

Energy-Efficient Homes Pay Dividends

Where you can save in your house



Heat Pumps & Air Conditioning Systems

Get a \$100-\$400 tax energy tax credit for using a certified heat pump technology to control and performance that a new energy efficient heat pump is an outstanding choice.

Labels in heating and cooling, the most common for up to 21% of home heating and cooling bills. These can be used to help pay for a \$200 tax credit.

Appliances

If your refrigerator was made prior to 2011, it uses 40% of more energy than today's energy efficient models.

Now there's a new energy-efficient refrigerator that uses 40% less energy than a typical 2009 model. It uses 1,000 gallons of water and \$10 in electricity a year, and it's also more durable.



Oregon Department of Energy Ways & Means Budget Presentation 2013-2015



OREGON
DEPARTMENT OF
ENERGY

Presentation Overview

- Mission/Who We Are/Authorities
- Legacy of Innovation
- Who We Serve
- Oregon Department of Energy Goals
- Achieving the Goals – Budget and Programs
- Accomplishments, Efficiencies and Improvements
- Where We're Headed – POPs and LCs

Reduce the Long-Term Cost of Energy for Oregonians

- Oregonians spend \$13 billion a year on energy
 - Much of that money leaves the state.
- To reduce costs:
 - Maximize acquisition of cost-effective energy efficiency
 - Develop infrastructure for clean energy resources
 - Plan and prepare for electric, thermal and transportation energy supplies to meet future needs



Who We Are

- Statutory policy behind 1975 creation of Oregon Department of Energy:
 - Continued growth in demand for nonrenewable energy forms poses a serious ... problem. It is essential that future generations not be left a legacy of vanished or depleted resources, resulting in massive environmental, social and financial impact.
 - It is the goal of Oregon to promote the efficient use of energy resources and to develop permanently sustainable energy resources. The need exists for comprehensive state leadership in energy production, distribution and utilization. (ORS 469.010)
- Enabling statute spells out Department's roles, such as:
 - Siting energy facilities
 - Collecting and analyzing energy statistics, data and information
 - Educating the public about ways to conserve energy
 - Protecting Oregon from radioactive material at Hanford

Statutory Authorities

- Changes in energy technologies and increasing interest in energy issues have resulted in additional statutory direction for the department
- Statutes are implemented through Oregon Administrative Rules
- Detailed list of statutes that guide department operations is included in supplemental materials

Legacy of Innovation—Built on a Conservation Foundation



Legacy of Innovation

- Developed the first statewide residential energy code in the country
- Produced the first statewide strategy in the U.S. to reduce greenhouse gas emissions
- Established a one-stop process for major energy facilities where the Energy Facility Siting Council makes the decision to issue all state and local permits as part of the site certificate – often cited as the best siting process in the U.S.
- Successfully pushed for an Oregon role at Hanford – the world’s largest environmental cleanup project
- Spearheaded stable funding and independent administration of energy efficiency programs for customers of Oregon’s largest utilities
- Today pioneering new approaches to make schools and other public buildings more energy-efficient and reduce bills

Who We Serve



Who We Serve—Examples

SCHOOLS

- Free energy audits, technical help and financial tools for K-12 schools statewide

HOUSEHOLDS and BUSINESSES

- Information and technical and financial assistance to reduce energy costs

STATE AGENCIES

- Reducing energy bills for existing buildings, designing savings into new facilities

OREGON COUNTIES

- Working together on community-scale energy development

INDUSTRY

- Helping food processors build in energy efficiency

AGRICULTURE

- On-farm energy production and energy savings

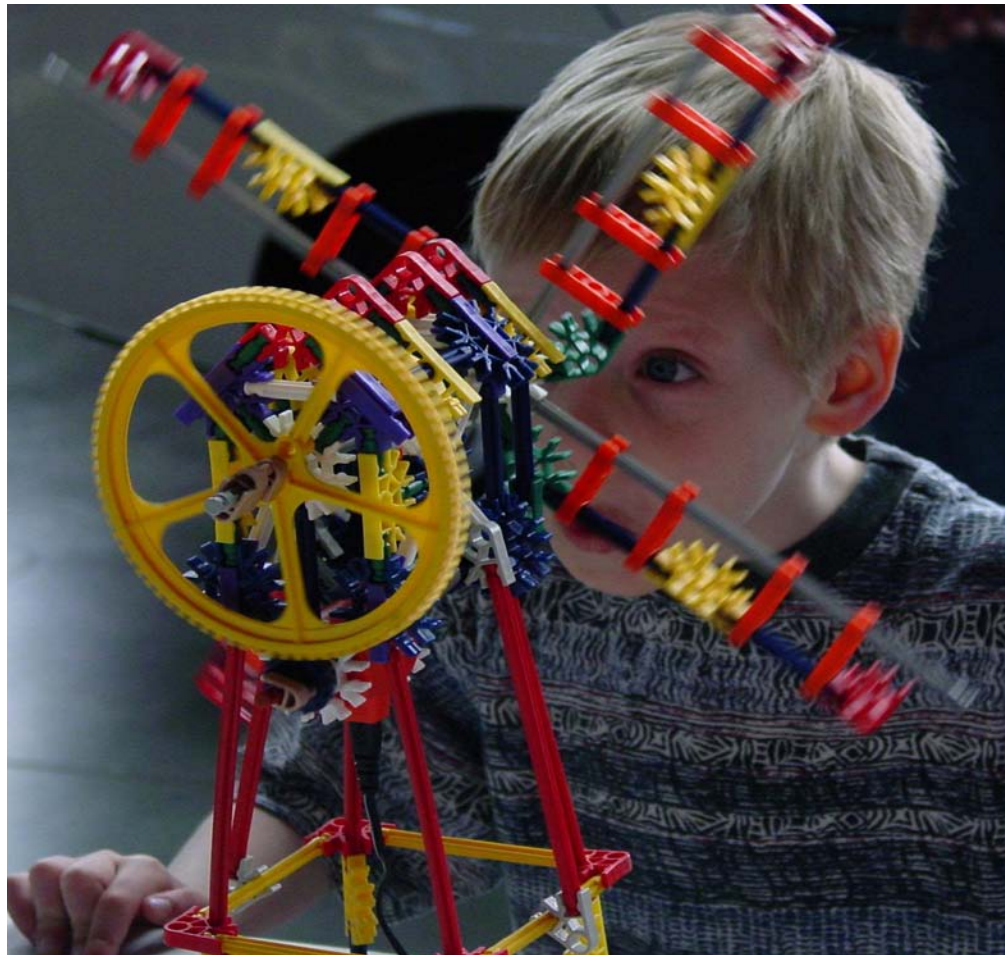
UTILITIES AND INDEPENDENT DEVELOPERS

- Siting natural gas pipelines, electric power plants and transmission lines

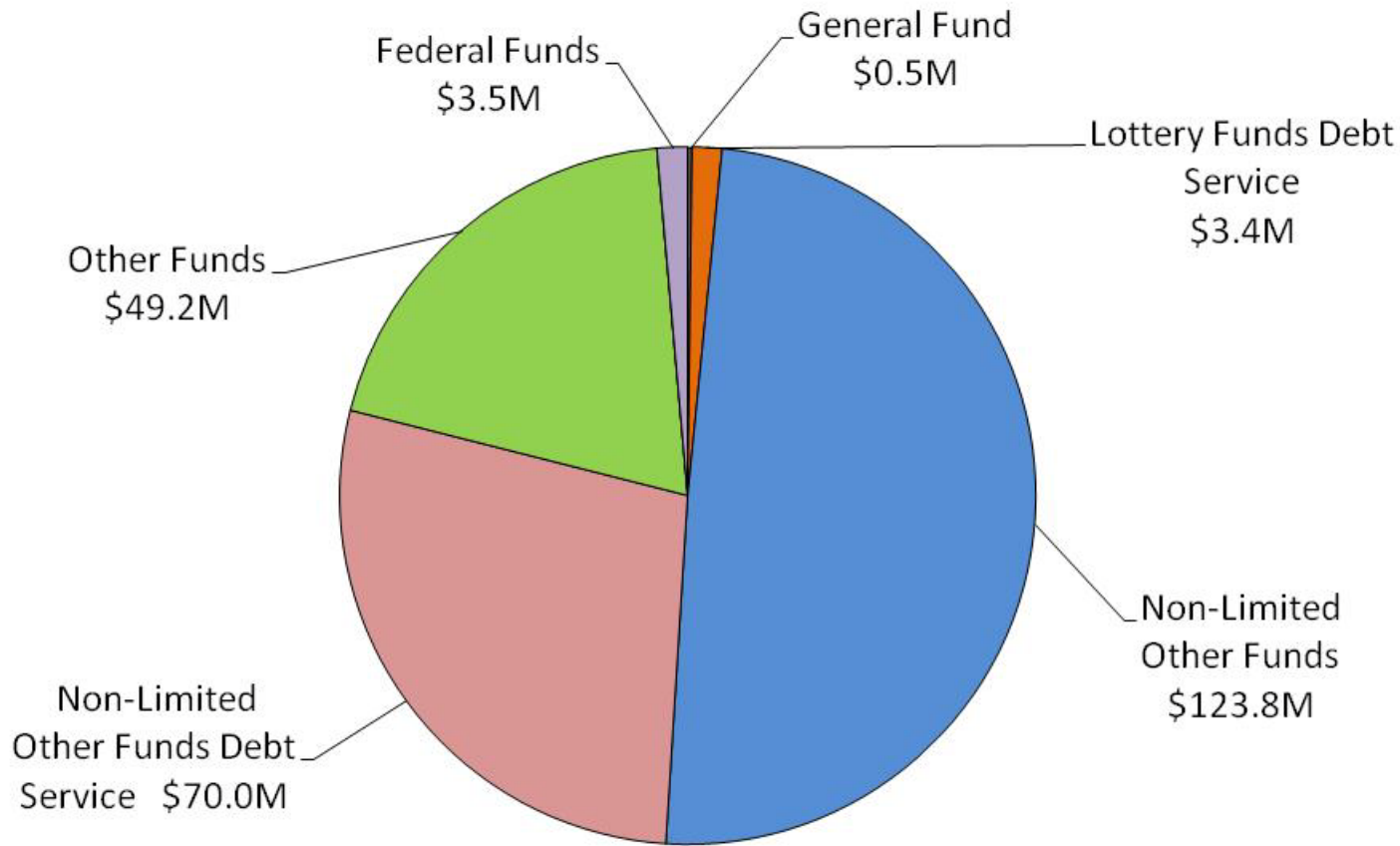
Department of Energy Goals

- Maximize acquisition of cost-effective energy efficiency
 - Lead agency for schools and state buildings
 - Information, technical and financial assistance for residents and businesses
- Develop infrastructure for a clean energy future
 - Focusing on Oregon's own resources
 - Alternative transportation fuels (natural gas, electricity, biofuels)
- Protect Oregon from contamination at Hanford
- Ensure state preparedness to respond to emergencies at energy facilities, during transportation of radioactive materials and in the event of petroleum shortages
- Meet the needs of those we serve
 - Provide information, find solutions and provide excellent customer service

How We Achieve Our Goals – Budget and Programs



Sources of Funds—2013-2015



Where the Money Comes From

Non-Limited Funds

- More than 2/3 of our funding comes from non-limited sources
 - Loan repayments and debt services for the Small-scale Energy Loan Program
 - Funding for loans comes from bonds

Where the Money Comes From

Limited Funds—Agency Fees & Assessments

- **Application Processing Fees:** Small-scale Energy Loan Program, Energy Incentives Program and Energy Facility Siting
- **Fees for Services:** State Energy Efficient Design program, Energy Efficient Schools, Industrial program and Radioactive Waste Transport fees
- **Assessments:** Energy Supplier Assessment and State Home Oil Weatherization Assessment

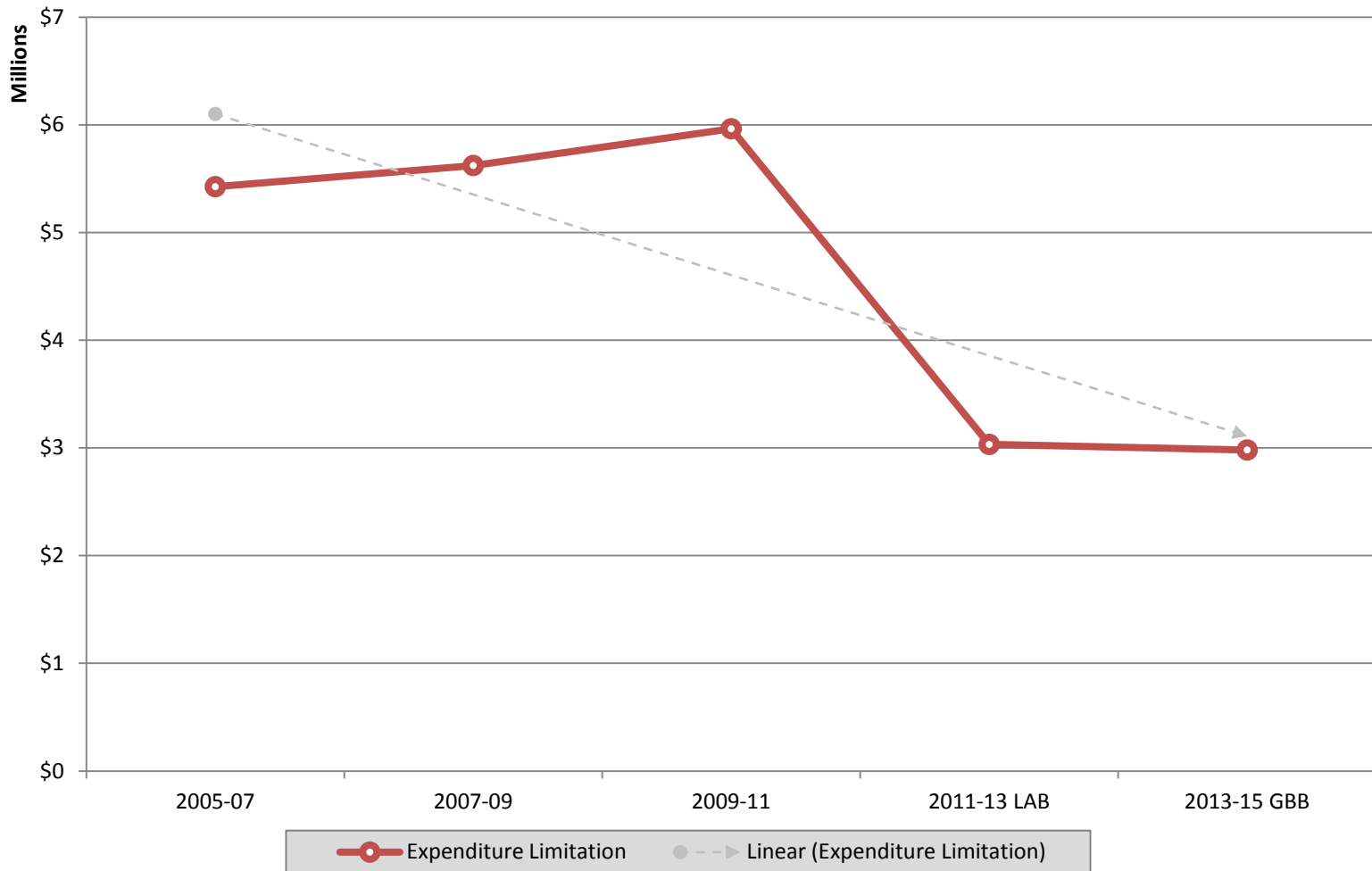
Where the Money Comes From

Energy Supplier Assessment

- Authorized by ORS 469.421(8)
- 2011-13 budgeted rate was .085% of Suppliers' Oregon-derived gross operating revenue
 - Savings during the biennium resulted in reduction of assessment in second year of biennium
 - Continued savings will result in larger than anticipated ending balance
- 2013-15 rate targeted not to exceed .080%
- Several factors affect rate
 - Department's Legislatively Approved Budget
 - Suppliers' gross operating revenues
 - Beginning and ending balances
 - Amount of federal funds we receive

Where the Money Comes From Federal Funds History

FEDERAL FUNDS EXPENDITURE LIMITATION w/o ARRA

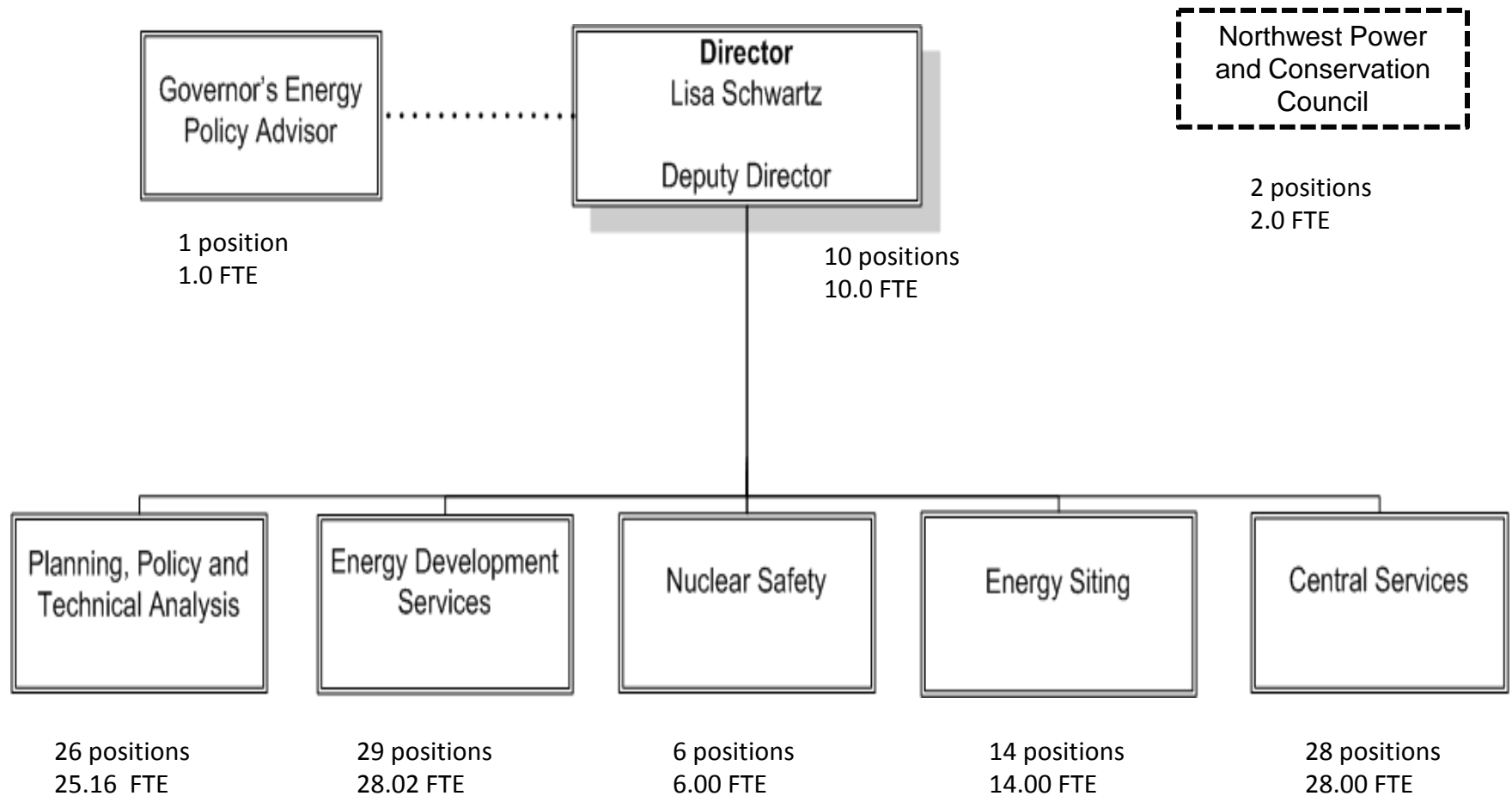


Where the Money Goes And Why It Matters



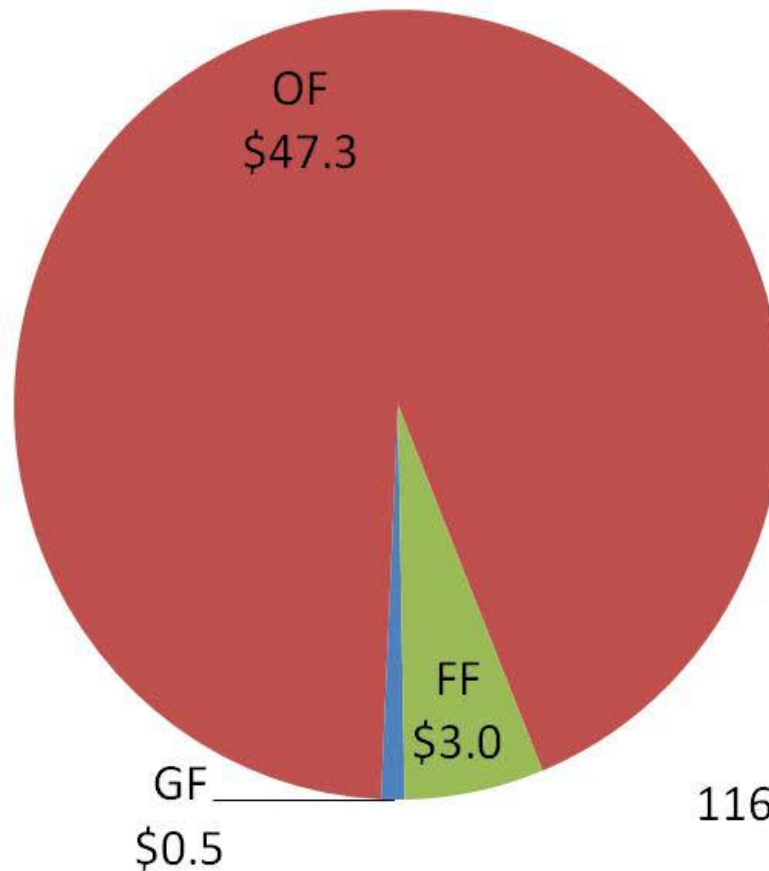
Department's Organization

2013-2015



2013-15 Governor's Balanced Budget

(Limited Operating Funds, in Millions)

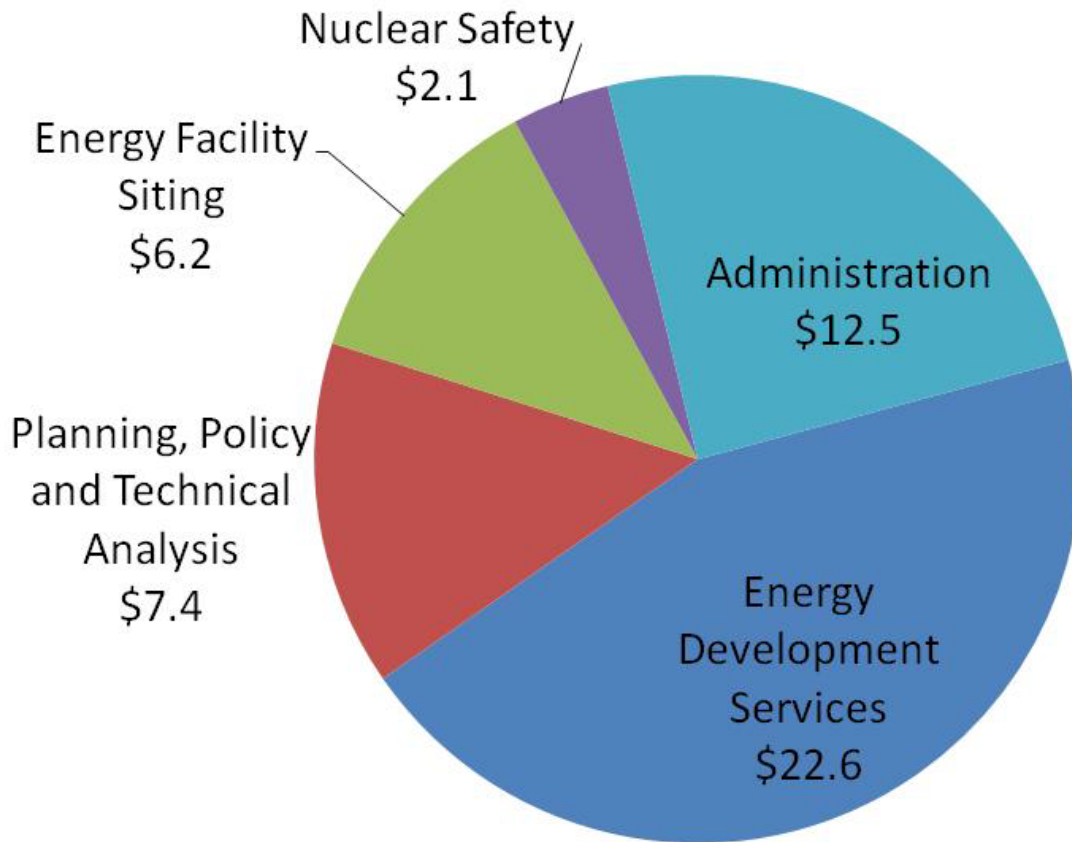


Total -\$50.8 million
116 Positions/114.18 FTE

By Fund Type

2013-15 Governor's Balanced Budget

(Limited Operating Funds, in Millions)



Total-\$50.8 million
116 Positions/114.18 FTE

By Division

Energy Development Services

Loans, Tax Incentives and Grants for Energy Projects

- Loans for small-scale energy projects
- Tax credits for energy projects
 - Business Energy Tax Credit program sunset – ongoing compliance work
 - New Energy Incentives Program started in 2011-13
 - Energy efficiency
 - Alternative transportation fuels
 - Biomass
 - Residential Energy Tax Credit
- New Renewable Energy Development Competitive Grants
- State Home Oil Weatherization Program

Budget (in Millions)

Operating Budget

Other Funds	\$ 22.1
Federal Funds	<u>\$ 0.4</u>
Total Limited Operating	\$ 22.5

Loans & Debt Service

Non-Limited Other	\$106.1
Non-Limited Lottery	\$ 70.0
Limited Lottery Debt Svc	\$ 3.4

29 Positions/28.02 FTE

Energy Development Services

Non-Limited Funds

- As of Dec. 31, 2012, the Small-scale Energy Loan Program disbursed 861 loans totaling \$581 million.
- 30 loans made in 2011 & 2012 totaling \$60.5 million
- Currently 217 loans open for \$243 million
- Historical default rate is about 3.5% over the 33-year history of the program, half the industry average.
 - Loss rate is 0.38% absent the recent Cascade Grain default.
 - Fewer than 1% of borrowers have defaulted on loans.
- Loan program energy savings are enough to meet the needs of 65,534 Oregon homes.

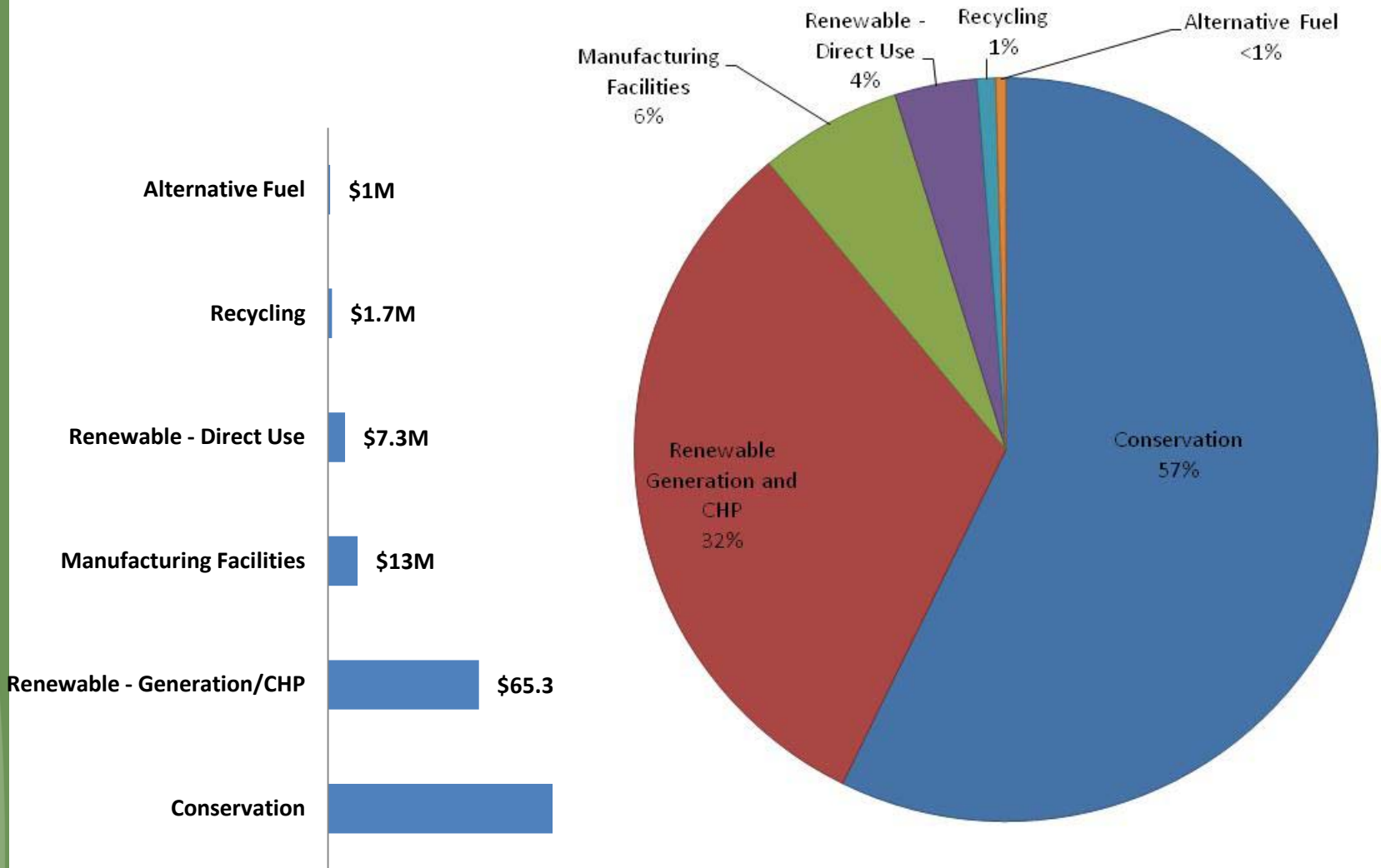
Energy Development Services

Current Loan Due Diligence

- Borrowers undergo technical and business reviews.
- Loans are reviewed by an advisory committee.
- No construction loans are issued.
- The state is in first position on the loan.
- The applicant must meet benchmarks before any money is released.
- Large loans should come with loan guarantees where available.

Energy Development Services

Current Loans by Project Type



Planning, Policy and Technical Analysis

Statutory Responsibilities

- Identify statewide energy needs: electric, thermal and transportation
- Investigate new energy technologies
- Support school, business and community energy needs
- Greenhouse gas emissions inventory to support Oregon's emission reduction goals
- Reduce state building energy bills

Budget (in Millions)

Other Funds	\$ 6.5
Federal Funds	<u>\$.9</u>
Total	\$ 7.4

26 Positions/25.16 FTE

Energy Facility Siting

- Energy Facility Siting Council

- Certifies energy facilities that meet standards
- Appeals heard by Oregon Supreme Court
- ODOE staffs Council

Budget (in Millions)

General Fund	\$.5
Other Funds	<u>\$ 5.7</u>
Total	\$ 6.2

- Current project reviews

- Two major transmission lines
- Wind: 4,000 megawatts
- Natural gas-fired power plants: 1,400 megawatts
- One biomass facility
- Amendments for 8 certified facilities

14 Positions/14.00 FTE

Emergency Preparedness

The Oregon Department of Energy develops and maintains a statewide contingency plan in response to severe or long-term petroleum shortages or disruptions.



Nuclear Safety

The Hanford site contains the nation's largest concentration of radioactive waste, generated during more than 40 years of producing plutonium for the nuclear weapons program.



Nuclear Safety and Emergency Preparedness

- Advise on Hanford clean-up
- Ensure that Oregon's emergency responders are prepared for nuclear emergency
- Ensure safe transport of radioactive materials through Oregon

Budget (in Millions)

Other Funds	\$.6
Federal Funds	<u>\$ 1.5</u>
Total	\$ 2.1

6 Positions/6.00 FTE

Administration

- Includes Director's Office and Central Services Division
- 2011 agency-requested audit resulted in improved procurement, accounts receivable and information security
- Redoubling efforts to seek federal and other financial support for agency operations
- Will work with DAS Improving Government Committee to identify and implement administrative efficiencies (POP 091)

Budget (in Millions)

Other Funds	\$12.4
Federal Funds	<u>\$.1</u>
Total	\$12.5

41 Positions/41.00 FTE

Accomplishments



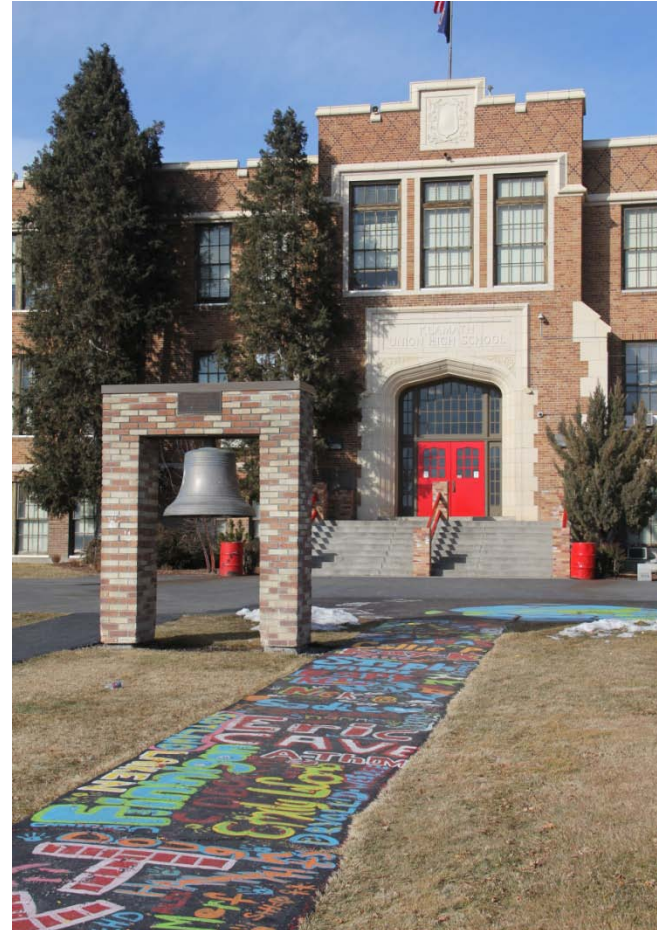
Accomplishments

- \$11 million savings/year for energy measures in new and remodeled state buildings through 2011 (adjusted for measure life)
- Certified 134 industrial efficiency projects worth about \$25 million
- Helped increase alternative fuel infrastructure by more than 1,800 percent in two years, with electric vehicle charging stations at nearly 300 locations
- Helped convince U.S. Department of Energy to initiate groundwater treatment at the Hanford nuclear site
- 19 hospitals, schools and offices, are using biomass heating and saving up to \$100,000 annually on their bills, and many of the boilers installed are manufactured in Oregon
- Helped bring a cellulosic ethanol bio-refinery to Boardman

Accomplishments

Oregon Schools

- 1,630 audits completed
- Identified \$14.7 million in potential annual energy savings
- \$6.3 million annual savings implemented to-date



Accomplishments

American Recovery and Reinvestment Act

- Administered \$56 million in federal funds
- Supported 272 energy projects
- \$8 million in reduced energy costs each year
 - Enough to power more than 8,200 homes
- Leveraged \$14 million in funds from consumer-owned utilities, the Energy Trust of Oregon and others

Accomplishments

Legacy Business Energy Tax Credit Program

- Nearly 25,000 energy-saving and generating projects were installed or developed, totaling a \$3.1 billion investment by businesses
- Total savings and renewable generation during 2012 from all projects installed from 1980 to 2012 equals the annual energy use of more than 1 million households or 71% of the annual energy use for all Oregon households

Accomplishments

New Energy Incentives Program

- The new Energy Incentives Program has received 257 informational filings from project owners using the small premium project path and has issued 34 final tax credits.
 - Most of the projects are for building envelope improvements, such as new windows, improved insulation and other such measures.
- Projects that are completed and received preliminary certification include:
 - A cold storage facility in Eugene that will save \$15,000 annually by replacing metal halide and high pressure sodium lights with LED and fluorescent fixtures with occupancy sensors
 - The Military Department for installing insulation, efficient lighting and other measures at its readiness center in The Dalles. The project will help the military achieve “net-zero” energy status for the facility.

Efficiencies and Improvements

- **Small-scale Energy Loan Program enhanced underwriting criteria**
 - Require first lien position on all collateral
 - Comprehensive risk rating system, updated throughout term of loan
 - Tighter procedures for vetting guarantors
- **Business Energy Tax Credit inspections**
 - 600 projects inspected in past three years
 - 13% were out of compliance
 - \$46 million in tax credit savings realized for the state General Fund

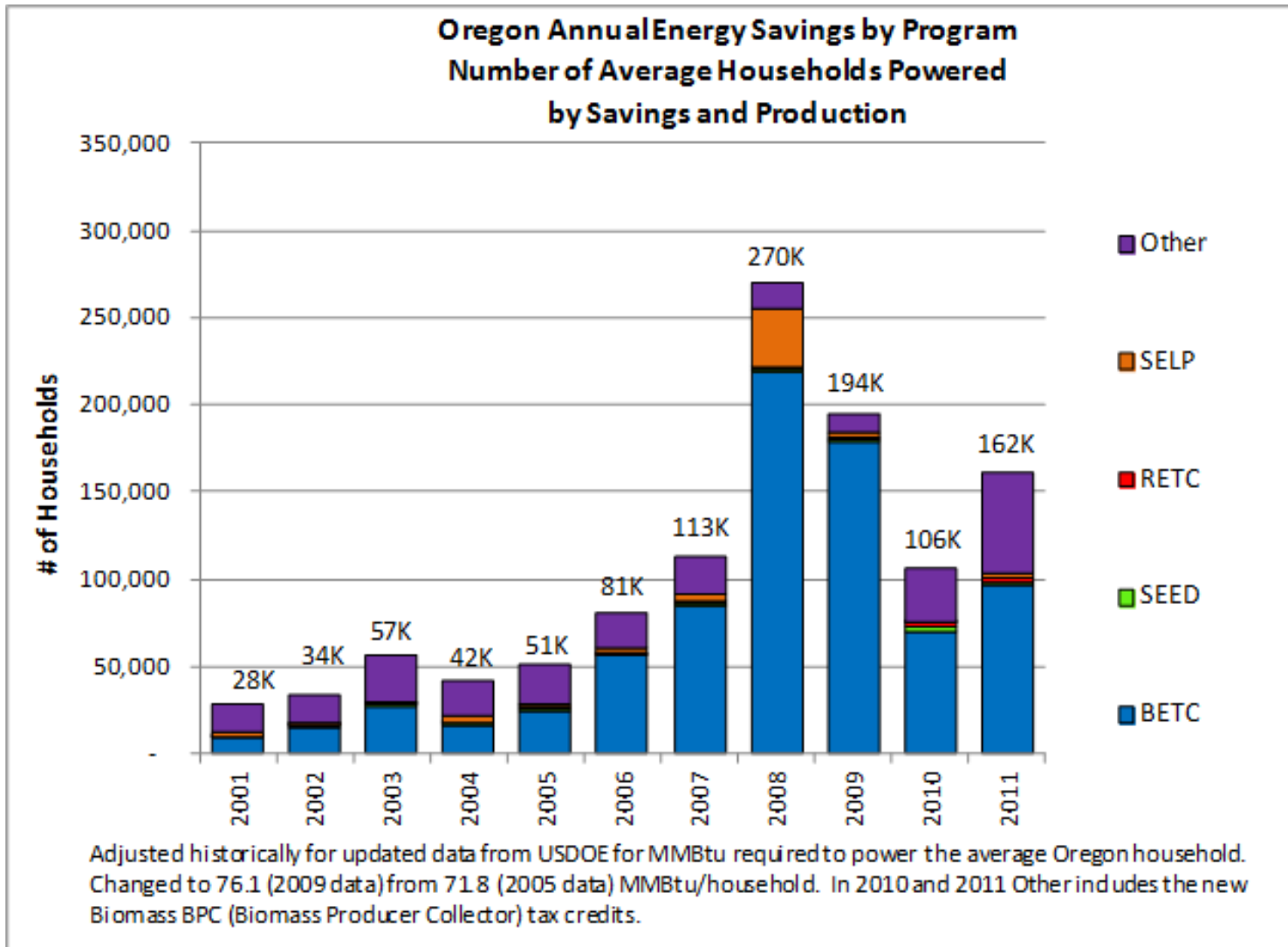
Efficiencies and Improvements

- **Additional Tax Credit Savings:** Regularly review and revoke preliminary Business Energy Tax Credit certifications that were not finalized within the established timeframe, resulting in \$97 million in tax credit savings
- **Facility Siting:** Initiated more than a dozen process improvement actions to make the energy facility siting process more efficient, consistent, predictable and transparent
- **Leveraging Federal Investments:** Developed programs to advance Oregon's biomass goals and helped tribes, schools, Oregon Military Department and others secure federal grants of about \$645,000 to advance biomass projects in Oregon

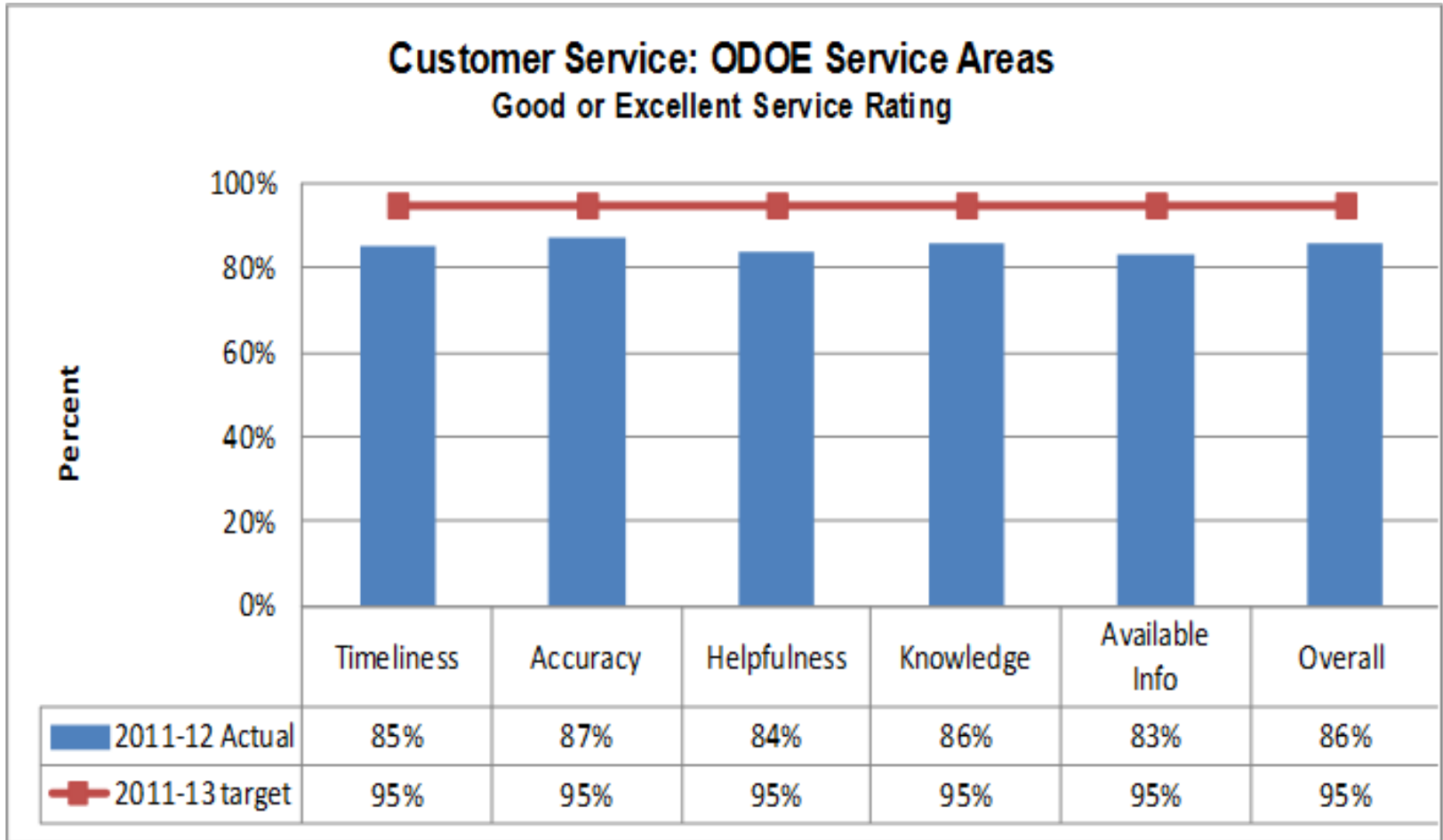
Key Performance Measures Report

- The Department tracks three Key Performance Measures
 - Energy Savings
 - Customer Service
 - Application Processing
- No proposed changes to the measures in this budget

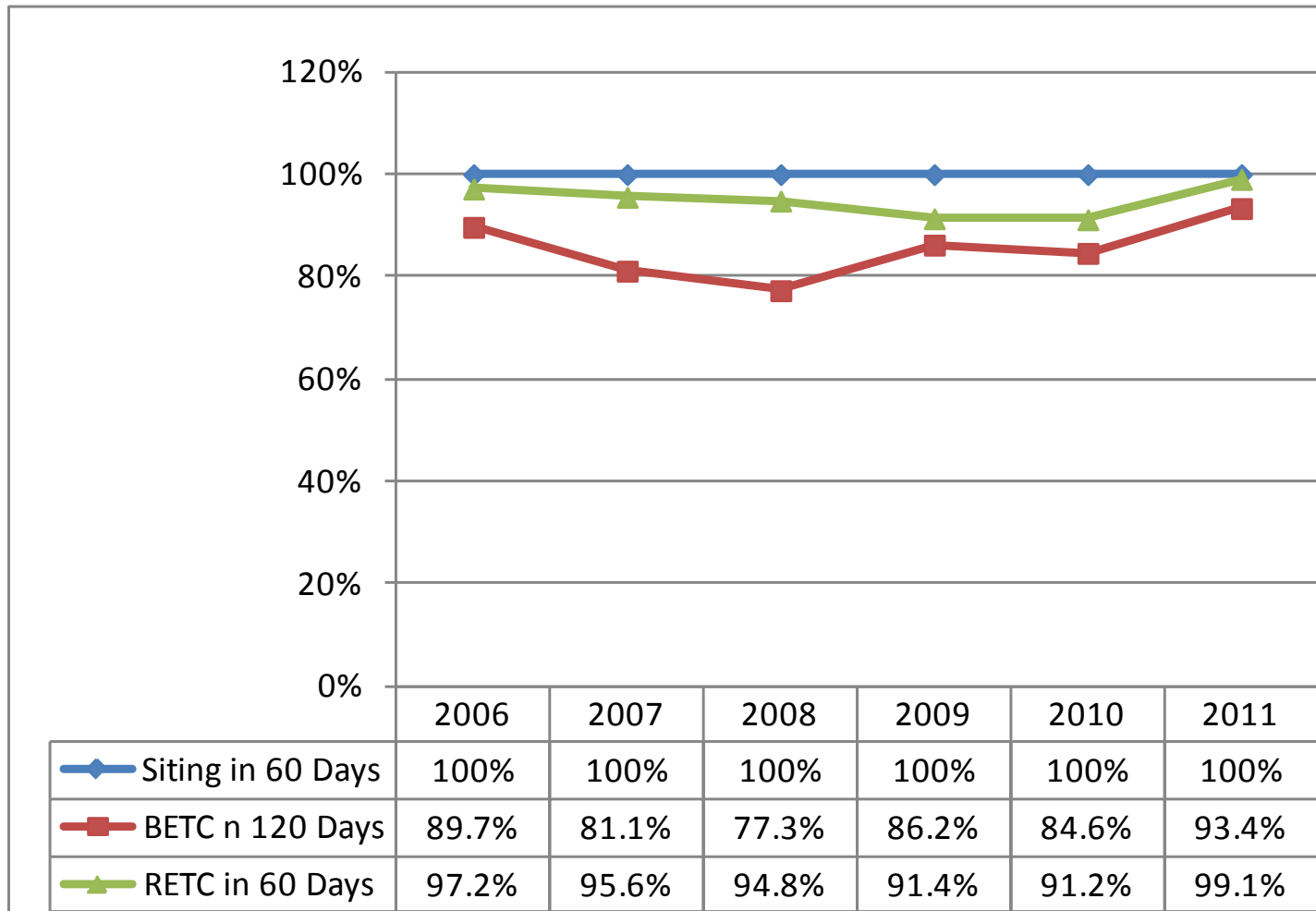
KPM 1: Energy Savings



KPM 2: Customer Service Measures



KPM 3: Application Processing Timeliness



Where We're Headed



Where We're Headed

Policy Option Packages (POPs)

- #101 Oregon's Energy Priorities
- #090 Governor's Adjustments
- #201 Energy Incentives Program Support
- #401 Energy Facility Siting Workload
- #501 Salem Office Consolidation
- Other Adjustments

Where We're Headed

Governor's Energy Priorities, POP #101

Using Oregon's own energy resources

- Maximizes energy efficiency in the residential, commercial, industrial and public building sectors to reduce costs
 - Cost:
 - \$1,232,015 OF
 - \$ 174,012 FF
 - \$ 500,000 GF
- Streamlines energy and financing infrastructure to overcome barriers to developing Oregon's own energy resources
 - 4 positions (4.84 FTE)
 - \$850,000 Professional Services
- Facilitates use of alternative transportation fuels such as natural gas, electricity and biofuels

Where We're Headed

Governor's Energy Priorities, POP #101 (Cont)

Staffing:

- Refinances two existing, unfunded positions with ESA
 - Residential Energy Efficiency Expert
 - Alternative Transportation Fuels Expert
- Expands partial position authority to create full-time position
 - To coordinate energy efficiency investments in state buildings and continue Cool Schools work
 - Funded half by fees from State Energy Efficient Design program and half ESA
- Continues Cool Schools financing position
- Continues Governor's Energy Policy Advisor

Where We're Headed

Governor's Energy Priorities, POP #101 (Cont)

- Adds \$300,000 Professional Services to create energy efficiency inventories and improve and link existing databases (ESA funded)
- Adds \$500,000 for landscape-level planning that will streamline energy facility siting (General Fund)

Where We're Headed

Governor's Adjustments, POP #090

Ensuring stable funding for energy efficiency projects

- Capitalization of Small-scale Energy Loan Program
 - Cost:
 - \$10 million Lottery-backed bonds
 - \$5 million for State Energy Loan Program
 - \$5 million for Jobs Energy Schools Fund
- Funds coordinating entity to bring together energy efficiency assessments, financing and contractors

Where We're Headed

Energy Incentives Program Support, POP #201

Ensuring quality program service delivery

- Implements incentive programs per statute (revised in 2011)
- Ensures compliance with incentive program statutory mandates
- Timely handling of a more complex application process
- Cost recovery program; requires fee increase in 2013-15

Cost:

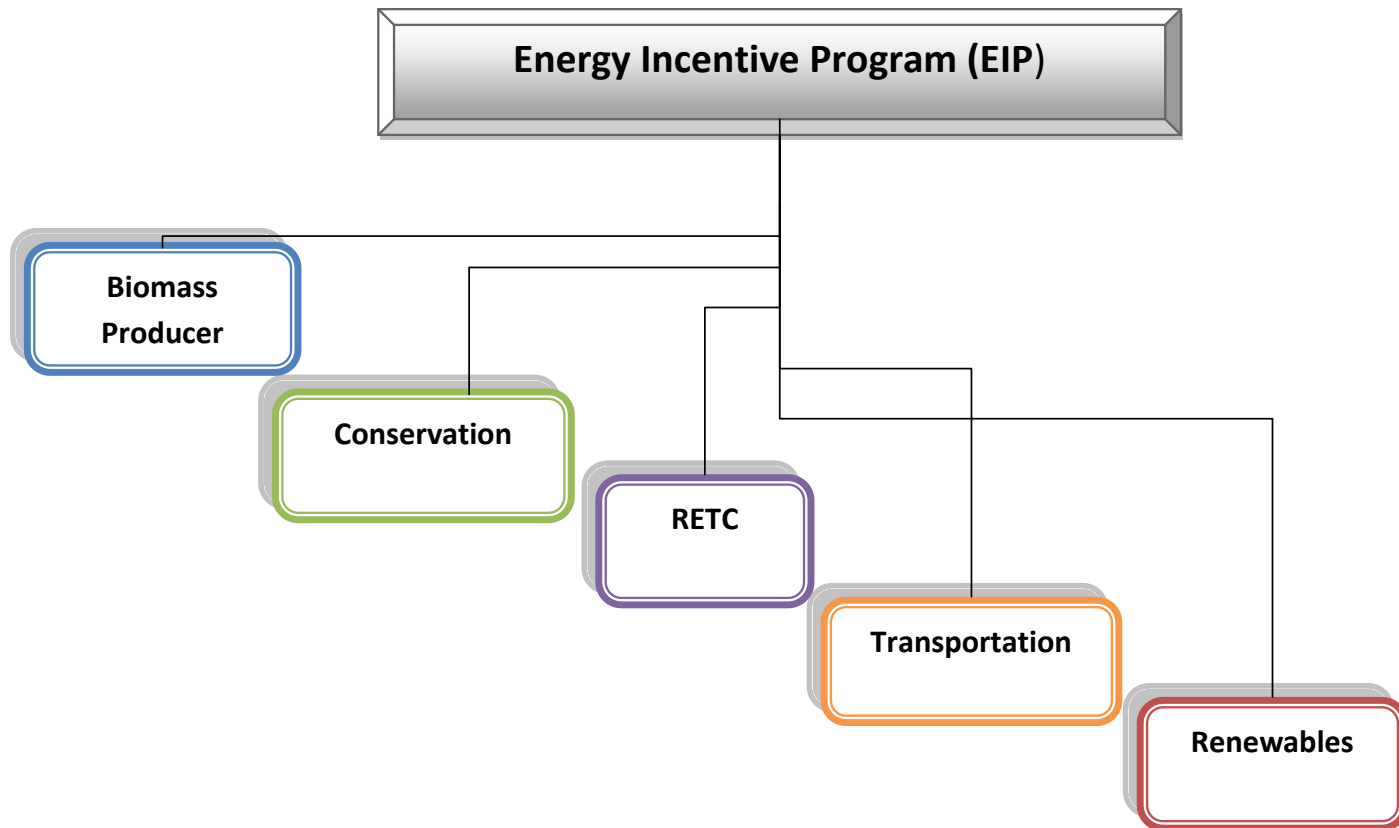
\$447,060 OF (fees)

- Convert 3 limited duration positions to permanent (2.52 FTE)

Where We're Headed

Energy Incentives Program Support POP #201

Greater program complexity



Where We're Headed

Energy Facility Siting, POP #401

Responding to increased demand and public participation

- Addresses increase in applications and greater complexity
 - Cost:
 - \$1,027,091 OF
 - 3 Positions (3 FTE)
 - \$300,000 Operations
- Continues the streamlining of the siting process
- Improves public participation
- Enhances support for cost recovery and financial oversight

Where We're Headed

Energy Facility Siting, POP #401 (cont)

Staffing

- Continues two limited duration positions
 - Project Officer - application reviews in Hermiston
 - Senior level policy and contested case preparation
- Adds new position to support finance, accounting and contracting activities that are associated with application review and cost recovery

Where We're Headed

Salem Office Consolidation, POP #501

Addressing facility deficiencies

- Salem staff housed in 2 buildings
- Did not move Department headquarters during 2011-13, as originally planned
 - Savings during 2011-13 biennium
 - Co-location with another agency possible by late 2014
 - Will identify location and develop relocation plans in conjunction with DAS

*** Costs indeterminate at this time – Will work with LFO*

Where We're Headed

Other Adjustments

- 090: Technical adjustments to positions in base budget.
- 091: Statewide Administrative Savings – Our allotment of reduction is just over \$250,000.
- 092: PERS Taxation Policy – Our reduction would be just under \$58,000.
- 093: Other PERS Adjustments – Our reduction would be just under \$464,000.
- 070: Revenue Reduction tied to POP 101.

Where We're Headed

Legislation

- HB 5011
 - Establishes the Legislatively Adopted Budget for the Oregon Department of Energy
 - Includes limitation for Other, Federal and Lottery Funds
 - Includes General Fund appropriation related to Policy Option Package 101, Landscape-level planning

Where We're Headed

Legislation

- HB 5012
 - Oregon Department of Energy Fee Bill
 - Provides Legislative approval for new fees approved by the Department of Administrative Services and established by rule in 2011-13
 - Business Energy Tax Credit pass-through fees
 - Business Energy Tax Credit compliance fees
 - ORS 291.050 -291.060 define fees that require Legislative approval & exceptions

Where We're Headed

Legislation

- HB 5012 adds new Business Energy Tax Credit pass-through & compliance fees
 - Department-assisted: 0.025% of tax credit -- \$100 to \$25,000 fee
 - No department assistance: \$100 per tax certificate
 - Tax credit transfer fee: \$200
 - Compliance re-inspection fee: \$400 (proposed amendment to HB 5012)

Where We're Headed

Legislation

- HB 5012 (continued)
 - Exceptions defined in ORS 291 not included in HB 5012
 - ORS 291.050 (1)(c): charges for bonding & loans
 - ORS 291.055(2)(d): fees based on actual cost of services
 - Policy Option Package #201 will require increased fees to recover costs of service for Energy Incentive Programs
 - Those fee increases not included in HB 5012 because they have been deemed exceptions to ORS 291
 - Current and estimated fee charts included in supplemental materials
 - ORS 291.055(2)(h): State Department of Energy assessments required by ORS 469.421 (8) & 469.681

Where We're Headed

Legislation

- HB 2344
 - Agency filed pre-session
 - Initial public hearing held February 7
 - Authorizes public-private partnership investment options for energy-related construction projects in public buildings
 - Schools
 - Local governments
 - Oregon University System
 - No fiscal impact

Thank you

