A-Engrossed House Bill 2566

Ordered by the House March 26 Including House Amendments dated March 26

Introduced and printed pursuant to House Rule 12.00. Presession filed (at the request of Governor Tina Kotek for State Department of Energy)

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. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Adds a stand-alone energy resilience project to the types of projects that may get a grant. (Flesch Readability Score: 63.6).

Adds stand-alone energy resilience projects to the categories of projects eligible for a grant under the State Department of Energy's community renewable energy grant program. Defines "stand-alone energy resilience project."

A BILL FOR AN ACT

Relating to the State Department of Energy's community renewable and resilient energy grant program; amending sections 29, 30, 31, 32 and 33, chapter 508, Oregon Laws 2021.

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

- 5 <u>SECTION 1.</u> Section 29, chapter 508, Oregon Laws 2021, as amended by section 7, chapter 51, Oregon Laws 2024, is amended to read:
 - Sec. 29. As used in sections 29 to 32, chapter 508, Oregon Laws 2021:
 - (1) "Community renewable energy project" means one or more renewable energy systems, storage systems, microgrids or energy-related infrastructures that promote energy resilience, increase renewable energy generation or renewable energy storage capacity and provide a direct benefit to a particular community in the form of increased community energy resilience, local jobs, economic development or direct energy costs savings to families and small businesses.
 - (2) "Community energy resilience" means the ability of a specific community to maintain the availability of energy needed to support the provision of energy-dependent critical public services to the community following nonroutine disruptions of severe impact or duration to the state's broader energy systems.
 - (3) "Community energy resilience project" means a community renewable energy project that includes utilizing one or more renewable energy systems to support the energy resilience of structures or facilities that are essential to the public welfare.
 - (4) "Consumer-owned utility" means a municipal electricity utility, a people's utility district organized under ORS chapter 261 that sells electricity or an electric cooperative organized under ORS chapter 62.
 - (5) "Electric cooperative organized under ORS chapter 62" includes an electric cooperative organized under ORS chapter 62 that is operating in this state and formed for one or both of the following purposes:
 - (a) To generate, purchase or obtain electric power, energy, transmission services or ancillary

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.

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1 services; or

- (b) To represent one or more consumer-owned utilities in meeting rural, environmental or renewable energy requirements and mandates.
- (6) "Energy resilience" means the ability of energy systems, from production through delivery to end-users, to withstand and restore energy delivery rapidly following nonroutine disruptions of severe impact or duration.
- (7) "Planning costs" means the costs related to planning paid by an applicant, or an applicant's partner, described under section 30, chapter 508, Oregon Laws 2021.
 - (8) "Project cost" [means] includes:
- (a) For a community renewable energy project, the actual cost of the acquisition, construction and installation of [a] the renewable energy system incurred by an applicant, or an applicant's partner, described under section 30, chapter 508, Oregon Laws 2021, for the system, before considering utility incentives.
- (b) For a stand-alone energy resilience project, the actual cost incurred by an applicant, or an applicant's partner, described under section 30, chapter 508, Oregon Laws 2021, to develop and complete the stand-alone energy resilience project.
 - (9) "Public body" means a public body as defined in ORS 174.109.
- (10) "Qualifying community" means a community that qualifies as an environmental justice community as defined in ORS 469A.400.
 - (11) "Renewable energy system" includes:
- (a) A system that uses biomass, solar, geothermal, hydroelectric, wind, landfill gas, biogas or wave, tidal or ocean thermal energy technology to produce energy.
- (b) One or more energy storage systems paired with an existing or newly constructed system described in paragraph (a) of this subsection.
- (c) One or more vehicle charging stations paired with an existing or newly constructed system described in paragraph (a) of this subsection.
- (d) Microgrid enabling technologies, including microgrid controllers and any other related technologies needed to electrically isolate a community energy resilience project from the electric grid so that the project is capable of operating independently from the electric grid.
- (12) "Stand-alone energy resilience project" means a project that supports the energy resilience of, or prevents outages resulting from a natural hazard to, one or more structures or facilities that are essential to public welfare.
- **SECTION 2.** Section 30, chapter 508, Oregon Laws 2021, as amended by section 8, chapter 58, Oregon Laws 2022, is amended to read:
- **Sec. 30.** (1) The Community Renewable [*Investment*] and Resilient Energy Grant Program is established for the purpose of:
 - (a) Offsetting the cost of planning and developing community renewable energy projects;
 - (b) Offsetting the cost of developing stand-alone energy resilience projects;
- [(b)] (c) Making community renewable energy and stand-alone energy resilience projects economically feasible for qualifying communities;
 - [(c)] (d) Promoting small-scale renewable energy projects; and
- [(d)] (e) Providing direct benefits to communities across this state in the form of increased community energy resilience, energy resilience, local jobs, economic development or direct energy cost savings to families and small businesses.
- (2)(a) A federally recognized Oregon Indian tribe, public body or consumer-owned utility may

- submit to the State Department of Energy an application for grant moneys from the Community Renewable and Resilient Energy Investment Fund established under section 33, chapter 508, Oregon Laws 2021, for the purpose of planning or developing a community renewable energy project or developing a stand-alone energy resilience project.
 - (b) An applicant may partner with a federally recognized Oregon Indian tribe, public body, nonprofit entity, private business with a business site in this state or owner of rental property in this state, but a grant for an approved application will only be awarded and released to an applicant that is a federally recognized Oregon Indian tribe, public body or consumer-owned utility. Any federally recognized Oregon Indian tribe, public body, nonprofit entity, private business or owner of rental property that partners with the applicant must be listed in the application.
 - (c) An application must be drafted in consultation with electric utilities that have customers in the communities covered by a community renewable energy project **or stand-alone energy resilience project** that is in the application and regional stakeholders [for the purpose of ensuring feasibility].
 - (3) An application for a grant for planning a community renewable energy project must demonstrate that the planning:
 - (a) Is for a project located in this state but outside a city with a population of 500,000 or more;
 - (b) Will be completed within six months of execution of the performance agreement or a reasonable time frame if good cause to extend the deadline is demonstrated as determined by rule;
 - (c) Will result in a proposal for developing a community renewable energy project; and
 - (d) Incorporates feedback from:

- (A) Members of qualifying communities served by the community renewable energy project;
- 23 (B) Businesses located in the communities served by the community renewable energy project;
 - (C) Electric utilities that have customers in the communities served by the community renewable energy project; and
 - (D) Other regional stakeholders.
 - (4)(a) An application for a grant for developing a community renewable energy project must be on a form prescribed by the department and contain:
 - (A) A detailed description of the project's systems and the systems' operation;
 - (B) Information showing that the project's systems will operate as represented in the application and, if the project is for producing electricity, remain in operation for at least five years or for at least a period of time established by the Director of the State Department of Energy by rule;
 - (C) The anticipated total project cost;
 - (D) Information on the number and types of jobs directly connected to the awarding of the grant that will be:
 - (i) Created by the project; and
 - (ii) Sustained throughout construction, installation and operation of the project;
 - (E) Information demonstrating that the project will comply with applicable state and local laws and regulations and obtain required licenses and permits;
 - (F) Information demonstrating that the project will be located in and benefit a community in this state but outside a city with a population of 500,000 or more; and
 - (G) Any other information the director considers necessary to determine whether the project is in compliance with sections 29 to 32, chapter 508, Oregon Laws 2021, and any applicable rules or standards adopted thereunder.
 - (b) An application for a grant for developing a community renewable energy project must

1 demonstrate that the project:

- (A) Is located in this state but outside a city with a population of 500,000 or more;
- (B) Will begin construction within 12 months of execution of the performance agreement and be completed within 36 months of execution of the performance agreement or a reasonable time frame if good cause to extend the deadline is demonstrated as determined by rule;
- (C) Results in increased community energy resilience, local jobs, economic development or direct energy cost savings to families and small businesses;
- (D) Complies with applicable state and local laws and regulations and has the required licenses and permits;
- (E) Does not exceed 20 megawatts of nameplate capacity, if the project is for generating renewable energy; and
- (F) Will operate for at least five years, if the project is for producing electricity, or for at least a period of time established by the director by rule.
- (5)(a) An application for a grant for developing a stand-alone energy resilience project must be on a form prescribed by the department and contain:
 - (A) A detailed description of the project and the project's energy resilience objectives;
 - (B) The anticipated total project cost;
- (C) Information on the community benefits and energy resilience benefits expected from the project;
- (D) Information demonstrating that the project will comply with applicable state and local laws and regulations and obtain required licenses and permits;
- (E) Information demonstrating that the project will be located in and benefit a community in this state but outside a city with a population of 500,000 or more; and
- (F) Any other information the director considers necessary to determine whether the project is in compliance with sections 29 to 32, chapter 508, Oregon Laws 2021, and any applicable rules or standards adopted thereunder.
- (b) An application for a grant for developing a stand-alone energy resilience project must demonstrate that the project:
 - (A) Is located in this state but outside a city with a population of 500,000 or more;
- (B) Results in increased energy resilience, local jobs, economic development or direct energy cost savings to families and small businesses; and
- (C) Complies with applicable state and local laws and regulations and has the required licenses and permits.
- (c) The department may adopt rules specifying the systems, technologies, equipment or measures eligible to be considered as part of a stand-alone energy resilience project. Systems, technologies, equipment or measures associated with a distribution system may be eligible to be considered as part of a stand-alone energy resilience project. Rules adopted under this paragraph may not allow, as part of a stand-alone energy resilience project, the construction, installation or repair of an energy generation system that is not a renewable energy system.
- [(5)] (6) Upon receipt of an application submitted under this section, the department shall review and determine whether the applicant is eligible to receive a grant from the Community Renewable [Investment] and Resilient Energy Grant Program established under this section. The department may approve an application if the department finds that:
 - (a) The planning or development proposal meets the requirements listed in subsection (3), [or]

(4) or (5) of this section;

- (b) The proposal meets the standards described in subsection [(10)] (11) of this section;
- (c) The proposal meets any standards adopted by rule under subsection [(11)] (12) of this section;
- (d) The proposal is technically feasible; and
- (e) Any federally recognized Oregon Indian tribe, public body, private business or owner of rental property partnered with the applicant is listed in the application.
- [(6)(a)] (7)(a) The department shall issue separate opportunity announcements for each calendar interval that funding is available for the following categories:
- (A) Planning a community renewable energy project that qualifies as a community energy resilience project;
- (B) Developing a community renewable energy project that qualifies as a community energy resilience project;
- (C) Planning a community renewable energy project that does not qualify as a community energy resilience project; and
- (D) Developing a community renewable energy project that does not qualify as a community energy resilience project.
- (b) The department may issue a separate opportunity announcement for each calendar interval that funding is available for developing a stand-alone energy resilience project.
- [(b)] (c) Upon receiving an application, the director shall determine whether the application is for a community renewable energy project that qualifies as a community energy resilience project based on the definition of "community energy resilience project" in section 29, chapter 508, Oregon Laws 2021, and any applicable rules adopted under this section.
- [(7)(a)] (8)(a) The department shall allocate, out of the [initial] moneys appropriated for the Community Renewable [Investment] and Resilient Energy Grant Program under section 34, chapter 508, Oregon Laws 2021:
- (A) 50 percent or more for grants to be awarded for planning or developing community renewable energy projects that qualify as community energy resilience projects.
- [(B) 50 percent or more for grants to be awarded for planning or developing community renewable energy projects that primarily serve one or more qualifying communities.]
 - (B) 50 percent or more for grants to be awarded for the following:
- (i) Planning or developing community renewable energy projects that primarily serve one or more qualifying communities; or
- (ii) Developing stand-alone energy resilience projects that primarily serve one or more qualifying communities.
- (b) For each opportunity announcement for developing a stand-alone energy resilience project that the department issues, the department shall allocate, out of the moneys made available in the calendar interval for all grants under the Community Renewable and Resilient Energy Grant Program, 20 percent for grants for developing stand-alone energy resilience projects. The department may reallocate moneys that were initially allocated but not awarded under an opportunity announcement for developing a stand-alone energy resilience project that the department issues.
- [(b) The department shall allocate, out of any subsequent and additional moneys appropriated to the Community Renewable Investment Program, percentage amounts for grants in a manner consistent with paragraph (a) of this subsection.]
- [(c) After two years of issuing announcements of available funding opportunities from the initial

1 moneys appropriated to the Community Renewable Investment Program and]

- (c) Notwithstanding paragraph (a) of this subsection, after consultation with the Advisory Committee on Community Renewable [Investment] and Resilient Energy Investments described in section 32, chapter 508, Oregon Laws 2021, the department may, by rule, reallocate the percentage of available funds across project categories.
- [(8)] (9) The department shall review and competitively score applications separately for each funding opportunity announcement.
- [(9)] (10) If the department approves an application under this section, the department and the applicant may enter into a performance agreement that meets the requirements set forth in section 31, chapter 508, Oregon Laws 2021.
- [(10)] (11) In approving applications and awarding grant moneys, the department shall prioritize planning and development proposals that:
 - (a) Include community energy resilience projects.
- (b) Demonstrate significant prior investments in energy efficiency measures at the project location or will result in aggregate improvements to demand response capabilities.
 - (c) Are for projects located in qualifying communities across the state.
- (d) When applicable, are for projects constructed in part or in whole by disadvantaged business enterprises, emerging small businesses or businesses that are owned by minorities, women or disabled veterans.
 - (e) Include inclusive hiring and promotion policies for workers working on the projects.
- (f) Incorporate equity metrics developed in coordination with the Environmental Justice Council established by ORS 182.538 for evaluating the involvement of and leadership by people of low income, Black, Indigenous or People of Color, members of tribal communities, people with disabilities, youth, people from rural communities and people from otherwise disadvantaged communities in the siting, planning, designing or evaluating of the proposed community renewable energy projects.
- (g) Help the applicants achieve goals included in the applicants' natural hazard mitigation plans as approved by the Federal Emergency Management Agency.
- [(11)] (12) The department shall adopt rules, in consultation with [Business Oregon] the Oregon Business Development Department, to carry out sections 29 to 32, chapter 508, Oregon Laws 2021. The rules must:
- (a) Define the planning and project costs eligible to be covered by a grant provided under section 31 (1) and (2), chapter 508, Oregon Laws 2021.
- (b) Adopt a methodology to identify qualifying communities and assess the geographic diversity of the approved planning and development projects compared with the other planning and development project applications for which grants have been requested in each opportunity announcement.
- (c) Establish guidelines for significant, unforeseeable or uncontrollable delays that will constitute good cause for extending the timelines agreed upon in performance agreements.
- [(12)] (13) The **State** Department **of Energy** may adopt rules capping the amount of grant funds that may be paid to individual consultants and contractors in each round of funding opportunity announcements if the department finds such limitations necessary to ensure broad distribution of funds and opportunity for emerging small businesses as defined in ORS 200.005.
- **SECTION 3.** Section 31, chapter 508, Oregon Laws 2021, as amended by section 8, chapter 51, Oregon Laws 2024, is amended to read:
- Sec. 31. (1)(a) A performance agreement for planning a community renewable energy project entered into between the State Department of Energy and an applicant under section 30 [(9)],

- chapter 508, Oregon Laws 2021, must provide, at a minimum:
 - (A) A grant in an amount described in paragraph (b) of this subsection that covers up to 100 percent of the reasonable planning costs including, but not limited to, costs associated with:
 - (i) Consulting fees.

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- (ii) Load analysis.
- (iii) Siting, excluding property acquisition.
- (iv) Ensuring code compliance.
- (v) Interconnection studies.
 - (vi) Transmission studies.
- 10 (vii) Other reasonable expenditures made in the community renewable energy project planning 11 process as determined by the department by rule.
 - (B) A grant may not be used to cover any fixed costs the applicant would incur in the applicant's normal course of business such as existing staff salaries or overhead costs.
 - (C) The department may recover grant moneys if a project fails to abide by the performance agreement or if planning is not completed within six months of execution of the performance agreement or a reasonable time frame if good cause to extend the deadline is demonstrated as determined by rule.
 - (b) The department may establish differing limits on the maximum amount of grants for planning community renewable energy projects based on the scope and attributes of the planning applications not to exceed an amount of \$100,000 per grant.
 - (c) Notwithstanding paragraph (a) of this subsection, the department may provide a grant that covers up to 100 percent of the reasonable planning costs only if the application demonstrates the planning proposal is for a community renewable energy project that:
 - (A) If for producing energy:
 - (i) Will make use of an adequately available renewable energy resource to produce the energy;
 - (ii) Has a specific market for the energy; and
 - (iii) Will reasonably and efficiently connect or transmit the energy to the specific community identified in the application under section 30 (3), chapter 508, Oregon Laws 2021; or
 - (B) If for increasing energy resilience:
 - (i) Will increase the energy resilience of a specific structure or facility or collection of structures or facilities essential to the public welfare; and
 - (ii) Will provide energy resilience benefits to the specific structure or facility or to the collection of structures or facilities.
 - (2) A performance agreement for developing a community renewable energy project or standalone energy resilience project entered into between the State Department of Energy and an applicant under section 30 [(9)], chapter 508, Oregon Laws 2021, must provide, at a minimum:
 - [(a)] (a)(A) For a community renewable energy project that qualifies as a community energy resilience project, a grant that covers up to 100 percent of the project cost not to exceed \$1 million. The department shall reduce the grant amount, if the grant combined with other incentives and grants received by the applicant or a partner of the applicant exceeds 100 percent of the total costs associated with the project.
 - [(b)] (B) For a community renewable energy project that does not qualify as a community energy resilience project, a grant that covers up to 50 percent of the project cost not to exceed \$1 million. The department shall reduce the grant amount, if the grant combined with other incentives and grants received by the applicant or a partner of the applicant exceeds 100 percent of the total costs

associated with the project.

- (C) For a stand-alone energy resilience project, a grant that covers up to 50 percent of the project cost not to exceed \$250,000. The department shall reduce the grant amount, if the grant combined with other incentives and grants received by the applicant or a partner of the applicant exceeds 100 percent of the total costs associated with the project.
- [(c)] (b) Subject to paragraph [(e)] (d) of this subsection, the department may release up to 30 percent of the grant moneys provided for in a performance agreement upon entering into a performance agreement with an applicant for developing a community renewable energy project or stand-alone energy resilience project, if upon entering the performance agreement the applicant demonstrates that the applicant or a partner of the applicant has:
- (A) Taken meaningful steps to seek site control, including but not limited to an option to lease or purchase the site or an executed letter of intent or exclusivity agreement to negotiate an option to lease or purchase the site;
- (B) **If applicable,** filed a request for interconnection with a host utility or appropriate transmission provider; and
- (C) Met any other requirements provided by the department by rule, such as filing a request for a power purchase or net metering agreement.
- [(d)] (c) Subject to paragraph [(e)] (d) of this subsection, in addition to grant moneys released under paragraph [(c)] (b) of this subsection, the department may release up to 30 percent of the grant moneys provided for in a performance agreement if the applicant demonstrates that the applicant or a partner of the applicant has met the requirements of paragraph [(c)] (b) of this subsection and any additional requirements for the release of grant funds under this paragraph provided by the department by rule, such as demonstrating eligible costs incurred for the acquisition or construction of a community renewable energy project or completion of a stand-alone energy resilience project.
- [(e)] (d) The amount of grant moneys released pursuant to paragraph (b) or (c) [or (d)] of this subsection may not exceed, for each release of grant moneys:
- (A) Thirty percent of project cost for community renewable energy projects that qualify as community energy resilience projects; and
- (B) Fifteen percent of project cost for community renewable energy projects that do not qualify as community energy resilience projects or for stand-alone energy resilience projects.
- [(f)] (e) Grant moneys not released under paragraph (b) or (c) [or (d)] of this subsection shall be released upon project completion under the terms of the performance agreement.
 - [(g)] (f) The department may recover grant moneys if:
 - (A) The project fails to abide by the performance agreement;
- (B) For a community renewable energy project, the project fails to begin construction within 12 months of execution of the performance agreement or a reasonable time frame if good cause to extend the deadline is demonstrated as determined by rule; or
- (C) The project is not completed within 36 months of execution of the performance agreement or a reasonable time frame if good cause to extend the deadline is demonstrated as determined by rule.
- (3) The department shall gather information from grantees necessary to evaluate indicators of success as determined by rule.
- **SECTION 4.** Section 32, chapter 508, Oregon Laws 2021, as amended by section 9, chapter 58, Oregon Laws 2022, is amended to read:

- Sec. 32. The Director of the State Department of Energy may appoint an Advisory Committee on Community Renewable [Investment] and Resilient Energy Investments to provide consultation on the implementation of sections 29 to 32, chapter 508, Oregon Laws 2021. A committee appointed under this section shall consist of:
 - (1) A member of the Environmental Justice Council;
 - (2) A representative of [Business Oregon] the Oregon Business Development Department;
- 7 (3) A representative of electric companies;

- (4) A representative of consumer-owned utilities;
- 9 (5) A representative from an organization that represents community renewable energy devel-10 opment;
 - (6) A representative from a federally recognized Oregon Indian tribe;
 - (7) Three representatives of local government to represent the interests of counties, cities and special districts;
 - (8) Representatives from nongovernmental organizations that represent communities of low income or disadvantaged households; and
 - (9) Representatives from relevant state and federal emergency management or response agencies.
 - SECTION 5. Section 33, chapter 508, Oregon Laws 2021, is amended to read:
 - **Sec. 33.** (1) The Community Renewable **and Resilient Energy** Investment Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Community Renewable **and Resilient Energy** Investment Fund shall be credited to the fund. The fund consists of:
 - (a) Moneys appropriated or otherwise transferred to the fund by the Legislative Assembly;
 - (b) Moneys received from federal, state or local sources;
 - (c) Gifts, grants or other moneys contributed to the fund; and
 - (d) Other amounts deposited in the fund from any source.
 - (2) Moneys in the fund are continuously appropriated to the State Department of Energy for the purpose of providing grants to applicants approved under section 30, **chapter 508**, **Oregon Laws 2021** [of this 2021 Act].
 - (3) The department may use reasonable amounts from the fund necessary, but no more than 10 percent of the fund, to administer the Community Renewable [Investment] and Resilient Energy Grant Program described in section 30, chapter 508, Oregon Laws 2021 [of this 2021 Act].
 - (4) No later than December 15 of each odd-numbered year, the Director of the State Department of Energy shall submit a biennial report to the Legislative Assembly in the manner provided by ORS 293.640 regarding the expenditures of moneys deposited in the Community Renewable and Resilient Energy Investment Fund and status of ongoing projects funded by the moneys, including but not limited indicators of program success. A report is not required under this subsection if in the preceding 24 months the fund did not have any moneys and there were no ongoing projects that were funded by moneys from the fund.
 - [(5) Upon the expenditure of all grant moneys in the Community Renewable Investment Fund or four years from the effective date of this 2021 Act September 25, 2021, whichever occurs earlier, the director shall submit a report to the Legislative Assembly regarding the expenditures of moneys deposited in the Community Renewable Investment Fund and status of ongoing projects that have received moneys from the fund, including but not limited to indicators of program success.]