**FISCAL IMPACT OF PROPOSED LEGISLATION** **Measure: HB 2021 - B**

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

***Only Impacts on Original or Engrossed Versions are Considered Official***

Prepared by: Michael Graham
Reviewed by: John Terpening, Ben Ruef, John Borden, Laurie Byerly, Theresa McHugh
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**Measure Description:**
Requires retail electricity providers to reduce greenhouse gas emissions associated with electricity sold to Oregon consumers to 80 percent below baseline emissions levels by 2030, 90 percent below baseline emissions levels by 2035, and 100 percent below baseline emissions levels by 2040 and every year thereafter.

**Government Unit(s) Affected:**
Department of Energy (DOE), Public Utility Commission (PUC), Department of Environmental Quality (DEQ), Oregon Judicial Department (OJD), federally recognized Confederated Tribes in Oregon, Counties, Cities, Special Districts

**Summary of Fiscal Impact:**
Costs related to the measure may require budgetary action - See analysis.

**Summary of Expenditure Impact:**

**Oregon Department of Energy - Community Renewable Investment Fund**

| | 2021-23 Biennium | 2023-25 Biennium |
|---|---:|---:|
| **General Fund** | $50,000,000 | |

**Oregon Department of Energy**

| Other Funds | 2021-23 Biennium | 2023-25 Biennium |
|---|---:|---:|
| Personal Services | $1,585,188 | $1,436,141 |
| Services and Supplies | 375,103 | 230,244 |
| Special Payments | 25,000,000 | 19,726,395 |
| **Total Funds** | **$26,960,291** | **$21,392,780** |
| Positions | 8 | 7 |
| FTE | 7.50 | 7.00 |

**Public Utility Commission**

| Other Funds | 2021-23 Biennium | 2023-25 Biennium |
|---|---:|---:|
| Personal Services | $1,538,437 | $880,681 |
| Services and Supplies | 328,780 | 254,142 |
| **Total Funds** | **$1,867,217** | **$1,134,823** |
| Positions | 10 | 7 |
| FTE | 6.50 | 4.25 |

**Analysis:**
House Bill 2021, B-engrossed, establishes a clean energy standard for Oregon and implements a broad range of programs, studies, and statutory changes relating to clean energy, including:

- Clean energy targets
- Renewable portfolio standards (RPS) changes

- Electricity market participation
- Study on small scale renewable energy development
- Resource procurement
- Restrictions on new natural gas plants
- Green energy tariffs
- Changes to the Direct Access Program
- Responsible contractor labor standards
- RPS community-based renewable energy project target changes
- Community Renewable Investment Program

The measure requires certain retail electricity providers to reduce greenhouse gas emissions associated with electricity sold to Oregon consumers to: 80 percent below baseline emissions levels by 2030; 90 percent by 2035; and 100 percent by 2040 and every year thereafter. Each electric company with 25,000 or fewer customers shall develop a plan for meeting clean energy targets and submit it to the Public Utility Commission (PUC) and the Department of Environmental Quality (DEQ). PUC shall ensure that each electric company demonstrates continual progress towards meeting these targets and reducing greenhouse gas emissions at reasonable costs to retail consumers. DEQ shall determine the amount of emissions reduction necessary for each retail electricity provider to meet the clean energy targets and report them to PUC. The Oregon Department of Energy (DOE) shall convene a work group to examine opportunities for the development of small scale and community-based renewable energy projects and report its findings to an interim legislative committee by September 30, 2022.

The measure establishes the Community Renewable Investment Fund for DOE to provide grants to public entities or Indian tribes to plan or build community renewable energy projects. DOE shall allocate at least 50 percent of the moneys in the Fund to community renewable energy projects that qualify as community energy resilience projects and at least 50 percent to community renewable energy projects that primarily serve one or more qualifying communities. Moneys earned in the Fund are continuously appropriated to DOE for the purpose of providing grants to applicants. The measure appropriates $50 million General Fund to DOE for deposit into Community Renewable Investment Fund and takes effect 91 days after adjournment *sine die*.

**Oregon Department of Energy**

To implement the measure, DOE would need to engage in rulemaking around the RPS changes; conduct a study on small scale renewable energy development; implement restrictions on new natural gas plants; collect attestations and documents around the new labor standards; and develop and administer the new Community Renewable Investment Program.

The provisions relating to the study on small scale renewable energy projects will require substantial DOE staff resources to coordinate and convene the work group and develop the report. DOE believes it will need to hire an Economist 4 (1.00 FTE) as a limited duration position. Provisions relating to the Community Renewable Investment Program and the Community Renewable Investment Fund would have the most significant impact and DOE anticipates needing 7 positions (6.50 FTE), including one Principal Executive Manager E position, two Program Analyst 2 positions, one Information Systems Specialist 5 position, one Program Analyst 3 position, one Administrative Specialist 2 position, and one Operations and Policy Analyst 3 position.

In total, DOE's estimated personal services costs, including related services and supplies, is $1,960,291 Other Funds in 2021-23 and $1,666,385 Other Funds in 2023-25. Including special payments that are funded from the $50 million General Fund appropriation to DOE to administer the Community Renewable Investment Program, 10 percent of which would cover the operating costs of the program, the estimated fiscal impact to DOE is $26,960,291 Other Funds in 2021-23 and $19,726,395 Other Funds in 2023-25.

**Public Utility Commission**

The new clean energy program would set greenhouse gas emission reduction targets for electric companies. PUC's primary responsibility would be to review and acknowledge the electric companies' clean energy plans to meet the emission reduction targets. PUC would also ensure compliance by evaluating reliability issues, unexpected resource variability, and cost cap issues excusing compliance.

With respect to clean energy plans, PUC may need to adapt integrated resource planning guidelines or adopt rules for investor-owned utilities that will incorporate clean energy plans into their existing integrated resource planning processes. To develop these new rules, guidelines and processes, PUC anticipates needing three limited duration positions (1.75 FTE) in the 2021-23 biennium, including two Utility and Energy Analyst 3 positions and one-part-time Administrative Law Judge.

Once the clean energy plans are filed and updated, PUC would need to review them for compliance with the measure's requirements and any related administrative rules. As a result, PUC anticipates needing a Utility and Energy Analyst 3 position and a part-time Administrative Law Judge (1.00 FTE) in 2021-23. The measure would also create a statutory mandate for review and acknowledgment of clean energy plans within six months. PUC anticipates needing three additional positions (1.50 FTE) in 2021-23, including a Utility and Energy Analyst 3 position, an Administrative Law Judge and an Administrative Specialist 2 position, to ensure the clean energy plan/integrated resource planning orders can be issued within the statutory timeline.

Although the first greenhouse gas emissions reduction target is in 2030, PUC would need to begin adopting policies/processes in coordination with DEQ to support the evaluation of the conditions underlying any unexpected emissions when determining whether an electric company has met the clean energy reduction target in 2030. For collaboration with DEQ and consideration of potential advance guidelines and criteria in these areas, PUC anticipates needing one part-time Utility and Energy Analyst 3 position (0.25 FTE) in the 2021-23 biennium.

The measure would allow communities and utilities to file multiple tariffs to implement new, large-scale, highly complex rate and product designs that have significant interaction with PUC's integrated resource planning processes and other regulatory efforts. PUC would need to prescribe the way the resources serving the new tariffs would be procured. This would entail rulemaking or an investigation that considers novel approaches to resource procurement and the valuation of costs, risks, and benefits once utilities begin filing tariffs. To conduct this rulemaking or investigation, PUC would need one Utility and Energy Analyst 3 position (1.00 FTE).

Lastly, the measure would require clean energy plans to include a risk-based examination of resiliency opportunities based on industry standards and guidelines established by PUC. Furthermore, clean energy plans would be required to examine the costs and opportunities of offsetting energy generated from fossil fuels with community-based renewable energy. Given the broad definition of community-based renewable energy in the measure, PUC anticipates needing a Utility and Energy Analyst 3 position (1.00 FTE) in 2021-23.

In total, PUC anticipates needing 10 positions (6.50 FTE) in 2021-23 and 7 position (4.25 FTE) in 2023-25. The estimated cost, including related services and supplies, is $1,867,217 Other Funds in 2021-23 and $1,134,823 Other Funds in 2023-25.

**Other Agencies/Political Subdivisions**

The measure would have a minimal impact on DEQ and the Oregon Judicial Department. The measure would also have a minimal impact on the Department of Justice, as none of the client agencies are requesting significant Attorney General services.

The measure would have no fiscal impact on counties, cities, special districts, and the federally recognized Confederated tribes in Oregon; however, for political subdivisions that are customers of investor-owned utilities, the measure might result in additional energy costs associated with an increase in their electricity rates.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact on agency budgets.