



Oregon Department of Energy

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Director

2019-21 Budget Note Presentation
Joint Committee on Ways and Means
Natural Resources Subcommittee

February 19, 2020

Agenda

- Review 2019-21 Budget Note
- Agency + Budget Overview
- Use of the Energy Supplier Assessment
- Analysis of Existing Programs
- Review of Agency Administration
- Review of the Agency's Indirect Rate
- Comparison of Levels of Administrative Services
- Key Performance Measures
- What's on ODOE's Horizon?

House Bill 5545 Budget Note

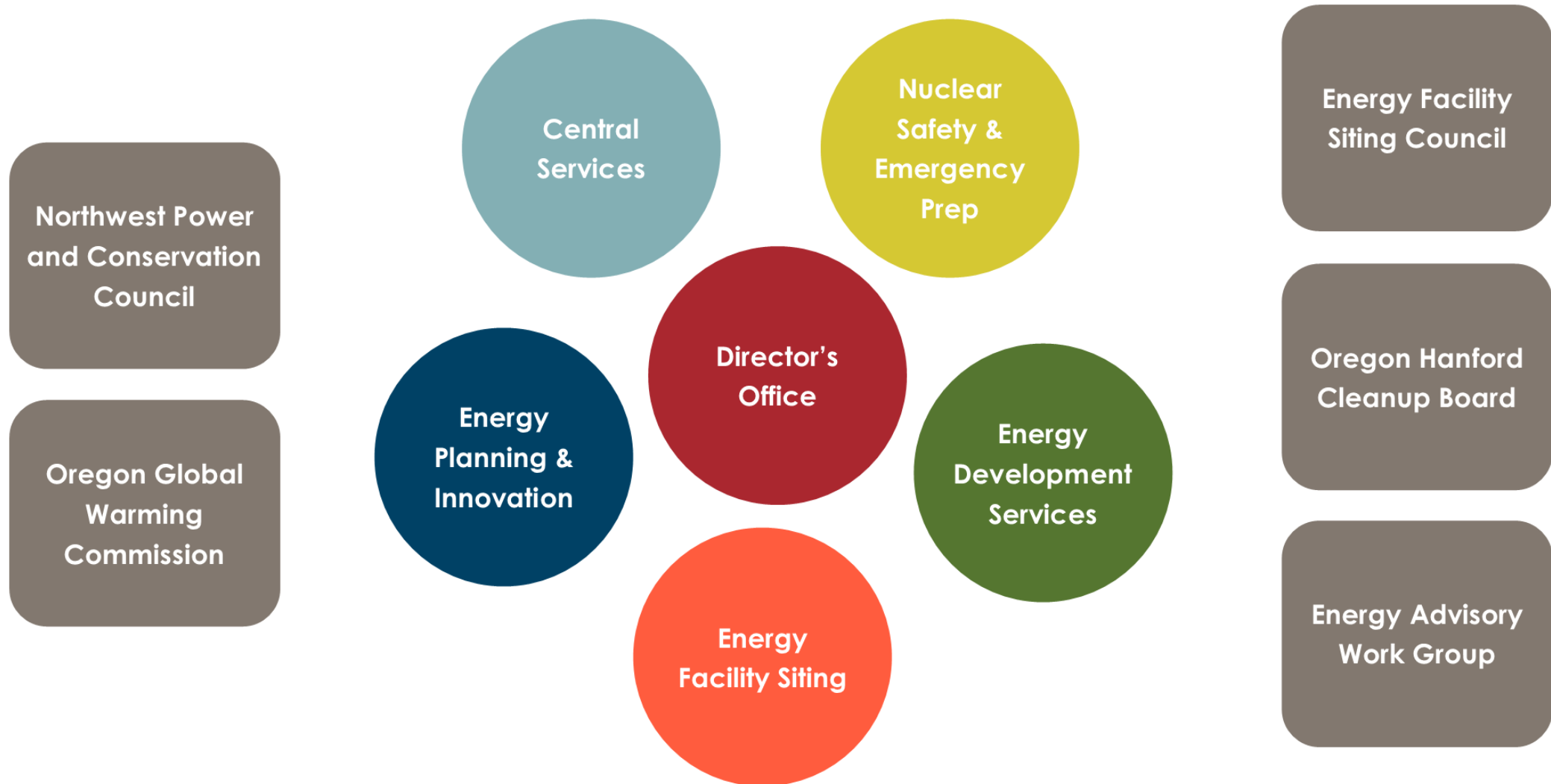
The Department of Energy is directed to report back to the Joint Committee on Ways and Means during the 2020 session, as the Governor did not propose a 2019-21 budget for the agency.

Additionally, many of the Department's long-standing programs have sunset or are no longer active. The report should include an analysis of existing programs, the Department's key performance measures, a review of agency administration, the level of internal support versus services that could be provided through the Department of Administrative Services, and review of the agency's indirect rate and usage of the Energy Supplier Assessment.

Agency and Budget Overview

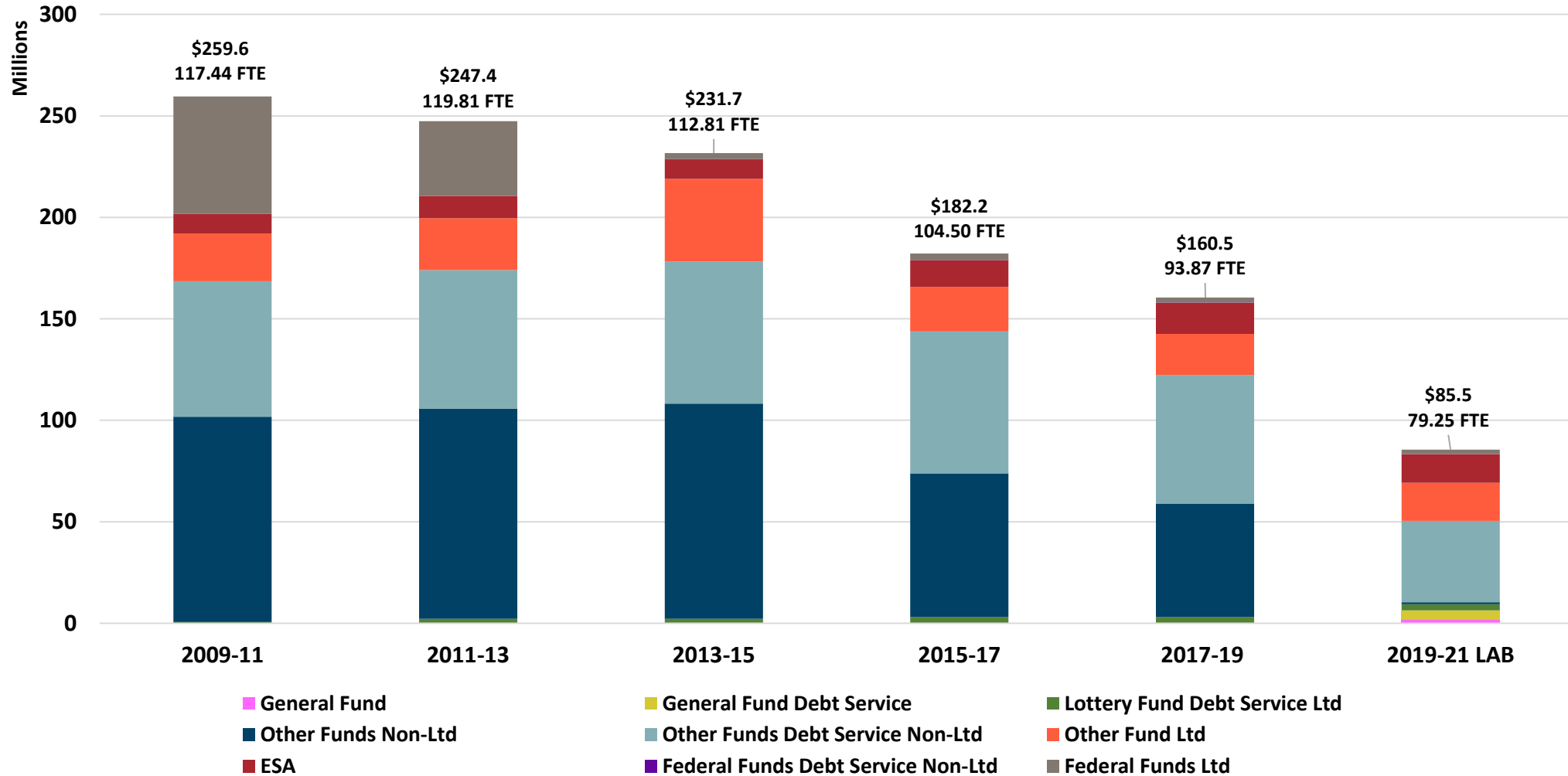


Agency Program Divisions and Standing Councils/Groups



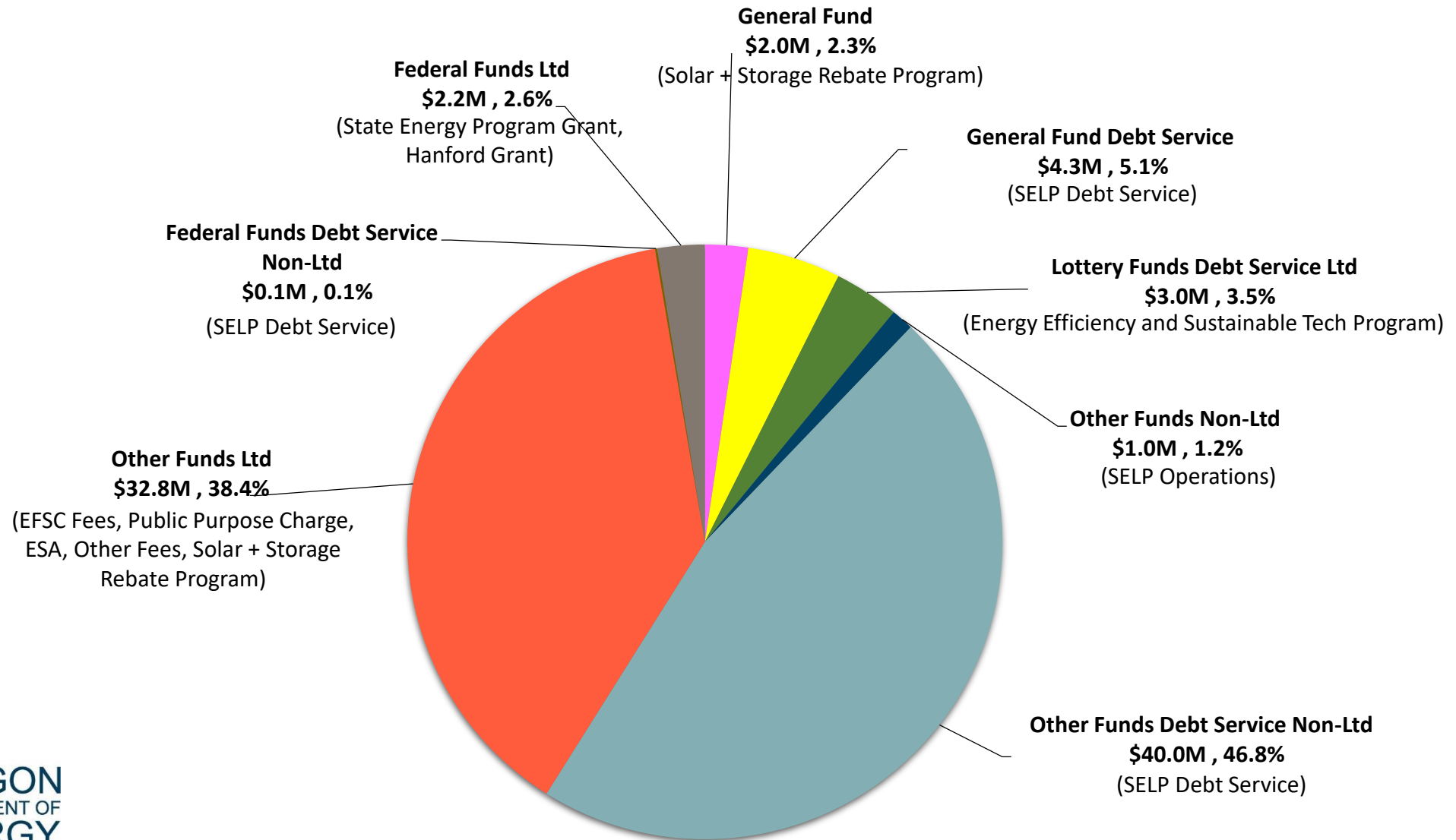
ODOE Budget History

ODOE's Biennial Budget History



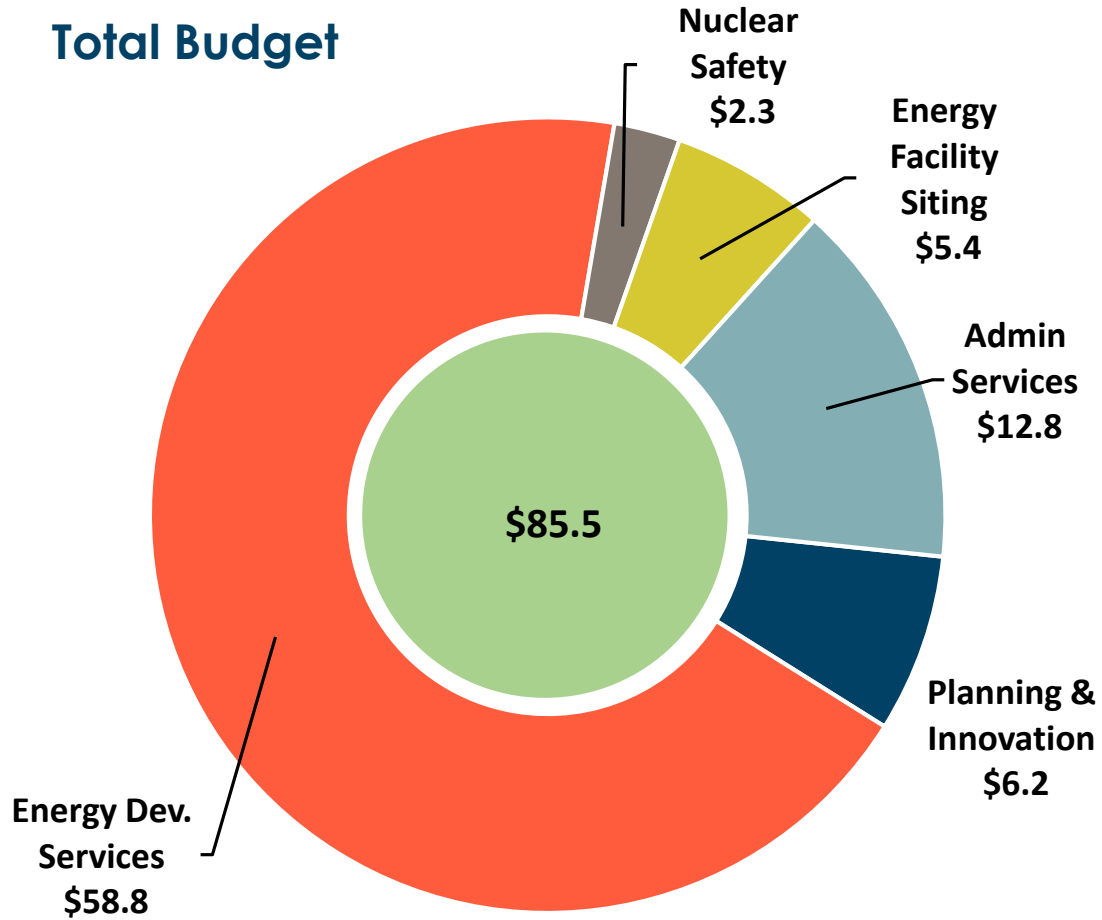
2019-21 LAB Revenue

\$85.5 million

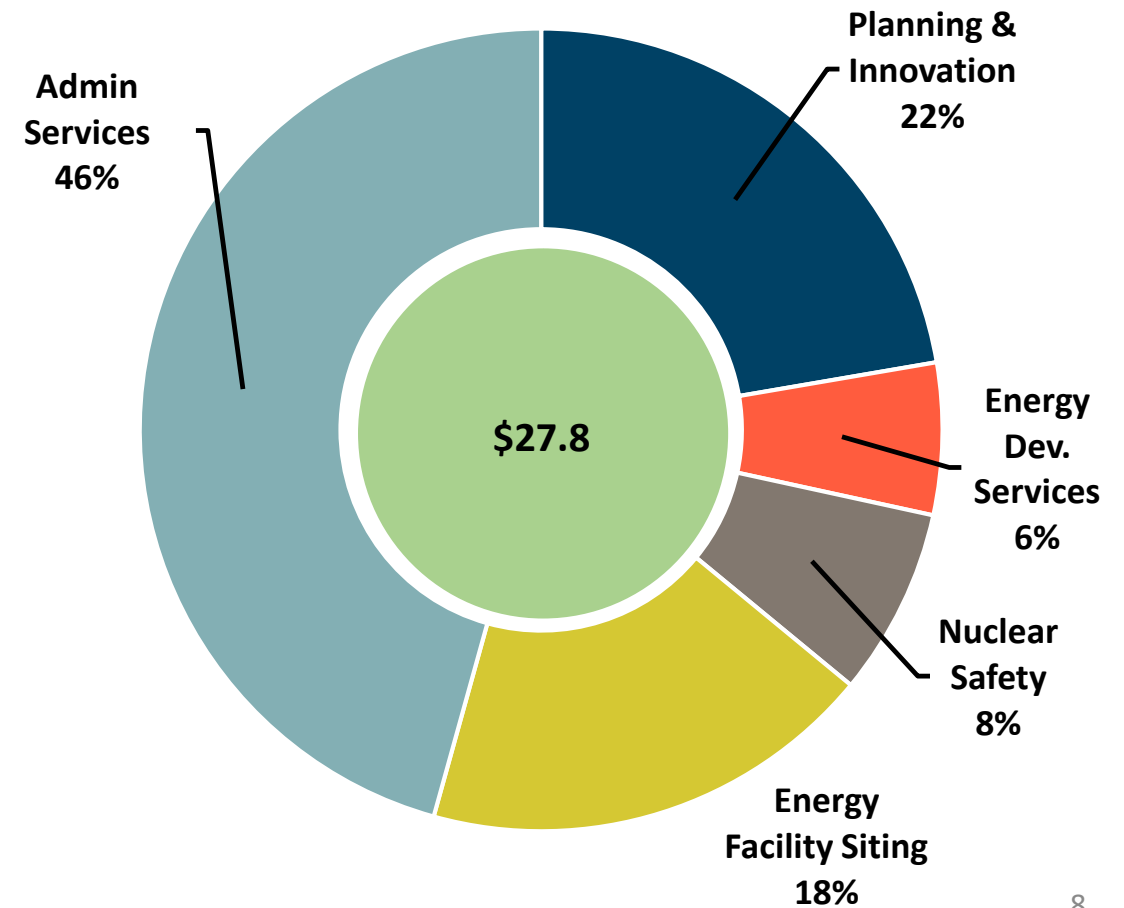


2019-21 Budget by Division

Total Budget

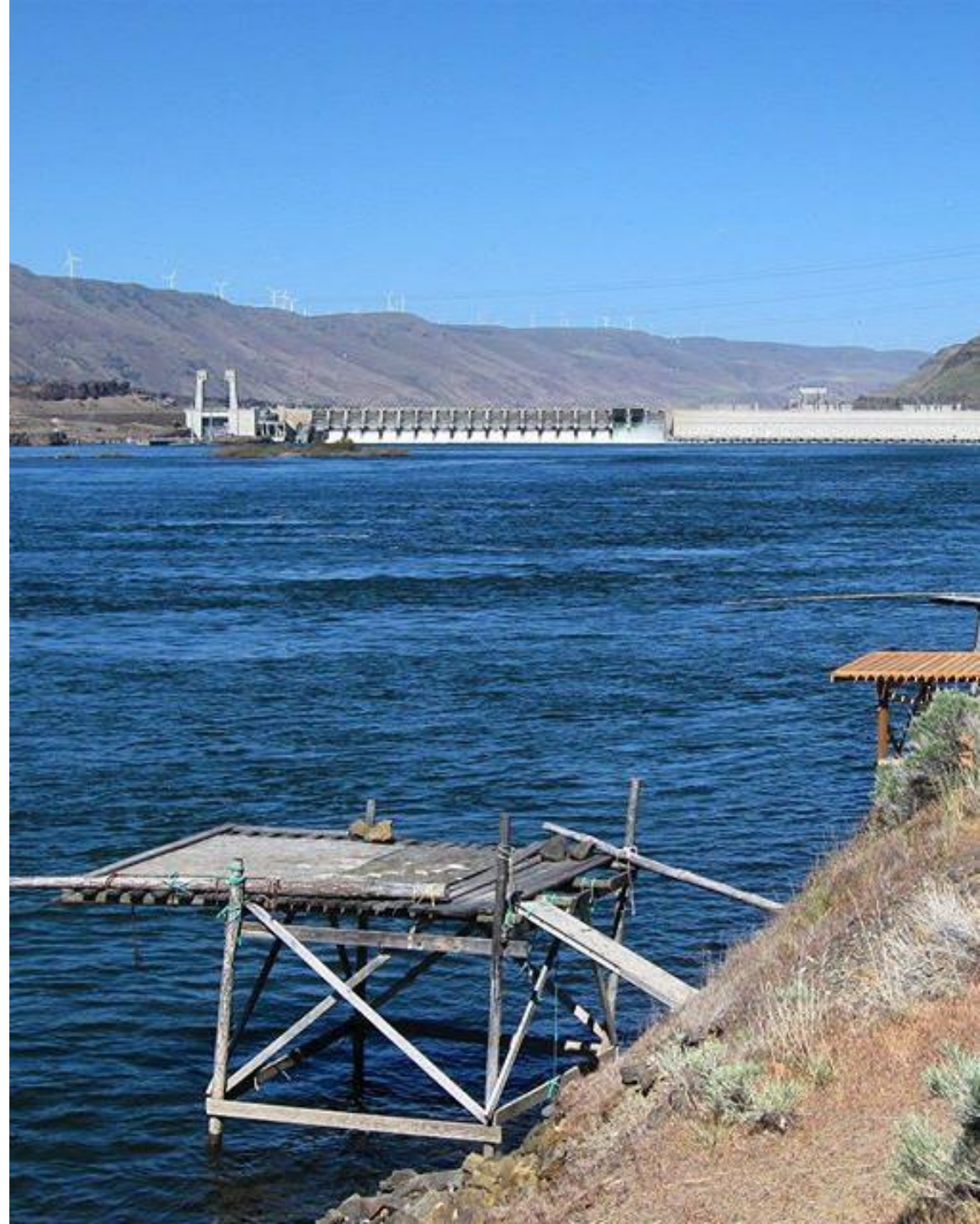


Operating Budget



Use of the Energy Supplier Assessment

“The report should include an analysis of existing programs, the Department’s key performance measures, a review of agency administration, the level of internal support versus services that could be provided through the Department of Administrative Services, and review of the agency’s indirect rate and **usage of the Energy Supplier Assessment.**”



Energy Supplier Assessment

- The ESA is charged to fuel providers and utilities supplying energy in Oregon
- All Oregonians pay for ESA when they pay for energy. The ESA charged in the first year of this biennium works out to about \$1.67 a year for each Oregonian
- ESA is assessed annually on energy suppliers' Gross Operating Revenues
- The amount of the assessment is determined by the Legislature through the budget process
- ESA funds statutorily-required programs that benefit Oregon energy users
- Detailed information about how ESA dollars are spent is included in our Analysis of Existing Programs

2019-20 Energy Supplier Assessment:

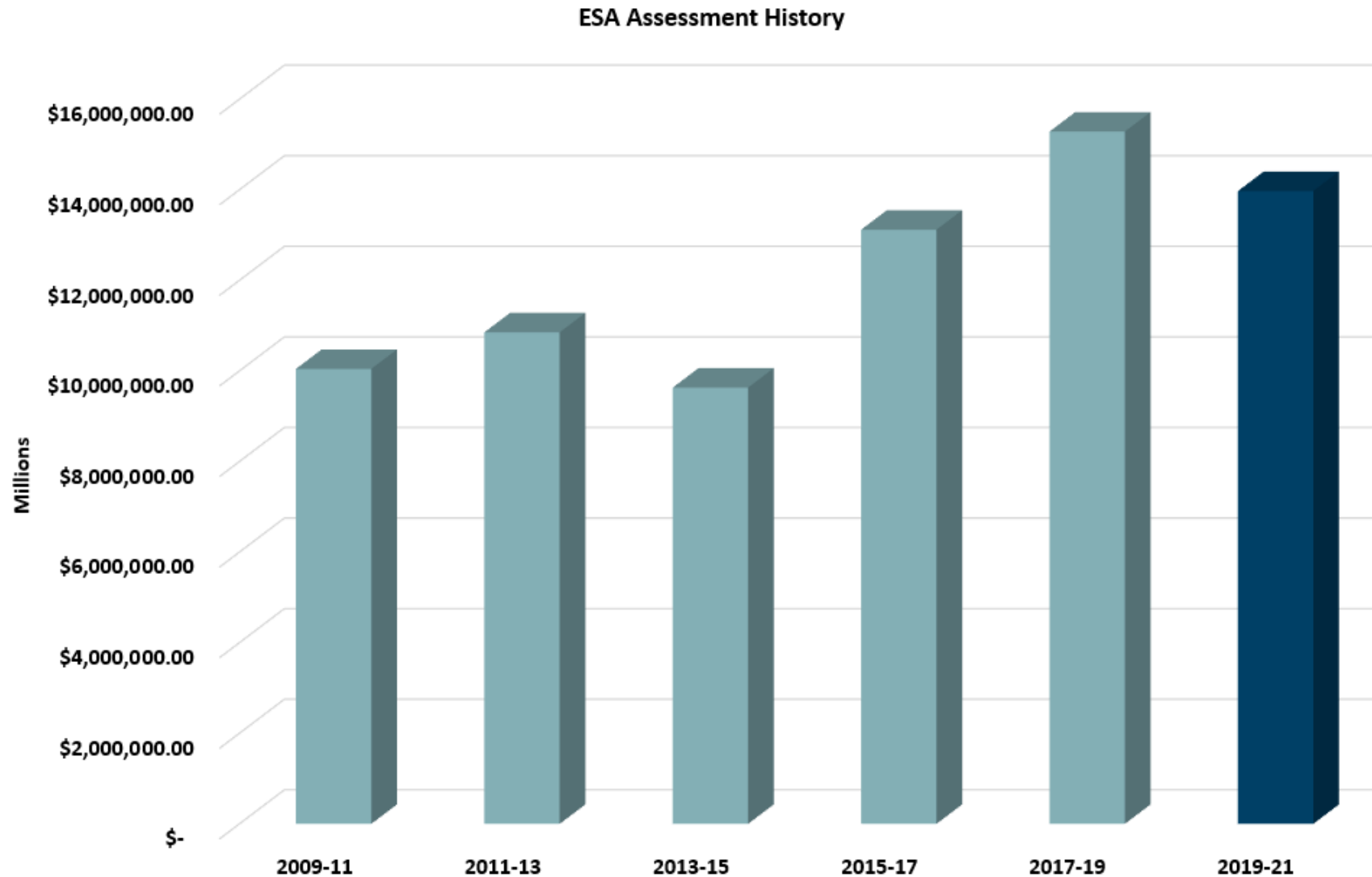
\$7 million

assessed on

\$5.84 billion

*of Gross Operating Revenues reported
by ESA ratepayers*

History of Energy Supplier Assessment (ESA)



Analysis of Existing Programs

“The report should include an **analysis of existing programs**, the Department’s key performance measures, a review of agency administration, the level of internal support versus services that could be provided through the Department of Administrative Services, and review of the agency’s indirect rate and usage of the Energy Supplier Assessment.”



Energy Planning & Innovation

Provide data analysis, research, and expertise on Oregon's energy system – everything from energy resources and resilience to efficiency and conservation.

Energy Efficiency

- Help state agencies, schools, tribes, businesses, nonprofits, industries, and farmers **improve energy efficiency**
- Secure Oregon's continued high ranking on the list of **most energy-efficient states**
- Guide implementation of **Home Energy Scoring**
- Staff commercial building **codes advice** hotline
- Implement **Executive Order 17-20**, Accelerating Efficiency in Oregon's Built Environment to Reduce GHG Emissions

Renewable Energy

- Promote the responsible development of **diverse energy resources**
- Address renewable energy **market challenges and opportunities**
- Provide research and technical assistance on **emerging technologies** like smart grid, demand response, and energy storage
- Review and certify generating facilities for the **Renewable Portfolio Standard**
- Developed a **Renewable Natural Gas Inventory** for Oregon.

Sustainable Transportation

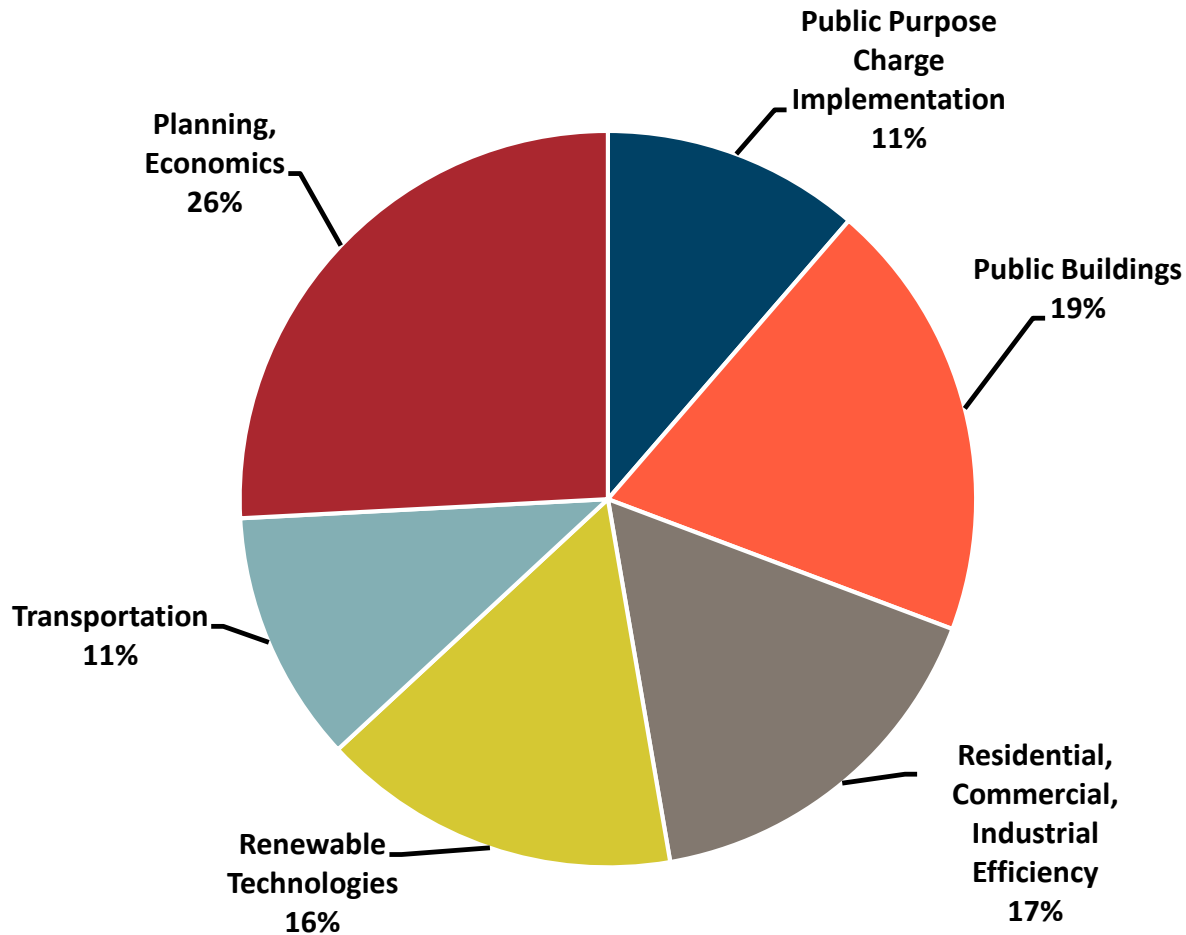
- Provide **research and analysis** on alternative fuels and reducing fuel consumption
- Assist **fleet managers** with the use of alternative fuel vehicles
- Advance projects to expand the **supply of and infrastructure for alternative transportation** fuels such as locally-produced biofuels, electricity, and renewable natural gas
- Implement **Executive Order 17-21**, Accelerating Zero Emission Vehicle Adoption in Oregon to Reduce GHG Emissions

Climate Change and Resilience

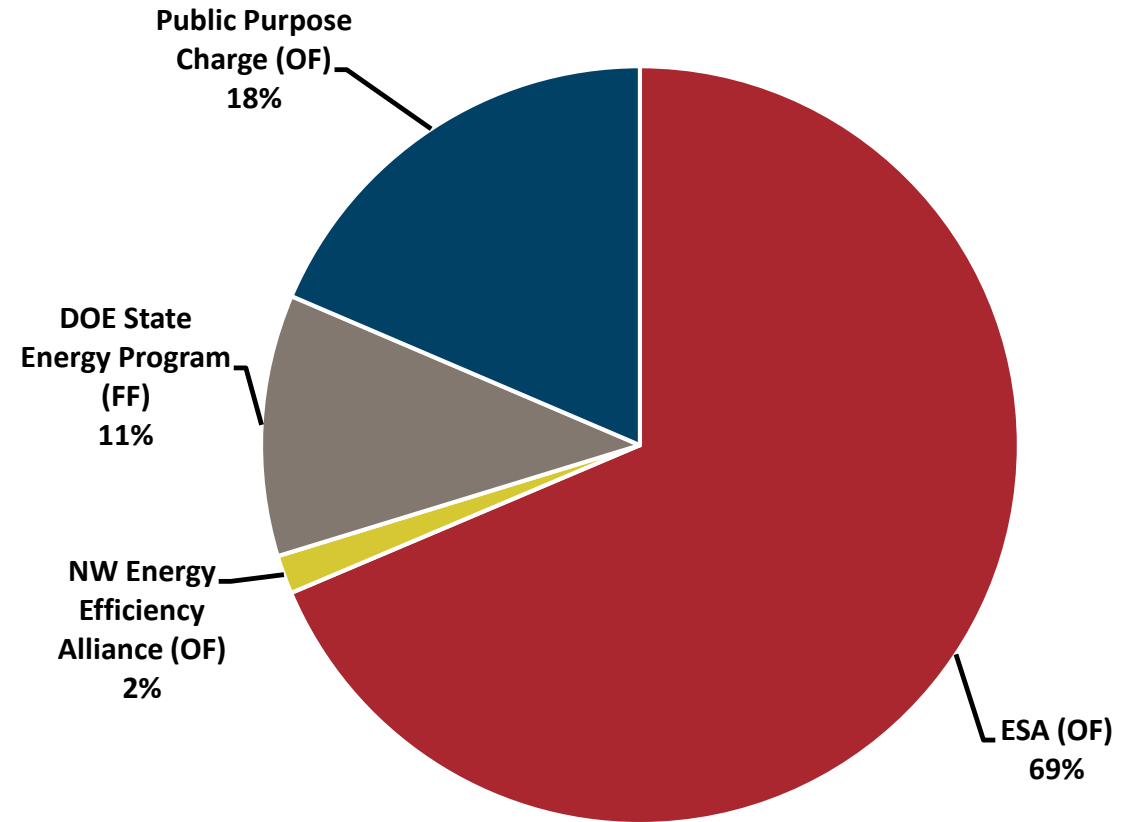
- Staff the **Oregon Global Warming Commission**
- Provide climate change **policy expertise** to the Oregon Global Warming Commission and others
- Implement programs across the agency that reduce GHG emissions or **mitigate the effects of climate change**

Energy Planning and Innovation 2019-21 Budget and Estimated Funding

Budget Breakdown



Funding Sources



Energy Planning and Innovation

Changes in 2019-21 LAB

- Green Energy Technology changes to program (HB 2496)
- Report on the adoption of Zero-emission vehicles in Oregon and reduction of GHG emissions in the transportation sector (SB 1044)
- LAB eliminated a Program Analyst 3 and an Operation and Policy Analyst 2, creating challenges for energy data analysis and reporting needs

Budget

LAB 2019-21 \$6,213,766

- 21 Positions / 21 FTE

Budget Drivers

- Accelerated Demand for Energy Efficiency
- Continued Development of Clean Energy
- Reducing Carbon Emissions
- New Responsibilities
- Legislative Budget Reductions

Funding Sources

- Energy Supplier Assessment
- Federal State Energy Program Grant
- Fees for Services

Energy Facility Siting

Ensure that proposed energy facilities meet specific statewide and local standards and are considered with public input and participation.

Energy Facility Review

- **Coordinate state review** of proposed and amended energy facilities
- Division is seeing **an increase** in the number of new applications and amendments and more complex projects
- Number of **amendments** per facility can vary: some facilities have never been amended, while other developers have sought multiple amendments
- ODOE staff have reviewed nearly **14 total gigawatts** of proposed energy (includes approved, denied, withdrawn, decommissioned, etc.)

Rulemaking

- **Rulemaking activities** are prioritized and approved by the Energy Facility Siting Council
- Usually involve establishing broadly representative **rulemaking advisory committees** to help division staff draft proposed rules
- **Recent rulemakings** include siting of solar facilities and updating carbon dioxide standard

Compliance

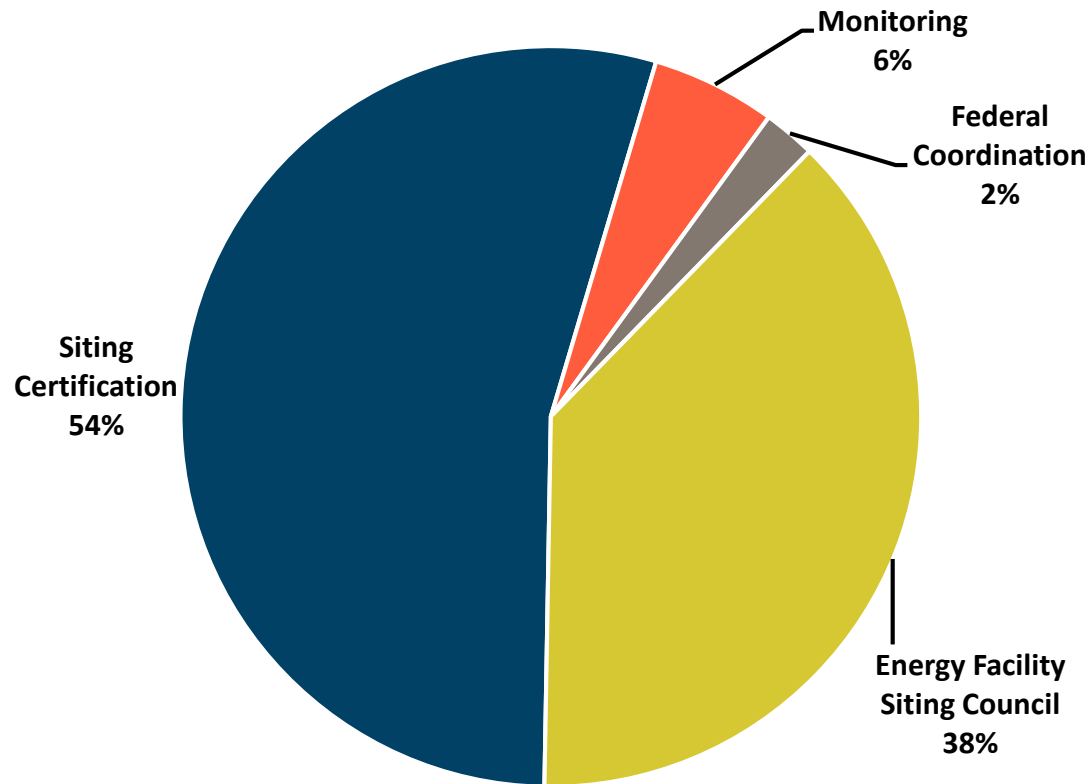
- **Monitor facilities** throughout their lifecycle to ensure site certificate conditions are met
- **Oversight** activities include:
 - Reviewing annual reports
 - Conducting site visits
 - Issuing wildlife mitigation reports
 - Ensuring bonds and letters of credit for decommissioning are adjusted annually for inflation

Energy Facility Siting Council

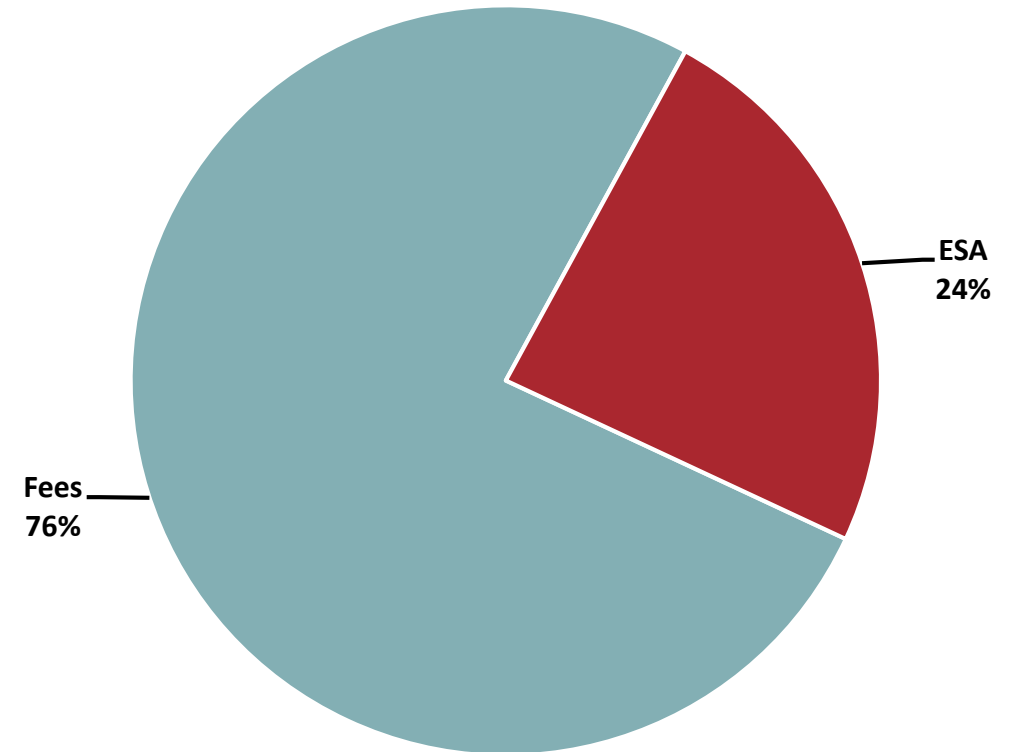
- **Staff** the Governor-appointed, Senate confirmed Energy Facility Siting Council
- Council meets approximately **10 times per year** in communities located near proposed facilities
- Council meetings include **public engagement and comment opportunities**
- To date, EFSC has approved nearly **8 gigawatts of electrical energy** generation (operating and proposed)

Energy Facility Siting 2019-21 Budget and Estimated Funding

Budget Breakdown



Funding Sources



Energy Facility Siting

Changes in 2019-21 LAB

- Added two limited duration Utility and Energy Analyst 2 positions, which will be filled as necessary to meet workload.
- House Bill 2329 raised the jurisdictional threshold for certain renewable energy projects subject to EFSC siting certificate requirements. This may affect revenue and workload for the division.

Budget

LAB 2019-21 \$5,436,409

- 13 Positions/13 FTE (2 LD)

Budget Drivers

- Renewable energy demand
- Siting project complexity
- Long term staffing needs
- Legislative Budget Reductions

Revenue

- Fees from facility siting activities
- Energy Supplier Assessment

Nuclear Safety & Emergency Preparedness

Represent Oregon's interests in the Hanford nuclear facility cleanup and prepare for nuclear- and energy-related emergencies.

Hanford Cleanup

- Monitor and influence **cleanup decisions**
- **Review and comment** on proposed actions and cleanup plans at the country's largest contaminated site
- **Interact with regulators** and counterparts in Washington and at the USDOE
- Facilitate **Oregon Hanford Cleanup Board** meetings

Emergency Preparedness

- Lead **emergency preparedness** for nuclear safety, radioactive waste transport, and proposed LNG facilities
- Conduct **frequent exercises** to test and improve Oregon's emergency preparedness plans
- Train and work with state government to ensure employees are **prepared to respond** to different types of energy- and climate-related emergencies

Radioactive Materials

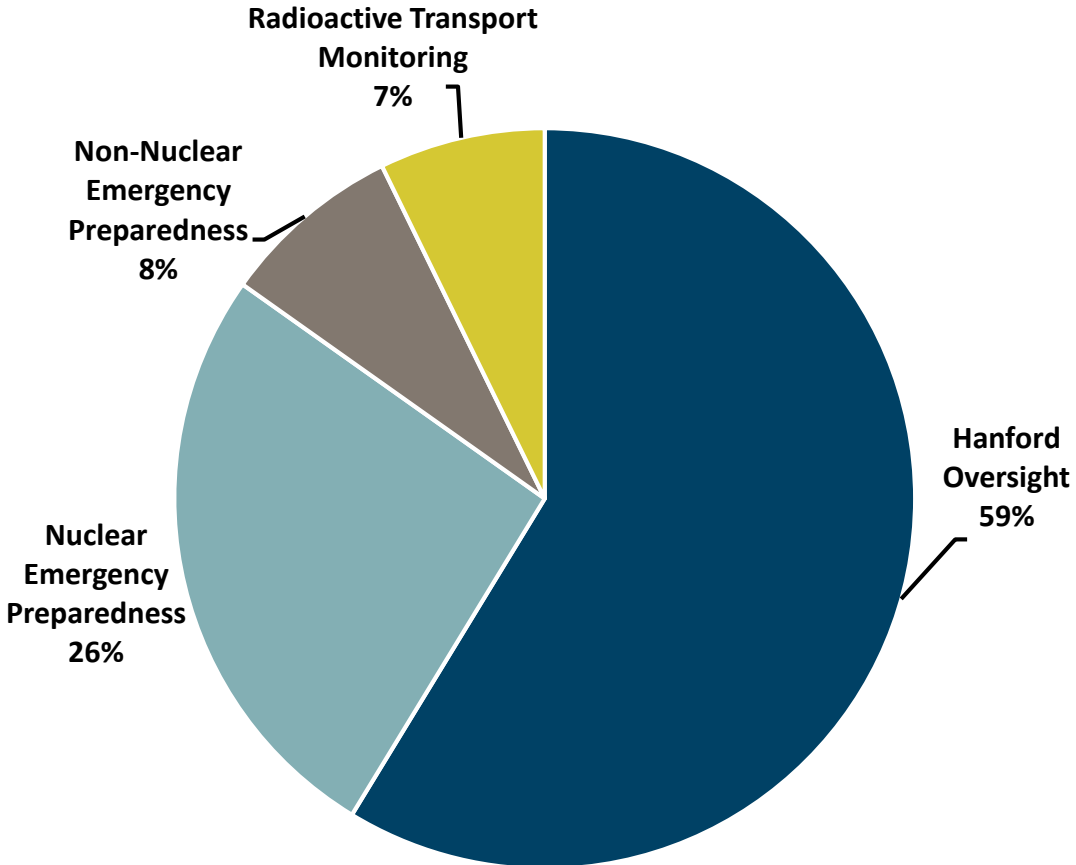
- Oversee **safe and uneventful transport** of radioactive materials through Oregon
- Manage **training of emergency responders** throughout the state to ensure a swift, effective response in the event of an accident
- Implement state rules and regulations regarding disposal of **radioactive materials**

Oregon Fuel Action Plan

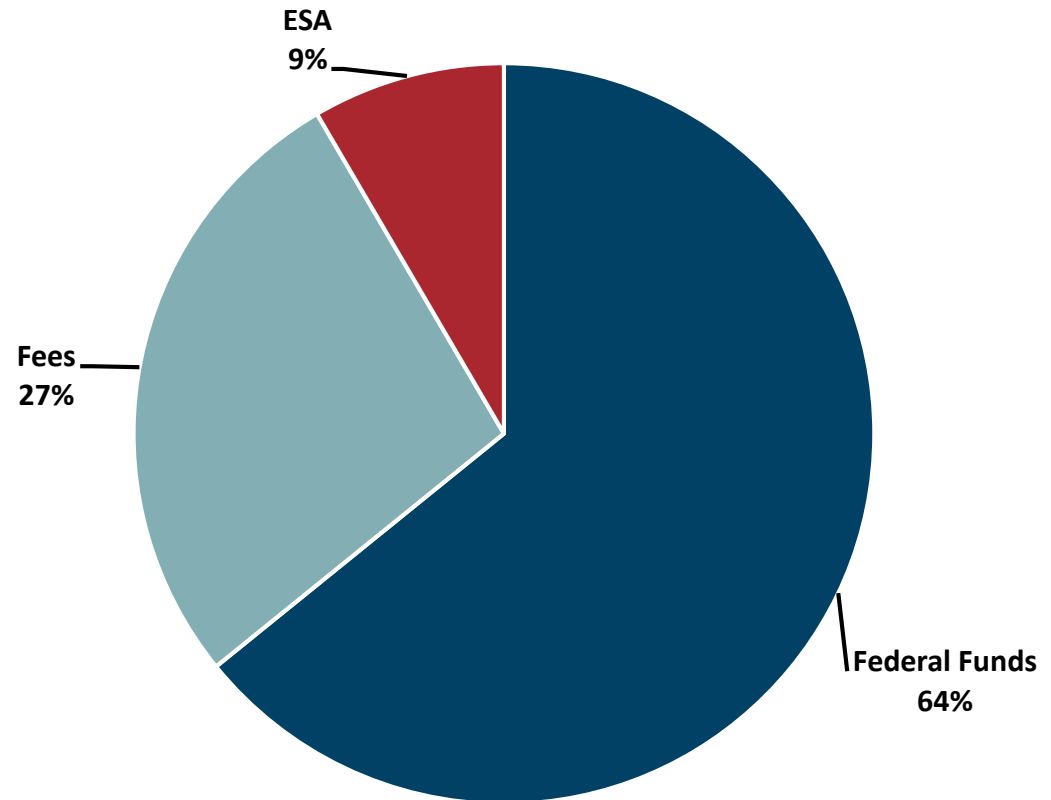
- Implement **Oregon Fuel Action Plan**, which details how ODOE supports emergency services during a fuel shortage
- Continue to **refine plan**, originally released in 2017, through presentations, conferences, workshops, and trainings
- Activate plan as necessary, such as during **2017 eclipse and 2019 winter storms** in Oakridge and near Brookings

Nuclear Safety & Emergency Preparedness 2019-21 Budget and Estimated Funding

Budget Breakdown



Funding Sources



Nuclear Safety & Emergency Preparedness

Changes in 2019-2021 LAB

- No specific changes to programs

Budget

LAB 2019-21 \$2,317,785

- 6 Positions/ 6 FTE

Budget Drivers

- Hanford grant funding has not kept pace with costs. ODOE is currently in negotiations with federal government
- Emergency Preparedness interest and demand is growing

Revenue

- Hanford Grant - Federal Funds
- Fees
- Energy Supplier Assessment

Energy Development Services

State incentives for clean energy and energy efficiency.

Solar Rebate Program

- Established in **2019** by **HB 2618**
- Developed **administrative rules** in Fall 2019, effective January 1, 2020
- **Contractor registration** opened January 1, 2020
- **Rebate reservation** requests opened on January 22, 2020.
- As of February 18, 2020, ODOE is processing **206 rebate reservation requests** totaling over \$850,000.
 - 44 of the reservations (totaling \$487,533) are for **low- or moderate-income Oregonians** and low-income service providers

RED Grants

- Provided **grants of up to \$250,000** for businesses, public bodies, schools, nonprofits, and tribes that install and operate renewable energy systems
- Since 2012, ODOE awarded over **\$9 million for 92 renewable projects** statewide, including solar, hydropower, biogas, and geothermal
- Grants issued upon project completion, including site visit by ODOE for **compliance**
- All program funding allocated and **final round issued** in 2019

Small-Scale Energy Loan Program

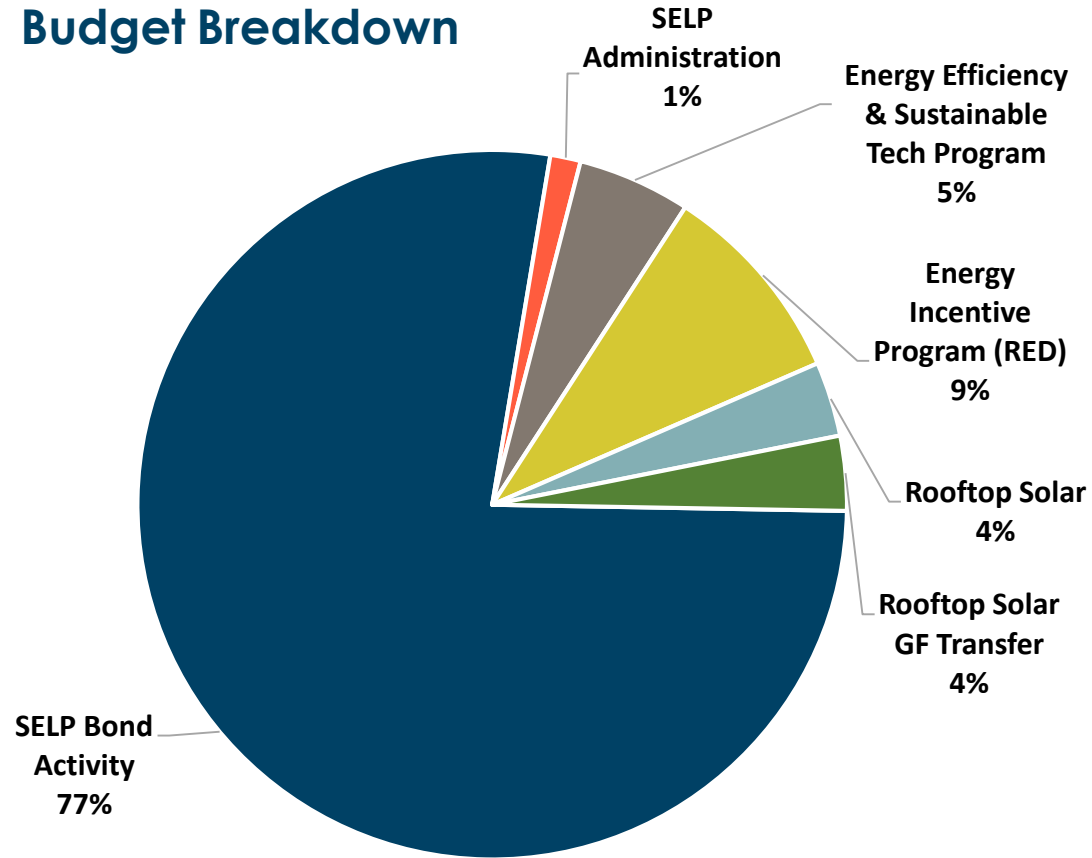
- **Manage existing loan portfolio** and continue to reduce SELP's legacy deficit
- Staff the **Small-Scale Energy Loan Program Advisory Committee**
- Agency is engaged in a **refunding of existing SELP bonds** that will be completed in April 2020

Legacy Tax Credit Programs

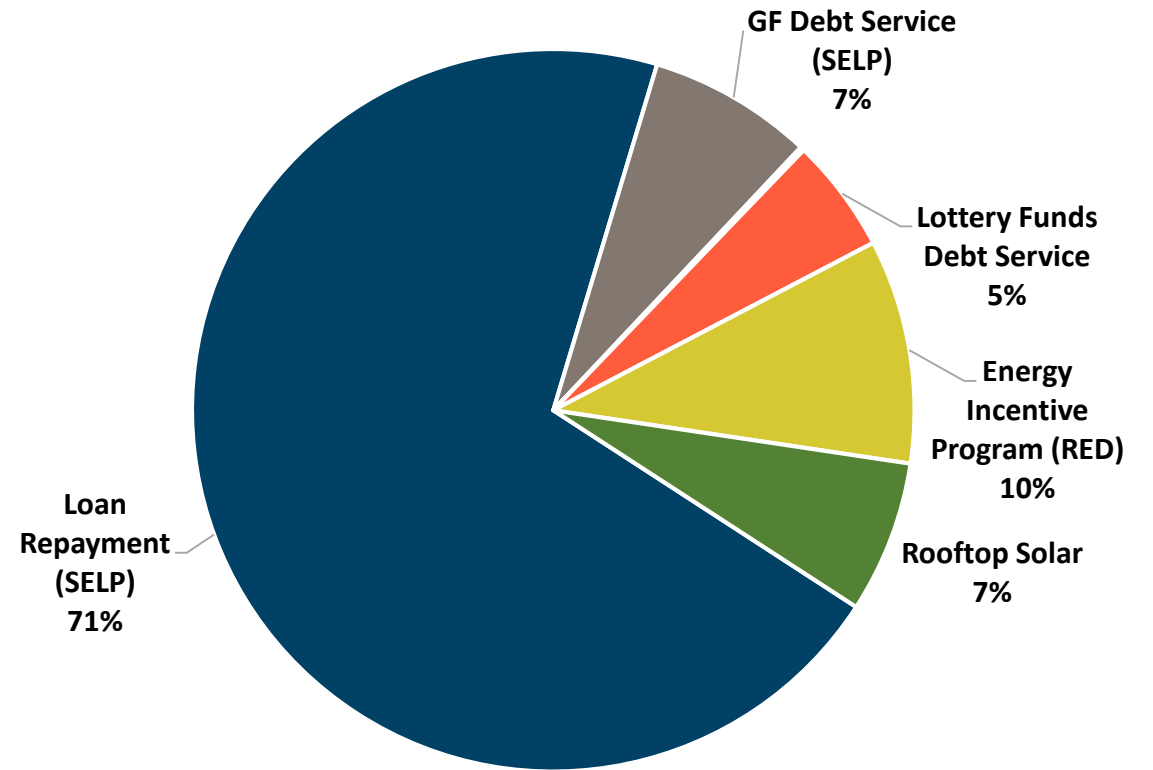
- Tax credit programs that sunset at the end of the 2017 tax year have required careful **stewardship to close down**
- **Monitoring and oversight** will continue through the "tail" of each program
- Agency worked closely with the Secretary of State's Office on a final report on legacy incentive programs that noted the many ways we have **improved oversight and performance**

Energy Development Services 2019-21 Budget and Estimated Funding

Budget Breakdown



Funding Sources



Energy Development Services

Changes in 2019-2021 LAB

- Established new Solar + Storage Rebate Program, \$2 million GF/\$2 million Other Fund and 3 limited duration positions (1.25 FTE)
- Reduced 10 positions due to sunset of incentive programs, elimination of vacant positions, and reduction of ESA
- Reduced bonding authority for SELP by \$55 million, and non-limited debt service by \$23.4 million
- Added General Fund Debt Service to address cash shortfall

Budget

LAB 2019-21 \$58,781,511

- 7 Positions/5.25 FTE

Budget Drivers

- Solar + Storage Rebate Program
- Tax credit programs sunset and RED Grant funding is allocated. Wind-down of the programs continue without a revenue source
- General Fund to cover SELP debt service
 - GF need reduced through operational efficiencies and refunding
 - SELP program does not currently have authority to lend
- Legislative budget reductions

Revenue

- Non-Limited Other Funds
- Other Funds Limited (ESA, Fees)
- General Fund
- Lottery Fund and General Fund Debt Service

Review of Agency Administration

“The report should include an analysis of existing programs, the Department’s key performance measures, **a review of agency administration**, the level of internal support versus services that could be provided through the Department of Administrative Services, and review of the agency’s indirect rate and usage of the Energy Supplier Assessment.”



Administrative Services

Support all agency divisions and functions with high-quality, essential services to meet the agency's business needs.

Director's Office

- Internal Audit
- Communications and Outreach
- Strategic Engagement and Development
- Government Relations

Central Services

- Provides **business support functions** to efficiently deliver services and ensure the financial integrity of program operations
- **Develops budget**, monitors cash flow, and is responsible for contract development, grants management, financial services, purchasing, and facilities
- **Information Technology (IT)** services for both operational and business needs
- Provides **Human Resources** services for recruitment, retention, training, policy development, and more

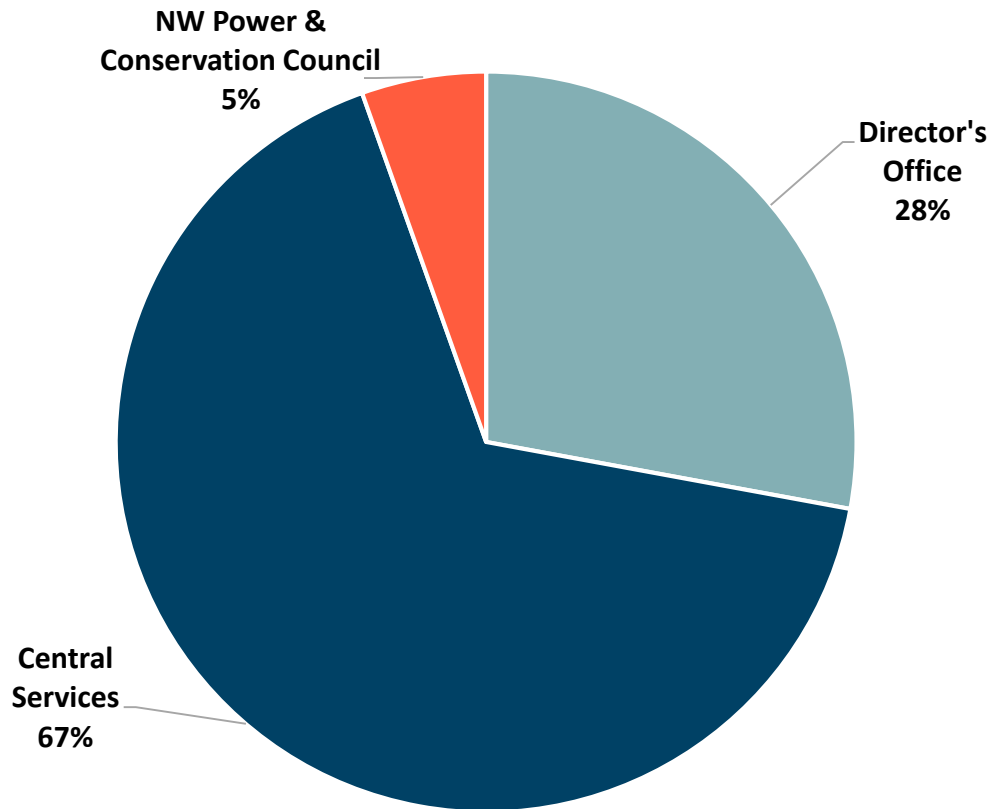
NW Power & Conservation Council

- The Northwest Power & Conservation Council develops and adopts a regional **energy conservation and electric power plan**
- Oregon has two members on the Council
- These positions are **included in ODOE's budget** and funded with monies from the Bonneville Power Administration

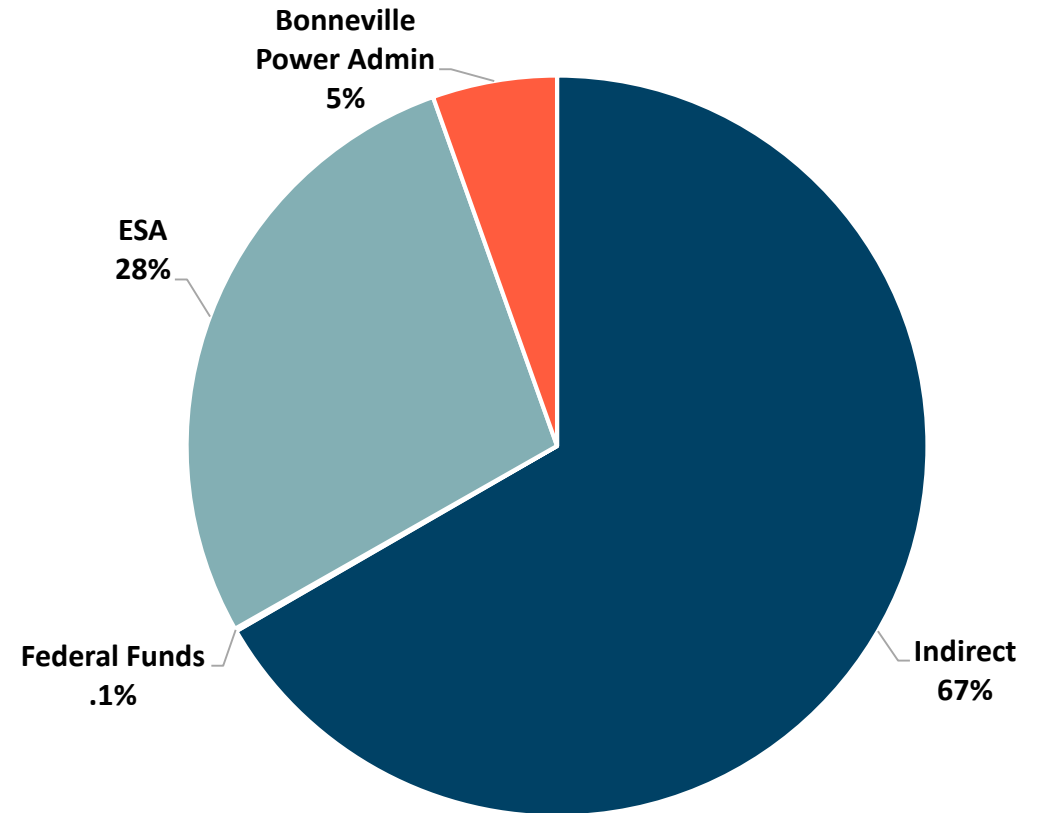
Administrative Services

2019-21 Budget and Estimated Funding

Budget Breakdown



Funding Sources



Administrative Services

Changes 2019-21 LAB

- ARB eliminated 2 positions through ODOE efficiencies
- LAB eliminated funding for 4 additional positions
- Cuts to IT positions are affecting ODOE's ability to meet technology and reporting needs

Budget

LAB 2019-21 \$12,749,635

- 34 Positions/34 FTE

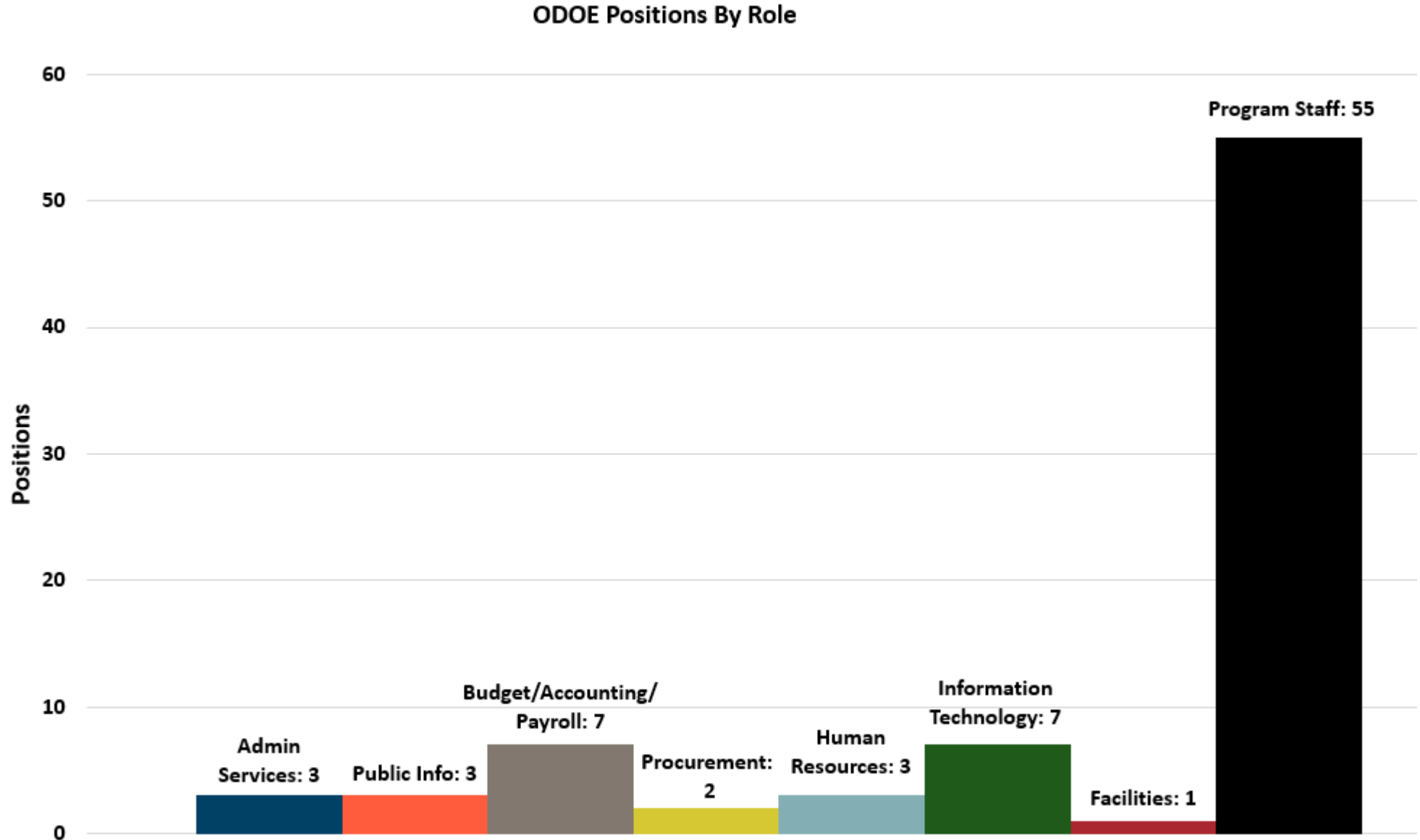
Budget Drivers

- Program sunsets
- Accountability and prudent use of funds
- Public and policy maker interest
- Increase in State Government Service Charge
- Legislative budget reductions
- Multiple stakeholders with diverse interests
- Need to maintain internal controls and standards

Revenue

- Indirect
- ESA
- Federal Funds

Type and number of administrative staff varies depending on programmatic needs.



Review of the Agency's Indirect Rate

“The report should include an analysis of existing programs, the Department’s key performance measures, a review of agency administration, the level of internal support versus services that could be provided through the Department of Administrative Services, and **review of the agency’s indirect rate** and usage of the Energy Supplier Assessment.”



Indirect Rate Review

ODOE's Indirect Rate

- LAB 2019-21 indirect rate is 59.05%
- Reduced from 63.29% at 2019-21 ARB.

Indirect Rate Drivers

- State Government Service Charge (DAS)
- Ratio of program staff to essential admin services
- Personal services inflation
- Calculation method

What is the indirect rate?

It is the administrative costs for which the **federal government has agreed** it is appropriate to charge federal grants.

This rate must be applied against all funding sources within the agency.

Comparison of Levels of Administrative Services

“The report should include an analysis of existing programs, the Department’s key performance measures, a review of agency administration, **the level of internal support versus services that could be provided through the Department of Administrative Services**, and review of the agency’s indirect rate and usage of the Energy Supplier Assessment.”



Internal Administrative Support vs. Contracting with DAS for Services

We reviewed three service areas that are currently provided internally:

- **Financial Services:** accounting, budget, procurement, and payroll.
- **Information Technology:** server hosting, network services, data storage, development of systems to meet business needs, and desktop support.
- **Human Resources:** recruitment, agency-wide policy development, human resource consultation, classification analysis, new employee orientation, leave management, ADA, Workers Comp and safety investigation and coordination, and agency-wide training.

Comparison Findings

Financial

- DAS Shared Services would be able to provide transactional support, but could not provide management of ODOE's federal grants.
- With a complex agency budget made up of fees, assessments, and federal funding tied to the specific activities and projects of program staff, coordinating internally between financial services staff and program staff is more efficient than outsourcing accounting, budget, procurement, and payroll.
- Savings achieved through moving payroll to DAS would not be significant.

Comparison Findings

Information Technology

- ODOE already purchases e-mail, mainframe services, and data storage backup from DAS Enterprise Information Services (EIS).
- Currently, network management and server hosting are provided in-house at a lower cost than they would be through EIS.
- Services available from EIS do not address the specific energy-related business needs – such as support for application development, platform administration, data management, IT governance, and data visualization – that IT services within ODOE provide.

Comparison Findings

Human Resources

- Not all services currently provided by ODOE's HR staff could be provided by the DAS Chief Human Resources Office (CHRO). Combining duties within in-house ODOE HR staff creates greater value with less effort needed for coordination
- If DAS CHRO services were used, there would still be a requirement for ODOE to maintain at least one on-site HR staff member.
- ODOE HR currently performs duties commonly performed by deputy directors. ODOE eliminated the Deputy Director position in 2015-17. Those services could not be provided by CHRO.

Key Performance Measures

“The report should include an analysis of existing programs, the **Department’s key performance measures**, a review of agency administration, the level of internal support versus services that could be provided through the Department of Administrative Services, and review of the agency’s indirect rate and usage of the Energy Supplier Assessment.”



Key Performance Measures

As a result of the sunset of several programs and the unavailability of data for certain measures, ODOE will propose new KPMs and revise or eliminate several existing KPMs in its 2021-23 Agency Request Budget.

ODOE is engaged in Strategic Planning now, and expects the final plan to inform KPMs that will be proposed.

Key Performance Measures

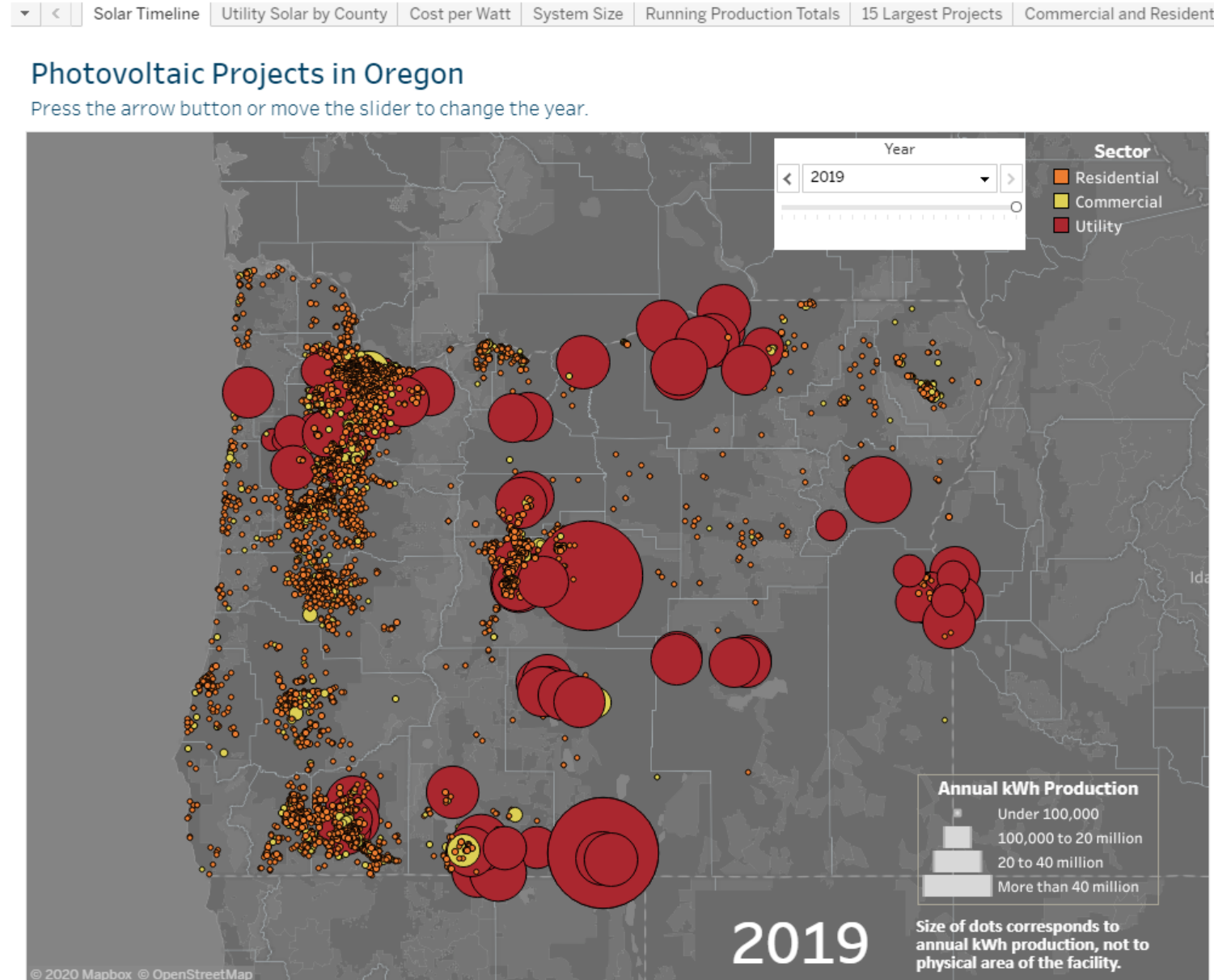
KPM	ODOE Proposal
KPM 1: Energy Savings and Production	Revise
KPM 2: Customer Service	Keep
KPM 3: Application Processing	Revise
KPM 4: Energy Use by State Buildings	Keep
KPM 5a-b: Greenhouse Gas Content of Oregon's Electricity	Keep
KPM 5c-d: Greenhouse Gas Content of Oregon's Stationary Fuel	Revise
KPM 6: Transportation Fuels Used in Oregon	Revise

What's on ODOE's Horizon?



ODOE 2020 and Beyond

- [2020 Biennial Energy Report](#)
- [Data Visualization/Dashboards](#)
- [Oregon Renewable Energy Siting Assessment](#)
- [Oregon Fuel Action Plan as a model for other states](#)
- [Strategic Planning](#)

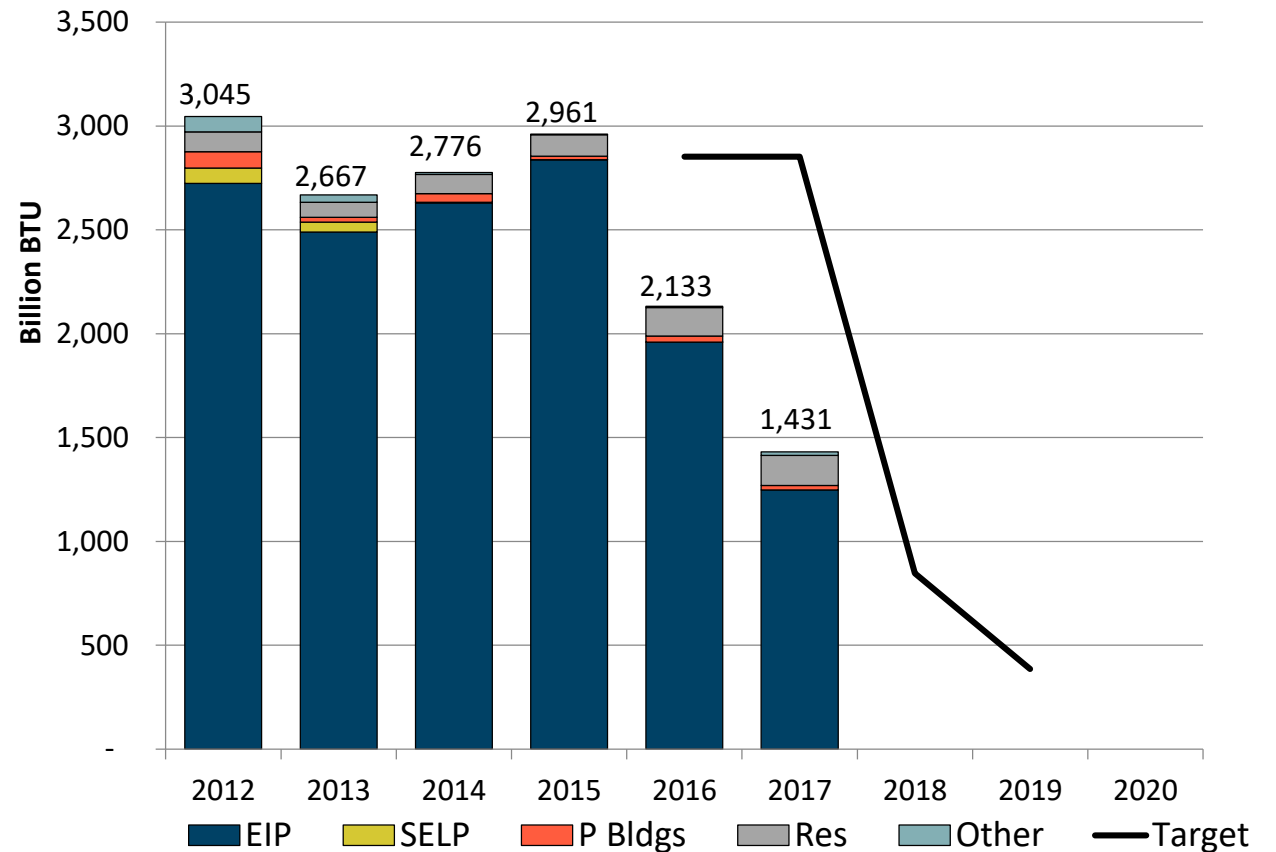


KPM 1: Energy Savings and Production

Goal: Increase energy savings through Department energy conservation and renewable energy programs.

This KPM measures the energy savings and production for the year projects were completed.

Oregon Annual Energy Savings by Program
Billion BTU of Savings and Production

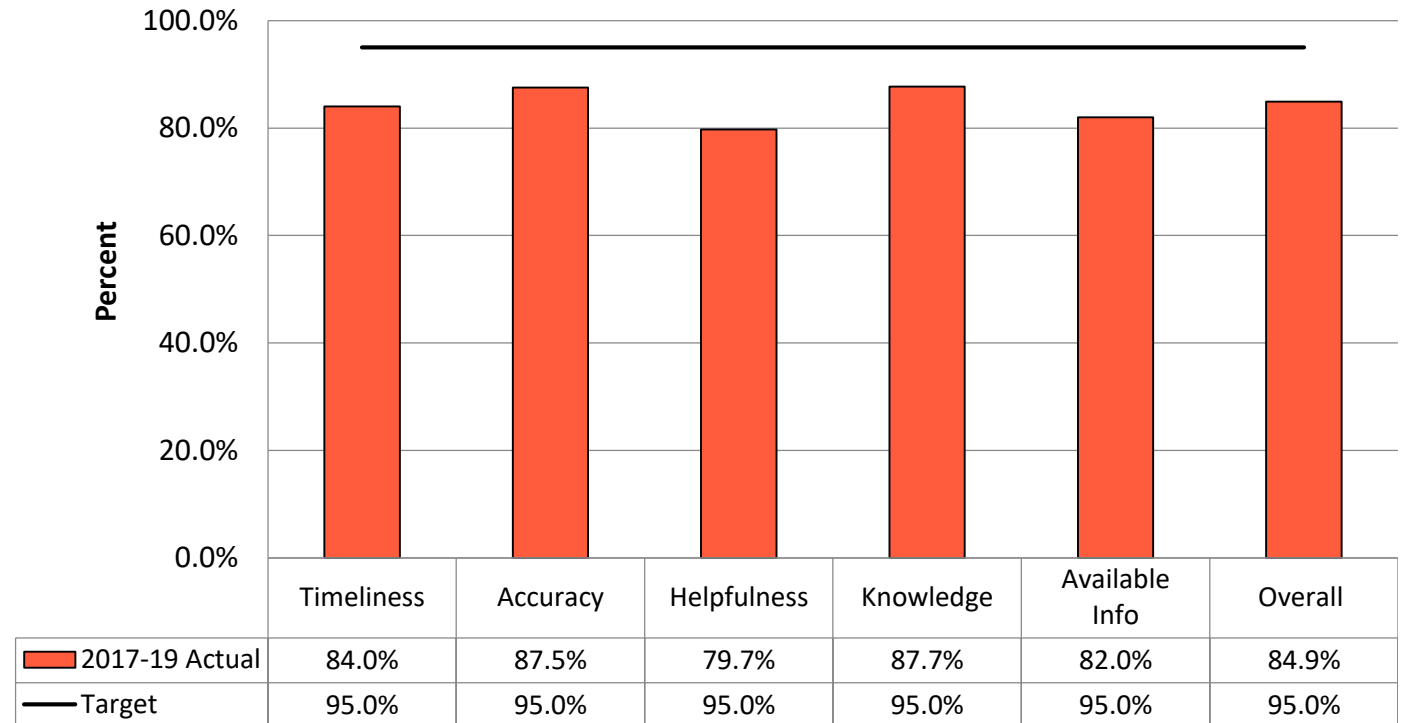


KPM 2: Customer Service

Goal: Provide customers with a high degree of satisfaction with ODOE's programs

Target: 95% in each category

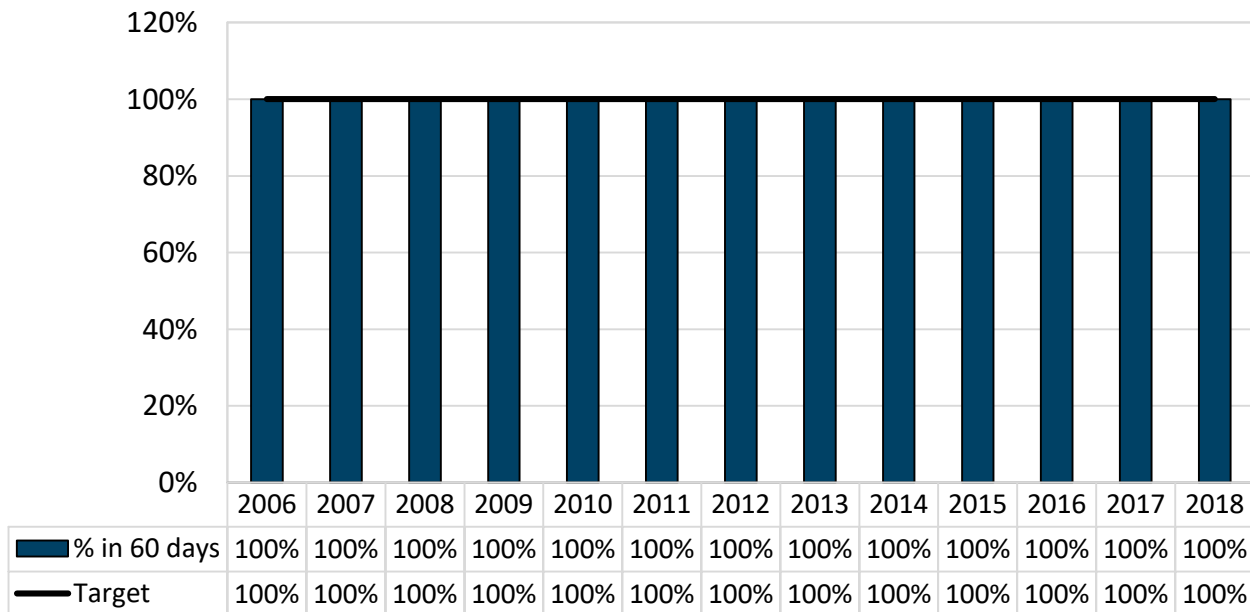
Customer Service: ODOE Service Areas
Good or Excellent Service Rating



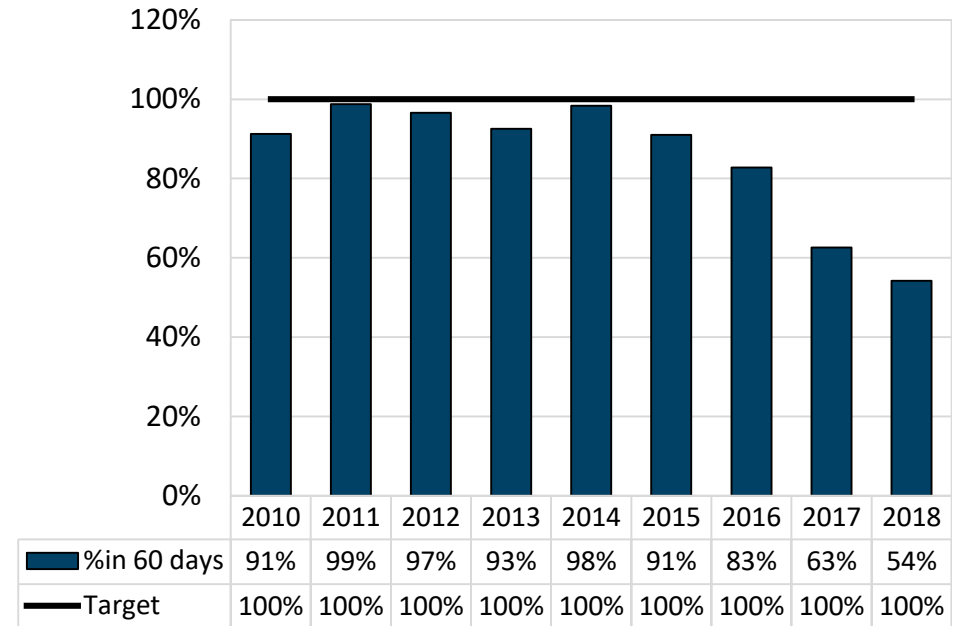
KPM 3: Application Processing

Goal: Provide timely processing of site certificates and tax credits

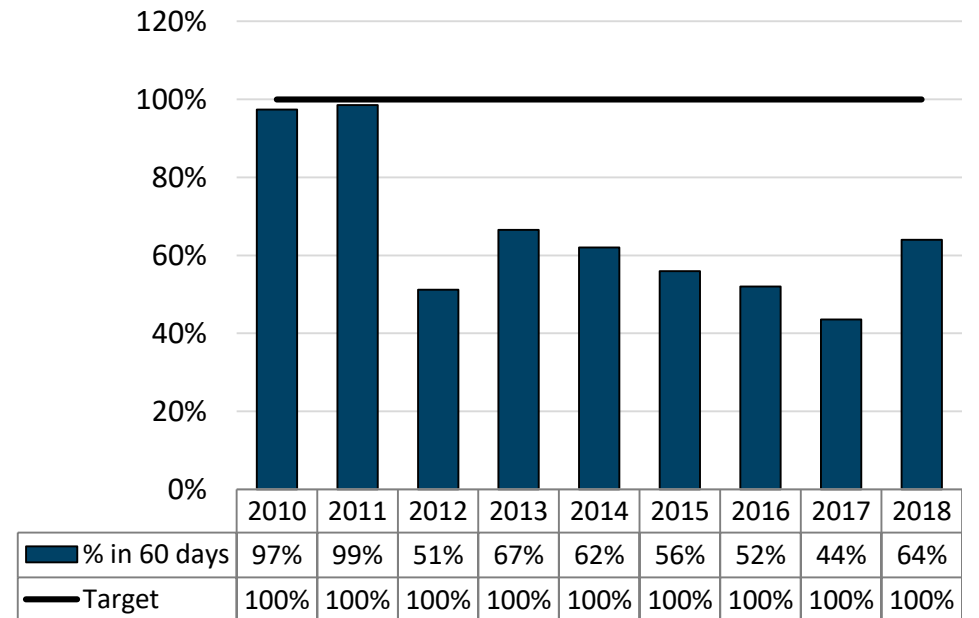
Energy Facility Siting - % of applicants notified within 60 days of receipt of application whether it is complete



RETC - % of Applications Processed within 60 Days



EIP: % of Final Applications Processed within 60 Days

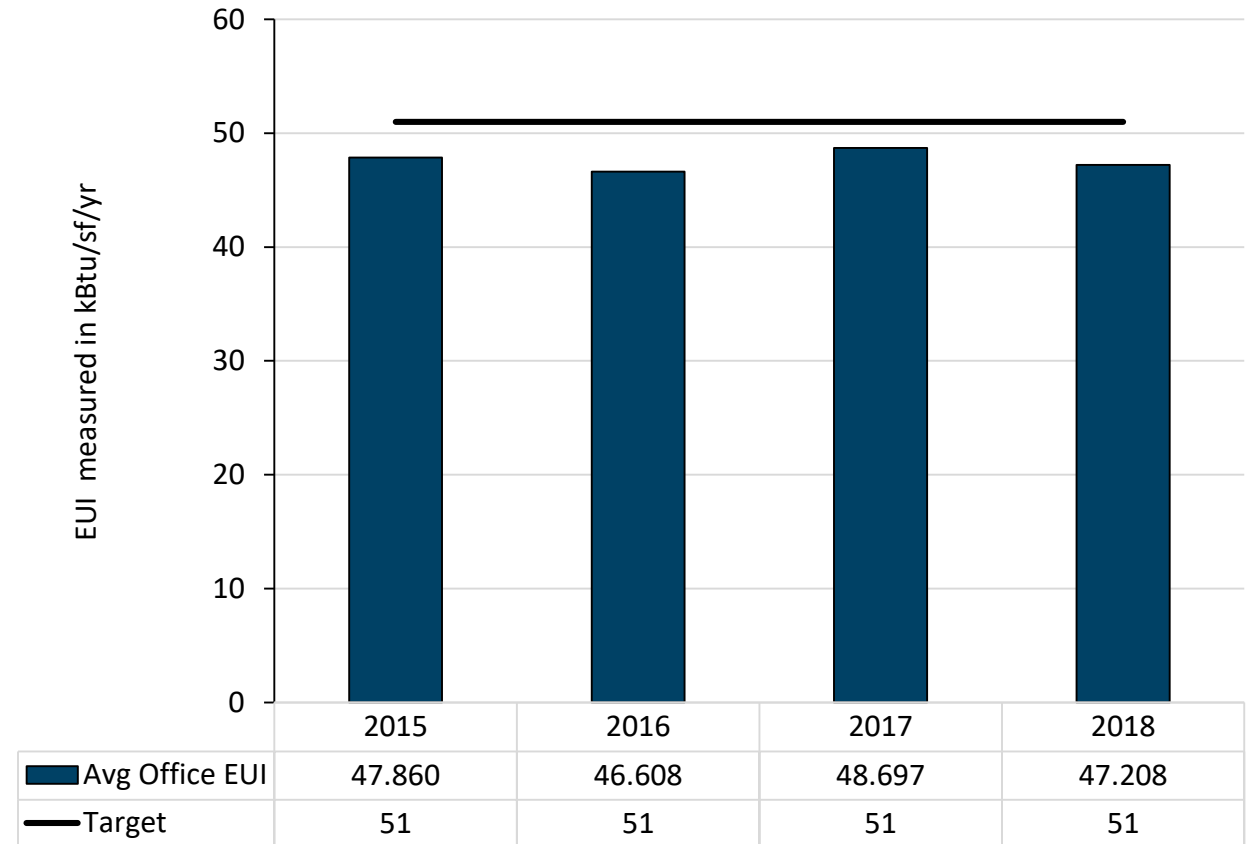


KPM 4: Energy Use by State Buildings

Goal: Establish a robust data set of building level energy use for state-owned buildings more than 5,000 square feet to facilitate energy reduction.

*Because the target is a metric of energy use, an energy use index (EUI) **below the target** is the preferred goal.*

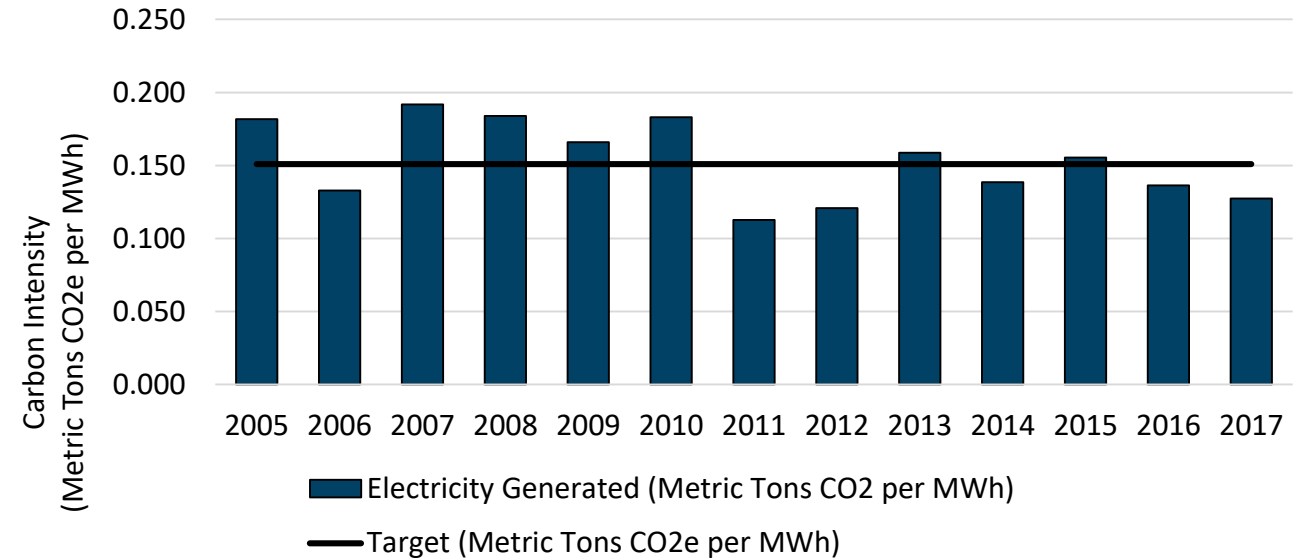
Average Energy Use Index for State Owned Offices compared to ASHRAE Target



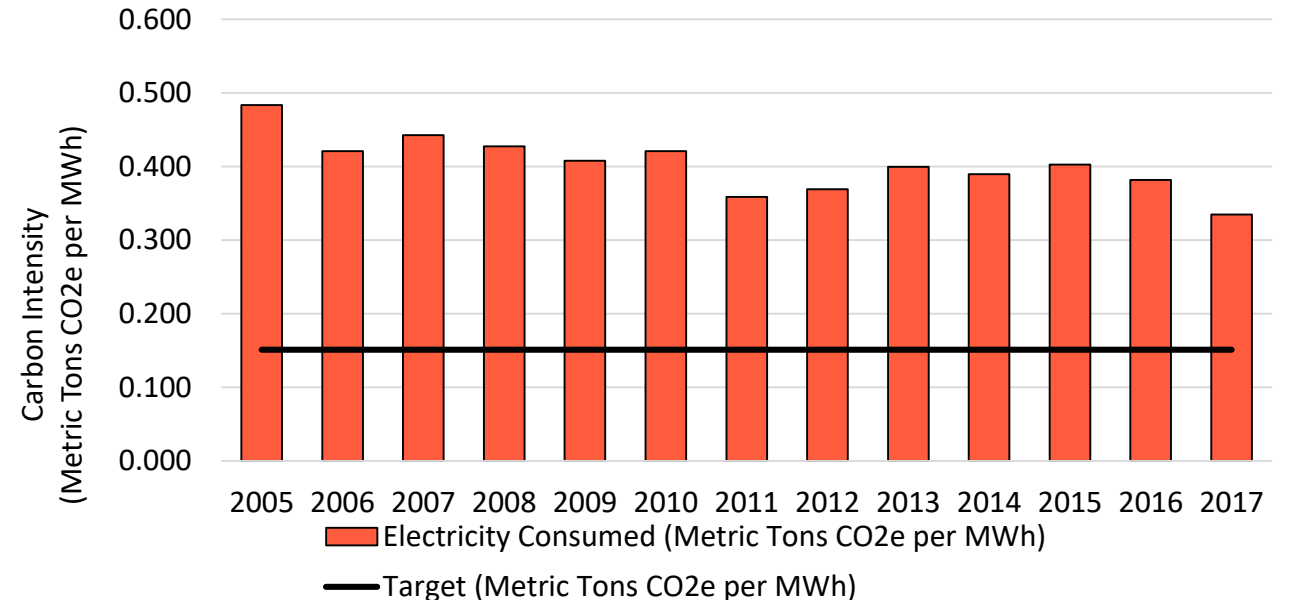
KPM 5a-b: Greenhouse Gas Content of Oregon's Electricity

Goal: Assist in meeting Oregon's greenhouse gas emission reduction goals in the state's electricity sector.

Carbon Intensity of Electricity Generated in Oregon



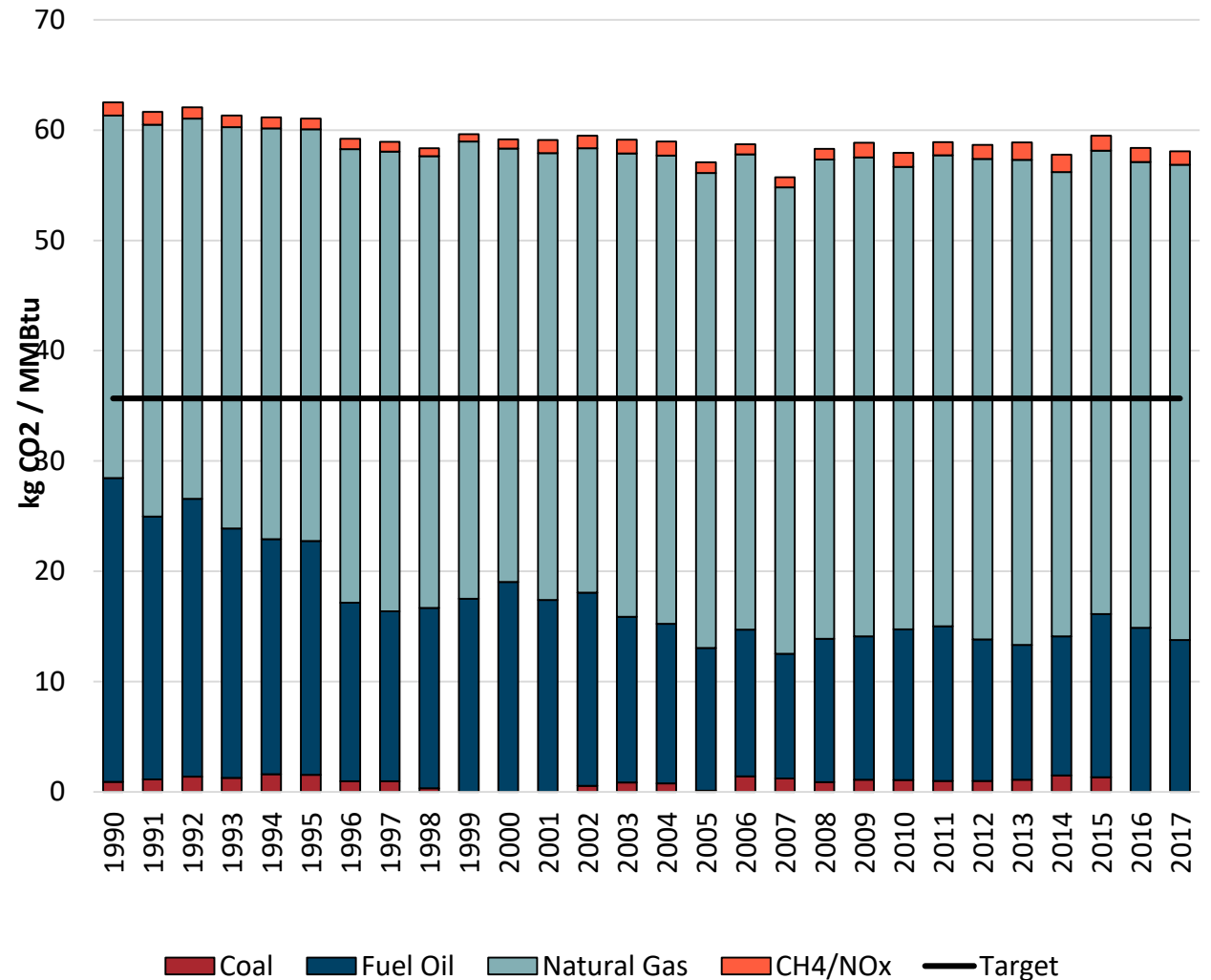
Carbon Intensity of Electricity Consumed in Oregon



KPM 5c-d – Greenhouse Gas Content of Oregon's Stationary Fuel

Goal: Assisting in meeting Oregon's greenhouse gas emission reduction goals in the state's stationary fuels sector.

Carbon Intensity of Stationary Fuels Used in Oregon



KPM 6 – Transportation Fuels Used in Oregon

Goal: measuring the percentage of petroleum and non-petroleum fuels used for transportation in Oregon for both on-road fuels and non-road fuel.

