

Energy Advisory Work Group

Meeting Minutes

May 9, 2014

Oregon Department of Energy

Governor's Office Report

Mike Bonetto, Chief of Staff

- Overview
 - Governor Kitzhaber is happy about ODOE's progress in the last few years.
 - The collaborative effort from this group is increasing positive momentum and the Governor does not want to lose ground.
 - Despite the recent leadership changes, the department will continue the partnership with stakeholders and provide accountability and transparency of work.
- Director Recruitment
 - The recruitment survey is posted online and everyone is encouraged to submit feedback regarding the desired values and characteristics of the next Director.
 - Results from the survey will inform the recruitment process which will include a stakeholder panel.
 - There is no detailed timeline.
- Energy Advisory Work Group (EAWG) Purpose
 - The EAWG formed to offer budget and policy development advice
 - The group is a high priority of Governor Kitzhaber, who is focusing on effective governing, sustainable growth and a long-term energy plan for the next three to five years.

ODOE Office Relocation

Dawn Farr, ODOE Central Services Division Administrator

- Current Building
 - The Department resides in the building it has occupied for 25 years without major renovations and has many safety issues.
 - During the winter of 2013, three floods caused sandbagging of the back door. In the future, if sandbagging is required, the department will have to close due to inadequate exits.
- Relocation Options

- One proposed location for the ODOE office is the first floor of the Oregon Public Utility Commission, which may instead be used by the Legislature as swing space while the capitol undergoes seismic upgrades.

Vision for the Future of Energy in Oregon

Margi Hoffmann, Energy Advisor to Governor Kitzhaber

- 2015 Legislative Session
 - Legislative Action will be informed by the Governor's 10-Year Energy Action Plan.
 - With 65 percent of greenhouse gas emissions in this state coming from the transportation sector, the 2015 session will focus on transportation and fuel.
 - Transparency in the marketplace is important and there will be a focus on conservation and biomass.
 - There is also discussion around distributed generation policy, more specifically what role ratepayers or taxpayers play in funding.
- Moving Forward at ODOE
 - There was a difficult transition from the Business Energy Tax Credit (BETC) to the Energy Incentives Program (EIP).
 - There is now effective collaboration between the Energy Trust of Oregon, the State and Clean Energy Works.

ODOE PPTA Strategic Plan

Andy Ginsburg, ODOE Planning, Policy and Technical Analysis Division Administrator

- Strategic Plan Process
 - A high-level draft of the Plan is complete after six months of work.
 - In early August the department will send out more details of the plan.
 - There are four strategy areas in the plan and the division plans to bring solid technical analysis to existing work.
- Goals of the Strategic Plan
 - The goal is to maximize the 10-Year Energy Action Plan.
 - The strategic plan lays out the first 3 years creating baselines, determining needs and identifying gaps.

Budget

Mike Kaplan, ODOE Acting Director

- The department provided several levels of budget detail in the packet.
- In several weeks the department will touch base with stakeholders about the program level budgeting.
- Mr. Kaplan provided an overview of the documents and explained the current budget process and timeline from the 2015-2017 process.

- Mr. Kaplan provided during the 2013-2015 budget process, one mistake the department made was committing to the ESA rate in February, eight months before seeing operating revenues.
 - Stakeholders expressed concern that the problem is not just going after more revenue, but also looking at which programs the department can no longer afford to operate.
 - Mr. Kaplan agreed and stated they would be looking to this group and broader to provide guidance in that area. He also added there are some administrative functions the department can consolidate.
 - Overall, the department wants to have this conversation for the June 1st rate but also for the future, making sure stakeholders clearly understand process and how the rate is accessed.
- Mr. Kaplan noted that the department will set a rate higher than has been accessed in the past. The choices made during the 2013-2015 process have costs that have to be paid in 2015-2017.
- Work group members expressed concerned that the organizations they represent are often other government entities such as cities with limited revenue. Many utilities are seeing double digit increases from Bonneville Power Administration also. The ESA rate increase will not be well received. Cities will have to increase utility rates to cover the ESA rate increase.
- There was discussion around the June 1st ESA rate and if the higher rate was inevitable. Mr. Kaplan provided to pay for the move, the department will have to charge the higher rate, since the department does not have another revenue source.
- Work group members reiterated the importance of ESA funds being spent on activities and projects with benefits and value relevant to them. Stakeholders appreciated the early conversation about the 2015-2017 budget process and ESA rate.

2015 Legislative Concepts Process

Robin Freeman, ODOE Legislative Coordinator

- Six legislative concepts for ODOE
 - The Department submitted the concepts to DAS and a timeline of the 2015 legislative process.
 - The department will revise and pare down the Energy Incentives Program and Residential Energy Tax Credit concepts.
 - Ms. Freeman and department staff will seek individual feedback in the future and provide more information as the concepts move forward.
 - The department will be putting together work groups to discuss these concepts with stakeholders.

Questions

Energy Supplier Assessment (ESA) Fees

- Questions to Mr. Kaplan
 - A stakeholder asked about increasing the Energy Supplier Assessment (ESA) and if the Department will set the rate on June 1st. Mr. Kaplan provided the department will continue to move forward and plans to set the rate on June 1.
 - A stakeholder asked if the department would go to the legislature for an ESA fee increase. Mr. Kaplan responded no, the department has the authority to set a higher rate and would not need additional approval up to the previously authorized amount.
 - A stakeholder asked what the operating portion of the budget was minus the loans the department offers. Mr. Kaplan stated the operating budget is about \$44 million but that does include the cost of operating the programs. Approximately \$12 to \$14 million is funded by ESA or reserves from ESA.
 - Stakeholders also asked about the number of full-time equivalents (FTE). The department provided that was not in the budget materials but could be provided by program, at the beginning of the biennium it was 114 FTEs.
 - A stakeholder asked how the legislature sets the ESA rate and if the rate can be increased this biennium. Mr. Kaplan provided that based on the approved budget, the legislature gives the department an authorized rate, however the department can set a rate below the authorized amount. Last year the legislature authorized a rate of .092, but by spending down the reserves and budget cuts the department only charged an ESA rate of .08. The department still has the authority to charge up to .092 for the remainder of this biennium.
 - Stakeholders were concerned about the department's annual growth without an increase in ESA revenues each year. The energy supplier's gross revenues are declining, but the department continues to raise the ESA rate to cover growth and other expenses. Several stakeholders voiced concern that given the small group of ESA funders, the department needs to look for other funding sources. It was highlighted that the department is different than other state agencies that have to work to bring costs down to fit within their budget. The energy department has a unique funding source with the ability to increase the rate. There was concern about the ability of the department to raise the rate without a formal process.
- Questions to Ms. Hoffmann
 - A work group member asked how far the Governor's office was willing to go to implement the 10-Year Energy Action Plan. Ms. Hoffman responded that she hopes to have the opportunity to go back to where they were heading into 2013 in a more collaborative way, wants to provide space to have conversations with stakeholders.
- Questions to Andy Ginsburg
 - A work group member commented that some of the blue boxes (representing strategies identified in the strategic plan) raise issues of statewide concern and

the agency has never had general fund funding. For example, greenhouse gas goals should be supported by the general fund. Ms. Hoffman explained that some of the things on this plan are funded with other or federal revenue. This plan may also show opportunities for the group to advocate for a slice of the general fund.

- Stakeholders also commented about the difference between policy planning and program implantation. It was noted the agency is funded by ESA to be the energy advisor to state, there is value in that function but actual delivery of a program should be paid for by other means.
- A work group member asked about what happens with the analysis and implementation. Mr. Ginsberg provided that it depends on the situation, technology and statutory direction. The department could bring items back to this group, present to legislative committees or stakeholder groups, or provide

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