

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.

Measures Heard Informational meeting No measures heard

HOUSE COMMITTEE ON ENVIRONMENT AND ENERGY

January 18, 1991Hearing Room E 1:30 p.m.Tapes 4 - 7

MEMBERS PRESENT:REP. PARKINSON, CHAIR REP. WHITTY, VICE-CHAIR REP. BURTON REP. COURTNEY REP. NAITO REP. NORRIS REP. REPINE REP. VAN LEEUWEN REP. WATT

MEMBER EXCUSED: All present

VISITING MEMBER:No visiting members

STAFF PRESENT: Kathryn VanNatta, Committee Administrator Andy Sloop, Committee Assistant

WITNESSES:Michael Grainey, Deputy Director, Oregon Department of Energy Larry Gray, Administrator, Conservation Services Division, Oregon Department of Energy John Savage, Administrator, Policy and Planning Division, Oregon Department of Energy Dave Stuart-Smith, Administrator, Reactor Safety and Energy Facilities Division, Oregon Department of Energy Denise McPhail, Portland General Electric Tom O'Connor, League of Electric Municipal Utilities Libby Henry, Eugene Water and Electric Board Sara Baker-Sifford, Electric Cooperatives Tom Berry, Northwest Natural Gas Brian DeLashmutt, Oregon People's Utility District Association Diane White, Oregon People's Utility District Association Dell Isham, Northwest Propane Gas Association

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TAPE 4, SIDE A

INFORMATIONAL MEETING - OREGON DEPARTMENT OF ENERGY AGENCY OVERVIEW

20MICHAEL GRAINEY, DEPUTY DIRECTOR, OREGON DEPARTMENT OF ENERGY: Gives overview of DOE programs, agency organization, budget, legislative agenda and the state's energy policy. (EXHIBIT A)

>Agency primarily federally funded via U.S. Department of Energy and Bonneville Power Administration.

>Other programs are fee funded.

>Only general fund money in next biennium is \$50,000 from state DOE portion of federal Ocean Task Force fund.

178 REP. BURTON: What essentially we're seeing in your budget is a shift down to fees as a way to make the balance. You're into a net change in the general fund of about \$200,000 but your bottom line is an increase over your previous budget of \$3 million. Most of that will be made up in fees. I don't know if you want to get into that now, but certainly at some point I want to know where those fees have gone.

191 GRAINEY: In fact, the changes in our budget are not a displacement of fees. Let me give you some background.

>The Department incurred substantial reductions in federal funds for this biennium and we lost in the neighborhood of \$6 million.

>As a result, we lost 28 FTE, or about 20 percent of our staff.

>We also consolidated our operations, reducing the number of divisions in the Department from five to four.

>Asked 1989 Legislature to approve administrative changes through Senate Bills 37 and 38 to help cope with reductions.

>With respect to 1991-93 biennium, we expect our budget to increase about 10 percent, mostly due to increased BPA funds and energy conservation in the electric sector.

>Only increase in fees is to fund third on-site inspector at Trojan nuclear plant.

234 REP. WHITTY: I'm looking over the Oregon Petroleum Contingency Plan (EXHIBIT B), and it speaks of varying levels of petroleum emergencies. What I want to know is: Do you have definitions of emergencies, with levels 1, 2, 3, 4, whatever, and what level are we at now?

242 GRAINEY: Generally, the approach we take addresses symptoms not supply. So, our response level depends on actual reduction in supply and also how consumers respond. If consumers panic, supply at the pump can become tight. That's why we strive to get information out early so that people have an accurate understanding of what the situation is and don't top off their tanks unnecessarily.

270 REP. BURTON: Are we able to use Oil Overcharge money in a general fund sense, and is it going to continue to diminish and zero out?

276 GRAINEY: The Oil Overcharge dollars are diminishing. I think the total revenue for the state this biennium is about \$5 million. In previous bienniums it was as much as \$20 or \$25 million. It is basically restricted to energy conservation and mass transit programs.

316 LARRY GRAY, ADMINISTRATOR, CONSERVATION SERVICES DIVISION, DEPARTMENT OF ENERGY: Describes energy tax credits, energy conservation loan programs and legislative agenda. (EXHIBIT A)

>Business energy tax credit has been used for 2,400 energy conservation and recycling projects throughout state and stimulated in order of \$200 million in investments in state economy. This 35 percent credit administered over five-year periods saves Oregon businesses about \$68 million each year in energy costs.

>Small-scale energy loan program has made 340 loans worth \$170 million to promote conservation and renewable resource projects.

>Schools and Governments Energy Efficiency Program has helped save \$5 million in energy expenses annually at about 1,500 buildings.

>State Home Oil Weatherization Program has audited 27,000 oil-heat homes in the state and issued about 7,800 rebates and loans for residential conservation. This has saved about \$2 million annually.

>Utility Weatherization Programs have audited and funded weatherization in about 250,000 Oregon homes since late 1970s.

403 >Main goal during the coming biennium is to make sure new building are built to be energy efficient.

417 REP. NORRIS: Are energy efficiency standards incorporated into building code or are you suggesting some kind of a special program?

422 GRAY: This program uses tax credits and loans as incentives to get businesses to exceed code.

466 CHAIR PARKINSON: What would be the average payback in years for this added insulation or construction? Didn't we used to focus mostly on retrofits and older buildings?

470 GRAY: We did spend lots of time on retrofits, but we found we were always chasing ourselves and needed to get out in front of the problem by making sure building is done right the first time. It's difficult to talk in terms of an average payback but we've found with commercial business that there is reluctance to go beyond a two year payback. Our loans can cut paybacks enough to make investments worthwhile to builders who want to get a structure up quickly.

TAPE 5, SIDE A

000 GRAY: Continues discussion of the Division's future emphases.

>Alternative-energy vehicles

>Work with utilities, through pilot projects and incentive programs, to develop new electricity technology.

>Work with local and county governments to reduce tax dollars spent on energy.

117 REP. VAN LEEUWEN: Going back to the \$1.7 million for one building, what are they doing?

126 GRAY: This is an example of what we see when working with an old building with archaic insulation and heating technology.

137 CHAIR PARKINSON: Maybe it would be appropriate to take a few

minutes to tell us the source of the funds for these projects.

145 GRAY: The energy project funding for the building you asked about is our Small-Scale Energy Loan Program. These loans come from general obligation bond revenues.

150 CHAIR PARKINSON: What is the maximum on those bonds?

152 GRAY: Something on the order of \$350 or \$400 million.

153 CHAIR PARKINSON: How many of those have you sold so far?

154 GRAY: Something on the order of \$190 million, with \$170 or so outstanding.

166 REP. VAN LEEUWEN: How are these funds divided up and how would requests in the pipeline affect funding for renewable energy programs?

170 GRAINEY: The \$35 million is for the bonds we can issue for the Small-Scale Energy Loan Program, and that is one of the programs available for some of the renewable energy programs we have talked about for your district. The other conservation programs are funded separately.

181 DAVE STUART-SMITH, ADMINISTRATOR, NUCLEAR SAFETY AND ENERGY FACILITIES DIVISION, DEPARTMENT OF ENERGY: Discusses energy siting process in Oregon.

>Designed in 1975 as a one-stop process for large energy facilities.

>With end of energy surplus, anticipates re-emergence of debate about energy facilities siting.

>Energy Facilities Siting Council also regulates safety at facilities, most notably Trojan.

>NSEF Division staff works in tandem with the Nuclear Regulatory Commission.

>EFSC also sets regulatory standards for transportation of radioactive materials in state.

255 REP. NAITO: When nuclear materials are transported on the Columbia, who permits and monitors that action, Oregon or Washington?

264 STUART-SMITH: We have not issued any permits so far because those shipments have been for the U.S. Department of Defense and are exempt. We do work closely with the military, are informed of their shipments, and are given an opportunity to inspect the shipments at Puget Sound before they are made. The Health Division, in cooperation with their counterparts in Washington State, regularly inspect those shipments.

279 STUART-SMITH: Continues agency overview.

>Lead agency for review of Hanford issues.

>Works with Water Resources staff and Washington State Department of Ecology.

>Serves as staff to Oregon's Hanford Waste Advisory Board, which is a

focal point for Hanford policy issues.

>Sponsored conference for Oregon businesses on federal contract opportunities related to Hanford.

343 CHAIR PARKINSON: Where does money for your programs come from?

347 STUART-SMITH: Application and regulatory fees, and a federal contract.

363 CHAIR PARKINSON: How many facilities did your agency license during the 198 0s?

370 STUART-SMITH: Seven. Four energy facilities have actually been built and are operating today.

385 CHAIR PARKINSON: Are land-use issues part of the siting process?

396 STUART-SMITH: Yes.

407 REP. NORRIS: Is the proposed generating plant at Boardman coal fired?

415 STUART-SMITH: It could be coal or natural gas. However, I anticipate that it would be something other than coal.

TAPE 4, SIDE B

000 REP. NORRIS: Are there any nuclear facilities being planned?

007 STUART-SMITH: Voters passed an initiative petition prohibiting building of nuclear facilities until a safe nuclear waste repository is established.

010 REP. NORRIS: There is increasing concern about energy supply sources. Are there any new generating projects being explored?

20STUART-SMITH: I have been talking with two limited partnerships about gas-fired facilities, but have not received notices of intent to proceed.

30REP. NORRIS: These sound relatively small. I'm thinking in terms of hundreds of megawatts. Is anyone thinking that big? And can you do it without nuclear?

32STUART-SMITH: The proposals I just mentioned would be several-hundred megawatt facilities, and they are the size that we are likely to see in the future. The capital construction costs for 100 0 megawatt plants are so burdensome, I believe we are likely to see two, three or four-hundred megawatt plants built to meet load requirements as they come on.

35REP. NORRIS: When you say to meet the needs as they come, can we react that quickly?

39STUART-SMITH: We can clearly act that quickly. We are required to complete the permitting process in 15 months and combustion gas turbines can come on line in under three years.

50CHAIR PARKINSON: What triggers payment of application and permit fees? Is it notice of intent?

52STUART-SMITH: Yes.

54REP. VAN LEEUWEN: You are assuming in your answer, I think, that there are interested contractors ready to go at all times, and I am of the opinion that it takes several years for investors to prepare projects before applying.

65STUART-SMITH: Yes, it can take a long time. I was referring only to the Siting Council's process.

74JOHN SAVAGE, ADMINISTRATOR, POLICY AND PLANNING DIVISION, DEPARTMENT OF ENERGY: Reviews Oregon's Petroleum Contingency Plan, in light of Iraq war. (EXHIBIT B)

>Current market signs do not portend shortages.

>U.S. crude oil supplies are at a seasonal peak for the last couple of years. Stocks of gasoline and heating oil also are good.

97REP. COURTNEY: You're saying that there's not going to be a gas shortage? Is that right?

108 SAVAGE: I'm saying the current outlook suggests a low probability of shortages. There may be isolated instances of shortages at particular companies or service stations.

>Oregon supplies come from Washington and California refineries, where there have been no reported supply problems.

>On Tuesday, Jan. 22, most major oil companies froze wholesales gasoline prices.

>DOE is in alert phase of contingency plan. That means DOE is talking daily with all players to insure it has accurate and timely information. It is also priming public and private elements of the plan.

>Immediate goal is to prevent public panic and "tank topping"

140 SAVAGE: Reviews advise to governor if situation worsens. (EXHIBIT A)

144 REP. NORRIS: How well do you expect to save fuel through tougher speed enforcement?

158 SAVAGE: I can't address that.

179 REP. WHITTY: So you're telling me there are no specific criteria that identify a shortage of supply?

190 SAVAGE: There are no specific triggers. The triggers are going to be gasoline lines and specific stations running out of gas. From there, it's a question of severity of shortages.

200 REP. NORRIS: Does history really bear out savings of driving 55 instead of 65?

210 SAVAGE: Yes. In terms of engineering analysis and in terms of history in this state's fuel consumption statistics, yes.

225 REP. WATT: Do you expect the President to tap the country's strategic oil reserves?

239 SAVAGE: Yes. In fact, as part of the International Energy Agency Agreement, the U.S., Japan, Germany and 11 other countries have agreed to release 2.5 million barrels of oil a day from their strategic reserves. That's a lot of oil. For comparison, that's half of what the U.S. imports daily.

259 REP. NORRIS: What percent of Oregon's electric needs are met by Trojan?

264 SAVAGE: Roughly 13 percent.

267 REP. REPINE: As you were rattling off those arenas of energy conservation, I don't think I heard you mention residential. Will new energy standards apply to residential codes?

279 SAVAGE: Yes, probably.

281 REP. REPINE: More specifically, was the consideration of that new residential energy package part of the deal for this money?

282 SAVAGE: No.

283 REP. REPINE: The standards for residential weatherization have increased immensely, especially compared to commercial. Based on your credit program, at least in my opinion, you leave a wide gap of improvements to commercial buildings that probably could be accomplished by the builder, but we graciously give them credits for something that they more than likely would step up to the table and pay for anyway.

306 SAVAGE: The loan program includes a payback cutoff so that it won't apply to measures that have low paybacks. If I can respond to your commercial building code question, a new commercial building code went into existence in 1990 and another one is being considered for 1992 that could close the gap you mentioned.

322 CHAIR PARKINSON: Could you briefly describe, in layman's terms, where DOE funding comes from?

332 GRAINEY: Our funds are a combination of federal (BPA, US DOE), regulatory fees on Trojan, and other regulatory fees.

340 CHAIR PARKINSON: When you're siting a facility, the applicant pays all the costs associated with that, is that correct?

342 SAVAGE: Yes.

344 CHAIR PARKINSON: Another general statement of fact, I think, is that your department receives very few general funds.

348 GRAINEY: Yes. For the next biennium, only \$50,000.

354 CHAIR PARKINSON: Don't you have some kind of an energy assessment?

356 GRAINEY: Yes. That's a statutory assessment, charged to all energy suppliers, to make up the difference between various legislative funding sources. The level of this assessment has remained the same since 1981.

358 CHAIR PARKINSON: This assessment, I imagine, would be spent on administration.

360 GRAINEY: Partly that, and also to make up for operation of some of the conservation programs where federal funds are not sufficient.

382 CHAIR PARKINSON: Calls for 10 minute break.

382 Reconvenes at 3:05.

383 DENISE MCPHAIL, PGE: Gives overview of company functions, features, regulatory constraints and legislative agenda. (EXHIBIT C)

TAPE 5, SIDE B

000 MCPHAIL: Continues overview.

65REP. NORRIS: How are your facilities used to service peak demands?

72MCPHAIL: Mostly from Trojan, Boardman and Columbia River hydroelectric.

86REP. WATT: Do you sell power to utilities other than your own customers?

90MCPHAIL: Yes. We sold about 20 billion kilowatt hours total last year. About 16 billion of that was to our own customers and 4 billion was to other utilities, mostly in California.

168 JIM ANDERSON, PACIFIC POWER AND LIGHT: Gives overview of company and reviews legislative agenda. Notes that Teresa Flores will be lobbying for PGE.

>Serves six western states and 11 subsidiaries.

>No proactive legislative agenda yet.

>Will be pursuing legislation through Public Utilities Commission and DOE, including low-income funding, continuation of special-assistance programs, intervenor funding (reimbursement for intervenors in a rate case), and mergers and acquisitions.

237 >Unlike during the 1980s, it appears that people's utilities and investor-owned utilities are cooperating and dealing with problems proactively rather than reactively.

>Energy market is strong and active and should be allowed to play itself out with minimal interference from government.

275 REP. BURTON: What is your gain from Measure 5?

284 MCPHAIL: I have asked for that information but haven't received it yet. Any gain would be offset, I suppose, by increased federal taxes. I understand the PUC has opened a public docket to look at deferred accounting so that money would be accrued for our customers benefit.

294 REP. NORRIS: You suggested maybe peace had broken out between public and investor-owned utilities. Does that extend to the competition for licensing hydro facilities?

303 ANDERSON: Yes. That question has been rattling around the Legislature and courts for many years, and it was finally put to rest last year by the Supreme Court.

355 TOM O'CONNOR, OREGON MUNICIPAL ELECTRIC UTILITIES: Gives overview of OMEU history, organization, services and legislative agenda. (EXHIBIT D)

>11 municipal utilities in Oregon, ranging in size from 400 to 30,000, and serving about 10 percent of customers in state.

>Not introducing any bills this session.

TAPE 6, SIDE 1

30LIBBY HENRY, EUGENE WATER AND ELECTRIC BOARD: Gives overview of EWEP's history, organization, services and legislative agenda. (EXHIBITS E AND F)

>One of main goals is to achieve energy independence from BPA.

>Relicensing two hydroelectric projects on the McKenzie River, which together produce about 21 percent of EWEB power.

100 REP. NAITO: How, as an industry, have you been investigating potential dangers of electromagnetic radiation associated with power line transmission?

110 HENRY: We're doing an environmental audit where we'll be looking at that issue. We'll also be participating at the state level to some degree, and Bonneville and the PUC have been studying that. There is nothing very conclusive yet, as far as I know.

112 TOM BERRY, NORTHWEST NATURAL GAS: Notes that George Richardson will be NWNG main lobbyist. Shows five-minute slide show.

>NWNG gets about 70 percent of gas from western Canada and 30 percent from Utah and Kansas. Large reserves also in Prudo Bay, Alaska.

173 >Three gas companies in Oregon.

>NWNG supplies about 84 percent of gas used in state.

>Supply network reaches from Portland south to Eugene and Newport, and west to Mist.

215 >Conservation has reduced consumption significantly over last 15 years.

>About 32 percent of space heating market uses natural gas.

>Gas rates are about the same now as 10 years ago. It has remained generally steady.

>NWNG customers have increased by 100,000 while NWNG workforce has dropped by 200.

294 >Public agencies and other businesses nationwide are starting to use natural gas powered cars as result of the new federal Clean Air Act.

Tri-Met in Portland also is starting to experiment with natural gas powered buses.

324 JOHN BURNS, MILLER NASH ATTORNEYS, REPRESENTING WESTERN STATES PETROLEUM ASSOCIATION: Describes nature of WSPA and commends state Oil Contingency Plan.

>Western States Petroleum Association is a Glendale, California-based trade association of more than 60 companies that explore, produce, manufacture, refine and distribute petroleum products.

>Members include major retail brand companies, including ARCO, BP, Chevron, Shell, Texaco and Unical. Also includes smaller integrated companies.

397 >Contingency plan is probably the best in the country because it is flexible.

000 BRIAN DORETY, WSPA: Discusses petroleum distribution in Oregon.

>Most comes through Port of Portland and pipeline from Seattle.

20BRIAN DE LASHMUTT, GOVERNMENT RELATIONS, PEOPLE'S UTILITY DISTRICT: Gives utility overview, policy position statements and history. (EXHIBITS G, H, AND I)

75SARALYNN BAKER-SIFFORD, PUBLIC AFFAIRS DIRECTOR, OREGON RURAL ELECTRIC COOPERATIVE: Gives utility overview and history. (EXHIBIT J)

126 DELL EISMAN, NORTHWEST PROPANE GAS ASSOCIATION: Gives overview of industry, product uses and legislative agenda.

>Propane is playing increasing role as source of energy with changing energy and security concerns.

>With exception of Fire Marshall regulations, propane is not a regulated utility.

>Most propane is derived from natural gas, usually from Canada.

>Propane has many uses, including motor fuel.

>More than 7.5 million vehicles internationally currently run on propane.

>It cost about \$1,800 to convert a regular gas engine to propane.

>NPGA will be tracking hazardous materials legislation and state implementation of the federal Clean Air Act.

205 CHAIR PARKINSON: Adjourns meeting at 4:19 p.m. EXHIBIT LOG:

A -Department of Energy Information Packet presented by Michael Grainey, Deputy Director, Oregon Department of Energy - 82 pages

B -Oregon Petroleum Contingency Plan presented by Michael Grainey, Deputy Director, Oregon Department of Energy - 28 pages

C - Informational Testimony on Portland General Electric - Denise McPhail - 10 pages D -Oregon Municipal Electric Utilities

informational brochure presented by Tom O'Connor - 3 pages E -Eugene Water and Electric Board 1989 Annual Report presented by Libby Henry -

33 pages F -Eugene Water and Electric Board 1989 Facts and Figures Handbook presented by Libby Henry - 26 pages G -Oregon People's Utility District Association 1991 Policy Position Statements presented by Brian DeLashmutt - 68 pages H-"Power For The People," Oregon People's Utility Districts' informational brochure presented by Diane White - 7 pages I -1989 Data and Statistics on Oregon People's Utility Districts presented by Diane White - 12 pages J -Informational Testimony on Oregon Rural Electric Cooperative Association presented by Saralynn Baker-Sifford - 5 pages

Submitted by: Reviewed by:

Andy Sloop Kathryn VanNatta Assistant Administrator