

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 195

STATUS: Original

SUBJECT: Wave energy projects.

GOVERNMENT UNIT AFFECTED: Water Resources Department, Oregon Department of Fish and Wildlife, Department of State Lands, Department of Land Conservation and Development, Department of Environmental Quality, Department of Energy, and Parks and Recreation Department

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	<u>2009-2011</u>	<u>2011-2013</u>
EXPENDITURES: See comments below.		

REVENUES:
See comments below.

EFFECTIVE DATE: On passage.

GOVERNOR'S BUDGET: This bill not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The bill expands on wave energy project exemptions for applications submitted to Department of State Lands by December 31, 2009; requires projects be constructed and operated subject to agreement with seven state agencies; allows for use of advisory groups; and, authorizes the Water Resource Commission to adopt rules regarding wave energy projects.

While the bill is filed at the request of the Governor for the Water Resources Department, there are no associated policy option packages directly tied to the passage of the bill. Agencies impacted by the bill generally indicate that they expect to have a minimal fiscal impact associated with passage of the bill as long as the total number of project exemptions are three or less. Three is the number that the Water Resources Department has provided as an estimate of potential applications submitted by December 31, 2009. While three may be a reasonable assumption, nothing in the bill prohibits more applications from coming forward. If this were to occur, it is likely that some of the impacted agencies may need to return to the Emergency Board to ask for General Fund or Other Fund limitation or be forced to reprioritize work.

What follows is a summary of the estimated fiscal impacts to each of the seven agencies impacted by this bill for the 2009-11 biennium. As it is not known how many projects will go forward or the time required to arrive at an agreement the fiscal impacts associated with the 2011-13 biennium are considered to be indeterminate.

The Water Resources Department (WRD) indicates that projects under this bill would be subject to a one-time hydroelectric licenses fee of \$6,500 and annual renewal fees which are estimated to be \$3,700.

Resulting Other Fund revenues would be \$10,200 per project. Hydroelectric fees are allocated by rule to Department of Fish and Wildlife (67%), Department of Environmental Quality (10.3%), and to WRD (22.7%). Expenditures for rulemaking activities and meeting participation are expected to be minimal and can be absorbed with existing staff resources.

Department of Environmental Quality (DEQ) anticipates they will review projects, attend meetings, conduct water quality data analysis for proposed projects, and provide water quality requirements for project agreements. DEQ estimates each project will require the dedication of an existing Natural Resource Specialist 4 position for 1.5 days per month over the biennium for a total estimated Other Fund cost of \$12,421 per project. In addition, DEQ anticipates incurring \$20,000 in Attorney General (AG) expenditures to have the draft agreements reviewed to mitigate risk. Therefore, the total costs for three projects would be \$97,263 Other Funds, which includes \$37,263 of existing staff resources and \$60,000 for AG expenditures. DEQ will receive Other Fund revenues from the WRD from hydroelectric application and renewal fees (see above), and DEQ indicates that they can absorb the additional initial expenditures with existing resources for up to three projects. Once a project agreement is in place, DEQ anticipates that the wave energy pilot project will apply for 401 Hydroelectric Certification, and at that time DEQ can assess fees to cover additional DEQ costs related to the project.

Oregon Department of Fish and Wildlife (ODFW) anticipates that they will participate in agreements, provide technical assistance, and perform activities related to adaptive management of marine resources. ODFW estimates that each project will require the dedication of an existing NRS 3 position approximately 2 months total time over the next biennium. The total expenditures associated with three projects are expected to be \$36,994 Other Funds for the 2009-11 biennium. ODFW will receive Other Fund revenues from the WRD from hydroelectric application and renewal fees (see above) that will somewhat off-set these expenditures. ODFW anticipates that existing staff resources can be reprioritized to accomplish this work, however, the other ocean resource management activities maybe be delayed as a result.

Department of State Lands (DSL), indicates that they already work closely with the WRD on activities related to wave energy, and does not anticipate any significant increased work as a result of passage of the bill. The bill may generate a small amount of Other Fund revenues for application and lease fees; these revenues are estimated to be \$1,500 per project.

Department of Land Conservation and Development (DLCD) anticipates that the bill will have not additional fiscal impact on their agency as the mandatory consistency review process the DLCD conducts on projects of this type would not be altered by passage of the bill.

Oregon Parks and Recreation Department (OPRD) indicates that wave energy projects are outside their jurisdiction unless they cross OPRD properties, which would depend upon the sites selected for the projects. OPRD estimates that the bill will require that staff participate in project meetings and project review; however, this additional work is expected to be minimal and can be absorbed with existing resources.

Oregon Department of Energy (ODE) indicates that while they would participate in meetings related to wave energy, they would not have a lead role in these projects so this additional work is expected to be minimal and can be absorbed with existing resources.