

STANDARD OFFER CONTRACTS FOR A CLEAN ENERGY ECONOMY

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1

2 Section 1. Preamble

3

4 The decisions Oregonians make at this pivotal time will have profound impacts for future generations. Capital investments
5 made now can bind us to decades of fossil-based energy generation. Conversely, we can choose to invest in zero-cost fuel
6 sources, creating more local jobs, local ownership of clean energy generation, and protection from future energy price
7 volatility and the negative health and environmental consequences of continued fossil fuel dependence.

8

9 It is clearly state policy that Oregon move quickly in developing clean energy. Oregon's greenhouse gas emission goal, "a
10 75% reduction below 1990 levels by 2050", set out in HB3543 provides a framework in which to fashion future energy
11 policy.

12

13 The widely dispersed nature of renewable energy resources and the urgent need to deploy them present Oregon with new
14 opportunities for broad participation in the production and sale of electricity from clean, sustainable sources. This
15 opportunity calls for a shift in our energy policy that assigns value to the non-energy objectives of environmental impacts,
16 sustainable economic development, and inclusiveness, as well as cost-effectiveness.

17

18 By promoting distributed generation of renewable energy, this Act aims to help Oregon meet its 2020 goal of reducing
19 GHG emissions to 10% below 1990 levels by 2020 and the 2025 goals for the investor owned utilities set out in the state's
20 Renewable Portfolio Standard.

21

22 This Act builds on the Oregon Solar Pilot Program (HB3039) by creating a five year successor that adds more renewable
23 technologies, increases total capacity, opens access to more producers, and improves upon the existing program by taking
24 advantage of recent changes in federal energy law.

25

26 The Act sets out to increase private investment in renewable energy generation, stimulate Oregon's renewable energy
27 sector and job growth throughout the state, keep more of our energy dollars recirculating in Oregon, increase state and
28 local revenues from renewable energy generation, combat climate change and make Oregon a model for sustainable
29 prosperity.

30

31 The Act establishes renewable energy procurement requirements for Oregon's investor owned utilities, creates standard
32 offer contracts at fixed prices, removing barriers to participation in energy production by smaller scale energy producers
33 and enabling more renewable energy systems to be installed more rapidly. The Act create a private investment alternative
34 to state energy tax credits for funding renewable energy, leaving more general fund revenues for human services,
35 education and public safety.

36

37 Finally, by creating new opportunities for community ownership of renewable energy generation, the Act engages more
38 Oregonians in our state's transition to clean energy, reflecting the high value Oregonians place on community.

39

40 Section 2. Short title

41 This Act shall be known as and may be cited as the "CLEAN Energy Economy Act".

42 Section 3. Purpose

43 (a) The purpose of this Act is to: facilitate and promote installation of distributed, grid-connected, renewable energy
44 systems; reduce environmental impacts of fossil fuel and nuclear energy production; reduce carbon emissions that
45 contribute to climate change; diversify the state's clean energy generation sources; stimulate economic development and
46 family wage jobs in rural and urban Oregon; reduce fossil fuel imports; keep Oregon energy dollars recirculating locally;
47 contribute to the development of Oregon's energy technology industry; increase local and state revenues; improve
48 distribution system resilience and reliability; reduce long-term price volatility; reduce energy and distribution system costs

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1 for the long term; and engage Oregonians in developing the state’s abundant renewable resources to serve Oregon’s
2 energy needs.
3

4 (b) This Act is intended to provide an adequate alternative to Oregon’s state energy tax credits and Energy Trust of
5 Oregon cash incentives for renewable energy systems. This program uses private investor money, rather than public
6 money, to finance upfront capital costs for renewable energy systems, and pays off the private investment with payments
7 for the energy the system produces. This allows more renewable energy facilities to be installed more rapidly and more
8 cost effectively than with energy tax credit and cash incentives, and allows broader and more cost effective participation
9 by Oregonians, particularly those individuals and organizations with insufficient or no tax liability.

10 Section 4. Scope

11 The scope of this Act is to provide for:

- 12 (1) a governance and reporting structure to accomplish the purposes of this Act;
- 13 (2) the setting and achievement of procurement targets for electricity produced from renewable resources;
- 14 (3) the creation of distributed generation facilities that will achieve the purposes of this Act.

15 Section 5. Definitions

16 When used in this Act, the following terms shall have the following meanings:
17

- 18 (1) “Advisory Council” means a council of experts who give technical and policy advice to the Governing board.
- 19 (2) “Annual target” means the annual target for the procurement of renewable energy nameplate capacity of
20 new distributed generation standard contracts set out in Section 6(2) of this Act.
- 21 (3) “Biogas” means power and/or heat from biogases from anaerobic digestion.
- 22 (4) “Governing board” means the governing board established pursuant to the provisions of Section 8(1).
- 23 (5) “Ceiling price” means the standard contract fixed price for the output of a distributed generation class, which
24 price is approved annually for each distributed generation class pursuant to the procedure established in this Act, for the
25 purchase of energy, capacity, and environmental attributes and market products that are available or may become
26 available from the distributed generation facility.
- 27 (6) “Community-owned” means owned, developed or controlled in full or in part (but more than 50 percent) by a
28 minimum of 25 legal residents of the community in which the project is located. Community owned also includes
29 ownership by organizations such as, but not limited to, Oregon tribes, nonprofits, schools, libraries, universities,
30 municipalities or a consortia of municipalities, faith communities and special districts as defined in ORS 198.010, by
31 which organization at least 25 individuals are served as members, students, employees, patrons or otherwise.
- 32 (7) “Disadvantaged Community” means an urban renewal district or other rural or urban community that is
33 economically impoverished as defined in state law.
- 34 (8) “Distributed generation class” or “class” means a category of eligible renewable energy generation facility that
35 may be differentiated by technology, size, or resource intensity, ownership, or purpose.
- 36 (9) “Distributed generation facility” means an electrical generation facility that is a newly developed renewable
37 energy resource as defined in section 6(3), located in the electric company’s service territory or within the service territory
38 of a consumer-owned electric utility, with a nameplate capacity no greater than the maximum project size permitted
39 under this Act and connected to an electrical power system owned, controlled, or operated by an investor-owned electric
40 company or a customer-owned electric utility serving customers in Oregon.
- 41 (10) “Electric company” means an investor-owned electric utility as defined in ORS.757.600, but does not mean a
42 customer-owned electric utility such as a People’s Utility District, Municipal Electric Utility or Electric Co-operative
43 serving customers in Oregon.
- 44 (11) “Eligible Renewable Energy Technology” means a Renewable Energy Technology eligible to participate under
45 this Act as set out in Section 6(3).
- 46 (12) “Enrollment window” means a period of time during which applications for standard offer contracts for
47 distributed generation facilities eligible under this Act shall be received by an electric company.
- 48 (12) “Job training site” means a distributed generation facility on whose premises instruction is provided under
49 accredited job training or apprenticeship training programs for the installation of a renewable energy technology.

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1 (13) “Low income ratepayer” means a residential customer who meets both of the following requirements: 1) is head
2 of the household or principal wage earner, and 2) is presently receiving Supplemental Security Income from the Social
3 Security Administration, or is eligible for the low-income home energy assistance program or one of the following from
4 appropriate Oregon agencies: Medicaid, Food Stamps, General Public Assistance or Family Independence Program
5 Assistance (formerly AFDC).

6 (14) “Maximum size” means the largest nameplate capacity of a distributed generation facility for a given renewable
7 energy technology eligible to participate under this Act. The maximum size for an eligible generation facility using any
8 eligible technologies is ten megawatts (10MW).

9 (15) “Meter Aggregation” means the aggregation of kWh generated by individual energy projects located within a
10 generating facility (such as a farm or a campus). The kWh measured by production meters on distinct projects located
11 within a generation facility may be aggregated for purposes of determining compensation under this Act.

12 (16) “OPUC” means the Oregon Public Utility Commission

13 (17) “Price discovery project” means a generation facility that is larger than a “set price project” but no larger than ten
14 megawatts (10MW).

15 (18) “Procurement requirement” means targets expressed in MW of installed nameplate capacity established under
16 this Act for the acquisition of electricity produced from eligible renewable technologies for the purpose of meeting the
17 electricity load of an electric company.

18 (19) “Program year” means a calendar year beginning January 1 and ending December 31.

19 (20) “Project” means a distributed generation facility

20 (21) “Renewable energy certificate” or “REC” means an Oregon renewable energy certificate as defined in the Oregon
21 Renewable Portfolio Standard established by ORS 469A.052.

22 (22) “Set price project” means a facility that has a nameplate capacity no larger than the following: Solar: five
23 hundred kilowatts (500kw); Wind: ten megawatts (10MW). For technologies other than solar and wind, the governing
24 board shall set the nameplate capacity from year to year, but may not increase the capacity beyond what is specified in
25 this definition. In no case may a developer of a distributed generation facility be permitted to segment a distributed
26 generation facility into smaller sized projects in order to fall under this definition.

27 (23) “Small hydro” means the definition used in Oregon’s RPS.

28 (24) “Standard contract” means a contract with a term of twenty (20) years at a fixed rate for the purchase of all
29 capacity, energy, and environmental attributes generated by a distributed generation facility. The terms of the standard
30 contract for each program year and for each distributed generation class shall be set pursuant to the provisions of this Act.

31 (25) “Total Program Target” means the cumulative value of all annual targets for the procurement of aggregate
32 renewable energy nameplate capacity of new distributed generation standard contracts under this Act. The Total Program
33 Target is set out in Section 6(1).

34 Section 6. Standard Contracts

35 (1) Total Program Target

36 (a) Prior to October 1, 2014 the governing board shall establish a program requiring Oregon electric companies to enter
37 into standard contracts for an aggregate nameplate capacity of at least five hundred megawatts (500MW) of renewable
38 energy from distributed generation facilities by December 31, 2020, unless such schedule is extended by the governing
39 board.

40 (b) The governing board shall set annual targets so as to attain goals for the total program target of:

41 (i) at least 30% generated from solar PV; and

42 (ii) at least 10% generated from rooftop solar facilities no larger than 50kW; and

43 (iii) at least 10% generated from community owned facilities

44 (2) Annual Target

45 (a) Phased Schedule: The contracting shall be spread over five (5) years, based on the annual targets, aggregated to reflect
46 annual targets from prior program years, contained in the following phased schedule, unless such schedule is adjusted by
47 the governing board for any given year:

48 (i) By December 31, 2014: a minimum of ten megawatts (10 MW) nameplate;

49 (ii) By December 31, 2015: a minimum aggregate of seventy megawatts (70 MW) nameplate;

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- 1 (iii) By December 31, 2016: a minimum aggregate of one hundred fifty megawatts (150 MW) nameplate;
2 (iv) By December 31, 2017: a minimum aggregate of two hundred fifty megawatts (250 MW) nameplate.
3 (v) By December 31, 2018: a minimum aggregate of three hundred seventy megawatts (370 MW) nameplate;
4 (vi) By December 31, 2019: a minimum aggregate of five hundred megawatts (500 MW) nameplate;

5
6 (b) Target Adjustment: By August 31st, 2015 and each calendar year following until August 31st, 2019, the governing
7 board may recommend to the OPUC that the annual target for the following program year be adjusted upward to reflect
8 any shortfalls in meeting the previous program year's annual target or to reflect any standard contracts entered into during
9 prior program years that are voided. The governing board may also recommend to the OPUC that the annual target for the
10 following program year be adjusted downward by any amounts that the previous program year's annual targets were
11 exceeded by the standard contracts entered into during that program year. The governing board may, based on market data
12 and other information available to it including pricing for standard contracts received during previous program years,
13 recommend a reduction of the annual target for the upcoming program year where the governing board determines that
14 market conditions would be likely to produce unfavorably high target pricing for standard contracts during the upcoming
15 program year. In considering such issues, the governing board may take into account the reasonableness of current pricing
16 and its impact on all electric company customers who will be paying for the output for twenty (20) years at such prices.
17 The governing board may also recommend an extension of time to achieve the total program target, to allow for
18 contracting to occur after 2020, if necessary to attain the total program target.

19 (c) Each year, the governing board shall file its recommendations relating to the schedule specified in subsection 6(a),
20 along with its report and recommendations regarding annual class targets and ceiling prices for each class, for OPUC
21 review and approval.

22
23 (d) The governing board shall establish annual targets for each electric company by multiplying the total annual target by
24 a fraction equal to each electric company's share of all electricity sales in Oregon derived from fossil fuel and nuclear
25 sources.

26 (e) Nothing in this Act shall derogate from the statutory authority of the OPUC, including, but not limited to, the authority
27 to protect ratepayers from unreasonable rates.

28 (3) Eligible technologies

29 (a) In order to diversify Oregon's clean energy supply; to develop the state's abundant renewable energy resources; and
30 meet more of the state's energy needs with zero-cost fuels, renewable energy technologies eligible under this Act:

31 (i) shall include: solar PV, wind, small hydro and farm biogas; and

32 (ii) may include, at the discretion of the governing board any of the following: biomass (combined heat and power
33 only), biogases from anaerobic digestion (heat and/or power, and solar thermal (heat) and geothermal (heat and/or
34 power) sources. For all technologies, the governing board may set efficiency thresholds, sustainability
35 requirements, water and land resource impact requirements and air pollution requirements for green-house-gas
36 and air pollution bi-products.

37 (iii) shall not include: nuclear energy or natural gas or coal from ancient deposits

38 (iv) shall be market-ready in Oregon; and

39 (b) The governing board may review and amend the list of eligible technologies as new renewable energy technologies,
40 such as but not limited to wave energy, become market-ready in Oregon.

41 (4) Distributed generation classes

42 (a) For purpose of establishing ceiling prices, distributed generation classes shall be created and may be differentiated by
43 technology, size, geographical resource intensity, local content, ownership, and economic and workforce development
44 potential.

45 (b) Distributed generation classes shall include:

46 (i) solar PV: at least 4 sizes and 4 resource intensities

47 (ii) wind: at least 2 sizes and 1 resource intensity

48 (iii) small hydro: at least 1 size

49 (iv) job training sites

50 (v) projects in disadvantaged communities

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1 (vi) community ownership

2 (c) Distributed generation classes may include:

3 (i) rooftop solar PV, ground-mounted solar PV and building integrated solar PV

4 (ii) other eligible renewable energy technologies differentiated as deemed appropriate by the governing board.

5 (5) Ceiling Prices

6 (b) Within a period of time sufficient to accomplish the purposes of this section, but not after June 1, 2014, the governing
7 board shall set ceiling prices and targets for each renewable energy class of distributed generation for the October 1, 2014
8 and the 2015 calendar year enrollments and make a filing with the OPUC pursuant to this Act recommending such prices
9 and annual targets for each class. Thereafter annually, no later than August 31st of each year, the governing board shall
10 make filings with the OPUC to recommend the standard contract ceiling prices and annual targets for each renewable
11 energy class of distributed generation facilities. The ceiling price for each class should be a price that would allow the
12 owner or owners to invest in a given project at a reasonable rate of return, based on recent reported and forecast
13 information on the cost of capital, and the cost of generation equipment. The calculation of the ceiling price for a class
14 shall include where applicable federal incentives, including but not limited to, tax incentives. Projects participating under
15 this act are not eligible for Energy Trust of Oregon incentives or Oregon state energy tax credits or incentives. In setting
16 the ceiling prices, the governing board also may consider: (1) Transactions for newly developed renewable energy
17 resources, by technology, size, and resource intensity in Oregon; (2) Pricing for standard contracts received during the
18 previous program year; (3) Environmental benefits, including, but not limited to, reducing carbon emissions, and system
19 benefits; and (4) Cost effectiveness. Ceiling prices set for job training site, disadvantaged community, and community
20 ownership classes shall take into account the additional transaction costs of such projects. The governing board shall, in
21 establishing ceiling prices, base them on system components that meet quality standards for performance and longevity.
22 The governing board shall in performing the ceiling price assessment involve representation from its advisory council.

23 (c) The governing board shall hold, with appropriate notice, a public community review meeting, at which the governing
24 board shall issue a report of its findings from the assessment process recommending standard contract ceiling prices for
25 the upcoming program year. Such report shall be filed with the commission, along with a recommendation for the
26 approval of the ceiling prices for the program year. Deliberations of the governing board and advisory council shall
27 comply with Oregon's open meeting standards.

28 (d) The OPUC shall open a docket to consider for approval ceiling prices proposed by the governing board. In reviewing
29 the recommended ceiling prices the OPUC shall give due consideration to the recommendations and report of the
30 governing board and the standards set forth in subsection (a) of this section. The OPUC shall issue a decision within sixty
31 (60) days after said recommendations and report are filed with the OPUC establishing the ceiling prices to be used by
32 electric companies in standard contracts applicable to each distributed generation class in order to effectuate the purposes
33 and provisions of this Act.

34 (e) During any program year, the governing board may, on its own initiative, elect to revisit the ceiling prices if the
35 governing board determines that the prices are either too low or too high. In such case, it may make a filing with the
36 OPUC to seek a modification to the program for that year, which shall be acted upon by the OPUC within sixty (60) days.

37 (6) Program enrollment

38 (a) Set-price projects: This program's first enrollment for set-price projects shall take place on October 1, 2014. Starting
39 in 2015, each electric company shall conduct at least three (3) standard contract enrollments during each program year,
40 during which the electric company is required to receive standard short-form applications requesting standard contracts
41 for distributed generation energy projects. Each enrollment shall be open until all capacity allotted to that enrollment
42 period is allocated. The application procedures shall be based on those developed for the Solar Pilot Program unless
43 amended by the governing board.

44
45 First-come, first-served allocation model: project capacity available during an enrollment window shall be awarded in the
46 order applications are received by an electric company. A record of the order in which project applications are received
47 shall be maintained by the electric company. In cases where project applications exceed the available capacity for an
48 enrollment window, those projects that did not receive capacity shall be given first preference in the next enrollment
49 window, according to the order their applications were received in the prior enrollment window.

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1 (b) Price-discovery projects: Enrollment will begin early in 2015 and be open once a year for a two-week period to accept
2 bids up to the price set by the governing board for each class of price-discovery project. The resulting range of bids shall
3 be used to discover a ceiling price that shall be offered to all applicants in each price-discovery project class until the
4 available capacity for each class is allocated. The governing board shall develop a procedure for setting the final ceiling
5 price from within the range of bids, and for fairly allocating capacity in the case where the capacity applied for exceeds
6 the capacity available.

7
8 (c) All projects: The electric company shall enter into standard contracts at the applicable ceiling price with qualified
9 distributed generation applicants until the class target is met. The electric company is obligated to purchase all energy
10 produced by the enrolled distributed energy facility at the ceiling price for the entire contracted period.

11 (7) No Subdivision of Projects

12 For all project sizes of distributed generation facilities, the applicant must submit, under penalty, an affidavit confirming
13 that the project is not a segment of a project being planned for enlargement over time. The governing board shall establish
14 penalties and procedures for enforcing violations of this section.

15 (8) Grid Connection, Reinforcement and Cost

16 Rules as established in the Solar Pilot Program shall apply unless modified in rule making by the governing board and
17 approved by the OPUC.

18 (9) Rule Making

19 The governing board shall develop or may designate the OPUC to establish rules and procedures to accomplish the
20 provisions of this Act. The provisions developed by OPUC staff and stakeholders for the Oregon Solar Pilot Program, as
21 authorized by HB3039, amended by HB3690 and documented in ORS 860-084, shall be drawn upon in establishing rules
22 and procedures for the implementation of this Act. The rules, standards and procedures developed for the Solar Pilot
23 Program shall be reviewed, evaluated and amended as necessary to accommodate the expanded capacity and additional
24 technologies and distributed generation classes provided for in this Act. The governing board shall develop standard
25 contracts applicable to each technology and class for which it sets annual targets and ceiling prices; and may amend the
26 Solar Pilot Program rules to address barriers to profitability for smaller scale projects, including but not limited to, the
27 production meter charge, and the need for private insurance; to allow the aggregation of production meters; and to provide
28 consumer protections for those purchasing equipment for distributed generation facilities. Additional staffing required by
29 the OPUC to accomplish this work may be recovered as an administrative cost of the program.

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1 (10) Reporting

2 (a) After each enrollment during a program year, the electric companies shall provide a report to the governing board,
3 Oregon Department of Energy, and the OPUC of the aggregate amount of nameplate capacity by class that was the subject
4 of standard contracts entered into during that enrollment and the prices under each of the standard contracts that were
5 executed and any other relevant information for the purposes of better specifying classes, targets, or standard contract
6 prices so as to achieve the purposes set forth in this Act.

7 (b) Each quarter of a program year, the electric company shall provide an accounting to the governing board, Oregon
8 Department of Energy, and the OPUC of the total amount paid to distributed generation facilities under standard contracts
9 during that quarter, until the Total Program Target is met;

10 (c) Until the Total Program Target is met, the electric company shall submit annual reports to the governing board,
11 Oregon Department of Energy, and the OPUC indicating the total number of standard contracts and total annual
12 generation from all distributed generation facilities installed under the Act, the annual generation and amount paid by
13 class and any other relevant information for the purposes of better specifying classes, targets, or standard contract ceiling
14 prices so as to achieve the purposes set forth in this Act. Such reports shall be submitted no later than sixty (60) days after
15 the end of the calendar year.

16 Section 7. Protections and Incentives for Economic Development

17 (1) Low income protection

18 Low Income ratepayers, as defined in Subsection 5 (xxx), shall be exempt from any additional rate increases attributable
19 to this Act. The Governing board shall, in consultation with low-income and ratepayer advocacy groups, establish
20 procedures for implementing this section of the Act. This Act creates an alternative to state energy tax credits for funding
21 renewable energy development, thereby leaving more general fund revenues for human services, education and public
22 safety.

23 (2) Family wage jobs

24 Jobs created under this Act shall meet Bureau of Labor and Industry standards. The governing board shall establish
25 penalties and procedures for enforcing violations of this section.

26 (3) Local economic development

27 In order to ensure equal access to jobs in the renewable energy sector, economic development in rural and urban Oregon,
28 development of Oregon's renewable energy workforce, widespread opportunity for ownership, and community
29 involvement in project decision-making, the governing board shall establish classes, annual targets and ceiling prices that
30 cover added transaction costs for projects that:

- 31 (a) are Community-owned; or
- 32 (b) are built in disadvantaged communities; or
- 33 (c) serve as training sites for renewable energy sector jobs; or
- 34 (d) contain major system components manufactured in Oregon.

35 (4) Statewide distributed generation

36 In order to take advantage of bountiful and cheaper resources outside the electric companies' territories, each electric
37 company may purchase energy annually at ceiling prices from distributed generation facilities located outside the electric
38 company's service territory but inside Oregon up to a threshold set by the governing board but not to exceed thirty percent
39 (30%) of the annual target.

40 (5) Electric company compensation

41 In order to achieve the purposes of this Act, the electric company shall be entitled to financial remuneration and incentives
42 for long-term contracts entered into under this Act that are over and above the base rate revenue requirement established
43 in its cost of service ratemaking. Such remuneration and incentives shall compensate the electric utility for additional
44 financial accounting liability associated with the long-term contracts required under this Act and for use of the distribution
45 system to provide grid access from an increased number of distributed generation facilities. The financial remuneration

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incentives described in this section shall apply only to the long-term contracts entered into under this Act. At the discretion governing board, the financial remuneration and incentives shall be either in the form of annual compensation, equal to no more than three percent (3.00%) of the actual annual payments made under the contracts for those projects that are commercially operating, or in the form of additional profits the electric company earns by claiming as a capital expenditure that portion of the actual annual payments made for clean energy generated under this Act that is above the avoided cost of electricity generated from natural gas.

Section 8. Governing Board

(1) Establishment of governing board

(a) There is hereby authorized, created and established a governing board to be known as the "Oregon Clean Energy and Local Economic Development Board" with the powers and duties set forth in this Act.

(b) The purposes of this governing board are to: (1) Evaluate and make recommendations to the Oregon Public Utilities Commission (OPUC) regarding annual contracting targets, the make-up of distributed generation classes, and ceiling prices; (2) Provide consistent, comprehensive, informed and publicly accountable involvement by representatives of groups impacted by, involved in, and knowledgeable regarding the development of distributed generation projects that are eligible to enter into standard contracts; and (3) Monitor and evaluate the effectiveness of the distributed generation standard contracting program for accomplishing the purposes of this Act.

(1) The governing board shall be housed in the Office of the Governor and shall have access to the expertise of staff from the OPUC, the Energy Trust of Oregon, the Oregon Department of Energy, Oregon Department of Agriculture's Natural Resources Division, Business Oregon, the Oregon Global Warming Commission and outside expert consultants as warranted.

(c) Funding for the purposes of engaging consultants and professional services as necessary and appropriate for the governing board to fulfill its duties and purposes shall come from that portion of Oregon lottery funds dedicated to economic development.

(2) Composition and appointment

(a) The governing board shall consist of fifteen (15) members appointed by the governor with the advice and consent of the senate; nine (9) members shall be voting members, and the governor shall give due consideration to appointing persons with knowledge of:

- (1) Energy regulation and law;
- (2) Community-owned clean energy production;
- (3) Commercial clean energy production;
- (4) Residential clean energy production;
- (5) Retail Electricity Consumption;
- (6) Environmental issues pertaining to energy; and
- (7) Clean Energy Workforce development; and
- (8) Clean Energy Technology; and
- (9) Clean Energy Financing

Six (6) members shall be ex officio, non-voting members, including a representative from each of the following:

- (2) Oregon Department of Energy,
- (3) Energy Trust of Oregon,
- (4) Oregon Global Warming Commission,
- (5) Oregon Department of Agriculture's Natural Resources Division,
- (6) Business Oregon, and
- (7) electric companies.

From the nine (9) voting members, the governor shall appoint one person to be chairperson of the governing board and one person to be vice chairperson of the governing board; the Director of the Business Oregon shall be the executive secretary and executive director of the governing board.

(b) With the exception of the representative of Business Oregon, and the representative of the Department of energy, the initial appointments of the other ex officio, non-voting members shall be appointed for a term of two (2) years, to be thereafter reappointed or replaced by a nonvoting member with terms of two (2) years. Of the initial appointments of

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1 voting members, five (5) voting members shall be appointed for a term of two (2) years, to be thereafter reappointed or
2 replaced by five (5) voting members with a term of two (2) years, and four (4) voting members shall be appointed for a
3 term of one year, to be thereafter reappointed or replaced by four (4) voting members with a term of two years.

4 (c) A simple majority of the total number of voting members shall constitute a quorum.

5 (d) A vacancy other than by expiration shall be filled in the manner of the original appointment but only for the unexpired
6 portion of the term. The appointing authority shall have the power to remove its appointee only for just cause.

7 (e) The governing board shall establish an Advisory Council to provide expertise upon which it may draw for decision
8 making. The Advisory Council shall embody expertise including but not limited to: standard offer contracts (aka feed-in
9 tariffs); utility rate-making, integration of distributed generation into the electric grid; renewable energy resources;
10 renewable energy technologies; labor standards; workforce development; private, community and public financing; tribal
11 resources and economic development; non-profit organizations; special districts; farming organizations; and economic
12 development in counties and cities.

13 (f) The members of the Advisory Council shall not be compensated for their service but shall be reimbursed for their
14 actual expenses necessarily incurred in the performance of their duties. The provisions of this subdivision shall not apply
15 to the executive secretary/executive director.

16 (3) Powers and duties.

17 (a) The governing board shall have the power to develop and recommend to the OPUC:

18 (1) rules and procedures to accomplish the purposes of this Act;

19 (2) adjustments up or down to the annual target for standard contracts as set in Section 6(2)(a) of this Act;

20 (3) distributed generation classes;

21 (4) distributed generation classes to be included for the following program year; and

22 (5) annual targets and ceiling prices for each class for the following program year;

23 (b) The governing board shall monitor and evaluate performance under this Act, including an assessment of ratepayer
24 impact, to be submitted annually in a report to the governor and the legislature and shall participate in proceedings of the
25 OPUC that pertain to the purposes of the governing board.

26 (c) The governing board may also recommend an extension of time to achieve the 500 megawatt (500 MW) total program
27 target, to allow for contracting to occur after Dec. 31, 2019, if necessary.

28 Section 9. Cost Recovery

29
30 (a) All prudently incurred costs associated with compliance with this Act and in excess of the resource value of the energy
31 generated under this Act are recoverable in the rates of an electric company's retail customers, except as provided for in
32 subsection 7(5). The resource value to the electric company of electricity from distributed generation facilities under this
33 Act shall be valued according to current best practices and shall include:

34 (1) the avoided cost of energy, minus the cost of firming and shaping the electricity;

35 (2) avoided distribution and transmission losses;

36 (3) generation capacity value;

37 (4) transmission and distribution deferrals; and

38 (5) risk mitigation relating to fuel price volatility,

39 and may include values associated with but not limited to:

40 (6) reactive power control; and

41 (7) grid resilience and reliability, such as limiting the scope of system outages, especially following natural disasters

42
43 (b) The financial remuneration and incentives described in Section 7 (5) of this Act shall be recoverable annually in either
44 the electric company's charges for distribution services or as earnings on capital expenditures.

45 Section 10. Relationship to other Oregon Energy Programs

46
47 (a) The procurement targets required under this Act shall count toward the Oregon Renewable Portfolio Standard
48 established by ORS 469A.052.

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1 (b) Ownership of renewable energy certificates established under ORS 469A.130 that are associated with renewable
2 energy generation under this Act that is sold to an electric company shall be transferred to the the electric company and
3 may be used to comply with the renewable portfolio standard described in ORS 469A.052 or 469A.055.

4 (c) Distributed generation facilities receiving payments under this Act are not eligible for Energy Trust of Oregon
5 expenditures under ORS 757.612 (3)(b)(B) or energy tax credits under 469.160 to 469.180 or 469.185 to 469.225.

6 (d) The governing board shall explore cost-effective opportunities for the simultaneous installation of distributed
7 generation equipment under this Act and the installation of energy efficiency measures, in conjunction with programs
8 such as but not limited to Clean Energy Works Oregon and those mandated by the EEAST bill.

9 **Section 11. Liberal Construction of Act Required**

10
11 This act shall be construed liberally in aid of its declared purposes.

12 **Section 12. Severability**

13
14 If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall
15 not affect other provisions or applications of the act, which can be given effect without the invalid provision or
16 application, and to this end the provisions of this act are declared to be severable.