

WORK SESSION ON SB 414 TAPES 110 - 111 A/B

**SENATE REVENUE COMMITTEE**

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**APRIL 14, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Tom Hartung

Sen. Randy Leonard (arrived at 9:25 a.m.)

Members Excused: Sen. Verne Duncan

Witnesses: Kristina McNitt, Associate Director of Government Affairs,

Oregon Farm Bureau Federation

Darren Campbell, Victory Group representing AAA of Oregon

George Shefcheck, Field Operations Manager, Measurement

Standards Division, Oregon Department of Agriculture

Clark Cooney, Measurement Standards Specialist 2,

Measurement Standards Division, Oregon Department of Agriculture

Phil Ward, Assistant Director, Administration, Department of

Agriculture

Brian B. Doherty, Representing Western States Petroleum Assn.

Staff: Richard Yates, Economist

Carol Phillips, Committee Assistant

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**TAPE 110, SIDE A**

005 Chair Baker Opened meeting at 9:10 a.m.

OPENED WORK SESSION ON SB 414

015 Kristina McNitt Exhibit A - Read written testimony. The Oregon Farm Bureau supports state legislation that will require the testing of motor fuel at the final point of sale for accurate quantity, quality, and non-contamination. Questions and discussion.

039 Sen. Dukes Asked why the Farm Bureau is concerned with this issue. The fuel testing takes place at retail outlets, etc. and farm fuel is brought directly to farms and stored there for use.

042 McNitt Stated she was not sure and was still in the process of putting their position together.

047 Chair Baker Asked if Farm Bureau members had seen an improvement in fuel quality over the last two years.

048 McNitt Replied that regional managers all over the state were hearing that fuel quality has improved.

058 Darren Campbell Exhibit B - Memorandum dated 3/14/97. Results of a recent poll indicating majority of citizens asked want fuel testing to continue. Questions and discussion.

092 George Shefcheck Exhibit C - Alternate Funding Scenarios for Motor Fuel Quality Testing. Department of Agriculture has been screening gasoline for octane readings since 4/1/96. Since then over 3,500 samples have been tested. About 1.5% of premium fuel tested below the posted octane. This finding runs parallel with other states which have a program in place. Other states' findings will be higher because they examine the whole spectrum of the gasoline; Oregon checks only for octane rating. Delivery trucks which bring fuel to farm locations are checked. Exhibit D - Oregon Department of Agriculture written testimony.

When this program was started the Department of Agriculture worked closely with the industry to develop a set of protocols. This was refined into a field operations manual which inspectors follow. Have had comments from field staff over the last year and a

- 111 Shefcheck half about the quality of gasoline. When they test for quantity, they can see the product. In the past it was not uncommon to see brown gasoline, but that is not happening now. The presence of a program in place gives an awareness to the product. Department does check delivery trucks which bring fuel to farm locations.
- 133 Clark Cooney Demonstrated field fuel analyzer procedure. Device the Department of Agriculture uses for fuel testing is the Zeltex Model ZX101C which operates on near-infrared sensory within the device. Each portable testing device costs \$10,000 to \$11,000. Exhibit E - tapes comparing octane reading from two samples. If a field sample indicates too much of a difference from posted octane rating, another sample is placed into a sealed cylinder and sent to lab in California for further analysis. When results are obtained they are faxed back to Department of Agriculture for their review. Questions and discussion.
- 284 Chair Baker Asked if he was correct in believing that the initial screening for octane was not public information. Only if a sample was sent for further testing with a large discrepancy was that information made public?
- 289 Shefcheck Stated that was incorrect. Even the initial testing is public information because an examination report is completed at the time of the initial testing, but that information is not publicized. If the sample is sent for further testing and the results come back below the posted octane, that information becomes an investigation by the Justice Department, but that is not public record until they have completed their investigation. This procedure was agreed to with the industry in setting up the protocol.
- 304 Shefcheck There had been a problem in Eugene area when the oxygenate program was started around 11/1/96. Had one inspector trained to examine for them. Exhibit F - Containers for taking samples of oxygenate. Always take two samples to compare. In Eugene, there was found some oxygenates in gasoline which exceeded 1%. The problem was the pumps were not labeled. The stations were contacted and, in working with the industry, labeling was placed on pumps. Source of the problem was not made evident, but it was not something done intentionally.
- 349 Shefcheck The (-4) Amendments were worked out by the Department of Agriculture and members from the industry. (Because Legislative Revenue has not seen this Amendment yet, it was not discussed.)
- 366 Chair Baker Asked for alternate funding sources or scenarios.
- 370 Shefcheck Exhibit G - Alternate Funding Scenarios for Motor Fuel Quality Testing. Have not worked with industry on them yet. Discussed page 1 of Exhibit G. Discussed page 2 of Exhibit G.

- 012 Chair Baker The original proposal in SB 414 was about \$6.50 per meter if going straight across the board and charging all meters to fund the program. These scenarios could possibly shift those dollars, but still the approximate same outcome of \$300,000 to run the program. Questions and discussion.
- 024 Chair Baker Stated that industry should look at these figures before the Committee considers this bill next.
- 025 Sen. Dukes Asked that the Committee see a budget for the next biennium. Stated that \$150,000 a year sounded like an awful lot for one additional inspector per year.
- 040 Brian Doherty Exhibit H - Revised ARCO Comments. These are primarily technical changes that deal with the actual testing procedure in a fuel testing program.
- 054 Chair Baker Stated that Exhibit H - ARCO comments be delivered to Legislative Counsel for their evaluation and incorporation into an Amendment if they have not done so already. When SB 414 is considered next week this information could be considered in proper form. The Committee could also at that time look at alternative funding scenarios and compare them with straight funding per meter.
- 063 Sen. Dukes Noted that octane does not relate to diesel fuel. Is diesel tested at this time?
- 066 Shefcheck Stated that at the present time diesel is not tested. If there were a complaint, however, a sample would be taken for analysis. Octane does not relate to diesel. C-tane is a measurement for diesel fuel, but it does not have to be posted. There is no reason to be concerned about the quality of the diesel currently sold in Oregon. All fuels, including diesel, are tested on volume, however.
- 078 Chair Baker Adjourned meeting at 9:43 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. SB 414, McNitt, Oregon Farm Bureau written testimony, 1 page
- B. SB 414, Campbell, Memorandum dated 3/14/97 re. AAA survey, 1 page
- C. SB 414, Shefcheck, Alternate Funding Scenarios for Motor Fuel Quality Testing, 1 page
- D. SB 414, Shefcheck, Oregon Department of Agriculture written testimony 4/14/97, 10 pages
- E. SB 414, Cooney, Example of Field Testing Device Printout, 1 page
- F. SB 414, Cooney, Photocopy of 2 milliliter sample containers to test for oxygenates, 1 page
- G. SB 414, Shefcheck, Fuel Meter Descriptions, 2 pages
- H. SB 414, Doherty, Revised ARCO Comments, 3 pages
- I. SB 414, Yates, (-3) Amendments, (CW/ps) 4/8/97, 3 pages
- J. SB 414, Yates, Fiscal Impact Statement, 1 page