LEGISLATIVE CONCEPT

Concept subject or title:
Expand Small-scale Energy Loan Program to Allow for Increased Lending for Energy Efficiency through Utilities and Other Related Entities

Brief description of proposal:
To increase funding for industrial, commercial, and residential customers who wish to make their homes or businesses more energy efficient we propose that the Legislature:

1) increase bonding capacity in the State's Energy Loan Program by $500 million, which would be earmarked for loans to public and private utility companies, and related entities, offering cost-effective energy efficiency improvements to their customers; and,
2) require that loans be repaid through the utilities or other entities, who would assume liability for the loans;
3) allow private utilities to advertise in bill inserts and by phone solicitation the availability of low-cost loans, repaid through monthly utility bills; and
4) retain primary authority with the Energy Trust of Oregon for energy audits and presenting the full spectrum of energy efficiency incentive programs to private utility customers ETO already serves.

What problem does this concept address?
Oregon energy consumers are not making available energy efficiency that would displace a significant share of the energy Oregon will need to meet its future needs. In addition to current funding incentives available through the Oregon Department of Energy, Bonneville Power Administration, individual utility companies, and the Energy Trust of Oregon, greatly expanding bond funding through the Oregon Department of Energy's Small Scale Local Energy Program could significantly increase energy efficiency improvements in the state.

Because the state's SELP program is funded through up to $150 million in General Obligation bonds which must be repaid to the state and the Oregon DOE is not adequately staffed and lacks the infrastructure to serve multiple smaller clients, SELP's constitutionally established bonding authorization of over $2 billion cannot be utilized on behalf of any but the safest, most qualified borrowers. In addition, SELP's limited staff and infrastructure prevent effective servicing of a large number of small transactions. This proposed expansion program, which would be reviewed and renewed every biennium by the Legislature, would access up to $500 million in bonding authority for the specific purpose of energy efficiency through public and private utility programs or through other entities, such as the Energy Trust of Oregon or the Pacific Northwest Generating Cooperative. Utility loans to customers, or ETO or PNGC loans to customers, made possible by SELP contracted funds, would become part of the incentive option package offered to utility customers.

From the standpoint of the private utility customers, a one stop permit application with a variety of options that include ETO partial grants, state tax credits, SELP funded loans through their utility or ETO, and utility sponsored programs, will make it much easier for them to say 'yes' to energy investments they know will benefit them in the long run. In addition, the building trades industry, and related business will benefit from a significant increase in demand for their services at a time when the market is depressed for other types of building.

What elements of the current policy context are necessary to understand the concept?
The concept requires a thorough vetting of the implications of the proposed changes in policy by the PUC, the Oregon Department of Energy, Oregon Energy Trust, the utilities, ratepayers, industry, labor, environmentalists, and all other stakeholders. Oregon Energy Trust, Oregon Department of Energy, and utilities will need to evaluate how current activity would be affected by the changes envisaged by the proposal. Private utilities will specifically need to address the problems associated with adding debt to their books and adjustments may need to be made to accommodate their requirements. The State Treasurer's office will need to estimate what level of bonding is reasonable for the next fiscal biennium under the proposed program.

What happens if this concept isn't implemented?
Energy efficiency programs will continue at their current modest pace, or possibly a little more rapidly due to the pressure consumers feel from rate increases.

Would you characterize energy and GHG benefits of this proposal a major, medium, or minor priority? What data are needed to quantify these benefits?
This legislative proposal has the potential to yield large-scale energy efficiency results and should, therefore, be a major priority. In addition, it would be useful to compare what level of energy conservation savings and renewable energy generation are likely under existing incentive programs, including the factor of consumer response to projected rate increases, versus what could be estimated as a result of this program.

Who is affected by this proposal? Who will support it? Who's likely to oppose it?
All Oregon energy consumers, that is, all Oregonians, would be affected, as would the Oregon Department of Energy, Oregon Energy Trust, and the private utilities. Energy customers who have not yet completed major energy efficiency measures, building trades organizations, environmentalists, public and private utilities, and Oregonians concerned about establishing energy independence should support this legislative proposal. Those who may oppose the legislation include utility customers who have already completed major energy efficiency measures and some ratepayer groups. Utility customers and ratepayer groups may be convinced to support the legislation if it can be shown to be less costly to them than the alternative of adding other new power sources to the rate base. Depending on the amount of bonding capacity allowed by the Legislature, there may be some opponents from other statewide interests who require state bonds, and from state and private fiscal advisors.

Will there be a fiscal impact? Order of magnitude estimate?
The largest fiscal impact will depend upon the portion allowed by the Legislature of state bonded indebtedness for the program and its impact on other bonding programs. Administrative costs in administering an expanded loan program will be incurred within the Oregon Department of Energy, but these costs are required to come from the loans themselves and not from Oregon's general fund. In addition, the Oregon Energy Trust might request supplemental funding either from ratepayers or from the general fund to accomplish expanded outreach duties.