

HOUSE COMMITTEE ON ENVIRONMENT AND ENERGY

February 19, 1997 Hearing Room E

1:00 P.M. Tapes 22 - 23

MEMBERS PRESENT:

Rep. Frank Shields, Vice-Chair

Rep. Michael Fahey

Rep. Mike Lehman

Rep. Dennis Luke

Rep. Mark Simmons

Rep. Jim Welsh

MEMBER EXCUSED: Rep. Leslie Lewis, Chair

STAFF PRESENT:

Judith Gruber, Policy Analyst

Marjorie Taylor, Administrative Support

MEASURE/ISSUES HEARD:

HB 2611 Public Hearing

HB 2413 Public Hearing

SB 84 Public Hearing

SB 136 Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

Tape/#	Speaker	Comments
TAPE 22, A		
004	Vice-Chair Shields	Calls the meeting to order at 1:12 p.m. Opens as a subcommittee.
<u>HB 2611</u>		

<u>PUBLIC HEARING</u>		
006	Vice-Chair Shields	Opens the public hearing on HB 2611.
016	Judith Gruber	Policy Analyst, summarizes HB 2611.
022	Rep. Tim Josi	State Representative, Tim Josi presents (EXHIBIT A) .
035	Vice-Chair Shields	Opens as full committee.
038	Rep. Josi	Provides an explanation of HB 2611. Indicates the Department of Environmental Quality's (DEQ) current program of requiring security bonds for the construction of sewage systems is not currently used. States that the current law is also unevenly applied based on a building's license of operation. Also, the current bond level required is inadequate.
079	Martin Peterson	Owner, Hillcrest Mobil Home Park, Napa. Relates personal experience with DEQ, bonds, and a new sewer system.
122	Vice-Chair Shields	Asks if the law has outlived it's usefulness or if it is not used due to changes in operation practices.
126	Rep. Josi	Indicates that the law never had a useful purpose.
131	Rep. Luke	Asks if HB 2611 applies to sewage disposal plants.
135	Rep. Josi	Only if the plant is privately owned and it doesn't involve a separately licensed business.
146	Rep. Luke	Verifies that the system must be for more than four families.
153	Rep. Josi	Indicates that the commission may exempt other facilities.
154	Rep. Luke	Asks if DEQ can currently exempt facilities.
155	Rep. Josi	Answers affirmatively.
157	Rep. Luke	Asks why DEQ hasn't eliminated the law using administrative rules.
158	Rep. Josi	DEQ wants to eliminate the law.
160	Rep. Luke	Asks what safety net is in place to keep owners from abandoning private sewer systems.
168	Rep. Josi	Asks for a DEQ representative to answer the question.
176	Vice-Chair Shields	Asks DEQ to provide an explanation.

179	Stephanie Hallock	Administrator, Eastern Region, Department of Environmental Quality. Water Quality Division Administrator. Expresses support for HB 2611. Indicates that the current law was enacted before enforcement controls were in place and the law hasn't been used. Current enforcement practices would guard against abandonment.
196	Rep. Luke	Asks if HB 2611 is related to only construction of a system and not the maintenance of it.
198	Rep. Josi	The bond is for construction and maintenance.
199	Rep. Luke	Verifies that a bond would have to stay in place as long as the system is place. Asks what mechanism is in place to protect citizens hooked up to a private system.
208	Hallock	DEQ has a civil penalty authority which would be assessed against the owners of the system not the users. DEQ has criminal enforcement authority in some cases.
220	Rep. Luke	A civil penalty holds little comfort to those citizens who have been stranded by a delinquent owner. Verifies that DEQ can only take civil or criminal action.
231	Hallock	Answers affirmatively.
234	Peterson	States that a bond on his system wouldn't take care of any potential problems.
240	Rep. Luke	Asks if Mr. Peterson's system is outside of the urban growth boundary.
243	Peterson	Yes.
252	Rep. Josi	Indicates that the law is burdensome to owners and it doesn't take care of problems for DEQ.
256	Vice-Chair Shields	Verifies that the law has never been utilized.
258	Rep. Josi	The law ties up money for the owners of private systems.
260	Peterson	States that he can't use any money that must be paid to DEQ in bond.
264	Rep. Luke	Speaks of contractors bonds.
268	Peterson	Explains DEQ's process of holding bond money.
275	Vice-Chair Shields	Indicates that there is still confusion related to HB 2611.
276	Rep. Luke	Asks for a written statement from DEQ stating their support for HB 2611.
281	Rep. Josi	Asks if DEQ's verbal statement to the committee is sufficient.
283	Rep. Luke	Explains the reasoning for having a written statement from DEQ.
293	Peterson	Expresses confusion over the concern of owners abandoning a broken

		system.
297	Vice-Chair Shields	Acknowledges Mr. Peterson's comments.
299	Rep. Luke	Indicates that the state law must apply to everyone.
307	Rep. Josi	If the current law was effective, it would have been utilized.
310	Rep. Welsh	Indicates that part of HB 2611's solution is to end the uneven application of the current law.
328	Vice-Chair Shields	Closes the public hearing on HB 2611.
<u>HB 2413</u> <u>PUBLIC</u> <u>HEARING</u>		
331	Vice-Chair Shields	Opens the public hearing on HB 2413.
341	Judith Gruber	Policy Analyst, summarizes HB 2413.
354	Stephanie Hallock	Administrator, Eastern Region, Department of Environmental Quality. Administrator, Water Quality Division. Indicates three main concerns with the bill. The bill does not indicate that a receiving stream would not be impacted by geothermal waters. There are no provisions as to whether discharged water will meet quality standards. Relating to the Clean Water Act, Federal regulations require permits for discharge to surface water (EXHIBIT B) .
<u>TAPE 23, A</u>		
010	Hallock	DEQ wants to find alternatives other than legislation to solve the current issues and concerns. General permits with lower fees can be created by DEQ. There might be alternatives to discharge also.
024	Rep. Luke	Asks if federal and state standards and processes for geothermal discharge are different.
032	Hallock	State and federal processes are different, but Oregon has been delegated by the Environmental Protection Agency (EPA) to run a federal program called the National Pollutant Discharge Elimination System (NPDES). Oregon issues permits instead of the EPA. DEQ must uphold the standards of the Clean Water Act. Indicates that if HB 2413 is passed, the EPA will be concerned that DEQ is not following the standards.
054	Vice-Chair Shields	Asks what the EPA would do if HB 2413 passed.
057	Hallock	EPA can take over the authority of the NPDES program or they can institute an enforcement overfile where the EPA would handle an enforcement issue

		in a way they find appropriate.
066	Rep. Simmons	Asks which of federal or state rules is more strict.
068	Hallock	The rules are equivalent, but if HB 2413 was to take effect, federal rules would be more strict.
071	Rep. Luke	Asks the cost of a permit.
073	Hallock	An individual NPDES permit is \$8000. DEQ wants to create a general permit category with a \$250 initial fee and \$150 annual compliance fee.
080	Vice-Chair Shields	Asks why DEQ hasn't already created the general permit category.
082	Hallock	Does not know the answer to the question.
083	Rep. Luke	Asks why the fees weren't lowered to begin with.
084	Hallock	DEQ would need a rule change to lower the fees.
092	Vice-Chair Shields	Verifies that discharge shouldn't go into a stream, but a general permit can be used for discharge used for irrigation purposes.
095	Hallock	Discharge to surface water needs a federal permit. Discharge to land requires a state Water Pollution Control Facility permit. DEQ wants to explore permit options.
110	Rep. Simmons	Verifies that the force behind the permits is the Clean Water Act.
111	Hallock	Responds affirmatively.
112	Rep. Simmons	Clarifies that permits are required for the discharge of hot water.
113	Hallock	Responds affirmatively.
117	Rep. Simmons	Points out that there are natural occurrences of geothermal waters being discharged into surface waters without a permit. Believes that the permitting process is not necessary and is one indication of problems with the Clean Water Act.
123	Rep. Luke	Verifies that a permit is not needed to pump the water out of the ground, only to put it back into the stream.
127	Hallock	Responds affirmatively.
130	Rep. Luke	Verifies that if the chemical composition of the fluid is not changed during circulation, it can go back into the stream.
132	Hallock	Responds affirmatively.
133	Vice-Chair Shields	Verifies that the goal is to not get major pollutants into the water.
134	Hallock	Responds affirmatively.

139	Vice-Chair Shields	Indicates that DEQ needs to work on HB 2413.
140	Vice-Chair Shields	Closes the public hearing on HB 2413.
<u>SB 84 PUBLIC HEARING</u>		
143	Vice-Chair Shields	Opens the public hearing on SB 84.
150	Judith Gruber	Policy analyst, summarizes SB 84.
170	Mike Grainey	Assistant Director, Office of Energy. Indicates that SB 84 amends the small scale energy loan program which provides loans for energy conservation and small scale renewable energy projects. The bill addresses specific concerns that have been raised by loan applicants. Loans can be made to state agencies, but it is not clear if they can be made to state corporations such as Oregon Health Sciences University. The bill will allow loans for energy conservation in federally owned buildings. The bill will also allow financing of an upgrade to an existing facility to extend the life of the facility or increase the output. SB 84 proposes to change the state agency payback requirement (EXHIBIT C) .
229	Rep. Luke	Verifies that the state will be paying more for energy efficiency.
232	Grainey	Energy efficiency for new state and federal buildings adds more to the upfront cost.
243	Vice-Chair Shields	Asks what the return rate of efficiency measures will be.
245	Grainey	It varies by building, but approximately 10-12 years.
257	Vice-Chair Shields	Asks how much a building can save per year using energy saving measures.
265	Grainey	If \$1,000,000 is invested, the savings on energy costs is calculated to be \$100,000 per year.
276	Vice-Chair Shields	Verifies that the life of a typical building would be 30-40 years.
280	Grainey	Provides written testimony from the Bonneville Power Administration. (EXHIBIT D) . Portland General Electric had two concerns with SB 84 which are resolved by the proposed amendments. First concern is the definition of eligible federal agency which restricts agencies to not use the

		loan program to finance activities which will result in the commercial sale of energy. The second concern has to do with hydroelectric facilities where a rival agency can't make improvements on a facility to gain an advantage on relicensing.
330	Rep. Luke	Asks where the funds for the program are coming from.
332	Grainey	There are state general obligation bonds that are issued by the Department of Energy
335	Rep. Luke	Asks what the default rate is on the loans.
339	Grainey	Only two loans have been defaulted on.
351	Rep. Luke	Asks how much bonded indebtedness is out now.
353	Grainey	Total bonds outstanding equals \$200,000,000 since the program was established in 1980.
371	Rep. Luke	Asks how much the program has in loans.
375	Grainey	Approximately \$350,000,000.
382	Larry Grey	Office of Energy. Indicates that there are approximately \$175,000,000 in outstanding loans.
392	Rep. Luke	Asks if the department has the authority to issue more than \$200,000,000 in bonds and if they are seeking that authority.
TAPE 22, B		
004	Grainey	Under federal and state laws, the total bond authority is higher.
010	Rep. Luke	Asks if the department is making a profit with the program.
012	Grey	The department does not make a profit on the loans.
015	Rep. Luke	Verifies that SB 84 allows state bonds to be used federal projects.
021	Grainey	Answers affirmatively.
023	Rep. Luke	Asks the reason for this.
024	Grainey	Federal buildings need energy improvements also and won't be done under the federal budgeting system.
030	Grey	Indicates that the U.S. Department of Energy's Federal Management Program has stated that there are insufficient funds in this region to make the necessary improvements to reduce operating costs.
035	Vice-Chair Shields	Asks if there is a downside for Oregon citizens to pay for federal improvements.
041	Grey	There is an upside for Oregonians. The federal buildings will be running more efficiently using Oregon energy.

047	Rep. Luke	States that it makes no sense to have bonded indebtedness on new construction for efficiency measures that should have been included.
055	Vice-Chair Shields	Asks what the percentage of a loan is to the cost of the building.
058	Grey	It depends on the building but the Department of Energy does not want to finance the construction of new buildings.
064	Vice-Chair Shields	Asks what cost percentage the energy efficiency measures add to a building.
070	Grey	Energy measures in a new building are usually 10-20% of the total cost, but efficiency measures will be an added percentage of that.
083	Rep. Fahey	Asks if a small business wanting to re-do building lighting would qualify for a loan.
084	Grey	Answers affirmatively.
085	Rep. Fahey	Asks if the same small business would get a tax credit for the improvements.
087	Grey	Answers affirmatively.
088	Rep. Fahey	Verifies that a business would get the loan and a tax credit.
089	Grey	Answers affirmatively.
090	Rep. Luke	Clarifies the complication related to the calculation of energy savings and declaration of building costs.
110	Grainey	Indicates that if the loan incentive is not provided, many efficiency improvements won't be made.
113	Rep. Luke	States that with new construction, the true cost of the building including efficiency measures should be declared.
119	Vice-Chair Shields	Objects to the federal building program that doesn't take energy efficiency into account.
123	Grainey	Indicates that federal buildings need similar loan program but don't.
132	Bob Hall	Representative of Portland General Electric (PGE). Expresses support for SB 84 with amendments to the bill.
138	Vice-Chair Shields	Asks what PGE's reaction was to the Senate's quick action on the bill.
139	Hall	Indicates that by the time PGE was able to study the bill it was moving too fast in the Senate.
146	Rep. Luke	Asks if PGE makes efficiency suggestions to builders.
153	Hall	Answers affirmatively.
158	Rep. Luke	Asks if energy efficiency can really save money in new and old construction.

169	Hall	It depends on the type of building.
183	Rep. Luke	Asks if a building could save \$100,000 per year in energy costs.
185	Hall	It depends on the building and efficiency measures, but yes.
187	Rep. Luke	Expresses understanding on retro-fitting measures, but wonders about new construction.
190	Hall	Yes, but it depends on many factors.
194	Rep. Simmons	Asks if energy conservation is really an important issue citing Oregon's capacity to produce it.
202	Hall	PGE views energy conservation as a demand side resource.
210	Rep. Simmons	Verifies that savings will depend on retail availability.
214	Hall	Agrees, but it also depends on the price of energy.
236	Rep. Simmons	Ask what the average size of a retro-fitting contract is.
242	Grainey	Indicates that loan projects vary in size. A number of different efficiency measures are taken also.
257	Rep. Luke	Requests information on how many federal buildings would receive loans, what the cost will be, and what happens if the state is not reimbursed.
266	Vice-Chair Shields	Asks how loans are prioritized.
272	Grainey	Indicates that there has been no problem with prioritization since the volume of loans has been smaller than the bond limit. Indicates that all projects must be in Oregon and that preference goes to individuals and small businesses.
282	Vice-Chair Shields	Inquires if there should be preference in the statute for state projects to be funded before federal projects.
289	Grainey	Agrees that the statute can indicate that.
307	Rep. Fahey	Asks if a person building a new home could qualify for a loan.
310	Grey	The statute does not prohibit the action, but it has not been taken.
322	Rep. Luke	Asks if certificates of participation are bought by individuals to construct a building.
330	Grey	Answers affirmatively.
331	Rep. Luke	Verifies that efficiency upgrades would be funded by bonds.
345	Grey	Indicates that a bond would supplement a certificate of participation.
361	Grey	Speaks of a funding example; the College Inn at Oregon State University (OSU). The loan was made to OSU for the efficiency upgrade.

TAPE 23, B		
008	Rep. Luke	States that the College Inn was a private residence hall at one time.
011	Rep. Fahey	Asks if the bill is limited to heating and lighting.
014	Grainey	Industrial processes that use energy are also eligible for loans.
017	Vice-Chair Shields	Closes the public hearing on SB 84.
<u>SB 136 PUBLIC HEARING</u>		
018	Vice-Chair Shields	Opens the public hearing on SB 136.
024	Judith Gruber	Policy Analyst, summarizes SB 136.
041	Mike Grainey	Assistant Director, Office of Energy. States that SB 136 was introduced at request of the governor. The Pacific States Agreement addressed the issues of interstate transport coordination and safety concerns of radioactive materials. The Western Governor's Association has replaced the Pacific States Agreement. Yearly, over 600 shipments of low and high level radioactive materials pass through Oregon. That number is likely to rise, and the safest transport routes need to be determined. SB 136 takes care of an outdated statute (EXHIBIT E).
101	Lisa Howard	Deputy Director, Executive Appointments, Governor's Office. Indicates that the Pacific States Agreement has not been active since 1990.
107	Rep. Luke	Asks if the bill affects storage on the Umatilla Indian Reservation.
114	Grainey	Responds negatively.
127	Vice-Chair Shields	Closes the public hearing on SB 136.
130	Vice-Chair Shields	Adjourns the meeting at 2:42 p.m.

Submitted By, Reviewed By,

Marjorie Taylor, Judith Gruber,

Administrative Support Policy Analyst

EXHIBIT SUMMARY

A - HB 2611, Written Testimony, Rep. Josi, 5 pp.

B - HB 2413, Written Testimony, Stephanie Hallock, 3 pp.

C - SB 84, Written Testimony, Mike Graineey, 5 pp.

D - SB 84, Written Testimony, Mike Graineey, 1 p.

E - SB 136, Written Testimony, Mike Graineey, 2 pp.