



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

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TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Lance Robertson, Public Affairs Manager and Jason Heuser, Legislative Affairs
Coordinator
DATE: April 5, 2013
SUBJECT: State Legislative Update

Issue

The 2013 State Legislative Session convened Feb. 4, 2013. This memo is to apprise the Board of key issues of interest to EWEB, and the current status of these issues in the legislative process.

Background

Prior to the start of each legislative session, the Board adopts general policy directives for advocacy at the Capitol, 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 its policy or direct staff to make necessary adjustments.

Discussion

The following is a summary of state legislative activity of interest to EWEB:

Energy Supplier Assessment (ESA)

The prospects for reforms to the collection and disbursement of the Energy Supplier Assessment were muddled to some extent by the filing in November of a lawsuit challenging that the ESA was a "tax" and not a "fee," which could potentially determine that the ESA as currently structured is not valid. This lawsuit was re-filed recently in a different legal milieu. This will mean that the case will likely be heard after, and not during, the current legislative session, which has afforded more comfort for legislators and stakeholders to take up changes through the legislative process.

EWEB staff is currently serving on an ESA reform workgroup appointed by the Governor. At the time of this memo, a legislative concept is likely to be introduced as legislation the week of April 8, and a second legislative concept may be unveiled soon, too. There are reasons to be cautiously optimistic that some changes will be made to the ESA to provide better transparency, accountability and also consistency to the collection and disbursement of those funds.

Uniform Statewide Net Metering

Legislative concepts that would have subjected consumer-owned utilities to the higher net metering standards that investor-owned utilities are subject to, and which would have preempted local

interconnection policy decision-making (such as requiring manual disconnect switches), have gained no traction and have not received a public hearing at this time. Oregon consumer-owned utilities (COUs) made a very strong grassroots advocacy effort in February (including the EWEB Board, of course) with legislators that has demonstrated great efficacy.

Virtual Net Metering (VNM) Mandates

House Bill 2792 and Senate Bill 652 would mandate that utilities offer VNM to customers as a tool to deploy community solar projects, presumably to those without solar access. Both of these bills received a public hearing. EWEB spearheaded a strong response from utilities that has seemingly left both bills stalled in committee at this time, although neither bill can be completely counted out. EWEB has been approached by a community solar project interested in VNM, and staff has been researching this type of approach and interacting with the manager of the prospective project. As a result, EWEB was well informed and positioned to influence legislators with our testimony in front of both the House and Senate Energy committees, where staff raised concerns about mandating an untested approach when concerns about demands on billing systems, staff time, inter-customer subsidization and cost recovery have not been adequately addressed yet. VNM would be better suited to a voluntary pilot approach at this time. Additionally, community solar can still be accomplished without the use of VNM, using a traditional power purchase model.

Contributions in Lieu of Taxes (CILT) for Municipal Utilities

Lane County brought forward legislation that would have required some CILT revenues to be shared between the City of Eugene and Lane County. Although the bill sparked much discussion in Salem and locally, due to concerns about revenue-neutrality for EWEB and the complications of attempting a state solution to a local and charter issue, the bill has not received a hearing and is not expected to advance. It is very probable that a local legislator(s) may ask the two local governments and EWEB to sit down in the interim to discuss possible approaches to this issue.

Public Employees Retirement System (PERS) Reforms

Public hearings have not been held for the myriad of individual PERS reform bills brought forward. Instead, just one single "omnibus" public hearing on PERS legislation has taken place at this time. PERS reforms are largely being negotiated behind the scenes and through overall budget negotiations involving a small circle of decision-makers in the legislature. Senate Bill 822 was passed out of the Joint Ways and Means Committee on April 5 on a party-line vote, supported only by the Democrats on the committee. This bill would enact a projected \$460 million in direct PERS savings by shrinking cost-of-living increases and by ending extra payments to out-of-state retirees to cover state income taxes. It also delays \$350 million in payments into the system for two years, for a total savings of \$810 million in the state's 2013-15 budget cycle.

It is possible a second PERS bill could emerge that would contain additional PERS reforms and savings favored by Republican Legislators. This bill would likely figure in negotiations for new revenue, including caps or removals of existing tax credits, sought by Democrats to aid in balancing the state budget.

Carbon Tax Legislation

A trio of carbon tax bills have been introduced this session in concert with the release of a Portland State University carbon tax study. Although no action on these bills is expected, they have stimulated conversation about revisiting a state or regional carbon pricing agreement and will serve

as a dress rehearsal for a more serious conversation in the 2015 legislative session.

HB 2792, proposed by Representative Jules Bailey of Portland, would institute a carbon tax while repealing the state's renewable portfolio standard - the rule that requires utilities to generate 25 mandating a percent of power from renewable resources by 2025. It would also eliminate energy siting assessments (i.e. the Energy Supplier Assessment) paid to the Department of Energy and modify Oregon's gas tax downward by steering revenues to ODOE and the State Highway Fund, among others. It targets only fuel suppliers (including transportation) and utilities, which would be taxed on the amount of carbon-based fuel sold to consumers or used to produce electricity for consumers. It would allow the rate of tax to be determined (blank in the bill).

HB 2874, proposed by Representative Phil Barnhart, of Central Linn and Lane counties, similarly targets fuel suppliers and utilities that sell or combust fossil fuel for consumer use, though the bill does not repeal or modify other programs. It would allow the rate of tax to be determined (blank in the bill).

HB 2497, proposed by the House Revenue Committee is nearly identical to HB 2874.

Finally, SB 537 would instruct ODOE to bring forward a work group to study and design a carbon tax.

Recommendation/Requested Board Action

This memo is for informational purposes. No board action is requested.