FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 3141 - A <CORRECTED>**

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: Ben Ruef, John Terpening, Michelle Deister

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Measure Description:

Reduces public purpose charge for retail electricity consumers within service areas of electric companies and Oregon Community Power.

Government Unit(s) Affected:

Housing and Community Services Department (HCSD), Public Utility Commission (PUC), Oregon Department of Energy (DOE)

Summary of Fiscal Impact:

Costs related to the measure will require budgetary action - See analysis.

Summary of Expenditure Impact:

Housing and Community Services Department

Other Funds	**2021-23 Biennium**	**2023-25 Biennium**
Personal Services	$501,358	$564,027
Services and Supplies	45,851	47,660
Special Payments	9,204,375	12,363,597
Total Funds	**$9,751,584**	**$12,975,284**
Positions	3	3
FTE	2.64	3.00

Summary of Revenue Impact:

Housing and Community Services Department

	2021-23 Biennium	**2023-25 Biennium**
Other Funds	$9,751,584	$12,975,284
Total Funds	**$9,751,584**	**$12,975,284**

Analysis:

<CORRECTED FISCAL IMPACT STATEMENT>

House Bill 3141, A-engrossed, would reduce the public purpose charge for electricity consumers from 3 percent to 1.5 percent. It would require electric companies or Oregon Community Power to collect a nonbypassable public purpose charge equal to 1.5 percent of total revenues collected from retail electricity consumers for electricity services until January 1, 2036. In collecting 1.5 percent of total revenues, the measure would modify the allocation of funds collected through the public purpose charge to include: 0.3 percent of revenues for school districts that are located in the service territory of the electric company or Oregon Community Power; 0.51 percent for the above-market costs of constructing and operating new renewable energy resources with a nominal electric generating capacity, or customer investments in distribution system-connected technologies that support reliability, resilience, and the integration of renewable energy resources with the distribution system of the electric company or Oregon Community Power; 0.55 percent for new low-income weatherization; and 0.14 percent for deposit in the Housing and Community Services Department Electricity Public Purpose Charge Fund. The measure would require electric companies to recover the funds necessary to plan for and pursue all cost-effective energy efficiency resources to be collected in the rates of an electric company through charges paid by all retail electricity consumers, including those receiving electricity from electricity service suppliers. It would require the Oregon Department of Energy (DOE) to adopt by rule procedures and other provisions necessary for a retail electricity consumer to obtain a credit. The measure would define the term "site," as applied to a retail electricity consumer that uses a certain amount of megawatts of electricity at any site in the prior year, limiting the combined annual amount charged to the consumer based megawatt usage. It would modify the Public Utility Commission (PUC) reporting requirements for nongovernmental entities that are paid certain funds as directed by PUC. It would require PUC to establish and update metrics for assessing, addressing and creating accountability for environmental justice in expenditure and investment of funds collected for certain purposes and paid to nongovernmental entities. Nongovernmental entities would be required to report on their progress in achieving equity metrics. The measure would require electric companies or Oregon Community Power to collect funds for low-income electric bill payment and crisis assistance to be paid into the Housing and Community Services Department Low-Income Electric Bill Payment Assistance Fund. The measure includes various operative dates and dates to repeal amendments to Oregon statutes. It would take effect on the 91st day following adjournment *sine die*.

Housing and Community Services Department:

The Housing and Community Services Department (HCSD) administers the low-income weatherization program and the low-income housing program. The weatherization program, known as Energy Conservation Helping Oregonians (ECHO), would be modified to include manufactured housing replacement and changing energy sources from bulk fuels to electricity, and the program would receive a higher percentage of the public purpose charge. The low-income housing program, known as the Housing Development Grant Program (HDGP), would see a slight increase in funds due to the reallocation of the public purpose charge.

The measure would revise the allocation of the public purpose charge from a percentage of the charge to a percentage of the utility companies' revenues and remove energy conservation from the programs that receive funds. This reallocation would provide approximately $9.5 million in additional ECHO revenue compared to the 2021-23 Governor's Budget and $254,333 additional HDGP revenue, according to HCSD. All HDGP funds would be distributed as Special Payments through HCSD's affordable rental housing funding processes, and no additional staff would be needed for that program.

The ECHO program would have a significant funding increase and new programmatic uses. Consequently, HCSD would need to establish program rules for a manufactured home replacement program and a heating source replacement program. The department anticipates that these programs would be delivered through community action agencies (CAAs) as with the existing ECHO program, but CAAs may not have the capacity, expertise, or desire to offer both programs. HCSD would need to explore options to ensure that the funds are disbursed most effectively, including possible alignment with other department programs.

HCSD's Energy Services Section currently has a Weatherization Programs Coordinator who manages ECHO and three federal weatherization programs. The changes to ECHO may warrant increased staff for program management, fiscal compliance, and technical assistance. HCSD would need three permanent, full-time positions (2.64 FTE) in 2021-23, including: one Program Analyst 2 position responsible for designing new program elements, managing the program, overseeing grants, and tracking and reporting; one Program Analyst 2 position to add a dedicated training, technical assistance, and capacity building coordinator to assist CAAs and contractors; and one Accountant 3 position to process payments, oversee awards and spend-down rates, perform reconciliations, manage accounting structure, compile reports, and provide technical fiscal training to CAAs. Estimated expenditures in 2021-23 are $501,358 Other Funds for personal services, $45,851 Other Funds for services and supplies, and $9,204,375 Other Funds for special payments, totaling $9,751,584 Other Funds. Estimated expenditures in 2023-25 are $564,027 for personal services, $47,660 for services and supplies, and $12,363,597 for special payments, totaling $12,975,284 Other Funds.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to HCSD's biennial budget in 2021-23.

Public Utility Commission:
The measure would require PUC to adopt administrative rules implementing the provisions of this measure relating to electric companies and Oregon Community Power. It would require each electric company serving customers in Oregon to plan for and pursue the acquisition of available cost-effective demand response resources, as directed by PUC. PUC would be required to establish, and update no less than once every four years, equity metrics for the purpose of assessing, addressing and creating accountability for environmental justice in the expenditure and investment of funds collected pursuant to ORS 757.054, through natural gas tariffs or through public purpose charges pursuant to ORS 757.612 and paid to a nongovernmental entity. PUC would also be required to establish the amount to be collected and rates to be charged by each electric company from its customers, including customers receiving electricity from other sources, such that the forecasted collection by all electric companies in a calendar year is at least $20 million; adjust the rates if forecasted collections or actual collections are less than $20 million; and ensure that no customer pays more than $500 per month per customer site for low-income electric bill payment and crisis assistance.

While PUC would need to engage in rulemaking and establish and monitor the rate collection amounts, PUC would not need any additional budgetary resources. Overall, because the public purpose charge would be collected by PaciCorp and Portland General Electric from their customers and administered through the Community Action Agencies, the fiscal impact to PUC would be minimal.

Oregon Department of Energy:
The Oregon Department of Energy (DOE) administers the Schools Program and the Self-Direct Program. While the measure would not create new programs for DOE, but it could create more work for the Schools Program and the Self-Direct Program that DOE administer, since these programs are extended until 2036. The changes to the public purpose charge allocation would not impact the administration of the Schools Program, but by removing the public purpose charge funding for conservation projects and adding back energy efficiency funded within utility rate structures with a self-direct option, it would impact the Self-Direct Program.

The allocation to the Schools Program would maintain the amount of the public purpose charge at its current rate, so there would be no change to the funds for schools, aside from the fact that extending the public purpose charge to 2036 would allow for 10 additional years of funding. The new cost-effective energy conservation to new energy-related investments could slightly change the eligible measures within the Program, but according to DOE, they could likely be addressed with changes to the Schools Program Guidelines without requiring any additional rulemaking.

The provisions relating to the renewable obligation of the public purpose charge for spending on distribution system-connected technologies that support reliability, resilience and integration of renewable energy would impact the Self-Direct Program. Currently, participating sites use self-direct renewable funds to buy “Green Tags” (RECs) rather than constructing renewable energy projects. Thus, according to DOE, the measure would be unlikely to impact the renewable portion of the Large Electric Consumer Public Purpose Program (LECPPP) of the Self-Direct Program. However, new resiliency and reliability projects might require additional staff time to review and approve the projects. DOE would otherwise continue to administer the renewable portion of the public purpose charge, including the new resiliency-related investments.

The measure could impact the way DOE collects fees to administer the Self-Direct Program. DOE’s administrative costs for LECPPP are currently recovered with fees based on the cost of conservation and renewable projects (Green Tags). Around half of the total fees collected come from public purpose charge conservation projects, especially large ones. DOE would need to determine how these fees would be collected under the new system.

The extension of the Schools Program and the Self-Direct Program and changes made to those programs could require DOE to update its internal computer databases associated with these programs. These might need to be updated to better support the programs through 2036. In order to do this, DOE would need to revise the databases to incorporate resiliency and potentially make changes associated with recovery energy efficiency investments through rates.

One potential source of ambiguity in the measure concerns the language establishing the self-direct option for energy efficiency under utility rate structures, as it does not include a precertification process for self-direct projects as provided by ORS 757.612 (5). However, while the measure would direct DOE to adopt by rule procedures and other provisions necessary for a retail electricity consumer to obtain a self-direct credit for qualifying expenditures for cost-effective energy efficiency, DOE is not named as administrator of new energy efficiency self-direction, in the same manner as in ORS 757.612(5), and the measure does not provide direction about the process for customers to obtain self-direct credits.

Due to the latent ambiguities in the measure and the potential need for additional budgetary resources, the fiscal impact to DOE is indeterminate.