

REVENUE IMPACT OF PROPOSED LEGISLATION

74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number:	SB 838-C
Revenue Area:	Utilities
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Date:	05/18/2007

Measure Description:

Requires the Department of Energy to create a renewable portfolio standard under which electric utilities must derive 25 percent of annual retail electricity sales from renewable energy resources by the year 2025, with allowance for lower participation from small utilities. 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 until January 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. Starting in FY 2013 the amount of funds the Public Purpose Charge (PPC) generates is about \$70 million a year.

Additional amounts, that are not easy to determine, which 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 has the potential to increase if these technologies become an economic growth driver. On the other hand, the requirements might restrain growth if enough progress and energy production is not achieved in the mandated period. Either way, it will influence the growth level of the income tax and consequently the general fund. Jobs and economic activity will be subject of a study as stipulated in section 25 of the bill. Finally, Increased property taxes might be an outcome, providing that the new technologies are assessed (for property tax purposes) similar to the way wind turbines are assessed today.

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).

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- **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.
- **Oregon Housing and Community Services.** Oregon Housing and Community Services (OHCS) receive and administer 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, which can produce few million more depending on the development and implementation time lines, and the degree of difficulties anticipated in the new electric generation technologies. The bill, however, allows utilities to recover their costs by passing their added costs to the consumer, 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 the activities and new technology spur a niche of industry, that is efficient, trend setting, and competitive, it could have a positive and enhancing affect on employment, income and revenues. Furthermore, the wind turbines generating electricity have been boon to local government 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, albeit, without new requirements for additional government services.