

# SB 838: POWERING OREGON'S FUTURE

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## *Flexibility for Oregon's Consumer-Owned Utilities*

Senate Bill 838, the Oregon Renewable Energy Act, calls for the state's largest utilities to generate 25% of their electricity from new renewable resources by 2025. Small consumer-owned utilities that sell less than 1.5% of the total electricity sold in the state are subject to a modest 5% target by 2025. This Act includes a tremendous amount of flexibility for Oregon's consumer-owned utilities. Oregon's three largest utilities (Portland General Electric, PacifiCorp, and the Eugene Water and Electric Board) and the Oregon Municipal Electric Utilities Association have all testified in support of SB 838.

SB 838 includes the following flexibility mechanisms for consumer-owned utilities:

- **Utilities' access to low-cost hydropower is protected.** The bill clearly states that a utility does not have to displace any non-fossil resources it currently uses. This includes hydropower and low cost Bonneville Power Administration (BPA) contracts.
- **Slow-growing utilities are protected.** A utility is not required to comply with the full target if doing so would cause it to displace existing non-fossil fuel resources or BPA power.
- **Preserves local control of consumer-owned utilities.** Local governing boards review compliance with the policy, set the level of the alternative compliance payments, and determine both the utility's revenue requirement and the incremental cost of new resources for application of the 4% cost cap.
- **Smaller utilities have to meet a very modest standard.** Small utilities that sell less than 1.5% of the total electricity sold in Oregon are only required to have 5% of their sales come from new renewable energy sources by 2025.
- **Utilities have numerous compliance options.** Local elected officials retain flexibility to determine the most cost-effective option for meeting the targets. Utilities can comply with the RES by building their own project, buying electricity from someone else's project, buying tradable renewable energy certificates, making an alternative compliance payment, or a combination of these.
- **Early adopters are recognized.** Utilities who invested in renewable resources in advance of this bill's date of enactment are allowed to count those projects toward their targets. Additionally, SB 838 encourages and rewards early compliance with the targets by allowing utilities to "bank" renewable energy certificates that they can use in future years. This rewards utilities that choose to make early investments in acquiring new renewable energy resources in excess of the annual targets.
- **Protects utility customers from rate increases.** SB 838 includes a cost cap provision to protect customers from significant rate increases. If the cost of compliance exceeds 4% of a utility's revenue requirement, the standard is suspended for that utility. The bill also contains an alternative compliance payment (ACP) provision. If a utility determines that acquiring a resource is too expensive, the ACP allows the utility to set aside money to acquire resources or invest in energy efficiency later when it is more cost-effective for customers.
- **Flexibility using renewable energy certificates (RECs).** Recognizing that smaller utilities have a more difficult time acquiring their own resources, SB 838 does not limit the use of RECs for utilities that have to comply with the small utility standard. Additionally, while large investor-owned utilities may only use RECs to meet up to 20% of their target, consumer-owned utilities subject to the larger standard are allowed to use RECs for up to 50% of their target until 2020. Beginning in 2020, they will be able to use unbundled RECs to meet up to 20% of their target.

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