

## LEGISLATIVE CONCEPT

### **Concept subject or title:**

Large customer self-direction of renewable portion of public purpose charge to energy efficiency.

### **Brief description of proposal:**

Industrial customers larger than 1 aMW are allowed to self-direct the energy efficiency portion of their public purpose charge to on-site EE, and their renewable portion to renewables. Most industrials self-direct the renewable portion by buying green tags. This proposal would allow industrial customers larger than 1 aMW to self-direct the renewable portion of their public purpose charge to on-site energy efficiency projects

### **What problem does this concept address?**

It would allow the renewable portion of the industrial public purpose charge to be spent on energy efficiency, which is a more cost effective way to reduce GHGs than renewable expenditures.

It is anticipated that the money that will be invested in Oregon industrial conservation will stimulate the Oregon economy since about half the dollars are spent on trade labor to install the initiatives and the result will be lowered costs for industry through lower utility bills. A recent ODOE study concluded that the economic benefits to the state of the BETC program are considerable. In 2006, these benefits included \$4,373,000 in **net** tax revenues, 670 new jobs, \$1,397,000 additional wages, \$7,478,000 additional business income and \$72,505,000 increased economic output. In addition, a study commissioned by the ETO, found that there is still significant energy efficiency that is achievable.

Reducing the combustion of fossil fuels for electricity generation or on-site heating needs also reduces the other air pollutants associated with these activities.

### **What elements of the current policy context are necessary to understand the concept?**

Industrial customers argue that energy efficiency is a more cost-effective way for them to obtain GHG reductions than renewables. SB 1149 specifically directed a portion of the public purpose charge to renewables, understanding renewables aren't as cost-effective as energy efficiency but that it may be needed to help spur activity in renewables. Allowing industrial customers an exemption from this provision could open the door to the broader question how the public purpose charge is allocated between energy efficiency and renewables for all customers.

### **What happens if this concept isn't implemented?**

Public purpose funding for renewables will stay the same. The opportunity to obtain additional carbon savings and reduce other air pollutants by allowing self-direct customers to invest more in energy efficiency projects will be lost. Lost opportunity to achieve the economic benefits cited above.

**Would you characterize energy and GHG benefits of this proposal as a major, medium, or minor? What data are needed to quantify these benefits?**

Minor. Renewables are carbon neutral already, although ee offsets would be greater.

**Who is affected by this proposal? Who will support it? Who's likely to oppose it?**

Large customers of PGE and Pacificorp will support the proposal. Renewable energy advocates may oppose it.

**Will there be a fiscal impact? Order of magnitude estimates?**

No fiscal impact on state government. The Energy Trust's budget for renewables may or may not be reduced, as about half of the public purpose funds for renewables owed by eligible customers are already being self-directed. However, the amount of public purpose funds dedicated to renewables likely will be reduced as eligible customers invest the renewable self-directed funds on energy efficiency projects instead. Industrial customers self-directed about \$820,000 of their renewables charge in 2007 ( 90% of that went to purchase green tags). By contrast, the Energy Trust received \$11, 973,000 in public purpose payments for renewables. Thus the amount of renewable funding self-directed to energy efficiency would represent about 6.8% of total renewables funding at today's rates; if all eligible self-directed customers participated, that number would roughly double to 12-15%.

(Based on the ODOE study, there are significant economic benefits, including increased tax revenues due to energy efficiency measures. Therefore, we should note these fiscal benefits.)

**What are the likely training and infrastructure needs?**

None.

Note: We should reference a version of Phil Ermer's analysis of energy efficiency benefits relative to renewables to support the logic for supporting energy efficiency measures.