

# Oregon Department of Energy

## Budget Overview

Presentation to the Joint Committee on Department of Energy Oversight

Legislative Fiscal Office

March, 2016

# Department of Energy: Mission & Programs

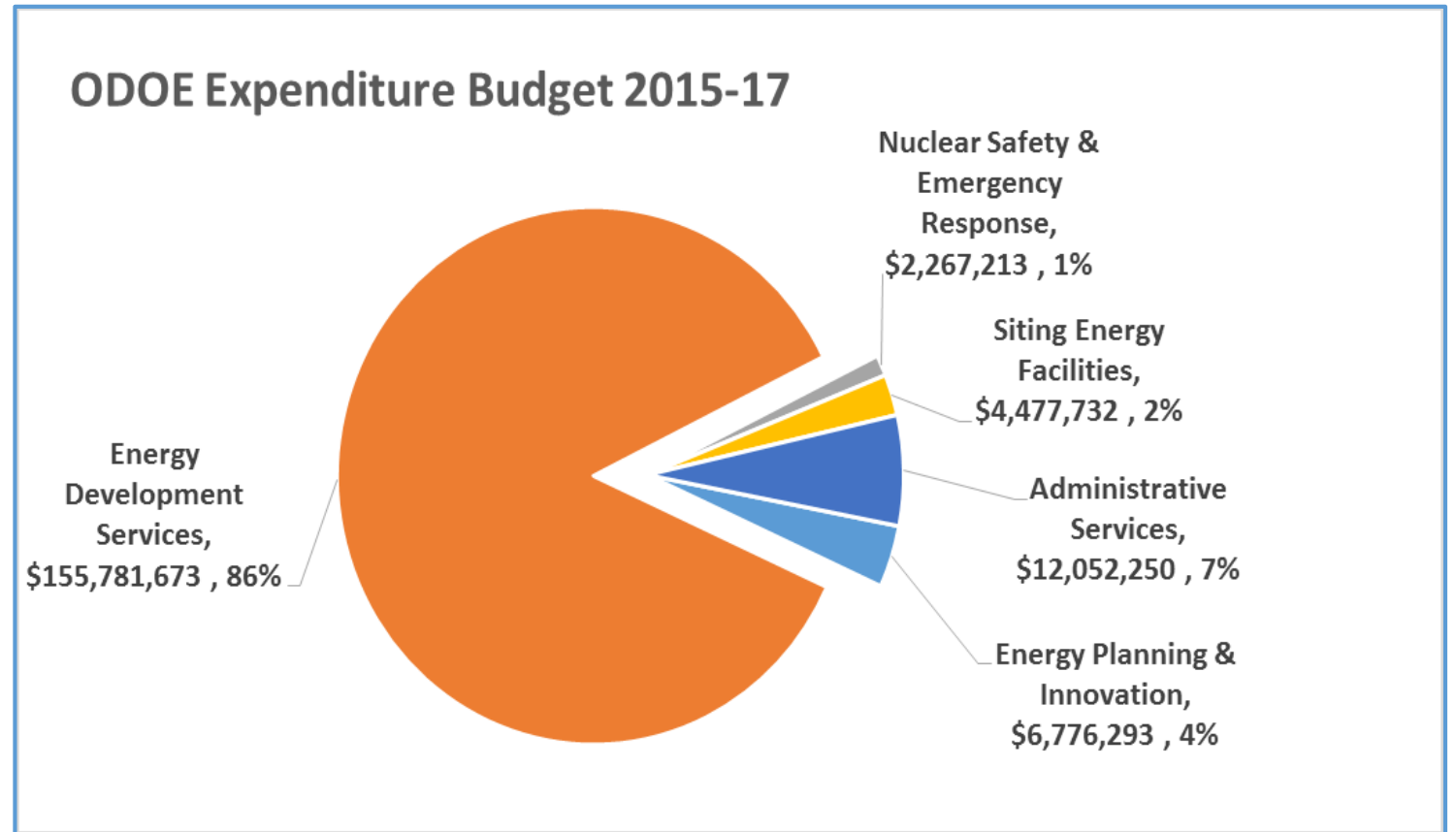
- Agency mission statement: “Leading Oregon to a safe, clean, and sustainable energy future.”
- Achieves mission through five major program areas
  - Energy Planning and Innovation
  - Energy Development Services
  - Nuclear Safety and Emergency Response
  - Siting Energy Facilities
  - Administrative Services
- 2015-17 Legislatively Adopted Budget: \$181,355,161
- 105 positions, 104.5 FTE

# Many statutory responsibilities

- ORS Chapter 469: Energy, Conservation Programs, Energy Facilities
  - Agency Administration & Northwest Power Planning & Conservation Council
  - Energy Efficiency Standards, Regulation of Energy Facilities, Residential & Commercial Energy Conservation, Alternative Fuel Vehicles
- ORS Chapter 469A: Renewable Portfolio Standards (2007)
- ORS Chapter 470: Small Scale Energy Projects
  - Small Scale Energy Loan Program (1979), Energy Efficiency & Sustainable Technology Loan Program (2009), Clean Energy Deployment Program (2009), Alternative Fuel Vehicle Revolving Fund (2014)
- Other statutory responsibilities
  - Clean transportation, geothermal & wave energy, biomass, school and public building energy efficiency, energy codes and practices

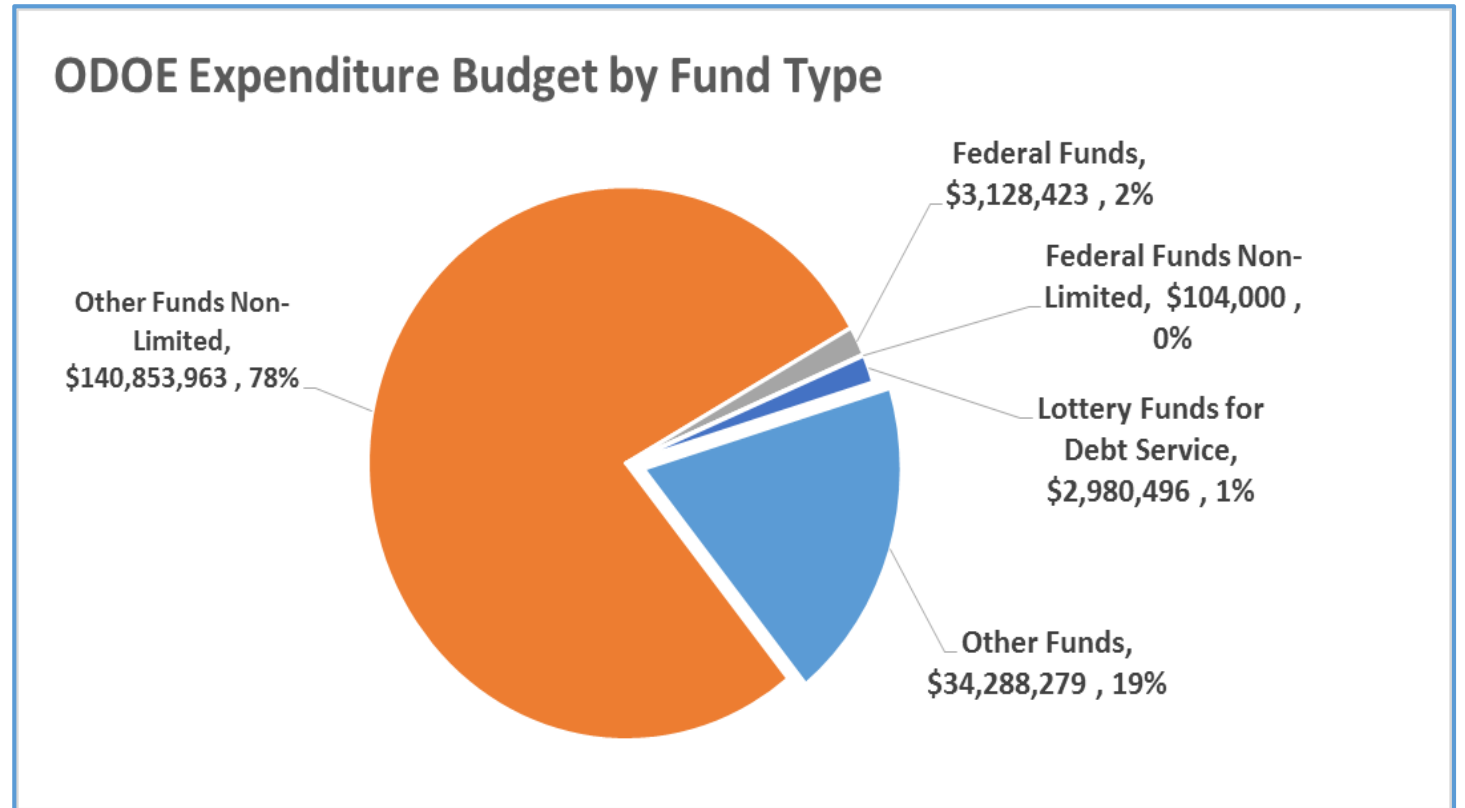
# Expenditures by Program Area

- A small agency that operates a very large program
- Largest portion of the budget = Small Scale Energy Loan Program (SELP), in Energy Development Services
- 21.7% reduction in budgeted expenditures from 2013-15



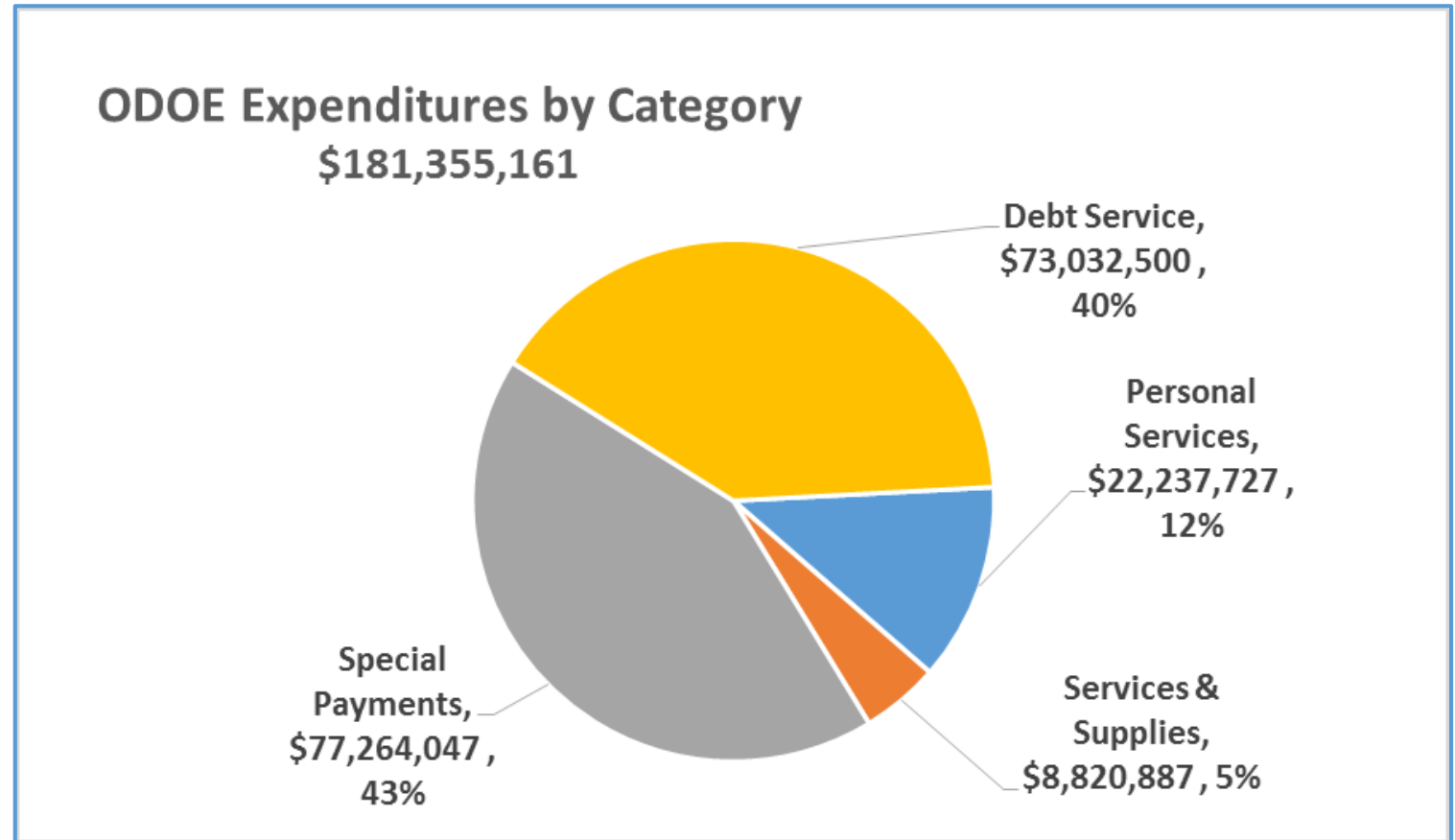
# Expenditures by Fund Type

- Nonlimited Other Funds: energy loans, debt service payments
- Federal Funds: nuclear program, State Energy Program
- Lottery Funds: debt service for EEAST pilot project
- Other Funds: planning, policy, program administration

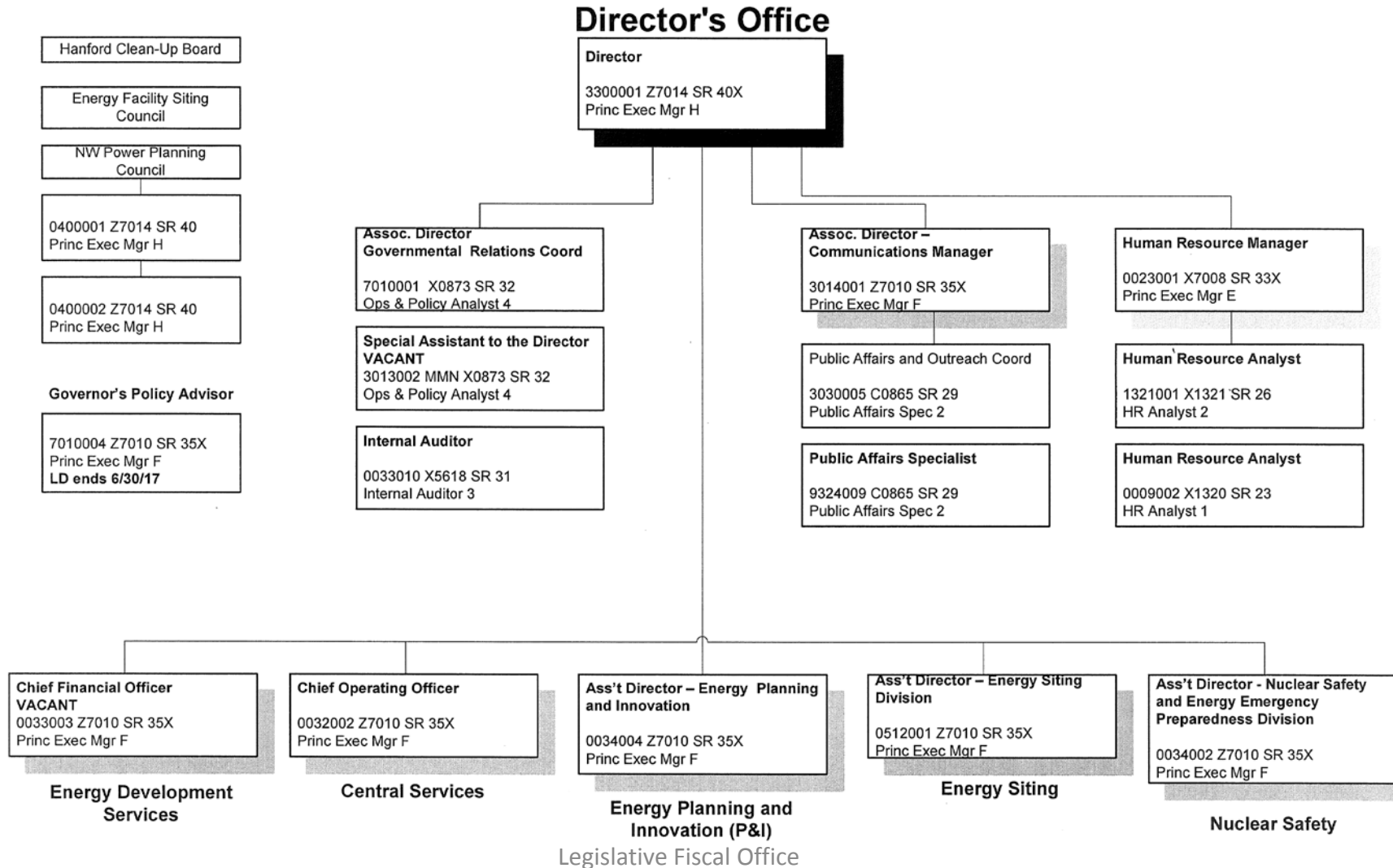


# Expenditures by Category

- Special Payments include grant and loan distributions, cash incentives
- Debt service is for the SELP loan program

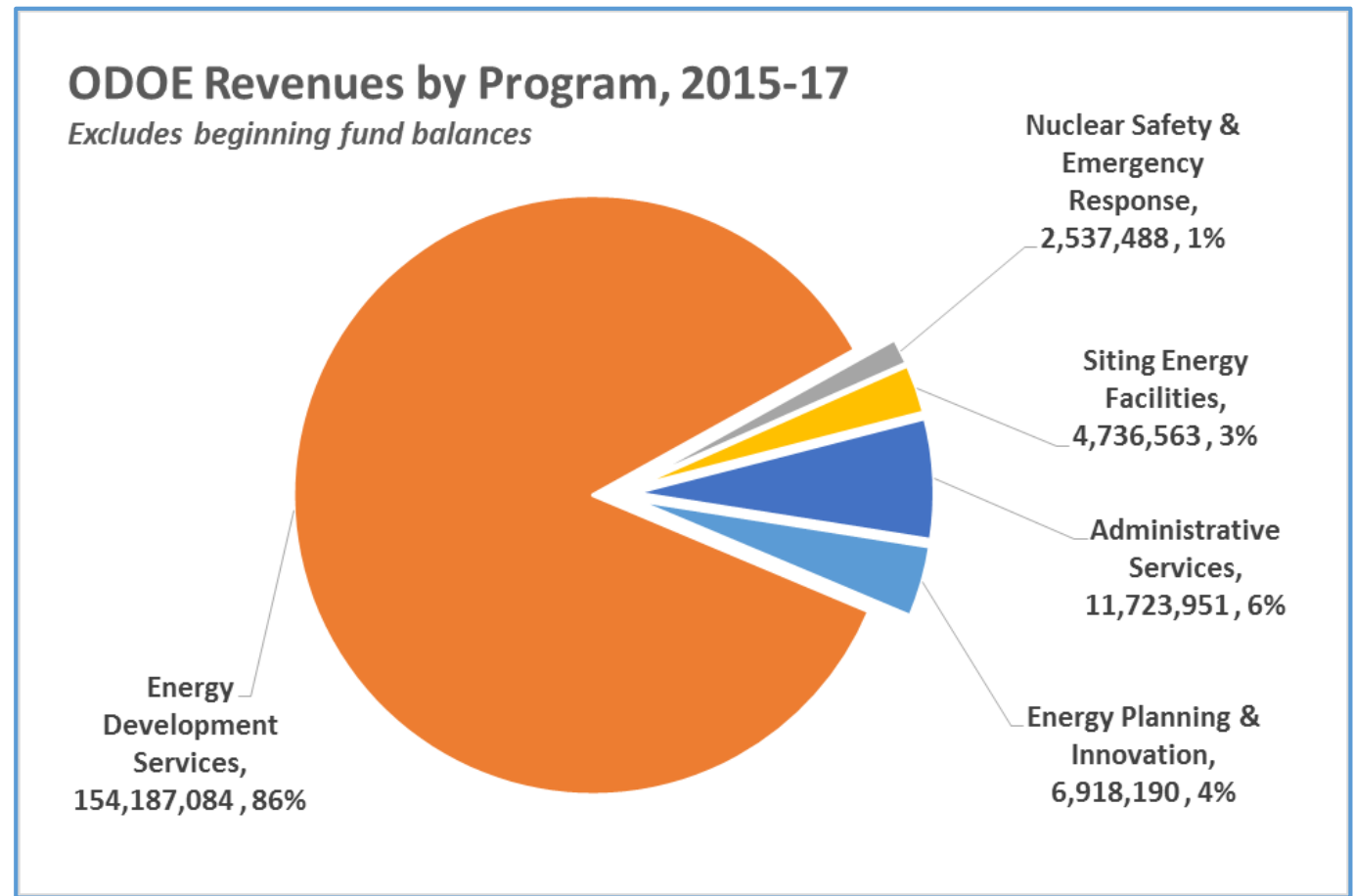


# Organization Chart



# Revenues by Program Area

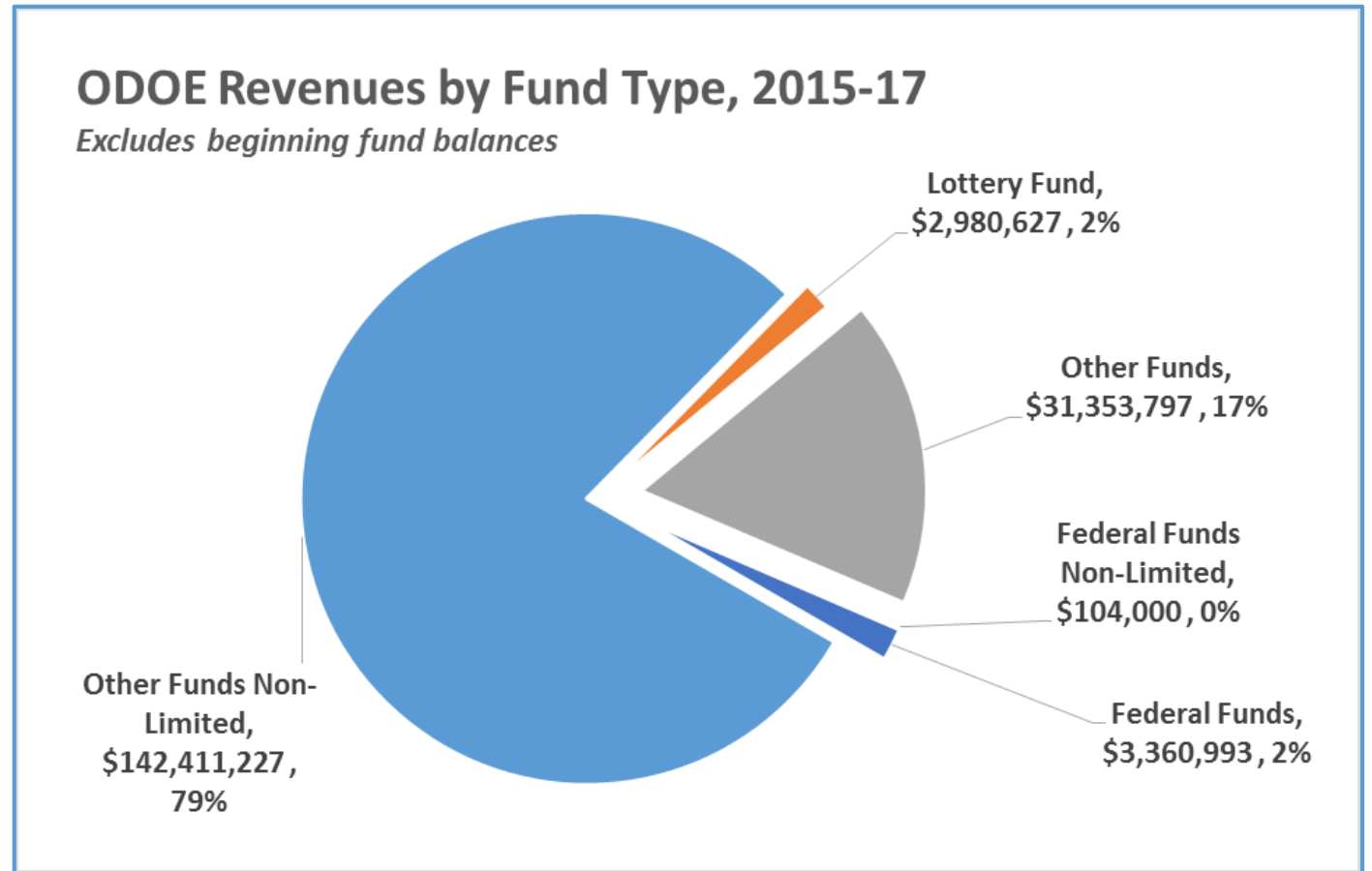
- Energy Development Services: bond proceeds and loan repayments
- Nuclear Safety: federal grants
- Siting: siting fees
- Energy Planning: Energy Supplier Assessment
- Administration: indirect charges, Energy Supplier Assessment





# Revenues by Fund Type

- Non-limited = loans and debt service payments
- Federal = State Energy Loans program, Hanford clean-up grant
- Lottery = debt service
- Other Funds = various fees for services: application, technical review, radioactive waste transport, Energy Supplier Assessment



# Program Fees

- Non-ESA fee revenues in 2015-17 = \$11,966,091
- All programs are fee supported – 48 fees, variety of types
  - Program cost recovery basis
  - Percentage of loan or tax credit basis
  - Flat fee basis (for applications)
- Most fees are paid by the applicant
  - Some fees paid by energy suppliers, commercial transportation entities
- Some fees support particular programs
  - State Home Weatherization program
  - Energy Efficiency and Sustainable Technology project fees

# Energy Supplier Assessment

- Agency's primary source of program revenues
  - Budgeted ESA revenue in 2015-17: \$13,119,539
  - Supports 38.3% of Other Fund expenditures in 2015-17
- Authorized in ORS 469.421(8)(a-k)
  - Describes method of calculation
  - Sets cap on amount that can be assessed
- “Energy Resource Suppliers” are electric utilities, natural gas utilities, and petroleum suppliers
- Revenue mechanism is difficult to administer
  - ESA is not a rate – it is an assessment of agency expenses
  - It is based on payer revenues – highly variable year-over-year

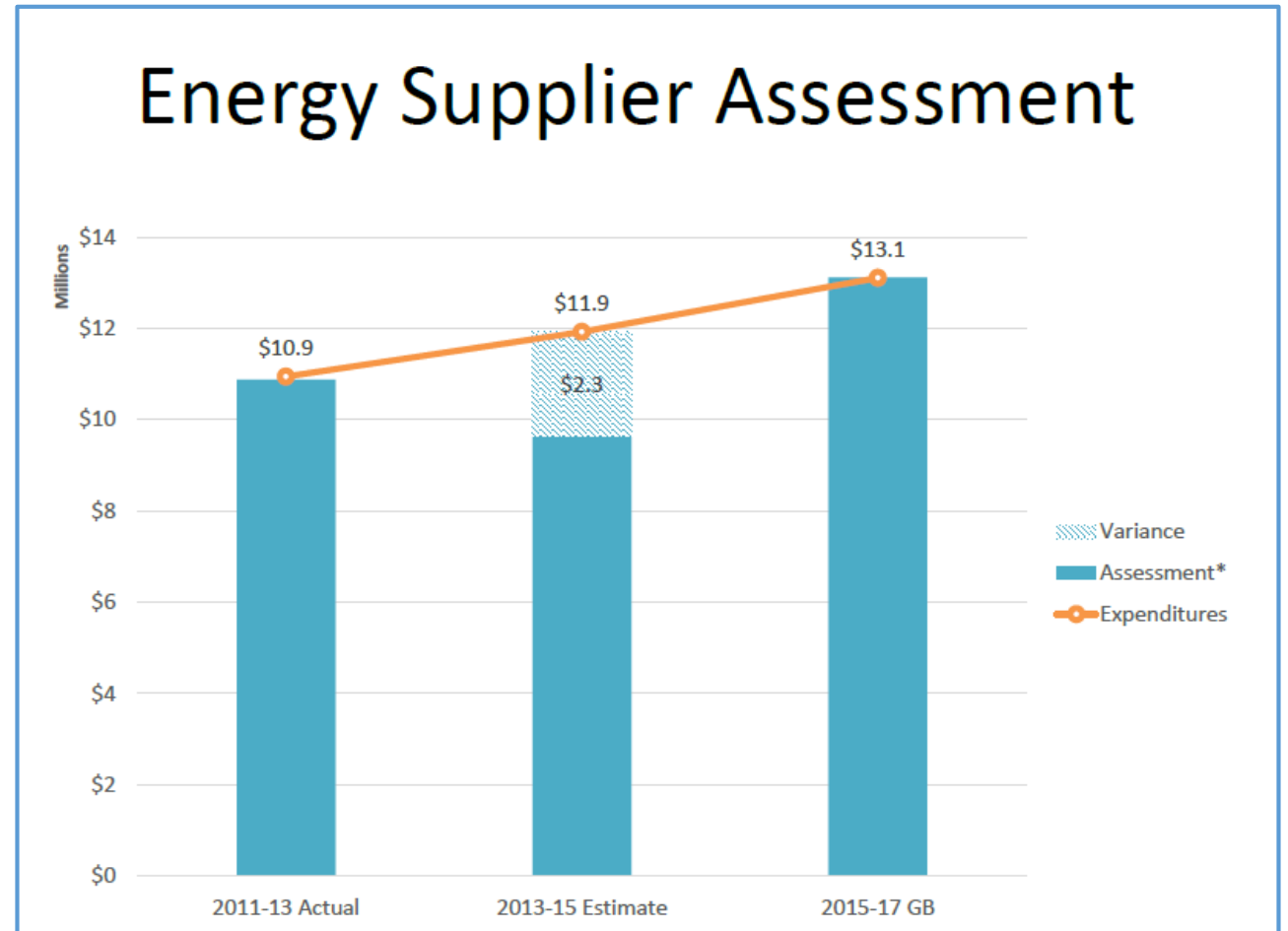
# Energy Supplier Assessment *continued*

## Assessment mechanism:

1. Estimate ODOE program expenditures
  2. Estimate all available ODOE revenues, including federal funds
  3. Subtract revenues from expenditures to get amount to assess
  4. Divide amount to assess by total gross operating revenues of energy suppliers
- Result is highly variable year-over-year and difficult for payers to estimate
  - Timing: budgets are prepared before energy supplier revenues are reported

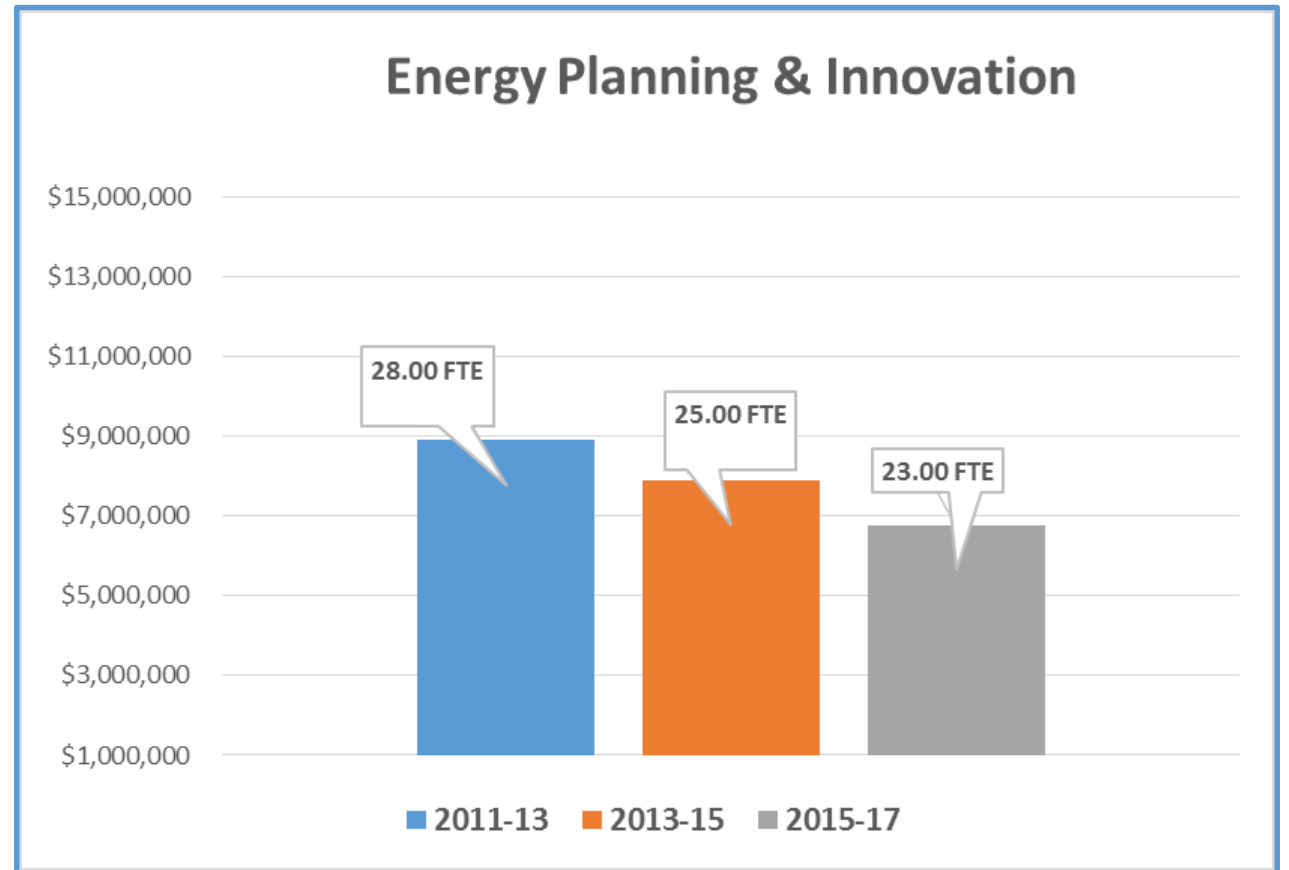
# Energy Supplier Assessment *continued*

- Budgetary actions in 2013-15 reduced ESA collections in that biennium, but....
- Created an artificial jump in ESA revenues for 2015-17
- Budget note in 2015-17 directs ODOE to limit ESA expenses to budgeted amounts, and to plan for that amount in 2017-19



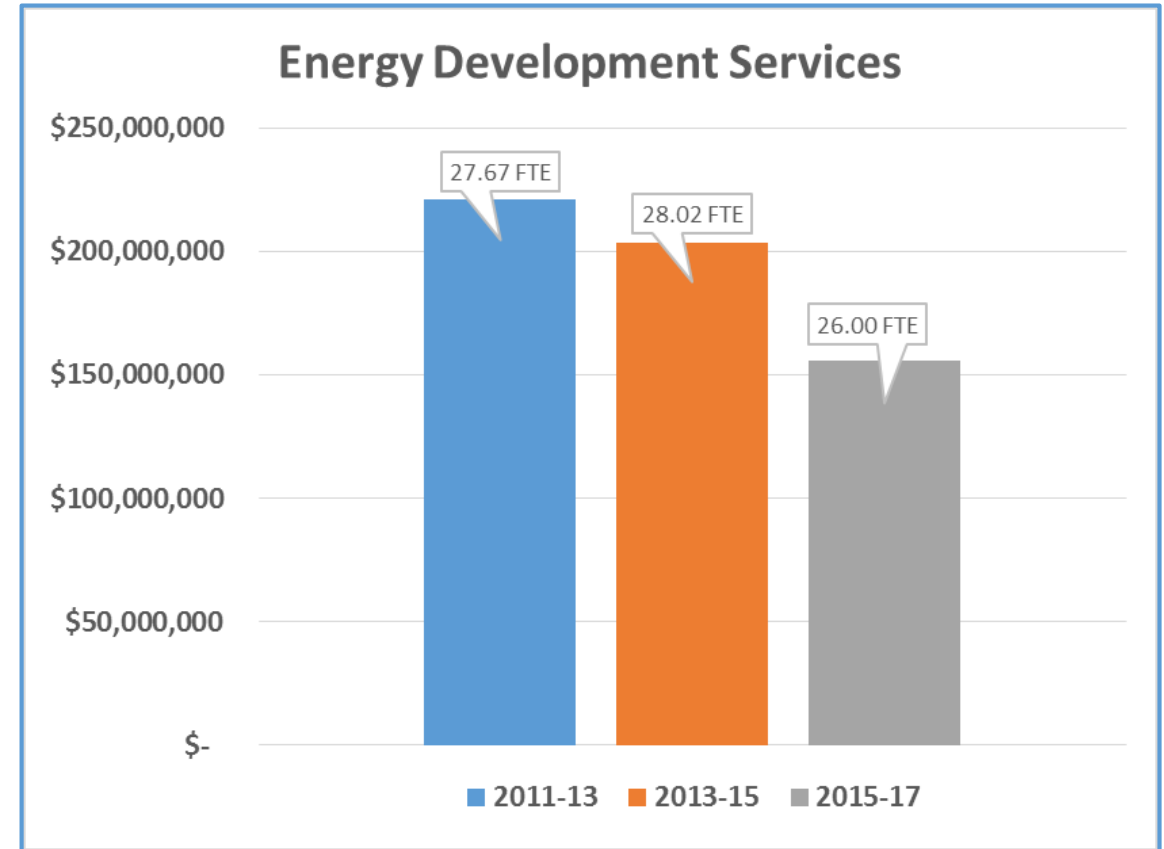
# Energy Planning & Innovation

- Planning and technical assistance for:
  - Energy conservation
  - Energy Efficiency
  - Renewable Energy
  - Energy Technologies
- Budget reduced 14.28% and 2.00 FTE from 2013-15
  - Reduced demand in certain program areas
  - Grant program ended



# Energy Development Services

- Energy incentives, loans, tax credits, and rebates
  - Small-Scale Energy Loan Program
  - Residential Energy Tax Credits
  - Biomass Producer or Collector Tax Credits
  - Renewable Energy Development grants
  - Conservation Tax Credits
  - Transportation Tax Credits
  - State Home Oil Weatherization



# Energy Development Services *continued*

- Most incentive programs capped or having funding limits
- Loan programs require technical and business reviews, site visits
- Residential Energy Tax Credit is the “most popular” program

Opportunity	Distribution Method	Funding Available
Conservation – Small Premium Projects under \$20k in project cost, prescriptive	First in, first out	\$28 million each biennium
Conservation – Commercial Buildings	Competitive	
Conservation – Commercial, Agricultural and Industrial Processes		
Conservation – Thermal		
Conservation – Combined Heat and Power (CHP-CoGen)		
Transportation – Transit Services	Allocation formula of credits among projects	\$20 million each biennium
Transportation – Alternative Fuel Vehicle Projects: Infrastructure and Fleets (Fleets eligible beginning January 2015)	First in, first out	
Renewable Energy Development Grants	Competitive	Amount depends on auction; capped at \$3 million per biennium
Residential Energy Tax Credit	Rolling	Uncapped, except third-party solar limited to \$10 million in reservations
State Home Weatherization Rebate	Rolling	Up to \$400,000 per year, based on petroleum supplier assessment
Biomass Producer or Collector Tax Credit	Rolling	Uncapped

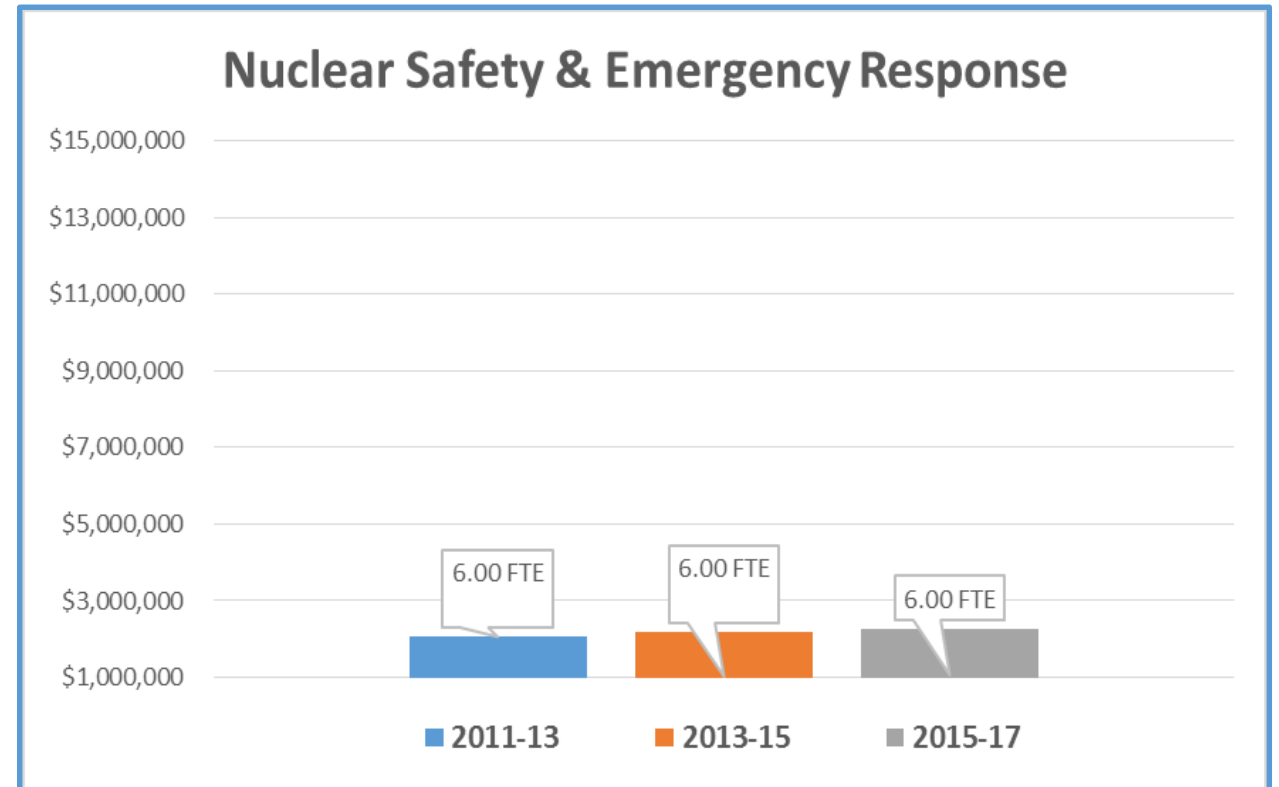


# Energy Development Services *continued*

- Budget reduced 23.6% and 2.02 FTE from 2013-15
- Various issues affecting division operations and outcomes
  - Sunset dates in 2017-19 for:
    - Residential Energy Tax Credit
    - Conservation Tax Credit
    - Alternative Fuel Vehicle Tax Credit
    - Renewable Energy Development program
  - SELP deficit
    - Projected loan repayments not sufficient to meet future debt service requirements
    - Result of several loan defaults in late 2000s
    - Will require estimated \$15.3M General Fund cash to support debt service through 2034

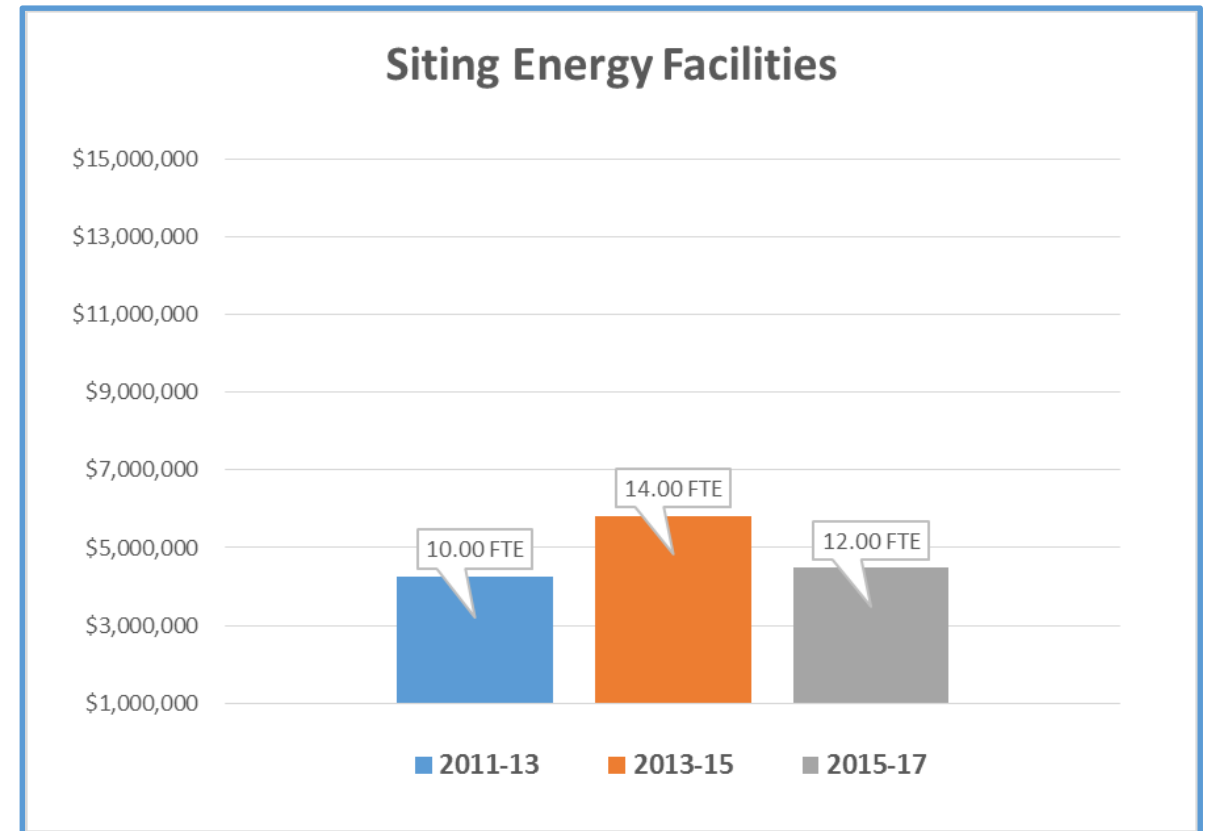
# Nuclear Safety & Emergency Response

- Hanford Nuclear Reservation cleanup monitoring
- Maintain nuclear emergency preparedness plans
- Oversee transport of radioactive materials through Oregon
- Budget 4.3% higher than 2013-15. Receives 69% of funding from federal government



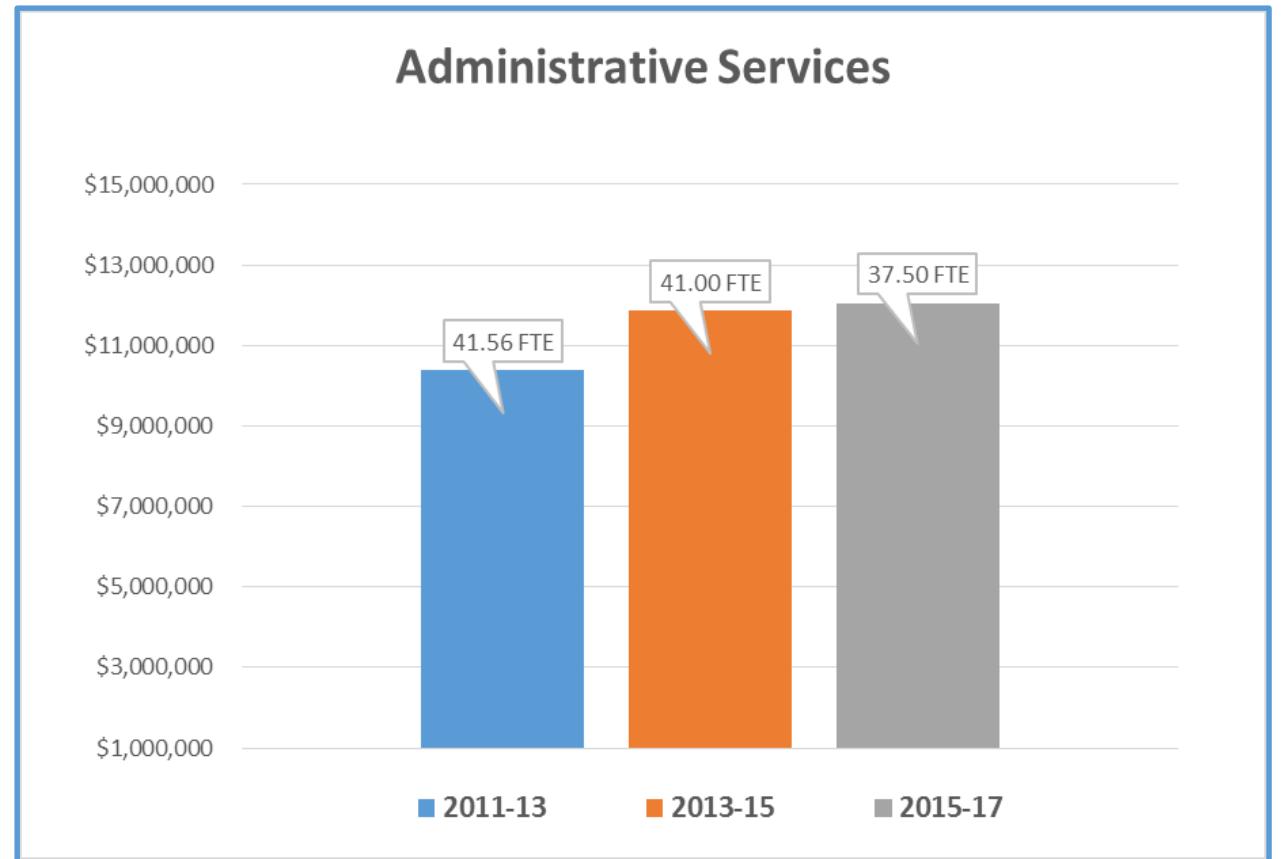
# Siting Energy Facilities

- Manages siting of large power plants, transmission lines, and natural gas pipelines
- Energy Facility Siting Council provides oversight
- Budget reduced 22.3% and 2.00 FTE from 2013-15
  - Workload shifts cause staffing changes
  - Closed Hermiston office 2013-15



# Administrative Services

- Director's Office
- Agency operations and management – finance, contracting, HR, facilities, IT
- Budget pays for Governor's and NWPCC staff (3.00 FTE)
- Budget 0.2% greater than 2013-15, reduced 3.50 FTE
  - Reductions taken in 2013-15 made permanent in 2015-17

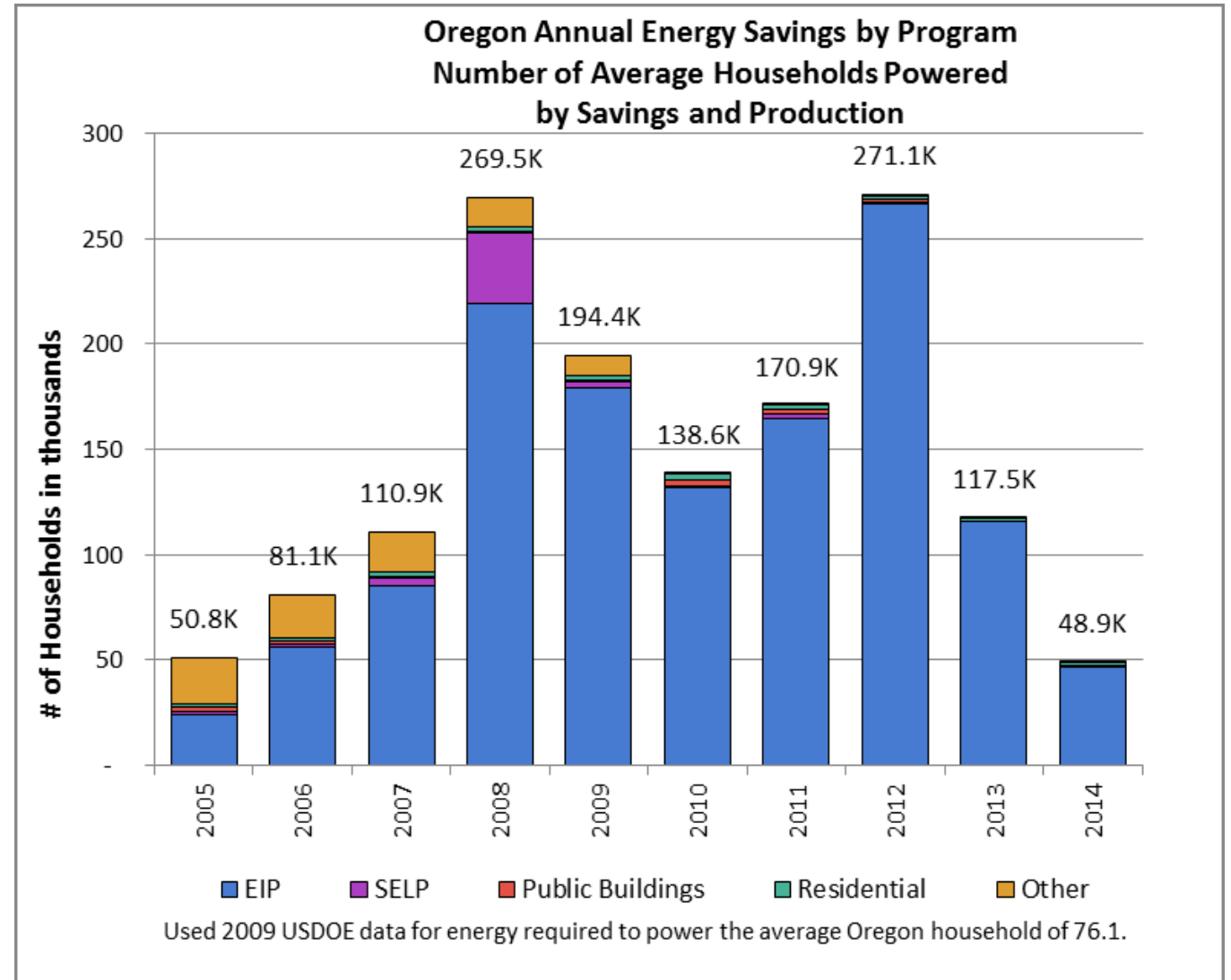


# Key Performance Measures

- Current KPMs measure energy savings produced by ODOE programs
  - Total energy savings
  - Savings from Energy Incentive Programs
  - Savings from SELP Program
  - Savings in public buildings
  - Savings from residential programs
- KPMs also measure customer service and application processing
- New KPMS for 2015-17 resulting from legislative direction to measure performance of Energy Planning & Innovation Division

# Current KPMs

- Results through 2013 largely driven by Business Energy Tax Credit program, now sunset
- Future overall energy savings will be smaller absent the BETC program and due to incentive program caps, sunsets



# Current KPMS *continued*

- Customer service average satisfaction rate 84.9%
  - Goal is 95%
  - More frequent sampling may yield better data for this measure
- Application processing notifications
  - Goal is 100%
  - Energy Facilities Siting notifications within 60 days of receipt: 100%
  - Energy Incentive program applications processed within 60 days: 82.6%
  - Residential Energy Tax Credit applications processed within 60 days: 98.5%

# New KPMs

- New KPMs approved in 2015-17
  - Energy use by state buildings
    - Directly measures ODOE energy savings activities
    - Encourages replicable energy saving ideas for export to other sectors
  - Carbon content of Oregon's energy mix
    - For both electricity and thermal energy
    - Measures progress toward expanding the mix of renewables into Oregon's energy supply
  - Percentage of alternative fuels used in Oregon large fleets
    - Directly measures ODOE's activities in the transportation energy sector
    - Focus on large fleets to drive market transformation
  - Anticipate reporting on these new measures in 2016 (2014 and 2015 data)



# Outstanding Budget Issues

- Budget note limiting ESA in agency request in 2017-19
  - Creates an estimated shortfall in 2017-19 current service level of approximately \$700,000 - \$1.5 million
- SELP loan fund re-capitalization
  - ODOE has tightened underwriting standards
  - Focus on lending to public-sector entities, less likely to default
- *But:*
  - Ability to fully cure deficit is fundamentally limited
  - State Debt Policy Advisory Commission current recommendation to not issue new SELP loans limits ODOE's ability to mitigate deficit

# Additional Information

- Oregon Department of Energy

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- ODOE budget information: [http://www.oregon.gov/energy/Pages/about\\_us.aspx](http://www.oregon.gov/energy/Pages/about_us.aspx)

- LFO Contact information

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