

# Compendium of Budget Information for the 2014 General Session

## Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee

### Agency: Office of Energy Development

#### **Function**

The Office of Energy Development (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 on advancing energy development, delivery, and conservation in the following resource areas:

- Conventional Energy: areas include the fossil fuels of coal, natural gas, crude oil, heavy oil, and derivatives.
- Unconventional Energy: areas include oil shale, oil sands, and nuclear energy.
- Energy Efficiency: areas include residential, commercial, industrial, and agricultural sectors, as well as alternative transportation.
- Renewable Energy: areas include solar, wind, geothermal, biomass, and hydroelectric resources.
- Energy Infrastructure: areas include electricity transmission, pipelines, and other facilities associated with the delivery of energy resources.

OED's vision is to be the primary resource for advancing energy development in Utah. OED does this through five strategic objectives: 1) creating and implementing policy for the Governor, Legislature and State, 2) providing industry assistance, 3) building relationships, 4) seeking funding opportunities and, 5) supporting energy education.

OED's goal is to execute both the Governor's "10-year Strategic Energy Plan," a ten-year strategic energy plan and the State's Energy Policy, which was enacted in 2008 (63M-4-301).

OED is responsible for staffing or administering several incentives and programs, which include economic development tools created by the Utah State Legislature, and other deliverables associated with a U.S. Department of Energy (DOE) formula grant meant to foster energy conservation, renewable energy, alternative transportation, education and technology deployment in each of the fifty states. State incentives include the Alternative Energy Development Incentive, the Renewable Energy Systems Tax Credit, and the Utah Energy Infrastructure Authority. DOE program activities are aimed at building efficiency, industrial efficiency, advanced transportation, renewable energy support, and public outreach.

#### **Background**

H.B. 475 (2011 GS), State Energy Amendments: On the final day of the 2011 General Session, the Legislature passed H.B. 475 which created a new Office of Energy Development (OED). The bill combined energy-related functions and budgets from other areas of state government, creating a central state resource for energy development and policy in the energy sector.

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### **Statutory Authority**

The Office of Energy Development is governed by the following sections of the Utah Code:

- UCA 63M-4-401 created the Office of Energy Development.
- UCA 63M-4-201 outlines the role of the Governor's Energy Advisor, who coordinates with and oversees the Office of Energy Development.
- UCA 63M-4-301 is the state's energy policy (2008).
- UCA 63M-4-501 delineates the alternative energy development tax credit, for use in fostering new energy resources (i.e. unconventional fossil fuels, nuclear, and renewable resources).
- UCA 59-7-614.7 delineates the renewable energy systems tax credit from corporate franchise and income taxes.
- UCA 59-10-1029 delineates the renewable energy systems tax credit from the Individual Income Tax Act.
- UCA 63H-2-201 delineates the Utah Energy Infrastructure Authority, the board for which is chaired by the Governor's Energy Advisor and staffed by the Office of Energy Development.

### **Performance**

The Office of Energy Development became an office in 2011; therefore, performance measures only exist for two years.

Private investment leveraged: This measure captures private investments on energy development projects in the State that were leveraged in conjunction with OED's incentives, whether through tax incentives, rebates, loans, or other funding programs, or through staff time. OED targets a leverage goal of at least 4:1. *NOTE:* OED's FY 2013 target was significantly lower than in FY 2012 due to the Office having finalized its four years of American Reinvestment and Recovery Act (ARRA) activities, approximately \$35 million.

| <b>Private Investment Leveraged</b> |                |                |
|-------------------------------------|----------------|----------------|
| <b>Year</b>                         | <b>FY 2012</b> | <b>FY 2013</b> |
| <b>Target</b>                       | \$ 47,048,076  | \$ 17,296,407  |
| <b>Actual</b>                       | \$ 72,940,005  | \$ 17,020,562  |

Tax incentives authorized: This measure captures the number of discrete applications reviewed and approved by OED. It serves as a snapshot of the degree of outreach and engagement the Office has in the community. Incentives help to facilitate small distributed energy projects, large-scale energy production or generation activities, and a range of other project types. The goal of this measure is to capture trends in the application and approval of each tax credit OED administers.

| <b>Tax Incentives Authorized</b> |         |         |
|----------------------------------|---------|---------|
| Year                             | FY 2012 | FY 2013 |
| Target                           | 245     | 606     |
| Actual                           | 505     | 652     |

Participants at hosted educational events: This measure calculates the documented participation at all energy education events hosted by OED, including functions such as building codes training aimed at energy efficiency education, to the annual Governor's Energy Development Summit. This measure is valuable to OED since part of its mission is to educate Utahns about energy development in the State and to promote the expansion of responsible energy development activities in the State.

Note: This measure is for events *hosted* and *programmed* by OED, the number would be roughly two times larger if it also captured events *supported* by OED.

| <b>Participants at Hosted Educational Events</b> |         |         |
|--|---------|---------|
| Year   | FY 2012 | FY 2013 |
| Target   | 5,500   | 3,000   |
| Actual   | 6,524   | 2,266   |

In addition to the performance measures listed above, the Office tracked and/or advocated for 29 successful energy development-related bills, providing regular updates to the Governor and other key partners (during the 2013 General Session).

Additionally, OED meets regularly with federal land management agencies and others to ensure that project timelines are reduced or impediments are removed, and regularly pairs project proponents with prospective investors and other parties essential to their project's success. OED staff commits time on this type of direct coordination with industry and on industry's behalf and time on policy measures critical to energy development.

**Issues/Analysis**

This link provides a trend analysis for the Office of Energy Development's line item for funding and expenditures.

## Funding Detail

For more detail about a particular source of finance or organizational unit, click a linked entry in the left column of the table(s) below.

**Table 1: Operating and Capital Budget Including Expendable Funds and Accounts**

| Sources of Finance                     | 2013<br>Actual     | 2014<br>Approp     | 2014<br>Change  | 2014<br>Revised    | 2015<br>Change     | 2015<br>Approp     |
|--|--------------------|--------------------|-----------------|--------------------|--------------------|--------------------|
| General Fund                           | \$989,600          | \$1,006,900        | \$0             | \$1,006,900        | \$287,600          | \$1,294,500        |
| General Fund, One-time                 | \$70,000           | \$0                | \$2,000         | \$2,000            | \$1,900            | \$3,900            |
| Federal Funds                          | \$0                | \$299,400          | \$448,300       | \$747,700          | (\$363,700)        | \$384,000          |
| American Recovery and Reinvestment Act | \$3,594,400        | \$0                | \$0             | \$0                | \$0                | \$0                |
| Dedicated Credits Revenue              | \$143,800          | \$90,000           | \$0             | \$90,000           | \$0                | \$90,000           |
| USEP Revolving Loan Fund (ARRA)        | \$0                | \$110,000          | \$0             | \$110,000          | \$0                | \$110,000          |
| GFR - Oil Overchg - Stripper Well      | \$0                | \$1,243,600        | \$0             | \$1,243,600        | (\$1,243,500)      | \$100              |
| Beginning Nonlapsing                   | \$250,800          | \$0                | \$369,400       | \$369,400          | \$383,400          | \$752,800          |
| Closing Nonlapsing                     | (\$369,400)        | \$0                | (\$752,800)     | (\$752,800)        | \$752,800          | \$0                |
| <b>Total</b>                           | <b>\$4,679,200</b> | <b>\$2,749,900</b> | <b>\$66,900</b> | <b>\$2,816,800</b> | <b>(\$181,500)</b> | <b>\$2,635,300</b> |

| Line Items                   | 2013<br>Actual     | 2014<br>Approp     | 2014<br>Change  | 2014<br>Revised    | 2015<br>Change     | 2015<br>Approp     |
|------------------------------|--------------------|--------------------|-----------------|--------------------|--------------------|--------------------|
| Office of Energy Development | \$4,679,200        | \$2,749,900        | \$66,900        | \$2,816,800        | (\$181,500)        | \$2,635,300        |
| <b>Total</b>                 | <b>\$4,679,200</b> | <b>\$2,749,900</b> | <b>\$66,900</b> | <b>\$2,816,800</b> | <b>(\$181,500)</b> | <b>\$2,635,300</b> |

| Categories of Expenditure | 2013<br>Actual | 2014<br>Approp | 2014<br>Change | 2014<br>Revised | 2015<br>Change | 2015<br>Approp |
|---------------------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| Personnel Services        | \$1,108,300    | \$1,558,200    | (\$372,900)    | \$1,185,300     | \$212,100      | \$1,397,400    |
| In-state Travel           | \$6,400        | \$17,500       | \$1,200        | \$18,700        | \$0            | \$18,700       |

|                         |                    |                    |                 |                    |                    |                    |
|-------------------------|--------------------|--------------------|-----------------|--------------------|--------------------|--------------------|
| Out-of-state Travel     | \$18,200           | \$7,000            | \$15,600        | \$22,600           | \$0                | \$22,600           |
| Current Expense         | \$487,800          | \$476,000          | \$996,500       | \$1,472,500        | (\$373,600)        | \$1,098,900        |
| DP Current Expense      | \$115,100          | \$38,600           | \$22,600        | \$61,200           | (\$4,500)          | \$56,700           |
| DP Capital Outlay       | \$0                | \$10,000           | (\$10,000)      | \$0                | \$0                | \$0                |
| Capital Outlay          | \$0                | \$0                | \$10,000        | \$10,000           | (\$10,000)         | \$0                |
| Other Charges/Pass Thru | \$2,816,600        | \$642,600          | (\$642,600)     | \$0                | \$0                | \$0                |
| Cost Accounts           | \$110,500          | \$0                | \$46,500        | \$46,500           | (\$5,500)          | \$41,000           |
| Transfers               | \$16,300           | \$0                | \$0             | \$0                | \$0                | \$0                |
| <b>Total</b>            | <b>\$4,679,200</b> | <b>\$2,749,900</b> | <b>\$66,900</b> | <b>\$2,816,800</b> | <b>(\$181,500)</b> | <b>\$2,635,300</b> |

| Other Indicators | 2013<br>Actual | 2014<br>Approp | 2014<br>Change | 2014<br>Revised | 2015<br>Change | 2015<br>Approp |
|------------------|----------------|----------------|----------------|-----------------|----------------|----------------|
| Budgeted FTE     | 22             | 15             | (2)            | 13              | 0              | 13             |
| Actual FTE       | 14             | 0              | 0              | 0               | 0              | 0              |
| Vehicles         | 1              | 1              | (1)            | 0               | 1              | 1              |

COBI contains unaudited data as presented to the Legislature by state agencies at the time of publication. For audited financial data see the State of Utah's Comprehensive Annual Financial Reports.