

March 27, 2017

Rep. Ken Helm, Chair
House Committee on Energy & Environment

RE: HB 2020 - Stakeholder Recommendations on the Department of Energy from Oregon's Utilities

Chair Helm and members of the Committee:

In August 2016 the undersigned utilities made the following recommendations to the Joint Committee on Department of Energy Oversight. We would like to re-submit these comments for your consideration on HB 2020:

Over the past year, your Committee has taken important steps in assessing the current role and considering the future of the Oregon Department of Energy (ODOE). In response to your work, Oregon's utilities have come together to offer a unified perspective on the steps we recommend you take to modify and streamline ODOE to best meet its modern objectives.

As you have heard in testimony, ODOE was established in 1975 and its mission has changed dramatically over its 40-plus year existence. ODOE was created in response to the national energy "crisis" of the early 1970s, as an effort to protect Oregonians from a perceived energy shortage (O.L. 1975, Ch. 606). In the 1990s, when times changed and states moved to eliminate their energy agencies, the functions of ODOE were merged with Oregon's Department of Administrative Services (DAS) and the Oregon Department of Consumer and Business Services (DCBS). Yet by 1999, a pattern began to develop, with a steady increase of statutory directives for ODOE without General Fund revenue to support the work. Today, much of what ODOE does is duplicative of the excellent work performed by an ever-growing list of nonprofits, government agencies, and utilities focused on long-term energy planning with in-depth integrated resource planning and comprehensive energy efficiency and conservation investing.

In light of this changed landscape, we offer the Committee four specific recommendations in considering the future of the ODOE:

1. Modernize ODOE's Mission Under ORS 469.010

A critical first step in redefining ODOE is modernizing the agency's mission under ORS 469.010. ODOE's current mission statement was drafted in the 1970s and reflects a time when ODOE was charged with managing fuel shortages and energy scarcity. That is not the reality of today. Today we face energy abundance, including natural gas and surplus hydroelectricity, and decreasing renewable energy costs, both of which are changing the landscape of the industry. Today's concerns are *affordability*, *sustainability*, and *technological advances* in the way we use

energy. The legislature should adapt and narrow ODOE's mission to reflect how the energy sector has evolved.

2. Merge a Redefined Office of Energy with Existing State Agencies

Our recommendation is to form an Office of Energy which combines the relevant functions of ODOE with other state agencies that have expertise in other relevant areas. We also propose that the Office is overseen more closely. We suggest keeping four of ODOE's core functions and merging them as an Office of Energy under the DAS: (1) *Energy Facilities Siting Council* (EFSC) for energy permitting; (2) *Nuclear and emergency management* to coordinate clean-up and plan for emergencies; (3) *A Director and the Governor's Energy Advisor* to manage the functions of the Office; and (4) *A streamlined Technical Assistance* staff, with a clarified role discussed below.

These four key functions are valuable and belong in a state energy office. Both EFSC and nuclear safety are well-functioning programs that serve specific purposes. Most states have an energy office that coordinates with the U.S. Department of Energy, and we believe Oregon should be no different. However, over the years, ODOE and its budget have ballooned to the point where efficiency and financial efficacy are clearly missing. We believe there are significant cost savings that could be sought by having DAS perform most central services support functions for an energy office, such as payroll, HR, IT, and other administration. A review of the current ODOE budget and FTE allocation makes this abundantly apparent.

A Technical Assistance staff within the Office of Energy would serve as a resource to the legislature, stakeholders, and policy makers in the state. Specific functions of this staff would include the following:

- Administering resource eligibility certification and providing expertise on WREGIS (Western Renewable Energy Generation Information System), as part of Oregon's Renewable Portfolio Standard (RPS);
- Monitoring technical compliance for energy efficiency standards and certifying compliance for eligible technologies;
- Administering the schools program that is part of the Public Purpose Charge.

The remainder of the current Energy Planning Division within ODOE has a wide array of programs and charges that are not used and demonstrate no value. The energy forecast and planning documents are redundant with utility planning practices. While an energy office has a key role in energy efficiency compliance (certification of energy efficient appliances, for example), the building codes components should be moved to the Building Codes Division, which has demonstrated far greater expertise and effectiveness in those areas.

ODOE's shortcomings will not be solved via the formation of a commission overseeing the agency. An oversight commission would add one more layer to an agency that desperately needs

to be refined and condensed. Statewide greenhouse gas reporting and programs are statutorily administered today by Oregon's Department of Environmental Quality, which is already overseen by the Environmental Quality Commission. Simply adding another layer on top of a failing agency will not address ODOE's core problems of mission, relevance and duplication of work highlighted in our recommendations.

3. Qualified State Agencies Should Manage Future Energy Tax and Incentive Programs

Energy Development Services and other energy incentive programs should be administered by Oregon's State Treasurer or, when appropriate and related to economic development, by Business Oregon. An Office of Energy may have a limited role in ensuring that incentives are applied appropriately.

4. Funding an Office of Energy

The current structure for funding energy work in Oregon (the Energy Supplier Assessment (ESA)) should be replaced. It is the responsibility of the legislature to raise revenue, provided by energy providers, and direct its use. The legislature should establish a total funding level for the work of the Office of Energy each biennium that is fair, predictable, and constrained. A new funding source should reflect a smaller, more refined Office of Energy. The legislature should set the rate of the assessment in statute and it should be effectively capped at the statutory amount. Additionally, an Advisory Committee of those funding the Office of Energy should meet regularly and be given financial transparency about how the legislatively appropriated money is being used by the Office of Energy, under control of the Director. This would result in a funding process that is more fair, efficient, and in the best interest of Oregonians.

We appreciate the opportunity to be heard on the important issue of the future form and function of ODOE. We understand there is much work still to be done, and look forward to working closely with Committee on this effort.

Respectfully,

Blachly-Lane Electric Cooperative

Central Electric Cooperative

Central Lincoln People's Utility District (CLPUD)

Columbia Basin Electric Cooperative

Columbia Power Cooperative Association

Consumers Power Inc.

Coos Curry Electric Cooperative
Douglas Electric Cooperative
Emerald People's Utility District (EPUD)
Eugene Water & Electric Board (EWEB)
Harney Electric Cooperative
Hood River Electric Cooperative
Lane Electric Cooperative
Midstate Electric Cooperative
Northern Wasco County People's Utility District (NWCPUD)
Oregon Municipal Electric Utilities Association (OMEU)
Oregon People's Utility District Association (OPUDA)
Oregon Rural Electric Cooperative Association (ORECA)
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