# House Bill 3535

Sponsored by Representatives WITT, CANNON; Representative HOLVEY

## 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 State Department of Energy to adopt energy performance rating system. Requires landlords and sellers to disclose energy performance of buildings and units for rent or sale to prospective tenants and buyers. Requires utilities to transfer energy consumption data for commercial buildings to Environmental Protection Agency and department. Requires owners of commercial buildings to annually report energy performance of commercial buildings to department. Becomes operative January 1, 2012.

Makes violation of disclosure and reporting requirements subject to civil penalty. Continuously appropriates moneys collected as penalties to department for purposes of administration of Act.

Establishes exemption from property taxation for buildings, structures and improvements that meet specified criteria relating to energy efficiency. Applies to tax years beginning on or after July 1, 2011, and before July 1, 2021. Requires electric and natural gas utilities to prioritize measures that increase energy efficiency

Requires electric and natural gas utilities to prioritize measures that increase energy efficiency and develop integrated resource plans for the purpose of developing those measures.

Takes effect on 91st day following adjournment sine die.

1	A BILL FOR AN ACT
2	Relating to energy efficiency; creating new provisions; amending ORS 469.080; appropriating money;
3	and prescribing an effective date.
4	Be It Enacted by the People of the State of Oregon:
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6	ENERGY PERFORMANCE RATING SYSTEM AND ENERGY
7	EFFICIENCY DISCLOSURE AND REPORTING REQUIREMENTS
8	
9	SECTION 1. As used in sections 1 to 8 of this 2011 Act:
10	(1) "Asset rating" means a value that represents the energy use of a building or unit,
11	based on modeled energy use under standardized weather and occupancy conditions and ad-
12	justed to account for variances in energy consumption.
13	(2) "Benchmark performance rating" means a value that represents a building's energy
14	use measured against energy use best practices as determined by the United States Envi-
15	ronmental Protection Agency or the United States Department of Energy under the Energy
16	Star program.
17	(3) "Building" means a residential or nonresidential building.
18	(4) "Commercial building" means a building that:
19	(a) Is primarily used in the exchange, sale or storage of goods or the provision of ser-
20	vices; or
21	(b) Has five or more units.
22	(5) "Energy performance auditor" means a person who is certified by the State Depart-
23	ment of Energy to assess buildings and units under section 4 of this 2011 Act.
24	(6) "Energy Star program" means the program developed by the United States Environ-

mental Protection Agency and the United States Department of Energy pursuant to 42 U.S.C. 1 2 6294a. 3 (7) "Greenhouse gas" has the meaning given that term in ORS 468A.210. (8) "Operational rating" means a value that represents the actual energy use of a build-4 ing, based on utility bill data and other building characteristics as determined by rule by the 5 State Department of Energy. 6 (9) "Seller" includes the real estate broker of a person who is selling a building or unit. 7 (10) "Unit" means a part of a building being rented to a tenant or sold to a buyer for 8 9 residential or nonresidential purposes. (11) "Utility" means a public utility, as defined in ORS 757.005, or a consumer-owned 10 utility, as defined in ORS 757.270. 11 12SECTION 2. (1)(a) The State Department of Energy shall adopt an energy performance rating system for buildings and units located in this state. The department shall use the 13 energy performance rating system to rate the energy performance of: 14 15 (A) Residential buildings and units for which an energy performance report must be prepared, transmitted and disclosed under section 5 of this 2011 Act; 16 (B) Commercial buildings for which an energy performance report must be prepared, 17 transmitted and disclosed under section 7 of this 2011 Act; and 18 (C) Any other building the department deems necessary to rate and has the resources 19 to rate. 20(b) The department shall adopt a rating system for greenhouse gas emissions produced 2122by buildings and units located in this state. The department shall integrate the greenhouse gas emissions rating system into the energy performance rating system adopted by the de-23partment under paragraph (a) of this subsection. 24(2) For residential buildings and units, the energy performance rating system adopted 25under subsection (1) of this section shall denote the residential building's or unit's asset 2627rating and estimated amount of greenhouse gas emissions. (3) For commercial buildings, the energy performance rating system adopted under sub-28section (1) of this section shall denote the commercial building's operational rating and es-2930 timated amount of greenhouse gas emissions. 31 (4) The department may base the energy performance rating system for commercial buildings upon any schedule or rule promulgated in conjunction with the Energy Star pro-3233 gram. 34 (5) In calculating a building's or unit's estimated amount of greenhouse gas emissions, 35 the department may coordinate with relevant state agencies. SECTION 3. (1) The State Department of Energy shall develop and prescribe standards 36 37 for an energy performance report for the purpose of disclosing the energy performance of 38 residential buildings or units pursuant to section 5 of this 2011 Act or commercial buildings pursuant to section 7 of this 2011 Act. 39 (2) At a minimum, an energy performance report must contain: 40 (a) For residential buildings and units: 41 (A) A numerical score that denotes a residential building's or unit's asset rating; 42 (B) A numerical score that denotes the residential building's or unit's estimated amount 43 of greenhouse gas emissions; 44

45 (C) The estimated monthly cost of energy use for the residential building or unit; and

(D) Any energy efficiency improvements that may be made to the residential building or 1 2 unit that would reduce the costs described in subparagraph (C) of this paragraph; and 3 (b) For commercial buildings: (A) A numerical score that denotes the commercial building's operational rating; 4 (B) A numerical score that denotes the commercial building's benchmark performance 5 rating; and 6 (C) A numerical score that denotes the commercial building's estimated amount of 7 greenhouse gas emissions. 8 9 (3) An energy performance report prepared pursuant to section 5 of this 2011 Act must include a standardized valuation that will enable prospective tenants and buyers to compare 10 the residential building or unit that is for rent or sale with other residential buildings or 11 12 units for which energy performance reports have also been prepared. (4) In accordance with ORS chapter 183, the department shall adopt rules for the ad-13 ministration of this section, including rules by which a landlord or seller of a residential 14 15 building or unit, pursuant to section 5 of this 2011 Act, or an owner of a commercial building, pursuant to section 7 of this 2011 Act, may obtain information necessary to prepare an en-16 ergy performance report. As used in this subsection, "information" includes data: 17 18 (a) Gathered by an energy performance auditor during an assessment of a residential building or unit pursuant to section 5 of this 2011 Act; 19 (b) Transferred by a utility pursuant to section 7 of this 2011 Act; or 20(c) Obtained by the department under ORS 469.080. 21 22SECTION 4. (1) For the purpose of rating the energy performance of residential buildings and units under section 2 of this 2011 Act, the State Department of Energy shall develop a 23program under which: 24(a) The department establishes certification criteria for persons to be energy perform-25ance auditors; and 2627(b) Energy performance auditors assess residential buildings and units under section 5 of this 2011 Act or for any other purpose established by the department. 28(2) To be certified, a person must: 2930 (a) Pay any fee required by the department; 31 (b) Be capable of evaluating the energy performance of a residential building or unit after 32examining: (A) The foundation, roof, attic space, insulation and ventilation system of the residential 33 34 building; and 35 (B) The windows, appliances and heating, cooling and lighting systems of the residential 36 building or unit; 37 (c) Be familiar with cost-effective energy efficiency improvements; and 38 (d) Meet any other requirement deemed necessary by the department. (3) An energy performance auditor certified under this section may charge a reasonable 39 fee, as determined by the department, to assess a residential building or unit. 40 (4) In accordance with ORS chapter 183, the department shall adopt rules for the ad-41 ministration of this section, including rules that establish the procedures by which energy 42 performance auditors assess residential buildings or units under section 5 of this 2011 Act. 43 SECTION 5. (1) Before listing a residential building or unit or advertising that a resi-44

45 dential building or unit is for rent or sale, a seller or landlord shall:

(a) Have an energy performance auditor assess the residential building or unit pursuant 1 2 to the procedures adopted by the State Department of Energy under section 4 of this 2011 Act: and 3 (b) Prepare for the residential building or unit an energy performance report pursuant 4 to the rules adopted by the department under section 3 of this 2011 Act. 5 (2) Upon completing an energy performance report under this section, a seller or landlord 6 shall: 7 (a) Transmit the energy performance report to the department; and 8 9 (b) Include with the listing of the residential building or unit any information from the energy performance report that the department requires to be included by rule. 10 (3) During negotiations for the sale or rental of a residential building or unit, a seller or 11 12landlord shall provide a copy of the energy performance report to any prospective buyer or 13 tenant. (4) A buyer or tenant that does not receive a copy of the energy performance report be-14 15 fore entering into a contract for the rental or sale of a residential building or unit may rescind the contract at any time before receiving the energy performance report or within 16 five days after receiving the energy performance report, except that the buyer or tenant may 17 not rescind the contract after having had possession of the residential building or unit for 18 more than 60 days. 19 (5) If a buyer or tenant rescinds a contract under subsection (4) of this section, the seller 20or landlord shall return to the buyer or tenant any payment made under the contract. 2122(6) Notwithstanding subsection (1) of this section, a landlord that is renting a unit for residential purposes only must have an energy performance auditor assess the unit at least 23once for every 10-year period that the landlord owns the unit. 24(7) After consulting with the Housing and Community Services Department and the Real 25Estate Agency, the State Department of Energy shall adopt, in accordance with ORS chapter 2627183, rules for the administration of this section. SECTION 6. (1) Each utility located in this state shall collect and maintain data relating 28to the energy consumption of each commercial building for which the utility provides a ser-2930 vice. The utility shall: 31 (a) Maintain the data for at least 12 months from the time that the utility collects the 32data; (b) Format the data so that the data is compatible with data collected and maintained 3334 by the federal government pursuant to the Energy Star program; 35 (c) Transfer the data to the Environmental Protection Agency in a manner specified by 36 the agency for purposes of being assigned a benchmark performance rating; and 37 (d) Transfer the data to the State Department of Energy in a manner specified by the department. 38 (2) A utility may consult with the Environmental Protection Agency and the State De-39 partment of Energy in developing methods of maintaining and transferring data under this 40 section. 41 SECTION 7. (1) For each commercial building that a person owns that is located in this 4243 state, the person shall: (a) Annually prepare for the commercial building an energy performance report pursuant 44

45 to the rules adopted by the State Department of Energy under section 3 of this 2011 Act; and

1 (b) Disclose to a prospective buyer or tenant of the commercial building the commercial 2 building's benchmark performance rating.

3 (2) Upon completing an energy performance report under subsection (1) of this section,
4 a person shall transmit the report to the department.

5 (3) The department shall:

6 (a) Adopt a schedule that prescribes the date by which a person must transmit an energy
 7 performance report under subsection (2) of this section;

8 (b) Create and maintain a database for energy performance reports received by the de 9 partment; and

10 (c) Post information relating to the energy performance of commercial buildings on a 11 website maintained by the department. At a minimum, information posted under this sub-12 section shall include the numerical scores required under section 3 of this 2011 Act that de-13 note the commercial building's operational rating, benchmark performance rating and 14 estimated amount of greenhouse gas emissions.

15 (4) A buyer or tenant that does not receive a copy of the commercial building's 16 benchmark performance rating before entering into a contract for the sale or rental of a 17 commercial building may rescind the contract at any time before receiving a copy of the 18 commercial building's benchmark performance rating or within five days after receiving the 19 commercial building's benchmark performance rating, except that the buyer or tenant may 10 not rescind the contract after having had possession of the commercial building for more 11 than 60 days.

(5) If a buyer or tenant rescinds a contract under subsection (4) of this section, the seller
 or landlord shall return to the buyer or tenant any payment made under the contract.

(6) After consulting with the Housing and Community Services Department, the Real
 Estate Agency and the Oregon Business Development Department, the State Department of
 Energy shall adopt, in accordance with ORS chapter 183, rules for the administration of this
 section.

28 <u>SECTION 8.</u> (1) The State Department of Energy may impose a civil penalty on a seller 29 or landlord who violates section 5 of this 2011 Act or a person that violates section 7 of this 30 2011 Act. The department shall adopt by rule the amount of the civil penalty that may be 31 imposed for a particular violation.

(2) All moneys collected pursuant to this section shall be deposited in a subaccount in the
 State Department of Energy Account. Moneys deposited in the subaccount under this sub section are continuously appropriated to the department for the purpose of administering
 sections 1 to 8 of this 2011 Act.

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SECTION 9. (1) Sections 1 to 8 of this 2011 Act become operative on January 1, 2012.

(2) The State Department of Energy may take any action before the operative date specified in subsection (1) of this section that is necessary to enable the department to exercise, on and after the operative date specified in subsection (1) of this section, all of the duties, functions and powers conferred on the department by sections 1 to 8 of this 2011 Act.

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# PROPERTY TAX EXEMPTION FOR ENERGY EFFICIENT BUILDINGS

45 SECTION 10. As used in sections 10 to 12 of this 2011 Act:

(1) "Building" means a residential or nonresidential building. 1 2 (2) "Commercial building" means a building that: (a) Is primarily used in the exchange, sale or storage of goods or the provision of ser-3 4 vices; or  $\mathbf{5}$ (b) Has four or more units. (3) "Energy performance auditor" means a person who meets the certification criteria 6 established by the State Department of Energy to assess buildings and units under section 7 4 of this 2011 Act. 8 9 (4) "Energy Star program" means the program developed by the United States Environmental Protection Agency and the United States Department of Energy pursuant to 42 U.S.C. 10 6294a. 11 12(5) "Energy system" includes any heating, cooling, ventilation or lighting system. (6) "Unit" means a part of a building that is rented by a tenant or owned by a person 13 other than the owner of the building. 14 15 SECTION 11. (1) A building, structure or improvement is exempt from ad valorem property taxation according to the schedules prescribed by subsections (2) and (3) of this section 16 if: 17 18 (a) The building is newly constructed or renovated; and 19 (b)(A) For buildings other than commercial buildings, the building is constructed or renovated to use an amount of energy that is less than or equal to 50 million British thermal 20units per annum; or 2122(B) For commercial buildings: 23(i) The building is constructed to use an amount of energy that is at least 40 percent more efficient than the energy efficiency standards adopted by the Director of the Depart-24 ment of Consumer and Business Services pursuant to ORS 455.505 and 455.511; or 25(ii) The renovation replaces or retrofits at least two systems related to energy use and 2627those systems reduce the energy use of the building by at least 40 percent. (2)(a) Buildings other than commercial buildings qualify for exemption under this section 28for: 2930 (A) Five tax years if the building is constructed or renovated to use an amount of energy 31 that is less than or equal to 10 million British thermal units per annum; (B) Four tax years if the building is constructed or renovated to use an amount of energy 32that is more than 10 million British thermal units per annum and less than or equal to 20 33 34 million British thermal units per annum; (C) Three tax years if the building is constructed or renovated to use an amount of en-35 ergy that is more than 20 million British thermal units per annum and less than or equal to 36 37 30 million British thermal units per annum; 38 (D) Two tax years if the building is constructed or renovated to use an amount of energy that is more than 30 million British thermal units per annum and less than or equal to 40 39 million British thermal units per annum; or 40 (E) One tax year if the building is constructed or renovated to use an amount of energy 41 that is more than 40 million British thermal units per annum and less than or equal to 50 42 million British thermal units per annum. 43

(b) In addition to the schedule prescribed by paragraph (a) of this subsection, buildings
 other than commercial buildings qualify for exemption under this section for:

1 (A) Three additional tax years if the building actually uses an amount of energy that is 2 less than or equal to 25 million British thermal units per annum; or

3 (B) Two additional tax years if the building actually uses an amount of energy that is 4 more than 25 million British thermal units per annum and less than or equal to 50 million 5 British thermal units per annum.

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(3)(a) Commercial buildings qualify for exemption under this section for:

7 (A) Four tax years if the building is constructed or renovated to use an amount of energy 8 that is at least 50 percent more efficient than the energy efficiency standards adopted by the 9 director pursuant to ORS 455.505 and 455.511; or

(B) Three tax years if the building is constructed or renovated to use an amount of energy that is at least 40 percent, but less than 50 percent, more efficient than the energy efficiency standards adopted by the director pursuant to ORS 455.505 and 455.511.

(b) In addition to the schedule prescribed by paragraph (a) of this subsection, commercial
 buildings qualify for exemption under this section for:

(A) Three additional tax years if the commercial building actually uses an amount of
 energy that is at least 40 percent more efficient than the energy efficiency standards adopted
 by the director pursuant to ORS 455.505 and 455.511; or

(B) Two additional tax years if the commercial building actually uses an amount of energy that is at least 30 percent, but less than 40 percent, more efficient than the energy efficiency standards adopted by the director pursuant to ORS 455.505 and 455.511.

(4) In addition to the schedules prescribed by subsections (2) and (3) of this section, en ergy systems that are installed in a renovated building that is exempt from ad valorem
 property taxation under this section qualify for:

(a) Six years of additional exemption if the energy system uses an amount of energy that
 is at least 50 percent more efficient than the replaced energy system; or

(b) Five years of additional exemption if the energy system uses an amount of energy
 that is at least 40 percent, but less than 50 percent, more efficient than the replaced energy
 system.

<u>SECTION 12.</u> (1) In accordance with ORS chapter 183, the State Department of Energy, in consultation with the Department of Revenue and the Department of Consumer and Business Services, shall adopt rules by which a person may apply for an exemption to ad valorem property taxation under section 11 of this 2011 Act.

(2) To verify the amount of energy that a newly constructed or renovated building is
 designed to use, or the actual amount of energy that an energy system uses, the State De partment of Energy may:

(a) Reference any schedule or rule promulgated in conjunction with the Energy Star
 program;

(b) Require certification by an energy performance auditor;

39 (c) Require certification by a professional engineer; or

(d) Notwithstanding the purposes listed in ORS 469.080 (1), obtain and use data under
ORS 469.080.

42 (3) To verify the actual amount of energy that a newly constructed or renovated building
 43 uses, the department may:

44 (a) Require certification by an energy performance auditor;

45 (b) Require certification by a professional engineer; or

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1	(c) Notwithstanding the purposes listed in ORS 469.080 (1), obtain and use data under ORS
<b>2</b>	469.080.
3	SECTION 13. (1) Sections 10 to 12 of this 2011 Act apply to tax years beginning on or after
4	July 1, 2011, and before July 1, 2021.
5	(2) Notwithstanding subsection (1) of this section, a building that qualifies for an ex-
6	emption under section 11 of this 2011 Act on or before July 1, 2021, continues to qualify for
7	the duration of that exemption as specified in section 11 of this 2011 Act after July 1, 2021.
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9	ENERGY EFFICIENCY MEASURES FOR
10	ELECTRIC AND NATURAL GAS UTILITIES
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12	SECTION 14. Sections 15 to 18 of this 2011 Act are added to and made a part of ORS
13	chapter 757.
14	SECTION 15. For the purposes of sections 15 to 18 of this 2011 Act:
15	(1) "Consumer-owned utility" has the meaning given that term in ORS 757.270.
16	(2) "Utility" means a public utility or consumer-owned utility that furnishes light or heat
17	by means of electricity or natural gas.
18	SECTION 16. (1) Utilities in this state shall prioritize measures that increase energy ef-
19	ficiency over:
20	(a) For electric utilities, the development of new generating facilities; and
21	(b) For natural gas utilities, the construction of wellheads and any other facilities that
22	serve the primary purpose of increasing the supply of natural gas.
23	(2) Each utility shall prepare an integrated resource plan. Each integrated resource plan
24	must:
25	(a) Describe the mix of resources that meet current and projected energy needs.
26	(b) Identify measures that increase energy efficiency.
27	(c) Assess the amount of potential energy savings from known methods of increasing
28	energy efficiency and identify the cost of those methods per unit of energy saved. Under this
29	paragraph, "known methods of increasing energy efficiency" includes commissioning and
30	maintenance activities designed to ensure the durability of energy savings.
31	(d) Identify the risks associated with using specific resources and implementing specific
32	measures that increase energy efficiency and assess the costs of using those resources and
33	implementing those measures in consideration of the identified risks.
34	(e) Identify target dates for implementing specific measures that increase energy effi-
35	ciency over a 20-year period. Target dates identified under this paragraph must be identified
36	in consideration of the following factors:
37	(A) Preference for use of energy efficiency to meet customers' energy needs over other
38	means of meeting those needs;
39	(B) Realistic opportunities for implementing energy efficiency measures;
40	(C) The need to maintain the infrastructure used to acquire and transmit energy or
41	energy-producing resources; and
42	(D) The cost of providing energy or energy-producing resources to utility customers.
43	(f) Include, at a minimum, a biennial plan of action.
44	(3) The Public Utility Commission may require a public utility that is subject to this
45	section to use a designated nongovernmental entity to design and administer programs for

1 implementing measures that increase energy efficiency.

2 SECTION 17. (1) A public utility that is subject to section 16 of this 2011 Act shall biennially submit an integrated resource plan required by section 16 of this 2011 Act to the 3 Public Utility Commission for evaluation. In accordance with ORS chapter 183, the commis-4 sion shall adopt rules to ensure that the plan is cost-effective and that projections related 5 to the use of resources or the implementation of measures that increase energy efficiency 6 are appropriately measured, evaluated and verified. After reviewing submitted plans, the 7 commission may by rule suggest target dates for implementing measures that increase en-8 9 ergy efficiency.

(2) The commission shall prepare a report on the feasibility of meeting the target dates
 submitted by utilities pursuant to section 16 (2)(e) of this 2011 Act and submit the report to
 the Legislative Assembly prior to February 1 of each odd-numbered year.

13 <u>SECTION 18.</u> (1) The governing body of a consumer-owned utility that is subject to sec 14 tion 16 of this 2011 Act shall biennially update the integrated resource plan that is required
 15 by section 16 of this 2011 Act.

(2) The governing body of a consumer-owned utility that is subject to section 16 of this
 2011 Act shall prepare a report on the feasibility of meeting the target dates required by
 section 16 (2)(e) of this 2011 Act and submit the report to the Legislative Assembly prior to
 February 1 of each odd-numbered year.

## **CONFORMING AMENDMENTS**

23 SECTION 19. ORS 469.080 is amended to read:

469.080. (1) The Director of the State Department of Energy may obtain all necessary information from producers, suppliers and consumers of energy resources [*within Oregon, and from political subdivisions in this state, as necessary to carry*] that do business or are located in this state and from political subdivisions of this state for the purpose of carrying out ORS 176.820, 192.501 to 192.505, 192.690, 469.010 to 469.225, 469.300 to 469.563, 469.990, 469.992, 757.710 and 757.720 and sections 2 and 3 of this 2011 Act. Such information may include, but is not [*be*] limited to:

30 (a) Sales volume;

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31 (b) Forecasts of energy resource requirements;

32 (c) Inventory of energy resources; [and]

33 (d) Local distribution patterns of information under paragraphs (a) to (c) of this subsection; and

34 (e) Energy usage data of utility customers.

(2) In obtaining information under subsection (1) of this section, the director, with the written consent of the Governor, may subpoena witnesses, material and relevant books, papers, accounts, records and memoranda, administer oaths, and may cause the depositions of persons residing within or without Oregon to be taken in the manner prescribed for depositions in civil actions in circuit courts, to obtain information relevant to energy resources.

40 (3) In obtaining information under this section, the director:

(a) Shall avoid eliciting information already furnished by a person or political subdivision in this
state to a federal, state or local regulatory authority that is available to the director for such study;
and

(b) Shall cause reporting procedures, including forms, to conform to existing requirements offederal, state and local regulatory authorities.

1	(4) Any person who is served with a subpoena to give testimony orally or in writing or to
<b>2</b>	produce books, papers, correspondence, memoranda, agreements or the documents or records as
3	provided in ORS 176.820, 192.501 to 192.505, 192.690, 469.010 to 469.225, 469.300 to 469.563, 469.990,
4	469.992, 757.710 and 757.720 and sections 2 and 3 of this 2011 Act, may apply to any circuit court
5	in Oregon for protection against abuse or hardship in the manner provided in ORCP 36 C.
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7	UNIT CAPTIONS
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9	SECTION 20. The unit captions used in this 2011 Act are provided only for the conven-
10	ience of the reader and do not become part of the statutory law of this state or express any
11	legislative intent in the enactment of this 2011 Act.
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13	EFFECTIVE DATE
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15	SECTION 21. This 2011 Act takes effect on the 91st day after the date on which the 2011
16	regular session of the Seventy-sixth Legislative Assembly adjourns sine die.
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