

House Bill 3359

Sponsored by COMMITTEE ON BUSINESS AND LABOR

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires electric companies to prepare integrated resource plans. Establishes renewable resource goals for electric companies.

A BILL FOR AN ACT

1
2 Relating to electricity.

3 Whereas it is the goal of this state to encourage the development of safe, clean and reliable
4 energy resources, including renewable resources, to meet the demand in Oregon for affordable
5 electricity; and

6 Whereas to achieve this goal, the Legislative Assembly finds it essential that electric companies
7 in Oregon develop comprehensive integrated resource plans that include a resource portfolio that
8 has the best combination of short-term and long-term costs and associated risks and uncertainties;
9 and

10 Whereas information obtained from integrated resource plans will be used to assist in identify-
11 ing and developing new energy generation, conservation and efficiency resources and related
12 infrastructure to meet the state's electricity needs; now, therefore,

13 **Be It Enacted by the People of the State of Oregon:**

14 **SECTION 1. Sections 2 to 11 of this 2007 Act are added to and made a part of ORS**
15 **chapter 757.**

16 **SECTION 2. Definitions. As used in sections 2 to 11 of this 2007 Act:**

17 (1) **"Conservation and efficiency resources" means any reduction in electricity consump-**
18 **tion that results from increases in the efficiency of electricity use, production, transmission**
19 **or distribution.**

20 (2) **"Consumer-owned utility" has the meaning given in ORS 757.600 (4).**

21 (3) **"Electric company" has the meaning given that term in ORS 757.600.**

22 (4) **"Renewable resource" means:**

23 (a) **Hydropower;**

24 (b) **Wind power;**

25 (c) **Solar photovoltaic and solar thermal generation;**

26 (d) **Geothermal energy;**

27 (e) **Landfill gas;**

28 (f) **Biomass energy utilizing animal waste, solid organic fuels from wood, forest or field**
29 **residues or dedicated energy crops that do not include wood pieces that have been treated**
30 **with chemical preservatives such as creosote, pentachlorophenol or copper-chrome-arsenic;**

31 (g) **Byproducts of pulping or wood manufacturing processes, including but not limited to**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 bark, wood chips, sawdust and lignin in spent pulping liquors;

2 (h) Ocean thermal, wave or tidal power; and

3 (i) Gas from sewage treatment facilities.

4 **SECTION 3. Integrated resource plan required; determination of lowest reasonable cost.**

5 (1) Subject to section 7 of this 2007 Act, on or before July 1, 2008, and on or before July 1
6 of every even-numbered year thereafter, an electric company shall file an integrated re-
7 source plan with the Public Utility Commission containing an analysis that describes the mix
8 of generation, conservation and efficiency resources that will meet current and projected
9 electric loads of the company at the lowest reasonable cost to the company and its
10 ratepayers.

11 (2) In determining the lowest reasonable cost to the electric company and its ratepayers
12 under subsection (1) of this section, the electric company shall use the lowest cost mix of
13 generation, conservation and efficiency resources as determined by a detailed evaluation of
14 a wide range of commercially available resources. In performing the evaluation, the electric
15 company shall consider resource cost, market-volatility risks, demand-side resource uncer-
16 tainties, the ease with which a generator may increase or decrease generation of electricity,
17 the effect of using electricity from different sources on system operation, the risks incurred
18 by the electric company and its ratepayers in using different sources of electricity, public
19 policies relating to preferences for energy sources adopted by the State of Oregon or the
20 federal government, and risks associated with the impact on the environment of different
21 energy sources, including emissions of carbon dioxide.

22 **SECTION 4. Guidelines for preparing plan.** (1) An electric company shall prepare an in-
23 tegrated resource plan using the guidelines described in this section.

24 (2) In preparing an integrated resource plan, all resources should be evaluated on a
25 consistent and comparable basis. To accomplish this goal:

26 (a) All known resources for meeting the electric company's load should be considered,
27 including supply-side options that focus on the generation, purchase and transmission of
28 power and demand-side options that focus on conservation and demand response;

29 (b) Different resource fuel types, technologies, lead times, in-service dates, durations and
30 locations should be modeled in resource portfolios;

31 (c) Consistent assumptions and methods should be used for evaluation of all resources;
32 and

33 (d) The after-tax marginal weighted average cost of capital should be used to discount
34 all future resource costs, unless a different method is required by a rule adopted by the
35 Public Utility Commission.

36 (3) In preparing an integrated resource plan, an electric company should consider all
37 sources of risk and uncertainty, including load requirements, hydroelectric generation, plant
38 forced outages, fuel prices, electricity prices and costs to comply with any regulation of
39 greenhouse gas emissions.

40 (4) In preparing an integrated resource plan, the planning horizon for analyzing resource
41 choices should be at least 20 years and should account for end effects of those choices.
42 Electric companies should consider all costs with a reasonable likelihood of being included
43 in rates over the long term, including costs that will be incurred beyond the planning horizon
44 and the life of the resource.

45 (5) In preparing an integrated resource plan, electric companies should use the present

1 value of the company's revenue requirement as the key cost metric, determined by adding
2 all of an electric company's operating expenses, including depreciation and taxes, and the
3 product of total rate base multiplied by the commission authorized rate of return for both
4 debt and equity of the electric company.

5 (6) An integrated resource plan should include analysis of current and estimated future
6 costs for all long-lived resources such as power plants, gas storage facilities and pipelines,
7 as well as all short-lived resources such as gas supply and short-term power purchases.

8 (7) In preparing an integrated resource plan, electric companies should address identified
9 risks, including:

10 (a) A measure of present value of revenue requirement risk that quantifies the variability
11 of costs, and a measure of present value of revenue requirement risk that quantifies the
12 severity of bad outcomes; and

13 (b) Consideration of the impact of physical and financial hedging on costs and risks.

14 (8) In preparing an integrated resource plan, an electric company should consider how
15 the electric company's resource choices appropriately balance cost and risk.

16 **SECTION 5. Plan contents.** (1) The integrated resource plan filed under section 3 of this
17 2007 Act must contain at a minimum:

18 (a) An explanation of how the electric company will meet the substantive and procedural
19 requirements of this chapter.

20 (b) Analysis of high and low load growth scenarios in addition to stochastic load risk
21 analysis with an explanation of major assumptions.

22 (c) A determination of the levels of peaking capacity and energy capability expected for
23 each year of the integrated resource plan assuming use of then-existing resources, identifi-
24 cation of capacity and energy needed to bridge the gap between expected loads and resources,
25 modeling of all existing transmission rights, as well as future transmission additions associ-
26 ated with the model resource portfolios, and the storage needed to bridge the gap between
27 expected loads and resources.

28 (d) Identification of, and estimated costs of, all supply-side and demand-side resource
29 options, taking into account anticipated advances in technology.

30 (e) Analysis of measures the electric company intends to take to provide reliable service,
31 including cost-risk tradeoffs.

32 (f) Identification of key assumptions about the future, such as fuel prices and environ-
33 mental compliance costs, and alternative scenarios considered by the electric company.

34 (g) Model resource portfolios designed to test various operating characteristics, resource
35 types, fuels and sources, technologies, lead times, in-service dates, durations and general
36 locations, whether system-wide or delivered to a specific portion of the system.

37 (h) Evaluation of the performance of the model resource portfolios over the range of
38 identified risks and uncertainties.

39 (i) Results of testing and rank ordering of the model resource portfolios by cost and risk
40 metric, and interpretation of those results.

41 (j) Analysis of the uncertainties associated with each model resource portfolio evaluated.

42 (k) Selection of a resource portfolio that represents the best combination of cost and risk
43 for the electric company and its customers.

44 (L) Identification and explanation of any inconsistencies of the selected resource portfolio
45 with state and federal energy policies that may affect an electric company's integrated re-

1 source plan, and any barriers to the implementation of the plan.

2 (m) An action plan with resource activities the electric company intends to undertake
 3 over the next two to four years to acquire the identified resources, regardless of whether the
 4 activity was acknowledged in a previous integrated resource plan, with the key attributes
 5 of each resource.

6 (n) Any other information that the Public Utility Commission by rule or order may re-
 7 quire an electric company to include in the integrated resource plan.

8 (2) The commission may waive any of the requirements of subsection (1) of this section.

9 **SECTION 6. Commission consideration of plan.** (1) An electric company must provide a
 10 draft integrated resource plan for public review and comment before filing a final integrated
 11 resource plan with the Public Utility Commission.

12 (2) The public and other electric companies shall be allowed significant involvement in
 13 the preparation of the integrated resource plan. Involvement shall include opportunities to
 14 contribute information and ideas, as well as to receive information. Parties may obtain dis-
 15 covery from an electric company preparing an integrated resource plan. Disputes about
 16 whether discovery requests are relevant or unreasonably burdensome, or whether an electric
 17 company is being properly responsive, may be submitted to the commission for resolution.

18 (3) Commission staff and any other interested party may submit written comments on
 19 an integrated resource plan. Written comment must be submitted within six months after
 20 the filing of the integrated resource plan.

21 (4) The commission shall consider comments on an electric company's integrated re-
 22 source plan at a public meeting before issuing an order on the integrated resource plan. The
 23 commission may provide the electric company an opportunity to revise the integrated re-
 24 source plan before issuing an order. The commission may acknowledge the integrated re-
 25 source plan or any part of the integrated resource plan, or the commission may reject the
 26 integrated resource plan.

27 (5) Acknowledgement of an integrated resource plan by the commission is not rate
 28 making. A decision on including the costs associated with specific new resources in an elec-
 29 tric company's rates may only be made in a rate proceeding under ORS 757.210. An electric
 30 company may use the fact that resource investments were made pursuant to the company's
 31 acknowledged integrated resource plan in seeking inclusion of the costs of those investments
 32 in the company's rates.

33 (6) In acknowledging an integrated resource plan, the commission may provide direction
 34 to an electric company regarding any additional analyses or actions that the electric com-
 35 pany should undertake in subsequent integrated resource plans.

36 **SECTION 7. Extension on filing deadline.** If the Public Utility Commission has acknowl-
 37 edged an integrated resource plan of an electric company, and the electric company does not
 38 intend to take any significant resource action for at least two years after the filing of the
 39 plan, the electric company may request and the commission may grant an extension of the
 40 filing date for the company's next integrated resource plan. An extension under this section
 41 may not be longer than two years.

42 **SECTION 8. Plan updates.** (1) Each electric company must submit an annual update to
 43 its most recently acknowledged integrated resource plan. The update is due on the anniver-
 44 sary date of the acknowledgement.

45 (2) If an electric company discovers that the company will need to make a significant

1 deviation from the acknowledged integrated resource plan, the company must promptly
2 submit an update with the commission unless the discovery is made within six months before
3 July 1 of an even-numbered year.

4 (3) An electric company may request acknowledgment of changes in the company's inte-
5 grated resource plan as identified in an update submitted under this section.

6 (4) Unless the electric company requests acknowledgement of changes in an update under
7 subsection (3) of this section, an annual update is an informational filing that:

8 (a) Describes what actions the electric company has taken to implement the integrated
9 resource plan;

10 (b) Provides an assessment of changes that have occurred since the acknowledgment
11 order and that affect the integrated resource plan, including changes in load, expiration of
12 resource contracts, supply-side and demand-side resource acquisitions, resource costs and
13 transmission availability; and

14 (c) Justifies any deviations from the acknowledged plan.

15 **SECTION 9. Protection of confidential information.** (1) The Public Utility Commission
16 shall ensure that confidential information is not revealed in proceedings relating to inte-
17 grated resource plans. Confidential information may be protected through use of a protective
18 order, through aggregation or shielding of data, or through any other mechanism approved
19 by the commission.

20 (2) An electric company shall disclose in the company's integrated resource plan any in-
21 formation that is not confidential and is relevant to the company's resource evaluation.

22 **SECTION 10. Consumer-owned utilities.** The governing body, as defined in ORS 757.600,
23 of a consumer-owned utility may determine the portfolio of energy resources needed to meet
24 the needs of the utility's members or customers after considering the cost, reliability, risk,
25 diversity and environmental impact of those resources.

26 **SECTION 11. Renewable resource goals.** (1) On and after January 1, 2010, every inte-
27 grated resource plan filed with the Public Utility Commission by an electric company shall
28 assess the ability of the electric company to meet the renewable resource goals established
29 in this section.

30 (2) Each electric company shall use reasonable efforts to acquire the electricity from
31 renewable resources, or renewable energy credits authorized by the commission, to satisfy
32 one of the following renewable resources goals:

33 (a) Beginning in calendar year 2012, at least 10 percent of the electricity sold by the
34 electric company to retail electricity consumers in a calendar year should be electricity
35 generated from renewable resources, or 20 percent of the company's Oregon load growth
36 since 2007 should be electricity generated from renewable resources;

37 (b) Beginning in calendar year 2018, at least 17 percent of the electricity sold by the
38 electric company to retail electricity consumers in a calendar year should be electricity
39 generated from renewable resources, or 30 percent of the company's Oregon load growth
40 since 2007 should be electricity generated from renewable resources; and

41 (c) Beginning in calendar year 2025, at least 25 percent of the electricity sold by the
42 electric company to retail electricity consumers in a calendar year should be electricity
43 generated from renewable resources, or 40 percent of the company's Oregon load growth
44 since 2007 should be electricity generated from renewable resources.

45 (3) In determining whether the goals in this section have been met, conservation and

1 efficiency resources count as load served by a renewable resource.

2 (4) In determining whether the goals in this section have been met, load shall be reduced
3 by the amount of electricity supplied to customers under a voluntary renewable energy pro-
4 gram established by an electric company, unless the customer has assigned its interest in
5 the renewable energy credits associated with the electricity to the electric company.

6 (5) An electric company need not acquire electricity from a renewable resource pursuant
7 to an integrated resource plan acknowledged by the commission if the expected cost of ac-
8 quiring the electricity exceeds 110 percent of the cost of electricity from an alternative re-
9 source identified in the integrated resource plan that would have been acquired except for
10 the goals established in this section. For the purpose of determining the expected cost of
11 electricity under this subsection, the electric company shall use the levelized annual cost of
12 electricity, including all costs of integrating the resource into the electric grid and delivering
13 the electricity to the electric company's service territory.

14 (6) In no event shall the acquisition of renewable resources pursuant to an integrated
15 resource plan acknowledged by the Public Utility Commission be used to displace existing
16 resources, on a planning basis, that the electric company owns, has an existing contract to
17 purchase or a statutory right to purchase.

18 (7) The Public Utility Commission shall adopt policies to ensure that the total net rate
19 impact for any customer class resulting from compliance with sections 2 to 11 of this 2007
20 Act does not exceed in any calendar year two percent of the electric company's annual re-
21 venue requirement for calendar year 2007. The incremental rate impact of acquiring any
22 renewable resource to comply with this section shall be determined as of the date the
23 renewable resource is acquired.

24 (8) The commission shall adopt rules to establish:

25 (a) The process for certifying renewable energy credits;

26 (b) A method for calculating and applying the resource cost cap provided in subsection
27 (5) of this section; and

28 (c) Such other issues as the commission deems appropriate for implementing this sec-
29 tion.

30 (9) Unless otherwise provided by commission rule, electricity from any renewable re-
31 source, or the renewable energy credits associated with such resource, may be used to meet
32 the goals in this section, without regard to the location of the generating facility or the date
33 the generating facility commenced commercial operation. The commission may adopt rules
34 limiting the eligibility of renewable resources, but may not:

35 (a) Limit the eligibility of renewable resources for purposes of meeting the standard of
36 this section applicable to the total amount of electricity sold to retail electric customers in
37 a calendar year;

38 (b) Limit the eligibility of any renewable resource, other than hydropower, for purposes
39 of meeting the standard of this section applicable to Oregon load growth since 2007, based
40 on the date the generating facility commenced commercial operation; or

41 (c) Limit the eligibility of renewable resources, or the renewable energy credits associ-
42 ated with such resources, based on location to any geographic area that includes less than
43 the entire Pacific Northwest, as defined in the Pacific Northwest Electric Power Planning
44 and Conservation Act, 16 U.S.C. 839, as in effect on the effective date of this 2007 Act.

45 **SECTION 12.** The section captions used in this 2007 Act are provided only for the con-

1 **venience of the reader and do not become part of the statutory law of this state or express**
2 **any legislative intent in the enactment of this 2007 Act.**

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