



LPRO: LEGISLATIVE POLICY AND RESEARCH OFFICE

PUBLIC PURPOSE CHARGE

BACKGROUND BRIEF

PROGRAM OVERVIEW

[ORS 757.612](#) (2021) requires Oregon's two largest investor-owned electric utilities, Portland General Electric (PGE) and Pacific Power, to collect a public purpose charge (PPC), equal to 1.5 percent of total revenues, to be used for four purposes:

1. above-market costs of new renewable energy resources and customer investments in distribution system-connected technologies that support reliability, resilience, and the integration of renewable energy resources;
2. new low-income weatherization;
3. new energy-related investments in schools; and,
4. low-income housing.

The map in Figure 1 highlights the service territories of PGE and Pacific Power where the PPC is collected.¹ Under current law, the PPC is allocated in the following way:

- 0.30 percent to school districts,
- 0.51 percent to renewable energy resources,
- 0.55 percent to low-income weatherization, and
- 0.14 percent to the Housing and Community Services Department Electricity Public Purpose Charge Fund.

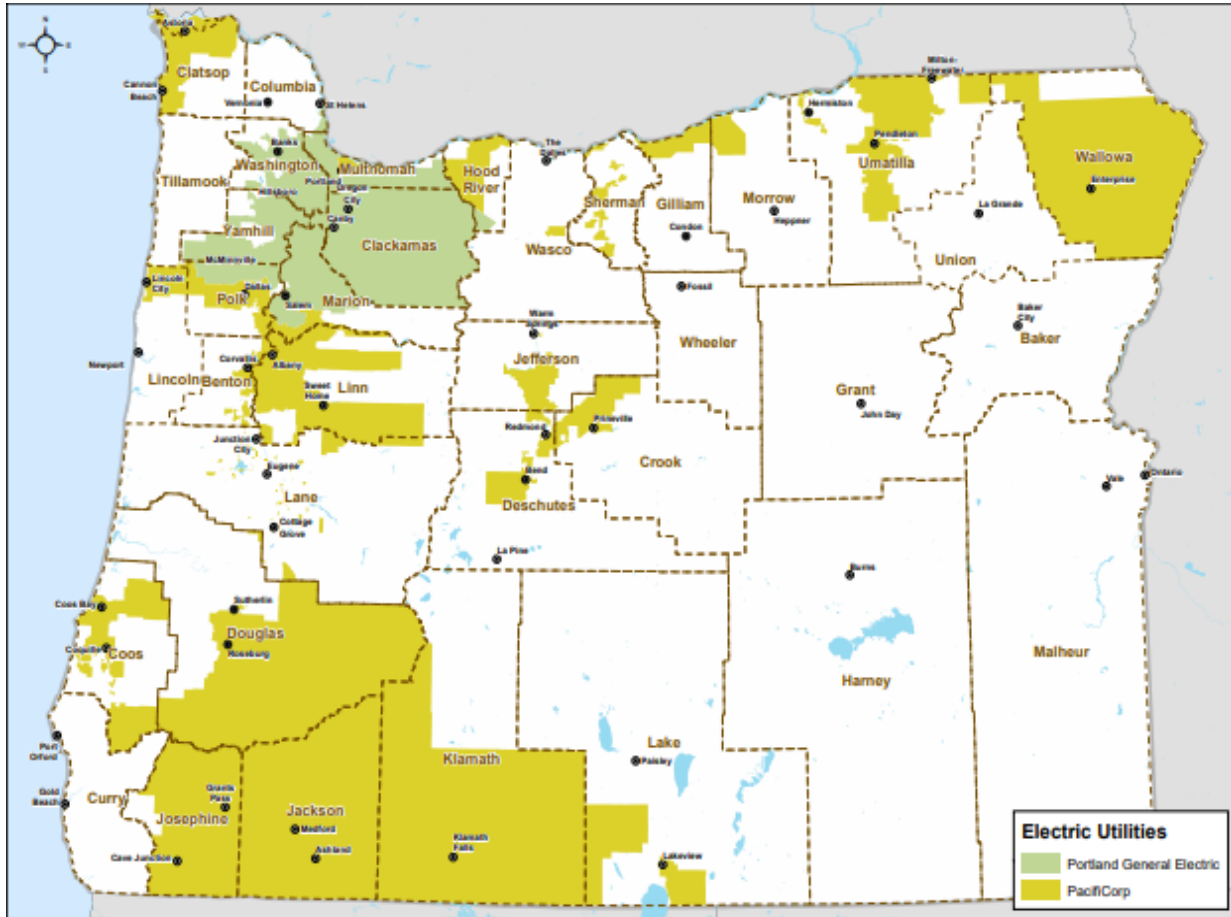
The PPC collection and associated programs are scheduled to sunset on January 1, 2036.

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¹ Oregon Public Utility Commission, *Report to Legislative Assembly on Public Purpose Charge Receipts and Expenditures*, (2020), available at <<https://www.oregon.gov/energy/Data-and-Reports/Documents/2020-Public-Purpose-Charge-Legislative-Report.pdf>> (last visited May 2, 2022)

Figure 1: PGE and Pacific Power Service Territories



Source: Oregon Public Utility Commission, Report to Legislative Assembly on Public Purpose Charge Receipts and Expenditures

PROGRAM HISTORY

In 1999, the Oregon Legislative Assembly adopted [Senate Bill 1149](#) which directed PGE and Pacific Power to collect three percent of their revenues for a PPC to fund new cost-effective energy conservation, new market transformation efforts, above-market costs of new renewable energy resources, and new low-income weatherization. This requirement was scheduled to sunset on January 1, 2026. In 2021, the Legislative Assembly adopted [House Bill 3141](#) which made numerous changes to the PPC statutes. These changes included:

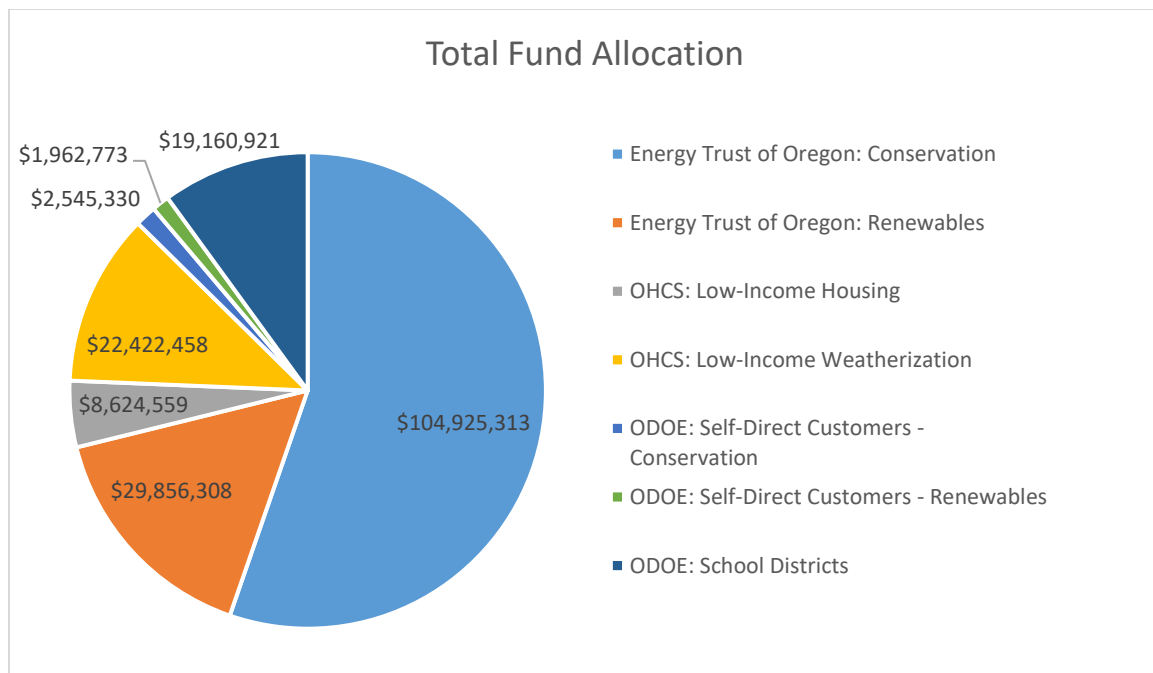
- extending the PPC collection and programs through January 1, 2036;
- moving energy conservation funding out of the PPC and making up for it through energy efficiency paid for by utility rates;
- reducing the collection amount from three percent to 1.5 percent; and
- adjusting the allocation of funding percentages.

The outcomes discussed in this brief reflect the policy direction before the passage of House Bill 3141 in 2021. Updated information will be available in the December 2023 report.

ADMINISTRATION

Three entities, the Oregon Department of Energy (ODOE), Oregon Housing and Community Services (OHCS), and the Energy Trust of Oregon (Energy Trust), which is an independent nonprofit organization that operates under a grant agreement with the Oregon Public Utility Commission (PUC), are responsible for administering or overseeing programs to accomplish the statutory public purposes of the PPC. Figure 2 shows the allocation of PPC funds between the three entities from July 2019-June 2021, when the program was still operating under the previous legislative authorization. The utilities collected a total of \$186,811,133 during this period.²

Figure 2: ODOE, OHCS, and Energy Trust allocation of PPC funds from July 2019-June 2021



Source: Oregon Public Utility Commission, *Report to Legislative Assembly on Public Purpose Charge Receipts and Expenditures*

PUBLIC PURPOSE CHARGE SCHOOLS PROGRAM

ODOE facilitates the administration of the PPC Schools Program by approving reimbursement to the 111 school districts within PGE and Pacific Power's territory. These PPC funds are to be used, first, to pay for energy or fleet audits for schools

² Oregon Public Utility Commission, *Report to Legislative Assembly on Public Purpose Charge Receipts and Expenditures*, (2020), available at <www.oregon.gov/puc/forms/Forms%20and%20Reports/2021-PPC-Legislative-Report-Final.pdf> (last visited May 2, 2022)

located within the school district. Following the completion of an audit, the school district may expend funds received under this paragraph to implement the audit. Once an energy audit has been conducted and completely implemented, the school district may expend funds to:

- conduct additional audits;
- weatherize and upgrade the energy efficiency of school district facilities;
- create energy conservation education programs;
- purchase electricity from environmentally focused sources; or
- invest in renewable energy resources.

Once a fleet audit has been conducted, a school district may expend funds on:

- purchasing or leasing zero-emission vehicles; or
- purchasing or installing electric vehicle charging stations.

According to the Report to Legislative Assembly on Public Purpose Charge Receipts and Expenditures (Report) during the July 2019-June 2021 biennium, the program funded the completion of 104 audits across 35 school districts and the installation of 375 energy efficiency measures which were estimated to save 12,742,454 kWh in electricity and 587,810 therms of natural gas annually. School districts have realized a total savings of \$1,496,018 each year as a result of the installed measures.

SELF-DIRECT PROGRAM

As a part of the PPC program, large commercial and industrial consumer sites (over 8,760,000 kWh in the prior year) may be eligible for the Large Electric Consumer Public Purpose Program, also known as the Self-Direct Program. Self-directing consumers can manage their own eligible projects. ODOE reviews applications and approves sites that meet eligibility criteria. Certified sites can submit conservation and renewable energy project applications to ODOE. Once pre-certified, sites then spend their own funds to build the projects. Once the project is completed, they can apply to ODOE for credit. Renewable energy credits come from either on-site renewable energy generation projects or by purchasing renewable energy certificates (RECs or Green Tags). If approved, they offset the monthly conservation and renewable energy portion of the PPC.

During the period July 2019-June 2021, there were 47 self-directing sites, representing 43 companies, that self-directed either the conservation, renewable energy, or both portions of the PPC. There were five certified conservation projects during this same period with a combined impact of 6,945,952 kWh in reduced energy consumption and \$442,893 in energy savings annually. There were 43 sites that purchased RECs/Green Tags to fulfill their renewables obligation; in total, this represented over 741 million kWh of renewable energy.

ENERGY TRUST OF OREGON

Energy Trust was designated by the PUC to administer the conservation and renewable energy resource components of the PPC. Energy Trust provides information, financial incentives, and technical assistance to individuals, businesses, and communities. They are tasked with acquiring all cost-effective energy efficiency resources in PGE and Pacific Power territories. To achieve this goal, funding for Energy Trust comes from both the fixed annual funding of the PPC and from variable annual funding through [Senate Bill 838](#) (2007). Senate Bill 838 funds cover additional cost-effective energy efficiency resource acquisition not covered by the annual PPC funding.

Through regulatory agreements with the investor-owned natural gas utilities, the PUC expanded the scope of Energy Trust services to NW Natural, Cascade Natural Gas, and Avista. The funding of Energy Trust's gas energy efficiency activities is outside of the PPC legislation.

In addition to energy efficiency services, Energy Trust also supports small renewable energy projects through the renewables portion of the PPC. These systems include rooftop solar, biopower combined heat and power systems, and micro hydropower plants connected to either PGE or Pacific Power. Energy Trust is required to achieve annual minimum performance measures, report quarterly and annually to the PUC, provide draft and final budgets to the PUC, create a strategic plan every five years, and contract for an independent management audit every five years.

According to the Report, Energy Trust's PPC-funded programs accounted for 358,336,566 kWh in energy savings across both the PGE and Pacific Power service territories for the 2019-2021 biennium. In addition, Energy Trust invested PPC funding in renewable energy project installations using solar, hydropower, and biopower, as well as project development assistance for projects that would create renewable energy through hydropower, biopower, geothermal, and municipal-owned community wind resources to reduce early-stage development barriers for projects, like systems in the Community Solar Program.

In 2022, the PPC and funding pathway for cost-effective energy efficiency was changed when [House Bill 3141](#) took effect. At that point, cost-effective energy efficiency became funded through the utilities' individual rate-setting processes with the PUC.

OREGON HOUSING AND COMMUNITY SERVICES

The Oregon Housing and Community Services (OHCS) administers programs partially funded by PPC that provide financial support and resources for lower- and moderate-income Oregonians. Under current law, 0.14 percent of the PPC is allocated to the Housing and Community Services Department Electricity Public Purpose Charge Fund. A portion of the funds may be used for manufactured housing replacements as a means to deliver energy efficiency.

According to the Report, during the 2019–2021 biennium OHCS completed 31 multifamily rental projects through the Low-Income Multifamily Weatherization program by weatherizing 2,186 homes, resulting in 3,506,834 kWh in annual energy savings. The Housing Development Grant Program, commonly known as the Housing Trust Fund, is designed to expand the state’s supply of housing for low- and very low-income families and individuals. The Housing Trust Fund receives 4.5 percent of PPC funds. The program’s purpose is to provide grants and loans to construct new, acquire, and/or rehabilitate housing. The program includes affordability requirements based on eventual occupancy. During the 2019–2021 biennium, there were six low-income housing projects (447 units).

Note: The Oregon Public Utilities Commission (PUC) contracted with Evergreen Economics to prepare a report to the Oregon Legislative Assembly documenting PPC receipts and expenditures. This brief relied heavily on the analysis provided by the Report to the Legislative Assembly on Public Purpose Charge Receipts and Expenditures. The Report is available at: www.oregon.gov/puc/forms/Forms%20and%20Reports/2021-PPC-Legislative-Report-Final.pdf.

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