

## Phase II Budget Presentation Materials

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# Policy Option Packages Overview



## Requested budget modifications:

- The Governor’s Office requested that the \$500,000 in General Funds included in Policy Option Package 101 be transferred to Oregon Department of Fish and Wildlife.
- The agency has elected to withdraw Policy Option Package 501 – Salem Office Consolidation. The agency is still working through options and evaluating costs for consolidating its main office and annex in Salem. When a definitive proposal is available, the department will return to the Legislature to request expenditure limitation, if needed.

## Policy Packages Summary

POP Recap	What the Investment Buys	Why It Matters
<p><b><u>101: Governor’s Energy Priorities</u></b></p> <p>\$1,232,015 OF \$174,012 FF 4.84 FTE   4 Positions</p> <hr/> <ul style="list-style-type: none"> <li>• Continues 4 existing positions and makes whole a partial position</li> <li>• Invests \$300,000 in professional services in data systems</li> </ul>	<ul style="list-style-type: none"> <li>✓ Restores statewide services for residential energy efficiency including:                             <ul style="list-style-type: none"> <li>▪ Technical support for state incentive programs, including the Residential Energy Tax Credit, State Home Oil Weatherization program and tax credits for rental weatherization, and development of state standards</li> </ul> </li> <li>• Assistance to and coordination with utilities, local governments, and state, regional and national organizations on high-efficiency household appliances, lighting, water heating, and space heating and cooling equipment</li> <li>• Training and technical assistance on energy-efficient home building and renovation practices</li> <li>✓ Continues Cool Schools program to provide energy efficiency services for rural K-12 schools and develops State Building Innovation Lab concept</li> </ul>	<ul style="list-style-type: none"> <li>✓ Maximizes energy efficiency in residential, commercial, industrial and public building sectors to reduce energy bills</li> <li>✓ Streamlines energy financing infrastructure to overcome barriers to developing Oregon’s own energy resources</li> <li>✓ Facilitates use of alternative transportation fuels including natural gas, electricity, propane and biofuels</li> <li>✓ Leverages department programs with other programs for maximum impact</li> <li>✓ Provides outreach to affected communities</li> <li>✓ Enables timely incentive program changes based on sound information and analysis</li> </ul>

## Policy Option Packages Overview

POP Recap	What the Investment Buys	Why It Matters
<p><b>POP 101 Cont.</b></p>	<ul style="list-style-type: none"> <li>✓ Increases outreach and policy coordination for alternative transportation fuels and infrastructure</li> <li>✓ Continues consulting services to develop financial plans for schools to use energy savings to repay loans</li> <li>✓ Provides ongoing energy policy support in the Governor’s Office</li> <li>✓ Improves data systems for future investments in energy efficiency to achieve reduced administrative costs in government</li> </ul>	
<p><b><u>090: Governor’s Adjustments</u></b></p> <p><b>\$10 million in Lottery bonds</b></p>	<ul style="list-style-type: none"> <li>✓ Allocates \$5 million to the Small-scale Energy Loan Program to cover a future program deficit</li> <li>✓ Provides \$5 million to the Jobs Energy Schools Fund</li> </ul>	<ul style="list-style-type: none"> <li>✓ Shores up the debt service reserves of Small-scale Energy Loan Program, mitigating risk to the General Fund</li> <li>✓ Establishes competitive grant funds for entities that coordinate energy efficiency assessments, financing and contractors</li> </ul>
<p><b><u>201: Energy Incentives Program</u></b></p> <p style="text-align: center;">\$447,060 OF 2.52 FTE   3 Positions</p> <hr style="width: 20%; margin-left: 0;"/> <ul style="list-style-type: none"> <li>• Makes 3 limited duration positions permanent</li> <li>• Package requires fee modifications</li> </ul>	<ul style="list-style-type: none"> <li>✓ Continues current staffing levels for application processing, technical analysis and compliance activities associated with administering seven subprograms and over \$50 million in tax credits</li> <li>✓ Establishes a more stable cost recovery model that integrates lessons learned over the current biennium</li> </ul>	<ul style="list-style-type: none"> <li>✓ Promotes energy conservation, clean energy projects and transportation alternatives through effective implementation of incentive programs per statute (HB 3672, 2011)</li> <li>✓ Protects the General Fund by ensuring compliance with statutory mandates</li> <li>✓ Promotes excellent customer service by enabling timely handling of a more complex application process</li> </ul>

## Policy Option Packages Overview

POP Recap	What the Investment Buys	Why It Matters
<p><b><u>401: Energy Facility Siting</u></b></p> <p style="text-align: center;">\$1,027,091 OF 3.00 FTE   3 Positions</p> <hr style="width: 20%; margin-left: 0;"/> <ul style="list-style-type: none"> <li>Makes two limited duration positions permanent</li> <li>Adds a position to support project financial oversight and cost recovery</li> </ul>	<ul style="list-style-type: none"> <li>✓ Continues current staff working on process efficiencies, contested cases, public participation and state energy facility siting policies</li> <li>✓ Continues resources critical for keeping pace with increased number and complexity of applications</li> <li>✓ Adds support for financial oversight of projects to improve cost recovery from applicants for site certificates reviewed by the department and other state and local government entities as required by law</li> </ul>	<ul style="list-style-type: none"> <li>✓ Ensures timely review of siting applications despite increased workload and complexity of issues addressed</li> <li>✓ Continues the streamlining of the siting process</li> <li>✓ Improves public participation</li> <li>✓ Enhances support for cost recovery from applicants and financial oversight of project review costs</li> </ul>

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## Key Budget Decisions

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### Advancing Oregon's Energy Priorities

The department's policy option packages (POP) 101, 090 and 401 are linked closely to advancing the three goals of the Governor's 10-Year Energy Action Plan for Oregon:

1. Maximize cost-effective energy efficiency
2. Streamline energy and financing infrastructure to overcome barriers to developing Oregon's own energy resources
3. Facilitate use of alternative transportation fuels including natural gas, electricity, propane and biofuels

The Governor's Energy Policy Advisor facilitates this work.

#### **POP 101**

POP 101 identifies opportunities for and supports cost-effective investments in energy efficiency in the residential, commercial, public building and transportation sectors. Key activities include:

- Create a model of service delivery through the State Building Innovation Lab
- Reduce energy bills for K-12 schools in rural areas through continuation of the Cool Schools program
- Enable future energy efficiency investments by improving data systems
- Provide technical support for the department's residential incentive programs, state standards, and coordination with other residential efficiency programs in the state and region
- Increase use of natural gas, electricity, propane and biofuels for transportation

#### **Maximizing Cost-Effective Energy Efficiency in Public Buildings**

The State Building Innovation Lab is a mechanism to expand energy efficiency and reduce costs for the state, schools, and local and tribal governments. It builds on foundational efforts including the State Energy Efficient Design (SEED) Program, which ensures cost-effective energy efficiency measures are included in new state-owned facilities and major renovations. The Lab will increase energy savings by reaching out to more state agencies, schools and governments.

Over the years, the SEED program alone has produced *annual* state energy bill savings of \$11 million from \$44 million in energy efficiency measures installed in 188 new and remodeled state buildings. Completed construction costs for these projects total more than \$2.4 billion. These numbers are only a fraction of the opportunity because our public building and schools programs have only helped retrofit about one-third of existing building space.

Through the State Building Innovation Lab ODOE will work with the Department of Administrative Services and state facilities managers to address technical and financial assistance for building audits and retrofits. The Lab will define baseline energy use, identify and close data gaps, establish audit criteria, and develop contracting standards.

Implementing the Lab is expected to:

- Reduce the state's energy consumption and energy bills by:
  - Identifying all public sector buildings and gather energy consumption and building information in a consistent and reliable manner
  - Gauging the demand and quantify opportunities for energy efficiency retrofits in public buildings
  - Assisting with project development
- Explore public-private collaborations as an innovative delivery and finance mechanism to retrofit public buildings
- Develop building performance tools and a structure to accelerate progress by:
  - Creating a unified, expandable framework that can be used by the public sector to implement energy efficiency projects that reduce energy use and costs by 20 percent

Energy efficiency in state-owned facilities is mandated by statute. However, many agencies lack the technical and financial resources to dedicate to energy projects. The Lab will develop a one-stop shop model including a financing and procurement platform, all of which can then be replicated at the local government level.

For state-leased buildings with poor energy performance, the Lab will help provide commercial property owners with the resources to retrofit their buildings and reduce energy bills for state agency tenants.

POP 101 includes two staff positions, one each for program and financial coordination, to enable this work.

### Making Data Work for Oregon

To target government and school buildings most in need of efficiency upgrades, POP 101 identifies two data needs and provides funding to establish the foundation for accomplishing this goal. The requested investment of \$300,000 includes two parts, each costing \$150,000:

1. *Upgrading and reconfiguring the existing schools database:* The current schools database cannot calculate the pre-investment analysis, nor can it determine post-retrofit energy use on the more than one billion square feet of existing public school facility space in Oregon.

Most, but not all K-12 public schools, have access to the existing schools database. For the 840 eligible facilities under Senate Bill 1149 (1999), those in the Portland General Electric and Pacific Power service territories, the database tracks energy consumption, potential efficiency measures and their costs, and funding availability. The most cost-effective path to allow schools in Baker, Curry, Grant, Harney, Malheur, Morrow, Tillamook, Union and Wheeler counties to use the database is to expand it, rather than create a new one.

2. *Analysis and recommendations on leveraging existing state building data:* The Oregon Legislature directed ODOE to collect the annual energy consumption of 21 state agencies with state-owned buildings in response to the 2000 Western energy crisis when energy prices soared. Over time, energy use has been reported agency-wide when the data are needed on a building-by-building level in order to target savings. For example, the Oregon Department of Forestry owns nearly 750,000 square feet of space in 413 separate buildings. While many of these facilities are decentralized in order to provide wildfire protection and other services to forested areas, it is still important to capture the individual building energy use data.

Contracting for an assessment of current agency data resources would help identify data gaps, integrate existing databases and support smart energy efficiency investments in public buildings. As a result, opportunities will be identified for leveraging energy efficiency investments and lowering the costs of government. While the current collected data is a good starting point, it needs to be aggregated and refined to support decision-making.

### Residential Energy Efficiency

POP 101 requests refilling the department's only residential energy expert position, which was previously funded through federal and other funds. That funding has ended. This position helps

ensure the department's Residential Energy Tax Credit, State Home Oil Weatherization and rental weatherization tax credit programs keep pace with market trends and technology changes, ensuring effective use of state incentives.

Part of the work includes coordination of state residential efficiency programs with those provided by utilities, non-profits and others to avoid duplication and leverage cost-effective efforts. In addition, this position will help the department develop a voluntary system for home energy performance scores, a concept being advanced in HB 2801. The position also provides state technical services for the more than 1.7 million homes and apartments in Oregon.

### Transportation

To increase transportation efficiency and reduce costs, the department needs to conduct research, analysis and outreach to begin converting fleets from petroleum to alternative fuels such as natural gas, electricity, propane and biofuels. This work also includes developing complementary fueling infrastructure and coordinating with public and private fleet owners on financing options.

The state fleet includes about 7,000 vehicles including those owned by DAS, agencies and the Oregon University System. Oregon's 36 counties and 242 cities also provide opportunities. Private fleets targeted for potential conversion include transit, refuse/waste haulers, and freight/package transportation. This position also would help support SB 583, which will be administered through the Small-scale Energy Loan Program to support conversion of fleets to alternative fuels. POP 101 refinances an existing transportation position that used to be supported with federal funds that are no longer available.

### POP 090

*POP 090* includes \$5 million in Lottery bond revenues to support residential energy efficiency investments under the former Energy Efficiency and Sustainable Technology program (now Jobs Energy Schools Fund). The department will conduct a competitive solicitation process to award these funds to a qualifying entity or entities.

### POP 401

*POP 401* provides the department with the resources to meet energy facility siting workload demands and continue process improvements during the 2013-15 biennium. The package continues two limited duration positions, added by the Emergency Board in May 2012, and makes them permanent.

POP 401 also adds a position to manage workload associated with contract management, invoicing, accounts receivable management, and other financial tracking that supports timely cost recovery for the department and other state and local entities that are reviewing applications. In addition, the



package includes additional professional services, attorney general, and special payment expenditures that are tied to the higher application volume the department continues to process.

To provide certainty and predictability, and keep pace with the increased volume of proposed new energy facilities, the department has added staff and streamlined processes. Some examples of streamlining include:

- Creating an application packet and meeting with applicants early in the process to provide them the information and tools to be successful
- Improving staff coordination through the use of timely internal project team meetings and more frequent project team meetings with staff from other agencies working on application process deliverables
- Modifying public outreach practices to ensure stakeholders know how to participate in the process and when they can testify directly to the Energy Facility Siting Council
- Developing standardized formats for process and documentation that speed processing and reduce business risk
- Re-evaluating protocols for application “completeness reviews” to reduce processing delays

The study included in [HB 2105](#) builds on work the department has already accomplished, and [HB 2106](#) resulted from discussions on siting process improvements during the 2011-13 biennium.

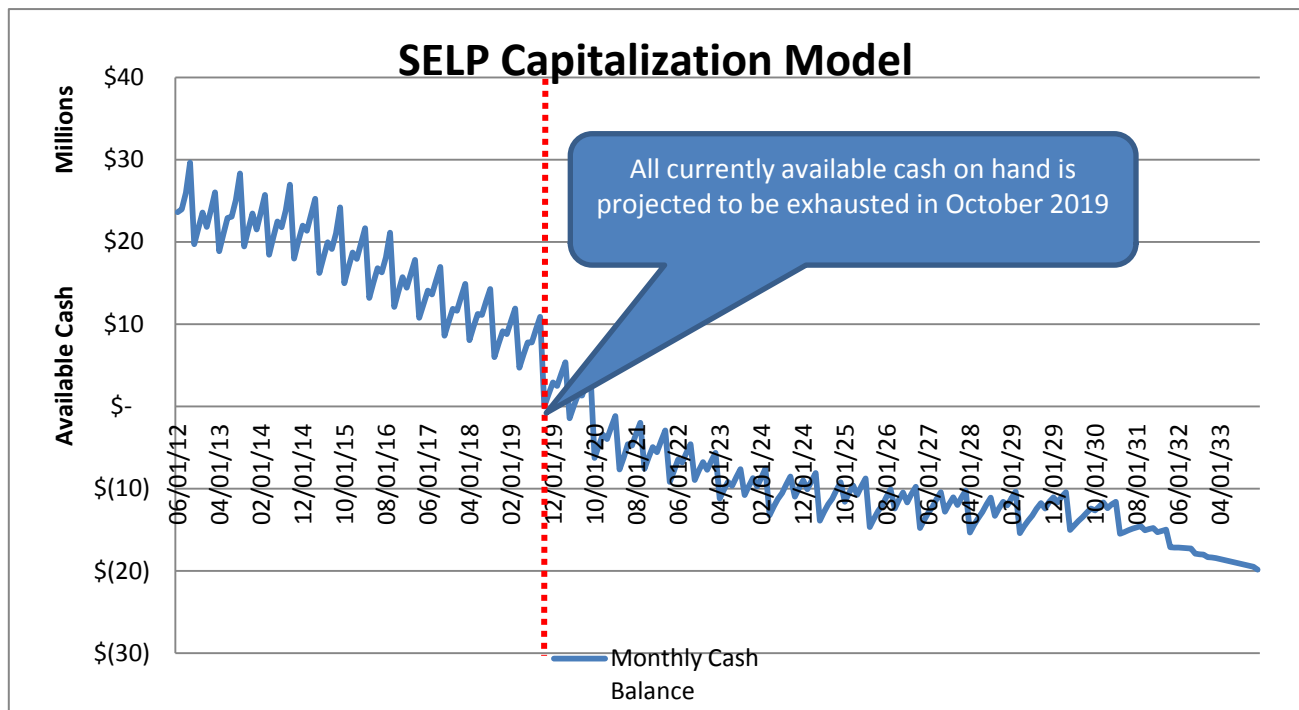
# Key Budget Decisions

## Strengthening Financial Stability for the Small-scale Energy Loan Program

The Small-scale Energy Loan Program serves businesses, schools, non-profit organizations, Oregon state agencies, local governments, individuals, tribes, and federal government agencies. Low-interest loans are available for energy conservation, renewable energy, recycling and alternative transportation fuel projects. The program has underwritten 861 loans and disbursed \$581 million in funding.

The Legislature created the program in 1979. In 1980, voters approved an amendment to Oregon’s Constitution authorizing sale of general obligation bonds to finance local energy projects. The program issued its first loan in 1981 and over the years has operated successfully without a capitalization fund. Decades of effective management led to an accumulated cash balance of approximately \$25 million.

However, the extended economic recession has significantly impacted renewable energy markets, leading to a few high-value loan defaults that will deplete the cash balance. If nothing is done to address this problem, the program is expected to have a cash deficit beginning in the 2017-19 biennium that could last 15 to 20 years. The loans are backed by the full faith and credit of the state, obligating the state to pay from the General Fund any debt service obligations that the program is unable to meet. If the General Fund has to make up the deficit, the risk is estimated at \$20 million of unmet debt service needs spread over eight to 10 biennia.



The program could also be impacted by additional defaults that would require earlier draws on the General Fund than currently forecasted.

The department took several steps 2-1/2 years ago to strengthen lending practices to minimize financial exposure in the future. For example:

- We require a first lien position on all collateral, and we take a much more conservative approach to valuing collateral.
- We use a comprehensive risk rating system for borrowers from the beginning of the process, all the way through the term of the loan.
- Where guarantors are in place, they're more closely vetted.
- And where available, we require loan guarantees – such as federal guarantees.

In addition, the program has refocused on its historical customer base of low risk conservation and energy efficiency projects for municipal and other public sector borrowers.

However, this does little to address existing loan defaults. The department has taken an aggressive approach to mitigating losses. This more aggressive posture has allowed the program to fully recover losses on a \$1.2 million default by taking possession of collateral and using an auction process to dispose of the items. An auction tends to provide greater selling value, as opposed to bankruptcy liquidation proceedings.

Providing \$5 million of Lottery-backed bonds in the 2013-15 biennium would minimize the impact of the loan program's projected deficit on the General Fund. Making this investment now is prudent. First, there is some risk that waiting may mean Lottery bond revenues will not be available. The state's use and appropriation of Lottery funds may change based on future circumstances and priorities. Providing \$5 million now will allow the loan program to start the recapitalization process immediately in order to offset some of the need for funding later.

Second, providing capital now gives the program additional time to explore other options for reducing the deficit and the need for future General Fund support. The department is working closely with the Department of Administrative Services and the State Treasurer on these options. Having more time expands the pool of potential solutions.

If the Legislature does not provide Lottery bond revenue this biennium, the department anticipates returning next biennium to make a similar request likely at a higher level as the deficit draws closer.

The Small-scale Energy Loan Program has for decades reduced Oregonians' energy bills and supported local clean energy projects. The loan program has provided more than \$64.3 million of financing just in the districts represented by members of the Joint Ways and Means Natural Resources Subcommittee (see Attachment A).

## Attachment A

Since 1981, the Small-scale Energy Loan Program has provided more than \$64.3 million of financing for energy projects in the districts represented by members of the Joint Ways and Means Natural Resources Subcommittee alone.

Borrower	LoanAmount	CloseDate	ProjDesc
<b>Senate District 07 / Senator Chris Edwards</b>			
Geistwhite Richard	2,743	Jan-83	Sun space for residence.
Schuelke Dennis	14,450	Jun-82	Solarium.
Rowe William	9,015	Jan-83	Sun space for residence.
Fredrick's Food, Inc.	16,600	Nov-84	Computerized energy management system for refrigeration.
Lane County Education Service District	60,681	Mar-86	Energy controls for HVAC, weatherization and lighting update.
Lane County Education Service District	55,898	Sep-86	Replace over 50,000 square feet of roofing and increase insulation in the roof from R-13 to R24.
River Road Park & Rec Dist.	27,000	Nov-87	Heat recovery system for pool.
Junction City School District 69	324,000	Jun-88	Water source heat pump and system upgrades.
Oregon University System	235,729	Dec-90	HVAC, windows and lighting improvements.
Eugene Freezing and Storage Co.	245,760	Nov-91	Replace control system for freezing with computerized controls.
Industrial Adhesives, Inc.	126,400	May-92	Replace remelt tanks with hot oil heated mixing tanks, eliminating adhesive remelting.
Van Allen Zeph	24,655	Dec-02	Geothermal HVAC system for office building leased to wholesale business specializing in products for home, kitchen and garden..
Courier Services Company	82,916	Dec-05	Re-activation of App#2057. Replacement of six 30 year old Lenox electric outdoor roof mounted condensing units with six American Standard gas heating, and electric cooling high efficiency furnaces and outdoor condensing units.

			6.12 kW PV power system, Direct Current (DC) rating, including: Sharp modules; stainless steel hardware; unirac solar flush mount racking system; Sunny Boy 6,000 3 phase DD/AC 208V inverter.
Ariel Sq 4 Investments, LLC	49,546	Feb-06	Essex General Construction, Inc. occupies the building.
Evergreen Union Retirement Association	175,000	Jul-06	Install central gas-fired boiler system for heating and DHW - disconnect from EWEB steam system.
M & M Land & Cattle Company, LLC	99,683	May-07	Photovoltaic power system with output rated 12.2 kW (DC) or 9.8 kW (AC).
Rode George	159,000	Sep-09	Installation of 21.8 kW solar PV system at commercial property owned by Mr. Rode.
Falls Creek HP, LP	499,000	Jul-10	Install 364 PV modules (235 watts each), 75kW inverter. Flush mount at "Food for Lane County" location. Power purchase agreement with EWEB.
	<u>2,208,076</u>		

### **Senate District 26 / Senator Chuck Thomsen**

Sanders Paul	78,840	May-82	Hydroelectric plant on Minikahda Creek
Middle Fork Irrigation District	100,000	Jan-84	Interim loan for hydroelectric irrigation.
Farmers Irrigation District	115,000	Nov-83	Interim loan for project engineering and bid documents.
McNeill Mary	5,800	May-84	Groundwater heat source pump.
Middle Fork Irrigation District	319,951	Jun-84	Hydroelectric irrigation
Middle Fork Irrigation District	180,049	Jun-97	Hydroelectric irrigation
Middle Fork Irrigation District	6,900,000	Nov-84	Hydroelectric irrigation
Farmers Irrigation District	5,700,000	Dec-85	Addition to previous hydroelectric project.
Fadness Quinten	8,195	Mar-86	Ground loop heat pump for space conditioning in existing residence.
Sherman Timothy	7,424	May-86	Ground loop heat pump system for space conditioning in residence.

Decker Donald	13,450	Feb-87	Project is a Sub Terra ground loop heat pump system that will provide space conditioning, domestic hot water, and spa heating in a new residence.
Peterson Margaret	78,393	Sep-88	Assumed from Hood River County School District. See A00234 for project description
Mt. Hood Irrigation District	115,000	Mar-88	Hydroelectric irrigation project. Converts two miles of open ditch to gravity pressure pipeline.
Mt. Hood Irrigation District	185,000	Apr-90	Split from L00244A for financial reasons. See L00244A for project description.
Hood River County School District #1	82,727	Sep-88	Construction of Super Good Cents home by the Hood River Valley High School construction class. Single-family 1,500 sq. ft. residence will demonstrate current energy efficient building techniques.
Farmers Irrigation District	785,000	Feb-89	Provide extra water flows for irrigation and power production.
Koester Randall	9,500	May-89	Ground loop heat pump for space conditioning in a new 2,116 sq ft home.
Dixon Donald	12,925	Jun-89	Ground loop heat pump for space conditioning in a new 2,570 sq ft home.
McMenamy James	12,039	Jan-90	Ground loop heat pump for space conditioning.
Oregon Trail School District #46	14,000	Mar-90	HVAC upgrades
Oregon Trail School District #46	60,000	Feb-91	Boiler upgrade.
Middle Fork Irrigation District	1,000,000	Jun-92	Spillway for hydroelectric irrigation project at Clear Branch Dam/Laurence Lake.
Oregon Trail School District	64,247	Jan-92	HVAC and lighting upgrades. Modify existing burner from fuel oil to natural gas.
Sandy City of	12,150	Aug-93	HVAC upgrade.
Dee Forest Products, Inc.	47,470	Dec-93	Boiler efficiency and steam system upgrade.
Gresham-Barlow School District	11,821	Feb-94	HVAC controller upgrades to Sam Barlow High School.
Middle Fork Irrigation District	1,500,000	Jun-94	Added cost for hydroelectric irrigation
Department of Fish & Wildlife	60,297	Jan-97	Heat pump for heat recovery and dehumidification.

Cody Glen	28,015	Mar-02	Wind machines for orchard frost protection.
Cascade Orchards Inc	41,730	Apr-02	Wind machines for orchard frost protection.
Miller Glenn	17,702	Aug-02	Wind machine for frost protection for 13 acres of pears.
Sawyer Ranch Inc	19,152	Oct-02	Wind machine for frost protection for 4 acres of pears.
Donnelly Orchards Inc	17,081	Jan-03	Wind machine for frost protection for 10 acres of pears.
Gray Orchards Inc	47,548	May-03	Wind machine for frost protection for 39 acres of pears.
Packer Larry	20,193	Mar-03	Wind machine for frost protection for 13 acres of pears.
JR Farms	31,844	Mar-03	Wind machines for orchard frost protection for 24 acres of apples and 2 acres of cherries.
Benjamin Rick	35,061	Mar-03	Wind machines for orchard frost protection for 26 acres of pears.
Eric T. Rhodes Operations	17,819	Mar-03	Wind machine for frost protection for 13 acres of pears.
Cascade Orchards Inc	37,384	Apr-03	Wind machines for orchard frost protection for 26 acres of pears.
McNerney Kevin	18,228	Dec-03	Wind machine for frost protection for 10 acres of cherries
Weseman Trenton	19,738	Dec-03	Wind machines for frost protection for 26 acres of cherries
Montavon Vernon	18,324	Jan-04	Wind machines for frost protection for 4 acres of cherries, 5.5 acres blueberries, .5 acre raspberries, .5 acre marionberries.
Tygh Orchard Company LLC	18,538	Apr-04	Orchard fans for orchard frost protection for 24 acres of cherries.
Price Randy	17,925	Apr-04	Wind machines for frost protection for 12 acres of cherries.
Oregon Trail School District #46	400,000	Sep-04	Lighting upgrades to Cottrell Elementary, Firwood Elementary, Kelso Elementary, Naas Elementary, Sandy Grade School, Welches Elementary, Boring Middle School, Cedar Ridge Middle School, Welches Middle School and Sandy High School.
Fox Richard	49,142	Apr-06	Three Orchard Rite orchard fans to protect 39 acres of pear trees from frost.

Poole Don	20,254	May-06	Install 1 new Orchard-Rite wind machine on 13 acres to protect cherry crop
Nishimoto Orchards, Inc.	19,243	Apr-07	Remove 390 smudge pots and replace with Orchard-Rite wind machine to protect 13 acres of pears from frost damage.
Miller Glenn	20,759	Apr-07	Install Orchard-Rite wind machine to replace diesel-fired smudge pots that provide frost protection for 13 acres of pear trees.
Benjamin Rick	48,052	Nov-07	Two new Orchard-Rite wind machines to protect orchard from frost.
Price Randy	21,750	Mar-08	Install one new Orchard wind machine to cover 13 acres of sweet cherries.
Packer Larry	22,445	Sep-08	Install one wind machine to protect 12 acres pears from frost damage.
Mattson Mitchell	24,527	Apr-09	Install Orchard-Rite wind machine to protect 13 acres of cherries from frost.
R & W Orchards, Inc	25,351	Apr-09	Install Orchard-Rite Wind Machine to protect 13 acres of pears.
Pickering Brad	97,750	Oct-10	Install four Orchard Rite wind machines for orchard frost protection for 56 acres of pears and cherries.
Corbett School District	<u>583,136</u>	Nov-11	Install central biomass boiler for the Corbett elementary, middle, and high schools.
	<u><b>19,217,968</b></u>		

### **House District 07 / Representative Bruce Hanna**

Still Douglas	37,650	Nov-81	Solar hot water for restaurant/solar dealership.
Weipert Gerald	7,173	Sep-84	Geothermal space conditioning and DHW plus weatherization.
South Lane School Dist. 45J3	74,800	Feb-87	Dehumidifiers and heat recovery in swimming facility plus roof cover/ventilation.
Lowell School District no. 17	13,528	Jun-87	Replace all incandescent lighting fixtures with florescent fixtures.
ZED Corporation	180,000	Oct-87	HVAC upgrade plus lighting upgrades for 96-room motel in Cottage Grove.
Oakridge City of	21,414	Dec-87	Lighting, insulation, roofing and heating upgrades.



Evergreen Forest Products, Inc.	213,600	Jul-88	Install waste heat recovery dry kiln to serve a new remanufacturing plant. Dry Kiln building will have insulation R-value of 32. Kiln will also utilize computer controls to maximize the energy savings of the system.
J & B Wood Products, Inc.	84,000	Nov-89	Waste heat recovery and dehumidification dry kiln for drying hardwoods such as oak.
J & B Wood Products, Inc.	7,500	Feb-91	Waste heat recovery and dehumidification for kiln.
Evergreen Forest Products, Inc.	374,010	Feb-90	Dehumidifying kiln.
Oakland School District	32,618	Feb-90	Lighting upgrades to Lincoln and Oakland Elementary schools, Oakland High School, and the Old Gym (formerly an elementary school).
Karas Taso	20,546	Jun-99	PV home power system.
Keller Anthony	30,596	Aug-99	PV home power system and tankless water heater.
Dimopoulos Nikitas	25,166	Nov-99	PV home power and solar water heating.
Lowell School District no. 17	<u>520,955</u>	Nov-12	Lowell High school measures include new boiler, insulation, windows, siding/paint, lighting. Lundy Elementary School measures include new windows, lighting upgrade, insulation, roofing, siding/paint.
	<b><u>1,643,556</u></b>		

### **House District 23 / Representative Jackie Dingfelder**

Hull Margaret	13,400	Jan-82	Passive solar retrofit
Ostrander Norma	6,275	Aug-82	Tetko ground loop heat pump system
Dare Carol	7,000	Jun-84	Passive solar addition to existing residence,
Safina Sharon	8,834	Mar-87	Project is a 5-ton Sub Terra ground loop heat pump system that will provide space conditioning in an existing residence.
Praegitzer Industries, Inc.	982,500	Apr-88	Waste heat recovery, lighting and weatherizatin upgrades.
Praegitzer Industries, Inc.	717,500	Apr-88	Waste heat recovery, lighting and weatherizatin upgrades.
Polk County School District #2	1,040	Mar-88	Installation of air-to-water heat pump to provide hot water needs for high school.

Polk County	158,000	Oct-89	HVAC and lighting upgrades.
Harrisburg Elementary	12,300	Nov-89	Heat exchanger for domestic hot water
Wyatt School District 63J	15,352	Mar-90	Lighting and weatherization upgrades.
Polk County	195,583	Sep-90	HVAC upgrades.
Praegitzer Industries, Inc.	1,000,000	Dec-91	Copper regeneration unit.
Central Linn School District 552C	26,938	Jan-92	Heating and lighting upgrade.
Monroe Brick & Tile Co.	200,000	May-92	Update kiln efficiency, replace oil fuel with natural gas or propane and convert existing kiln to heat recovery. Project includes extraction of lignin from cellulose in wood pulp to be used as an alternative fuel to fire the Recovery Boiler. This process also results in extra steam to replace the steam produced in gas-fired boilers, thereby saving gas.
Pope & Talbot, Inc.	16,000,000	Dec-93	
Cascade School District #5	5,956	Apr-94	Lighting upgrades, occupancy sensors and thermostat timers.
Woods Wendy	43,752	Dec-99	PV home power system.
Sherman Brothers Trucking	24,133	Sep-03	Install lighting measures in truck terminal, offices and shop buildings.
Lewis Joe	55,000	Mar-06	High efficiency irrigation for vegetable farm. New Orchard-Rite wind machine for frost protection over 13 acres of cherries.
Wildman Lawrence	26,785	Aug-07	
310 NW 7th St LLC	70,000	Jan-08	Commercial property improvement HVAC and Lighting Upgrade GSI - replace leaking boiler with new electric heat pumps and ductless systems.
Monroe School District 1J	343,593	Oct-11	
Jefferson School District 14J	<u>803,659</u>	Nov-11	Upgrades to HVAC/controls and insulation measures at Jefferson SD schools.
	20,717,599		

**House District 29 / Representative Ben Unger**

Valley Warehouse & Cold Storage Co.		Jun-94	Cooling system upgrades.
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	16,381		
Day Frances	15,318	Oct-82	Solar space conditioning and hot water.
Horning Jane	46,900	Nov-82	Micro-hydroelectric project.
Unified Sewerage Agency	1,200,000	Oct-85	Retrofit aeration system for sewerage system.
Oregon Cold Storage, LLC	79,919	Mar-96	Assumed from Valley Warehouse & Cold Storage. See A00443 for project description.
Washington County	113,899	Sep-02	Lighting, air handling and insulation upgrades.
Washington County	50,162	Feb-03	Replace nearly 400 green incandescent traffic lights with LED lamps.
Summit Natural Energy Corporation	1,200,000	Oct-07	Project will use food processing waste to produce ethanol.
Summit Natural Energy Corporation	<u>749,900</u>	Dec-08	Complete installation of 1,000,000 gallon per year ethanol production plant.
	<u><b>3,472,479</b></u>		

### **House District 42 / Representative Jules Bailey**

Coulson Gerald	8,800	May-84	Water source heat pump for space conditioning and hot water.
Division St. Food Value	11,255	Apr-87	Install five Hy-Save liquid pressure pumps on the refrigeration compressors in a 15,500 square foot supermarket.
Millennium Enterprises, Inc.	21,000	May-87	Install insulation in a 6,000 sq. ft commercial bldg and install efficient heat pumps to replace obsolete boiler.
Acton Betty	11,000	Jun-87	Extensive weatherization for a nine-plex apartment unit and a separate six-plex apartment unit.
Ross William	10,800	Sep-87	Weatherization for a 20-unit apartment building. Project includes insulation and storm windows.
Walter Ratzlaf, et. al.	44,500	Nov-87	Weatherization for three apartment complexes in Portland in 42 units. Measures include storm windows and doors, caulking and insulation.
Olson Eileen	31,000	Nov-87	Project will replace gas-fired hot water heating system with high efficiency individual gas heaters in a 13-unit apartment complex in Portland.
Goodwin Charles	23,000	Jan-88	Weatherize 25-unit apartment complex including storm windows, ceiling and floor insulation, ground cover, and other appropriate weatherization measures.

Bernhardt Dan	43,400	Jan-88	Insulated windows for rental units.
Aetna Brokerage, Inc.	17,726	Mar-88	Boiler upgrades and weatherization for 13-unit apartment complex.
Webb James	32,100	Mar-88	HVAC and weatherization for seven second-story apartment units.
Dyke Richard	15,500	Mar-88	Weatherization and water heaters for rental units.
Courtyard Properties	200,000	Apr-88	Project consists of replacing a central gas furnace and hot water system with individual gas apartment units in a 92-unit complex. Also includes installation of storm windows, attic insulation, caulk, and weatherization.
Touchstone Management	45,754	Jun-88	Install ceiling insulation, floor insulation, ground cover, pipe insulation, storm windows, patio sliders, and weatherstripping on 19 wood frame apt buildings. Complex consists of 160 units.
Biedritzky Hans	50,000	Sep-88	Weatherization for 15-unit apartment complex including new thermal windows, caulking, insulation, new gas furnaces and new hot water heating system.
Hallberg Ray	87,465	Nov-90	Weatherization for 180-unit apartment complex.
Portland City of	10,100	Dec-91	Gas furnace and lighting upgrades.
Oregon Museum of Science and Industry	12,800,000	Oct-92	Energy demonstration project.
Hoene Frederick	51,659	Jun-93	HVAC upgrade to a 4-story commercial rental building.
Multnomah County	35,000	Nov-96	HVAC, lighting, insulation and air handling upgrades.
Citizens Graphic Arts Inc	78,889	Sep-02	HVAC for historic building constructed in 1908.
Jackson Gary	36,803	Mar-05	Conservation-12 units 5910 SE 41st Ave., 6 units 4310 31st SE 27th Ave., and 8 units 4342 SE 27th Ave. Portland, OR 97202. Windows, patio doors and insulation.
Morlee Court 03, LLC	70,000	Jun-05	Conservation-replace 137 windows in apartment complex.
Rogers Marc	25,000	Jun-05	Caruthers Apartments replace 32 windows with low E high performance glass and install 3,861 square feet floor insulation.
Rogovoy Properties, LLC	147,700	Sep-05	Weatherization for three apartment complexes; LizAnn Terrace, Gregory Manor, and Park Villa Apartments.

Pinball Publishing	45,000	Aug-07	Remodel industrial warehouse with energy efficient and other sustainable features to house publishing business and caretaker's unit.
Oregon Museum of Science and Industry	2,700,000	Nov-07	This is a split from loan L00406.
Bartmasser Family Trust	85,653	Feb-09	Install 164 new energy efficient windows along with augmented insulation as needed (ceiling, floor, walls).
Oak Street Building, LLC	340,000	Nov-09	Retrofit windows in circa 1900s Portland industrial building.
	<u>17,079,104</u>		
	<u>64,338,782</u>		

## Key Budget Decisions

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### Funding Administration of Oregon's Energy Incentives

HB 3672 (2011) accelerated the sunset of the Business Energy Tax Credit (BETC) program, changed the Residential Energy Tax Credit program by adding a third-party solar component, modified the Biomass Producer and Collector Tax Credit, and established three new limited tax credit and grant programs. HB 4079 (2012) made additional changes to the new programs, which are dramatically different from the BETC program.

Under HB 3672 most business energy incentives are awarded competitively and capped per biennium:

- \$28 million in tax credits for conservation projects
- \$20 million in tax credits for transportation projects
- \$3 million in grants for renewable energy projects

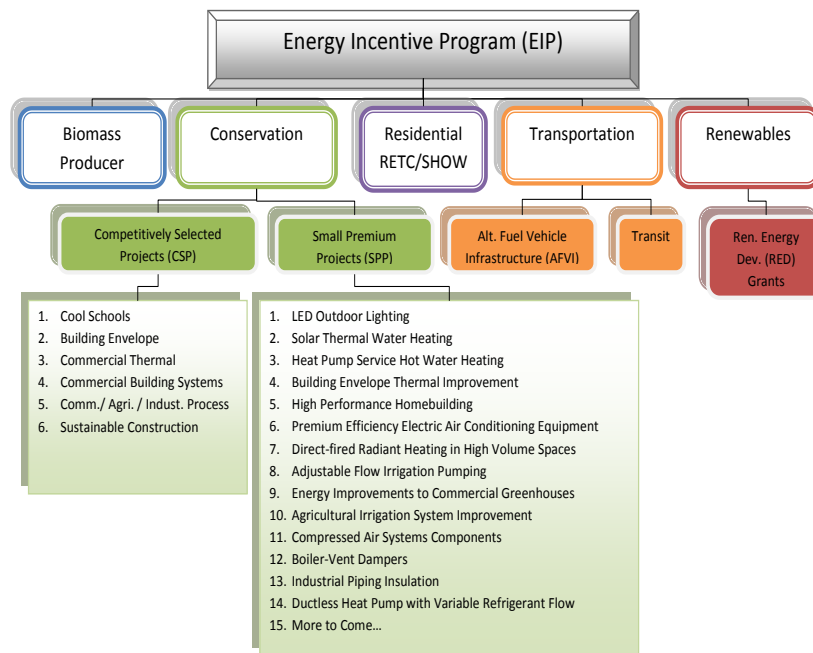
Two additional incentive programs administered by the department are either partially capped or have no cap:

- The residential energy tax credit is not capped except for third party-owned solar installations, which is capped at \$10 million.
- The Biomass Producer and Collector Tax Credit is not capped.

Incentive changes mean the department oversees a more complex program that:

- Closely tracks the amount of credits issued during preliminary certification to stay within capped amounts
- Develops frequent opportunity announcements targeting specific technologies
- Expands the required technical review and includes additional criteria for awarding incentives
- Focuses on project applications demonstrating the greatest energy savings per tax credit dollar
- Awards tax credits and grants on a competitive basis, unlike previous programs
- Prioritizes compliance with statutory requirements for tax credits awarded as a core administrative function in order to guard against fraud and abuse

Following is a graphical representation of the current Energy Incentives Program structure.



### Incentive Changes Lead to Fee and Staffing Modifications

ORS 469B.294, 469B.335, 469B.259 and 315.141 provide the department with authority to establish fees by rule for the new conservation, transportation and renewable energy incentives as well as the Biomass Producer and Collector Tax Credit. The fees cover the estimated costs of administering the programs. Since February 2012, the department has evaluated workload associated with the new and existing programs against staffing capacity and made improvements to its cost recovery model:

- *Workload study.* A staffing study indicates that the workload volume exceeds staffing capacity. In addition, the program has been staffed in large part with limited duration positions, which leads to higher turnover and loss of technical expertise. Because stable staffing is critical to successful program delivery, POP 201 asks that three limited duration positions be approved as permanent staff going forward.
- *Revised cost recovery model.* An earlier cost recovery model used assumptions about anticipated program performance based on BETC data because no actual data were yet available for the new incentive programs. The revised model is more comprehensive, allows for scenario analysis, and integrates actual data from the new programs to improve the reliability of the model. Based on data to date, the cost to run the new incentive programs through the various sunset dates (Jan. 1, 2016, or Jan. 1, 2018) will result in an estimated \$1.5 million cash deficit by the end of the program. Similarly, recent data suggest that the biomass tax credit program will also be in a deficit position if fees are not raised this biennium. The program is looking at ways to cut costs and modify the program

to improve efficiency. The 2013 Legislature is considering HB 2894 to streamline and promote greater utilization of the incentive program.

POP 201 maintains the current service level and sets fees at the level required to fund the program. The proposed fee increase will generate approximately \$650,000 in additional revenue during the 2013-15 biennium.

POP 201 focuses on the new energy incentive programs as well as administration of the biomass tax credit program. HB 3104 would have dramatically changed the business model for the biomass program, but still would have required the same level of staffing. That bill is not going forward this Legislative Session. Based on this change, the department evaluated anticipated biomass tax credit applications and associated revenues against expenditures included in the Governor's budget. This analysis determined that the program will accrue a deficit of more than \$200,000 during the next biennium. The department is now requesting the Legislature modify POP 201 to also authorize a fee increase for the biomass tax credit. No additional expenditure limitation is requested.

The fees for the new incentive programs currently range from 3.6 percent to 7.6 percent, or an average of 5 percent, of the total tax incentives provided. In sharp contrast, the fee for the biomass tax credit is only 0.6 percent of tax incentives awarded. Adopting the modified fees will result in the new program fees ranging from 4.3 percent to 8.6 percent, or an average of 6 percent. The increased fee for the biomass tax credit would equate to 2.2 percent of tax credits awarded, still far below the rate of the new incentive programs. Attachment A shows the current and proposed fees.


If the POP and associated fee increase are not approved, application processing time will increase and oversight will decline, which could lead to increased fraud or abuse of state energy incentives.

### **HB 5012 and Business Energy Tax Credit Program Completion**

HB 5012 focuses on BETC fee modifications. BETC fees included in the bill were previously approved by the Department of Administrative Services and have been assessed since July 2012. Failure to approve the fee bill will reduce 2013-15 biennium revenues by approximately \$200,000 and result in decreased staff support for compliance and tax credit pass-through activities.

In addition to launching new energy incentive programs, the department still has more than 140 active BETC applications that require review and processing before the June 30, 2014, sunset. There will also be residual work to ensure compliance after the sunset and to work with project owners who want to transfer their credits.





ORS 496B.164 and ORS 469B.145 (3) provide the department with authority to assess fees to cover the costs of administering the BETC program. The acceleration of the end of BETC resulted in unforeseen expenditures that eroded program reserves. Adding fees for compliance and pass-through activities enables the department to continue supporting this work as the program nears completion.

The compliance staff is responsible for on-site inspections to verify that projects were built as described in the preliminary tax credit certification. This minimizes the risk to the state of awarding tax credits for projects not meeting energy goals set in the certification. Authority for the compliance function can be found throughout the statutes governing the award of energy incentives. For example:

- ORS 469.161(3) specifically authorizes the possible “...inspection of the facility by the department.”
- ORS 469B.118(5) stipulates, “In order to obtain information necessary to verify eligibility and amount of the tax credit, the State Department of Energy or its representative may inspect an alternative energy device that has been purchased, constructed or installed.”

Accountability is well established throughout the governing statutes, and the compliance function has added tremendous value in ensuring that the state’s energy investments result in verifiable and measureable returns. About 13 percent of the projects inspected to date fail inspection. If the project owner cannot mitigate the failure by taking corrective action, the department does not issue the tax credit. This in turn saves the state money.

The pass-through function provides a mechanism for project owners to transfer their tax credit to a third party. This is especially beneficial for project owners that do not have state tax liabilities and therefore cannot use the issued credit. Pass-through activities involve working with project owners who are seeking to transfer their credits in exchange for a cash payment equal to the present value of the credit. Proceeds from the sale of the credits are typically used by project owners to reimburse project expenditures, and in some cases accelerate the repayment of or satisfy completely debts incurred from the project.

## Attachment A: Current and Proposed Energy Incentive Program Fees

	Renewable	SPP	Conservation	Transportation	BETC	BIOMASS
<b>Application Fee</b>	<del>\$200</del> \$500	Informational filing fee: <del>\$60</del> \$100	<del>\$200</del> \$500	<del>\$200</del> \$500		\$100
<b>Technical Review Fee</b>	1.05% of project costs (max. fee \$7,500)		.55% of project cost			Up to <del>1.0%</del> 2.5% of requested tax credit amount
<b>Amendment Fee*</b>	\$300		\$300		(existing fee: \$300)	
<b>Final Review Fee</b>		<del>.5%</del> -.55% of project cost				
<b>Pass-Through Fee w/ assistance</b>		1.25% of tax credit amount ( <del>Max. fee \$25,000</del> )( <b>NO CAP</b> ) \$100/tax certificate issued			Up to 0.25% of tax credit amount (max. fee \$25,000; \$100 minimum)	
<b>Pass-Through Fee w/o assistance</b>		<del>\$100</del> \$200/tax certificate issued			\$100/tax certificate issued	
<b>Pass-Through Transfer Fee (after tax certificate issued)</b>		\$200+\$100 per tax certificate issued				
<b>Re-inspection Fee</b>	\$400					

## Key Budget Decisions

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### Improving Energy Supplier Assessment Transparency

Following the department's budget hearing in February, Subcommittee Co-Chair Edwards, Representative Bailey and the Governor's Office worked collaboratively to develop a set of principles and guidance to enhance the accountability, transparency and predictability of the work of the Oregon Department of Energy – in particular, use of the Energy Supplier Assessment (ESA) that funds much of our work. The assessment is a fee charged to energy resource suppliers based on their gross operating revenue derived within the state.

At the same time, the Governor's Office formed a stakeholder committee to discuss ways to increase transparency in our budgeting process, improve communications on the work the ESA funds, and make process improvements in notification and collection of the fee. The committee included utilities and other energy resource suppliers, ratepayer groups, a Public Utility Commissioner, and representatives of local governments, schools, environmental groups and the renewable energy industry.

The resulting bill, HB 2807A, reflects principles and guidance developed by Senator Edwards, Representative Bailey and the Governor's Office and is responsive to suggestions that came from the Governor's advisory committee. The bill is still under development but the intention is to:

- Establish an ongoing work group to advise the department on our budget, planning and policy work, and legislative concepts
- Require the department to provide program-level budget information to energy resource suppliers and other stakeholders prior to preparation of the Governor's biennial budget
- Clarify that the department's long-standing authority to engage in federal matters and in proceedings at other state agencies is at the direction of the Director and require notification to relevant energy suppliers before we formally intervene in proceedings at other state agencies. For decades, the department has provided technical information and recommendations in Public Utility Commission proceedings, focused on energy efficiency, cogeneration, renewable resources and resource planning. Recent examples of other types of engagement include assisting with a new section on wave energy for the Territorial Sea Plan and the energy-related sections of an Integrated Water Resources Strategy for the Water Resources Commission.

HB 2807A also would reduce the cap – or maximum allowed level – of the Energy Supplier Assessment by 25%.

In addition, the bill would make two process improvements for energy resource suppliers:

- One, allow electronic invoicing as an option, instead of only registered or certified mail
- Two, give energy resource suppliers a choice of reporting gross operating revenues for a fiscal year, instead of only allowing reporting for a calendar year. That will help implement in the least-cost way the Secretary of State's recommendation to require third-party verification of reported revenues. Suppliers could then use audited financial statements they already have, regardless of whether they operate on a calendar-year cycle.

We expect to develop a legislative concept for 2014 with measures to address additional process improvements, including optimal timelines for energy resource suppliers to report revenues and better defining statutory terms to clarify their meaning. These measures will be vetted through the department's advisory work group.

With respect to the Energy Facility Siting Council, the bill removes references to the Department of Administrative Services. Stakeholders have been asking for this cleanup provision. Currently, a memorandum of understanding delegates staff support functions for the Council from the Department of Administrative Services to the Department of Energy. The bill simply describes more specifically what we have always been statutorily authorized to do and what we have been doing operationally. Thus, the amendment merely clarifies existing and past practice, that ESA funds be used only for services provided by DAS to ODOE to carry out our statutorily authorized activities.

Similarly, with respect to activities funded by the ESA, the bill elaborates current statutory language by stating that the ESA funds programs and activities that the Council and the department are charged with administering and authorized to conduct under statute. While the new language clarifies that administration is covered, it makes no substantive change to the current statute.

The bill is intended to create additional transparency, institutionalize regular communication with stakeholders, and improve reporting and invoicing processes related to the ESA. These provisions align with changes already being implemented by the director of the department.

The department is committed to reducing the long-term cost of energy for Oregonians and providing excellent customer service. The changes proposed in this bill will help us rekindle our historically good relationships with energy resource suppliers, their customers and other stakeholders to help us achieve these objectives.

# Reduction Options

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## 10% Reduction Options

The 10% budget reduction options fall into four categories (see Attachment A):

1. **Reductions to Services and Supplies** (Reduction options 1-5)
  - Reduces direct customer contact in communities around the state, including training and assistance for schools and local governments and meetings with partnering organizations and businesses
  - Reduces presence at regional and national meetings to identify and explore opportunities for cooperation and attracting competitive federal grants
  - Rolls back efforts to improve energy facility siting including better processes for public participation
  - Decreases Oregon's influence in oversight of the Hanford nuclear site and preventing radioactive waste from leaking into the Columbia River
  - Reduces training and tools for technical staff who need to stay current with energy technologies, affecting state incentive programs and advice to customers and policy-makers
  - Hampers ability to absorb increasing legal expenses due to Legislative changes to energy incentive programs and unforeseen lawsuits
2. **Reductions to Renewable Energy Grants** (Reduction option 6)

Limits the number of grants for renewable energy projects to \$1.5 million (instead of \$3 million authorized by statute) for the biennium, directly affecting the number of projects that can be funded
3. **Reductions to Professional Services or Special Payments** (Reduction options 7-13)
  - Reduces support for efforts that reduce energy bills for schools
  - Reduces the department's ability to coordinate energy facility siting activities on behalf of other agencies that must review siting applications, hire consultants when special expertise is needed for siting, and increases time to process siting applications
  - Impairs the department's capacity to provide grant pass-through funds to partnering organizations to provide training for emergency preparedness for energy facilities such as liquefied natural gas terminals
4. **Reductions to staff** (Reduction options 14-17)

The four positions on the list would have the following impact:

  - Increased processing times in accounting and potential increased risk of financial process errors
  - Reduced support for keeping the department's website up to date and developing technology tools that make business services for customers more efficient
  - Loss of internal auditing expertise to ensure adequate financial and process controls are in place
  - Decreased capacity to manage energy services

## Attachment A

### Governor's Balanced Budget 10% Reduction Options (ORS 291.216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
1. Administrative Services	Reduce Services & Supplies by 10%	\$403,429 OF	Reduces budget flexibility and limits Department's access to use consulting services.
2. Administrative Services - SEP Grant Administration	Reduce Other Services & Supplies	\$11,490 FF	Limits ability to participate in national energy activities tied to the execution of the SEP formula grant.
3. Planning, Policy & Technical Analysis	Reduce Services & Supplies	\$98,305 OF	Significantly restricts Oregon's role as a national energy leader by reducing technical presentations and training provided to ODOE partners such as schools and governments.
4. Energy Siting	Eliminate 10% of Services and Supplies	\$235,000 OF	Reduces efforts to improve the Siting process, training, travel, and number of Energy Facility Siting Council meetings.
5. Nuclear Safety	Reduce Travel and Services & Supplies By 10%	\$12,618 OF \$33,149 FF	Reduces participation at the local and federal level and Oregon's influence in Hanford oversight.
6. Energy Development	Reduce Renewable Auction program, Special Payments	\$1,500,000 OF	Fewer renewable grants will be offered.
7. Planning, Policy & Technical Analysis	Reduce Professional Services	\$183,899 FF	Decreases opportunities for ODOE to partner with non-profit entities and bring federal grant funds to Oregon.

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
8. Planning, Policy & Technical Analysis	Reduce Special Payments	\$200,000 OF	Diminishes support for building energy efficiency into schools.
9. Energy Siting	Reduce Professional Services	\$125,000 OF	Reduces use of consultants leading to delayed review of site applications; may also lead to the Department not meeting statutory deadlines.
10. Energy Siting	Eliminate \$100,000 from Special Payments	\$100,000 OF	Reduces ability to reimburse other agencies for their participation in application reviews and increases workload for ODOE staff resulting in decreased processing timeliness.
11. Nuclear Safety	Reduce Professional Services	\$40,000 FF	Restricts contracting support for participating in Hanford meetings in which pending cleanup decisions are discussed in detail.
12. Nuclear Safety	Reduce Oregon Health Authority by 30%	\$14,977 OF	Reduces state Health participation in nuclear emergency preparedness and response.
13. Nuclear Safety	Reduce Dist to Counties and Oregon University System	\$6,407 OF \$22,289 FF	Reduces county participation in nuclear emergency preparedness and response and access nuclear engineering and health physics expertise at Oregon State University
14. Administrative Services	Eliminate Accounting Tech 3 position	\$119,609 OF / 1 POS 1.00 FTE	Reduces accounting support and services.
15. Administrative Services	Eliminate Internal Auditing	\$238,261 OF / 1 POS 1.00 FTE	Eliminates internal auditing support.

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
16. Administrative Services	Eliminate Information System Specialist 4 position	\$184,787 OF / 1 POS 1.00 FTE	Reduces web presence and ability to provide web services.
17. Energy Development	Eliminate Deputy Division Administrator	\$238,262 OF / 1 POS 1.00 FTE	Reduced support for management and marketing of energy incentives and loan program products.
	<b>TOTAL OTHER FUNDS</b>	<b>\$3,476,655 / 4.00 FTE</b>	
	<b>TOTAL FEDERAL FUNDS</b>	<b>\$290,827</b>	
	<b>Total FF &amp; OF</b>	<b>\$3,767,482 / 4.00 FTE</b>	

The department used the following criteria to prioritize the 10% Reduction Options, in rank order:

1. **Public Safety:** Activities that ensure Oregon is protected from nuclear waste and new energy facilities are safely sited.
2. **Constitutional Obligations:** Activities directed by the Oregon Constitution.
3. **Statutory or Federal Obligations:** Activities directed by statute or recent legislation, mission-centered priorities, federal obligations and areas where programs were scheduled to sunset in statute.
4. **Alignment:** Activities that are directly tied to the department's mission and the goals of the Governor's 10-Year Energy Action Plan for Oregon.





## Updated Information on Department Vacancies

Since the department's presentation in February, several vacancies have been filled. At the request of Representative Hanna, the department is providing an update on current vacancies.

The department reports quarterly to the Department of Administrative Services on vacancies that have been unfilled for 6 months or longer. The table that follows details the most current report.

### Long-term Vacancy Report as of April 24, 2013

Position	Reason for Vacancy
Purchasing Coordinator (PCS 1)	Anticipate using for permanent financing
POP 101: Part-time Program Analyst (PA3)	Governor's Budget makes full time, anticipated hire date is 7/1/13
POP 101: Residential Energy Analyst (PA3)	Anticipated hire date is 7/1/13
Energy Conservation Assistant (AS 1)	Employee resigned; anticipated hire date is 6/1/13

More recent vacancies, positions that have been vacant for less than six months, are included in the short-term report below.

### Short-term Vacancy Report as of April 24, 2013

Position	Reason for Vacancy
Internal Auditor (IA 3)	Contracting with Department of Administrative Services for audit services through 6/30/13; anticipated hire date is 8/1/13
Field Energy Analyst (OPA 4)	Employee resigned; anticipated hire date is 6/1/13
Mail Services Assistant (OS 1)	Hold for vacancy savings
Energy Development Services Division Administrator (PEM G)	Hold for vacancy savings
Accounting Technician 3 (AT 3)	Hold for vacancy savings
Program Analyst 2 (PA 2)	Employee resigned; anticipated hire date is 5/15/13