hydroelectric facility for at least 20 years, without respect to the electric company's sufficiency position. Establishes that costs to acquire energy and capacity are considered prudently incurred costs that may be recovered by the electric company.

Authorizes the PUC to establish a rate option for low-impact hydroelectric energy under ORS 757.603.

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

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.

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. 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

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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 3407 would allow an electric company subject to Oregon's RPS to purchase qualifying electricity generated by certain small hydroelectric facilities certified as low-impact hydroelectric facilities and owned by one of seven categories of water districts. The Act establishes rules for pricing the energy and capacity provided by the hydroelectric facility and deems costs to acquire such energy and capacity to be recoverable costs for the electric utility.