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April 2, 2025

Representative John Lively  
Chair, House Committee on Climate, Energy, and Environment  
900 Court St. NE H-481  
Salem, OR 97031

RE: Written Testimony in Support of House Bill 3653

Dear Chair Lively, Vice Chairs Levy and Gamba, and Members of the Committee,

My name is Kerry Meade, and I'm the Executive Director of Building Potential, a nonprofit trade association that represents businesses delivering energy efficiency and building performance services throughout Oregon and Washington. I'm writing today as a representative of Oregon's building efficiency industry to share our strong support for HB 3653, which proposes a set of important clarifications to modernize and improve the state's Energy Performance Contracting (EPC) framework.

Energy performance contracting is a proven, voluntary tool that allows public agencies to upgrade and maintain their building systems—such as lighting, HVAC, and controls—often without any upfront capital investment. This model is especially valuable for cash-constrained schools, local governments, and other public entities facing deferred maintenance and rising energy costs.

The process begins with an Investment Grade Audit—a rigorous, engineering-based analysis that identifies viable improvements and calculates the energy and operational savings those improvements will yield over time. The resulting savings are then guaranteed by the energy service company (ESCO) that implements the project. If the savings don't materialize, the ESCO is contractually obligated to cover the difference. This shifts performance risk away from public agencies and onto the ESCO.



Unlike traditional capital project delivery, where a design team is hired, bids are issued, and change orders and overruns are common, EPCs are integrated, performance-based, and outcome-driven from the start. It's a model that has proven effective nationwide, particularly in Washington, Colorado, and at the federal level through the Federal Energy Management Program (FEMP).

Unfortunately, Oregon's current framework has not kept pace, and as a result, the program is underutilized. HB 3653 addresses this by making three targeted technical updates to bring the program in line with national best practices and make it more accessible for public agencies across the state.

#### Key Updates in HB 3653

- **Streamline Procurement:** the bill clarifies that the Oregon Department of Energy's (ODOE) prequalification process for ESCOs can serve as the sole procurement step. This means agencies can select directly from the ODOE list, without having to issue a second, duplicative RFP. This change is consistent with practices in Washington and Colorado, where it has reduced red tape, accelerated project timelines, and encouraged broader participation—without reducing competition or transparency.
- **Expand the Definition of Eligible Projects:** currently, EPCs in Oregon are narrowly defined, focused only on traditional energy efficiency. HB 3653 expands this to include modern energy solutions such as onsite renewable generation, electrification, and battery storage. These are exactly the kinds of upgrades needed to meet the state's climate and energy goals, including Oregon's recently adopted Building Performance Standard. Allowing these technologies within the EPC framework gives agencies a practical, performance-based path to comply.
- **Modernize Cost-Effectiveness Criteria:** the bill also updates how we evaluate the value of an EPC project. Instead of looking only at energy bill savings, it encourages consideration of: operational and maintenance savings, avoided capital replacement costs, deferred maintenance, and total cost of ownership. This reflects the way projects are evaluated in leading programs across the country, including the federal government, and supports better decision-making—especially for projects where energy savings alone don't capture the full value.



These changes are technical clarifications, not expansions of state spending or mandates. They remove existing bottlenecks and give public agencies greater flexibility to use a powerful, fiscally responsible tool to improve buildings, reduce emissions, and strengthen infrastructure.

Thank you for your time and consideration and thank you to Representatives Emerson Levy and Bobby Levy for their leadership in bringing this bill forward. I respectfully urge your support for HB 3653.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kerry Meade", is positioned above the printed name.

**Kerry Meade**  
Executive Director  
Building Potential