

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number:	SB 838-A
Revenue Area:	Utilities
Economist:	Mazen Malik
Date:	04/05/2007

Measure Description:

Requires the State Department of Energy to create a renewable portfolio standard under which electric utilities must derive 25% of annual retail electricity sales from renewable energy resources by the year 2025. Authorizes the department to adopt rules to implement the standard. Authorizes the Public Utility Commission (PUC) and consumer owned utility governing boards to establish procedures for implementation and monitoring of the renewable energy standard. Modifies and extends the public purpose charge collected from retail customers to Jan. 1 2026. Creates new provisions and declares an emergency, effective upon passage.

Revenue Impact:

The Public Purpose charge extension to 2026 will start showing up in the 2011-2013 biennium. The amount of funds the Public Purpose Charge (PPC) generates starting in FY 2013 is about \$70 million a year.

Additional amounts that are not easy to determine, but could add more than \$5 million a year, will come from the charges and penalties in sections 20 to 22 of the bill.

The level of economic activities might increase if these technologies become a growth driver, however it might restrain growth if not enough progress is achieved in the mandated period. This will influence the growth level of the income tax and consequently the general fund. Added jobs and economic activity will be subject of the of a study in section 25 of the bill. Added property taxes might be a result, if the new technologies are treated as the wind turbines are.

Impact Explanation:

As part of SB 1149 (1999), utilities were required to reserve 3 percent of their retail electricity sales for 10 years beginning in March 2002. This public purpose charge is used to fund energy conservation and renewable energy programs and to help provide weatherization and other energy assistance to low-income households and public schools in Oregon. Entities that receive and use these funds are:

- Energy Trust of Oregon, Inc. The non-profit Energy Trust began administering funds in March 2002; It develops and implements programs that promote energy conservation and development of renewable energy resources within the State. The Energy Trust receives 73 % of the funds (56 % dedicated to conservation programs and 17 % for renewable energy projects).
- Education Service Districts. Oregon's Education Service Districts receive 10 % of funds to improve energy efficiency in individual schools. The distribution formula is used to prioritize projects.

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- Oregon Housing and Community Services. Oregon Housing and Community Services (OHCS) receives and administers PPC funds for low-income housing programs. 4.5 % of the PPC funds are dedicated to low-income housing development projects; the projects involve construction of new housing or rehabilitation of existing housing for low-income families through the OHCS Housing Trust Fund. OHCS operates two weatherization programs, and an additional 11.7 % of the total PPC funds collected are allocated for low-income weatherization. One program provides home weatherization (for single- and multi-family, owner occupied, and rental housing) and the other provides for weatherization of affordable multi-family rental housing through the OHCS Housing Division. In addition to projects conducted by these agencies, large commercial and industrial customers can implement their own energy conservation or renewable energy projects. These “self-direct customers can then deduct the cost of projects from the conservation and renewable resource development portion of their PPC obligation to utilities.

Sections 20 to 22 add new revenues to the fund. It can produce few million more based on the time lines and difficulties anticipated in the new electric generation technologies. However, the bill allows utilities to recover their costs, which might produce a higher price for energy. If this higher price is sufficient to produce a slow down in energy consumption beyond the conservation and efficiency amounts, it might result in lower economic activity and thus lower incomes and revenue to local and state governments. On the other hand, if this spurs a niche of industry that is efficient and competitive it could have a positive and enhancing affect. Further more the wind turbines generating electricity have been a boon local governments property taxes. The new clean energy industry could have a similar effect pushing up the amounts of property taxes that will enhance local government coffers, without requirements for additional services.

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