EVERGREEN ECONOMICS

Report to Legislative Assembly on Public Purpose Expenditures

January 2011 – June 2012

Final Report

December 13, 2012

1 Executive Summary

1.1 Introduction

In July 1999, Senate Bill 1149 (SB 1149) was enacted to introduce competition into Oregon's electricity markets within the Portland General Electric (PGE) and PacifiCorp service territories.[1] As part of SB 1149, these utilities were required to collect a 3 percent charge on their retail electricity sales beginning in March 2002. This public purpose charge (PPC) is used to fund energy conservation and renewable energy programs and to help provide weatherization and other energy assistance to low-income households and public schools.

Oregon has a 30-year history of using ratepayer funding for conservation and renewable programs prior to SB 1149. Before 2002, utilities administered conservation programs using ratepayer funds. Under SB 1149, programs are still funded by ratepayers (through the public purpose charge) but responsibility for running these programs was transferred to the Energy Trust of Oregon. The administrators of the various programs funded with the public purpose charge are:

- **Energy Trust of Oregon, Inc**. The non-profit Energy Trust began administering funds in March 2002 and seeks to develop and implement programs that promote energy conservation and development of renewable energy resources in the service areas of Portland General Electric and PacifiCorp. The Energy Trust receives 73.8 percent of the available public purpose charge funds; 56.7 percent is dedicated to conservation programs and 17.1 percent is dedicated for renewable energy projects.

- **School Districts**. Oregon has 112 school districts within PGE and PacifiCorp service territories. The districts collectively receive 10 percent of public purpose charge funds to improve energy efficiency in individual schools. Prior to June 2011, when HB 2960 was passed, these funds were distributed to 16 Educational Service Districts.

- **Oregon Housing and Community Services**. Oregon Housing and Community Services (OHCS) receives and administers public purpose charge funds for two low-income housing programs. Four and one-half percent of the public purpose charge funds are dedicated to low-income housing development projects in the PGE and PacifiCorp service areas; these projects involve construction of new housing or rehabilitation of existing housing for low-income families through the OHCS Housing Trust Fund. OHCS operates two weatherization programs, and an additional 11.7 percent of the total PPC funds collected are allocated for the weatherization of dwellings of low-income residents in the PGE and PacifiCorp service areas. One program provides home weatherization (for single- and multi-family, owner occupied, and rental housing) and the other provides for

[1] SB 1149, which specifically addresses the public purpose charge, is codified in ORS 757.600, et. seq. ORS 757.612.

weatherization of affordable multi-family rental housing through the OHCS Housing Division.

In addition to projects conducted by these agencies, large commercial and industrial customers can implement their own energy conservation or renewable energy projects. These "self-direct" customers can then deduct the cost of projects from the conservation and renewable resource development portion of their public purpose charge obligation to utilities.

In August 2012, Evergreen Economics was hired by the Oregon Department of Energy and the Oregon Public Utility Commission to prepare a report to the Oregon Legislature documenting PPC receipts and expenditures in compliance with ORS 757.617(1)(a). Specifically, Evergreen Economics

- Documented PPC disbursements to each agency by PGE and PacifiCorp;
- Demonstrated how each agency utilized funds;
- Summarized important project accomplishments; and
- Documented administrative costs using a common cost definition across agencies.

This report does not attempt to evaluate how well the various PPC programs are being implemented, nor have we attempted to independently verify the energy savings accomplishments reported by the PPC fund administrators. These issues are usually addressed through formal program evaluations such as those currently being performed by the Energy Trust of Oregon for its programs.

1.2 Receipt and Expenditure Summary

Table 1 shows PPC fund disbursements to the various administrators and programs for the January 1, 2011 – June 30, 2012 period. The far right column of the table lists the level of expenditure for these funds over the same period, and shows that expenditures were similar to disbursements for most programs. As shown at the bottom of the table, PPC expenditures totaled $130,650,717 across all fund administrators. Administrative costs for agencies receiving the PPC funds totaled $7,116,547, or 5.45 percent of all expenditures during this period.

Table 1: PPC Disbursements and Expenditures (1/2011 – 6/2012)

	Disbursement Source			Expenditure
Fund Administrator / Program	**PGE**	**PacifiCorp**	**Total**	**Total**
Energy Trust of Oregon				
Conservation	$43,653,488	$29,268,316	$72,921,804	$63,509,701
Renewable Energy	$12,474,500	$8,275,349	$20,749,849	$26,943,067
Administrative Expenses				$6,450,054
School Districts	$7,843,904	$5,164,346	$13,008,250	$11,565,006
ODOE Program Expenses				$304,694
Administrative Expenses				$400,597
Oregon Housing and Community Services				
Low-Income Weatherization*	$9,155,820	$6,402,466	$15,558,286	$9,625,779
Low-Income Housing	$3,521,469	$2,462,563	$5,984,032	$7,551,916
Administrative Expenses				$252,122
Evaluation, Training, Technical Assistance				$77,967
Energy Education				$934,665
Self-Direct Customers**				
Conservation	$1,164,689	$198,191	$1,362,880	$1,362,880
Renewable Energy	$1,001,350	$642,072	$1,643,422	$1,643,422
ODOE Program Expenses				$15,073
Administrative Expenses				$13,774
Totals	$78,815,220	$52,413,303	$131,228,523	**$130,650,717**
Administrative Costs Only				**$7,116,547**

* Low-Income Weatherization includes the ECHO program and the Low-Income Weatherization Program (for multi-family rental housing).
** The amounts listed for Self-Direct represent public purpose charges retained by the participating sites in lieu of making payments to the utilities, which are then distributed among the other agencies (e.g., Energy Trust).

The following table summarizes the expenditures and results for PPC expenditures from January 2011 through June 2012. The agencies spent a combined total of $130,650,717 on programs and projects completed during this period. Annual energy savings and renewable resource generation achieved from projects completed during this time reached 550,644,579 kWh (63 aMW), which is enough to power over 48,000 average-sized homes each year.[2] When all fuel types are included in addition to electricity, PPC expenditures resulted in annual savings of 1,929,480 million Btu.

[2] Calculated using ODOE's estimate that an average megawatt is enough to power 775 homes each year (assuming electric heat).

Table 2: Summary of PPC Expenditures and Results (1/2011 – 6/2012)

		Results		
Agency / Program	**Expenditures**	**kWh Saved or Generated**	**aMW**	**MMBtu**
Energy Trust – Conservation	$68,316,560	275,939,467	31.50	941,505
Energy Trust – Renewables*	$28,586,262	25,459,187	2.9	86,678
School Districts**	$12,270,297	6,479,161	0.74	72,928
OHCS Low-Income***	$18,442,449	17,916,286	2.05	61,148
Self-Direct Customers****	$3,035,149	224,850,478	25.67	767,221
Total Expenditures	**$130,650,717**	**550,644,579**	**62.86**	**1,929,480**

* Energy saved excludes savings from reduced transmission and distribution losses. Renewable energy savings are from currently operational projects.
** MMBtu includes natural gas, propane and oil savings, in addition to electricity savings.
*** Expenditures for the OHCS Low-Income program include expenditures from the Housing Trust Fund, which does not track energy savings for its projects.
**** Expenditures listed for Self-Direct represent public purpose charges retained by the participating sites in lieu of making payments to the utilities, which are then distributed among the other agencies (e.g., Energy Trust).