

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2012**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A** _____

DATE: December 10, 2012

TO: Public Utility Commission

FROM: Juliet Johnson

THROUGH: Jason Eisdorfer and Maury Galbraith

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 1632) Assessment of ODOE's administrative functions to implement the Energy Efficient Schools program.

STAFF RECOMMENDATION:

As required in Order 12-085, Oregon Public Utility Commission Staff (Staff) recommends the Commission acknowledge this report of activities Oregon Department of Energy (ODOE) will perform to assist school districts under Oregon Revised Statute (ORS) 757.612(3) and the expected amount of funds needed by ODOE to perform those activities.

DISCUSSION:

Commission Order 12-085 was entered into March 13, 2012, in AR 561 in the matter of revisions to Oregon Administrative Rules (OAR) 860-038-0480 to implement House Bill 2960 (Cool Schools). The order directed Staff to 1) facilitate workshops to identify activities ODOE will perform to assist the school districts under ORS 757.612(3), and then 2) present a report of the identified activities, along with information as to the expected amount of funds needed by ODOE to perform those activities, to the Commission for acknowledgement.

Additionally, Order 12-085 specifies that on March 1st of each year, ODOE must provide to the Commission an accounting of the reimbursements received the preceding calendar year for administrative activities performed under ORS 757.612(3)(e).

Staff held a workshop to discuss ODOE's administrative functions on October 29, 2012. In attendance were representatives from ODOE, OPUC, PacifiCorp, Portland General Electric (PGE), Citizens' Utility Board (CUB) and at least 11 different school districts.

The group discussed ODOE's administrative functions for ORS 757.612(3) programs. In general, utilities had some questions about ODOE's explicit statutory authority, how projects are prioritized, and if and how Energy Trust has a role in delivering energy efficiency in schools. School districts were very supportive of ODOE's efforts in working with them on energy efficiency. Representatives of numerous districts shared their experiences and gratitude for ODOE. All attendees generally agreed with the characterization of functions ODOE is performing and expressed an understanding of ODOE's expected costs to carry out those functions. Below is a summary of the administrative functions that are performed by ODOE.

Summary of ODOE's administrative functions

ADMINISTRATIVE SERVICES – DATA

- Reporting – As required by Senate Bill 1149 (SB1149), ODOE reports biennially to the Legislature. These reports are posted on the OPUC website, alongside the Energy Trust of Oregon data.
- Database – ODOE designed and administers the Schools Interactive Database (SID) and reporting tools; these are accessible via the Internet to Districts. ODOE makes upgrades to the database as needed to add features that match updated guidelines.

ADMINISTRATIVE SERVICES – DISBURSEMENT OF FUNDS

- Eligibility evaluation – ODOE determines eligibility for all Schools that can utilize ORS 757.612 funds, differentiating between instructional and non-instructional facilities through a manual waiver process.
- ODOE calculates the distribution of funds by District, based on the Legislation and sends the calculation of the distribution by district to PGE, PacifiCorp and the OPUC by the end of each year.

ADMINISTRATIVE SERVICES – AUDIT PROCESSES

- Audit procedure and report format - ODOE develops and maintains the Program Guidelines which set forth procedures and formats for energy audits and other ORS 757.612 program requirements. Qualified energy auditors are required to use these procedures and formats as set forth in the Guidelines and in the ODOE contracts for qualified energy auditors.
- Qualified energy audit and commissioning firms list – ODOE established, published, and maintains a list of qualified firms from which School Districts and educational service districts (ESDs) select to perform the required level of energy audit.
- Calculation of energy use index – The first required audit is the collection of energy use data and the calculation of the energy use Index (the building's annual energy usage divided by the building's current square footage) for each instructional facility

in districts. Districts whose energy use fits within a specified range receive an audit recommendation of "no investments required at this time."

- Energy audit and measures review – ODOE determines the eligibility of all energy audits and the eligibility of measures recommended in the energy audit. Energy efficiency measures and their eligibility are tracked in the SID (database).

ADMINISTRATIVE SERVICES – QUALITY CONTROL

- ODOE performs energy audit quality control reviews randomly and when issues are raised for Level I, Level II and Level III energy audits performed by qualified energy auditors. ODOE also reviews the first two energy audits completed by new qualified energy auditors. ODOE focuses on the quality of energy savings estimates.
- School districts may request ODOE to review of particular energy audit in addition to the basic quality control review required performed by ODOE.
- Completed project quality control - ODOE also performs quality control review and inspections on a sample of implemented/completed projects that utilize ORS 757.612 funds. The reviews are selected based on regions and timeframes of implementation.

ADMINISTRATIVE SERVICES – PROGRAM SUPPORT

- Program support – ODOE provides training to districts, qualified energy auditors and schools advocates on program requirements and guidelines. Responds to questions about program requirements and measure eligibility from the districts, including mechanisms for reimbursement of funds and the requirements for documentation.
- ODOE reviews scopes of work for energy audits to manage costs and provide the most effective analysis and must give approval before Level III energy audits are contracted for.
- Maintains communications through emails, website and newsletters pertaining to the ORS 757.612 program.
- Order of investments – ODOE assists schools districts in creating a district-wide plan for energy efficiency measure implementation project or implementation plan prioritization. The purpose of this work is to ensure the effectiveness and cost efficiency of energy efficiency investments.
- Project cost review – ODOE reviews final project costs entered into SID for all implemented measures. Although ODOE does not purport to be an expert in cost estimation, ODOE tracks similar projects and cost envelopes and can suggest that a district review project costs estimates with other contractors before proceeding with district approval of projects.
- Additional services include: (1) ODOE helps districts communicate with other partners with respect to other sources of funds to be utilized on projects, (2) ODOE seeks program improvements that enable school districts to implement

the most effective energy efficient measures, and (3) ODOE will facilitate training in efficiency or energy conservation education/curricula if sufficient interest is identified across districts.

Expected funds needed to perform activities

Based on revisions to OAR 860-038-0480, funds for the administration of the ORS 757.612 Energy Efficient Schools program are paid to ODOE directly from PacifiCorp and PGE as monthly reimbursements. OAR 860-038-0480 specifies that ODOE's total reimbursement for administering its responsibilities under ORS 757.612(3) is limited by ODOE's legislatively approved budget allocation for the SB1149 Energy Efficient Schools program. For the 2011-13 biennium, this allocation is set at \$701,000. ODOE's proposed 2013-15 budget allocation will be the 2011-13 budget adjusted for inflation.

These budgets include staff time and allocated indirect costs, as well as ORS 757.612 program specific costs such as information technology professional services, attendance at schools professional conferences, handouts/publications, ORS 757.612 specific training and stakeholder outreach, and minor or legislatively required program changes. Program expenditures unique to the 2011-13 biennium included engaging in OPUC proceedings and transferring the schools database to ODOE from its host location at an ESD. Program expenditures unique to the 2013-15 biennium will include updating audit information and implementation plans stored in the database to align with the Secretary of State's recommendation to utilize measure life as part of the eligibility determination.

Additional party comments

Beaverton School District, Salem-Keizer School District, and Gervais School District provided written comments in support of ODOE's role in administering ORS 757.612 schools programs. PacifiCorp also provided comments.

Beaverton School District supports ODOE's efforts but stated that ODOE appears to have been understaffed at times. Beaverton suggests that some school districts need more support in program execution than others, based on significantly different resources available to them. They suggest that ODOE retain statewide management of K-12 school programs, but develop a new model for supporting small school districts. In their comments, Beaverton School District also responded to an issue raised in the Secretary of State's audit regarding the sequence of energy efficiency measures implemented.

Salem-Keizer School District and Gervais School District stated they were impressed with ODOE's support thus far. Salem-Keizer School District recommends that ODOE's role in administering these programs be expanded to: a) fund and add more staff to increase their services; b) use funds to provide building operator certification; c) maintain a pool of effective energy/performance management tools; and, d) provide statewide on-site troubleshooting and training. Gervais School District recommend that ODOE offer a menu of services that districts could purchase if they chose to, such as expanded assistance with the audit process and support with review of audit results.

PacifiCorp also submitted comments. PacifiCorp referred to the issue of ODOE's statutory authority to carry out the functions currently performed for the school districts under the auspices of ORS 757.612. PacifiCorp emphasized that statutory authority questions are important and should be considered part of the discussion of the Cool Schools programs, whether as part of the current review of ODOE's functions or in future reviews. PacifiCorp points to the May 2012 Secretary of State's audit that also called out issues of ODOE's statutory authority.

Staff's recommendation

Staff has reviewed parties' comments and reviewed and assessed ODOE's administrative functions and believes they are prudent and necessary for the successful delivery of the Energy Efficient Schools program described in ORS 757.612(3). Staff has also reviewed projected funding levels and believes they are also prudent and commensurate with the tasks being accomplished. Staff recommends the Commission acknowledge these functions and expected costs.

PROPOSED COMMISSION MOTION:

Acknowledge activities ODOE will perform to assist school districts under ORS 757.612(3), as summarized in this memo and the expected level of funding needed to perform those activities.