

Department of Energy

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	1,940,000	74,411,388	107,145,789	1,582,333	7,825,230
Lottery Funds	3,023,362	3,022,570	3,022,570	1,439,160	1,439,160
Other Funds	26,967,601	67,950,612	89,319,041	54,192,131	75,875,894
Other Funds (NL)	66,853,785	31,659,374	31,659,374	29,356,709	29,338,023
Federal Funds	3,138,598	3,123,175	3,562,705	3,588,286	3,587,769
Total Funds	101,923,346	180,167,119	234,709,479	90,158,619	118,066,076
Positions	83	93	100	83	98
FTE	80.02	91.00	94.82	81.50	92.52

* Includes Emergency Board and administrative actions through December 2022.

Program Description

The Oregon Department of Energy (ODOE) was established in 1975 to promote energy conservation and the development of renewable energy sources. ODOE strives to help Oregonians make informed decisions and provide safe, equitable, clean, and sustainable energy for our state. This aim is founded on a five-part strategy: provide a central repository of energy information and analysis; serve as a venue for problem-solving Oregon's energy challenges; provide energy education and technical assistance; administer industry regulation and oversight; and manage statutorily authorized energy programs and activities.

The Department is organized into five divisions including Energy Planning and Innovation, Energy Development Services, Nuclear Safety and Emergency Response, Energy Facility Siting, and Administrative Services. Additionally, ODOE staffs eight policy related commissions, task forces, and work groups, which provide guidance and recommendations the Department as well as state leadership and policy makers.

ODOE is predominately funded through the collection of fees and charges for services, assessments, bond proceeds, grants, and General Fund appropriations.

- **Other Funds** revenue includes facility siting fees, energy incentive programs, and public purpose charge funds for providing administrative and technical support. Additionally, the energy supplier assessment, levied annually on Oregon energy suppliers, supports programs throughout the agency. The Small-Scale Energy Loan Program (SELP) includes existing bond proceeds issued to capitalize the program, loan principal and interest repayments, and investment earnings.
- **Lottery Funds** support debt service payments for the Energy Efficient Financing program.

- **Federal Funds** are received from the U.S. Department of Energy for the State Energy Program formula grants, the Hanford grant, and various other federal grant opportunities.
- **General Fund** supports energy incentive programs as well as several positions throughout the agency. Additionally, a cashflow shortfall in the SELP program led to an infusion of General Fund for debt service payments in April 2023 and April 2024.

CSL Summary

The Department's 2023-25 current service level (CSL) budget is \$90 million total funds, which represents a decrease of 62%, or \$145 million, from the 2021-23 legislatively approved budget (LAB). Additionally, ODOE realized a decrease of 17 positions (13.32 FTE), or 17% of their total positions, from 2021-23 LAB to CSL. This decrease is predominantly due to the phase-out of General Funds related to one-time programs from the 2021 and 2022 legislative sessions. The total decrease was minimally offset by a phase-in of \$0.2 million Federal Funds for the development of Energy Security Plans authorized in 2022 by SB 1567.

Policy Issues

Energy Incentive Programs: The Legislature provided ODOE with five new or expanded energy incentive or rebate programs for the 2021-23 biennium. These include the Oregon Solar + Storage Rebate program, Wildfire Rebuilding program, Community Renewable Energy Grant program, Heat Pump Deployment program, and Residential Heat Pump program. Each initiative provides Oregonians with incentives or rebates to reduce energy usage and/or move towards clean and sustainable energy sources. However, these programs were established with one-time funding. The Community Renewable Energy Grant program and the heat pump programs were provided with a General Fund deposit into specified Other Funds accounts in order to carry the program into the next biennium; however, the corresponding Other Funds expenditure limitation for the heat pump programs was not carried-forward in CSL. The expenditure limitation was phased-out, affording policy makers the opportunity to discuss continuation of the programs. Additional information on the individual programs follow:

- Community Renewable Energy Grant Program: HB 2021 passed during the 2021 legislative session, creating a \$50 million fund at ODOE to provide grants for planning and developing community renewable energy projects, and energy resilience projects. Grants will be awarded on a competitive basis with priority given to projects that support environmental justice communities, demonstrate energy resiliency, and involve energy efficiency and demand response. This program is authorized over two biennia.
- Oregon Solar + Storage Rebate Program: HB 2618 passed during the 2019 legislative session, providing ODOE with a one-time appropriation of \$2 million General Fund and two limited duration positions to create a new rebate program for solar energy and solar storage systems aimed at residential customers and low-income service providers in Oregon. Responding to a high demand for these rebates, the Legislature provided an additional \$15 million in one-time General Fund support during the 2021-23 biennium. As of October 27, 2022, 3,326 projects have either been received or reserved rebates in 32 Oregon counties, resulting in a state investment of nearly \$11 million, which supports well over \$125 million in total project costs. HB 2618 included a sunset date of January 2, 2024. This means the sunset must be lifted for the program to continue through the 2023-2025 budget period, and ODOE has introduced a legislative concept for that purpose. Staffing for the program is only funded through June 30, 2023, leaving no

dedicated staff to manage the program or process applications for the remaining funding that is already approved though the program sunset in 2024.

- Energy Efficient Wildfire Rebuilding Program: In the 2021 legislative session, HB 5006 allocated \$10 million to ODOE to incentivize energy-efficient rebuilding efforts following the 2020 Labor Day wildfires. ODOE developed and implemented the program and began accepting applications in April 2022. Unfortunately, the timeline for wildfire reconstruction will take longer than the 2021-23 biennium, and all unspent funds, currently totaling \$8 million, will be reverted to the General Fund at the close of the 2021-2023 biennium.
- Heat Pump Programs: The Heat Pump Deployment program, and the Residential Heat Pump program were established in SB 1536 during the 2022 Legislative Session. The Department received \$25 million General Fund, deposited into newly established Other Funds accounts, to administer both programs. However, only approximately half the Other Funds expenditure limitation was granted, with the intent ODOE would need to come back to the Legislature for further expenditure limitation authorization.

New Federal Funding: With the passage of the Infrastructure Investment and Jobs Act (IIJA), ODOE is eligible for a multitude of new federal grant opportunities. In September 2022, the Emergency Board approved ODOE’s submission of a grant application to the U.S. Department of Energy (USDOE) for the first year of a five-year formula grant program to prevent outages and enhance the resilience of the electric grid. This Grid Resilience grant is expected to provide approximately \$10 million each year for the five-year period. Additionally, the December 2022 meeting of the Emergency Board approved the Department’s request to apply for the IIJA State Energy Program formula grant which has allocated \$5.6 million to Oregon in support of energy planning, policy and program development. With the passage of the 2022 Inflation Reduction Act (IRA), there will also be significant federal funding available through USDOE once the federal opportunity announcements are released. The IRA makes the single largest investment in climate and energy in American history; authorizing \$369 billion in funding for clean energy and climate change-related initiatives.

These federal funding opportunities and programs are expected play a large role in ODOE activities during the 2023-25 biennium. Not only will the Department need to apply resources internally to developing and delivering new and expanded programs, but there will be a significant impact as external entities who are eligible for similar funding opportunities seek their collaboration and partnership. The Department will need to examine their structure and positions to be sure they have adequate resources and capacity to deliver effectively. Grant match is also an issue to consider. The Grid Resilience grant requires a state match of 15% of total funds received, equal to approximately \$7.5 million over five years, which may include in-kind work performed by staff or contracted third parties. Additional state match requirements for further IIJA and IRA grants are expected, but are unknown until details of each individual grant is released.

Governor’s Budget Summary

The 2023-25 Governor’s Budget includes over \$118 million total funds, comprised of approximately \$8 million General Fund, over \$1 million Lottery Funds, \$105 million Other Funds (Limited and Nonlimited), \$4 million Federal Funds expenditure limitation, and 98 positions (92.52 FTE). The total funds budget represents an increase of nearly \$28 million, or 31% above CSL, and includes 15 additional positions (11.02 FTE).

The Governor's Budget recommends inclusion of \$6 million General Fund and four positions (4.00 FTE) to extend the existing Energy Efficient Wildfire Rebuilding program, and provide community outreach regarding potential funding opportunities to environmental justice communities. Additional package details including investments, reductions and adjustments, follow:

- Packages 092 and 093 - These packages represent budgetary adjustments driven by statewide budget modifications. Package 092 included a statewide adjustment to Attorney General rates, representing a reduction of \$81,740 Other Funds and \$517 Federal Funds expenditure limitation. Package 093 included a reduction of \$159,322 Other Funds expenditure limitation driven by adjustments to charges and assessments from the Department of Administrative Services.
- Package 204 - This package establishes three limited duration positions (3.00 FTE) and provides \$6 million General Fund to extend the Energy Efficient Wildfire Rebuilding program. This reallocates unspent 2021-23 program funds that will be reverted back to the General Fund at the end of the biennium.
- Package 452 - This package establishes one permanent position (1.00 FTE) and provides \$0.4 million General Fund to establish a program providing community outreach and technical assistance regarding potential funding resources to rural, Tribal, and other environmental justice communities as they work to develop energy projects.
- Packages 102, 202, 205, 206, and 401 - These packages are all supported by the Department's Other Funds revenue sources, such as assessments and fees. Collectively, they establish 11 limited duration positions (7.02 FTE) and provide \$22 million Other Funds expenditure limitation to establish the Energy Research Fund; extend the Oregon Solar + Storage Rebate program and the Heat Pump programs; and provide capacity for growth in state energy project applications.

Other Significant Issues and Background

Clean Energy Transition: During the 2021 legislative session, HB 2021 established clean energy standards for Oregon and set requirements for electricity providers to reduce greenhouse gas emissions associated with electricity provision to Oregon customers. The reduction is targeted at 80% below baseline emissions level by 2030, 90% below baseline emissions level by 2035, and 100% below baseline emissions level by 2040. As the state strives to meet these clean energy requirements, ODOE is responsible for assisting state policy makers, businesses, and communities as they navigate the transition by providing technical information and policy development to support informed decisions.

Additionally, ODOE will assist individuals and communities through the transition by providing incentives to reduce the cost of clean energy technologies. All agency divisions play a role, including but not limited to, research and analysis, siting clean energy facilities, and providing energy resilience and security planning. As we move closer to the benchmarks of the emission reduction requirements, the resource demand and involvement of ODOE will intensify. Along with increased technical assistance to stakeholders, partners and interested parties, ODOE is expected to conduct a study on small scale renewable energy development; implement restrictions on new natural gas plants; collect attestations and documents around the new labor standards; and develop and administer the new Community Renewable Investment Program. The policy issue and associated workload of supporting Oregon's clean energy transition will be integral in ODOE's operations for several biennia to come.

Key Performance Measures

A copy of the Oregon Department of Energy Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPR_DOE_2022-09-29.pdf