

BUDGET REPORT AND MEASURE SUMMARY

Joint Committee On Ways and Means

Action:

Action Date:

Vote:

Prepared By: Cathleen Connolly, Department of Administrative Services

Reviewed By: Julie Neburka Legislative Fiscal Office

Agency: Department of Energy

Biennium: 2015-17

Budget Summary*

	2013-15 Legislatively Approved Budget ⁽¹⁾	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$ Change	% Change
Lottery Funds Debt Service	\$ 2,166,050	\$ 3,282,990	\$ 2,980,496	\$ 814,446	37.6%
Other Funds Limited	\$ 50,489,645	\$ 38,256,836	\$ 34,515,467	\$ (15,974,178)	-31.6%
Other Funds Nonlimited	\$ 106,070,803	\$ 70,892,329	\$ 70,905,959	\$ (35,164,844)	-33.2%
Other Funds Debt Service Nonlimited	\$ 69,948,004	\$ 69,948,004	\$ 69,948,004	\$ -	0.0%
Federal Funds Limited	\$ 2,977,118	\$ 3,129,106	\$ 3,129,106	\$ 151,988	5.1%
Federal Funds Debt Services Nonlimited	\$ 40,000	\$ 104,000	\$ 104,000	\$ 64,000	160.0%
Total	\$ 231,691,620	\$ 185,613,265	\$ 181,583,032	\$ (50,108,588)	21.6%

Position Summary

Authorized Positions	114	110	105	-9
Full-time Equivalent (FTE) positions	112.81	108.92	104.50	-8.31

⁽¹⁾ Includes adjustments through December 2014

* Excludes Capital Construction expenditures

Revenue Summary

The Oregon Department of Energy (ODOE) does not receive General Fund revenue. It receives non-Measure 76 Lottery Funds, Other Funds and Federal Funds.

ODOE has several sources of Other Funds revenues. The largest subset of revenues is Other Funds Nonlimited which comprises 77.5 percent of total available revenues. Other Funds Nonlimited is associated with the Small-Scale Energy Loan Program (SELP) which includes general obligation bond sales, loan repayments, and interest income. Other Funds Limited revenue totals 19.6 percent of available revenues and includes the Energy Supplier Assessment, State Home Oil Weatherization; settlement funds; radioactive waste transport fees; application fees related to Energy Incentive Programs (EIP); energy siting fees; and fees for services related to the State Energy Efficiency Design (SEED) program.

Lottery Funds are allocated to the Department for debt service payments and comprise 1.4 percent of available revenues. Federal Funds are received from the U.S. Department of Energy for the USDOE State Energy Program Formula, Hanford grants and other federal grants. Federal Funds comprise 1.6 percent of available revenues.

In Package 201, the Subcommittee approved an increase in fees for the biomass program. The fee increases for the Biomass Program is expected to generate approximately \$270,600 for the 2015-17 biennium. The revenue will be used for a pilot incentive program and fees are set to recover the costs of administering the program.

The budget approved by the Subcommittee also assumes the Department will establish EIP fees identified in House Bill 2448 to recover the cost of the program as allowed by statute. No additional expenditure limitation is requested.

Summary of Natural Resource Subcommittee Action

ODE's mission is to reduce the long-term cost of energy for Oregonians. In the 2013 session, the Legislature created an Energy Advisory Work Group, and directed the Department of Energy to provide the Work Group with information on its requested budget, legislative concepts and policy activities. The agency provided the Energy Advisory Work Group with information and an opportunity to discuss its budget and legislative concepts during the development of its 2015-17 budget.

The Subcommittee recommended a budget of \$181,583,032 total funds and 104.5 FTE, which is a 21.6 percent decrease in expenditure limitation from the 2013-15 Legislatively Approved Budget.

Budget Note:

The Oregon Department of Energy is instructed to limit the amount assessed under the Energy Supplier Assessment to a total of \$13.1 million for the 2015-17 biennium and the 2017-19 biennium. The Oregon Department of Energy is further instructed to prepare its 2017-19 agency requested budget to reflect a total assessment from the Energy Supplier Assessment to not exceed \$13.1 million.

Energy Planning and Innovation Division – 100

The work of the Energy Planning and Innovation Division focusses on reducing the long-term costs of energy for Oregonians. The division serves as the state's lead to improve the energy efficiency of schools and government buildings, and by conducting objective planning, policy and technical analysis on a statewide basis. The Subcommittee approved a budget of \$6,797,163 total funds and 23.00 FTE, which represents a 14.0 percent decrease in expenditure limitation from the 2013-15 Legislatively Approved Budget.

The Subcommittee approved the following:

Package 070, Revenue Shortfall. This package reduces Other Funds limitation by \$1,040,363 and three full-time equivalent permanent positions. One Program Analyst 3, in the SEED Program, is eliminated because the university system is no longer required to use SEED services and the demand for services has dropped. One Program Analyst 3, assigned to the Cool Schools Program and supported with ESA funds, is being eliminated. One Administrative Specialist 1 position, assigned to support energy conservation services, is being eliminated. Finally, \$400,000 in Special Payments limitation associated with the Community Renewable Energy Feasibility Fund is removed because all the grants in the program have been awarded.

Package 101, Achieving Oregon's 10 Year Energy Plan Outcomes. This package in the Energy Planning and Innovation Division increases Other Funds limitation by \$166,059 and 1.00 FTE. The package converts a limited duration position assigned to the alternative fuels program to a permanent position. The position will determine baseline use of alternative fuels and assist Oregon's transportation fleets in making cost-effective shifts to alternative fuels. This package is funded with the Energy Supplier Assessment revenue.

Package 801, LFO Analyst Adjustment. This package increases Other Funds limitation by \$27,644. This package is a technical adjustment that moves one Principle Executive Manager E position into Energy Planning and Innovation from the Energy Development Services Division, and moves an Operations and Policy Analyst position out of the Energy Planning and Innovation into the Administrative Services Division. There is no net change in expenditures in the department. These position changes better align staff with workload and reporting structures in the department, and reflect a realignment of resources in light of the sunset of the Business Energy Tax Credit program (BETC).

Energy Development Services – 200

The Energy Development Services Division administers various financing and incentive programs with the goal of promoting energy conservation and renewable energy, stimulating economic development, and creating jobs. The agency's primary tools include tax incentives, renewable energy development grants, and SELP. The Subcommittee approve a budget of \$155,847,356 total funds and 26.00 FTE, which represents a 23.6 percent decrease in expenditure limitation from the 2013-15 Legislatively Approved Budget.

The Subcommittee approved the following:

Package 070, Revenue Shortfall. This package reduces Other Funds limitation by \$700,000 associated with the end of the BETC program, including \$300,000 for Professional Services, \$300,000 for Attorney General Services and the balance of \$100,000 in Services and Supplies.

Package 201, Biomass Producer & Collector Tax. This revenue-only package modifies fees the department collects for the Biomass Producer or Collector Tax Credit Program, and is recommended in order to support full cost recovery for the program. Current fees of \$100 per application plus 2.5 percent of the requested tax credit were approved by the Legislature in 2013, and support just under two-thirds of the program's current cost for reviewing and certifying biomass producer or collector tax credits. The deficit in the current biennium was covered with one-time tax credit reserve funds which will be exhausted at the end of June, 2015. Restructuring the fee to consist of \$100 per application plus 3.8 percent of the requested tax credit will allow this program to fully recover its costs. The department estimates the restructured fee will raise \$270,600 in additional revenues over the biennium.

Additionally, this package will support the changes to the Biomass Producer or Collector Tax Credit Program contained in House Bill 2449, which redirects the current incentive, creates a new pilot program and directs the agency to engage in rulemaking that addresses the program and fee schedule.

Package 801, LFO Analyst Adjustment. This package reduces Other Funds limitation by \$287,293, increases Nonlimited Other Funds by \$13,630, and eliminates 1.00 FTE in this Division. This technical adjustment moves this position from the Energy Development Services Division into the

Energy Planning and Innovation Division. The position change moves one management position to better align staff with workload and reporting structures in the department, and reflects a realignment of resources in light of the sunset of the BETC program.

Additionally \$13,630 in Services and Supplies is shifted from Other Funds to Other Funds Nonlimited, to reflect bond costs associated with SELP.

Package 811, LFO Updated Base Debt Service Adjustment. This package adjusts Lottery Funds debt service limitation to reflect an updated Lottery Funds forecast and a revised bond sale calendar. Lottery Funds allocation is reduced by \$302,494.

Nuclear Safety and Energy Emergency Preparedness – 300

The Nuclear Safety and Energy Emergency Preparedness Division protects Oregonians from exposure to hazards by monitoring and engaging in 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 material through Oregon.

The Subcommittee approved a budget of \$2,270,929 total funds and 6.00 FTE, which represents a 4.5 percent increase in expenditure limitation from the 2013-15 Legislatively Approved Budget. This is a continuation of the current service level provided by the division.

There are no policy packages in this program.

Energy Facility Siting – 400

The Energy Facility Siting Division 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 state siting standards.

The Subcommittee approve a budget of \$4,552,568 total funds and 12.00 FTE, which represents a 21.9 percent decrease in expenditure limitation from the 2013-15 Legislatively Approved Budget.

The Subcommittee approved the following:

Package 070, Revenue Shortfall. This package reflects the closure of the Hermiston office. The package reduces Other Funds limitation by \$1,625,998 and 2.00 FTE. The office had five positions, two permanent are eliminated and three are moved to agency headquarters. General Services and Supplies will be reduced by the closure. The Legislature requested the agency review its business processes. The program received feedback from applicants that they preferred ODOE staff to review the applications over consultants. The department has decided to have staff perform more of the reviews and therefore this package has reduced limitation for Professional Services, by \$1.2 million Other Funds which had been used to purchase consultant services.

Package 401, Energy Facility Siting Cost Recovery. This package increases Other Funds limitation by \$172,577 and establishes one limited duration Fiscal Analyst 2 position (1.00 FTE) in response to workload changes. New siting applications have declined, however more contested and complex applications have increased. The position will be used to reduce the department's financial risk and ensure timely cost recovery for the department and its state and local partners that are entitled to be reimbursed for their costs associated with reviewing siting applications. This

is a continuation of a limited duration position established in the 2013-15 biennium and the position will continue to develop new controls and processes in this area.

Administrative Services – 500

The Administrative Services Division budget encompasses the Director’s Office, the Central Services Division, the Governor’s Energy Policy Advisor and the Northwest Power Conservation Council staff.

Within the Director’s Office, the Director and Deputy Director provide operational and policy leadership and direction for the agency. Other Director’s Office functions include Internal Audit, Communications and Outreach, Human Resources Management and Government Relations. The Central Services Division provides shared administrative services and expertise to the department. Key functions include budgeting, accounting, contracting, information technology management, database development and management, facilities, records management, employee safety and office reception. The Subcommittee approved a budget of \$12,115,016 total funds and 37.50 FTE, which represents a 2.1 percent expenditure limitation increase over the 2013-15 Legislatively Approved Budget.

The Subcommittee approved the following:

Package 070, Revenue Shortfall. This package makes permanent reductions taken during the 2013-15 biennium as a result of reduced Energy Supplier Assessment revenue. The package reduces Other Funds limitation by \$994,827 and eliminates three permanent positions (2.42 FTE): the Deputy Director, an Executive Assistant position in the Director’s Office and an Accounting Technician in the Central Service Division.

Package 101, Achieving Oregon’s 10 Year Energy Plan Outcomes. This package increases Other Funds revenue \$294,813 and re-establishes a limited duration position (1.00 FTE) that serves as the Governor’s Energy Policy Advisor. The department will continue to lead several initiatives including determining the baseline energy use of state buildings and designing a process to retrofit the buildings with cost-effective energy efficiency measures working with other agencies, West Coast states and stakeholders to develop policy to advance energy efficiency and a clean energy mix that supports the economic development of Oregon.

Package 801, LFO Analyst Adjustment. This package increases Other Funds limitation \$246,019. This is a technical adjustment that moves one Operations and Policy Analyst 4 position (1.00 FTE) and associated expenditure limitation into the Administrative Services Division from the EPI division. This action better aligns staff in the agency’s reporting structure. The position primarily provides analytical and research services at the direction of the agency Director.

Summary of Performance Measure Action

See attached Legislatively Adopted 2015-17 Key Performance Measures form.

The Legislature has approved four new measures which the agency proposed in response to legislative direction in 2013-15 to develop performance measures specific to the Energy Planning and Innovation Division. The proposed measures are:

#4: Energy Use by State Buildings

Rationale: Measures progress in meeting the state's goal to reduce energy consumption in state-owned buildings by 20.0 percent over the next 10 years. The Department provides technical and financing support for state agencies to reduce their energy use and related operating costs, and communicates replicable strategies to reduce energy use in other sectors. We would expect to see a downward trend in this measure.

#5a: Carbon content of Oregon's Energy Mix: Electricity

Rationale: Measures progress in expanding the mix of renewable energy used to generate electricity and produce space and process heat. The department conducts research into the barriers and opportunities for renewable energy to meet Oregon's energy needs and to support community and economic opportunities for development of Oregon's renewable resources. We would expect to see a downward trend in this measure.

#5b: Carbon content of Oregon's Energy Mix: Thermal Energy

Rationale: Measures progress in expanding the mix of renewable energy used to generate electricity and produce space and process heat. The Department conducts research into the barriers and opportunities for renewable energy to meet Oregon's energy needs and to support community and economic opportunities for development of Oregon's renewable resources. We would expect to see a downward trend in this measure.

#6: Percentage of alternative fuels used in Oregon large fleets.

Rationale: Measures progress in diversifying the transportation fuel mix. Expanding alternate fuel use in large fleets can help transform the market. The Department works with fleets and partners to convert vehicles and expand fueling infrastructure. We would expect to see an upward trend in this measure.

The Department is currently developing baseline data for each of these measures and expects targets to be established for data collection beginning in 2016.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5510-A

Oregon Department of Energy
Cathleen Connolly - 503-373-0083

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2013-15 Legislatively Approved Budget at Dec 2014 *	\$ -	\$ 2,166,050	\$ 50,489,645	\$ 176,018,807	\$ 2,977,118	\$ 40,000	\$ 231,691,620	114	112.81
2015-17 Current Service Level (CSL)*	\$ -	\$ 3,282,990	\$ 38,256,836	\$ 140,840,333	\$ 3,129,106	\$ 104,000	\$ 185,613,265	110	108.92
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 100 - Energy Planning and Innovation									
Package 070: Revenue Shortfall									
Personal Services	\$ -	\$ -	\$ (515,363)	\$ -	\$ -	\$ -	\$ (515,363)	-3	-3.00
Services and Supplies	\$ -	\$ -	\$ (125,000)	\$ -	\$ -	\$ -	\$ (125,000)		
Special Payments	\$ -	\$ -	\$ (400,000)	\$ -	\$ -	\$ -	\$ (400,000)		
Package 101: Achieving Oregon's 10 Year Energy Plan Outcomes									
Personal Services	\$ -	\$ -	\$ 166,059	\$ -	\$ -	\$ -	\$ 166,059	1	1.00
Package 801: LFO Analyst Adjustments									
Personal Services	\$ -	\$ -	\$ 32,263	\$ -	\$ -	\$ -	\$ 32,263	0	0.00
Services and Supplies	\$ -	\$ -	\$ (4,619)	\$ -	\$ -	\$ -	\$ (4,619)		
SCR 200 - Energy Development Services									
Package 070: Revenue Shortfall									
Services and Supplies	\$ -	\$ -	\$ (700,000)	\$ -	\$ -	\$ -	\$ (700,000)		
Package 801: LFO Analyst Adjustments									
Personal Services	\$ -	\$ -	\$ (270,224)	\$ -	\$ -	\$ -	\$ (270,224)	-1	-1.00
Services and Supplies	\$ -	\$ -	\$ (17,069)	\$ 13,630	\$ -	\$ -	\$ (3,439)		
Package 811: Updated Base Debt Service Adjustment									
Debt Service	\$ -	\$ (302,494)	\$ -	\$ -	\$ -	\$ -	\$ (302,494)		
SCR 400 - Energy Facility Siting									
Package 070: Revenue Shortfall									
Personal Services	\$ -	\$ -	\$ (386,808)	\$ -	\$ -	\$ -	\$ (386,808)	-2	-2.00
Services and Supplies	\$ -	\$ -	\$ (1,239,190)	\$ -	\$ -	\$ -	\$ (1,239,190)		
Package 401: Energy Facility Siting Cost Recovery									
Personal Services	\$ -	\$ -	\$ 172,577	\$ -	\$ -	\$ -	\$ 172,577	1	1.00
SCR 500 - Administrative Services									
Package 070: Revenue Shortfall									
Personal Services	\$ -	\$ -	\$ (564,827)	\$ -	\$ -	\$ -	\$ (564,827)	-3	-2.42
Services and Supplies	\$ -	\$ -	\$ (430,000)	\$ -	\$ -	\$ -	\$ (430,000)		

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 101: Achieving Oregon's 10 Year Energy Plan Outcomes									
Personal Services	\$ -	\$ -	\$ 294,813	\$ -	\$ -	\$ -	\$ 294,813	1	1.00
Package 801: LFO Analyst Adjustments									
Personal Services	\$ -	\$ -	\$ 237,961	\$ -	\$ -	\$ -	\$ 237,961	1	1.00
Services and Supplies	\$ -	\$ -	\$ 8,058	\$ -	\$ -	\$ -	\$ 8,058		
TOTAL ADJUSTMENTS	\$ -	\$ (302,494)	\$ (3,741,369)	\$ 13,630	\$ -	\$ -	\$ (4,030,233)	-5	-4.42
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ 2,980,496	\$ 34,515,467	\$ 140,853,963	\$ 3,129,106	\$ 104,000	\$ 181,583,032	105	104.50
% Change from 2013-15 Leg Approved Budget	0.0%	37.6%	-31.6%	-20.0%	5.1%	160.0%	-21.6%		
% Change from 2015-17 Current Service Level	0.0%	-9.2%	-9.8%	0.0%	0.0%	0.0%	-2.2%		

*Excludes Capital Construction Expenditures

Legislatively Approved 2015-2017 Key Performance Measures

Agency: ENERGY, DEPARTMENT of

Mission: The Oregon Department of Energy reduces the long-term costs of energy for Oregonians.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
1 a - ENERGY SAVINGS - Annual energy savings in number of households that could be powered as a result of energy savings; Total Savings.		Approved KPM	250,500.00	143,200.00	143,200.00
1 b - ENERGY SAVINGS - Annual energy savings in number of households that could be powered as a result of energy savings; Energy Incentive Programs.		Approved KPM	246,461.00	121,000.00	121,000.00
1 c - ENERGY SAVINGS - Annual energy savings in number of households that could be powered as a result of energy savings; Small-Scale Energy Loan Program.		Approved KPM	961.00	100.00	100.00
1 d - ENERGY SAVINGS - Annual energy savings in number of households that could be powered as a result of energy savings; Public Buildings.		Approved KPM	1,015.00	250.00	250.00
1 e - ENERGY SAVINGS - Annual energy savings in number of households that could be powered as a result of energy savings; Residential Programs.		Approved KPM	1,256.00	1,200.00	1,200.00
2 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Accuracy	Approved KPM	87.00	95.00	95.00
2 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Availability of Information	Approved KPM	83.00	95.00	95.00
2 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Expertise	Approved KPM	86.00	95.00	95.00

Agency: ENERGY, DEPARTMENT of

Mission: The Oregon Department of Energy reduces the long-term costs of energy for Oregonians.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
2 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Helpfulness	Approved KPM	84.00	95.00	95.00
2 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Overall	Approved KPM	86.00	95.00	95.00
2 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Timeliness	Approved KPM	85.00	95.00	95.00
3 a - APPLICATION PROCESSING - Percent of applications reviewed and approved within administrative or statutory deadlines for Energy Facility Siting.		Approved KPM	100.00	100.00	100.00
3 b - APPLICATION PROCESSING - Percent of applications reviewed and approved within administrative or statutory deadlines for Energy Incentive Programs.		Approved KPM	42.70	100.00	100.00
3 c - APPLICATION PROCESSING - Percent of applications reviewed and approved within administrative or statutory deadlines for Residential Energy Tax Credits.		Approved KPM	89.70	100.00	100.00

LFO Recommendation:

The Legislative Fiscal Office recommends four new Key Performance Measures for the Department of Energy. These four new measures are in response to legislative direction in 2013-15 to develop performance measures specific to the Energy Planning and Innovation Division. The proposed measures are:

#4: Energy Use by State Buildings

Rationale: Measures progress in meeting the state's goal to reduce energy consumption in state-owned buildings by 20% over the next 10 years. The Department provides technical and financing support for state agencies to reduce their energy use and related operating costs, and communicates replicable strategies to reduce energy use in other sectors. We would expect to see a downward trend in this measure.

#5a: Carbon content of Oregon's Energy Mix: Electricity

Rationale: Measures progress in expanding the mix of renewable energy used to generate electricity and produce space and process heat. The Department conducts research into the barriers and opportunities for renewable energy to meet Oregon's energy needs and to support community and economic opportunities for development of Oregon's renewable resources. We would expect to see a downward trend in this measure.

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#6: Percentage of alternative fuels used in Oregon large fleets.

Rationale: Measures progress in diversifying the transportation fuel mix. Expanding alternate fuel use in large fleets can help transform the market. The Department works with fleets and partners to convert vehicles and expand fueling infrastructure. We would expect to see an upward trend in this measure.

The Department is currently developing baseline data for each of these measures and expects targets to be established for data collection beginning in 2016. LFO recommends approval of the remainder of the agency's key performance measures as presented.

Sub-Committee Action:

The Subcommittee approved the key performance measures as recommended by LFO.