

Energy Efficiency and Jobs

During the gubernatorial campaign this year, Governor-elect Kitzhaber outlined a plan to create good jobs in the short term and increase student health and performance through a program to increase energy efficiency retrofits to Oregon schools. As a longer-term strategy, plans to increase energy efficiency work across all public buildings and in the residential, commercial and industrial sectors were also outlined.

A transition team has been formed to explore issues related to both plans, but with particular emphasis on maximizing the number of jobs created through school retrofits in the Summer of 2011. A longer term strategy will be taken up as a separate matter.

The co-chairs of the team, Margaret Kirkpatrick, Maurice Rahming, and Barbara Byrd, have conducted some meetings and researched a range of policy options. Although the group will take up the longer-term issues later, it has decided to divide the short term goal into three key areas: 1) finance mechanism; 2) implementation with schools; and 3) workforce training and equity. The co-chairs have also consulted with various legislators in an effort to harmonize ongoing similar efforts.

Please note that this is a preliminary draft for the purpose of discussion and input from the team and other stakeholders. It should not be represented as a policy statement on behalf of the transition.

Finance Mechanism for Summer 2011

The group has focused on financing that is immediately implementable for Summer 2011, and that works under the tight debt constraints recently highlighted by State Treasurer Ted Wheeler.

Through so-called 1149 funds, the Oregon Department of Energy administers a school retrofit program. Although successful, additional capital and implementation assistance (see below) could significantly boost retrofitting activity. Increased outreach and implementation tools for schools could increase the penetration of this program alone (addressed below), but additional capital is also sought.

To that end, several financing proposals have been outlined below.

First, through a mechanism already allowed under current law (ORS 757.247¹), special tariffs may be arranged between utilities and customers, such as schools, to

¹ ORS 757.247, the Energy Service Charge, reads: "The Public Utility Commission may authorize a public utility to file and place into effect tariff schedules establishing rates or charges for renewable energy generation facilities, or for

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allow payback of cost-effective energy efficiency work. While this model could be used on its own, an arrangement could also be made to essentially pass the service charge dollars through to the state in order to act as a revenue stream for bonding. The raised capital would then be distributed to schools as cash grants to schools. Note that the energy service charge mechanism has not been used since the passage of SB 1149 in 1999 and the subsequent adoption of the Public Purpose Charge (PPC) and formation of the Energy Trust of Oregon to deliver energy efficiency measures to covered utility customers.

To implement this option, the Oregon PUC would need to adopt new regulatory tariffs under the law but this can be done quickly so that work can be underway in the schools this summer. This financing strategy could be useful for financing cost-effective, low hanging fruit. If work is limited to the most cost-effective measures we would expect the schools' energy cost savings to be equal or greater to their new monthly energy service charge.

A second strategy that could provide more capital to schools would be to "loan" funds to school districts through the existing Small Scale Energy Loan Program (SELP), but use existing 1149 money to drive the effective interest rate on the loan down to zero or near zero, thus providing the school with revenue neutral funding.

Third, existing 1149 money (~ \$7 million annually) could be used to pay debt service on bonds, leveraging much more up front capital. This capital could be pooled and given to schools as cash grants for retrofitting projects. Under this scenario, schools would be able to keep the achieved energy savings. Currently, this money is distributed to ESDs and spent by schools for conservation-related projects as the allocated money builds to an appropriate level. Creating a larger pool of funds through bonding could allow for deeper and more leveraged efforts.

Even more capital could be leveraged if, over the short-term, more public purpose charge funds were devoted to schools (currently schools receive 10% of these funds).

Other funds from existing programs may be available and we invite recommendations on such funds. For instance, Oregon has an unused allocation of \$39 million in Qualified Energy Conservation Bonds that, if issued, could provide extremely low interest rates for the state.

At present, we are interested in your comments on the mechanisms outlined above and answering the following questions. We ask that you provide information based on your experience or expertise.

energy conservation measures, services or payments, provided to individual property owners or customers."

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- 1) As 1149 funds are only collected in IOU territory, any funding strategy that relies on these funds will not cover the entire state, but rather only 64% of the state's schools. What mechanisms or existing programs could be used to ensure that all schools would be covered by this effort?
- 2) How could guaranteed savings from energy service companies be used to help leverage private sector investment in these retrofits?

Implementation Issues for Summer 2011

Discussions about how the program might quickly be implemented (by Summer 2011) were guided by the following questions:

- 1) How can the state more effectively communicate with schools and contractors to ensure awareness of incentives for energy efficiency?
- 2) What can be done to present financing and retrofit options to schools in the most user-friendly way?
- 3) How can retrofit opportunities be integrated with maintenance projects in the schools? What data is already available on the condition of schools, and to what extent can plans and priorities be built around existing audits?
- 4) What changes can be made to include schools that are outside the Energy Trust territory?
- 5) What contracting, in any, should be done at the state level? What contracting should be done at the local level? Can these processes meet a Summer 2011 deadline?

Based on information collected during the gubernatorial team and subsequent findings by the co-chairs of this group, perhaps the most difficult barrier for increasing critical energy efficiency retrofits in schools is packaging incentives and service delivery in a manner that is both friendly and persuasive to school administrators. It must be clearly communicated that these projects do not rely on the school spending or generating new revenue. Further, schools are more likely to implement retrofits if there is a clear path to loan repayment, if energy efficiencies result in cost savings to the schools, and if the contracting process is simple and straightforward (procurement streamlined, etc.).

Another challenge is ensuring that schools are aware of the incentives and benefits that exist through such a program. A marketing plan is being conceived that would feature a user-friendly web site with training, testimonials, a calendar of events, etc. The plan also foresees communication with, and the distribution of printed materials through, school boards and administrator associations, PTA's, school employee unions and other stakeholder groups. Other ideas for marketing include a "road show" that could get the word out more broadly.

A third challenge, and perhaps most difficult, is integrating energy efficiency work with other maintenance projects, resulting in lower fixed costs. The Oregon Department of Energy has conducted audits of some schools, and additional data is

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available through the Energy Trust of Oregon. To supplement this data (which is only available for schools covered by the Public Purpose Charge-PPC), it has been suggested that the state engage in one audit contract for non-PPC school districts, and, using DAS rules, ensure it can be replicated by others (e.g. ESD's).

Once audits have been conducted, priorities can be identified that combine previously planned projects for 2011 with high-opportunity energy efficiency projects. Contractors can be pre-certified (as outlined in the Workforce and Contracting section of this document), and model contract language made available.

The co-chairs are interested in any response you may have to the comments above and ask that you provide information based on your experience or expertise.

Workforce Issues for Summer 2011

To maximize the economic and equitable impact of creating jobs through energy efficiency, it is Governor-elect Kitzhaber's goal that it is Governor-elect Kitzhaber's goal that strong labor and community standards be put into place for the certification of contractors eligible to perform this work. In addition, jobs that are created should be good, family-wage jobs or provide a pathway to a good career; that local, Oregon labor and contractors are used to the maximum extent possible; and that the labor and contractor pool are representative all Oregonians. Based on some recent successful models, indicia of such efforts have been included below.

The co-chairs are interested in your comments on these indicia and what other issues might be relevant.

Local Hire: At least 85% of workers participating in these projects will be residents of their local (i.e. 50 miles radius) community.

Local Contractors: At least 85% of contractors participating in these projects will have their primary office in local community (i.e. 50 mile radius).

Diverse and Local Workforce: Historically disadvantaged or underrepresented people will perform not less than 35% of total trades & technical project hours. Contractors will have a first source hiring agreement with qualified training programs to meet this goal. Disabled individuals and formerly incarcerated individuals seeking new opportunities may be included to meet the goal. If the region in question cannot meet such goals due to shortage of qualifying employees, the field may be expanded to veterans or others. The construction trade goals will be 20% for minorities and 15% women.

Diverse Business Participation: Businesses owned by historically disadvantaged or underrepresented people will represent not less than 25% of all dollars in these projects. If the region in question cannot meet this goal due to a shortage of qualifying businesses, the field can be expanded to include veteran-owned businesses. If the district is still unable to meet its goals, this goal can be further expanded to include emerging small businesses.

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Family Supporting Jobs: Employees participating in project retrofits will all receive BOLI prevailing wage rates and benefits. -

Highly skilled and supported workforce: Resources for continuing education and certification should be available for those coming into the industry as well as those wanting to increase their opportunities for upward mobility within the industry through registered apprenticeship and other career pathways trainings.

Labor Relations: Contractors and the workforce should affirm labor peace agreements that include provisions for robust collective bargaining rights and prohibits the appointed labor organization from engaging in picketing, work stoppages, or other economic interference, but instead relies on binding arbitration.

Enforcement: A Stakeholder Implementation and Evaluation Committee should be established to make recommendations to achieve and monitor these goals.