



Oregon

Theodore R. Kulongoski, Governor



OREGON
DEPARTMENT OF
ENERGY

625 Marion St. NE
Salem, OR 97301-3737
Phone: (503) 378-4040
Toll Free: 1-800-221-8035
FAX: (503) 373-7806
www.energy.state.or.us

Energy Legislative Proposals for 2007

December 5, 2006

The Governor has five energy legislative proposals. The Legislative Counsel numbers (LC) are provided in italics for each bill. The bills include the following measures:

1. Business Energy Tax Credit (BETC) Changes (*LC 562*).

The Business Energy Tax Credit is amended to provide greater incentives for renewable energy including the following:

1. Increases credit for renewable energy systems installed by businesses from 35% to 50% and increases the project cost limit from \$10 million to \$20 million.
2. Provides that the costs of constructing facilities to manufacture renewable energy systems and components are eligible for the increased tax credit for renewable energy.
3. Repeals the offset for federal tax credits for BETC projects that also receive a federal credit.
4. Provides an incentive to builders of high performance homes that reduce purchased energy use to near zero on an annual basis.
5. Make combined heat and power projects (CHP) eligible for the increased tax credit.
6. Increases the size of hydro projects eligible for BETC from 1 megawatt to 10 megawatts for hydro projects meeting state and federal requirements for fish and wildlife.
7. Makes homebuilders eligible for installation of renewable energy systems in new homes but at the value of the Residential Energy Tax Credit.
8. Effective date is 1/1/07.

2. Residential Energy Tax Credit (RETC) Changes (*LC 563*).

Makes the incentives for renewable energy more effective by the following:

1. Allows use of the RETC for more than one qualifying item in the same year, e.g. for a solar water heater and for a solar electric system, and/or for multiple energy-efficient appliances.
2. Increases the maximum tax credit for fuel cells and for wind generation, similar to the increase in solar electric systems passed in 2005, from \$1,500 to \$6,000 over four years.
3. Effective date is 1/1/07.

3. State Agency Renewable Energy Projects (*LC 564*).

Authorizes state agencies to develop renewable energy on state forests, campuses and other state lands. The energy produced could be used to meet state agency loads and could be sold to electric utilities. Energy cannot be sold by state agencies to retail customers in competition with electric utilities. This bill will help achieve the Governor's goal for state agencies to meet 100% of their electricity needs from renewables by 2010. The bill is based on SB 737B from the 2005 Legislative Session.

4. Biofuels Fuels Package (LC 565).

Provides a package of measures to encourage greater development, distribution and use agricultural and forest material for biofuels, for electricity and for other forms of biomass energy use. The bill includes the following provisions:

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.
5. Provides that the existing mandate on State agencies to use ethanol also applies to biodiesel.
6. Creates an income tax incentive for consumer use of biofuel. Establishes a four-year sunset.
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.

5. 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 bill includes the following provisions:

1. The RPS requirement of 25% by 2025 applies to electric utilities and any electricity service suppliers that serve at least 1% of Oregon's electric load. This covers Oregon's three investor-owned electric utilities and the nine largest consumer-owned utilities. Depending on load growth, this will likely cover most of the new resources needed to meet these utilities' new load.
2. The RPS sets interim targets of 5% by 2011, 15% by 2015 and 20% by 2020.
3. Oregon's 28 smaller consumer-owned utilities which serve less than 1% of Oregon's electric load must need 60% of their retail load growth by the year 2025 with renewable energy. This target can be met by purchasing "green products" offered by BPA. There are interim targets of 20% of load growth in 2015 and 40% of load growth in 2020.
4. Eligible renewable resources include wind, solar, ocean, geothermal, biomass, hydropower and other renewable resources that were operational after January 1, 1995. Eligible generating facilities do not have to be located in Oregon but must serve Oregon loads.
5. No utility will be required to give up its existing resources to comply with the RPS.
6. No utility will be required to give up access to low-cost firm power from BPA or low-cost hydro contracts with the Mid-Columbia dams owned by Washington PUDs.
7. The RPS is not expected to increase rates; but a cost cap is built in as a backstop to limit any possible cost impact.
8. Compliance with the RPS can occur by owning eligible resources, by buying the output of resources developed by others, or by acquiring Renewable Energy Certificates.
9. The public purpose charge is extended through 2025. Use of the renewable energy portion of the public purpose charge is limited to small-scale renewable energy projects less than 20 megawatts to encourage a diversity of the types of renewable energy resources developed.
10. There is a non-binding goal that one-third of the renewable energy resources will be small-scale renewable energy projects.