

Elements of Energy LC Drafts

Revised 10/5/06

Business Energy Tax Credit (BETC) Changes LC 562

1. Increase credit for renewable energy from 35% to 50% and the project cost limit from \$10 million to \$20 million.
2. Repeal the offset for federal tax credits for BETC projects that also receive a federal credit.
3. Provide an incentive to builders of high performance homes that reduce purchased energy use to near zero on an annual basis.
4. Make combined heat and power projects eligible for the 50% and \$20 million for renewables.
5. Make hydro projects on existing diversions or impoundments meeting ODFW requirements eligible for the 50% and \$20 million and increase the hydro project cap from 1 megawatt to 10 megawatts.
6. Make builders eligible for installation of renewable energy systems in new homes but at the value of the residential credit.
7. Effective retroactive to 1/1/07.

Residential Energy Tax Credit (RETC) Changes LC 563

1. Allow use of the RETC more than once in the same years, e.g. for a solar water heater and for a solar electric system.
2. Increase the tax credit for fuel cells fueled by any source and for wind generation, similar to the increase in solar electric systems last session.
3. Effective retroactive to 1/1/07.

State Agency Renewables Projects LC 564

Reintroduces SB 737B from the 2005 legislative session to authorize state agencies to develop renewable energy on state property.

Biofuels Package LC 565

Provides a package of measures to encourage greater development, distribution and use of biomass energy resources. The proposed tax incentives address liquid, gaseous, and solid fuel produced from organic material.

1. Expands property tax incentives for biofuel and certain fuel additive production facilities.
2. Establishes a new tax credit for producers and collectors of biofuel raw materials, based on Btu content of feedstock.
3. Establishes a Renewable Fuel Standard for biodiesel and ethanol based on in-state production.
4. Prohibits the sale of gasoline that contains MTBE and certain other additives (not including methanol).
5. Expands the State agency alternative fuel mandate to include biodiesel for vehicles and equipment.
6. Creates an income tax incentive for consumer use of biofuel. Establishes a four-year sunset. Includes pellets and biodiesel for home heating.

7. Modifies the site certificate exemption criteria for ethanol and biodiesel production facilities to preclude coal-fueled facilities.
8. Maintains exclusive farm use (EFU) status for on-farm biofuel production facilities.

Renewable Portfolio Standard (RPS) LC 824

Establishes a Renewable Portfolio Standard (RPS) for electricity. The bill requires that 25% of Oregon's electric load come from new renewable energy by 2025.

The “RPS and Related Policy Legislative Package Outline” provides a detailed overview of the RPS proposal as submitted to Legislative Counsel. Listed below are changes since the RPS working draft outline given to the REWG in Hood River on September 13. A large number of changes were made for clarity and readability in addition to those below.

The following major additions and corrections have been made to the document:

1. Addition regarding relating clause.
2. Addition of 5 percent by 2011 target for Primary standard.
3. Addition of a separate Electricity Service Suppliers (ESS) section and removal of ESS from Primary and Secondary standards to correct oversight in original draft.
4. Opt in to Primary standard option available to correct higher obligation on Secondary standard than Primary standard after 2025.
5. Load growth computation methodology clarified for Secondary standard.
6. Clarification added that utilities that cross threshold past enactment date have equivalent amount of time to reach appropriate standard.
7. ESS standard changed to ensure level playing field competition for IOUs.
8. PUC determination process added to provide check-in to ensure fair market competition between IOUs and ESSs at appropriate intervals.
9. Biomass definition clarified and expanded from base definition.
10. Non-hydro incremental generation improvement definition simplified.
11. Hydro improvements from BPA dams now in proportion to Oregon share of FBS.
12. Clarification added regarding process for adding new eligible resources.
13. Facility eligibility clause simplified from Oregon load-serving language up to the date of enactment to only having the criterion with the 1995 date of eligibility.
14. Bundled REC definition greatly expanded to address COU concerns and to provide necessary clarity as to the geographic range for eligibility.
15. Shaping and firming resources clarified as to relationships to bundled Renewable Energy Credits (REC) and accounting for renewable portion of shaped resources.
16. Language regarding BPA EPP produce changed to provide defined criteria by which EPP product will and will not be eligible, with option for ODOE waiver.
17. ESSs removed from need to offer green power program (since they can't).
18. Green power program mandate clarified to emphasize utility management.
19. Exemption for “Tier I” power changed to “firm Federal Base System” power.
20. Displacement calculation for firm FBS power clarified.
21. New provision for deferment of obligations covered by Mid-Columbia cheap hydro contracts for consumer-owned utilities so long as contracts remain in place.
22. Contracting standard reduced to 10 years from 15 years.
23. Contracting standard removed for unbundled RECs.
24. Contracting standard removed for ESSs.
25. Contracting standard reduced to 75 percent of total compliance.

26. Higher limit on unbundled RECs set for Secondary standard.
27. REC's from Qualifying Facilities (QF) issue addressed by creating win-win solution whereby IOUs can increase their unbundled REC cap by amount of PURPA QF RECs they procure that are serving Oregon.
28. Explicit language that ETO may retire RECs for IOUs on behalf of ratepayers.
29. Clarification process set in place regarding multi-state allocation of RECs.
30. Clarification that "community-level" energy goal is, in fact, a goal.
31. ESS reporting body clarified to be OPUC.
32. Compliance procedures completely revamped to account for clarifications, misunderstandings, and additional discussions among parties and REWG.
33. Clarification regarding yearly compliance floor for Primary standard.
34. Differentiation clarified between Primary, Secondary, and ESS compliance.
35. Clarification added that rolling target methodology applies to penalty calculations but not every year since "soft" targets don't necessitate that type of flexibility.
36. Annual compliance letter added as reporting mechanism for all affected entities..
37. Banking of RECs significantly modified with different requirements for bundled and unbundled RECs.
38. Incentive added for long-term bundled RECs by extending their banking period.
39. Disincentive removed for IOUs to take early action by providing extended banking for owned and operated facilities.
40. Banking for unbundled RECs eliminated to compensate for longer bundled REC banking standards and to prevent hoarding and gaming of the system.
41. Grace period language moved to "Flexibility Mechanisms" section.
42. Placeholder addressed conflict between RPS legislation and SB 1149.
43. Removed "assurance" language for cost recovery for early stage renewable energy development and instead emphasize no barriers to such activities.
44. Clarification added to remove barriers from unintended conflict with SB 1149 for above-market costs purchases to comply with RPS.
45. Removed profit incentive for IOUs language due to lack of interest, a lack of understanding of the concepts involved, and opposition from many stakeholders.
46. Clarified language regarding so-called "market transformation" type costs.
47. Cost cap language added, but only those few point of consensus that have been reached. Additional language and a hard number limit are still pending.
48. Enforcement mechanism section now has a specific penalty associated with it.
49. Penalty language generally clarified to be inclusive of both IOUs and COUs.
50. Placeholder added for PUD legal changes requested by OPUDA.
51. Included extension (but not expansion) of public purpose charge to 2025.
52. Added specificity to periodic task force review to initiate 18 months after each target year and that the convening agent is the Governor.
53. Removed qualification that task force can increase targets, but not decrease them.