

RENEWABLE ENERGY PAYMENT ACT

FOR

THE STATE OF OREGON

2009

Contents

- 1. Purpose**
- 2. Targets**
- 3. Purchase Obligation**
- 4. Power Purchase Agreement**
- 5. Eligible Technologies and Projects**
- 6. Safety Standards**
- 7. Grid Connection, Reinforcement and Costs**
- 8. Priority Purchase Obligation**
- 9. Price Payable for a Guaranteed Period**
- 10. Rationale of Payments Under the Act**
- 11. Ownership of Renewable Energy Certificates (RECs)**
- 12. Oregon Tax Credits**
- 13. Low-Income Rate Protection**
- 14. No Subdivision of Projects**
- 15. Cost Recovery**
- 16. Progress Reports**
- 17. Definitions**
- Schedule I**

RENEWABLE ENERGY PAYMENT ACT

1. Purpose

The purpose of this Act is to promote the rapid development of electricity generated from renewable sources by creating opportunities for citizens, communities, organizations, school districts, small businesses, municipalities, government agencies and others to generate qualified renewable electricity and sell it at a fair and stable price.

Rapid development of locally-owned renewable electricity is needed to:

- a) reduce emissions of greenhouse gases that contribute to climate change and assist Oregon in meeting or exceeding its greenhouse gas emission targets set by law;
- b) ensure Oregon meets or exceeds the renewable energy targets set out in the renewable portfolio standard (ORS sec. 469A.00 et seq.);
- c) help Oregon meet its goal for community-based renewable energy projects set out in the renewable portfolio standard (ORS sec. 469A.210);
- d) reduce local and regional air, soil and water pollution;

- e) protect the environment and human health;
- f) contribute to building a green economy;
- g) create new jobs and improve economic and social well-being in rural and isolated areas;
- h) secure and diversify the energy supply;
- i) reduce long-term price volatility of energy supplies; and
- j) contribute to the development of Oregon's energy technology industry.

2. Targets

This Act shall assist Oregon electric utilities to meet the targets established under Oregon's Renewable Portfolio Standard and help the State fulfill its greenhouse gas emission reduction goals set by law.

3. Purchase Obligation

Beginning six months after the adoption of this Act, electric utilities shall enter into power purchase agreements for a term of not less than the contract period set out in Schedule I to purchase all qualified electricity from Eligible Producers for the prices established under this Act.

4. Power Purchase Agreement

Within three months of adoption of this Act, the ODOE (with assistance from the PUC) will develop a standard power purchase agreement that will be adopted by each electric utility and used by each electric utility to purchase renewable energy under this Act.

5. Eligible Technologies and Projects

The technologies included in Schedule I shall be Eligible Technologies for purposes of this Act. The size of eligible projects will be specified as set out in Schedule I to encourage development of small- and mid-sized renewable energy projects. This Act only applies to new generation (projects that begin generating electricity six months after this Act is adopted).

6. Safety Standards

An Eligible Producer shall meet the [Oregon Interconnection Standards/safety and technical standards set by the Oregon Public Utility Commission] for connecting to, and for supplying electricity into, the grid.

7. Grid Connection, Reinforcement and Costs

(a) An Eligible Producer will be responsible for the costs associated with the interconnection to the electric grid.

(b) Starting six months after the adoption of this Act, upon the written request of an Eligible Producer, the electric utility covering the Eligible Producer's geographic area shall connect the Eligible Producer to the electricity grid within 60 days of the request, unless the power lines and distribution lines are incapable of accepting the additional electricity under subsection (c) of this section.

(c) If the power lines or transmission lines that would connect to a particular project do not have capacity to accept the additional electricity, the electric utility may refuse to accept the power under this Act. The State of Oregon will work toward increasing transmission capacity across the state.

(d) An Eligible Producer must approach its electric utility before investing in a project to determine whether the electric utility will be able to transmit the electricity. If the electric utility refuses to accept the electricity for transmission under this act, the Eligible Producer may ask the ODOE to verify the electric utility's finding. The electric utility is required to provide any information the ODOE needs to verify this finding.

8. Priority Purchase Obligation

An electric utility shall purchase, as a priority, all qualified electricity produced from an Eligible Producer in the electric utility's service district (unless they decline to accept it under section (7)(c)).

9. Price Payable for a Guaranteed Period

(a) The electric utility shall pay an Eligible Producer that is a non-taxable entity the price set out in Schedule I for the relevant contract period. The electric utility shall pay other Eligible Producers the price set out in Schedule I reduced by available federal tax incentives for the relevant contract period. During the contract period, the price shall be adjusted annually by 60% of the annual increase, if any, in the U.S. Consumer Price Index.

(b) The ODOE shall review and revise prices set in Schedule I every two years in light of the conclusions of progress reports submitted under this Act. If revisions are implemented, the new prices shall affect only new market entrants and be set so that they are fair and reasonable prices. The goal of new prices shall be to continue to encourage new generation. The prices shall be adjusted to account for inflation, assist in the profitable development of renewable energy, prevent excessive profits for eligible electric generators, and prevent unnecessary costs to ratepayers. The prices shall also be adjusted to reflect technological advances and changes in prices of the technology. This could include adding new technologies to the Schedule.

(c) Within three months of adoption of this Act, the ODOE shall increase the price listed in Schedule I for energy produced on appropriate technologies that have been manufactured in Oregon. The ODOE shall ensure that this

incentive will only apply to projects with major components such as blades for wind turbines, solar panels, or invertors, manufactured in Oregon.

10. Rational of Payments Under the Act

The payments under this Act will be targeted to achieve sustained and diversified renewable energy development in Oregon.

11. Ownership of Renewable Energy Certificates (RECs)

The electric utility purchasing the electricity owns the associated RECs for the duration of the power purchase agreement.

12. Oregon Tax Credits

An Eligible Producer may not receive Oregon tax credits under the Business Energy Tax Credit program or the Residential Energy Tax Credit program. A renewable energy producer who qualifies for these tax credit programs and for payments under this Act must choose between the two programs.

13. Low-Income Rate Protection

[Include rate protection for low-income consumers if that is not adequately covered by other laws]

14. No Subdivision of Projects

Eligible Producers shall not divide projects into smaller projects to qualify for renewable energy payments under this Act or to qualify for a higher price.

15. Cost Recovery

Electric utilities shall inform the ODOE about how much qualified renewable energy they anticipate to be generated in their service area under this Act. This will include informing the ODOE about the types of technology that are likely to be used and the size projects. ODOE will use this information and its own information to determine expected costs of implementing this Act each year including the costs of paying the energy prices (listed in Schedule I).

The ETO shall collect from each utility its market share of those costs. These funds shall be held in their own account. Each utility shall recover these costs from its ratepayers.

Each electric utility can apply to the ETO for reimbursement from this account for the costs associated with implementing this Act. The electric utilities may apply for any requested reimbursement each month. An electric utility may not seek reimbursement for costs that it incurred more than 12 months after it incurred the costs.

No costs of this program shall be paid from Oregon's general fund.

16. Progress Reports

Every two years, the ODOE (with assistance from the ETO) shall file with the Governor and Legislature, and make publicly available, a progress report on the operation of this Act.

A progress report shall include all of the following:

- a. The number of new eligible producers in the state and the environmental, social and economic effects of the addition of those generators, including but not limited to the effects on progress towards achieving the target for the Renewable Portfolio Standard and greenhouse gas emissions reductions set by law;**
- b. The actual kWh of electricity generated under this Act by technology type, application, and project size;**
- c. An estimate of the number of jobs created under this Act;**
- d. Recommendations for improving the legislation and changes to the prices in Schedule I, if any;**
- e. Recommendation about whether power lines and transmission lines need to be upgraded to increase the generation of renewable energy in Oregon and how that upgrade should be undertaken;**
- f. Report on the number of Eligible Producers who appealed to the DOE to verify a refusal to transmit electricity under section 7(c) of this Act;**
- g. Actions taken by the ODOE and ETO to implement this Act; and**
- h. An accounting of the funds collected and disbursed under this Act.**

17. Definitions

In this Act, the following definitions apply:

“Base Wind” means <700 kWh/m²/yr.

"Biomass" shall have the meaning it has under Oregon's RPS law except for the project size description (ORS sec. 469A.025).

“Electric Utility” means a public utility, a people's utility district operating under ORS chapter 261, a municipal utility operating under ORS chapter 225 or an electric cooperative organized under ORS chapter 62.

“Eligible Producer” means any citizens, organizations, school districts, small businesses, municipalities, government agencies and others that produce renewable energy using Eligible Technologies.

“Eligible Technology” means the technologies and project sizes set out in Schedule I.

“ETO” means the Energy Trust of Oregon.

“Facade Cladding” means a project in which a photovoltaic device is attached to the wall of a building.

“Hydro” means electricity generated from a hydroelectric facility that complies with the site restrictions in ORS sec. 469A.025 (4)(a) and must be certified as a low-impact hydroelectric facility by a national certification organization recognized by the State Department of Energy by rule.

“Non-taxable Entity” means non-profit organizations, school districts, local governments and other entities that do not pay federal income taxes.

“ODOE” means the Oregon Department of Energy

“PUC” means the Oregon Public Utility Commission.

“Reasonable profit” means a rate of return of 5-7%.

“Small Turbine Wind” means < 1,000 ft² (<11 m diameter).

SCHEDULE I

Eligible Technology	Project Size	Price	Guaranteed Period
Biomass	Capacity up to and including 150 kW	.160	20 years
	Capacity above 150 kW and up to and including 500 kW	.138	20 years
	Capacity above 500 kW and up to and including 5 MW	.124	20 years
	Capacity above 5 MW and up to and including 20 MW	.117	20 years
Hydroelectric	Capacity up to and including 500 kW	.109	30 years
	Capacity above 500 kW and up to and including 10 MW	.094	30 years
	Capacity above 10 MW and up to and including 20 MW	.087	15 years
Solar Photovoltaic – Rooftop	Installed capacity up to and including 30 kW	.650	20 years
	Installed capacity above 30 kW and up to and including 100 kW	.620	20 years
	Installed capacity above 100 kW and up to and including 1 MW	.610	20 years
Solar Photovoltaic – Open Field	Installed capacity up to and including 1 MW	.500	20 years
Solar PV: Facade cladding	Installed capacity up to and including 1 MW	.650	20 years
Wind: Offshore	Capacity up to and including 20 MW – Base Wind project	.132	20 years
	Capacity up to and including 20 MW – Other than Base Wind project	.132 first 5 yrs and then .090	20 years
Wind: Onshore	Capacity up to and including 20 MW – Base Wind project	.125	20 years
	Capacity up to and including 20 MW – Other than Base Wind project	.125 first 5 yrs and then .080	20 years
Wind: Small Turbine	Capacity up to and including 20 MW – Small Turbine Wind project	.250	20 years

[Implementation of this law may require amendments to existing laws/regulations including laws/regulations that require least cost planning for utilities]