



OFFICE OF ENERGY DEVELOPMENT

NATURAL RESOURCES, AGRICULTURE, & ENVIRONMENTAL QUALITY APPROPRIATIONS SUBCOMMITTEE
 STAFF: IVAN DJAMBOV AND ANGELA OH

BUDGET BRIEF

SUMMARY

In the 2011 General Session, the Legislature passed H.B. 475, "State Energy Amendments," which created the Office of Energy Development (OED). The bill intended to centralize energy-related functions and budgets from other areas of state government.

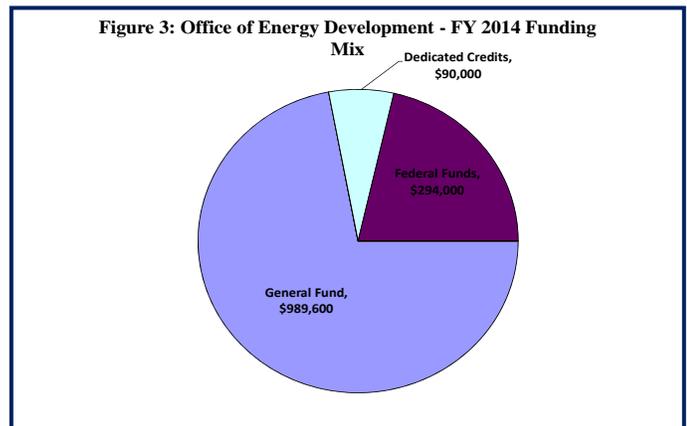
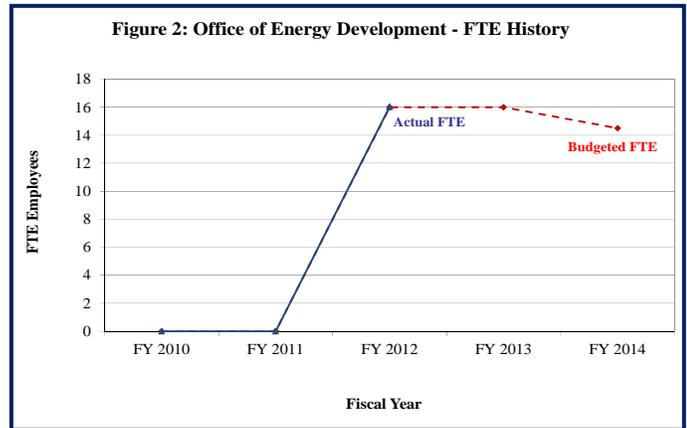
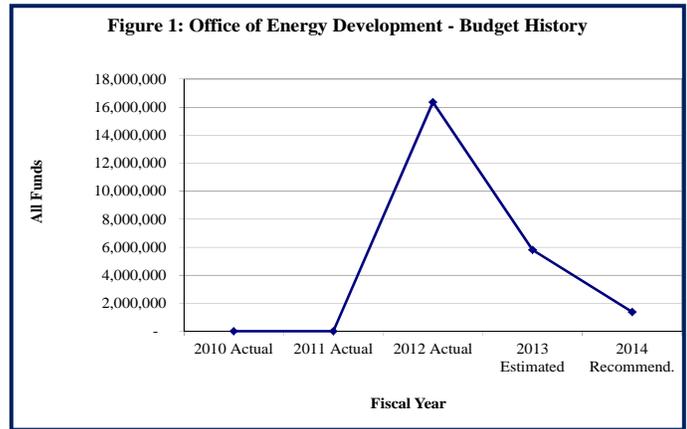
OED's mission is to provide leadership in the balanced development of Utah's abundant energy resources through public and private partnerships for economic prosperity, energy independence, and a reliable, affordable energy supply. The office focuses primarily on production, delivery, and efficient utilization of Utah's energy resources:

- *Conventional Energy:* areas include fossil fuels such as coal, natural gas, crude oil and heavy oil and derivatives.
- *Unconventional Energy:* areas include oil shale and oil sands; and nuclear energy.
- *Energy Efficiency:* areas include residential, commercial, agricultural, and the industrial sectors.
- *Renewable Energy:* areas include solar, wind, geothermal, biomass, and hydroelectric resources.
- *Energy Infrastructure:* areas include electricity transmission, fuel pipelines, and other energy delivery projects.

ISSUES AND RECOMMENDATIONS

The total FY 2013 appropriated budget for OED was \$1,386,800. Using the FY 2013 ongoing appropriation as the beginning point for the FY 2014 base budget, with changes in General Fund one-time (\$70,000); federal funds \$56,500; and dedicated credits revenue \$300; the base budget for the OED line item for FY 2014 is \$1,373,600.

The Analyst recommends the Legislature consider adopting the base budget of \$1,373,600, with \$989,600 from the General Fund.



The Analyst further recommends the following increases: \$110,000 ongoing from the State Energy Program (SEP) Revolving Loan Fund; and \$1,243,600 one-time from the Stripper Well-Petroleum Violation Escrow Fund.

ACCOUNTABILITY

High level performance measures provided by OED include the following:

Private investment leveraged: This measure captures any private investments on distributed or utility scale generation facilities or energy efficiency improvements that were leveraged by the allocation of OED funds (through tax incentives, rebates, loans or other programs). OED tracks total costs of all supported projects, and targets a 4:1 leverage goal for every dollar it invests in the community. (The leverage ratio for FY 2012 seems oversized due to the remaining federal stimulus dollars still flowing through OED.)

- Target: \$47,048,076
- Actual: \$72,940,005

Tax incentives authorized: In OED's first year, this measure only captured tax incentives authorized through the Renewable Energy Systems Tax Credit (RESTC). This incentive included investment tax credits for households and businesses and production tax credits for large-scale renewable energy projects such as Milford Wind and Blundell Geothermal. All tax credits OED awards are tracked and this measure is a summary of those credit amounts. The target is based on historical data suggesting the dollar amount of credits authorized grows at a rate of 60% each year. The credits authorized in FY 2012 exceeded the standard growth curve due to federal stimulus-based rebates offered by OED, which prompted an unusual amount of activity in rooftop solar. While these rebates are no longer in effect, Rocky Mountain Power's new Utah Solar Incentive Program, is expected to make this expanded market permanent. Further, while in FY 2012, the RESTC was the only active tax incentive managed by OED, in FY 2013, OED will authorize the first credits under the new Alternative Energy Development Incentive, which applies both to large-scale unconventional and renewable energy development.

- Target: \$1,966,080
- Actual: \$4,060,534

Participants at hosted educational events: This measure calculates the documented participation at all energy education events hosted by OED, including everything from a building codes training aimed at energy efficiency education, to the first annual Utah Governor's Energy Development Summit. The high target and actuals associated with this metric in FY 2012 can, in part, be associated with the federal stimulus funds that are no longer in play. (This measure is for events hosted and programmed by OED.)

- Target: 5,500 participants
- Actual: 6,524 participants

Intent Language

Under the terms of 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided for the Office of Energy Development in Item 171, Chapter 416, Laws of Utah 2012, shall not lapse at the close of FY 2013. Expenditures of these funds are limited to accomplishing the Governor's 10-year strategic energy plan, not to exceed \$400,000.

The Legislature intends that the Office of Energy Development purchase a vehicle in FY 2013.

BUDGET DETAIL TABLE

Office of Energy Development						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014*
General Fund	0	989,600	0	989,600	0	989,600
General Fund, One-time	461,500	70,000	0	70,000	(70,000)	0
Federal Funds	233,400	237,500	205,300	442,800	(148,800)	294,000
American Recovery & Reinvestment Act	15,657,100	0	3,963,800	3,963,800	(3,963,800)	0
Dedicated Credits Revenue	11,700	89,700	0	89,700	300	90,000
Beginning Nonlapsing	244,900	0	250,800	250,800	(250,800)	0
Closing Nonlapsing	(250,800)	0	0	0	0	0
Total	\$16,357,800	\$1,386,800	\$4,419,900	\$5,806,700	(\$4,433,100)	\$1,373,600
Programs						
Office of Energy Development	16,357,800	1,386,800	4,419,900	5,806,700	(4,433,100)	1,373,600
Total	\$16,357,800	\$1,386,800	\$4,419,900	\$5,806,700	(\$4,433,100)	\$1,373,600
Categories of Expenditure						
Personnel Services	1,089,700	516,600	673,000	1,189,600	(330,400)	859,200
In-state Travel	5,900	6,700	5,300	12,000	(5,000)	7,000
Out-of-state Travel	15,200	7,900	22,200	30,100	(25,100)	5,000
Current Expense	1,167,800	842,000	898,800	1,740,800	(1,293,000)	447,800
DP Current Expense	33,000	13,600	26,500	40,100	(15,500)	24,600
DP Capital Outlay	0	0	40,000	40,000	(30,000)	10,000
Capital Outlay	0	0	25,000	25,000	(25,000)	0
Other Charges/Pass Thru	13,928,000	0	2,610,800	2,610,800	(2,590,800)	20,000
Cost Accounts	118,200	0	118,300	118,300	(118,300)	0
Total	\$16,357,800	\$1,386,800	\$4,419,900	\$5,806,700	(\$4,433,100)	\$1,373,600
Other Data						
Budgeted FTE	16.00	22.00	(6.00)	16.00	(1.50)	14.50
Actual FTE	16.04	0.00	0.00	0.00	0.00	0.00
Vehicles	1	0	1	1	0	1

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.