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HB 2533

House Committee on Climate, Energy and Environment

February 1, 2023

Mike McArthur, Executive Director

Chair Marsh and members of the committee:

In 2021 the legislature called for the Oregon Department of Energy to conduct a study on small scale renewable energy projects (HB 2021 Section 18) to *“study and examine”* potential barriers, economic benefits, rate impacts and legislation that could *“encourage development of small scale and community based renewable energy projects in this state”*.

In 2016 the legislature had previously mandated (HB 1547) that 8% of the new renewable energy acquired by investor owned utilities to meet the state’s renewables portfolio standard come from small scale projects 20 MW or less based on the generating “capacity” of the project. Nameplate capacity refers to the maximum output of a renewable energy facility. Because wind and solar are intermittent resources the “capacity factor” is the average yearly output of energy from the facility generally in the 20-40% range.

The proposed legislation based the 8% on “generation” not “capacity”. A late amendment changed those key words which had a chilling effect on new small scale projects by reducing the compliance requirement by at least 2/3rds. In HB 2021 the mandate was increased to 10% by 2030 but still based on capacity not generation.

In 2019 CREA proposed in HB 2587 and HB 3274 to address the 8% measurement issue and to simplify other provisions of HB 1547 (2016). Concerns raised by investor owned utilities and Citizens Utility Board were based on their belief that small scale projects were more costly to rate payers than large utility scale projects and therefor utilities shouldn’t be required to acquire more of them.

In Oregon small scale projects (less than 10 MW) are almost always considered “qualifying facilities” under ORS 758.505-555. As such they are able to be entitled to standard contracts and a rate schedule adopted by the Oregon OPUC based on the “avoided cost” of the power utilities would otherwise pay for generation. So in theory if the adopted rate schedules are accurate there should be no impact on rate payers.

However, the Small Scale Energy Report Executive Summary states *“While large-scale renewable energy projects produce clean power at economies of scale that greatly reduce greenhouse gas*

emissions....small scale scale projects may have additional benefits...". That statement seems to presume that small scale projects are more expensive to utilities and their customers. And under *Rate Impacts: "The workgroup acknowledged this increasing rate pressure on utility customers when discussing whether ratepayers or taxpayers should bear the cost of incentivizing development of small-scale renewable energy projects"*. Again, a presumption of a greater price for small scale projects using avoided cost pricing. And yet there was no work done to actually compare the the prices being paid for large scale projects verses those small scale projects using avoided cost schedules over time. CREA has produced evidence in the past showing that small scale projects can be cost competitive.

This bill is an attempt to answer that question: "Do small scale renewable energy projects operating as Qualifying Facilities with avoided cost pricing as set by the OPUC cost more or less for the rate payers and if so how much?"

As they say: *"predictions are hard, especially about the future"*. So what seems to have happened over time is that when avoided cost schedules are favorable, small projects get built and sometimes it appears the utilities are paying more than more recently acquired larger resources and when rates are unfavorable small projects don't get built and we don't see the benefits.

At this time after consulting with staff at the Department of Energy and Public Utility Commission it doesn't appear that either have the staff capacity and resources to conduct an analysis of the history of avoided costs. So we believe if it is to be done it needs to be completed by a reputable independent research firm. That means it will require funding, so we recommend sending this bill to Ways and Means.

If we truly believe that small renewable projects have additional benefits (that is the policy as stated in ORS 758.515(3)(b): *"To create a settled and uniform institutional climate for the qualifying facilities in Oregon."* Then the legislature should correct the requirement in ORS 469A.210 that *"at least 10% of the aggregate electrical **capacity** of all...sales of electricity"* be measured instead by **generation** as the compliance for the Renewables Portfolio Standard is measured. We have requested legislation to make that correction. We hope the committee will consider that bill.

The Utilities subject to the 10% of **generation** requirement have until 2030 to comply. There is great deal of interest in building small scale wind, hydro and/or solar hybrid projects with a storage component as qualifying facilities. The OPUC is working hard to adopt a rate schedule for hybrid projects. This should help build resilience into the grid and be a more efficient use of transmission capacity.

Please help us amend HB 2533 to have ODOE engage a private researcher and send the bill to Ways and Means and we will get a cost estimate.

CREA is an ORS 190 intergovernmental association. Members include counties, irrigation districts, project developers, for-profit businesses and non-profit organizations. CREA supports business and economic opportunities through renewable energy development in a competitive environment. We support use of free enterprise principles to create economically and environmentally responsible electric generation within the State of Oregon.