



**OREGON STATE SENATE**

**Committees:**  
Vice-Chair:  
Environment &  
Natural Resources

Member:  
Veterans & Emergency  
Preparedness

TESTIMONY ON SB 807  
SENATE BUSINESS AND TRANSPORTATION COMMITTEE  
APRIL 2, 2013

1. The Public Purpose Charge was created by the Legislature in 1999 as part of the negotiations on a direct access bill – SB 1149. It required PGE and PacifiCorp to collect a surcharge on each utility bill of 3%. Initially, Northwest Natural Gas and Cascade Gas were not mandated to collect this surcharge, but in early 2000 they opted to participate. As a result, customers of both electric and gas utilities collecting the public purpose charge now pay 6%.
2. SB 1149 created the authority for PUC to contract with a non-governmental entity to manage the public purpose funds. They created the ETO and then entered into a contract with them with a guaranteed funding source. There are no statutory follow-up discussions by the Legislature. SB 1149 established a 10-year sunset date, which was extended by the legislature in 2007 to year 2026, without a legislative discussion on extending the sunset date.
3. In 2001, approximately \$398,000 was sent to the ETO from participating utilities. Last year, over \$146 million was collected and by 2014, the projected total revenue is \$172 million.
4. Perhaps most shocking is between 2009 and 2010, there was a 36% increase in total revenues collected. It begs the question – how much energy savings are we achieving when the public purpose fund collections escalate by 36%?
5. ORS 757.612 outlines the requirements for a non-governmental entity. There are two oversight requirements:
  - a. An independent annual audit;
  - b. An independent management evaluation to review the non-governmental entity's operations at least every 5 years.

These reports are only required for the PUC.

ORS 757.617 requires the OPUC and ODOE contract for a biennial report to the Legislature that is sent by January 1. According to the most recent contractor, "This report does not attempt to evaluate how well the various PPC programs are being implemented, nor have we attempted to independently verify the energy savings accomplishments reported by the PPC fund administrators."

A report mailed to the Legislature does not create a requirement for Legislative oversight.



## ISSUES OF CONCERN:

1. Automatic growth of the funds both current and projected. We had over a 400% increase since the inception of the program.
2. The only legislative review of this \$146 million is through the Ways and Means review of the PUC budget. Because the ETO is a non-governmental entity there is no legislative authority to directly review the public purpose funds distributed by the Energy Trust.
3. In May 2012 the Secretary of State audited the SB 1149 Energy Surcharge dedicated to energy efficiency for schools. This program is operated by ODOE. The audit identified problems with the program stating “Schools could have potentially achieved almost \$40 million more in anticipated district utility bill savings and gained an additional 70% energy reduction.” That audit provided three recommendations for Legislative consideration to improve the schools program. One of those recommendations suggested “more specific statutory direction regarding the cost-effectiveness or other desired outcomes of measures eligible for implementation”. To my knowledge none of these recommendations were brought before the Legislature. With the difficulties confronting the Legislature on school funding, maximum energy savings are imperative.
4. An Energy Trust Staff memo dated 12-1-2012 states “staff is interested in as much money as possible going out the door each year to achieve energy efficiency savings and renewable generation for ratepayers”. According to this memo, a goal of the ETO is to have no more than 5% carryover each year. Based on the amount of carryover, is there ever any discussion of program reductions or capping the funds?
5. The public purpose charge was established in 1999. It is now 2013. Does the Legislature need to review the statutory distribution formula based on subsequent energy efficiency and renewable resource legislation? Should the fund allocations be altered? Have we reached the saturation point of energy efficiency and conservation? Have any statutes been passed that impact the ETO funding, such as the RPS? It is time for a thorough review of this 14 year old program that has grown beyond anyone’s expectation.

The basic premise of SB 807 is to provide a more comprehensive audit of Energy Trust– i.e. a performance audit of a non-governmental entity that is distributing \$146 million dollars (2012) of ratepayer money. Utilities do not have any oversight or control of these programs – they collect the money and pass it on to ETO. I believe that the Legislature has an obligation to ratepayers to provide oversight of this fund they created. We need both transparency and an assurance there is an adequate return on investment.

I urge this Committee to consider the merits of SB 807.