HB 3863 STAFF MEASURE SUMMARY

Carrier: Sen. Sollman

Senate Committee On Energy and Environment

Action Date:	04/30/25
Action:	Do pass.
Vote:	4-1-0-0
Yeas:	4 - Golden, Pham, Smith DB, Sollman
Nays:	1 - Robinson
Fiscal:	No fiscal impact
Revenue:	No revenue impact
Prepared By:	Beth Reiley, LPRO Analyst
Meeting Dates:	4/23, 4/30

WHAT THE MEASURE DOES:

The measure requires the Oregon Public Utility Commission to establish an eligibility cap at no less than 10 megawatts for the use of standard avoided costs rates and contracts for the purchase of energy or energy and capacity from qualifying facilities under the Public Utility Regulatory Policies Act of 1978. It takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Role of Public Utility Regulatory Policies Act in renewable energy development
- Negotiation process for establishing rates if not able to use standard avoided cost rates
- Rate impacts associated with standard avoided cost rates

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Public Utility Regulatory Policies Act of 1978 (PURPA) required the Federal Energy Regulatory Commission to adopt regulations for electric utilities to offer to purchase power from, and interconnect with, qualifying, non-utility energy generation projects. According to the Oregon Public Utility Commission (PUC), the purpose of PURPA was to "encourage industrial waste heat recovery and renewable energy resource development by non-utility power producers," or qualifying facilities. A “qualifying facility” is defined as a cogeneration facility or a small power production facility (Oregon Revised Statutes 758.505). Wind and solar energy developers can use PURPA to sell power at avoided cost rate, which is the rate that electric utilities are required to pay for power purchased from qualifying facilities. According to the PUC, the rates paid by the utility for the energy and capacity of the qualifying facility power may not exceed a utility’s “avoided cost” and must be just and reasonable to the utility’s customers and in the public interest. “Avoided cost” is defined as the cost to the utility of the electric energy that, but for the purchase from the qualifying facility, the utility would generate or purchase from another source.