Budget Presentation Supplemental Materials

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Overview of 2013-15 Governor's Balanced Budget for Oregon Department of Energy

Agency Overview

The Oregon Department of Energy (ODOE) faces vast opportunity and change in the electricity, thermal and transportation sectors. The Governor's budget positions the agency to advance the Governor's energy goals:

- meet all electricity load growth with cost-effective energy efficiency;
- remove finance and regulatory barriers to development of clean energy infrastructure; and
- accelerate the market transition to a more efficient, cleaner transportation system, including converting 20 percent of fleets to alternative transportation fuels.

The department is poised to advance efforts that reduce long-term costs of energy for Oregonians and to provide program outcomes that deliver a safe, clean, reliable, affordable and sustainable energy future.

ODOE's statutory authority is primarily derived from Oregon Revised Statutes Chapters 469, 469A and 470, and is administered through Oregon Administrative Rules Chapter 330 and Chapter 345.

Budget Overview

The Governor's budget decrease from the prior biennium is attributed to the completion of American Recovery and Re-investment Act activities and funding. The budget provides increased staff for facility siting and continues legislatively approved service levels for energy incentives process and resources to advance Oregon's energy priorities.

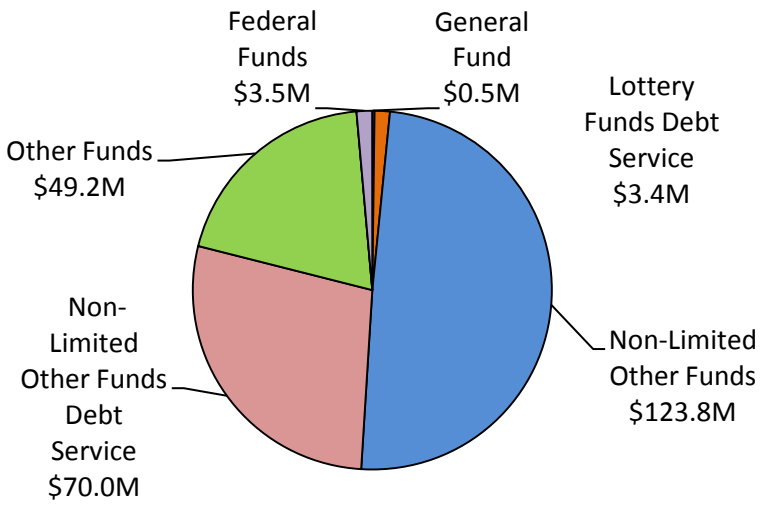
Budget Comparison for 2011-13 to 2013-15 Biennia

Expenditures	2011-13 Legislatively Approved	2013-15 Governor's Balanced Budget
Lottery Funds	2,164,185	3,437,724
Other Funds	36,440,507	47,308,983
Federal Funds	36,845,834	2,980,933
General Funds	0	500,000
Other Funds (NL)	171,915,239	176,018,807
Federal Funds (NL)	1	1
Total Funds	**247,365,766**	**230,246,448**
Pos/FTE	130 / 119.81	116 / 114.18

The largest proportion of ODOE's budget, $176 million, is for non-limited activities associated with the Small-scale Energy Loan Program. These non-limited funds are administrated separately from limited funds. ODOE's limited funds budget is $ 54.2 million and supports: energy planning, policy and technical analysis; the Energy Facility Siting Council; administration of energy incentives; Hanford cleanup oversight; emergency preparedness; and central services.

Funding for the department is predominately Other Funds, with a small portion of lottery funds for debt services and Federal Funds from formula and competitive grants. The Governor's budget includes a small General Fund request as well as proceeds from lottery backed bonds.

Governor's Budget Revenues for 2013-15



Energy Supplier Assessment

ORS 469.421 (8) provides ODOE with authority to charge energy suppliers an assessment against annual gross operating revenue derived in Oregon, up to five-tenths of one percent, to fund specific statutory authorities of the department. The assessment was set at 0.00085 for the 2011-13 biennium, and lowered the second fiscal year to 0.00070 based on accrued savings. The rate for the 2013-15 biennium will depend upon a number of factors such as the ending balance rates, declines in other agency revenue sources, and trends in energy supplier gross operating revenues.

Proposed Legislation

HB 2344 (LC 627)– SELP Authority

This legislative concept would authorize the Oregon Department of Energy to enter into public-private partnership agreements for energy efficiency projects in publicly owned buildings. One of Oregon's energy priorities is to maximize energy efficiency and conservation. An important lever for advancing the priority is to develop new financial tools and financing infrastructure, such as financing models that combine private funding with the state's existing authority under the Small-scale Energy Loan Program. No fiscal impact is expected as this bill merely provides explicit authority to enter into public-private partnerships for the stated purpose. It does not direct a specific action.

Policy Packages

Policy Package No. 101: Oregon's Energy Priorities
Governor's Balanced Budget $1,906,027 / 4 Pos / 4.84 FTE

Provides resources to maximize energy efficiency, accelerate cleaner transportation fuels and build healthier communities with Oregon's own resources. Focus areas are innovative financing tools to advance energy efficiency projects in public buildings, residential energy conservation, landscape-level planning for siting major energy facilities, and alternative transportation fuels. No new positions are added in the package, it continues limited duration positions and redeploys existing positions. Funding is a mix of Other Funds ($64,721), Energy Supplier Assessment ($1,167,294), Federal Funds ($174,012) and General Funds ($500,000).

Policy Package No. 090: Governor's Adjustments
Governor's Balanced Budget $11,478,479

Provides $5 million to capitalize the Small-scale Energy Loan Program and $5 million to support agency and partners efforts to augment energy efficiency investments. Funding is Other Funds from lottery bonds.

Policy Package No. 201: Energy Incentive Program Support
Governor's Balanced Budget $447,060 / 3 Pos / 2.52 FTE

Makes permanent limited duration positions for administration of energy incentives programs. Programs include the Conservation and Transportation tax credit created under HB 3672 (2011), the Biomass Producer and Collector tax credit, the Residential Energy Tax Credit and program closure activities related to the sunset of the Business Energy Tax Credit. This package is tied to HB 5012, the agency fee bill. Funding is Other Funds from application and technical fees.

Policy Package No. 401: Energy Facility Siting Workload
Governor's Balanced $1,027,091 / 3 Pos / 3.00 FTE

Oregon has seen a surge in new energy siting project applications and growth in the total number of energy facilities with operating site certificates. This package continues two limited duration positions added by the Legislative Emergency Board in May 2012, and adds a position to support financial analysis and cost recovery for ODOE and other application reviewers. This package is funded with Other Funds from applicants ($761,065) and the Energy Supplier Assessment ($266,026).

Policy Package No. 501: Salem Office Consolidation Costs
** Since the Department did not move in 2011-13, this package is being reconsidered. Co-location with another state agency is possible by late 2014. ODOE will work with Department of Administrative Services to identify a possible location and plans.

Policy Package No. 070: Revenue Reduction – Energy Conservation
Governor's Balanced Budget ($378,542) / (2) Pos / (2.00) FTE

Identifies two permanent energy conservation positions formerly funded with a mix Federal and Other Fund grants that have ended. POP 101 realigns funding for these positions.

Policy Package No. 091: Statewide Administrative Savings
Governor's Balanced Budget ($253,251)

Package 091 was included in all agency budgets as a placeholder for administrative efficiencies to be found in Finance, IT, HR, Accounting, Payroll, and Procurement activities. The Improving Government subcommittee of the Enterprise Leadership Team will be identifying proposed efficiencies or changes in the delivery of service to meet the funding level in the Governor's budget, and will work with individual agencies on the impact to their budget, along with reinvestment opportunities. Reductions impact Other Funds ($140,610), Energy Supplier Assessment ($110,479), and Federal Funds ($2,162).

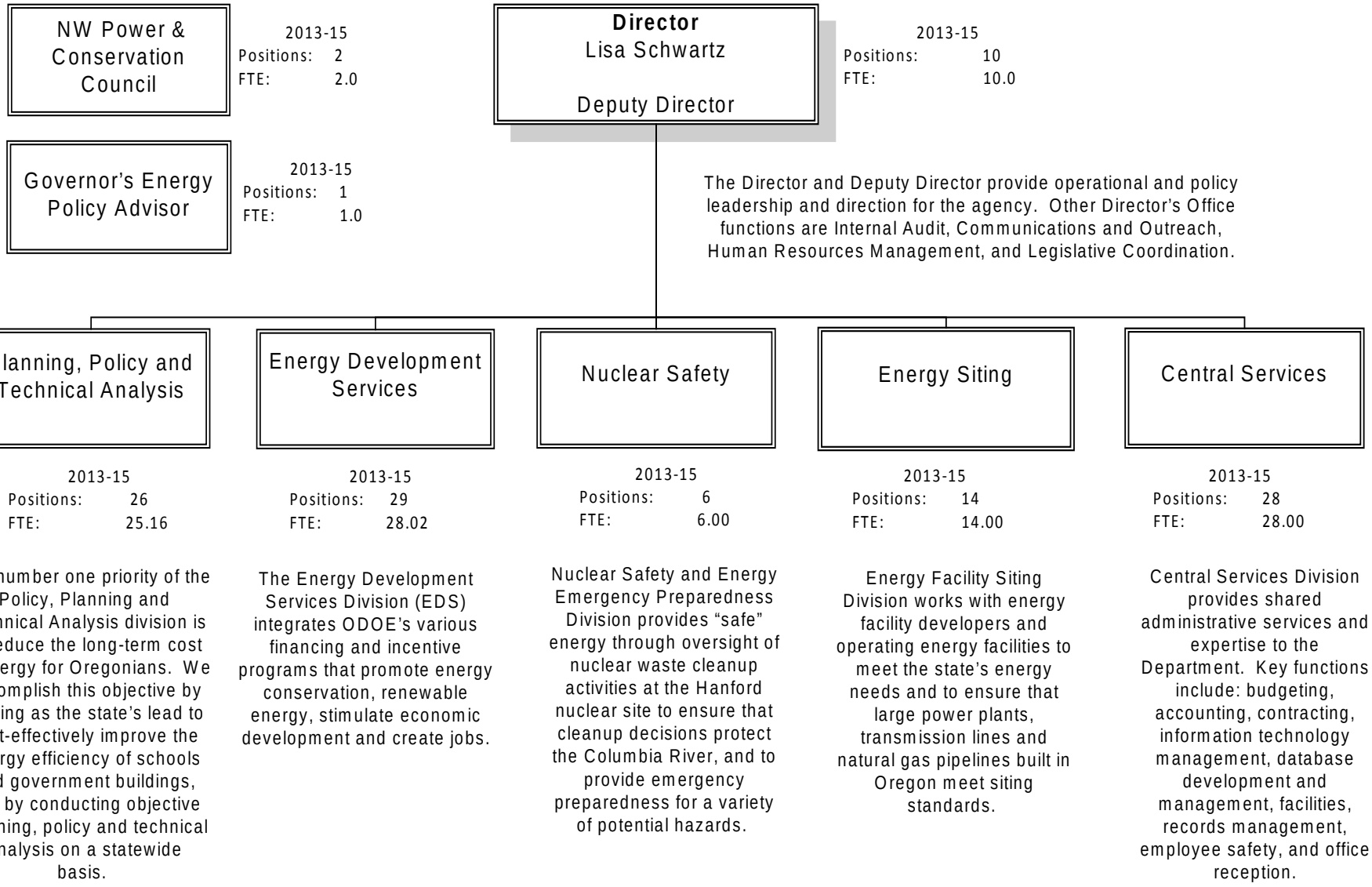
Policy Package No. 092: PERS Taxation Policy
Governor's Balanced ($57,927)

The policy change saves approximately 40 basis points on the PERS employer rate. Reductions impact Other Funds ($25,896), Energy Supplier Assessment ($27,441), and Federal Funds ($4,590).

Policy Package No. 093: Other PERS Adjustments
Governor's Balanced ($463,861)

This package supports policy changes that reduce the PERS employer rate by approximately 320 basis points. Reductions impact Other Funds ($207,406), Energy Supplier Assessment ($219,784), and Federal Funds ($36,671).

Department of Energy Organizational Chart



Summary of Energy's Statutory Authority

ODOE Division	Program Areas	Statute (ORS)	Administrative Rule (OAR)
Director's Office	General	469.010 – 469.155; 469.950; 469.990	330-001 (procedural); 330-010 (confidential info.); 330-040 (joint operating agency)
	Human Resources	469.055	330-007 (criminal records check)
	Energy Supplier Assessment	469.421	330-075
Energy Facility Siting	Energy Facility Siting	469.300 – 469.520; 469.590 – 469.601; 469.992	330-025 (resource plan); 345-001 (gen); 345-011 (council); 345-015 (procedures); 345-020 (notice of intent); 345-021 (application); 345-022 (standards); 345-023 (nongenerating); 345-024 (standards); 345-026 (construction, operation); 345-027 (gas storage); 345-029 (violation, penalties); 345-076 (nuclear power); 345-092 (uranium mills)
Nuclear Safety	Nuclear Safety & Radioactive Waste	469.525 – 469.587; 469.603 – 469.619; 469.930; 469.992	330-030 (nuclear security); 345-030 (research reactor) 345-050 (radioactive waste); 345-060 (transport radioactive); 345-070 (confidential info); 345-095 (uranium mills)
	Federal Petroleum Allocation Programs for Motor Gasoline/Middle Distillates	176.760; 176.809; 176.820	330-080
Energy Development Services	Residential Energy Tax Credit (RETC)	469B.100 – 469B.118; 469B.991; 316.116; 317.115	330-070
	Business Energy Tax Credit (BETC)	469B.130 – 469B.171; 315.354 – 315.357	330-090; 330-091 (transfer manuf to OBDD)
	Energy Incentives Program (EIP): Renewable Energy Production Systems (RED Grants)	469B.250 – 469B.265; 315.326; 315.329	330-200; 330-230 (compliance)
	Energy Incentives Program (EIP): Energy Conservation Projects Tax Credit	469B.270 – 469B.306; 315.331	330-210; 330-230 (pass-thru, compliance)
	Energy Incentives Program (EIP): Transportation Projects Tax Credit	469B.320 – 469B.347; 315.336	330-220 (AFVI); 330-225 (transit services); 330-230 (pass-thru, compliance)
	Biomass Producer or Collector Tax Credit (BPC)	469B.400 – 469B.403; 315.141, 315.144	330-170
	State Energy Loan Program (SELP)	470.050 – 470.815; Oregon Constitution, article XI-J	330-100 (rule procedure); 330-105 (advisory committee); 330-110 (loan program); 330-112 (EEAST)
	State Home Oil Weatherization (SHOW)	469.673 – 469.720	330-060 (conservation); 330-061 (weatherization)

	Program Areas	Statute (ORS)	Administrative Rule (OAR)
Planning, Policy and Technical Analysis	**General Responsibilities**		
	Energy Policy	469.01	
	Research and Data Collection	469.030 (2)(a),(c),(f),(g),(i)	
	Public and Stakeholder Outreach	469.030 (2)(b)	
	Grant Qualification & Administration	469.030(2)(d),(e)	
	Program Administration	469.030(2)(e),(g),(j)	
	Rulemaking	469.040(1)(d)	
	Monitor industry progress in conservation	469.097	
	Federal Government Interaction	469.11	
	Programs		
	Energy Conservation Program: Public Bldgs	469.730 – 469.750	
	Energy Efficiency Standards	469.229 – 469.261	330-092
	State Agency Conservation Programs	469.452 – 469.756	330-118
	Energy Eff. Design/Oper for State Agency Facilities	276.900 – 276.915	330-130 (SEED)
	Public Buildings 1.5% Green Energy Tech	279C.527 and 279C.528	330-135
	Self Direction of Public Purposes Charges	757.600 – 757.687	330-140
	Schools Program	757.612 and 757.617	
	Commercial Energy Conservation	469.860 – 469.900	330-066 (publicly owned utilities)
	Renewable Portfolio Standard	469A.005 – 469A.300	330-160
	Reports		
	Biennial Energy Plan	469.060(1),(3),(4)	
	Energy Pricing Structure Research	469.060(2),(3),(4)	
	Energy Forecast	469.07	
	Biofuels Program Impact Study	OR Laws 2007, ch. 739, § 8a	
	Energy Cons. Clearinghouse for Commerce & Indus	469.135	
	Committees, Boards, Commissions		
	Oregon Global Warming Commission	468A.210 – 468A.250	
	Construction Industry Energy Board	455.492	
	Forestry Carbon Offsets Rules Advisory Comm.	526.786	
	Collaboration and Assistance		
	NW Power and Conservation Council	469.802 – 469.845	
	Energy Efficiency RatingsSingle Family Res.	469.7	
	Energy Conserv. Programs: Low Interest Loans	469.710 – 469.720	
	OR Residential Energy Conservation Act: IOU	469.631 – 469.645; 469.685	
	OR Res. Energy Cons. Act: Publicly Owned Utilities	469.649 – 469.659; 469.685	
	Federal Forest Mgmt & Woody Biomass Utilization	526.274; 526.280	
	Solar Access Ordinances – County & City	215.044; 227.190	
	Green House Gas Emission Reduction Goals	OR Laws 2009, ch. 865, § 37	
	Renewable Fuel Standard	646.905 – 646.923	
	Wave Energy Projects Subject to Federal Licensing	OR Laws 2011, ch. 153, § 2	
	Reviews		
	People's Utility District Formation	261.151	
	Permit to Drill/Operate Geothermal Well	522.125	
	Standards		
	Standards for Dwellings	469.155	
	State Building Code Energy Efficiency Goals	455.511	
	Green House Gas Emissions	757.522 – 757.538	330-180
	Alternative fuel use for district vehicles	267.03	

Summary of Efficiencies and Accomplishments

Efficiencies: Savings and Improvements

Small-Scale Energy Loan Program: The department enhanced loan underwriting criteria. Changes made include: requiring a first lien position on all collateral, and we take a much more conservative approach to valuing collateral; instituting a comprehensive risk rating system that is updated throughout the term of the loan; established tighter procedures for vetting guarantors .

Revoked Business Energy Tax Credits: The department regularly reviews and revokes preliminary Business Energy Tax Credit certifications that were not finalized within the established timeframe; this resulted in $97 million in tax credit savings.

Business Energy Tax Credit Inspections: Compliance activities ensure projects are completed as stated in the preliminary certification. Over the last three years, the compliance section has inspected over 600 projects and "failed" 13%. This equates to $46 million in tax credit savings.

Facility Siting: The program has initiated more than a dozen process improvement actions to create more efficiency, consistency, predictability, and transparency in the energy facility siting process. Examples include: creating an application packet and meeting with applicants early in the process to provide them the knowledge and tools to be successful; modifying public outreach practices to ensure stakeholders know when and how to successfully participate in the process; developing standardized formats for process and documentation which speeds processing and reduces business risk; re-evaluating protocols for application "completeness reviews" to reduce processing delays; and, ensuring the public is informed in a timely manner of opportunities to testify directly to EFSC about applications under review.

Leveraging Federal Investment. ODOE developed programs that leverage significant federal investment to help advance state biomass objectives. Feasibility resources provided by ODOE have allowed tribes, schools, the Oregon Military Department and others to secure federal grants of more than $645,000 to continue with engineering and development for new biomass projects in Oregon. ODOE has partnered with the USDA to build on this success and implement a new Wood Energy Cluster project that will provide support to additional biomass projects around the state.

Streamline investments in geothermal: In collaboration with WRD and DOGAMI, this year ODOE will complete inter-agency communication materials to promote a streamlined path to attract private sector investment in geothermal energy.

Nuclear Safety: The Nuclear Safety and Energy Emergency Preparedness Division developed a webinar series on Hanford that was initially targeted to high school and college students in Oregon. More than 30 students signed up for the Webinar, and 19 completed all five weeks of the series to earn a certificate of completion. Division staff are now working with the Washington Department of Ecology to build on this success with a joint Oregon-Washington Webinar series that will be marketed throughout the two states.

Accomplishments

Planning, Policy and Technical Analysis Programs

- Our work to date has catalyzed over $70 million in energy efficiency projects in public schools across the state and identified the potential for over $33 million in additional projects with 20 year or less simple paybacks. Under our Energy Efficient Schools program, more than 1,630 school audits have been completed. These audits identified $14.7 million in potential annual energy saving. The audits are the foundation for ongoing technical assistance and access to low-cost funding to enable schools to install energy efficiency upgrades and other improvements.

- ODOE completed a review of the electricity resource mix process and created a web page to make the information more accessible and understandable: http://cms.oregon.gov/energy/pages/oregons_electric_power_mix.aspx. This improved ODOE's analysis of the state's overall greenhouse gas emissions which is used by Oregon's electric utilities and We are taking a statewide look at energy efficiency programs available today, identifying gaps and analyzing cost-effective opportunities. Based on this analysis, we will work with stakeholders to develop recommendations for the most effective ways to achieve energy efficiency at scale going forward. We also will work with stakeholders to improve statewide integrated planning for reliable and affordable energy to meet our future power, thermal and transportation needs.
- Through programs like the Oregon Leaders Award for Industrial Energy Efficiency, we have helped Oregon based companies earn the third-highest ranking for industrial energy efficiency innovation. ODOE also certifies industrial efficiency projects under the SB 1149 self-direction program. From 2002 through 2011, about $25 million was certified on 134 energy efficiency projects that are saving more than 177 million kWh of electricity.

Energy Incentive Programs

- At the direction of the legislature, the department accelerated the phase-out of the Business Energy Tax Credit program and created new programs focused on conservation, renewable and transportation projects.
- The department merged the existing business energy, residential energy and biomass producer/collector tax credit programs with the new tax credits established by HB 3672 to form the Energy Incentives Program. Integrating administration allows for cross-training and processing efficiencies.
- The department initiated a system for reviewing and revoking preliminary Business Energy Tax Credit certifications that were not finalized within the established timeframe (usually three years), worth $97 million.
- Compliance activities ensure that Energy Incentive Program projects are completed as stated in the preliminary certification. To date, the compliance section has inspected over 600 projects and failed 13%, which equates to total preliminary certified cost of more than $46 million. Compliance staff work with SELP and Residential Energy Tax Credit programs as needed to conduct property inventories and inspections.

Small-Scale Energy Loan Program

- The SELP program disbursed $27 million dollars between July 1, 2011, and August 2012. Project included conservation measures in schools, universities, municipalities and businesses. In addition, the department funded innovative renewable projects in the following industries: solar manufacturing, dairy digester, hydro generation, wind generation, solar generation and energy storage research. The department continues to research and seek new and innovative funding opportunities to serve Oregonians.
- Staff implemented a process to provide low-cost financing to eligible public schools as directed under HB 2960 (2011).
- Staff enhanced underwriting and collection activities in the SELP program through prudent lending practices. A robust collection process protects Oregon taxpayers.

Energy Facility Siting:

- Developed a network of competent and reliable contractors to provide professional services to ODOE to leverage internal capacity to meet Notice of Intent process needs and provide technical reviews of siting applications.
- Modified siting rules for the operation of energy loads to more closely match operational realities which minimized facility costs.

- Identified a strategy and plan for standardizing compliance activities for operating energy facility sites to ensure that site certification standards are being met during the operation of energy facilities.
- Reviewed internal cost accounting and budgeting processes to affirm that processes are in place to correctly and efficiently recover costs associated with energy facility siting services.

Hanford Nuclear Site Cleanup

- USDOE has made significant progress on several Oregon cleanup priorities at Hanford which have led to significant expansion of groundwater treatment programs, progress in demolishing a highly-contaminated plutonium processing complex, and progress toward completion of the Waste Treatment Plant (WTP) complex that will solidify and improve containment of highly radioactive wastes, though some technical challenges will likely delay the beginning of operations of the WTP.
- ODOE staff continues to be recognized by USDOE, Hanford regulators, and Hanford stakeholders as a critical, objective voice in various technical reviews and policy discussions. Some examples include offering a compromise alternative to help ensure greater retrieval of buried plutonium wastes from the near surface; in-depth critique of the Hanford site's risk assessment processes; and co-sponsoring a well-received workshop looking at the evolution of barrier technologies for waste sites.
- Oregon's steadfast insistence that contaminated groundwater be a priority at Hanford ultimately elevated the issue at Hanford and resulted in new efforts to contain and clean-up contaminated groundwater. In early summer 2012, USDOE initiated groundwater treatment through the largest pump-and-treat system ever built at the site. Pump-and-treat systems at Hanford now treat more than one billion gallons of groundwater each year. More than 70 square miles of Hanford's groundwater is contaminated above regulatory standards.
- Public interest in the Hanford cleanup remains high. Division staff continues to engage with the public about the Hanford cleanup, both through the Oregon Hanford Cleanup Board and through staff activities.
- Division staff serves as Oregon's natural resource trustee, under CERCLA, for the Hanford Site. We continue our work with seven other state, federal, and tribal trustees to prepare an injury assessment plan and start studies to characterize resource injury. This will ultimately lead to restoration of natural resources and habitats damaged by contaminant releases from Hanford operations.

Emergency Preparedness

- ODOE and its partner agencies demonstrate responsiveness proficiency through successful participation in several exercises each year related to both Hanford and the Columbia Generating Station. Through these drills and exercises, Oregon successfully demonstrates the ability to protect Oregonians from potential radiologically contaminated agricultural products.
- There were no transportation accidents involving radioactive materials in the State that resulted in spillage or injury from radioactive materials – in part because of procedures implemented and overseen by ODOE staff. A viable emergency response capability was maintained along the state's transportation corridors as ODOE continued contracts with Oregon Health Authority's Radiation Protection Services and with Oregon State University's Radiation Center to provide training to several hundred local first responders throughout Oregon.
- Division staff continues to work with several local entities, the U.S. Coast Guard, and an LNG terminal developer to finalize facility emergency response plans for the proposed Coos Bay LNG terminal. The developer has committed to provide additional law enforcement, fire response, emergency coordination, and fire training capabilities within the community to support operation of the facility. Similar work is now gearing up for the proposed LNG terminal near Astoria.
- Federal stimulus funds improved the state's critical energy infrastructure resiliency and energy assurance planning effort. The division continues to work with two other state agencies to better identify the interdependencies among the three energy sectors (petroleum, electricity, and natural gas). The division has identified petroleum supply vulnerabilities and strategies to strengthen recovery efforts following a severe or long-term supply disruption.

American Recovery and Reinvestment Act (Stimulus Act)

ODOE received 4 grants under the umbrella of ARRA:

- State Energy Program - $42.1 million
- Energy Efficiency and Conservation Block Grant - $9.5 million

The first two grants together:

- Supported 272 energy projects
- Created or retained at least 597 jobs
- Reduced energy costs at least $8.0 million annually ($120 million in energy costs saved over the life of the measures)
- Leveraged at least $14 million in funds from consumer-owned utilities, the Energy Trust of Oregon and other state-funded programs
- State Energy Efficient Appliance Rebate Program - $3.6 million
- Total number of appliances and heating systems replaced with Energy Efficient models (all in low-income homes- 3213. In partnership with OHCS
- Energy Assurance - $547,749
- Identified opportunities to improve energy resilience through design and integration of distributed renewable investments into the existing energy network. In partnership with PUC and DOGAMI.

Administrative Services

- Worked with facility siting staff and representatives from other agencies to standardize the business tools that support energy facility siting cost recovery activities.
- Improved budget framework to better support division-level budgeting and reporting.
- Adopted and implemented Accounts Receivable policy.
- Met goals for contracts with women-owned and emerging small businesses.
- Improved information technology infrastructure to support greater system stability and user productivity; reduced helpdesk backlog by 100%; and completed an information security plan to protect sensitive information.
- Realized ODOE's best staffing ratios for women and people of color, and parity of women with men in technical positions.
- Strengthened the quality, quantity and accessibility of information available through the department's website and other communication channels.

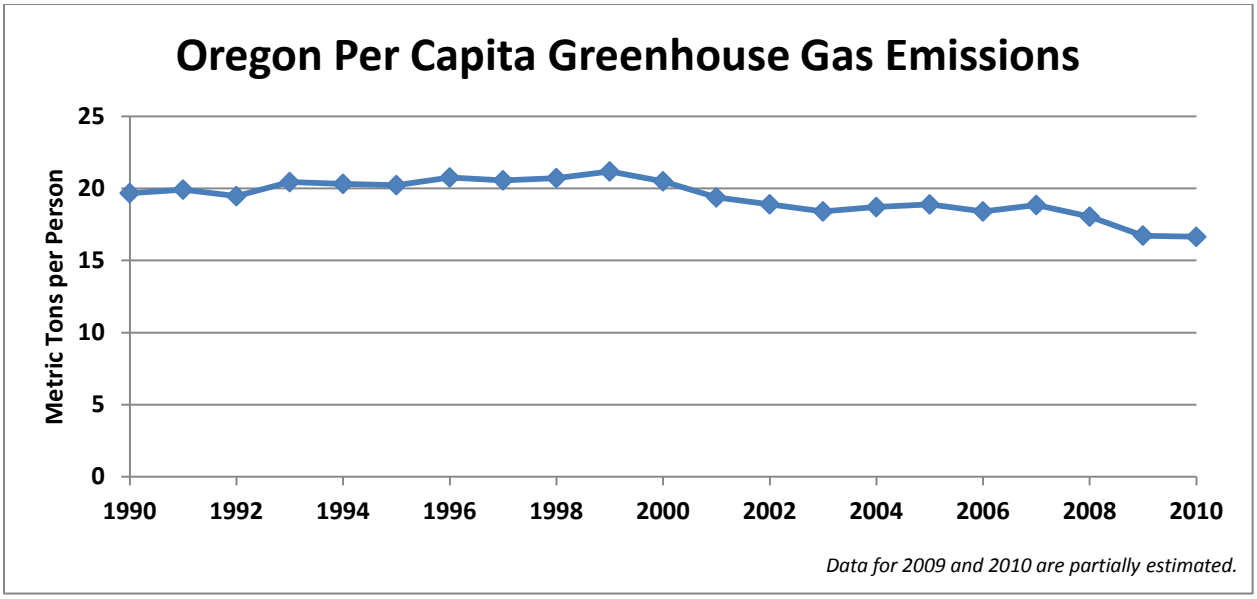
Performance Measurement Overview

The Oregon Department of Energy (ODOE) collects data and reports on one Oregon Benchmark and three key performance measures. The department anticipates continuing to report on these performance measures during the 2013-15 biennium.

Benchmark 77: Carbon Dioxide Emissions

The Department has reported on this benchmark since its creation in 1992. Emissions of all greenhouse gases are captured by equating their relative impact on the climate to that of carbon dioxide. All sectors of Oregon's economy are captured in the benchmark. The target is to maintain greenhouse gas emissions at 1990 levels.

Performance results:



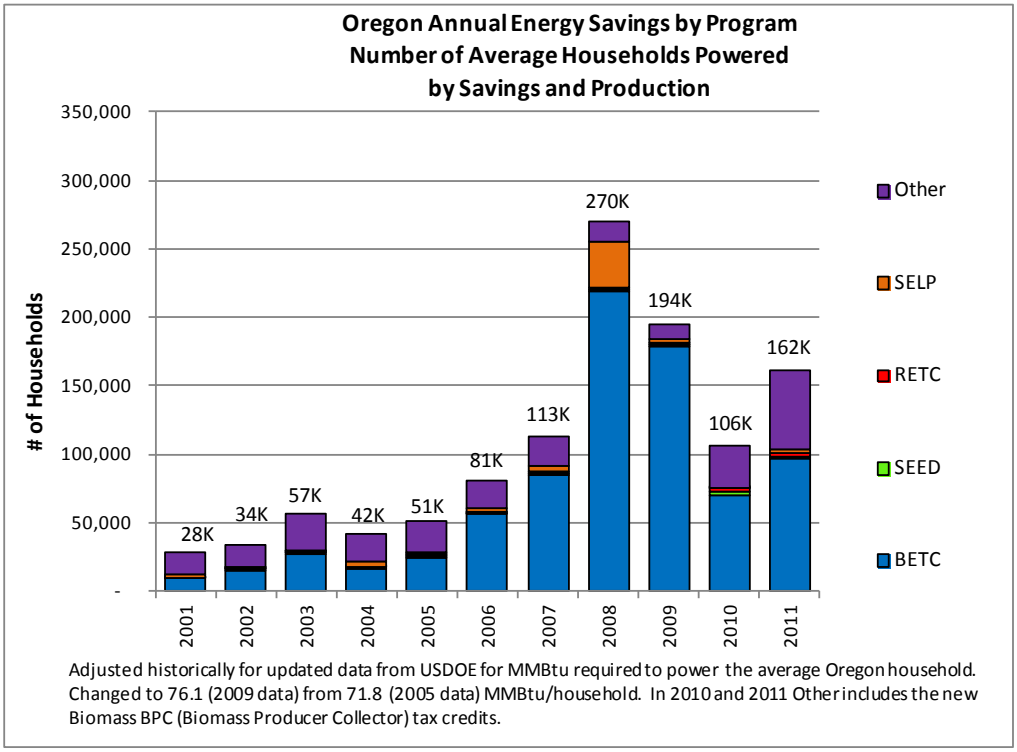
About 85 percent of greenhouse gas emissions in Oregon are specific to energy-related activities such as combusting fuels or consuming electricity. Other sources, such as municipal solid waste and soil management, contribute the remainder. Historically the transportation of goods and people has accounted for the largest share of emissions at about 36 to 38 percent. Residential and commercial activity is catching up, at around 35 to 37 percent, while the industrial sector is typically around 20 percent of emissions. Agricultural activities have remained around 6 to 8 percent recently, representing the smallest share of emissions in Oregon.

The Department is working with the Department of Environmental Quality to incorporate greenhouse gas data being reported under DEQ's greenhouse gas mandatory reporting program. When completed the emissions data for 2010 will be composed primarily of data reported under that program, although not all sources are included so traditional methods used to model those emissions will still be necessary. More information will be available later this year in an emissions inventory report from ODOE, ODEQ, and ODOT that is in progress.

Key Performance Measure: Energy Savings by Program

The department has reported on this measure since 1990. The measure captures the energy saved, energy generated/produced, and energy displaced from the following: Business Energy Tax Credits (BETC); State Energy Efficient Design Projects (SEED); Residential Energy Tax Credits (RETC); Small-scale Energy Loan Program (SELP); and, Other which includes the Biomass Producer and Collector Tax Credits and other small programs.

Performance Results:



Overall the results for 2011 improved over 2010 due to increases in the BETC as a result of the program winding-down and the Other category which are attributed to the Biomass Producer and Collector Tax Credit Program.

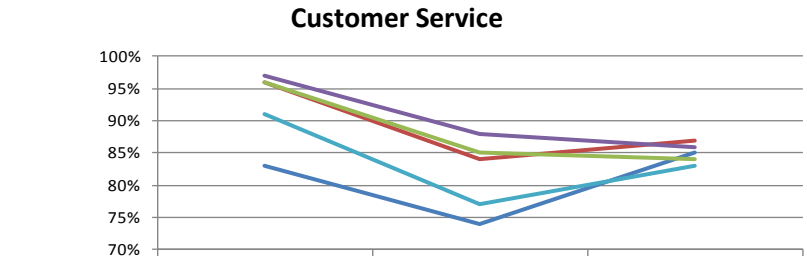
In 2008, BETC increased sharply when the renewable energy credit increased from 35 to 50 percent in 2007. Legislative changes made to BETC in 2009 and 2010 have placed caps on renewable tax credits and tighten-up program controls. Further changes made by the legislature ended BETC application submission as of April 15, 2011, and required final certification of most projects by December 31, 2012.

ODOE anticipates that future results for total energy savings will be impacted by energy incentive program changes and new initiatives that target increased energy efficiency. During the 2013-15 biennium, the department will be re-evaluating the future scope of the measure and target energy efficiency and generation.

Key Performance Measure: Customer Service

The department conducts a biennial web-based customer satisfaction survey using the questions and process guidelines supplied by the Department of Administrative Services.

Performance Results:



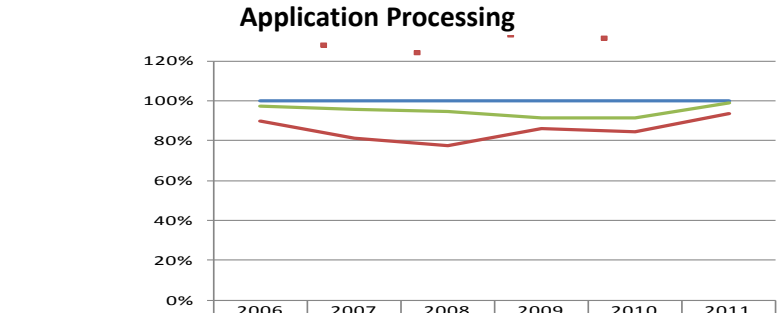
	2009	2010	2012
Timeliness	83%	74%	85%
Accuracy	96%	84%	87%
Helpfulness	96%	85%	84%
Knowledge	97%	88%	86%
Available Info	91%	77%	83%

In 2009 the programs surveyed were limited to recipients of tax credits or loans. Not surprising, 94% of respondents rated the department as providing good or excellent in customer service. In 2010 and 2012 Energy Siting, Contracts Management, Nuclear Safety, and Energy Efficient Schools programs were added to the survey. Data from this 2010 survey indicates that 81% of respondents rated the departments customer services as good to excellent. The same survey was repeated in 2012, and results improved to 85.1% of respondents indicated that the department was providing good to excellent customer service. ODOE managers use information from the survey to make improvement to service delivery.

Key Performance Measure: Application Processing Timeliness

ODOE monitors application processing timeliness for Energy Facility Sitings and energy tax credits to identify delays and make improvements to turnaround times.

Performance Results:

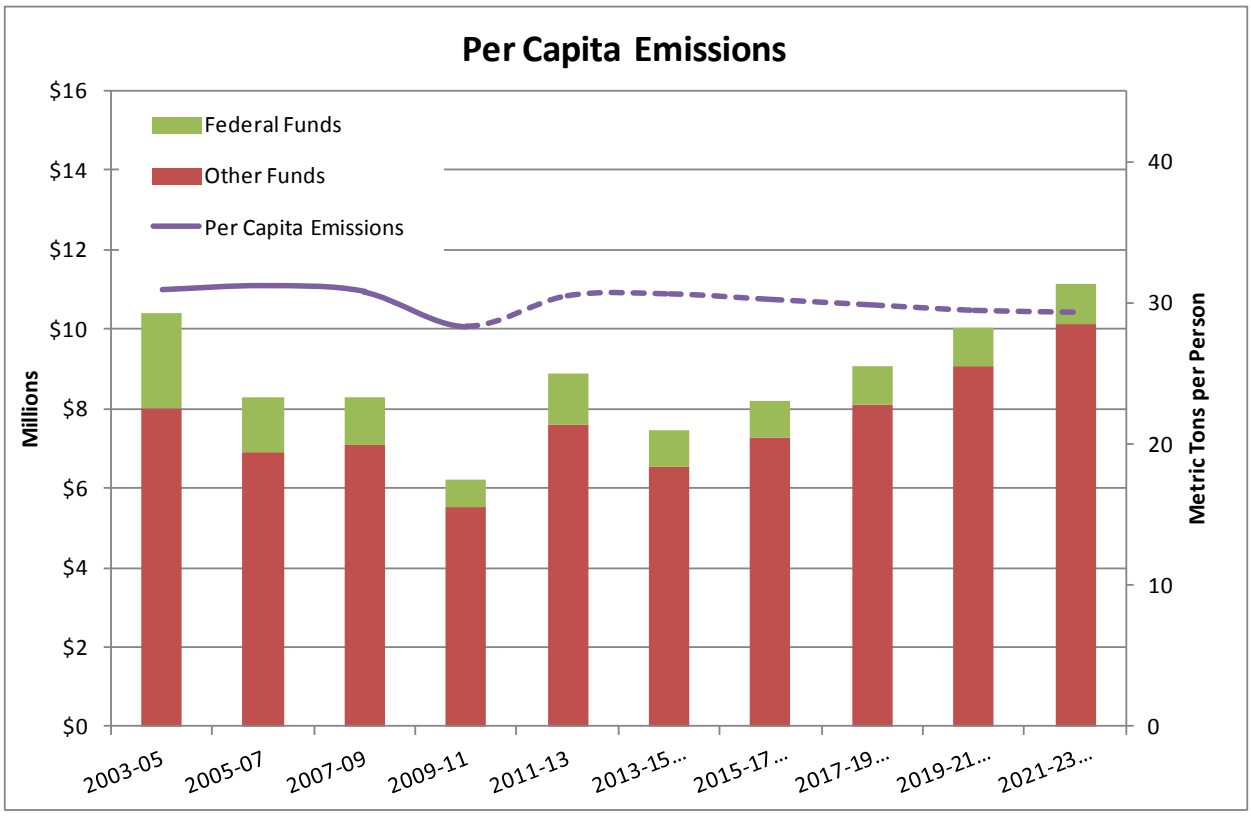


	2006	2007	2008	2009	2010	2011
Siting in 60 Days	100%	100%	100%	100%	100%	100%
BETC n 120 Days	89.7%	81.1%	77.3%	86.2%	84.6%	93.4%
RETC in 60 Days	97.2%	95.6%	94.8%	91.4%	91.2%	99.1%

ODOE's performance targets on the energy facility siting measure are met consistently over time. ODOE's BETC and RETC processing timeliness targets have not been met for several years, however, improvements are seen for 2011. During the 2013-15 biennium, the department will be adapting the scope of this measure to the new energy incentive programs.

Oregon Department of Energy: Energy Planning, Policy and Technical Analysis

Primary Outcome Area:	Healthy Environment
Secondary Outcome Area:	Economy and Jobs
Program Contact:	John Audley, 503-378-6510



Executive Summary

The number one priority of the Policy, Planning and Technical Analysis division is to reduce the long-term cost of energy for Oregonians. We accomplish this objective by serving as the state's lead to cost-effectively improve the energy efficiency of schools and government buildings, and by conducting objective planning, policy and technical analysis on a statewide basis. The division's work also advances responsible development of Oregon's diverse energy resources for electricity and thermal needs and adoption of alternative transportation fuels, including compressed and liquefied natural gas, biofuels and electricity. In addition to reduced energy costs, the division's activities result in cleaner air and better public health.

Program Funding Request

The Governor's Budget for the 2013-15 biennium is $7,441,312 total funds, which supports the redeployment of existing resources to advance energy efficiency in the residential, public building, transportation and appliance sectors. New opportunities include innovative financing for Cool Schools, re-establish ODOE's role promoting residential energy efficiency, matching up good energy efficiency projects with technical and business assistance, and using landscape level planning to provide certainty and predictability to energy developers and communities. This request assumes federal program grants of $919,238 and Other Fund revenues of $6,522,074. The division receives no General Funds from the

state. Although federal grants to states have not returned to levels available before the Recovery Act, ODOE has renewed efforts to aggressively apply for federal opportunities to diversify and leverage our funding.

Program Description

Energy means lighting and heating for our homes, power and steam for business and industry, and moving goods and services across the state and around the world. Energy is one of the most expensive items in our everyday budgets, a user of water resources and air emissions from production and consumption affect community health.

Oregon households spend seven percent of their disposable incomes on energy costs. Oregon's three million registered drivers spend more than $5.3 billion dollars annually on fuel for their cars and trucks.

The single most important contribution ODOE can make is to help reduce the demand for energy. Our energy efficiency activities today focus on K-12 schools, state buildings, and commercial and industrial facilities. Our work to date has catalyzed $20 million in energy efficiency projects in public schools across the state, and identified the potential for up to $137 million more. Under our Energy Efficient Schools program, more than 1,550 school audits have been completed. The audits are the foundation for ongoing technical assistance and access to low-cost funding to enable schools to install energy efficiency upgrades and other improvements.

Through programs like the Oregon Leaders Award for Industrial Energy Efficiency, we have helped Oregon based companies earn the third-highest ranking for industrial energy efficiency innovation. ODOE also certifies industrial efficiency projects under the SB 1149 self-direction program. From 2002 through 2011, about $25 million was certified on 134 energy efficiency projects that are saving more than 177 kWh of electricity.

We are taking a statewide look at energy efficiency programs available today, identifying gaps and analyzing cost-effective opportunities. Based on this analysis, we will work with stakeholders to develop recommendations for the most effective ways to achieve energy efficiency at scale going forward. We also will work with stakeholders to improve statewide planning for reliable and affordable energy to meet our future power, thermal and transportation needs.

Diversifying Oregon's energy resources is an important part of the state's strategy to reduce long-term energy costs, support a healthy environment and strengthen our state's economy. For example, on-farm digesters have increased in Oregon from less than 0.5 MW of capacity just five years ago to over 6 MW currently operational at six locations, with another three under construction as of January 2013. Anerobic digesters help farmers manage nutrient waste, protect the water from the harmful effects of nutrient run-off, and provide important new sources of Oregon's own energy. ODOE has invested in each one of these new units.

In 2009 there were two schools in Oregon using biomass to provide heat. In January 2013 there are 19 facilities around the state that are saving between $20,000 and $100,000 per year on their heating bills. In addition many of the boilers installed in hospitals, schools and office are manufactured here in Oregon. These projects save money, keep energy dollars local, and support value added manufacturing in Oregon.

Increasing use of alternative transportation fuels reduces energy use and improves air quality. For example, in 2011 the Columbia-Willamette Clean Cities program helped Oregonians displace more than 11 million gallons of gasoline and reduced greenhouse gas emissions by more than 106,000 tons. ODOE, with funding from the American Recovery and Reinvestment Act, worked with the Oregon Department of Transportation to increase alternative fuel infrastructure. As of January 2013, there are more than 650 electric vehicle charging stations at 280 plus locations in the state, a marked increase from 36 public stations in October 2010. To celebrate this new infrastructure, in July 2012, U.S. Senator Jeff Merkley traveled the length of the Oregon segment of the West Coast Electric Highway completing a 340-mile trip using an all-electric car.

Program Justification and Link to 10-Year Outcome

Program activities link to Strategies 1 and 4 of the 10-year plan for Oregon's Healthy Environment Outcome:

- Strategy 1: Invest in programs that improve water quality and air quality.
- Strategy 4: Build great communities for a growing population.

The program supports a healthy environment by helping Oregonians use energy more efficiently and effectively, thereby reducing carbon emissions.

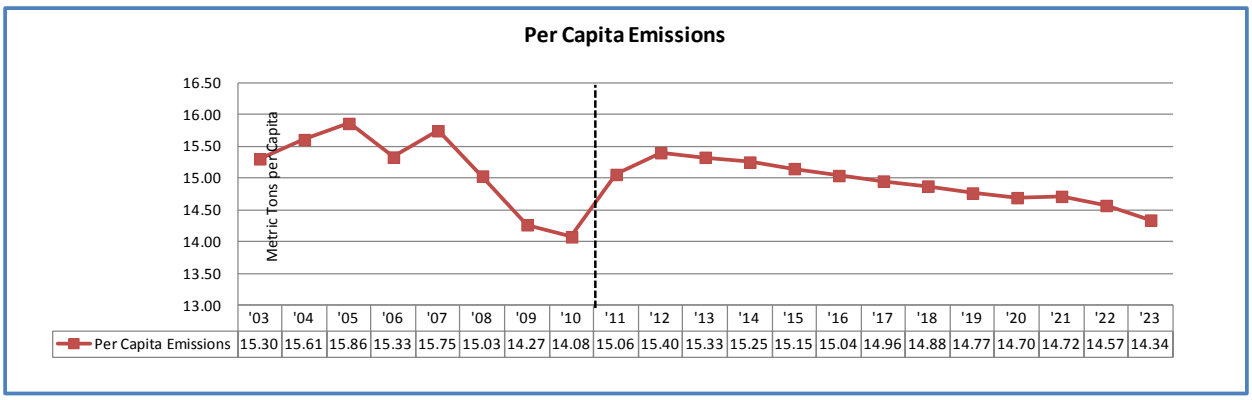
- **Maximize energy efficiency.** Example activities include managing the Cool Schools initiative and the State Energy Efficient Design program and offering technical assistance to homeowners, governments, businesses and industry as they look for ways to control energy costs.
- **Accelerating cleaner transportation fuels.** Strategies include reducing air pollution and carbon emissions through advancing the development and use of alternative transportation fuels including natural gas, biofuels and electricity.
- **Building healthier communities with Oregon's own resources.** Activities include increasing the use of agricultural and forestry biomass in all corners of the state. Smaller, on-site energy sources such as geothermal also help make the state more resilient to energy supply and price disruptions.

Program Performance

A key performance metric for the program is per capita greenhouse gas emissions. The program's activities reduce air pollution and greenhouse gas emissions through energy efficiency and development of clean, local resources. The per capita emissions have been trending downward.

The per capita emissions data comes in part from U.S. Department of Energy (U.S. DOE) , which lag in reporting by two years. Population data are from the Department of Administrative Services, Office of Economic Analysis. Emissions information also comes from the Oregon Greenhouse Gas Inventory, which uses the U.S. DOE data:

- Transportation, Residential, Industrial and Commercial Fossil Fuel Combustion
- Electricity Consumption Emissions (Carbon dioxide equivalent)
- Stationary Combustion Byproducts (Methane and nitrous oxide)
- Natural Gas and Oil systems



Enabling Legislation/Program Authorization

For conservation and energy efficiency, enabling legislation includes energy standards and programs outlined in ORS 469.229 through 469.261, and ORS 469.700 through 469.756. Work on public buildings through the State Energy Efficient Design program is in ORS 276.900 through 276.915, schools in ORS 757.612 and the inclusion of solar and geothermal energy technology in public improvement contracts in ORS 279C.527 through ORS 279C.528. Energy codes and practices fall under ORS 455.492 and ORS 455.511. Energy conservation work for industrial sites is found in ORS 469.860 through 469.900 and self-direction of the public purpose charge for industrial customers is located in ORS 757.600 through 757.687.

ORS 469A.005 through 469A.300 address the Renewable Portfolio Standard, ORS 646.905 through 646.923 covers the Renewable Fuel Standard. Forest products and biomass authorization comes from ORS 526.274, ORS 526.280 and ORS 526.786. ORS 215.044 and ORS 227.190 direct solar energy activities. ORS 552.125 includes geothermal work and ORS 543.017 takes in wave energy efforts. ORS 184.886 and ORS 267.030 direct work on clean transportation efforts, such as the Oregon Sustainable Transportation Initiative. ORS 469.060 and ORS 469.070 give the program responsibility for the Biennial Energy Report and forecasting activities. Greenhouse gas emissions reduction efforts are statutory requirements in ORS 468A.220 through 468A.250 and in ORS 757.522 through 757.538.

Funding Streams

The program receives most of its support from Other Fund revenues through the Energy Supplier Assessment and fees for services. Oregon law authorizes ODOE to assess a portion of the gross operating revenue of energy suppliers to support the department's work.

Federal Fund comes from U.S. Department of Energy grants and competitive grants awards.

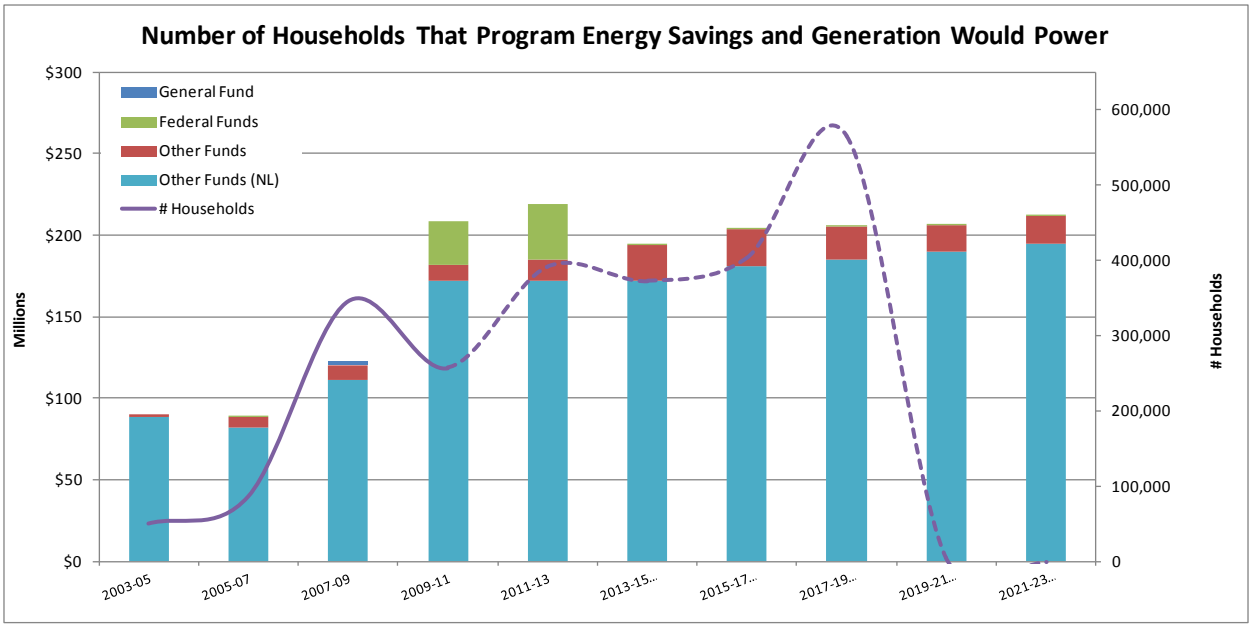
Significant Proposed Program Changes from 2011-13

ODOE anticipates that many ongoing efforts will accelerate and advance as cost-effective energy efficiency is expanded across the residential, commercial, industrial and school sectors.

The program's 2013-15 requested budget proposes small but significant changes from the previous biennial budget. The 2013-15 proposal reallocates existing resources to reflect increased work on residential and commercial efficiency. The department will pursue federal and other fund grant opportunities that support this work.

Oregon Department of Energy: Energy Development Services

Primary Outcome Area: Economy and Jobs
Secondary Outcome Area: Healthy Environment
Program Contact: Anthony Buckley, 503-373-7400



Executive Summary

The Oregon Department of Energy's (ODOE) Energy Development Services Program administers financing and incentives for businesses, households and the public sector to reduce the cost of energy for Oregonians through energy efficiency and renewable energy, stimulate economic development, and create jobs. Primary tools include tax incentives, renewable energy development grants, and the State Energy Loan Program (SELP).

Program Funding Request

The budget proposal for the 2013-15 biennium is $201,950,742 total funds. This funding level will support of the 2011 legislature's changes to the energy incentive program, Cool Schools, and the Governor's 10 Year Energy Action Plan. The majority of these funds, $179,456,532, are non-limited and tied to SELP loan repayments and debt service. Limited funds total $22,494,210, with the majority of funding coming from other fund revenues generated by energy incentive application and SELP processing fees. The current energy incentive programs are scheduled to sunset during the 2017-19 biennium, so adjustments have been made to the projections to account for the phase out of these programs.

Program Description

Energy Incentives Program

ODOE began administering tax credit programs in 1977 when the legislature established the Residential Energy Tax Credit (RETC) to encourage homeowners and renters to replace inefficient products with energy efficient products such as furnaces, woodstoves, heat pumps, and home solar systems and to purchase such products for new installations. In 1979, the legislature established a series of tax credits collectively known as the Business Energy Tax Credit (BETC), to encourage businesses to invest in energy conservation, renewable energy, renewable energy manufacturing facilities, recycling, and alternative

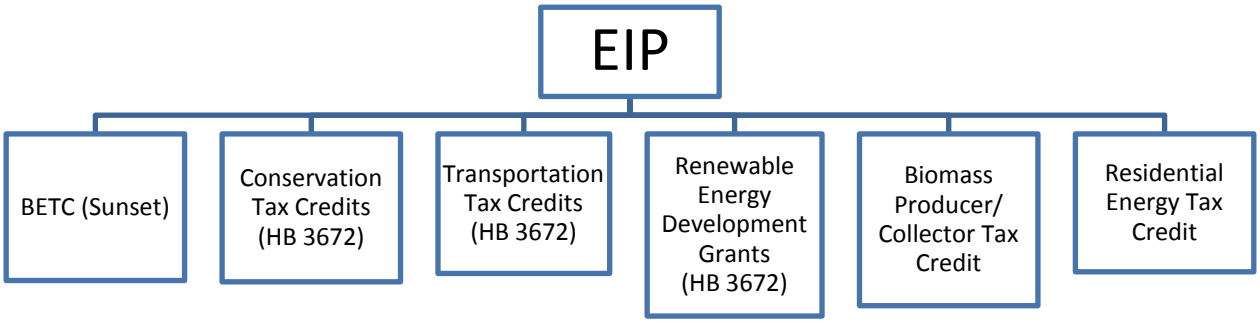
fuel vehicles. In 2007, the legislature increased the eligible tax credits for renewable and manufacturing projects, which significantly increased the popularity of these energy incentives. In 2009, ODOE began administering the Biomass Producer or Collector (BPC) tax credit for agricultural producers or collectors of biomass for biofuel. Original legislation sunsetted the majority of energy tax credits during the 2011-13 biennium.

The economic downturn and backlog in BETC applications led to the 2010 Oregon Legislature passing House Bill (HB) 3680. The bill made several changes to the BETC program and established the first caps on the amount allocated for renewable energy tax credits. During the 2011 Legislative Session, HB 2523 transferred the Manufacturing BETC to Business Oregon, and HB 3672 led to the further tax incentive program modifications. The most noteworthy changes were:

- Acceleration of the end date for BETC pre-certifications to June 30, 2011;
- Establishment of three new capped energy incentives, including a grant process for renewable energy generation, and tax credits for conservation and transportation projects; and
- Extension of RETC and BPC tax credits to 2018.

The sum effect of recent changes to energy incentives is that allowable energy tax credits decreased from a biennial high of approximately $500 million to current levels, of approximately $50 million for the three new capped energy incentives. RETC and BPC continue to be uncapped. ODOE has been working with program stakeholders to develop the rules and processes that support the new energy incentives, adopting rules to implement changes to the RETC and BPC, and continuing to process the estimated 2,700 BETC applications that still have not received final certification, which if completed would result in tax credits.

The current structure for EIP is as follows:



State Energy Loan Program (SELP)

SELP made its first loan in 1981. In 1984, the U.S. Department of Energy honored ODOE with its Special Award for Energy Innovation in recognition of SELP. The loan program promotes energy conservation and renewable energy resource development through low-interest loans for projects that:

- save energy
- produce energy from renewable resources such as water, wind, geothermal, solar, biomass, waste materials or waste heat
- use recycled materials to create products
- use alternative fuels

SELP provides loans to individuals, businesses, schools, cities, counties, special districts, state and federal agencies, public corporations, cooperatives, tribes, and non-profits. Projects must be primarily in Oregon. The program is designed to be self-supporting and pays for itself through interest margin, loan

fees, and reimbursed expenses. Revenues come from loan repayments received on outstanding debt obligations. Further, the "full faith and credit" pledge of the state's General Fund back the program. The full faith and credit pledge requires that a revenue shortfall in the SELP that affects the department's ability to pay its bond debt service obligations are required to be compensated out of General Fund.

Program Justification and Link to 10-Year Outcome

Activities in the program support the Jobs and Economy outcome Strategy 1:

- Strategy 1.1 Focus on sustainable business development and the chain of innovation.
- Strategy 1.2 Amplify local and state economic effects and make Oregon's economy more resilient.

It supports this outcome by ensuring that Oregon has a diverse and dynamic economy that focuses on sustainable business development and next generation financing mechanisms that target saving energy, develop clean energy resources, and promote renewable energy. Investments made in this area stimulate the economy, advance clean energy technologies, protect the environment and help contain energy costs, benefitting all Oregonians.

Key program outcomes that target economy and jobs include:

- **Equitable and efficient distribution of energy tax incentives.** With the decrease in available tax incentives, the program plays a key role in ensuring that credits are distributed equitably and efficiently while advancing the goals of promoting energy conservation and renewable energy, stimulating economic development and creating jobs. HB 3672 requires the department to give preference to those projects that had the highest energy savings over the credit period per tax credit dollar .
- **Access to affordable capital for energy investments.** Since the beginning of the program, SELP has made more than 800 loans totaling approximately $520 million. Most financed projects use proven technologies; however, the program also finances innovative demonstration projects. SELP has played a vital role in providing access to capital for a variety of energy projects that mainstream commercial lending institutions would not or were not able to provide.
- **Innovative financing mechanisms for energy investments**. HB 2960 (2011) established the Clean Energy Deployment Program and high performance schools pilot (Cool Schools) which leverage funds received from various sources to advance energy efficiency investments in K-12 schools. In addition, the program is exploring the possibility of forging public-private partnerships to expand financing options and technical capacity to make investments in energy efficiency projects in public buildings that will save energy and create jobs.

Program Performance

Performance in this program is measured primarily via energy savings which includes energy saved, generated and displaced. To provide some perspective on the impacts of this program, the data is reported as number of households that could be powered by energy savings. This assumes the average Oregon home uses 76.1 Million BTU annually.

Energy savings and generation from the incentive and loan programs are calculated based on fuel type and then converted to the traditional units of energy called British Thermal Units (BTU). Projects that produce or save electricity are first figured in kilowatt-hours (kWh), natural gas projects are captured in therms, and projects involving petroleum are reported in gallons. All three are then converted to BTUs for standardization of measurement.

The Energy Incentives Program (EIP) replaces the BETC program and includes alternative fuel vehicle infrastructure (AFVI) incentives. AFVI projects have the potential of saving or displacing significantly

more energy per dollar of final project cost than other types of projects. Future forecasts assume AFVI will function at full capacity. Under current law, the EIP will sunset in 2018. The SELP program will continue as a tool for financing energy efficiency measures.

Enabling Legislation/Program Authorization

ORS 469B.100 through 469B.180; 316.116;183.705 authorize the Residential Energy Tax Credit program. The Energy Incentives Program receives its authority from 469B.250 to 469B.347, and from ORS 315.326, 315, 329, 315.331 and 315.336. ORS 469B.130 through 469B.130 and 315.537 established the old Business Energy Tax Credit (BETC). State Energy Loan Program (SELP) relies on ORS 470.050 through 470.815; and article XI-J of the Oregon Constitution. ORS 469.673 through 469.720 create the State Home Oil Weatherization program. The new Biomass Producer Collector Tax Credit is in 469B.400 to 403 and 315.465.

Funding Streams

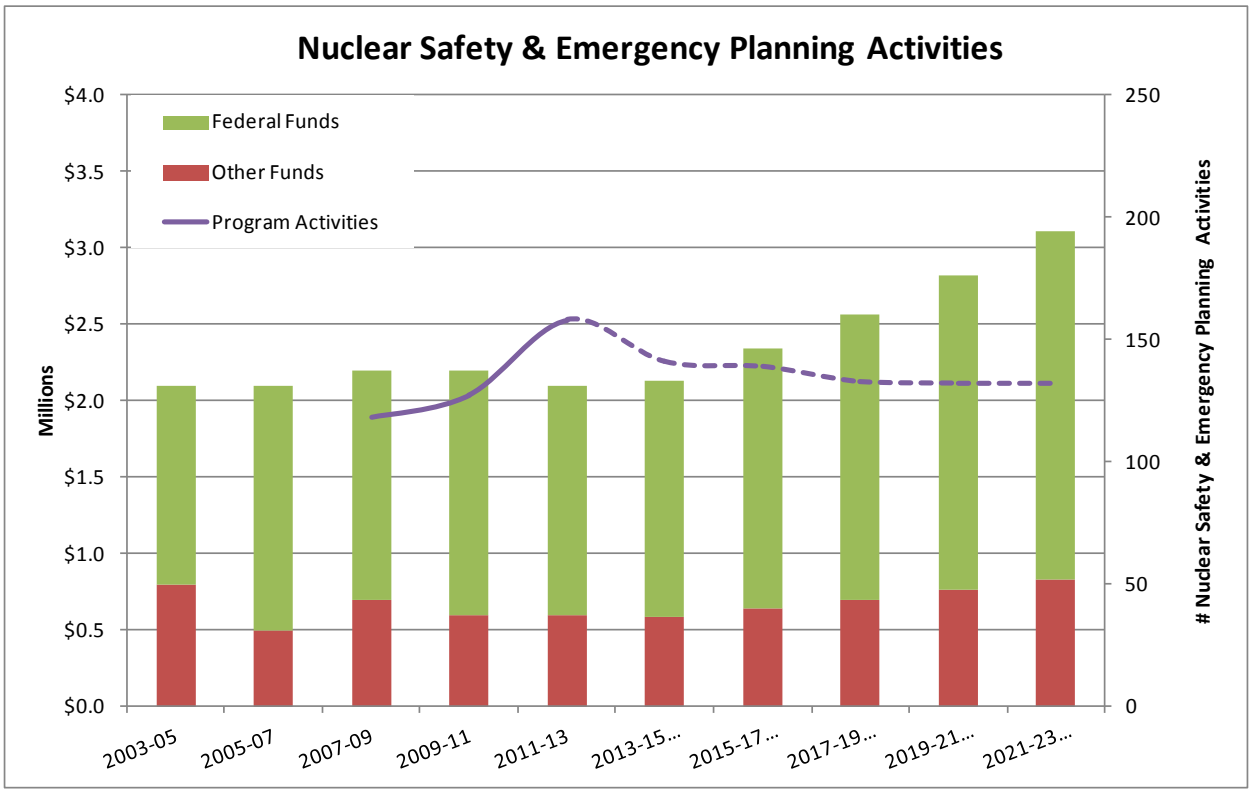
Program revenues are predominately non-limited Other Funds and Debt Service dedicated to SELP loan activity. The bulk of these revenues are the principal and interest payments made by borrowers. Fees designed to provide cost recovery for processing and reviewing tax credits, grants and loan applications generate Other Funds revenues. RETC has no fee authority, so activities are funded partially with Federal Funds from a U.S. Department of Energy grant and Other Funds from the Energy Supplier Assessment.

Significant Proposed Program Changes from 2011-13

The Governor's budget proposal for the 2013-15 biennium reflects a significant reduction in federal funding -approximately $33.6 million - due to the completion of four one-time federal stimulus grants awarded during the 2009-11 biennium. The 2011-13 Legislatively Approved Budget did not fund HB 3672, which accelerated the sunset of the BETC program and established three new incentive programs, so the 2012 legislature reevaluated the energy incentives program and budget. The proposal continues three (2.5 FTE) of the four limited duration positions that previously supported the BETC program. These positions will support BETC compliance activities that continue beyond the program sunset, and provide capacity to implement the more rigorous project standards and competitive selection processes of the new energy incentive program. Support for SELP activities includes $10 million in lottery-backed bond proceeds and continuation of a limited duration finance professional to support Cools Schools and to enable the agency to explore innovative financing options. Lottery funds will be used to begin a process of capitalizing the SELP program and to advance investments in energy efficiency projects. The proposed investments advance Oregon's energy priorities and outcomes tied to the Economy and Jobs vision document.

Oregon Department of Energy: Nuclear Safety and Emergency Preparedness Program

Primary Outcome Area: Safety
Secondary Outcome Area: Healthy Environment
Program Contact: Ken Niles, 503-378-4906



Executive Summary

The Oregon Department of Energy's (ODOE) Nuclear Safety and Energy Emergency Preparedness Program protects Oregonians from exposure to hazards by: monitoring radioactive waste cleanup activities at the Hanford nuclear site; preparing and testing nuclear emergency preparedness plans; participating in emergency preparedness planning for Liquefied Natural Gas terminals; and, overseeing the transport of radioactive materials through Oregon. During times of petroleum shortages, the program implements the state's Petroleum Contingency Plan to ensure petroleum supply to emergency and essential services.

Program Funding Request

The Governor's Budget for the 2013-15 biennium is $2,136,556 total funds, which supports the continuation of the current level of emergency response preparedness, monitoring of Hanford, and regulation of the transport of radioactive waste through Oregon. This request assumes federal fund grants of $1,549,302 and other fund revenues of $587,254. Because most of the funding for this program comes from federal grants, stability of future funding may be at risk. Given that clean-up activities at Hanford are expected to continue for another 40 years or more, the budget projections assume stable funding of the current level of performance through the 2019-21 biennium.

Program Description

The Hanford Nuclear Site is the most contaminated location in the United States and it sits on the banks of the Columbia River, one of Oregon's important economic and natural resources. For more than 40 years, the federal government produced plutonium for nuclear weapons at Hanford in southeast Washington. That process created huge amounts of radioactive and chemically hazardous waste.

The most challenging cleanup effort underway at Hanford is stabilizing 56 million gallons of high-level radioactive waste stored in 177 aging underground tanks, 68 of which have leaked. There are also hundreds of liquid waste disposal sites; hundreds of waste burial grounds; hundreds of contaminated buildings, including nine nuclear reactors and five chemical processing facilities; and more than 65 square miles of known contaminated groundwater. Some of that contamination has reached the Columbia River.

The U.S. Department of Energy (USDOE) owns and operates the Hanford site. The U.S. Environmental Protection Agency (EPA) and the Washington Department of Ecology regulate the cleanup. Oregon has no regulatory authority at Hanford, but program staff influence key components of the cleanup decisions through technical and policy reviews of proposed actions and cleanup plans. This ensures that environmental cleanup decisions protect the Columbia River and Oregon's interests. ODOE also provides professional support to the Oregon Hanford Cleanup Board, created in 1987 by the Legislature to represent the State and address the cleanup issues at Hanford. The board serves as a policy forum for developing the State's positions on Hanford issues.

The program is the lead state agency for the emergency preparedness planning activities associated with nuclear safety, radioactive waste transport through Oregon, and LNG facilities. In this role, program staff coordinates efforts by other state agencies and by county and other local officials; provides and coordinates training and exercises; and develops, updates and maintains emergency plans and procedures to ensure state and local officials are prepared to respond to these various hazards. In the event of a petroleum shortage, the agency also has authority to direct petroleum suppliers to divert a portion of their incoming supply for use by emergency personnel (police, fire, ambulance) and essential services providers (utilities, telecommunications, public transit and garbage collectors).

Program Justification and Link to 10-Year Outcome

Activities in this program link to Strategy 3 of the 10-Year Plan for Oregon's Safety Policy Vision "Ensure that communities are prepared for and resilient to disasters and that Oregon maintains and preserves infrastructure to prevent the loss of life and property." It does this by ensuring the safety of people through the development of shared safety systems and preparation for disasters. The program also plays a key role in ensuring that federal safety standards are met and that a culture of safety is created around the clean up and transportation of radioactive waste.

Key program outcomes include:

- **State and county readiness to protect Oregonians and Oregon property should there be an accident at the Hanford Nuclear Site or the Columbia Generating Station nuclear power plant.** Such an accident could result in a release of radioactive materials, which could contaminate agricultural products grown in Morrow and Umatilla counties. Program staff coordinates state and local preparedness planning and conducts emergency response drills and exercises to ensure state and county program readiness. Federal evaluators in 2012 determined that Oregon's preparedness work met all federal standards.

- **Safe transport of radioactive materials through Oregon.** On average, about 500 radioactive material shipments travel through Oregon each year. Program staff monitors and oversee these shipments to ensure they are conducted as safely as possible, and works with local and state emergency responders to ensure they have training and equipment to respond to an accident, should one occur.
- **Protection from radioactive contamination from spent fuel rods stored at the former Trojan Nuclear Plant.** Trojan, which is located 40 miles northwest of Portland, houses nearly 800 highly radioactive irradiated nuclear fuel rods. Program staff oversees their ongoing safe storage and participates in periodic drills to ensure emergency response readiness.
- **Emergency response and safety plans for liquefied natural gas export facilities.** Two private companies have proposed to site LNG facilities in Oregon – one in Coos Bay and one at Warrenton, near Astoria. Program staff takes a lead role in coordinating the work of federal, state, and local emergency responders and project developers to ensure that emergency response and safety plans are developed and implemented.
- **Petroleum contingency plan is current**. Since Oregon imports 100 percent of its refined petroleum products, a disruption to these supplies could threaten the ability of first responders (fire, police, and ambulance) to perform their duties. Program staff maintains and administers the State's fuel allocation plan and program during severe or long-term petroleum-supply disruption events.

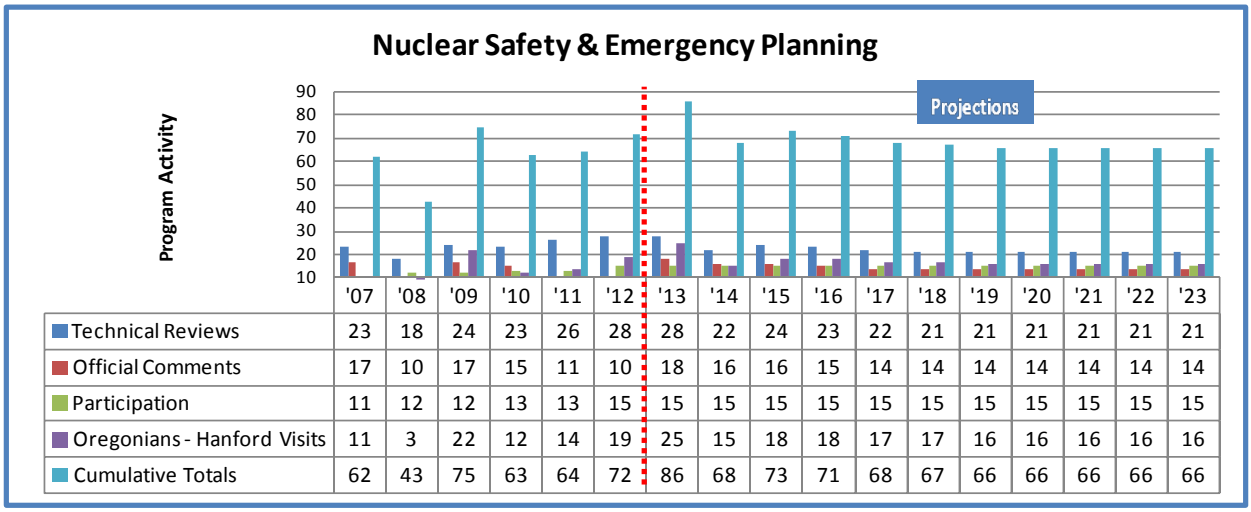
Program Performance

Performance metrics for this program are a challenge; no single metric encompasses the complex nature of these activities. Key activities include:

- ***Technical reviews*:** Program staff conducts in-depth analysis of proposed major cleanup activities at the Hanford Site that can range from a few hours to hundreds of hours of staff time to review.
- ***Official Comments***: Technical and policy reviews often result in formal comment letters to the U.S. Department of Energy and its regulators about proposed major cleanup activities at the Hanford Site.
- ***Participation***: Program staff routinely represents Oregon's viewpoint and Oregon's perspective in a number of different regional and national organizations such as the National Governors' Association, nuclear emergency planning groups, and the Nuclear Regulatory Commission's State Liaison program.
- ***Oregonian visits to Hanford*:** Program staff arranges for and accompanies Oregon Legislative members, Oregon Hanford Cleanup Board members, representatives of emergency response organizations, and others (including the Governor in 2009) on tours of the Hanford site. The tours provide an opportunity for Oregonians to understand better the complexity and challenges of the Hanford cleanup.

It is our goal to protect Oregonians from exposure to hazards. The program key activities are a means of achieving this.

As a way of illustrating the volume or units of work that passes through the program, the program tabulates the number of technical reviews, official comments, participation, and Hanford visits annually. The historical and projected numbers for each of these categories as well as cumulative totals appear in the following graph.



	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23
Technical Reviews	23	18	24	23	26	28	28	22	24	23	22	21	21	21	21	21	21
Official Comments	17	10	17	15	11	10	18	16	16	15	14	14	14	14	14	14	14
Participation	11	12	12	13	13	15	15	15	15	15	15	15	15	15	15	15	15
Oregonians - Hanford Visits	11	3	22	12	14	19	25	15	18	18	17	17	16	16	16	16	16
Cumulative Totals	62	43	75	63	64	72	86	68	73	71	68	67	66	66	66	66	66

Enabling Legislation/Program Authorization

Statutory authority comes from ORS 469.577, 469.586-7, 469.571-83, 469.533-6, and 469.603-19. ORS 469.577 authorizes the lead agency designated by the Governor to negotiate written agreements with USDOE, federal, and state agencies on matters related to long-term disposal of high-level radioactive waste. ORS 469.586-7 identifies Oregon's position with regard to the Hanford Nuclear Reservation. ORS 469.571-83 outlines the Oregon Hanford Cleanup Board and its duties. ORS 469.533-6 authorizes ODOE to establish rules for the protection of health and evacuation procedures in the event of a nuclear power plant or nuclear installation accident or catastrophe. In addition, ORS 469.603-19 deals with the regulation of the transportation of radioactive material. ORS 176.809 requires the department to prepare for an energy emergency.

Funding Streams

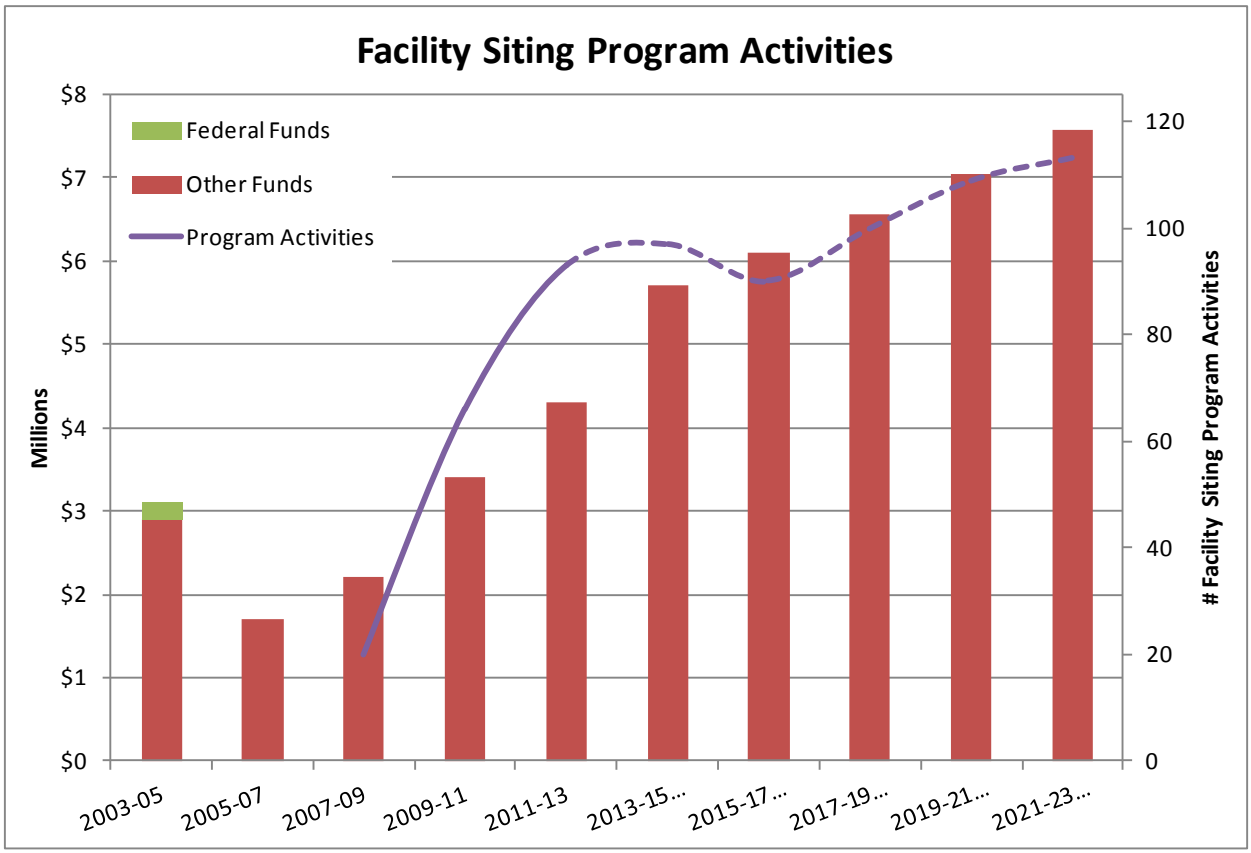
This program receives federal and other funds. Federal funds include an annual grant from USDOE for the participation in clean-up efforts at the Hanford Nuclear Site. Other funds include some grants, fees charged to haulers of radioactive materials, and a small amount of Energy Supplier Assessment revenues.

Significant Proposed Program Changes from 2011-13

The proposal maintains the program's current service level with no significant changes.

Oregon Department of Energy: Energy Facility Siting Program

Primary Outcome Area:	Economy and Jobs
Secondary Outcome Area:	Healthy Environments
Program Contact:	Todd Cornett, 503-378-8328



Executive Summary

The Oregon Department of Energy's (ODOE) Energy Facility Siting Program works with energy facility developers and operating energy facilities to meet the state's energy infrastructure and demand needs and to ensure that large power plants, transmission lines and natural gas pipelines built in Oregon meet siting standards. The development of new technologies and investments in renewable energy generation has lead to growth in energy siting and made this work a top priority for the department.

Program Funding Request

The Governor's Budget for the 2013-15 biennium is $6,207,026 Other Funds to support more efficient, timely and transparent energy facility siting processes. Oregon statutes authorize cost recovery for energy facility siting activities, so most of the funding for this program comes from facility siting applicants. Given this, the size of the program will vary based on energy facility siting demand. While demand has been increasing steadily since the 2005-07 biennium, the budget projections assume more stable demand and program costs through the 2019-21 biennium based on market projections.

Program Description

In 1975, the legislature established a seven-member Energy Facility Siting Council (EFSC) to provide state oversight for the siting of energy facilities in Oregon. EFSC sites most larger projects; counties site

traditional fossil fuel plants with a capacity less than 25 Megawatts (MW), wind and solar facilities under 105 MW, and geothermal facilities less than 38 MW. Oregon law defines the type and size of energy facilities subject to EFSC jurisdiction.

The program provides administrative and technical support to EFSC throughout the siting process. Staff reviews and consults with appropriate state agencies, local jurisdictions and tribes; is involved with the scoping and presentation of the project for affected communities; and builds a comprehensive record of facts and findings that demonstrate whether a developer and the project can meet Oregon's siting standards.

Energy facility siting activities fall into the following categories:

- **Pre-application:** Potential applicants initiate conversations about the siting process and proposed project scope that leads to the applicant filing a Notice of Intent (NOI). The NOI results in a project order and exhibit review that facilitates the development of materials needed to advance the project to the application submission and review phase. The time between the NOI and application filing is based on the applicant's readiness which can be several years, and some facilities that file an NOI choose not to advance an application.
- **Application Review:** Once an applicant submits a facility siting application, the review begins. Key steps within this process include application completeness review, drafting the proposed order, conducting the proposed order public hearing, EFSC review of the draft proposed order and issuance of the proposed order. The application review process can take six months to several years depending on how long it takes to get to completeness and the complexity of the application.
- **Contested Cases and Supreme Court Appeals:** All proposed orders advance to an automatic contested case hearing. Only persons who have raised an issue with sufficient specificity on the record of the draft proposed order public hearing can make arguments during the hearing. Those persons can also appeal an EFSC final order directly to the Oregon Supreme Court. Historically, only three proposed orders for site certificates have resulted in arguments during the contested case phase and order appeals with the Oregon Supreme Court. When this occurs, the process can take several months and adds to the cost of the application. ODOE anticipates that contested case hearings will be more complex and time-consuming in the next few years.
- **Facility Amendments:** Facilities may submit requests for amended site certificates for a variety of reasons such as extending construction deadlines or changing the boundary, design, construction or operation of a facility. The workload associated with amendments varies.
- **Facility Oversight:** After a project receives a site certificate, ODOE staff monitor the project throughout the life cycle of the facility to verify that site certificate conditions are met. Key oversight activities include reviewing annual reports and conducting periodic site visits. As the number of facilities has increased, ODOE has brought on more compliance resources.
- **Federal Coordination:** Program staff also serves as the state's lead agency for federal jurisdictional projects such as upgrades to the Bonneville Power Administration system and transmission projects on state, federal, tribal and private land. Program staff negotiates cost recovery agreements, establishes memoranda of understanding among stakeholders and coordinates the state's response in the National Environmental Policy Act process. ODOE also is Oregon's lead agency for proposed liquefied natural gas facilities going through the Federal Energy Regulatory Commission process.

Program Justification and Link to 10-Year Outcome

Activities in the program link to the Jobs and Economy outcome area under Strategy 2: "Be more effective, integrate economic and community planning, project finance, infrastructure and regulatory services from the bottom up for efficiency." The siting program is part of the state's work to ensure that Oregon has a diverse and dynamic economy where emerging renewable energy, energy efficiency and

clean technologies industries can thrive. Energy facility siting activities align with energy policy that seeks to ensure low-cost energy generation and transmission infrastructure while also reducing the state's reliance on carbon intensive fuels. Energy facility siting will engage local and state partners in an integrated planning effort to ensure a more efficient and effective energy facility siting process.

Key program outcomes include:

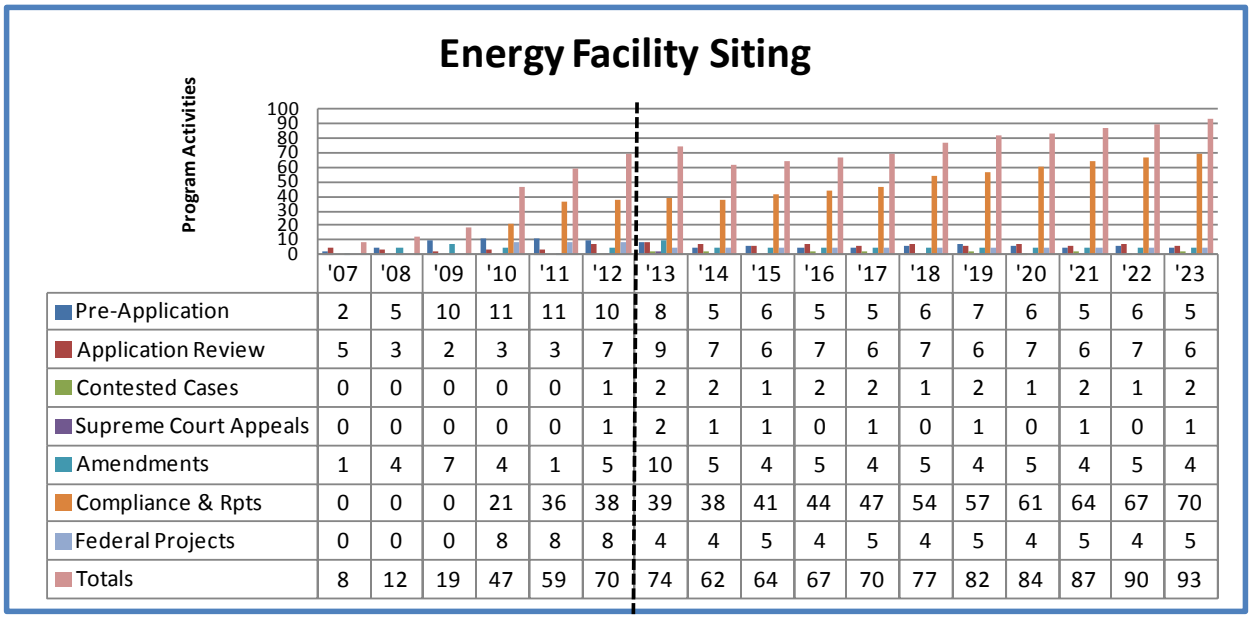
- **Timely processing of facility siting applications.** Energy facility siting projects create temporary jobs during the construction of new facilities and long-term jobs to operate newly constructed facilities. Long-term, increased energy infrastructure helps stabilize energy costs for the benefit of all Oregonians. Energy siting activity has increased significantly in recent years, especially for renewable energy projects and associated regional transmission projects. To keep pace with the increased volume of proposed new energy facilities and ensure timely processing of applications, ODOE has added staff and consultant resources. The program has initiated more than a dozen process improvement efforts to create more efficiency, consistency, predictability, and transparency. All improvements align with the Governor's Regulatory Streamlining Project and Oregon's energy priorities.
- **Apply integrated planning processes to get better results.** As renewable siting projects move from dry land wheat areas into higher value farmland, forests and sensitive natural resource areas, new requirements and concerns related to energy facility siting emerge. Other complex policy questions affecting facility siting include system-wide upgrades to manage electric grid congestion, implementation of the smart grid with engineered facilities, management of species impacts, responses to petitions to revise existing rules, questions about the cumulative impacts of wind projects, and concerns about visibility in scenic areas. As a way of working through increasing complexity and contention, ODOE will participate in a landscape level planning process to develop a more streamlined permitting strategy that effectively balances the state's natural resource and energy goals.
- **Informed and engaged citizens.** The facility siting process often needs to balance the diverse interests of various stakeholder groups that include developers, state and local governmental entities, homeowners and constituent groups. Several of the process improvement measures initiated are meant to better engage all of these stakeholders throughout the application process.
- **Compliant site certificate holders.** An energy facility site certificate represents the road map for ensuring compliance with Oregon's siting standards and safe facility operations. As the universe of certificates continues to increase, the program has invested additional resources for ongoing compliance monitoring and periodic site visits.

Program Performance

Performance metrics for this program are a challenge; no single metric encompasses the complex nature of program activities. Key activities include:

- **Pre-application**: Number of paid NOIs in the pipeline.
- **Application Review**: Number of applications in the pipeline.
- **Contested Cases and Supreme Court Appeals**: Number of applications in the contested case hearing phase or appealed to the Oregon Supreme Court.
- **Facility Amendments**: Number of requests for amended site certificates.
- **Compliance and Reports**: Number of compliance activities planned for a given period.
- **Federal Coordination**: Number of projects underway that the program is coordinating.

As a way of illustrating the volume or units of work that passes through the program, the department tabulates each of the activities annually. The following table presents the annual data.



	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23
Pre-Application	2	5	10	11	11	10	8	5	6	5	5	6	7	6	5	6	5
Application Review	5	3	2	3	3	7	9	7	6	7	6	7	6	7	6	7	6
Contested Cases	0	0	0	0	0	1	2	2	1	2	2	1	2	1	2	1	2
Supreme Court Appeals	0	0	0	0	0	1	2	1	1	0	1	0	1	0	1	0	1
Amendments	1	4	7	4	1	5	10	5	4	5	4	5	4	5	4	5	4
Compliance & Rpts	0	0	0	21	36	38	39	38	41	44	47	54	57	61	64	67	70
Federal Projects	0	0	0	8	8	8	4	4	5	4	5	4	5	4	5	4	5
Totals	8	12	19	47	59	70	74	62	64	67	70	77	82	84	87	90	93

Enabling Legislation/Program Authorization

Statutory authority is derived from Oregon Revised Statutes Chapters 469; specifically, ORS 469.300 to 469.520 and 469.590 to 469.601. OAR 345 contains the Energy Facility Siting Council's rules.

Funding Streams

The program receives its support from Other Fund revenues, primarily as annual facility siting certification fees and application fees. While Oregon statute allows for cost recovery for facility specific siting activities, some program activities cannot be linked to a specific site. Energy Supplier Assessment (ESA) revenues are used for EFSC activities and to fund activities when no other funding source is available.

Significant Proposed Program Changes from 2011-13

The Governor's 2013-15 biennial budget continues resources added during the 2011-13 biennium by the Legislative Emergency Board and adds one new position to support facility siting cost recovery and contract management activities. In May 2012, the legislature added resources to address emerging policy issues, manage contested case work, and increase support for the siting of two transmission lines, Cascade Crossing and Boardman to Hemingway.

In addition, as part of its role in coordinating siting activities, the department facilitates costs recovery for other state agencies and local jurisdictions. The department executes and manages agreements (contracts) with state agencies and local government entities. As workload increases and more agencies and local entities pursue cost recovery, the department's contract management and accounting services workload has also increased. The budget request adds support to ensure continuity in cost recovery processes. Without this investment, invoicing timeliness will suffer, as will the agency's financial risk and the ability to meet the needs of applicants for timely financial information.

Current Energy Incentive Programs Fees

Program	Application Fee	Technical Review Fee	Amendment Fee	Final Review Fee	Pass-Through Fee w/assistance	Pass-Through Fee w/o assistance	Pass-Through Transfer Fee (after tax certificate	Re-inspection Fee
Renewable Energy Development Grants	$200	1.05% of project costs (Max. fee $10,0000)	$300					$400
Conservation: Small Premium Projects (<$20K)	Informational filing fee: $60			0.5% of project cost	1.25% of tax credit amount (Max. fee $25,000)+ $100/tax certificate issued	$100/tax certificate issued	$200+$100 per tax certificate issued	
Conservation Energy Incentive Program	$200	0.55% of project cost	$300					
Transportation Energy Incentive Program	$200							
BETC			(existing fee: $300)		Up to 0.25% of tax credit amount (max. fee $25,000; $100 minimum)	$100/tax certificate issued		

OREGON DEPARTMENT OF ENERGY

Proposed Energy Incentive Programs Fee

Program	Application Fee	Technical Review Fee	Amendment Fee	Final Review Fee	Pass-Through Fee w/assistance	Pass-Through Fee w/o assistance	Pass-Through Transfer Fee (after tax certificate	Re-inspection Fee
Renewable Energy Development Grants	**$500**	1.05% of project costs (Max. fee $10,0000)	$300					$400
Conservation: Small Premium Projects (<$20K)	Informational filing fee: **$100**			**0.55%** of project cost	1.25% of tax credit amount '+ $100/tax certificate issued **(no Cap)**	**$200**/tax certificate issued	$200+$100 per tax certificate issued	
Conservation Energy Incentive Program	**$500**	0.55% of project cost	$300					
Transportation Energy Incentive Program	**$500**							
BETC			(existing fee: $300)		Up to 0.25% of tax credit amount (max. fee $25,000; $100 minimum)	$100/tax certificate issued		

Anticipated Effective Date is October, 1, 2013

OREGON DEPARTMENT OF ENERGY

10% Reductions 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.
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.

10% Reductions Options (ORS 291.216)

ACTIVITY OR PROGRAM	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
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.
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.
	TOTAL OTHER FUNDS	**$3,476,655 / 4.00 FTE**	
	TOTAL FEDERAL FUNDS	**$290,827**	
	Total FF & OF	**$3,767,482 / 4.00 FTE**	

Oregon's Energy Councils, Commissions, and Advisory Committees

Energy Facility Siting Council

http://www.oregon.gov/ENERGY/SITING/sitehm.shtml
Statutory: ORS 469.450

The Council was formed in 1975 and is responsible for overseeing the development of large energy facilities. A proposed facility must undergo a thorough review process and must meet the Council´s siting standards to receive a site certificate. The site certificate authorizes the developer to construct and operate the facility. The siting standards ensure that the construction, operation and retirement of the facility are done in a way that protects the public interest and conserves the natural resources of the state. After issuing a site certificate, the Council has ongoing regulatory authority over the construction and operation of the facility. In addition, the Council regulates the transportation of radioactive materials through Oregon and the disposal of radioactive materials within the state´s borders. Further, the Council oversaw the decommissioning of the Trojan Nuclear Plant.

Global Warming Commission

www.oregon.gov/ENERGY/GBLWRM/GWC/index.shtml
Statutory: ORS 468A.215

The 2007 legislature passed HB 3543 which created the Global Warming Commission (GWC) and the Oregon Climate Change Research Institute. The Commission is responsible for recommendations to meet the greenhouse gas reduction targets, for developing an educational strategy on global warming issues, for tracking global warming impacts on Oregon, and other issues. The GWC has 25 members including 14 ex officio (non-voting) members made up of numerous state agencies and academic institutions. The Commission has been working on a "*Roadmap to 2020*" that will offer recommendations for how Oregon can meet its 2020 greenhouse gas reduction goal of 10% below 1990 levels.

Northwest Power and Conservation Council

http://www.nwcouncil.org/about/Default.htm
Statutory: ORS 469.802

The NWPCC was established by the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Public Law 96-501). The Act directs the Council to adopt a regional energy conservation and electric power plan and a program to protect, mitigate and enhance fish and wildlife on the Columbia River and its tributaries. The Act also sets forth provisions that the Council Administrator must follow in selling power, acquiring resources, implementing energy conservation measures, and setting rates for the sale and disposition of electric energy. The Council is set up as a regional agency with two members each appointed by the states of Idaho, Montana, Oregon and Washington for three-year terms. Expenses for each state Council office are paid by federal funds disbursed to the states which provide accounting/payroll services to each state Council office. ODOE receives funding for the two Oregon members.

Oregon Hanford Cleanup Board

http://www.oregon.gov/ENERGY/NUCSAF/HCB/hwboard.shtml

Statutory: ORS 469.566

The Oregon Hanford Cleanup Board is a 20-member advisory group and includes 10 citizen members, six state legislators, and representatives from the Governor's Office, the Confederated Tribes of the Umatilla Indian Reservation, and two state agencies. The Oregon Legislative Assembly created the Oregon Hanford Cleanup Board in 1987 to (1) serve as the focal point for all policy discussions within the state government concerning the disposal of high-level radioactive waste in the northwest region; (2) recommend a state policy to the Governor and the Legislative Assembly; and (3) make policy recommendations, after consultation with the Governor, on other issues related to the Hanford Site in Richland, Washington, including defense wastes, disposal and treatment of chemical waste, and plutonium production.

Small-Scale Energy Loan Program Advisory Committee

http://www.oregon.gov/ENERGY/LOANS/selphm.shtml

Statutory: ORS 470.070

The SELPAC reviews applications over $100,000 made under the Small Scale Energy Loan Program (also known as SELP). The program promotes energy conservation and renewable energy resource development and offers low-interest loans for projects that save energy; produce energy from renewable resources such as water, wind, geothermal, solar, biomass, waste materials or waste heat; use recycled materials to create products; or use alternative fuels. It can loan to individuals, businesses, schools, cities, counties, special districts, state and federal agencies, public corporations, cooperatives, tribes, and non-profits. Projects must be primarily in Oregon.

Rulemaking Advisory Committees

http://www.oregon.gov/ENERGY/Rulemaking.shtml

During 2012, the department has convened the following rulemaking advisory committees:

- Renewable Portfolio Standard Rule Advisory Committee
- Small-Scale Energy Loan Program Rule Advisory Committee
- 1.5% Green Energy Technology Rule Advisory Committee
- Conservation Energy Incentives Rule Advisory Committee
- Renewable Energy Incentives Rule Advisory Committee
- Alternative Fuel Vehicle Infrastructure Energy Incentives Rule Advisory Committee
- Transit Services Energy Incentives Rule Advisory Committee
- Residential Energy Tax Credit Rule Advisory Committee

Report on Human Resources Actions

HB 2020 (2011) and HB 4132 (2012) Compliance

The Oregon Department of Energy is a small (just over 100 positions) unrepresented agency. The following actions were taken in response to HB 2020 (2011) and HB 4131 (2012):

- The department worked with Department of Administrative Services Human Resource Services Division to conduct a review of all of our management service positions. As a result, two positions were corrected to reflect the appropriate representation codes.
- The department submitted required information which resulted in our supervisory to staff ratio being improved from 1 to 6 to 1 to 7 for the reporting period ending October 31, 2013—see attached letter.

Summary of New Hires and Reclassifications

The table that follows provides information on new hires from July 1, 2011 to December 31, 2012, along with information about step level at time of hire and justification for positions over step 2.

Summary List of New Hires

Position	Step Level	Justification
American Recovery and Re-investment Act (ARRA) Manager (PEM E), limited duration position	04	Provided a 2 step increase to take into account and existing work-out-of-class agreement.
ARRA Project Manager (PA3), limited-duration position	00	Transferred from another agency-salary justified based on state policy.
Governor's Energy Policy Advisor (PEM F), temporary position	05	Appointed by the Governor's Office.
Energy Conservation Manager (PEM E)	04	Had expertise in energy field; competitive market.
Energy Policy Analyst (OPA 2)	02	Not required.
Governor's Energy Policy Advisor (PEM F), limited duration	08	Appointed by the Governor's Office.
Procurement Specialist (PS 2)	08	Provided 1 step increase on promotion per state policy.
Senior Budget Analyst (FA3)	02	Not required.
Quality Assurance Coordinator (OPA 3), limited duration position	07	Reemployed-salary justified based on state policy.
Energy Incentive Program Manager (PEM E)	09	Transferred from another agency-salary justified based on state policy.
Web and Share-point Coordinator (ISS 4)	03	Had special skills; limited applicant pool; and, competitive market.
Northwest Power and Conservation Council Member (PEM H)	00	Only step in salary range; appointed by the Governor's Office.
Energy Facilities Engineer (FA3)	07	Had expertise in energy field; competitive

Position	Step Level	Justification
		market.
Senior Energy Policy Analyst (OPA 4)	05	Had specialized expertise in energy field and market is competitive.
Facility Siting Project Officer (UA 2) - Hermiston	03	Had difficulty with recruitment due to location; competitive market.
Small-scale Loan Program Accountant (ACT3)	03	Transferred from another agency-salary justified based on state policy.
Facility Siting Senior Policy Analyst (OPA4)	08	Reemployed-salary justified based on state policy.
Agency Director (PEM H)	09	Appointed by the Department of Administrative Services.
Energy Incentive Program Administrative Support (AS1)	08	Reemployed-salary justified based on state policy.

The department initiated one reclassification in January 2013. The Government Relations Manager (PEM F) was reclassified to a Legislative Coordinator (OPA 4). This change enabled the department to attain the target of improving the ratio by one. The new ratio is 1 to 7 supervisory to non-supervisory budgeted positions. During this same request, the department reclassified a Budget Analyst (FA2) position to a Senior Budget Analyst (FA3). Changes to the agency's budget framework and processes have introduced more complexity which requires a higher level of expertise to administer.

Vacancy Report for December 31, 2012

Position	Reason for Vacancy
Purchasing Coordinator (PCS 2)	Position used for Permanent Financing.
Energy Policy Analyst (PA3)	Position vacant. Governor's Budget makes full time.
Planning, Policy and Technical Analysis Division Administrator (PEM F)	Filled position effective 1/7/13.
Residential Energy Analyst (PA3)	Recruitment in process: Anticipated fill date 4/1/13.
Energy Rules and Policy Coordinator (OPA3)	Filled position. Applicant to start 2/27/13.
Senior Energy Efficiency Policy Analyst (OPA4)	Recruitment in process: Anticipated fill date 3/1/13.
Director's Executive Assistant (EA)	Filled position effective 1/1/13.

Oregon
John A. Kitzhaber, MD, Governor

Department of Administrative Services
Chief Human Resources Office
155 Cottage Street NE, U30
Salem, OR 97301
FAX: (503) 373-7684

January 14, 2013

Via Email Only

Lisa Schwartz, Director
Oregon Department of Energy
625 Marion Street N.E.
Salem, OR 97301

Re: 2012-2013 Agency Ratio – HB 4131

Dear Director Schwartz:

We received an email from Sharon Lamey from the Classification and Compensation section of the Department of Administrative Services, regarding the service type change and reclassification of position number 7010001 (PEM F/MMS to an OPA 4/MMN). This service type change and reclassification enables the Oregon Department of Energy to attain a plus one ratio from 1 to 6 to 1 to 7 supervisory to non-supervisory budgeted positions.

This letter serves as your notification for the reporting period ending October 31, 2013, that the Oregon Department of Energy is no longer subject to the application process for exceptions to hire budgeted supervisory positions so long as it maintains the 1 to 7 ratio. On November 1, 2013, the agency's baseline ratio will reset and it will again be subject to the supervisory hiring restrictions.

If you have any questions, please do not hesitate to contact me, Twyla Lawson at 503-373-7677 or Susan Hoeye at 503-378-8301.

Sincerely,

Clyde Saiki
Interim Chief Human Resource Officer

c: Donna Archambault, ODE HR Mgr.
Ken Rocco, LFO
Daron Hill, LFO
Brian DeForest, DAS BAM
Donna Lantz, CHRO/PPDB

Summary of Department of Energy Audits

HB 3291 (2011) Report

The department was referenced in two Secretary of State audits that meet the HB 3291 (2011) reporting requirement:

- Audit of SB 1149 Energy Surcharge, issued May 2012
- Audit of Department of Energy Procedures, issued June 2011

Senate Bill 1149 Energy Surcharge: Unrealized Savings on Energy and School Utility Costs

The SB 1149 Audit was focused on the energy conservation efforts made by K-12 public schools that received SB 1149 funds (ORS 757.612). The objective of the audit was to evaluate whether the energy surcharge funds distributed to school districts were well utilized. The metric chosen by the Secretary of State auditors was whether districts implemented eligible conservation measures with the highest payback returns, as identified by contracted energy audits. The Oregon Department of Energy (ODOE) provides program tools, guidelines, and technical energy efficiency expertise to schools that receive SB 1149 funds, so the report made one recommendation to the department.

SB 1149 Audit Recommendation and Agency Action Summary

Audit Recommendation	Agency Action
Revise the payback methodology in the SB 1149 Schools Program to incorporate a measure's expected life.	ODOE is currently in the process of revising the SB 1149 Schools Program Guidelines and ODOE databases to enable a payback methodology which will incorporate a measure's expected life. SB 1149 stakeholders are part of ODOE's efforts to improve and revise the guidelines, which should be released in May 2013.

Department of Energy: Strengthen Procedures and Documentation

In March 2010, ODOE asked the Audits Division of the Secretary of State's Office to initiate an audit of three key areas of the Department's operations: contracting and procurement, accounts payable and receivable, and information security. During the course of this work, the Audits Division also reviewed additional issues that surfaced during their review of materials provided. Several recommendations were provided to the department.

Procedure Audit Recommendations and ODOE Actions

Audit Recommendation	Agency Action
Ensure Department contract evaluators submit a signed statement of independence that discloses any potential personal and professional relationships with contract proposers.	Procurement staff ensures that contract evaluators sign and submit a statement of independence and non-disclosure form prior to evaluating contracts.
Consider enhancing the criteria the Department uses to score potential contractors' cost proposals.	Criteria protocols were enhanced. Criteria is now developed by the group soliciting the services of the contract and contract staff assists in ensuring that the criteria is set and weighted accordingly.
Ensure justification for changes to original contractor evaluation scores is consistently documented and explained.	Procurement staff ensures evaluation score changes are dated and initialed by the evaluator after support or justification for the change is provided by the evaluator.
Ensure deliverables are clearly defined in contracts.	Contract staff verifies that deliverables are clearly defined and appropriate for the contract.
Require all changes in sub-contractor hourly rates and other charges to be reviewed and approved by the Department, as well as the general contractor.	Procurement forms were modified to ensure any contract changes are reviewed by budget, programs impacted, procurements, and ultimately a Division Administrator, Deputy or Director depending on the nature of the change and corresponding signature authority policy.
Ensure all future contracts include False Claims Act provisions.	Contract templates were amended to include these provisions.
Require a written evaluation of the expected benefits of a sponsorship in comparison to its cost.	The department adopted a new process for requesting sponsorship investments that includes evaluating how the investment advances the department's mission and what benefits are provided to Oregonians for the investment. This documentation is included with purchase requests that are processed.
Establish guidelines, limits, and a budget for the sponsorships the Department will promote for a given time period.	The tracking and coordination of sponsorships is managed by the Communications & Outreach Manager. A budget limit is set based on the biennial Legislatively Adopted Budget.
Consider requiring energy suppliers to have their self-reported gross revenues independently verified to ensure the reasonableness of reported amounts.	Implementation of this recommendation is currently in process. ODOE is working with stakeholders to evaluate current reporting processes and propose improvements.
Collection letters are promptly sent to entities with past due accounts, adequate progressive action is taken, and excessively delinquent accounts are turned over to the appropriate entities for collection.	The department established and follows a more rigorous accounts receivable policy. Within the policy are procedures that address when collection letters are to be sent and the progressive action that is required prior to sending a receivable over to collections.

Audit Recommendation	Agency Action
Develop internal policies and procedures for the accounts receivable collections process.	Discussed above.
Develop a security incident response plan and complete an updated business continuity plan.	A security incident response plan has been developed for the agency and approved by the Director. An agency business continuity plan has been drafted and is currently being reviewed by management. ODOE priority business continuity issues relate to response plans for a nuclear emergency and petroleum shortages plans. Both of these response plans are approved by the Director and current.
Assign responsibility for and ensure regular back-ups of databases outside of the Department are performed.	The department contracts with a provider to ensure that regular back-ups of databases reside outside of the agency.

Other Audit Activity

State Energy Loan Program (FY 2009-2010 and FY 2010-2011)

The Secretary of State's annual audit of the Small-Scale Energy Loan Program (SELP) for the periods ending June 30, 2010, and June 30, 2011, found SELP financial statements and related footnotes were fairly presented in all material respects in accordance with generally accepted accounting principles. After a review and evaluation of internal controls over financial reporting and tests of compliance with applicable laws and regulations, the audit report indicated no instances of noncompliance, significant deficiencies or material weaknesses.

Secretary of State OMB Circular A-133 Audit – Dec. 2011, Kern & Thompson, LLC

The Secretary of State's Audits Division, through a contract with Kern & Thompson, LLC, performed an A-133 compliance audit of the State Energy Program (CFDA 81.041) for the fiscal year ended June 30, 2011. The audit tested for compliance with the requirements of laws, regulations, contracts and grants applicable to the State Energy Program. The audit report indicated no instances of noncompliance, significant deficiencies or material weaknesses.

American Recovery and Reinvestment Act (ARRA) Process Reviews and Audits

ODOE administered four ARRA awards during the 2011-13 biennium. ODOE has already participated in several federal process reviews during the performance period and expects more reviews and audits through—and possibly beyond—the end of the performance periods. USDOE expressed no concerns with ODOE's ARRA administration during the process reviews and commented that the ARRA team appears to be competent and well managed.

UPDATED **OTHER FUNDS ENDING BALANCES FOR THE 2011-13 & 2013-15 BIENNIA**

Agency: 33000 Oregon Department of Energy
Contact Person: Dawn Farr, 503-373-2226

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Other Fund				**Constitutional and/or**	**2011-13 Ending Balance**		**2013-15 Ending Balance**		
Type	**Program Area (SCR)**	**Treasury Fund #/Name**	**Category/Description**	**Statutory reference**	**In LAB**	**Revised**	**In LAB**	**Revised**	**Comments**
OF Limited	100 - Policy	00401 Statewide Acct.	Other, Public Purpose Charge - Industrial	ORS 757.612, 469.040, OAR 330-140-0140	60,043	86,768	138,174	20,006	Program needed database upgrades which were not fully executed in 2011-13. Completing this effort will lead to an adjusted ending balance of $20,000 which will cover 2-3 months of operations.
OF Limited	100 - Policy	00401 Statewide Acct.	Other, Energy Efficiency Homes Verification	ORS 469.040, 469.010	(16,602)	0	0	0	ODOE handed off administration of this program to a third party in 2011-13.
OF Limited	200 - Development	00401 Statewide Acct.	Other, Business Energy Tax Credit (BETC) Program	ORS 316.140-142, 317.104 and 469.185	211,890	933,950	0	147,277	The BETC program sunsets in full at the end of the 2011-13 biennium; however, credit oversight can continue for 5 years. Remaining compliance and pass-through work is anticipated to spend out fund balance.
OF Limited	200 - Development	00401 Statewide Acct.	Other, Energy Incentive Program (EIP)	ORS 469B.164, 469B.294, 469B.335, 469B.403	n/a	(584,095)	0	(167,737)	Revenue/funding issues related to this program are anticipated to be addressed during the 2013-15 budget discussions.
OF Limited	200 - Development	01433 Renewable Energy Development Fund	Renewable Energy Development Program		n/a	1,960,569	0	1,965,569	This account funds renewable energy grants. The ending balance represents funds that have been obligated as grants. Because the grants program is a reimbursement model, the cash is not distributed until the projects are complete.
OF Limited	200 - Development	00573 OF Oil Heated Dwellings Energy Audit Account	Other, State Home Oil Weatherization (SHOW)	ORS 469.681	456,811	211,934	256,212	293,146	ODOE targets a 6 month ending balance, $175,000.
OF Limited	200 - Development	01357 OF Loan Offset Grant Fund	Renamed under HB 2960 (2011) to Jobs, Energy and Schools Fund	ORS 470.575, HB 2960 (2011 Legislative Session)	1,462,680	247,395	0	(0)	Fund contains remaining Lottery dollars that came to the agency as OF to support EEAST activities and was extended to also be used for implementation of HB 2960 (2011). The balance of this fund has been obligated to leverage energy efficiency investments in schools and public buildings so the anticipated ending balance is $0.

UPDATED **OTHER FUNDS ENDING BALANCES FOR THE 2011-13 & 2013-15 BIENNIA**

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(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Other Fund				**Constitutional and/or**	**2011-13 Ending Balance**		**2013-15 Ending Balance**		
Type	**Program Area (SCR)**	**Treasury Fund #/Name**	**Category/Description**	**Statutory reference**	**In LAB**	**Revised**	**In LAB**	**Revised**	**Comments**
OF Non-Limited and Non-Limited Debt Service	200 - Development	00493, 00494	Loan Program, Small Scale Energy Loan Program	Oregon Constitution XI, ORS 470.090 & .091	119,056,459	41,365,774	17,486,888	23,932,455	Ending balance for SELP Non-Limited and Non-Limited Debt Service is constitutionally dedicated and cannot be used for any purposes other than indenture and constitutional bond requirements until all bonds are paid off and no longer outstanding. Variance in the ending balance is attributed to the LAB revenues being tied to bond authority, not tied to NL targets set in LAB.
OF Limited	300 - Nuclear Safety	00401 Statewide Acct.	Other, Radioactive Waste Transport Fee	ORS 469.605, 469.611	116,000	113,317	158,800	162,117	Funds cover staffing costs with reserves held to ensure that the department has a adequate funding to cover emergency response activities related to accidents in transporting radioactive waste in the State.
OF Limited	500 - Admin Services	00401 Statewide Acct.	Other, Energy Supplier Assessment (ESA)	ORS 469.421	1,459,347	5,539,557	1,025,628	5,565,185	The target ending balance is $3.5 million which funds 6 months of service. The balance is expected to be higher because of vacancy savings, tighter oversight of the fund and delays in anticipated moving expenses. A more robust ending balance facilitates the agency efforts to minimize any increase to the energy supplier assessment rate for the 2013-15 biennium.