

HOUSE COMMITTEE ON AUDITS

April 7, 2005 Hearing Room D

8:30 A.M. Tapes 57 - 58

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Tom Butler, Vice-Chair

Rep. Diane Rosenbaum, Vice-Chair

Rep. Alan Brown

Rep. Jackie Dingfelder

Rep. Greg Smith

Rep. Gordon Anderson

STAFF PRESENT: Jim Keller, Committee Administrator

Kellie Whiting, Committee Assistant

MEASURES/ISSUES HEARD:

Energy Trust Public Purpose Charges – Informational Meeting

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/# Speaker Comments

TAPE 57, A

003 Chair Krummel Calls the meeting to order at 8:42 a.m. and opens the informational meeting on the Energy Trust Public Purpose Charges.

ENERGY TRUST, PUBLIC PURPOSE CHARGES – INFORMATIONAL MEETING

005 Mike Grainey Director, Department of Energy. Submits and explains the informational packet, which includes a case study of a geothermal project, information on the School Public Purpose Program and the large electric consumer conservation projects (**EXHIBIT A**). Describes the Department of Energy's role.

059 Chair Krummel Inquires if the life span of the measure is longer than the payback.

072 Grainey Responds a project is not approved if the project has a shorter lifespan than the investment.

075 Chair Krummel Requests an example.

077 Grainey Responds about the different measures that would be eligible for the public purpose funds.

096 Grainey Continues to speak about the public purpose charges for energy efficiency measures. Describes the Department of Energy's role. Refers to the list of self-direction companies on page nine.

124 Rep. Rosenbaum Clarifies that Oregon State can be a public entity.

126 Grainey Concur.

128 Rep. Rosenbaum Inquires about the statewide distribution of the projects.

129 Grainey Responds that the projects can be throughout the state.

139 Chair Krummel Inquires if the projects are outside the service area.

143 Grainey Responds no. Explains the plant in Camas, OR.

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| 155 | Chair Krummel | Inquires if they are trying to conserve energy on the grid. Inquires about the out-of- state projects and if Oregon receives other benefits. |
| 172 | Grainey | Responds they have not looked into the issue very deeply. Responds about the qualifying grid. |
| 181 | Chair Krummel | Inquires if other states have taken action as Oregon has in regards to SB 1149. |
| 190 | Grainey | Responds he does not know what other states that have taken the same route Oregon has in regards to SB 1149 and energy consumption. Responds about direct-service regions. |
| 229 | Rep. Andersen | Inquires about the reason the headquarters should be in such a high rent area. |
| 237 | Grainey | Responds his office does not have a regional office. Responds the headquarters contract is approved by Department of Administrative Services (DAS). Refers to |
| 290 | Bob Repine | Director, Oregon Housing and Community Services. Submits prepared testimony (EXHIBIT B). Refers to the informational packet, which includes the Energy Trust Articles of Incorporation, Energy Trust Bylaws, financial statements, performance measures, review of production and related applications and a management audit sent to Rep. Krummel, from Lee Beyer (EXHIBIT C). Refers to the report by ECONorthwest (EXHIBIT D). Describes the Oregon Trust Account and explains the charges and uses. Describes the Housing Project costs. |
| 390 | Repine | Describes the weatherization programs used in the primary service areas. Explains the litigation dollars used to service persons outside the primary service areas. Explains how the programs are administered and the certification process. |

TAPE 58, A

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| 002 | Repine | Continues to describe the partnerships concerning the energy weatherization projects. |
| 023 | Rep. Butler | Inquires about the energy companies who had weatherization projects prior to SB 1149. |

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| 028 | Repine | Responds how the money was appropriated prior to SB 1149. |
| 039 | Rep. Butler | Inquires if voluntary efforts went away. |
| 044 | Repine | Concurs. |
| 061 | Rep. Butler | Inquires who administered the energy credits. |
| 064 | Repine | Responds they are administered through the Energy Trust Program. |
| 068 | Rep. Butler | Comments on the tax credits and asks where the certification takes place. |
| 082 | Repine | Comments on additional weatherization dollars and the recipients. Comments on the new development projects. |
| 095 | Rep. Butler | Comments on the programs that existed and expresses his concern over ignoring available resources in the marketplace and encourages efforts to bring back innovative programs that were in place. |
| 110 | Repine | Responds about the weatherization program within the Northwest Natural Gas Company. |
| 118 | Rep. Anderson | Inquires about the owner occupied percentages. |
| 121 | Repine | Responds the largest percentage is with single family ownership. |
| 131 | Jack Kenny | Deputy Director, Oregon Housing Community Services. Responds about the percentages for individual residents and owner occupied. |
| 138 | Rep. Anderson | Inquires about the loan and grant amounts. |
| 142 | Repine | Responds they are all grants with conditions. |
| 159 | Rep. Anderson | Inquires if it would not be wise to have a revolving loan fund. |
| 164 | Kenny | Responds it is not allowed by current statute. Comments on the conditions, repairs and how the Community Development Block Grant (CDBG) funds are used. |

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| 178 | Repine | Responds about the CDBG funds and how they are used. Describes the Housing Resource Centers. |
| 203 | Rep. Rosenbaum | Inquires if the projects for low income homes would not be repaired without the program. |
| 208 | Repine | Concurs. |
| 217 | Kenny | Responds. |
| 223 | Rep. Greg Smith | House District 57. Inquires about CDGB funds and trust dollars. |
| 232 | Repine | Responds about the intentions and needs in regards to the trust dollars. Explains the commitments from the partnerships. |
| 281 | Kenny | Responds the trust is the most flexible to secure land. |
| 293 | Rep. Smith | Comments on the flexibility of the trust fund. |
| 305 | Chair Krummel | Inquires how much of the trust fund is spent on the low income housing. |
| 311 | Repine | Responds he will provide the information to the committee. |
| 322 | Kenny | Responds they do not tract it, but can get an approximation for the committee. |
| 338 | Chair Krummel | Inquires about the interest collected. |
| 342 | Repine | Responds that the money is used for current expenses and interest goes to current activities. |
| 356 | Ozzie Rose | Oregon Association of Education Service Districts. Explains the projects being done through the Willamette Education Service District (ESD). |
| 386 | David McKay | Senior Project Manager, Willamette Education Service District. Submits and refers to the Executive Summary on the impact of SB 511 on school districts (EXHIBIT E). Responds there are 16 school |

districts with completed projects and 20 school districts with ongoing projects. Responds about the energy savings and notes SB 1149 funding is responsible for the cost savings and the projects for the schools.

428 Rep. Dingfelder Inquires about who conducts the energy audits.

TAPE 57, B

002 McKay Responds the audits are completed by Energy Audit Firms in which are pre-qualified by the Energy Department.

013 Rep. Dingfelder Inquires about the number of audits reported to the Department of Energy (DOE).

017 McKay Responds 687 have been reported to the ODE and 425 have been from the Willamette Education Service Districts.

020 Rep. Dingfelder Clarifies that the projects are not conducted unless there is available funds.

022 McKay Concurs.

024 Rep. Dingfelder Inquires about the overall amount of energy saved.

031 Rose Responds the money saved goes to the classrooms.

041 Chair Krummel Inquires about the energy saved.

044 McKay Refers to **(EXHIBIT A, page 9)** and responds he will provide the information later.

061 Chair Krummel Inquires about the time frame for the projects.

065 McKay Responds about the requirements for implementation of projects and the paybacks.

068 Chair Krummel Inquires if any of the ESD dollars are going outside the service area of PGE or Pacific Power.

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| 070 | McKay | Speaks about the campuses that are eligible and are powered. |
| 083 | Chair Krummel | Inquires if they have a mechanism to certify they are receiving power from PGE or Pacific Power. |
| 085 | McKay | Responds the process is conducted annually. |
| 087 | Chair Krummel | Inquires what would happen if the district changed service providers. |
| 090 | McKay | Responds they would lose the funding. |
| 094 | Chair Krummel | Inquires about funding already spent. |
| 095 | McKay | Responds once they are no longer served by PGE or Pacific Power the funding is distributed to other ESDs, and if it is already spent, it is spent. |
| 100 | Chair Krummel | Refers to (EXHIBIT D, page 21) and inquires about the needs exceeding the revenue. |
| 118 | McKay | Responds he has not worked with a district where the needs have not exceeded the revenue. |
| 120 | Rep. Dingfelder | Inquires about asbestos removal under public purposes. |
| 126 | McKay | Responds it is not included in the SB 1149 provisions. |
| 130 | Rep. Smith | Inquires if the public Purpose Charge is defined by PGE or Pacific Corp's geography. |
| 134 | McKay | Responds he is unsure. |
| 145 | Rep. Anderson | Inquires about the amount of time spent conducting an energy audit in a school. |
| 153 | McKay | Describes the different components involved in the energy audit of a school. Comments they do not want to spend a lot of time or money on audits in which the schools will not implement. |

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| 173 | Rep. Anderson | Inquires how many of the audits are level ones and level twos. |
| 178 | McKay | Responds about 70/30. |
| 181 | Rep. Anderson | Comments on the costs, changes, and results of each audit. |
| 193 | Rep. Smith | Inquires if the funds from the Public Purpose Charges to the ESDs, included in the formula. |
| 199 | Rose | Responds the formula only deals with the general fund dollars. |
| 229 | Rep. Smith | Inquires if the program is available to all schools districts. |
| 230 | Rose | Responds it is only available to districts in PGE and Pacific service areas. |
| 232 | Rep. Smith | Clarifies that the schools outside of the services areas cannot use the money. |
| 263 | Rep. Anderson | Clarifies that if the schools are outside the service district, they are not collecting public purpose funds and the money is not going to be distributed and notes the schools would be doing it in their own. |
| 274 | Rep. Smith | Comments on a possible contradiction. |
| 280 | Rep. Rosenbaum | Comments on the metropolitan districts. |
| 300 | Ken Canon | Executive Director, Industrial Customers of Northwest Utilities. Submits the list of members of Industrial Customers of Northwest Utilizes (EXHIBIT D). States the oversight of the Energy Trust is transparent. States they are supportive of the Energy Trust Program and states they are reaching out to industrial companies. Comments they are beneficial to the state of Oregon. Explains the costs and the overall benefits. Explains the participation of the members. |
| 415 | Chair Krummel | Inquires about the administrative costs. |

TAPE 58, B

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| 002 | Canon | |
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Responds they have looked at it closely and states that they are satisfied with administrative costs.

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| 015 | Chair Krummel | Inquires if the PUC performance measures adequately reflects the expectation of the Energy Trust. |
| 016 | Canon | Concurs. Responds about the expectations of the trust. |
| 021 | Chair Krummel | Inquires if 2005 is the first year that they have had the performance measures. |
| 024 | Canon | Responds performance measures were set up in 2004. Explains the review process. |
| 027 | Chair Krummel | Inquires if the anticipated outcomes have been positive. |
| 030 | Canon | Concurs. |
| 033 | Chair Krummel | Inquires if the systems are being built efficiently based on the input. |
| 035 | Canon | Concurs. Responds about utilities and program delivery. |
| 051 | Rep. Smith | Inquires about the total cost of the Blue Herrin Paper Company project. |
| 053 | Canon | Responds 10.8 million dollars. |
| 054 | Rep. Smith | Inquires about the trust loan. |
| 055 | Canon | Responds the trust provided a grant around approximately five million dollars. Explains the other programs and funds involved. |
| 060 | Rep. Smith | Clarifies the total cost was under 11 million and inquires about the terms of the loan. |
| 062 | Canon | Responds he is unfamiliar with the loan terms. |
| 065 | Rep. Smith | Inquires about the collateral. |

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| 068 | Canon | Responds he is unfamiliar with the information. |
| 069 | Rep. Smith | Inquires if there were personal guarantees. |
| 071 | Canon | Responds that Margie Harris could possibly answer the question. Responds about due diligence. |
| 079 | Rep. Smith | Comments on the fiduciary responsibility. |
| 084 | Canon | Concurs. |
| 086 | Rep. Anderson | Inquires about the effectiveness and efficiency of both sides. |
| 093 | Canon | Responds he has had over 20 years of experience with investor owned utilities performing this function and states it is spotty. Explains the strategy of the Energy Trust. |
| 113 | Jeff Bissonneth | Citizens Utility Board. Comments on the Energy Trust Program. Notes the public process is much better than the prior process. Comments about the process of communication and states that in regards to residential ratepayers, they are subject to Oregon Laws. |
| 170 | Rep. Dingfelder | Inquires about his opinion on the PUC oversight. |
| 174 | Bissonneth | Responds he believes the public process and the oversight is good. |

The following prepared testimony is submitted for the record without public testimony:

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| which | Margie Harris | Executive Director, Energy Trust. Submits informational packet includes prepared testimony, Energy Trust examples and program incentives (EXHIBIT G) . |
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| 215 | Chair Krummel | Explains the suggestions and recommendations in terms of the Energy Trust. Closes the informational meeting on the Energy Trust Public Purpose Charges and adjourns the meeting at 10:30 a.m. |
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EXHIBIT SUMMARY

- A. **Energy Trust Public Purpose Charges, informational packet, Mike Grainey, 9 pp**
- B. **Energy Trust Public Purpose, prepared testimony, Bob Repine, 1 p**
- C. **Energy Trust Public Purpose Charges, informational packet, staff, 68 pp**
- D. **Energy Trust Public Purpose Charges, Report, staff, 27 pp**
- E. **Energy Trust Public Purpose Charges, executive summary, David McKay, 23 pp**
- F. **Energy Trust Public Purpose Charges, list, Ken Cannon, 1 p**
- G. **Energy Trust Public Purpose Charges, informational packet, Margie Harris, 36 pp**