



GOVERNOR'S OFFICE OF
ENERGY DEVELOPMENT

Advancing Utah's Energy Future

Governor's Office of Energy Development
FY2018 Base Budget Presentation
January 24, 2017

Dr. Laura Nelson, Executive Director

Role of the Governor's Office of Energy Development



- ▶ *Under the direction of the Governor's Energy Advisor, Dr. Laura Nelson, the Governor's Office of Energy Development (OED) serves as the "primary resource for advancing energy and mineral development in the state" through a variety of means including incentives and other forms of industry assistance, implementation of the state's energy policy and the Governor's energy sector goals and objectives, and engagement in energy and mineral education and outreach to K-12 and the broader public, including workforce development and research initiatives. (63M-4-401)*
 - ▶ Energy Infrastructure & Business Development
 - ▶ State & Federal Energy Policy
 - ▶ Energy Efficiency & Renewable Energy Projects
 - ▶ Energy Research, Education, and Workforce Development
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Performance in FY16



Energy Infrastructure & Business Development

- ▶ High Cost Infrastructure Tax Credit
- ▶ Woody Biomass

Energy Policy

- ▶ Avoiding unnecessary federal regulations. Utah coal mining, has an annual production value of around \$500 M

Energy Efficiency & Renewable Energy Projects

- ▶ Alternative Transportation – EV infrastructure
- ▶ Renewable Energy Systems Tax Credits

Energy Research, Education, and Workforce Development

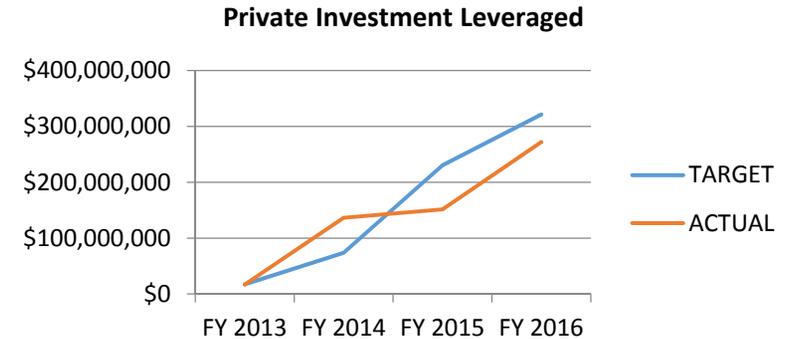
- ▶ Advanced Coal
 - ▶ Energy Research Triangle
 - ▶ K-12 Energy & Minerals Education
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COBI Metrics

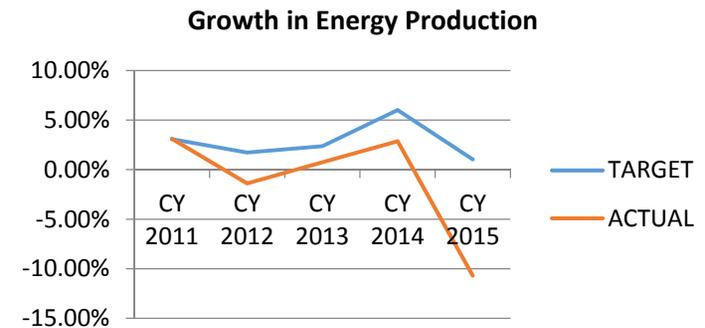


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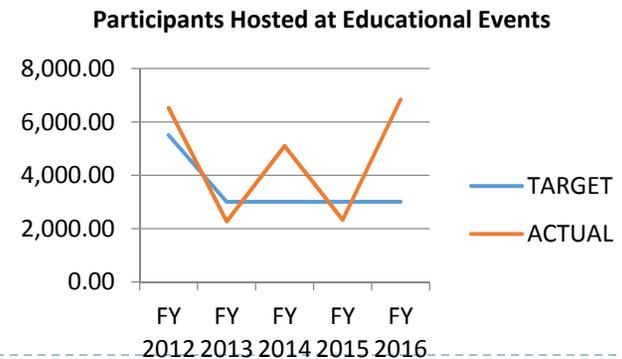
PRIVATE INVESTMENT LEVERAGED				
Year	FY 2013	FY 2014	FY 2015	FY 2016
Target	\$17,296,407	\$73,739,200	\$230,316,727	\$321,338,264
Actual	\$17,020,562	\$136,393,286	\$151,613,249	\$272,157,461
% of Target	98%	185%	66%	85%



GROWTH IN ENERGY PRODUCTION					
Year	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015
Target	3.08%	1.73%	2.37%	6.02%	1.03%
Actual	3.11%	-1.40%	0.75%	2.86%	-10.69%
% of Target	101%	-81%	32%	48%	-1037%
Δ from Target	0.02%	-3.13%	-1.62%	-3.16%	-11.72%



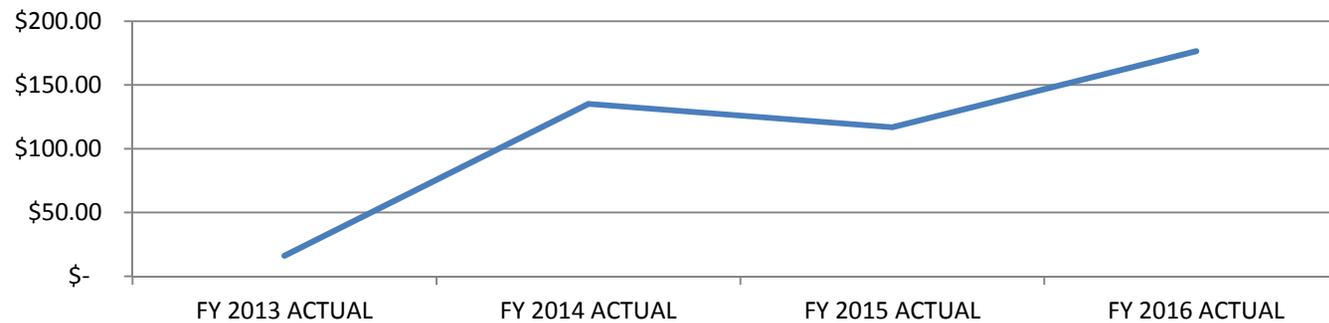
PARTICIPANTS HOSTED AT EDUCATIONAL EVENTS					
Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Target	5,500.00	3,000.00	3,000.00	3,000.00	3,000.00
Actual	6,524.00	2,266.00	5,097.00	2,325.00	6,842.00
% of Target	118.62%	75.53%	169.90%	77.50%	228%





OED Value and ROI

ROI



	FY 2013 ACTUAL	FY 2014 ACTUAL	FY 2015 ACTUAL	FY 2016 ACTUAL
Private Investment Leveraged	\$ 17,020,562.00	\$ 136,393,286.00	\$ 151,613,249.00	\$ 272,157,461.00
General Fund Appropriation	\$ 1,059,600.00	\$ 1,008,900.00	\$ 1,298,400.00	\$ 1,542,500.00
ROI	16:1	135:1	117:1	176:1
FTE's	14	14	15	14





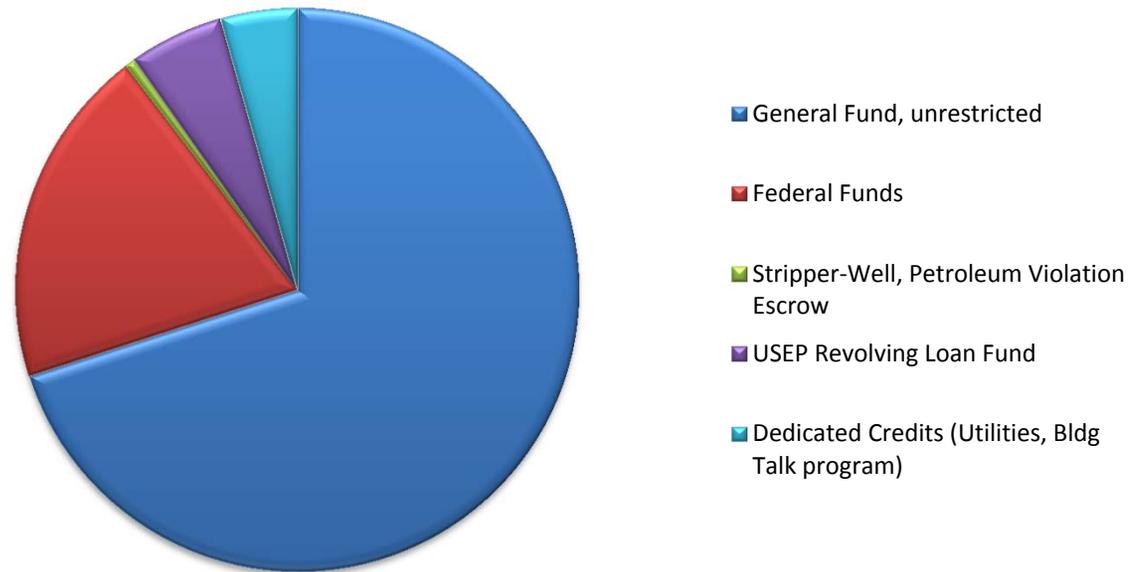
OED FTE Trends

FTE Trends

Office of Energy Development	ACTUAL			EST	BUDGETED
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Federal & PVE Funded Personnel					
EE RE Programs	3	4	3	4	4
RESTC	1	1	1	1	1
SEP TOTAL	4	5	4	5	5
General Fund Supported Personnel					
Administration	8	8	8	7	7
Business Development	2	2	2	2	2
HCITC (funded in the 2016 GS)	0	0	0	1	1
OEDAD TOTAL	10	10	10	10	10
FTE TOTAL	14	15	14	15	15



FY2018 Funding Structure



Office of Energy Development

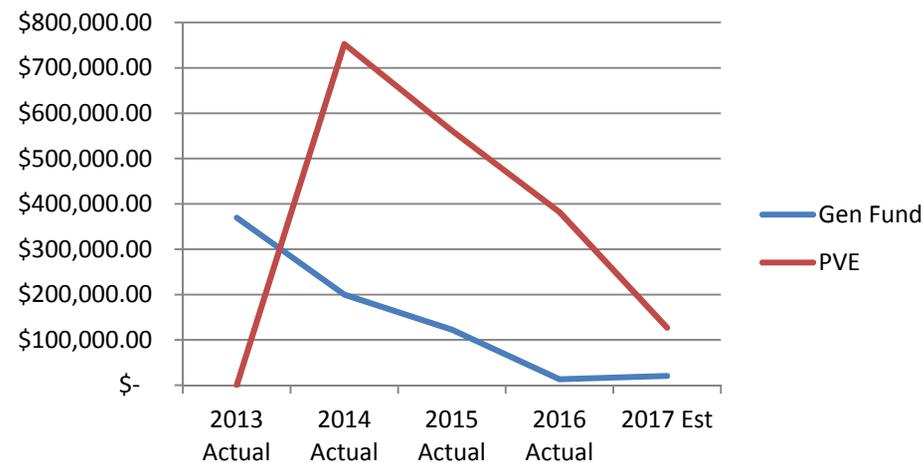
	<u>2018 Base Budget</u>	<u>% of Total</u>
General Fund, unrestricted	\$ 1,433,700.00	70.05%
Federal Funds	\$ 400,320.00	19.56%
Stripper-Well, Petroleum Violation Escrow	\$ 12,800.00	0.63%
USEP Revolving Loan Fund	\$ 110,000.00	5.37%
Dedicated Credits (Utilities, Bldg Talk program)	\$ 90,000.00	4.40%
TOTAL	<u>\$ 2,046,820.00</u>	



FY2017 Carry-Forward

Source of Funds	Amount	Purpose
PVE Stripper Well	\$ 126,833	DOE-approved programs in conjunction with State Energy Program
OEDAD (GF)	\$ 20,277	Western Interstate Energy Board (WIEB) membership
TOTAL	\$ 147,110	

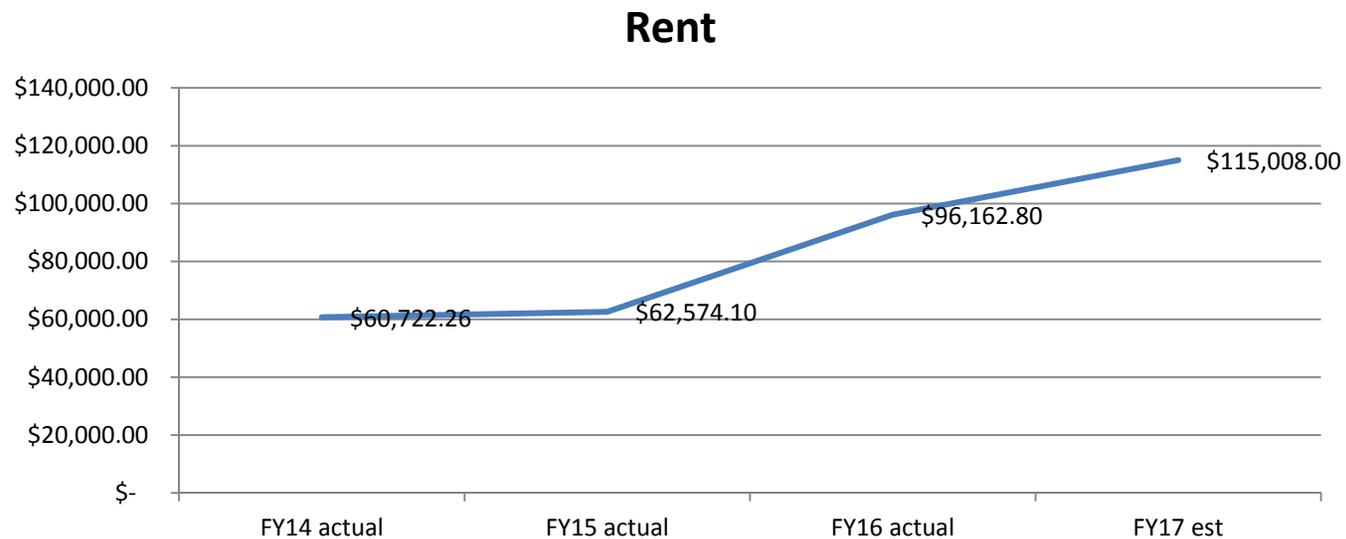
Non-Lapse Balances Trends





FY2018 Expenses & Trends

- Significant increases in rent have impacted operational costs



	FY15 actual	FY16 actual	FY17 est
Rent % increase	3%	54%	20%



Administrative Issues & Challenges in Coming Months, Years



- ▶ **Growth in tax credit programs may threaten capacity**
 - ▶ Alternative Energy Development Tax Credit; Renewable Energy Systems Tax Credit (ITC/PTC); High Cost Infrastructure Tax Credit
- ▶ **Current lease set to expire in April 2017. An FY2018 Building Block for a new lease is pending legislative approval.**
- ▶ **Stripper-Well PVE funds will be fully depleted by 6/30/2018.**
- ▶ **Adaptation to meet industry needs:**
 - ▶ Depressed commodity prices seem to have staying power
 - ▶ Rapidly changing utility business may challenge reliability & affordability
 - ▶ Rapid price declines, growth in deployment of distributed resources
 - ▶ Growing need for additional linear energy infrastructure
 - ▶ Growing opportunities for rural economic development
 - ▶ Growing importance of energy efficiency & conservation



Questions?

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Line Item: CSAA

Under the direction of the Governor's Energy Advisor, Dr. Laura Nelson, the Office of Energy Development serves the public by

- Advancing all forms of **responsible energy and minerals development** to enhance Utah's energy and minerals economy, and power Utah's overall economy with affordable, reliable and abundant energy.
- Effectively implementing state **energy policy**, and influencing federal energy policy to enable development of Utah's vast energy and mineral resources, including traditional, unconventional and renewable energy resources.
- Promoting **infrastructure** and **industry** development through targeted assistance, incentives and technology deployment to provide economic growth, **jobs** and better access to **markets**.
- Furthering **energy efficiency** as a resource, including alternative transportation, better building practices, and innovative financing tools.
- Fostering and delivering effective **energy and minerals education** to inform citizens and stakeholders, and develop a highly skilled **energy and minerals workforce**.

what we do

OED carefully evaluates and tracks projects to ensure taxpayer value and alignment with mission and strategic goals. COBI, however, captures only a subset of this activity. Not included in COBI metrics is OED's high-value **energy policy** work, including addressing major federal actions, delivers significant ROI. for Utah.

For example, OED led Utah's response to the EPA's Clean Power Plan (CPP), including developing state comments, legal briefs, and analysis for the AG's office resulting in a US Supreme Court stay of the CPP. These efforts helped avoid unnecessary costs to Utah's coal fleet that served 19,000 GWh of electricity to Utah customers in 2015, **valued at \$1.6 billion.**

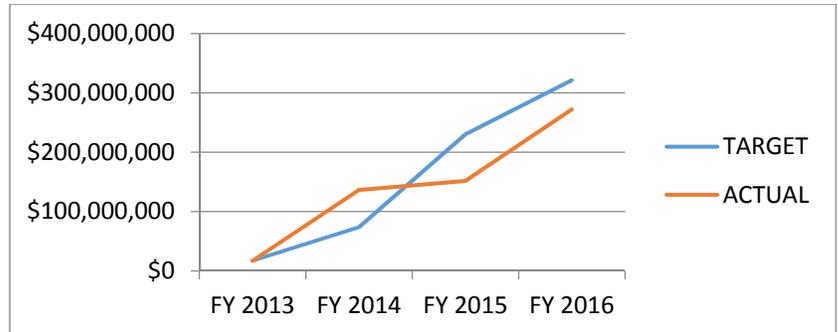
OED's engagement on the coal moratorium resulted in the approval of the Greens Hollow coal tract purchased by Bowie (**lease value: \$23M**) and reconsideration of Alton Coal's request for an exemption, as well as continued efforts to overturn the coal moratorium.

OED's COBI metrics include

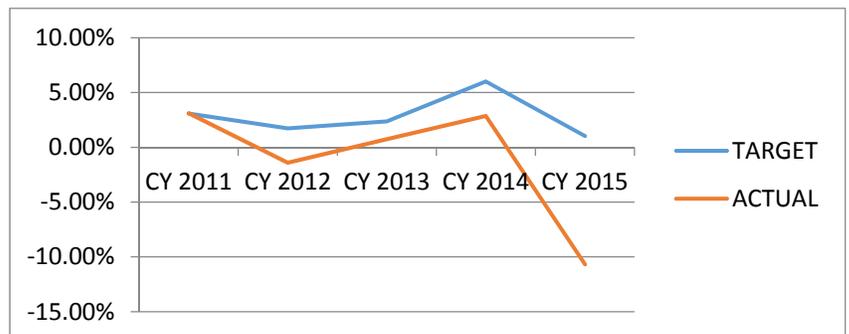
Energy Infrastructure and Business Development

performance

Private Investment Leveraged tracks investment in energy and minerals development projects in Utah, leveraged in conjunction with OED's incentives.

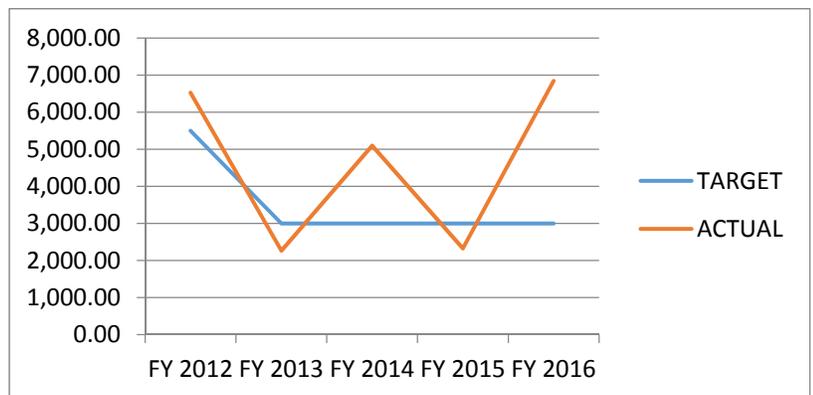


Growth in Energy Production tracks the growth of the state's production, measured against national production for the same year.



Energy Efficiency and Workforce Development

Constituents Directly Educated tracks participation at all public energy and minerals education events programmed and/or sponsored by OED. It includes energy code training, K-12 classroom programs including Energy Day, in conjunction with STEMfest, The Governor's Energy Development Summit, and guest lecture presentations at Utah's colleges and universities



Looking ahead...Strategic Engagement in the Energy and Minerals Sectors

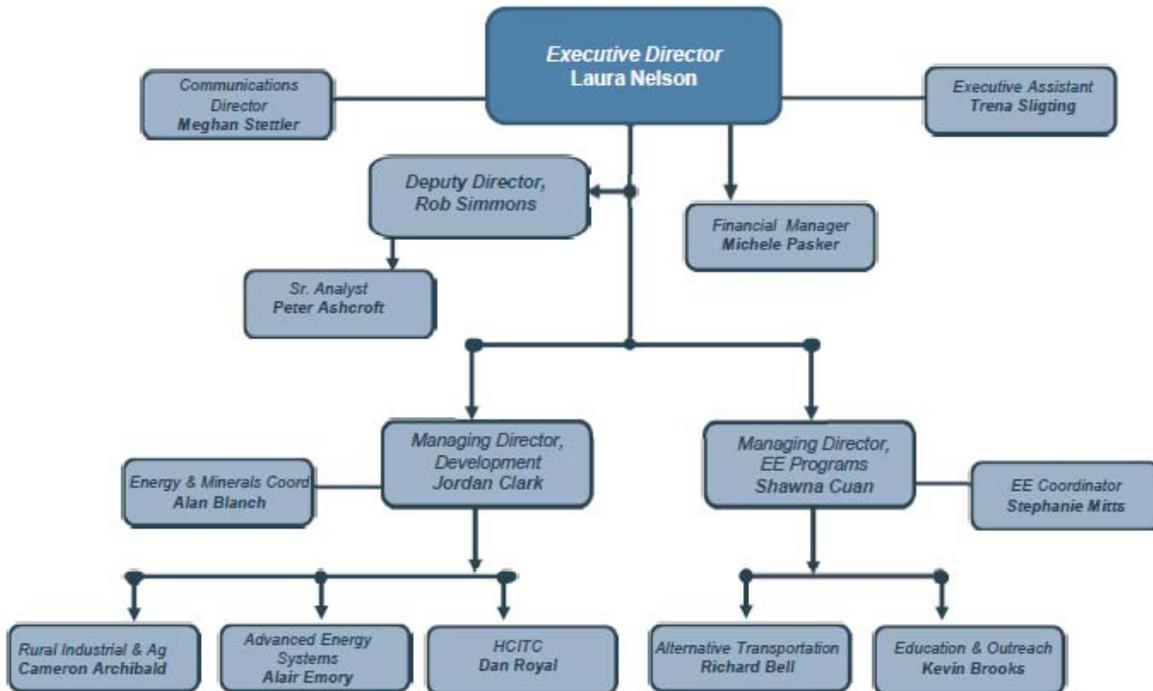
- (1) Focus on infrastructure and innovation including reducing the burden of emissions regulations on our oil and gas fields, building out new coal technologies; growing our rural economies; and addressing air quality challenges.
- (2) Expanding energy education in coordination with our agency partners to further the understanding of Utah's energy and minerals resources and enhance workforce development.
- (3) Through promotion of balanced policies and effective utilization of incentives, provide for enhanced energy and minerals development

OED provides the state with a unique set of values, and we partner with the legislature, agencies, and associations to ensure advancement of our shared goals. Our commitment to delivering on the promise of Utah's diverse energy and minerals resources includes the following:

- (1) --Advance energy transportation initiatives, including pipelines, rail, and other projects to enhance efficient access to markets
 - Work with industry in deploying new field technologies to reduce emissions
 - Continue our efforts to build Utah's EV charging infrastructure
 - Advance buildings energy efficiency through programs and education
- (2) Partnering with associations and other agencies to expand the energy and minerals education program, including delivering public service messages, providing the "Energy and Minerals Career day," and coordinating on energy research scholarships and grants.
- (3) Provide thoughtful input on federal policies, including those recently proposed and promulgated that will unnecessarily burden Utah's energy and minerals industries;
- (4) Deliver incentives for robust infrastructure development through the High Cost Infrastructure Tax Credit (HCITC) to realize rural economic goals and enhanced environmental outcomes.



Governor's Office of Energy Development

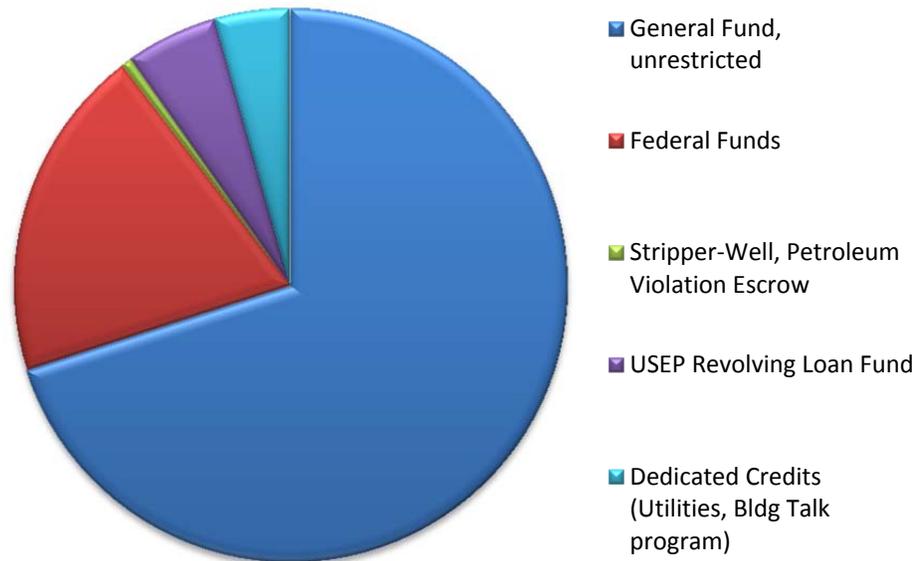


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OED Funding: 2018 Base Budget



OED Base Budget Funding Sources

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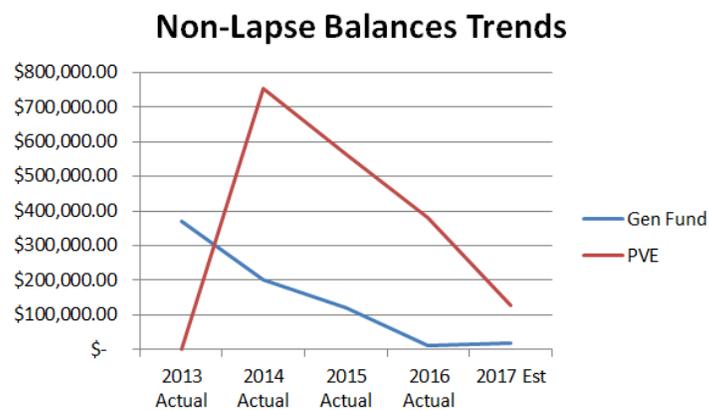
Non-Lapse Balances

OED has requested non-lapse authority for the estimated amounts and purposes listed below.

\$126,833 In FY2017, non-lapse funds have been used to leverage additional non-state funding for alternative transportation. In FY2018, they will be used to advance commercial/industrial energy efficiency projects in coordination with the U of U Industrial Assistance Center.

\$20,277 In FY2017, non-lapse funds were used for the State's membership in the Western Interstate Energy Board (WIEB). This organization studies regional interstate energy issues of greatest significance to western states, including: A) the western interconnection, the electric grid that serves all the western states, B) the management and disposition of nuclear waste, C) the regional pipeline and refinery infrastructure. OED's previous building block requests for this \$18,000 annual membership have not been funded. Consequently, OED relies on non-lapse funding to ensure Utah continues to have a leadership role in regional energy strategy and planning.

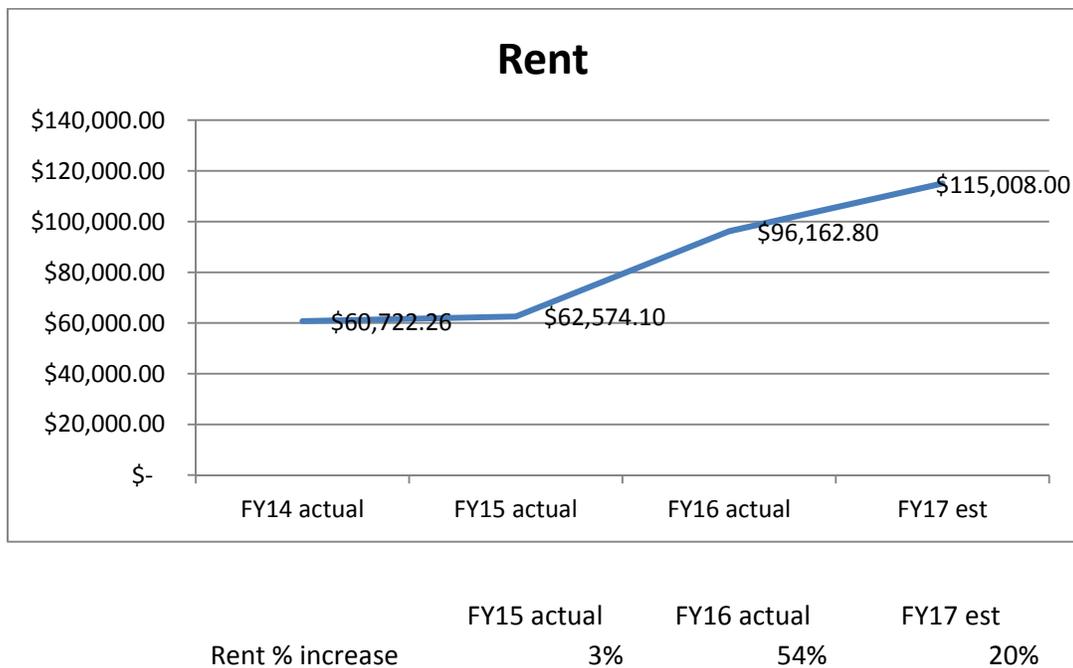
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Rising to the challenge. With no significant increase in FTEs, OED has effectively and efficiently responded to unprecedented growth in federal regulation threatening Utah's coal, oil and gas industry, as well as a new incentive program (HCITC), and rapid growth in existing incentive programs.

Operating expenses have been significantly impacted by the cost of rent in recent years. OED shares a portion of the 3rd floor in the WTC with the Governor's Office of Economic Development, WTC Utah and USTAR. Our current lease ends in April 2017. A building block to fund a new lease is pending legislative approval.

Expenditures



Reallocation of Base Budgets

The Office of Energy Development is continuously focused on optimizing staff and resources, as demonstrated in the reduction of 1 FTE in OED Administration in FY 2017 and FY 2018. The proposed 2% reduction in GF will require elimination of an additional .5 FTE in an area that provides critical support to Business Development.