March 18, 2025

To: Senator Janeen Sollman, Chair, Senate Energy and Environment Committee
Senator David Brock Smith, Vice Chair, Senate Energy and Environment Committee
Members of the Senate Energy and Environment Committee
From: Emily Griffith, Oregon Policy Manager, Renewable Northwest

Re: Opposition to SB 634 on allowing hydropower to comply with a Renewable Portfolio Standard

Chair Sollman, Vice Chair Brock Smith, and Members of the Committee;

Renewable Northwest ("RNW") is a regional, non-profit renewable energy advocacy organization based in Oregon, dedicated to decarbonizing the electricity grid by accelerating the use of renewable electricity resources. Our membership includes renewable energy developers, battery developers and manufacturers, environmental organizations, and consumer advocates.

Thank you for the opportunity to comment on SB 634, which proposes to allow hydroelectricity to comply with the state's renewable portfolio standard ("RPS"). **Renewable Northwest opposes SB 634** as it would undermine Oregon's RPS and there is no need to expand the list of RPS compliant electricity generating resources.

Intent of Original RPS

The original RPS was adopted in 2007 and by 2011, Oregon's larger utilities were required to obtain at least 5% of their electricity from qualifying renewable resources and 25% by 2025. In 2016, the legislature passed SB 1547 which increased the requirement to 27% by 2025 and 50% by 2040.[1] Hydroelectricity was intentionally excluded from the original RPS because the law was designed to drive *new* investment in renewables. Even so, the original RPS has a carveout for legacy hydroelectricity efficiency upgrades and small hydroelectric facilities.

The existing RPS list of compliant resources includes wind and solar, as well as geothermal, biomass, wave and tidal resources. These all complement Oregon's existing clean, robust hydroelectric capacity. The diversity of resources encouraged by the RPS adds to the reliability of Oregon's electricity system by offering complementary generation profiles in addition to other

[1] https://www.oregon.gov/energy/energy-oregon/pages/renewable-portfolio-standard.aspx

resources without volatile fuel costs. The addition of RPS-compliant electricity generating resources to Oregon's system only adds to its robustness. Allowing hydroelectricity to count towards RPS compliance would decrease the needed amount of new resources required, which would also result in decreased resource diversity and decreased reliability benefits.[2]

Adding Hydropower to the RPS is Unnecessary

There are no reasons to add hydropower to the RPS compliant list of generating resources. There are sufficient options for renewable generation resources on the market that are cost-competitive.[3] Given the reliability and resource adequacy benefits of having a diversity of resources on the system, there is no reason to include all hydroelectric resources. Adding hydroelectric resources to the RPS has the potential to reduce investment in a diverse portfolio of other resources which can have profound impacts on system reliability by diminishing the use of hydroelectricity as a capacity resource. This can impact rate affordability. The RPS has not placed undue impact on customers since the start of the program as utilities have never reached the cost cap.[4]

Questions are Raised with REC Accounting

To track and maintain compliance with the RPS, utilities and electricity service suppliers obtain Renewable Energy Certificates ("RECs") that are issued to them when they obtain qualifying renewable resources (1 REC = 1 MWh of qualifying renewable energy delivered to the grid). The RPS requires REC retirement. Hydroelectric facilities have not historically generated RECs. This raises questions regarding the value of RECs and incentivization of bringing new renewable energy projects to the state. Our concern is that by adding already existing hydropower to the list of RPS compliant resources, these resources will generate RECs when they have not before. With an influx of RECs on the market, the value of the REC can become deflated and significantly impact the value of RECs from wind, solar, and other sources as well. This is not only harmful in terms of environmental policy; it would also harm Oregon businesses. Renewable Northwest's members include a number of renewable energy developers and REC marketers for whom RECs are a multi-million dollar business. A flood of new, low-cost hydro RECs could reduce the incentive for utilities to invest in new wind, solar, or other renewables.

The RPS was carefully crafted with a broad array of stakeholders to balance important policy priorities including the decision to exclude legacy hydropower from counting towards the RPS. Oregon already uses a high percentage of hydropower. Allowing existing hydroelectricity to count toward the RPS may artificially inflate progress towards decarbonization without the

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[2] Certain hydroelectric facilities are RPS compliant, these carve outs were carefully considered in the original RPS bill designs. RPS compliant hydroelectric generation includes generation attributable to efficiency upgrades made at existing hydropower facilities after 1995, and generation from an existing facility if it became certified as a low-impact hydroelectric facility after 1995.

[3] https://www.lazard.com/media/xemfey0k/lazards-lcoeplus-june-2024-_vf.pdf

[4] Utilities are not required to comply with the RPS to the extent that the costs of compliance would exceed four percent of the utility's annual revenue requirement.

addition of new renewable energy resources to the grid. This has the potential to slow the transition to a more diverse, resilient, and clean energy system. For all of these reasons, we oppose adding hydropower to the RPS and oppose SB 634.

Thank you for your consideration,

Emily Griffith
Oregon Policy Manager
Renewable Northwest