

House Committee on Climate, Energy and Environment
Oregon State Capitol
900 Court St. NE Salem Oregon
97301



March 27, 2025

From: *Community Renewable Energy Association - CREA*

Subject: *Testimony in support of HB 3863*

Honorable Chair Lively, Vice-Chairs Gamba & Levy, and members of the committee:

I'm writing in support of [HB 3863](#), on behalf of the Community Renewable Energy Association (CREA). CREA is an ORS 190 intergovernmental association. Members include counties, irrigation districts, councils of government, 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 creating economically and environmentally responsible electric generation within the State of Oregon.

CREA hopes to see HB 3863 pass to raise the "standard rate" threshold cap for solar from 3 MW to 10 MW, to align with the threshold for wind, hydro and other renewable energy types.

If a farmer, landowner, or small developer wants to build out a renewable energy project on their property, it is likely that they would decide to develop a project that would be eligible under the Public Utility Regulatory Policies Act (PURPA) due to the benefits of being a Qualifying Facility (QF) under the PURPA laws.

Being able to utilize a standard contract and not having to negotiate with a large utility and being able to secure a set "avoided cost" rate for many years which enables project owners to secure financing for the development. These benefits were put into place by the federal and state governments to encourage the small facilities to be developed by helping them reduce costs and achieve financial viability. Small, local renewable energy projects are beneficial for their communities, bringing good-paying jobs, providing another potential money generator for landowners, and the projects also pay taxes or fees to counties that support their public services.

CREA has introduced this concept again to help small solar projects between 3-10 megawatts (MW) get off the ground and be on the same playing field as other renewables – like hydro & wind. The bill would allow solar facilities between 3-10MW to get an avoided cost rate for a 15-year agreement, which is currently only available to QF solar projects under 3MW.

According to ODOE's Small Scale Renewable study (2022), "Avoided cost is the amount the utility would pay if the utility were procuring comparable power by building its own resource to generate the power, by entering a long-term contract for power in the competitive market, or by buying the power in wholesale markets. Avoided cost rates are therefore intended to be cost-neutral to ratepayers." However, the utilities repeatedly claim, with limited evidence, that PURPA increases costs to its ratepayers because it requires them to pay long-term contracts at the "avoided cost" rate. Since the OPUC sets the avoided cost rate to be the least cost the utility would pay to produce that power themselves or buy it elsewhere, we have a hard time understanding why this would impact rates at all. CREA believes that a significant motivation for the IOUs opposition is that PURPA projects is that they do not provide the almost guaranteed rate of return of about 9% for their shareholders, unlike projects owned by the utilities. Stated simply we believe the utilities' opposition is also about protecting shareholders.

We know that there have been claims that the cost of these PURPA QF projects is higher than the market rate. The "market" is not a good comparison, because that refers to short term power markets, which are constantly in flux, not long-term power purchase agreements (PPAs), like the solar contracts relevant to this bill. Short term markets fluctuate up and down. Singling out one or two years as a comparison does not give the full picture and should instead be compared with long-term agreements. When there are shortages, the short-term markets have higher prices and the price paid in long term contract is better.

Even if the claim that it is more expensive to ratepayers is to be believed, other factors should be considered beyond cost to ratepayers, as there are several residual benefits to building small renewable energy projects locally. If renewable energy facilities only get built in other states, like Wyoming and Montana, Oregon will lose out on many benefits that include:

- Good-paying jobs to build, maintain, and run the facilities,
- Tax revenue or fee-in-lieu-of-taxes for local governments to use on behalf of their communities,
- Significant economic impact, an [ECO Northwest study](#) found that renewable energy development in the state could add \$15 billion to Oregon's economy by 2040, and
- Building locally allows for greater resilience opportunities with power sourced from close by and helps decrease line loss by not having to move the power as far.

It is worth noting that this bill will have limited impact as only a small amount of solar QFs are likely to be able to benefit from the change to raise the standard rate threshold to 10MW. Most solar projects being built these days are far larger than 10MW, with many over 100MW, and this bill does not impact any other renewable energy sources, only solar.

You may hear that the OPUC may take this up in UM 2000 and that some would rather let that run its course. While the OPUC could do this without a bill and move the threshold back to 10MW we are not sure they will act to make that change, especially since in 2023 they decided to codify the 3 MW solar cap in rules (in AR 631). Please note that CREA brought this same bill concept forward in

the 2023 session and this change has not been made in the 2 years since.

CREA believes solar should immediately go back to having parity with the other small-scale renewables like hydro and wind at 10MW. This is a policy decision and that is why it is being brought before the legislature by proponents who want to see small-scale renewable energy projects built in Oregon.

Thank you for your time and consideration. Please reach out if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "James Williams", with a stylized flourish at the end.

James Williams
CREA Executive Director