

Joint Committee on Ways and Means

900 Court St. NE, Rm. H-178
Salem, OR 97301
503-986-1828



Subcommittee on Natural Resources

Sen. Chris Edwards, Co-Chair
Rep. Ben Unger, Co-Chair
Sen. Jackie Dingfelder
Sen. Chuck Thomsen
Rep. Jules Bailey
Rep. Bruce Hanna

Linda Gilbert, Subcommittee Scheduler, 503-986-1845
Patti O'Rielly, Subcommittee Assistant, 503-986-1821
WaysandMeans.NaturalResourcesSub@state.or.us

MEMORANDUM

To: Natural Resource Subcommittee
From: Michelle Deister, Legislative Fiscal Office; 503-930-7888
Date: February 13, 2013
Re: House Bill 5011, Department of Energy, February 18-20, 2013 in Hearing Room 170 at 1:00 PM.

The Oregon Department of Energy's mission is to ensure that Oregon has an adequate supply of reliable and affordable energy and is safe from nuclear contamination. The Department focuses its activities on helping Oregonians to save energy, develop clean energy resources, promote renewable energy and clean up nuclear waste.

ODOE's budget is supported primarily by Other Funds and Federal Funds. Lottery Funds pay debt service on Lottery revenue bonds authorized by the Legislature in 2009 for the Energy Efficiency and Sustainable Technology (EEaST) program; Other Funds Non-Limited are associated with the Small Scale Energy Loan Program, which issues bonds to support loans that facilitate energy efficiency and generation projects.

Emergency Board Actions: At the May, 2012 meeting of the Legislative Emergency Board, The Department of Energy received approval for additional Other Funds expenditure limitation in the amount of \$713,675 and two limited duration positions to address work load increases in the Energy Facility Siting program. The Governor's budget includes a policy option package (# 401) to make these positions permanent and add a third.

Budget Notes: SB 5508 (2011) included the following budget note related to the Department of Energy: "The Department of Energy will establish a work group to develop policy recommendations to be provided to the Legislature during the February 2012 session relating to large single load customers that result in small utilities being re-designated as large utilities under the renewable portfolio standard. Members of the workgroup shall consist of nine members, appointed as follows:

- The Department of Energy shall appoint:
 - two representatives of the Umatilla Electric Cooperative
 - one representative of the environmental community;
 - one representative of the natural resource community; and
 - one representative of consumer owned utilities.
- The Co-Speakers of the House of Representatives shall appoint two members, one from each caucus, who shall serve as ex-officio members.
- The Senate President shall appoint two members, one from each caucus who shall serve as ex-officio members.

A representative of the Governor's office, designated by the Governor, is also invited to participate.

The work group shall:

- Examine issues and develop policy recommendations relating to small utilities that have large single load customers, which result in the utilities being reclassified as large utilities under the renewable portfolio standard;
- Examine complications resulting from contract requirements between the Bonneville Power Administration and preferred energy customers for Tier II energy contracts, and make recommendations for potential rule or policy changes; and
- Submit a report, including findings and recommendations to the Department of Energy and the interim legislative committees relating to energy and consumer protection no later than February 1, 2012.”

The Governor’s response is attached; no workgroup or recommendations were developed.

Audits: Recent audits performed by the Secretary of State include audits related to the following:

- School energy projects (issued May 2012)

http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-15.pdf

- Small Scale Energy Loan Program financial audit for the years 2011 and 2010 (issued March 2012)

http://www.sos.state.or.us/audits/pages/state_audits/full/2012/2012-09.pdf

- Department business processes (issued June, 2011)

http://www.sos.state.or.us/audits/pages/state_audits/full/2011/2011-14.pdf

LFO agency budget review and agency presentation materials can be found in OLIS under the Natural Resources Subcommittee materials for 2/18.



JOHN A. KITZHABER, MD
Governor

July 6, 2011

The Honorable Peter Courtney
Senate President
900 Court St NE S-201
Salem OR 97301

The Honorable Arnie Roblan
Speaker of the House
900 Court St NE H-295
Salem OR 97301

The Honorable Bruce Hanna
Speaker of the House
900 Court St NE H-371
Salem OR 97301

Dear President Courtney, Speaker Hanna, Speaker Roblan:

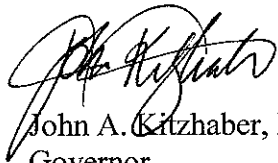
Oregon's Renewable Portfolio Standard (RPS) was created in 2007 (SB 838) after robust stakeholder engagement and significant debate. This process included specific discussions about a multi-tier system that would achieve significant deployment of renewable energy technologies, continue Oregon's leadership in creating a low carbon future, recognize the various types and sizes of the state's utilities, and protect ratepayers. Specifically, it was recognized that one standard should apply to larger utilities that serve three percent or more of Oregon's retail electricity market and smaller utilities that serve less than three percent of that market. By acknowledging that a transition from the small to large category could be very difficult over a short time period, the legislature wrote the law so that a utility would not be required to achieve the more aggressive standard until the utility was at or above the three percent threshold for at least three consecutive years. In addition, even after going above the three percent threshold for at least three consecutive years, a transitioning utility is given four additional years to achieve compliance with the large utility standard. Finally, the legislature also included a global cost limitation provision allowing noncompliance with the RPS during a year in which the incremental cost of compliance exceeded four percent of the utility's annual revenue requirement (as defined by law).

Taking this altogether, I do not, in the reasonable future, foresee any circumstances under which any particular utility should require special treatment or additional individual carve out under the RPS. The standard is essential to achieving Oregon's clean economy future, and compliance with the standard has reasonable safety valves built into the structure. I do not believe that it is in the best interest of the State or the Oregon Department of Energy to establish any work group, such as the one suggested as a Budget Note in Senate Bill 5508-A, to the end of determining such special treatment or carve out.

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Nevertheless, as members of the legislature have indicated a strong interest in exploring ways to incentivize additional energy efficiency through incorporation into the RPS, I am asking my staff to work with the interested parties to determine if there are clear ways to provide non-generation pathways to meeting the RPS.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Kitzhaber". The signature is fluid and cursive, with a large initial "J" and "K".

John A. Kitzhaber, M.D.
Governor

JAK:bs/sh