Senate Bill 539

Sponsored by Senator THATCHER (Presession filed.)

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.**

Changes distribution of amounts collected as public purpose charge by electric companies and Oregon Community Power. Limits amount allocated annually for new cost-effective local energy conservation and new market transformation.

Creates programs for distribution of moneys for facility energy conservation upgrades and other energy efficiency projects to schools, cities and counties located in service territories of electric companies or Oregon Community Power.

Establishes School Energy Conservation Fund, City Energy Conservation Fund and County Energy Conservation Fund. Continuously appropriates moneys in each fund to State Department of Energy for purpose of making distributions to school districts, cities and counties under Act.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

- Relating to public purpose charge moneys; creating new provisions; amending ORS 456.587 and 757.612; and prescribing an effective date.
- Whereas energy conservation in our public schools, cities and counties is important for both environmental protection and for saving much-needed financial resources; and
 - Whereas many school districts, cities and counties do not have the necessary property tax base needed to fund vital energy conservation upgrades; and
 - Whereas in many school districts, cities and counties, the maintenance of facilities takes priority over energy conservation upgrades; now, therefore,
 - Be It Enacted by the People of the State of Oregon:
 - SECTION 1. Sections 2 to 8 of this 2017 Act are added to and made a part of ORS 757.600 to 757.689.
 - <u>SECTION 2.</u> (1) As used in this section, "ADMw" means the weighted average daily membership of a school district as calculated under ORS 327.013.
 - (2) The State Department of Energy shall distribute moneys to school districts for facility energy conservation upgrades and other energy efficiency projects from the School Energy Conservation Fund established under section 3 of this 2017 Act.
 - (3) Each calendar year, the State Department of Energy shall distribute \$100,000 to each school district that has jurisdiction over an area that is entirely or partially served by an electric company or Oregon Community Power.
 - (4)(a) After distributing all of the moneys under subsection (3) of this section, the State Department of Energy shall distribute any moneys remaining in the fund available for the calendar year to school districts that are eligible to receive distributions under this section, and that have a ratio determined under paragraph (b) of this subsection that is within the lower two-thirds of school districts in this state, in an amount that is equal to the school district's ADMw multiplied by an amount that is equal to the total amount of moneys in the fund after all distributions are made under subsection (3) of this section, divided by the total

1

6

7

8

9 10

11

12

13

14

15

16 17

18

19 20

21

22 23

24 25

26

ADMw of all school districts that qualify for a distribution under this subsection.

1 2

- (b) The State Department of Energy shall determine each school district's ratio of assessed value of taxable property to ADMw for the prior fiscal year on the basis of the total assessed value of taxable property of school districts for the prior fiscal year, as reported to the State Department of Energy by the Department of Revenue.
- (5) The State Department of Energy may adopt rules necessary for the administration of this section.
- (6) On or before February 1 of each calendar year, each school district receiving moneys under this section shall submit a report to the State Department of Energy documenting the expenditures made with the moneys during the previous calendar year for the purpose of verifying that the school district spent the moneys on facility energy conservation upgrades and other energy efficiency projects.
- SECTION 3. The School Energy Conservation Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the School Energy Conservation Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the State Department of Energy for the purpose of making distributions under section 2 of this 2017 Act.
- SECTION 4. (1) The State Department of Energy shall distribute moneys to cities for facility energy conservation upgrades and other energy efficiency projects from the City Energy Conservation Fund established under section 5 of this 2017 Act.
- (2) Each calendar year, the department shall distribute \$50,000 to each city that has jurisdiction over an area that is entirely or partially served by an electric company or Oregon Community Power.
- (3) After distributing all of the moneys under subsection (2) of this section, the department shall distribute any moneys remaining in the fund that are available for the calendar year to cities that are eligible to receive distributions under this section in an amount that is equal to the city's population multiplied by an amount that is equal to the total amount of moneys in the fund after all of the distributions are made under subsection (2) of this section, divided by the total population of all cities that qualify for a distribution under this section.
 - (4) The department may adopt rules necessary for the administration of this section.
- (5) On or before February 1 of each calendar year, each city receiving moneys under this section shall submit a report to the department documenting the expenditures made with the moneys during the previous calendar year for the purpose of verifying that the city has spent the moneys on facility energy conservation upgrades and other energy efficiency projects.
- SECTION 5. The City Energy Conservation Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the City Energy Conservation Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the State Department of Energy for the purpose of making distributions under section 4 of this 2017 Act.
- SECTION 6. (1) The State Department of Energy shall distribute moneys to counties for facility energy conservation upgrades and other energy efficiency projects from the County Energy Conservation Fund established under section 7 of this 2017 Act.
- (2) Each calendar year, the department shall distribute the moneys to counties that have jurisdiction over an area that is entirely or partially served by an electric company or

Oregon Community Power.

- (3) The department shall distribute moneys to each county that is eligible to receive a distribution under this section in an amount that is equal to the total amount of moneys in the fund divided by the number of counties that qualify for a distribution under this section.
 - (4) The department may adopt rules necessary for the administration of this section.
- (5) On or before February 1 of each calendar year, each county receiving moneys under this section shall submit a report to the department documenting the expenditures made with the moneys during the previous calendar year for the purpose of verifying that the county has spent the moneys on facility energy conservation upgrades and other energy efficiency projects.

SECTION 7. The County Energy Conservation Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the County Energy Conservation Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the State Department of Energy for the purpose of making distributions under section 6 of this 2017 Act.

SECTION 8. The State Department of Energy shall review the reports submitted to the department under sections 2, 4 and 6 of this 2017 Act. On or before September 15 of each even-numbered year, the department shall report its findings in the manner provided by ORS 192.245 to the interim committee of the Legislative Assembly related to energy and business. As part of the report, the department may make recommendations for legislation to ensure compliance with sections 2, 4 and 6 of this 2017 Act.

SECTION 9. ORS 757.612 is amended to read:

757.612. (1) There is established an annual public purpose expenditure standard for electric companies and Oregon Community Power to fund new cost-effective local energy conservation, new market transformation efforts, the above-market costs of new renewable energy resources and new low-income weatherization. The public purpose expenditure standard shall be funded by the public purpose charge described in subsection (2) of this section.

(2)(a) Beginning on the date an electric company or Oregon Community Power offers direct access to [its] retail electricity consumers, except residential electricity consumers, the electric company or Oregon Community Power shall collect a public purpose charge from all of the retail electricity consumers located within [its] the electric company's or Oregon Community Power's service area until January 1, 2026. Except as provided in paragraph (b) of this subsection, the public purpose charge shall be equal to three percent of the total revenues collected by the electric company, Oregon Community Power or the electricity service supplier from [its] retail electricity consumers for electricity services, distribution services, ancillary services, metering and billing, transition charges and other types of costs included in electric rates on July 23, 1999.

(b) For an aluminum plant that averages more than 100 average megawatts of electricity use per year, [beginning on March 1, 2002,] the electric company or Oregon Community Power [whose], whichever serves territory that abuts the greatest percentage of the site of the aluminum plant, shall collect from the aluminum company a public purpose charge equal to one percent of the total revenue from the sale of electricity [services] to the aluminum plant [from any source].

(3)(a) The Public Utility Commission shall establish rules implementing the provisions of this section relating to electric companies and Oregon Community Power.

(b) [Subject to paragraph (e)] Except as provided in paragraph (e) of this subsection, funds collected [by an electric company or Oregon Community Power] through public purpose charges un-

der subsection (2) of this section shall be allocated as follows:

1 2

- [(A) Sixty-three percent for new cost-effective conservation, new market transformation.]
- (A) Forty-eight percent for deposit in the School Energy Conservation Fund established under section 3 of this 2017 Act for the purpose of making distributions under section 2 of this 2017 Act.
- (B) Nineteen percent for **new cost-effective local energy conservation**, **new market transformation efforts and** the above-market costs of constructing and operating new renewable energy resources with a nominal electric generating capacity, as defined in ORS 469.300, of 20 megawatts or less.
 - (C) Thirteen percent for new low-income weatherization.
- (D) Nine percent for deposit in the City Energy Conservation Fund established under section 5 of this 2017 Act for the purpose of making distributions under section 4 of this 2017 Act.
- (E) Six percent for deposit in the County Energy Conservation Fund established under section 7 of this 2017 Act for the purpose of making distributions under section 6 of this 2017 Act.
- [(D)] (F) Five percent [shall be transferred to] for deposit in the Housing and Community Services Department Electricity Public Purpose Charge Fund established by ORS 456.587 (1) [and used] for the purpose of providing grants as described in ORS 458.625 (2).
- (c) The costs of administering subsections (1) to (6) of this section for an electric company or Oregon Community Power shall be paid out of the funds collected through public purpose charges. The commission may require [that] an electric company or Oregon Community Power to direct funds collected through public purpose charges to [the] state agencies responsible for implementing subsections (1) to (6) of this section in order to pay the costs of [administering such responsibilities] implementation.
- (d) The commission shall direct the manner in which public purpose charges are collected and spent by an electric company or Oregon Community Power and may require an electric company or Oregon Community Power to expend funds through competitive bids or other means designed to encourage competition, except that funds dedicated for **new** low-income weatherization shall be directed to the Housing and Community Services Department [as provided in subsection (7) of this section] for purposes related to new low-income weatherization. The commission [may also direct that] may also require funds collected [by an electric company or Oregon Community Power] through public purpose charges to be paid to a nongovernmental entity for investment in public purposes described in subsection (1) of this section. Notwithstanding any other provision of this subsection:
- (A) If an electric company collected the funds, at least 80 percent of the funds allocated for new cost-effective local energy conservation shall be spent within the service area of the electric company [that collected the funds]; or
- (B) If Oregon Community Power collected the funds, at least 80 percent of the funds allocated for **new cost-effective local energy** conservation shall be spent within the service area of Oregon Community Power.
- (e)(A) The first 10 percent of [the] funds collected [annually] each year by an electric company or Oregon Community Power under subsection (2) of this section shall be distributed to school districts that are located in the service territory of the electric company or Oregon Community Power. The funds shall be distributed to individual school districts according to the weighted average daily membership (ADMw) of each school district for the prior fiscal year as calculated under ORS

327.013. The commission shall establish by rule a methodology for distributing a proportionate share of funds under this paragraph to school districts that are only partially located in the service territory of the electric company or Oregon Community Power.

- (B) A school district that receives funds under this paragraph shall use the funds first to pay for energy audits for schools located within the school district. A school district may not expend additional funds received under this paragraph on a school [facility] until an energy audit has been completed for that school [facility]. To the extent practicable, a school district shall coordinate with the State Department of Energy and incorporate federal funding in complying with this paragraph. Following completion of an energy audit for an individual school, the school district may expend funds received under this paragraph to implement the energy audit. Once an energy audit has been conducted and completely implemented for each school within the school district, the school district may expend funds received under this paragraph for any of the following purposes:
- (i) Conducting **additional** energy audits. A school district shall conduct an energy audit prior to expending funds on any other purpose authorized under this paragraph unless the school district has performed an energy audit within the three years immediately prior to receiving the funds.
- (ii) [Weatherization] Weatherizing school district facilities and upgrading the energy efficiency of school district facilities.
 - (iii) Energy conservation education programs.

- (iv) Purchasing electricity from [environmentally focused] sources that protect the environment. [and]
 - (v) Investing in renewable energy resources.
- (f) The commission may not establish a different public purpose charge than the public purpose charge described in subsection (2) of this section.
- (g) If the commission [directs] requires funds collected through public purpose charges to be paid to a nongovernmental entity, the entity shall, pursuant to an agreement entered into or renewed between the commission and the entity:
- (A) Include on the entity's board of directors an ex officio member designated by the commission, who shall also serve on the entity's nominating committee for filling board vacancies.
- (B) Require the entity's officers and directors to provide an annual disclosure of economic interest to be filed with the commission on or prior to April 15 of each calendar year for public review in a form similar to the statement of economic interest required for public officials under ORS 244.060.
- (C) Require the entity's officers and directors to declare actual and potential conflicts of interest at regular meetings of the entity's governing body when such conflicts arise, and require an officer or director to abstain from participating in any discussion or [vote] voting on any item where that officer or director has an actual conflict of interest. For the purposes of this subparagraph, "actual conflict of interest" and "potential conflict of interest" have the meanings given those terms in ORS 244.020.
- (D) **Annually,** arrange for an independent auditor to audit the entity's financial statements [annually,] and direct the auditor to file an audit opinion with the commission for public review.
- (E) **Annually** file with the commission [annually] the entity's budget, action plan and quarterly and annual reports for public review.
- (F) At least once every five years, contract for an independent management evaluation to review the entity's operations, efficiency and effectiveness, and direct the independent reviewer to file a report with the commission for public review.

- (h) The commission may remove from the board of directors of a nongovernmental entity an officer or director who fails to provide an annual disclosure of economic interest or **who fails to** declare **an** actual or potential conflict of interest, as described in paragraph (g)(B) and (C) of this subsection, [in connection with] **if the failure is connected to** the allocation or expenditure of funds collected through public purpose charges and [directed] **paid** to the entity.
 - (4)(a) An electric company that satisfies its obligations under this section [shall have]:
- (A) Has no further obligation to invest in **new cost-effective local energy** conservation, new market transformation or new low-income weatherization, or to provide a commercial energy conservation services program; and
 - (B) Is not subject to ORS 469.631 to 469.645 and 469.860 to 469.900.

- (b) Oregon Community Power, for any period during which Oregon Community Power collects a public purpose charge under subsection (2) of this section:
- (A) [Shall have] **Has** no [other] **further** obligation to invest in **new cost-effective local energy** conservation, new market transformation or new low-income weatherization, or to provide a commercial energy conservation services program; and
 - (B) Is not subject to ORS 469.631 to 469.645 and 469.860 to 469.900.
- [(5)(a)] (5)(a)(A) A retail electricity consumer that uses more than one average megawatt of electricity at any site in the prior year shall receive a credit against public purpose charges billed by an electric company or Oregon Community Power for that site. The amount of the credit shall be equal to the total amount of qualifying expenditures for new **cost-effective local** energy conservation, not to exceed 68 percent of the annual public purpose charges, and the above-market costs [of purchases] of new renewable energy resources incurred by the retail electricity consumer, not to exceed 19 percent of the annual public purpose charges, less administration costs incurred under this [subsection] paragraph. The credit may not exceed, on an annual basis, the lesser of:
 - [(A)] (i) The amount of the retail electricity consumer's qualifying expenditures; or
- [(B)] (ii) The portion of the public purpose charge billed to the retail electricity consumer that is dedicated to new **cost-effective local** energy conservation, new market transformation or the above-market costs of new renewable energy resources.
- [(b)] (B) To obtain a credit under this [subsection] paragraph, a retail electricity consumer shall file with the State Department of Energy a description of the proposed conservation project or new renewable energy resource and a declaration that the retail electricity consumer plans to incur the qualifying expenditure. The State Department of Energy shall issue a notice of precertification within 30 days of receipt of the filing, if such filing is consistent with this [subsection] paragraph. The credit may be taken after a retail electricity consumer provides a letter from a certified public accountant to the State Department of Energy verifying that the precertified qualifying expenditure has been made.
- [(c)] (C) Credits earned by a retail electricity consumer as a result of qualifying expenditures that are not used in one year may be carried forward for use in subsequent years.
- [(d)(A)] (b)(A) A retail electricity consumer that uses more than one average megawatt of electricity at any site in the prior year may request that the State Department of Energy hire an independent auditor to assess the potential for conservation investments at the site. If the independent auditor determines there is no available conservation measure at the site that would have a simple payback of one to 10 years, the retail electricity consumer shall be relieved of 54 percent of its payment obligation for public purpose charges related to the site. If the independent auditor determines that there are potential conservation measures available at the site, the retail electricity

[6]

consumer shall be entitled to a credit against public purpose charges related to the site equal to 54 percent of the public purpose charges less the estimated cost of available conservation measures.

- (B) A retail electricity consumer shall be entitled each year to the credit described in this [subsection] **paragraph** unless a subsequent independent audit determines that new conservation investment opportunities are available. The State Department of Energy may require that a new independent audit be performed on the site to determine whether new conservation measures are available, provided that the independent audits [shall] occur no more than once every two years.
- (C) The retail electricity consumer shall pay the cost of the independent audits described in this [subsection] paragraph.
- (6) Electric utilities and retail electricity consumers shall receive a fair and reasonable credit for the public purpose expenditures of their energy suppliers. The State Department of Energy shall adopt rules to determine eligible expenditures and the [methodology] method by which such credits are accounted for and used. The [rules] State Department of Energy also shall adopt methods to account for eligible public purpose expenditures made through consortia or collaborative projects.
- (7)(a) In addition to the public purpose charge provided under subsection (2) of this section, an electric company or Oregon Community Power shall collect funds for low-income electric bill payment assistance in an amount determined under paragraph (b) of this subsection.
- (b) The commission shall establish the amount to be collected by each electric company in calendar year 2008 from retail electricity consumers served by the company, and the rates to be charged to retail electricity consumers served by the company, so that the total anticipated collection for low-income electric bill payment assistance by all electric companies in calendar year 2008 is \$15 million. In calendar year 2009 and subsequent calendar years, the commission may not change the rates established for retail electricity consumers, but the total amount collected in a calendar year for low-income electric bill payment assistance may vary based on electricity usage by retail electricity consumers and changes in the number of retail electricity consumers in this state. In no event shall a retail electricity consumer be required to pay more than \$500 per month per site for low-income electric bill payment assistance.
- (c) Funds collected [by] through the low-income electric bill payment assistance charge shall be paid into the Housing and Community Services Department Low-Income Electric Bill Payment Assistance Fund established by ORS 456.587 (2). Moneys deposited in the fund under this paragraph shall be used by the Housing and Community Services Department solely for [the purpose of funding] purposes related to low-income electric bill payment assistance[.] and for the Housing and Community Services Department's cost of administering this subsection. [shall be paid out of funds collected by the low-income electric bill payment assistance charge. Moneys deposited in the fund under this paragraph shall be expended solely for low-income electric bill payment assistance.] Funds collected [from] by an electric company or Oregon Community Power under this subsection shall be expended in the service area of the electric company or Oregon Community Power from which the funds are collected.
- (d)(A) The Housing and Community Services Department shall determine the manner in which funds collected under this subsection will be allocated by the **Housing and Community Services** Department to energy assistance program providers for the purpose of providing low-income bill payment [and crisis] assistance.
- (B) The **Housing and Community Services** Department, in consultation with electric companies, shall investigate and may implement alternative delivery models [in consultation with electric companies] to effectively reduce service disconnections and related costs to retail electricity con-

sumers and electric utilities.

- (C) Priority assistance shall be directed to low-income electricity consumers who are in danger of having their electricity service disconnected.
- (D) The **Housing and Community Services** Department shall maintain records and provide those records upon request to an electric company, Oregon Community Power and the Citizens' Utility Board established under ORS chapter 774 on a quarterly basis. Records maintained must include the numbers of low-income electricity consumers served, the average amounts paid **to low-income electricity consumers** and the type of assistance provided **to low-income electricity consumers**. Electric companies and Oregon Community Power shall, if requested, provide the **Housing and Community Services** Department with aggregate data relating to **low-income electricity** consumers served on a quarterly basis to support program development.
- (e) Interest on moneys deposited in the Housing and Community Services Department Low-Income Electric Bill Payment Assistance Fund established by ORS 456.587 (2) may be used to provide bill payment [and crisis] assistance to electricity consumers whose primary source of heat is not electricity.
- (f) Notwithstanding ORS 757.310, the commission may allow an electric company or Oregon Community Power to provide reduced rates or other **bill** payment [or crisis] assistance or low-income program assistance to a low-income household eligible for assistance under the federal Low Income Home Energy Assistance Act of 1981, as amended and in effect on July 23, 1999.
- (8) For purposes of this section, "retail electricity consumers" includes any direct service industrial consumer that purchases electricity without purchasing distribution services from the electric utility.
- (9) For purposes of this section, [amounts] **funds** collected by Oregon Community Power through public purpose charges are not considered moneys received from electric utility operations.

SECTION 10. ORS 456.587 is amended to read:

- 456.587. (1) The Housing and Community Services Department Electricity Public Purpose Charge Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Housing and Community Services Department Electricity Public Purpose Charge Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the Housing and Community Services Department to be used for purposes specified in ORS 757.612 [(3)(b)(D)] (3)(b)(F).
- (2) The Housing and Community Services Department Low-Income Electric Bill Payment Assistance Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Housing and Community Services Department Low-Income Electric Bill Payment Assistance Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the Housing and Community Services Department for purposes described in ORS 757.612 (7).
- SECTION 11. The amendments to ORS 757.612 by section 9 of this 2017 Act apply to public purpose charge moneys collected on or after January 1, 2018.
- SECTION 12. This 2017 Act takes effect on the 91st day after the date on which the 2017 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.