

**August 11, 2006**

**MEMO**

**To: Mike Grainey, Director, ODOE**

**From: Tom O'Connor, Director, OMEU**

**Don Godard, Director, OPUDA**

**Dick Wanderscheid, Director of the Electric Utility, City of Ashland**

**Subject: Draft of Potential RPS Language**

At the conclusion of the July 11 meeting of the Renewable Energy Working Group, you asked us to bring our suggestions and ideas to address the issues and concerns we have been discussing with you and the REWG regarding a potential Oregon RPS.

As you know, consumer-owned utilities are governed by our local boards and commissions and largely purchase our electricity through federal contracts with BPA. Therefore, we believe that any Oregon RPS legislation should have a unique section dealing with consumer-owned utilities as is the case generally with federal and state legislation.

Since the July REWG meeting, we have been working to outline what that section should look like. Our proposal is described below. We are still working on some of the details and will provide those to you as we continue to work with our associations and members on this subject. It is also important to recognize that public power is in the process of negotiating our future contracts with BPA for a twenty year timeframe post-2011. Those contracts and their structure for future resource acquisition to meet load growth are critical to the economic health of our communities.

We believe our proposal accomplishes the Governor's goal to encourage the continued development of new renewable resources and reduction of greenhouse gases while recognizing the unique nature of consumer-owned utilities, our contractual relationship with BPA, and our existing renewable resource development.

**SECTION \_\_\_\_\_:**

**A.) Purposes and Policies:** The Legislative Assembly declares that it is the purpose of this title to:

- 1.) Encourage cost-effective conservation and efficiency in the use of electric power;
- 2.) Encourage the development of cost-effective renewable resources;
- 3.) Assure customers an adequate, economical, and reliable power supply
- 4.) Recognize that consumer-owned utilities purchase all or major portions of their electricity supply from the Bonneville Power Administration under long-term federal contracts;
- 5.) Recognize that virtually all of the existing Federal Base System power comes from resources that do not contribute to greenhouse gas emissions;
- 6.) Recognize that increasing development of renewable resources by consumer-owned utilities will require new BPA renewable products, adequate and affordable transmission access and the availability of the federal hydropower system and conventional resources for shaping and firming;

- 7.) Preserve and enhance the ability of consumer-owned utilities and their governing bodies to respond to their consumers;
- 8.) Recognize that communities served by consumer-owned utilities located in various parts of the State of Oregon may differ in their needs and desires concerning the provision of electricity and related products and services;
- 9.) Retain local control over consumer-owned utilities
- 10.) Preserve, clarify, and as provided herein, enhance the rights and authorities of consumer-owned utilities and their governing bodies.

**B.) Eligible Resources:**

- 3. Eligible resources include small hydro, solar, wind, biomass, wave/tidal, landfill gas, plus –
  - a.) Hydro efficiency upgrades (including BPA and the Mid-Columbias)
  - b.) Tier Two renewable product and renewable portion of any other BPA Tier Two product
  - c.) Green tags
  - d.) Renewables acquired under Tier One
  - e.) Verifiable conservation
  - f.) Net metered renewable resources
  - g.) Combined Heat and Power (CHP) new and upgrades to existing facilities
  - h.) Resources necessary for integration of new renewable resources
  - i.) Small hydro (30 MW or less)
  - j.) Eligible biomass should include 50% renewable fuel or waste
  - k.) IGCC with sequestration when used as part of a carbon reduction program
- 4.) Eligible renewable resources and tags include those from within the Western Interconnection
- 5.) Eligible renewable resources include those brought on line or under contract after the effective date of the Northwest Power Act.
- 6.) Small, community scale renewable projects (10 MW or less) can be counted as extra credit (150%)

**C.) All Consumer-owned utilities:**

By 2012, each COU local board, through a public or member process, shall adopt and implement a local utility renewable resource policy giving priority to the purposes in Section A of this title.

As part of that policy each COU shall consider and make a specific determination whether to implement either:

- 1.) inclusion as part of its resource portfolio, in an amount determined by the local board, a BPA renewable product, EPP, or other renewable resource, or
- 2.) a green pricing or tag program for its customers

**D.) Consumer-owned utilities over 50,000 customers:**

By 2012, each local board for a COU over 50,000 customers upon enactment, through a public process, shall adopt and implement a local renewable resource standard giving priority to the purposes in Section A of this title.

A local renewable resource standard is deemed to meet the intent of this title if it targets either:

- 1.) 25% of load with eligible renewables by 2025 or
- 2.) 60% of load growth with eligible renewables by 2025

Adoption of a local alternative standard to (1.) or (2.) must be accompanied with findings and a determination that the standard is consistent with Section A of this title.

The board may adjust the standard if it determines through a public process and with appropriate findings that one or more of the conditions in Section E.) apply.

**F.) Annual Report:**

Annual report to ODOE acknowledging compliance – report only – no new regulatory authority

**E.) Provisions that apply to all COUs:**

1.) Specific clause that says nothing in this act shall cause a utility to reduce the amount of load served by BPA from the federal base system including but not limited to Tier One. No utility shall be required to forgo any generating resources owned or under contract as of the date of this Act nor to acquire any resource or credits that would cause the utility to have resources or credits in excess of the cumulative electric demand of its customers.

2.) Statutory cost cap – cap includes transmission and ancillary services, integration, R&D, and dry hole costs associated with renewable resource and is triggered through certification by COU board through public process

3.) Off ramp for force majeure

4.) Off ramp for lack of transmission availability

**H.) Placeholder for statutory changes that may be necessary for COUs to implement the above requirements and policies.**

(For example, ensure that COUs have the appropriate financing and legal tools)