

SB 784 A STAFF MEASURE SUMMARY**Carrier:** Sen. Beyer**Senate Committee On Energy and Environment**

Action Date: 04/13/21
Action: Do pass with amendments. (Printed A-Eng.)
Vote: 4-1-0-0
Yeas: 4 - Beyer, Dembrow, Findley, Taylor
Nays: 1 - Robinson
Fiscal: Fiscal impact issued
Revenue: Revenue impact issued
Prepared By: Beth Reiley, LPRO Analyst
Meeting Dates: 3/9, 4/13

WHAT THE MEASURE DOES:

Authorizes a public utility to seek rate recovery for operating expenses and capital costs associated with a resiliency measure from all retail electricity consumers or natural gas consumers. Authorizes Public Utility Commission (PUC) to allow rate recovery for resilience measures that provide for one or more of the following: increase ability of essential public facility or facility eligible for certain assistance that is critically essential to the public to continue to operate during emergency; distribution system efficiencies and grid services; service during emergencies in microgrids or at centrally located community facilities; and seek to address needs of potentially affected communities. Requires PUC to consider certain factors when considering the prudence of an investment in resiliency measure. Requires public utility seeking rate recovery to extent applicable to utilize information gained by the PUC that relates to emergency and resiliency planning in making a filing. Authorizes public utility to propose different business models associated with operating expenses and capitol costs. Stipulates that regardless of ownership the resiliency measures must allow the utility to manage the measure for grid and emergency services. Authorizes PUC to allow cost recovery for one or more resiliency measures from retail electricity customers of the public utility based on the benefits received by those customers from the resiliency measures. Directs PUC to establish a voluntary emission reduction program to incentivize public utilities that furnish natural gas to invest in projects that reduce emissions and provide benefits to utility customers. Establishes project eligibility and application requirements. Establishes two-tier process for submitting project proposals and associated requirements. Identifies as a tier one project a voluntary emission reduction program developed in coordination with local government. Establishes specifications for final orders issued authorizing a project, including identification of the type of ratepayer from whom the utility may recover costs and the method by which the utility may recover costs incurred and investments made and receive any additional incentives. Specifies methods of recovery and receipt. Authorizes PUC to consider the amount of reduced emissions or the value of reduced emissions for purposes of voluntary emissions reduction program. Directs PUC to establish a rate cap for each public utility for which a project is authorized. Directs PUC to conduct biennial study on whether federal law or regulation or other state laws or rules provide adequate incentive for public utilities that furnish natural gas to invest in projects that reduce emissions in the ordinary course of business. Requires PUC to report study results to Legislative Assembly not later than February 1 of each odd-numbered year. Clarifies direction to PUC to regulate cost-of-service and portfolio of rate options that reasonably ensure that the costs, risks, and benefits of serving each option are reflected in the rates for each option. Defines "government." Authorizes electric company to file as a part of the portfolio of rate options, if agreed to in coordination with one or more governments, to meet adopted renewable and nonemitting energy goals, a program of rates or charges to reflect the cost of a program to serve retail electricity consumers with electricity that is derived from new or existing renewable energy resources, or paired with unbundled renewable energy certificates. Authorizes PUC to approve rate or charge if certain actions have occurred. Requires electric company to: receive acknowledgement from

SB 784 A STAFF MEASURE SUMMARY

government to proceed, provide certain information and notice to consumers, and provide an annual report to PUC and participating government. Authorizes PUC to allow electric company to: own facilities or use power purchase agreements; recover part or all of costs associated with the resources to serve the program; and collect moneys from participating retail electricity consumers in excess of the cost of service and defer revenues or costs for the purpose of making future investments to serve program. Stipulates that electric company serving fewer than 25,000 customers can propose a program to PUC if it meets certain criteria. Stipulates PUC must require an electricity service supplier to publicly disclose summary of aggregated energy supply mix and associated emissions of the power sources that serve direct retail electricity consumers or any other aggregated information comparable to information provided by electric companies to retail electric consumers. Establishes "large-scale project" means: a renewable energy or storage facility with capacity rating greater than 10 megawatts or a facility that processes renewable natural gas where the total capital costs are \$1 million or more. Requires person who constructs or repowers a large-scale project in Oregon to attest or declare that the person will participate in an apprenticeship program registered with the State Apprenticeship and Training Council so that 15 percent of the total work hours are performed by workers in apprenticeable occupations. Requires large-scale projects to have aspirational goal of having at least 15 percent of the total work hours performed by individuals from certain communities.

ISSUES DISCUSSED:

- Creating voluntary program that allows retail electricity customers or natural gas customers to choose to participate
- Creating clear stakeholder and Public Utility Commission process for creating voluntary program to fund resiliency measures
- Role of renewable natural gas in the future of Oregon's energy mix

EFFECT OF AMENDMENT:

Extends public utility authority to seek rate recovery for operating expenses and capital costs associated with resiliency measures to natural gas consumers. Clarifies Public Utility Commission (PUC) authority to allow rate recovery for resiliency measures that provide for one or more of certain factors. Removes allowance for PUC to allow rate recovery for resiliency measures that modify existing programs or involve different business models. Stipulates resiliency measure provides utility service to customers of public utility if the resiliency measure is capable of providing the service for which it was designed during emergency. Stipulates public utility seeking rate recovery for resiliency measures to utilize information gained from relevant processes conducted by PUC. Authorizes public utility to propose different business models. Requires PUC to authorize cost recovery for one or more measures from retail electricity customers of a public utility based on benefits received by those customers. Directs PUC to establish a voluntary emission reduction program to incentivize public utilities that furnish natural gas to invest in projects that reduce emissions and provide benefits to utility customers. Establishes project eligibility and application requirements. Establishes two-tier process for submitting project proposals and associated requirements. Identifies as a tier one project a voluntary emission reduction program developed in coordination with local government. Establishes specifications for final orders issued authorizing a project, including identification of the type of ratepayer from whom the utility may recover costs and the method by which the utility may recover costs incurred and investments made and receive any additional incentives. Specifies methods of recovery and receipt. Authorizes PUC to consider the amount of reduced emissions or the value of reduced emissions for purposes of voluntary emissions reduction program. Directs PUC to establish a rate cap for each public utility for which a project is authorized. Directs PUC to conduct biennial study on whether federal law or regulation or other state laws or rules provide adequate incentive for public utilities that furnish natural gas to invest in projects that reduce emissions in the ordinary course of business. Requires PUC to report study results to Legislative Assembly not later than February 1 of each odd-numbered year. Clarifies direction to PUC to regulate cost-of-service and portfolio of rate options that reasonably ensure that the costs, risks and benefits of serving each option are reflected in the rates for each option. Defines "government." Authorizes

SB 784 A STAFF MEASURE SUMMARY

electric company to file as a part of the portfolio of rate options, if agreed to in coordination with one or more governments, to meet adopted renewable and nonemitting energy goals, a program of rates or charges to reflect the cost of a program to serve retail electricity consumers with electricity that is derived from new or existing renewable energy resources, or paired with unbundled renewable energy certificates. Authorizes PUC to approve rate or charge if certain actions have occurred. Requires electric company to: receive acknowledgement from government to proceed, provide certain information and notice to consumers, and provide an annual report to PUC and participating government. Authorizes PUC to allow electric company to: own facilities or use power purchase agreements; recover part or all of costs associated with the resources to serve the program; and collect moneys from participating retail electricity consumers in excess of the cost of service and defer revenues or costs for the purpose of making future investments to serve program. Stipulates that electric company serving fewer than 25,000 customers can propose a program to PUC if it meets certain criteria. Removes section on non-bypassability of social and environmental costs. Stipulates PUC must require an electricity service supplier to publicly disclose summary of aggregated energy supply mix and associated emissions of the power sources that serve direct retail electricity consumers or any other aggregated information comparable to information provided by electric companies to retail electric consumers. Establishes "large-scale project" means: a renewable energy or storage facility with capacity rating greater than 10 megawatts or a facility that processes renewable natural gas where the total capital costs are \$1 million or more. Requires person who constructs or repowers a large-scale project in Oregon must attest or declare that the person will participate in an apprenticeship program registered with the State Apprenticeship and Training Council so that 15 percent of the total work hours are performed by workers in apprenticeable occupations. Requires large-scale projects to have aspirational goal of having at least 15 percent of the total work hours performed by individuals from certain communities.

BACKGROUND:

The Oregon Public Utility Commission (PUC) regulates investor-owned electric and natural gas utilities providing service to ensure they offer safe and reliable energy at reasonable rates. All regulated electric and natural gas utilities must seek PUC approval for all rate and service schedules, or tariffs. Under Oregon law, a regulated utility may propose a service rate change to the PUC at any time. This filing must clearly define the effects and justification for the proposed change. For a general rate proceeding (that proposes a change in all rates), the PUC will conduct up to a year-long investigation into the filing to determine if any changes in rates are warranted by evaluating many components of the proposed cost – such as the cost of labor, purchased energy, and the cost of capital. When deciding whether to approve a proposed rate adjustment, the PUC must ensure the change is fair and reasonable for utility customers while also allowing the utility service provider the opportunity to recover reasonable costs and earn a reasonable return on its investments.

Senate Bill 784 A would authorize a public utility to seek rate recovery for operating expenses and capital costs associated with a resiliency measure from all retail electricity consumers or natural gas consumers and establish a process for the PUC to allow the rate recovery. The Act would require that a person who constructs or repowers a large-scale project in Oregon to attest or declare that they will participate in an apprenticeship program so that 15 percent of the total work hours are performed by workers in apprenticeable occupations.