

Recommendation

***Strategic Review of***

***Small-Scale Energy Loan Program***

***Recommendation: The Small-Scale Energy Loan Program Advisory Committee (SELPAC) recommends that ODOE undertake a comprehensive “strategic review” of the Small-Scale Energy Loan Program (SELP). The objective of this strategic review is to identify necessary changes and desirable improvements to SELP to ensure that it is an effective and robust energy projects loan program.***

**Background**

Over its 37 year history, SELP has made loans of \$612 million to a wide range of borrowers. Primarily due to two large loan defaults between 2008 and 2010, the program currently has a projected cash flow deficit of \$11 million. Despite the negative impacts and repercussions of the deficit, ODOE believes the SELP program has value to the state; conversations at the Oregon Legislature show a similar sentiment. There have been recent discussions as to the best long-term departmental “fit” for SELP. In the 2017 legislative session, a bill was considered that would have transferred the program from ODOE to Business Oregon.

SELP is somewhat unique in that it serves a “niche” energy services market. There are two reasons for this. First, the majority of SELP loans are made to entities whose primary business is *not* energy – for example, Rogue Creamery or school districts. Second, the energy projects funded by SELP tend to be capital-intensive, such as energy efficiency measures and renewable resources, and can be challenging to finance conventionally. The terms and conditions of financing are a primary factor in “GO/NO GO” decisions for these types of energy projects. *(NOTE: Traditional energy providers, such as electric utilities and established independent power producers, are generally experienced with capital-intensive projects and have established project financing mechanisms.)*

From a broader perspective, there are some relatively recent trends in energy project development that should shape SELP’s future. This includes markets forces; state regulations regarding greenhouse gas emissions and renewable resource goals; the emergence of new technologies for energy generation and storage; and actions that support greater physical and cyber security standards. For SELP to be an effective and robust energy projects loan program, it should accommodate both technologies and actions not specifically envisioned when the program was initiated.

## Framework for Strategic Review

SELPAC recommends that ODOE seek out a third party or a state of Oregon resource with significant strategic planning experience to facilitate the development of a prospective strategic plan for the SELP program. The developed strategic plan should serve as a resource to inform recommendations to program stakeholders on the future of SELP.

The development of the plan should include input from a broad range of stakeholders, including SELPAC members, ODOE staff, Business Oregon, an appointee from the Governor's Office, Energy Trust of Oregon, other organizations/companies involved with renewable energy projects and energy efficiency projects, electric and gas utilities, consultants/specialists from both the energy sector and building sector, community partners, and interested citizens. Ultimately, the plan should propose a broad 10-year vision for the future direction of SELP. The proposed plan should address, at a minimum, the following topics:

- **Overall mission** – clear definition of program goals and objectives, proposed initiatives, and metrics for success.
- **Financial models** – proposed financing mechanism should evidence the flexibility to address emerging technologies (e.g., distributed generation, energy storage) and critical energy infrastructure (e.g., cyber security, seismic protection).
- **Loan guidelines** – discuss the adequacy of existing administrative rules to ensure program safety and soundness.
- **Role of SELPAC** – update functions, responsibilities, and makeup of committee if warranted.

Additionally, SELPAC encourages ODOE to (1) survey past SELP loan recipients for their views and assessments of the program and (2) contact prospective loan recipients regarding their perspectives on energy lending and state assistance.

## Offer of Assistance

Please contact SELPAC officers if there are any questions or if assistance/support is needed.



# Oregon

Kate Brown, Governor



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Small Scale Energy Loan Program  
Advisory Committee Meeting Minutes  
September 26, 2017  
550 Capitol Street NE

SELP  
Advisory Committee

Jack Flug, Chair  
Mike McArthur  
Kevin Watkins  
Doug Benson  
John Elliott  
Jennifer Letz

## PRESENT

SELPAC: Jack Flug, John Elliott via Phone: Kevin Watkins.

ODOE Staff: John Hobbs, Mike Kaplan, Blake Johnson, Jennifer Kalez

PUBLIC: Jennifer Jolly, Alex Shields

## CALL TO ORDER

Jack Flug called the meeting to order at 10:15 a.m.

## ANNOUNCEMENTS

Flug called for announcements.

Hobbs announced the resignation of SELPAC members Jane Horsey and Ken Leiserson.

## APPROVAL OF AGENDA

Flug called for changes or additions to the agenda.

No changes. The agenda was approved by unanimous vote. (No quorum met)

## Work Session

### Q & A with Agency Director Kaplan

Director Kaplan fielded questions related to the potential future of the SELP program, the 2017 legislative session and the current scope of the SELP deficit.

### SELP Planning

Hobbs facilitated a discussion on the ways in which SELPAC could remain engaged with the SELP program in the absence of new loan originations. The discussion included an overview of the existing program rules and statutes, historical underwriting standards, potential funding options, the ways in which SELPAC could provide assistance to SELP staff in order to articulate a current vision for the program, program strategic planning and potential next steps for moving forward. The outcome of the discussion was that SELPAC would, upon obtaining a quorum,

discuss a directive to SELP to commence with a strategic planning process to consider the future of the program.

**NEXT MEETING**

The next meeting will be TBD with the assumption that the frequency of meetings will need to increase to facilitate potential work.

**ADJOURNMENT**

Flug adjourned the meeting at 11:40 a.m.

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Jack Flug, Chair

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Date

Pending Notes