



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Barofsky, McRae, Schlossberg, and Brown
FROM: Jason Heuser, Public Policy and Government Affairs Program Manager
DATE: August 25, 2023
SUBJECT: September 2023 Legislative/Policy Update
OBJECTIVE: Information

Issue

EWEB monitors, influences, and strategically plans around legislative and regional policy issues.

Background

The Board adopts general policy directives for advocacy on legislation and other public policy matters, which guide the work of EWEB's lobbying activities. When political considerations test the applicability of those directives, the General Manager makes a determination as to whether a fundamental shift in direction is required. The Board may be asked to reaffirm policy directives or direct staff to make necessary adjustments.

Discussion

The following is an update on interim state legislative/administrative issues.

Post-Session 2023 State Rulemakings:

Oregon administrative agencies make rules that implement, enforce, and administer the laws passed by the legislature. Agencies get their powers from an enabling statute. Expected rulemakings emanating from the 2023 state legislative session include:

Home Energy Programs and a One-Stop Shop:

Oregon is expected to receive funding under two rebate programs for energy efficiency retrofits in existing homes that were part of the Inflation Reduction Act. The first program is the High Efficiency Electric Home Rebate program (HEEHR). This is a point-of-sale rebate program that allocates \$56,714,440 to Oregon for qualifying electrification projects in low- (defined as up to 80 percent Area Median Income) and moderate-income (80 - 150 percent AMI) households. Qualifying projects include heat pumps, heat pump water heaters, electric stoves, heat pump clothes dryers, associated electrical upgrades, and weatherization. The second program is the Home Energy Performance-Based, Whole-House Rebates program (HOMES). Oregon will receive \$57,046,250 for this program, which will support performance-based rebates for residential energy efficiency retrofits that save a minimum of 20 percent of household energy use.

ODOE, in consultation with Oregon Housing and Community Services Development (OHCS), will be establishing these two programs after consultation with stakeholders.

EWEB staff will follow and participate in the rulemaking in the pursuit of seeing that information will be shared and measures/incentives coordinated bi-directionally between the state and utility energy efficiency programs, in order to ensure outcomes are tracked correctly for the purposes of meeting energy efficiency targets in the 2021 Northwest Power Plan adopted by the Northwest Power and Conservation Council as well as to optimize the deployment of efficiency measures and to avoid irrational outcomes (i.e. electric customers receiving multiple incentives equaling great than the cost of an installed efficiency measure.).

Building Performance Standard:

Sections 8-17 of HB 3409 created a Building Performance Standard (BPS) program, administered by ODOE, to regulate the energy consumption of many existing commercial buildings in Oregon. Under this new program, buildings would be grouped into two tiers. Tier 1 includes hotel, motel, and nonresidential buildings equal to or larger than 35,000 square feet (excluding parking garages). Tier 2 includes hotel, motel, and nonresidential buildings larger than 20,000 square feet and less than 35,000 square feet, in addition to multifamily residential, schools, dormitories, universities, and hospitals that are equal to or greater than 35,000 square feet (excluding parking garages).

Building Performance Standards generally require energy tracking, management, energy auditing, and identification and implementation of energy measures to achieve target energy performance levels for a building. ODOE will be tasked with rulemaking to establish a program and to set appropriate building energy targets for Tier 1 buildings. ODOE will also establish a program for energy benchmarking (energy use reporting) for Tier 2 buildings, as well as convene an advisory group to help the agency create a recommended building performance standard for Tier 2 buildings. It is expected that Tier 1 and Tier 2 buildings will include tens of thousands of buildings across the state. This will require creating a comprehensive database to support building reporting and program administration, as well as multimodal outreach, training, and education to stakeholders and building owners on project requirements.

EWEB staff will offer subject matter expertise to this rulemaking as well as tracking for the purposes to consider what outreach and assistance EWEB might offer to local building owners in the future as it relates to the BPS.

Natural and Working Lands Incentive Fund:

HB 3409 establishes the Natural and Working Lands Fund, appropriated to the Oregon Watershed Enhancement Board (OWEB), for allocation to certain state agencies to provide incentives and conduct research related to natural climate solutions, including but not limited to carbon sequestration on natural and working lands. The bill directs the newly renamed Oregon Climate Action Commission (OCAC) to annually determine allocation amounts and provide factors that must be evaluated when determining allocation amounts. OWEB is directed to transfer money at OCAC's instruction.

EWEB will be participating in this rulemaking with the aim of program design compatible with EWEB goals and EWEB eligibility/feasibility to utilize this program.

State Energy Strategy:

The legislature directed ODOE to develop a comprehensive state energy strategy for Oregon that identifies options and implementation gaps to achieve the state's policy objectives. The state energy strategy must be informed by stakeholder perspectives, existing climate and energy laws, resource plans, studies, and policy goals. The bill lists several factors that ODOE must consider when identifying optimized pathways, such as energy demands, resource choices, environmental justice, resilience, and land use considerations. ODOE is

required to engage with other state agencies, Tribes, and stakeholders representing a diverse range of perspectives, backgrounds, and interests, and the department may convene an advisory work group to inform its work. The strategy must reflect the best available information and forecasts, and other state agencies are directed to share information with ODOE as needed. ODOE is required to produce a report describing the state energy strategy and submit it to the legislature by 2025.

EWEB staff are planning to actively participate in the public process for the development of the State Energy Strategy.

Emerging 2024 State Legislative Session Issues:

Although it is more likely that any substantive energy legislation would be pursued in the longer 2025 session, state legislators are indicating an interest in two energy topics that could be the subject of consideration in the short 2024 session or interim legislative hearings before and after:

Data Center/Crypto Mining Electric Load Growth:

The legislature unsuccessfully pursued legislation in the 2023 session to address significant electricity load growth fueled by new data centers and crypto-mining locating in consumer-owned utility territories that are not subject to the Clean Electricity Standard for investor-owned utilities that was approved in the 2021 session. This load growth has produced an increase in GHG emissions for Oregon's electric sector. The legislature may consider another legislative effort to place direct or indirect GHG emission targets on these new load growth drivers or hold hearings to plan a process for proposed solutions in the 2025 session, including a possible interim task force to evaluate different approaches to this issue.

Organized Markets/Regional Transmission Organization (RTO) formation:

More than one Oregon legislator has expressed an interest in the legislature taking up the topic of organized electricity markets, including the prospect of a Western RTO. It is more likely though that markets will be the subject only of informational hearings for legislators and possibly a resolution that could symbolically declare that the formation of organized markets or an RTO is in the public interest – more likely the former. The formulation process of organized markets is regional and multi-state in scope, and may involve federal entities not subject to state jurisdiction – Oregon does not have practical options to unilaterally compel outcomes in this area and the formulation of organized markets with Oregon participants does not require action from the legislature– but it is understandable that legislators have an interest in being engaged observers regarding proposals to establish or expand organized markets or a regional transmission organization because of the relationship to Oregon's goals on clean energy, decarbonization and electricity reliability and affordability.

Recommendation/Requested Board Action

These are informational updates, and no action is required at this time.