

HOUSE COMMITTEE ON NATURAL RESOURCES ENVIRONMENT AND ENERGY SUBCOMMITTEE

February 22, 1993 Hearing Room D 1:30 p.m. Tapes 28 - 29

MEMBERS PRESENT: Rep. Bob Repine, Chair Rep. Marilyn Dell Rep. Sam Dominy Rep. Bill Fisher Rep. Carl Hosticka Rep. Dennis Luke Rep. Bill Markham Rep. Ray Baum

MEMBER EXCUSED: Rep. Nancy Peterson

STAFF PRESENT: Kathryn Van Natta, Committee Administrator Sue Nichol, Committee Clerk

MEASURES CONSIDERED: HB 2054 - Public Hearing SB 11 - Public Hearing SB 12 - Public Hearing

WITNESSES: Mike Graine, Oregon Department of Energy Tom O'Connor, Eugene Water and Electric Board Meg Reeves, Assistant Attorney General George Richardson, Northwest Natural Gas Company Larry Gray, Department of Energy Susan Schneider, City of Portland's Government

Relations Officer

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These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. [--- Unable To Translate Graphic ---]

TAPE 28, SIDE A

008 CHAIR REPINE: Calls the meeting to order at 1:35.

PUBLIC HEARING ON HB 2054 OPEN

022 KATHRYN VAN NATTA: Gives history of the work on HB 2054 which is an agency bill for the Department of Energy.

Mike Graine will explain amendments contained in HB 2054-1 (LC 933) (Exhibit A).

038 CHAIR REPINE: Are the amendments contained in the letter by the Department of Justice (Exhibit B) contained in the -1 amendment?

040 VAN NATTA: Yes.

042 MIKE GRAINEY, Oregon Department of Energy: HB 2054 expands an existing state program for state agency incentives for energy efficiency by

including cogeneration and renewable resources. This is a voluntary program.

054 Explains amendments.

100 Right of first refusal is legally binding. If a utility company exercises this right, then the state agency must work with the utility

on this project. Can cover any of the following: to jointly develop, finance, operate and otherwise act together in the development and operation of such projects, i.e., if a utility wanted to purchase steam from the project and offered that as part of it's response to the right of first refusal, the state agency would have to sell the steam to the utility.

111 The state agency would only have option at this point to not go along with the project.

125 Lines 11 through 14 prohibits retail wheeling.

147 Summarizes Meg Reeves' letter which clarifies the purpose of the amendments.

164 Answers question of how large these projects could be from memo from Charlie Grist of the Department of Energy (Exhibit C).

187 REP. FISHER: Please explain lines 22 - 23 of HB 2054.

194 GRAINEY: This is the incentive of the program by guaranteeing that 50% of the net savings from the project would go to the state agency's

budget. Lines 29 - 32 explains how this money can be used.

219 REP. FISHER: Maybe their budget should be cut if programs aren't implemented. With the possibility of a windfall, can't limitations be

put on?

232 GRAINEY: Grist's memo deals with this problem. We were reluctant to put a cap on these funds. Could offer a cap in terms of a percentage of that agency's on-site load.

244 REP. DOMINY: This is only a 2-year cycle so if there was a significant savings, wouldn't it be only for that biennium?

250 GRAINEY: Yes, that's true. 252 REP. DELL: Regarding the first right of refusal, does the agency have to have the plan all figured out before they go to the utility? And

then does the two or three months start?

266 GRAINEY: The plan doesn't have to be all put together first. Early notification is encouraged but is not necessary.

279 REP. DELL: Once the utility has to start the 2 - 3 month limit, is it possible for the utility to limit their own involvement?

293 GRAINEY: Yes.

315 REP. DELL: How is the bargaining position between the utility and the state agency equal?

323 GRAINEY: There would be advantages to both sides - the state can opt not to go ahead. The utilities are in a position to be very persuasive

with their option of first refusal. It would be in the interest of both parties to work cooperatively.

335 REP. DELL: The bargaining position between the state agency and the utility doesn't seem equal. The utility seems to have a great deal more power than the state agency does.

340 GRAINEY: Can't be sure how it would work but it would be advantageous for both to cooperate.

353 REP. LUKE: Irrigation districts have been successful with these type of projects, haven't they?

360 GRAINEY: Yes, also industrial cogeneration projects have been successful.

375 TOM O'CONNOR, Eugene Water and Electric Board: Has concerns about HB 2054. Has no problem with the concept of state agencies engaging in

energy efficiency projects, including cogeneration projects.

390 The Eugene Water & Electric Board operates one of the only municipal steam utilities in the state of Oregon. Concern is that the Department

of Energy will get into the retail steam business.

TAPE 29, SIDE A

011 Concerned that a state agency may take large industrial customers away from them. Requests amendment that agency will not retail steam where

there is a municipal steam utility present.

026 REP. DOMINY: What would the amendment need to do?

027 O'CONNOR: Add "or steam where there is a municipal steam provider present" on line 10.

052 REP. MARKHAM: Are you speaking of the University of Oregon campus?

056 O'CONNOR: That is our concern. Wants to work out cooperative arrangement with them.

071 Not concerned about them supplying energy to the campus. Concern is that they will sell excess.

089 O'CONNOR: Meg Reeve's opinion in her letter seems to say they may have the authority to sell steam or electricity under their implied powers.

102 MEG REEVES, Assistant Attorney General: O'Connor's assumption is correct. I can't answer question if the University of Oregon is

authorized.

113 CHAIR REPINE: Can you answer that eventually?

115 REEVES: That would take some time.

129 GRAINEY: Didn't offer language on steam because the utility may not want to buy any steam. The University of Oregon is very resistant to

any language that may restrict any authority they have.

141 Protection for Eugene Water and Electric Board is the right of first refusal. It gives them the right to negotiate these terms.

160 CHAIR REPINE: The arguments hinges on whether the University of Oregon has the right to sell steam off the campus.

166 GRAINEY: These issues should be dealt with separately.

179 O'CONNOR: Feels that there is a fundamental question on what role the state plays in competing with an established provider.

192 REP. DOMINY: Is there anyone beyond EWEB, who is private, who furnishes steam in Eugene?

198 O'CONNOR: EWEB is the sole steam provider in downtown Eugene.

204 There is one other steam provider in Klamath Falls.

208 REP. DOMINY: Do you think this is really a threat?

211 O'CONNOR: Feels that since there is no protection against it, it is a concern.

227 REP. DELL: Feels there should be fair negotiation abilities between agencies. Doesn't feel that it is balanced.

246 CHAIR REPINE: Reminds the subcommittee it is not in work session.

250 REP. HOSTICKA: If the University of Oregon were to become a private entity, would this be a moot question?

256 O'CONNOR: Yes, it would. 272 GEORGE RICHARDSON, Northwest

Natural Gas Company: Would be opposed to HB 2054 if steam is prohibited from being sold.

PUBLIC HEARING ON HB 2054 CLOSED

PUBLIC HEARING ON SB 11 OPEN

335 KATHRYN VAN NATTA: Introduces additional information submitted for the record regarding SB 11:

- Preliminary Staff Measure Summary (Exhibit D) - Fiscal and Revenue Impact Assessments (Exhibit E) - Statute 469.673 (Exhibit F) - Statute 469.421 (Exhibit G) - Senate Staff Measure Summary (Exhibit H)
- Senate Vote Sheet (Exhibit I)

390 MIKE GRAINEY, Oregon Department of Energy: Testifies in favor of SB 11 (Exhibit J). Explains the bill. It amends the state home oil

weatherization program so money raised by the assessment on petroleum supplies would pay for grants. It would give more flexibility to use the funds received.

TAPE 29, SIDE B

013 Those who heat with oil and wood do not generally have the resources to make these changes.

023 REP. LUKE: Why would the oil companies consent to weatherizing houses heated by wood?

029 GRAINEY: The number of wood homes is a small portion. The oil suppliers have said they do not object.

039 REP. LUKE: The people who heat with oil will be audited by the oil dealers?

042 GRAINEY: Actually, a private contractor is hired by the oil companies. Those that heat with wood will be audited by the electric company.

046 REP. MARKHAM: What is the assessment to oil companies?

049 GRAINEY: The amount is about \$400,000 per year which funds the free audits. It is charged based on a formula that's based on gross

operating revenues.

057 REP. MARKHAM: Doesn't understand assessment calculation.

062 GRAINEY: The calculation is based on income not BTU's.

071 REP. LUKE: If there's money left, does it carry over?

076 GRAINEY: The money has been carried over and has been accumulating to \$200,000.

077 REP. LUKE: So \$200,000 could be accumulated and another \$400,000 could still be assessed?

079 GRAINEY: Yes, that's correct.

085 CHAIR REPINE: Can you explain the cash payments for energy conservation measures?

087 GRAINEY: It is the basic weatherization package including caulking, storm doors, windows, perhaps wall installation.

094 CHAIR REPINE: Would an energy efficient conversion of the burner qualify?

097 GRAINEY: It would qualify for a loan, not a grant.

104 CHAIR REPINE: Is this targeting lower income property owners?

106 GRAINEY: Grants are available to lower income, loans available to all.

113 CHAIR REPINE: Could a wood stove be replaced to be upgraded under the program?

116 LARRY GRAY, DEPARTMENT OF ENERGY: Has not provided money for conversion to wood energy.

122 CHAIR REPINE: Could it be used to convert from wood to oil.

GRAY: No.

128 CHAIR REPINE: Is this through Department of Energy?

137 GRAINEY: The Department of Energy administers the grant and the audit, the loans are handled through private banks.

148 REP. LUKE: How do people get a loan after the audit?

150 GRAINEY: The bank gives a 6-1/2% loan and then the bank receives a tax credit.

159 REP. LUKE: Who pays the state back for the tax credit?

162 GRAINEY: Nobody, that is a revenue impact.

165 REP. LUKE: You can carry over \$200,000 and no one pays back the difference the state is paying for tax break.

170 GRAINEY: That's correct but this is a small amount.

189 SUSAN SCHNEIDER, City of Portland's Government Relations Office: Speaks in favor of SB 11. Reads (Exhibit K).

238 REP. HOSTICKA: What happens to money accumulation if bill isn't passed? DOE is to provide the answer.

PUBLIC HEARING ON SB 11 CLOSED

PUBLIC HEARING ON SB 12 OPEN

240 KATHRYN VAN NATTA: Gives summary of additional information also submitted for the record including:

- A-Engrossed Version of Senate Bill 12 (Exhibit L) - Preliminary Staff Measure Summary (Exhibit M) - Fiscal and Revenue Impact Assessments (Exhibit N) - Amendments to State Constitution Regarding Small Scale Local Energy Loans (Exhibit O) - Statute 470.060 (Exhibit P) - Statute 469.020 (Exhibit Q) - Senate amendments to Senate Bill 12 (Exhibit R) - Senate Staff Summary (Exhibit S) - Senate Vote Sheet (Exhibit T)

290 MIKE GRAINEY, Department of Energy: Summarizes the changes SB 12 makes to the Small Scale Energy Loan Program (Exhibit U).

312 SB 12 would clarify that recycling projects are eligible.

233 Clarifies that transportation projects are eligible.

332 Makes technical changes to loan program.

350 Allows director to delegate authority to employees to a greater extent.

367 Removes requirement that the loan program fiscal agent be located in New York City.

379 Removes requirement that the Executive Department provide accounting services for the program.

395 REP. LUKE: Was the original \$200 million raised by bonds?

400 GRAINEY: Yes.

402 REP. LUKE: Then you've loaned out for 400 projects. How much are those projects paying you back?

405 GRAINEY: At the rate of 1% more than the bonds are sold for.

TAPE 29, SIDE B 016 REP. LUKE: How much have you paid back?

017 LARRY GRAY, Department of Energy: Out of the \$200 million lent over the years, \$165 million is outstanding.

024 REP. LUKE: Have you had any projects default?

025 GRAY: Has two projects in default, one because of drought, one because of a bankruptcy proceeding.

032 REP. LUKE: How big is the bankruptcy?

034 GRAY: It was about a \$2 million hydroelectric project. Believes full loan amount will be recovered.

039 REP. MARKHAM: What are collateral requirements?

040 GRAY: We must make secured loans so we take equipment as security or first or second position on property.

046 REP. MARKHAM: First position is not often available is it?

049 GRAY: Often it isn't. Then we look at other means of credit support.

050 REP. MARKHAM: Please clarify telecommunication projects spoken of.

051 GRAINEY: Speaking of teleconferencing equipment between state agencies or private companies, institutions. Also providing loans for van pools

to reduce energy use and congestion.

065 REP. HOSTICKA: Is it necessary to demonstrate that energy is being saved?

071 GRAINEY: For the loan program it would be necessary. Wants to refocus program so not as much is going to recycling.

079 REP. HOSTICKA: Any requirement that they're saving energy?

083 GRAINEY: It is not required for the business tax credit program.

088 CHAIR REPINE: If someone recycles plastic down to the original components, would that be eligible?

092 GRAINEY: Doesn't know.

104 CHAIR REPINE: Would light rail in Portland be eligible?

109 GRAY: Did not have the intention to go to that magnitude.

118 GRAINEY: Employer vans which went to stops of light rail could be included, but probably not the light rail itself.

SB 12 PUBLIC HEARING CLOSED

Meeting adjourned.

Submitted by:

Reviewed by:

Sue Nichol
Administrator

Kathryn Van Natta Clerk

EXHIBIT LOG:

A - HB 2054 - Amendment 2054-1 (LC 933) dated 2/22/93 - 1 page B
- HB 2054 - Letter from Meg Reeves - 5 pages C - HB 2054
- Memo from Charlie Grist - 1 page D - SB 11 - Preliminary Staff
Measure Summary - Kathryn Van Natta - 1 page E - SB 11 -
Fiscal and Revenue Impacts - Staff - 2 pages F - SB 11 - Statute
469.673 - 3 pages G - SB 11 - Statute 469.421 - 3 pages H -
SB 11 - Senate Staff Measure Summary - 1 page I - SB 11 -
Senate Vote Sheet - 1 page J - SB 11 - Testimony - Mike Graine
y - 3 pages K - SB 11 - Testimony - Susan Schneider - 2 pages L

- SB 12 - A-Engrossed copy of Senate Bill 12 - 4 pages M - SB 12
- Preliminary Staff Measure Summary - Kathryn Van Natta - 1 page N
- SB 12 - Fiscal and Revenue Impacts - Staff - 2 pages O -
SB 12 - Information - Staff - 1 page P - SB 12 - Statute
470.060 - 8 pages Q - SB 12 - Statute 469.020 - 3 pages R -
SB 12 - Senate amendments - 1 page S - SB 12 - Senate Staff
Summary - 1 page T - SB 12 - Senate Vote Sheet - 1 page U -
SB 12 - Testimony - Mike Graine - 4 pages