

HOUSE COMMITTEE ON ENVIRONMENT AND ENERGY

February 11, 1991 Hearing Room E 1:00 p.m. Tapes 36 - 38
MEMBERS PRESENT: Rep. Parkinson, Chair Rep. VWhitty, Vice Chair Rep.
Burton Rep. Courtney Rep. Naito Rep. Norris Rep. Repine Rep. Van Leeuwen
Rep. Watt MEMBER EXCUSED: All members present VISITING
MEMBER: Sen. Hamby STAFF PRESENT: Kathryn VanNatta, Committee
Administrator Andy Sloop, Committee Assistant MEASURES CONSIDERED: SB
573 (WRK) HB 2129 (PUB) HB 2130 (PUB)

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.

TAPE 36, SIDE A 008 CHAIR PARKINSON: Calls meeting to order at 1:05 p.m. and opens work session on SB 573 SB 573 - WORK SESSION Witnesses: Sen. Hamby Chris Thomas, Tri-Met Dick Feeney, Tri-Met 015 SEN. HAMBY: Testifies in support of the measure;. > Bill received full support on Senate floor.

> Washington County is in tune to the rural and secondary lands issues that Rep. Parkinson has brought to light. In fact, Washington County was the first county to bring the language of secondary lands to both chambers of the Legislature.

> Washington County has been planning for light rail for nearly a decade.

> Reviews light-rail planning history (EXHIBIT A)

45 REP. VAN LEEUWEN: What have you done about the people in the path of the second proposed route for the light rail who did not go through the Beaverton hearing process? 48 CHRIS THOMAS, TRI-MET: Your amendment (EXHIBIT B) was incorporated into the senate bill and extensive notification provisions also were added. All of those along the alignments will receive notification as if this were a regular land-use process. 53 REP. VAN LEEUWEN: But all that does is give notification to those who have participated in the planning process previously, and the people in the path of the second alignment don't think they were involved, so they don't get a notice, right?

60 THOMAS: Extensive notification provisions at several stages in the process were added in the Senate. The bill does not specifically address the issue you have raised, but all of the people along the alignments will receive the same notification they would under the regular land-use process. 65 REP. VAN LEEUWEN: And with the opportunity to do that once they get the notice? 70 THOMAS: To participate in the hearing process, including the final Tri-Met hearing upon which appeals may be based. The advanced notice under this bill is intended to let people know what appeals rights they have under this accelerated process.

76 REP. NORRIS: How assured are we that we will receive this big amount of federal money if we go through with this? 85 DICK FEENEY, TRI-MET: \$100 million has been granted and appropriated for this project. That is unusual for a project that hasn't received full funding. We have an agreement with the federal Urban Mass Transit Administration that 75 percent funding will be awarded by September 1, 1991 if Tri-Met meets several conditions. We have a promise and offer

that is binding on the federal government, provided we meet these conditions. 123 REP. BURTON: I wonder if Rep. Van Leeuwen would mind telling us for the record who the parties were that contacted you with concerns about the second alignment at this point. 129 REP. VAN LEEUWEN: One person, Mr. Forester, who lives on that second route, has contacted me. 138 THOMAS: Mr. Forester was satisfied with the amendments we made. 146 REP. VAN LEEUWEN: It would be a violation of the land-use process if those 80 people along the alignment didn't get properly notified. 155 REP. BURTON: "I thought I had missed some testimony . . . on this issue, and apparently that wasn't the case."

162 CHAIR PARKINSON: "I did have a couple of people from the affected area phone me, but it's not part of the committee record, and I'm certainly not prepared to discuss what they said."

165 REP. WHITTY: To what extent have alternative routes gone through the process, or have they?

172 FEENEY: The alignment choices are in the adopted comprehensive plan for Portland. There is an alignment in the comprehensive plans of all of the participating jurisdictions. The City of Beaverton has indicated it will be discussing a second option (Henry Street alignment), and have taken that option through the federal process. That has not been adopted in Beaverton's comprehensive plan. Part of what we are asking you for today is to be able to include that choice in our final land-use plan.

180 REP. REPINE: Why have you waited until the last hour and then come to the Legislature for the authority to expedite this process?

184 FEENEY: Two events have taken place that have made this necessary. One occurred in 1983 when the region decided not to go forward with this because of the recession at that time. The other constraint has been that the federal environmental impact statement for this project was not published in the federal register until last Friday. "That was the first real OK that we've had from the Urban Mass Transportation Administration that we could go ahead with this project. It has taken us a year of work to try to get this thing through the federal process." 230 SEN. HAMBY: If we fail to act, we lose the option for the 75 percent matching grant. That would force the state and local jurisdictions to make up \$227 million. 244 REP. REPINE: With all due respect, that's not a forgone conclusion to put money on the table. 253 CHAIR PARKINSON: Closes public hearing on SB 573 at 1:25 and opens work session on SB 573. 255 MOTION: REP. WHITTY moves SB 573 to the floor with a "do pass without amendments" recommendation. 260 CHAIR PARKINSON: Calls for a roll call vote. 285 VOTE: In a roll call vote, the motion carries, with Representatives Repine and Watt voting NAY. 290 CHAIR PARKINSON: Appoints Rep. Meelc to carry SB 573 on the floor. Closes work session on SB 573 and opens public hearing on HB 2129.

Tape 36, Side A) HB 2129 - PUBLIC HEARING Witnesses: Michael Grainey, Oregon Department of Energy Dave Barrows, Oregon League of Financial Institutions House Committee on Environment and Energy February 11, 1991- Page 4

Fred Van Natta, Oregon Homebuilders Association and Oregon Multifamily Housing Council 300 MIKE GRAINEY, OREGON DEPARTMENT OF ENERGY: Testifies in support of the measure. (EXHIBIT G).

> The bill is vague as written.

> Have had much discussion, but not sure what direction to take.

> Asks to give only introduction with background and then to return to the Committee after more discussion.

347 CHAIR PARKINSON: I don't recall having seen an agency come to the Legislature to adopt rules for itself. Why didn't you just adopt the rules?

355 GRAINEY: Basically, this updates an outdated requirement for the Energy Conservation Board to act. There is some question whether statutory action is needed at all. Some states are operating home energy efficiency rating programs now. Generally, they apply to new homes and have been adopted administratively. We have had discussions with several parties since we filed this bill pre-session, and we're not sure this bill is the best approach. We think this is important enough to elevate to your attention for consideration. 367 REP. VAN LEEUWEN: Our packet says there is no fiscal or revenue impact, but somehow I think there is.

375 GRAINEY: That concern has been raised, and our intent is to put together a system in which that doesn't happen. There are a number of ways this could be done. We want to do some more talking to figure out how to do that.

396 REP. NORRIS: The bill makes reference to a voluntary program, but it also says your department "shall adopt rules to assure that potential buyers are provided with energy efficiency ratings. It seems to me that if we are going to assure, then we are no longer in a voluntary state. It seems to me that's a bit inconsistent. When you take this back to the drawing board, you might want to look at that." Also, the term realtor refers to a registered professional, so you might also want to review the use of that term in this bill.

TAPE 37, SIDE A

004 REP. BURTON: There is nothing to mandate that energy efficiency ratings be done. Rather, this assures that energy efficiency rating information gets out to potential buyers.

10 GRAINEY: That is our intent. There is no energy efficiency rating system now. We also thought the current statute is vague. That is the reason for subsection 4, although some of the interest groups with whom we have been discussing this think that may be too vague, too.

21 REP. BURTON: Why is this designed only for single family residences? Why not also do this for apartments and condominiums? House Committee on Environment and Energy February 11, 1991- Page 5

25 GRAINEY: Our desire is to start small and if it works to come back. We're looking at starting with new homes. 30 REP. BURTON: Is that something that's spelled out here? 35 GRAINEY: No, but we would be adding that by rule. 37 REP. REPINE: It looks like representatives from commercial lending institutions would be participating in this. I can't recall lenders being involved in looking at energy costs as a factor of loans. 40 GRAINEY: What we're proposing is operating in other states. We have talked to various lending institutions, and they are interested in having some kind of a rating system. 47 REP. REPINE: I find it hard to believe that every bank and savings and loan is thumbs up on this. If we accept these ratings, who would check this

structure? 54 GRAINEY: That's one of the issues that needs to be worked out administratively. 58 REP. REPINE: When you speak of code, now all of the sudden we have cost implications. Help me here.

63 GRAINEY: That's one of the issues that we want to address before getting back to you. 65 REP. WHITTY: Tell me how this rating system works. 70

GRAINEY: Basically, you're looking at average energy use for a home built to certain codes. The rating system could be numerical or a letter rating targeted to a particular code. 81 REP. WHITTY: If I were to build a home on a vacant lot, could I come to the DOE with my plans and have them rate the energy efficiency of my house?

89 GRAINEY: Yes. 98 REP. REPINE: Pacific Power and Light currently will do an energy efficiency rating for existing houses. What does this add to what's already available? 114

GRAINEY: This gives banks and creditors more confidence about costs incurred by borrowers. 124 REP. REPINE: As your department accumulates rating information about buildings, it could use this as a mapping process to determine the consistency of housing energy efficiency, couldn't it? 127

GRAINEY: Yes. That's correct. 131 REP. BURTON: Why hasn't the Energy Conservation Board tackled this in the last 10 to 15 years?

134 GRAINEY: No, but as a result of the most recent code adoption process, the board is now House Committee on Environment and Energy February 11, 1991 - Page 6

interested in looking at this issue.

139 REP. BURTON: What's the necessity for this? This seems like a duplication of effort, other than to give a signal to the market as to what loan rates should be.

143 GRAINEY: Lenders are not able, on a consistent basis, to make loans that take energy efficiency into account.

148 REP. BURTON: Can't lenders read code requirements?

150 GRAINEY: Yes, but that's not easily translated into energy and financial savings. Currently, we do not have a lot of loans made in Oregon that recognize the energy efficiency of newer homes.

156 DAVE BARROWS, OREGON LEAGUE OF FINANCIAL INSTITUTIONS: Explains lending markets and systems. Not opposed to discussion, but doesn't want legislation to move too fast.

> Most lending institutions sell most of their loans the secondary market. If the public and private secondary markets don't pay attention to energy efficiency rating, then ratings are of no value to lenders. In the real world, this tends to contradict the common sense notion that lending institutions ought to be able to make bigger loans because a structure will cost less after accounting for energy savings.

> Concerned about who sets efficiency standards. Will there be "energy appraisers"?

> Proposed standards are voluntary, but concerned they could become mandatory. 194 REP. BURTON: It seems this would do a lot for new housing, but what does it do for existing houses that need to be retrofitted to become more energy efficient?

211 BARROWS: That's a huge problem, and the bill doesn't speak to that. We, and other lending institutions, have supported retrofitting loans.

223 FRED VAN NATTA, OREGON HOMEBUILDERS ASSOCIATION AND OREGON MULTIFAMILY HOUSING COUNCIL: Testifies in opposition to the measure. > "We just went through the adoption of some energy conservation standards in Oregon that will add about \$2,000 to the cost of an electrically heated home and about \$4,000 to the cost of a modest gas home, and all through that process people from the Department of Energy and the Energy Conservation Board said: 'That's OK, the lenders will loan you more money on them,' and we sat there and told them they wouldn't." > Happy to work with DOE on a rating system, but opposed to this legislation.
255 CHAIR PARKINSON: It appears the bill needs a little more work. Closes public hearing and calls for break. - Hou~e Committee on Ennronment and Energy February 11,1991- Page 7

263 CHAIR PARKINSON: Reconvenes and opens public hearing on HB 2130.

HB 2130 - PUBLIC HEARING Michael Graineey, Oregon Department of Energy

268 MICHAEL GRAINEY, OREGON DEPARTMENT OF ENERGY: Testifies in support of the measure (EXHIBIT).

384 CHAIR PARKINSON: Do you reach the cap each year on your existing tax-credit program?

388 GRAINEY: Yes. That cap is \$40 million in project costs. We have reached that for the last three years. The tax credit is 35 percent of that maximum over five years.

390 CHAIR PARKINSON: If this legislation is passed, that program would be a winner. Who would be the loser?

395 GRAINEY: There might be further pressure on that cap. We have had to limit, by rule, the amount of tax credits available for very large projects. Some utilities, particularly public utilities, have expressed interest in having us set subcaps for types of projects to make sure no one company or area in the state benefits disproportionately from the rest of the state. Within the \$40 million we could set subcaps for program areas.

TAPE 36, SIDE B

10 REP. NORRIS: Do we have any idea what the revenue impact of this measure would be? 16 GRAINEY: There isn't one. Because it's an ongoing program, we're making changes in the program without changing the overall revenue impact. 19 REP. NAITO: Could an individual take advantage of this legislation to modify a car to use natural gas? 29 GRAINEY: You may be thinking of other legislation. This bill only provides incentives to businesses. 37 REP. BURTON: Because of the language you have used here, it seems this credit would be extended to vehicles as well as facilities. Is that correct? 40 GRAINEY: Yes. Businesses would be eligible for credits on the added costs of converting regular gasoline-powered vehicles, but not the full cost of buying modified vehicles. 49 REP. NORRIS: Would power farm equipment be eligible for this? 53GRAINEY: Yes. 54CHAIR PARKINSON: Would a sole proprietorship farmer qualify? 58 GRAINEY: Yes. . . February 11, 1991 - Page 8

59 REP. REPINE: Would this also apply to Doing Business As (I)BA operations? 62 BILL NESPIETH, OREGON DEPARTMENT OF ENERGY: Yes. The statute says "trade or business. " 74 REP. VAN LEEUWEN: Would hazardous material requirements apply to propane-powered vehicles?

80 GRAINEY: I don't know the specific answer to that question, but propane tanks are stronger, and probably safer, than gasoline tanks.

82 REP. VAN LEEUWEN: Extensive fees currently are assessed on stationary propane tanks, and they certainly are safer sitting in one place than if they were put into moving vehicles. 92 REP. BURTON: Are alternative fuels taxed in the same way as fossil fuels? 99 GRAINEY: Ethanol has a federal tax break. I don't know about state taxes on other alternative fuels. 120 MIKE LOGAN, EUGENE WATER AND ELECTRIC BOARD: Testifies in favor of the bill and proposes amendments (EXHIBIT K).

183 LIBBY HENRY, EUGENE WATER AND ELECTRIC BOARD: Mr. Graineey has assured me that the Department will distribute the \$40 million available under this program by rule if the Legislature passes this measure. Given this assurance, we would be amenable to withdrawing the amendment we have proposed. Our concern is that public utilities don't have the same tax liability that investor-owned utilities have, and therefore our access to those funds is less. If the program is expanded but the cap remains the same, benefits from the program will be spread more thinly among participants. We would like to be considered as those funds are distributed and would like the Department to have optimum flexibility to oversee the distribution of those funds. 197 CHAIR PARKINSON: Apparently, the business energy tax credit has been a great benefit to EWEB customers. How? 200 LOGAN: More than half of our customers are renters. Under this tax-credit program, property owners can claim the tax credit for weatherizing rental dwellings. 210 REP. NAITO: Have many of the Eugene homes with inefficient ceiling heat been converted under this program? 215 LOGAN: There has been some conversion.

223 GEORGE RICHARDSON, NORTHWEST NATURAL GAS: Testifies in support of the measure. (EXHIBIT L) > This bill would encourage use of natural gas and other alternative fuels in vehicles, which is viable way to pursue America's energy and environmental goals. House Committee on Environment and Ener&y February 11, 1991- Page 9

> Natural gas emits less hydrocarbons and carbon dioxide when burned in vehicles than traditional fossil fuels.

> Since 90 percent of natural gas consumed in the United States is produced domestically, converting vehicles to natural gas would lower the country's dependence on foreign oil supplies.

248 REP. NORRIS: You test)fied that more than 90 percent of the natural gas we use in this country comes from domestic sources. If we got into massive conversion, would we exhaust our supplies soon?

258 RICHARDSON: Some estimates indicate we have enough reserves to last as long as 2,500 years. 270 DUNFORD: According to the American Gas Association, if the 1.7 million fleet vehicles in the country were converted today, they would use less than one percent of the natural gas that is used in this country now. 283 REP. WHITTY: I think there is lots of natural gas in Oregon that NW Natural doesn't even know about.

306 DUNFORD: That's correct, we do not have feedback from oil companies about what they find. Traditionally, the United States is to natural gas what the middle east to crude oil. 310 RICHARDSON: We do have proven numbers about known natural gas reserves. 350 THOMAS PARVIS, ENERTROL: Testifies in support of the measure. (EXHIBITS M AND N)

TAPE 37, SIDE B

09 CHAD: PAREUNSON: Does Canada tax liquified natural gas used in cars? 11 PARVIS: No. 13 DENNIS OBERTO, ENERTROL: Gasoline is

roughly three times the costs of compressed natural gas in Canada.

16 PARVIS: Continues testimony. 49 REP. NORRIS: Can you comment on the apparent short range of natural-gas-powered cars? 52 PARVIS: Gas-powered vehicles are limited by the size of their payload. There are two sizes of tanks available for gas-powered vehicles. The range of a vehicle is limited by how many of these tanks it can carry. Large trucks can accommodate more tanks. 64 OBERTO: Testifies about benefits of alternative fuel vehicles. (EXHIBIT O) [House Committee on Environment and Energy, February 11, 1991- Page 10

99 CHAIR PARKINSON: How did you come up with the 2,200 vehicles conversion figure in the first 12 months? 102 OBERTO: That's based on our observations in Canada and that would only be our capacity.

111 PARVIS: With an incentive, conversion would move ahead and bring obvious tax benefits to the state. 126 MARK STEELE, NORPAC FOODS: Testifies in support of the measure, and the use of compressed natural gas in vehicles in particular. > Nation should be converting to use of alternative-fueled vehicles for environmental and national-security reasons. > Conversion would allow utilities to claim tax credit and to pass it on to industry through an up-front fund. 158 REP. REPINE: What kind of costs are you talking about to test your conversion theories? 162 STEELE: We would use a conventional car, and the conversion would cost about \$1,500.

170 REP. NORRIS: Can cars with electronic fuel injection be converted?

176 STEELE: I don't know. 180 OBERTO: Yes. These fuels can be used with non-carburetor vehicles.

197 STEELE: One more thing. Providing tax credits up front via utilities would simplify paperwork and make it easier for industry to take advantage of this kind of program.

213 DELL ISHAM, NW PROPANE GAS ASSOCIATION: Testifies in support of the bill (EXHIBIT P)

266 REP. NORRIS: Is it true that natural gas has less energy than gasoline and would get fewer miles to the gallon?

284 ISHAM: Yes. Gas is about 80 percent as efficient as gasoline.

333 REP. VAN LEEUWEN: I know HB 2300 is not in our committee, but does it share the same Department of Energy cap as this bill?

341 ISHAM: HB 2300 provides a 100 percent personal income tax credit (up to \$2,000) for converting a personal vehicle from either gasoline or diesel to natural gas or propane. 350 KATHY MORELAND, ROTH'S IGA: Testifies in favor of the measure. > Since 1985, Roth's has made 14 energy conservation tax credit applications worth investment of more than \$700,000, and has received six certificates for tax credits on completed projects House Committee on Environment and Energy February 11, 1991- Page 11

worth \$185,000 and energy savings of \$81,000 per year.

> Advocates cash credit up front.

TAPE 38, SIDE A

15 CHAIR PARKINSON: Has there been much discussion on how much of the \$40 million in this program's annual budget would be spent on

alternative fuels? 18 GRAINEY: Alternative fuels, even if widely used, would only be a small part of the project. 33 REP. NORRIS: What are the benefits here for investor-owned utilities? 35 GRAINEY: Investor-owned utilities have been very supportive of this program because it has helped them assist their large business customers to meet their energy costs using the fuel the utility is providing. 50 CHAIR PARKINSON: "I'm kind of intrigued with the bill." Closes public hearing and opens work session for possible introduction of committee bills.

WORK SESSION - POSSIBLE INTRODUCTION OF COMMITTEE BILLS

64 MOTION: REP. WHITTY moves for introduction of LC 3294, which requires certain notice for legislative acts by ordinance of city.
66 VOTE: Hearing no objections, CHAIR PARKINSON so moves. 67 CHAIR
PARKINSON: Closes work session and adjourns meeting at 3:15 p.m.

Submitted by: Kathryn VanNatta Committee Assistant
Reviewed by: Andy Sloop Committee Administrator

EXHIBIT LOG:

A - Proposed expedited land-use process for Westside Corridor Project - Sen. Hamby - 3 pages B - Dash 3 amendments to HB 2561 - Tri-Met - 1 pages C - Staff Measure Summary for SB 573 - Senate Agriculture and Natural Resources Committee Staff - 1 page House Committee on Environment and Energy February 11, 1991 - Page 12 D - Notices of no revenue or fiscal impact from SB 573 - Legislative Fiscal and Revenue Offices - 1 page E - Westside Corridor Project bill history - Committee Staff - 1 page F - Differences between HB 2561 and SB 573 - Senate Agriculture and Natural Resources Committee Staff - 1 page G - Testimony on HB 2129 - Michael Graine, Oregon Department of Energy - 3 pages H - Notices of no fiscal or revenue impact from HB 2129 - Legislative Fiscal and Revenue Offices - 1 page I - Oregon Revised Statutes 469.700 and 469.710 pertaining to energy conservation programs - Committee Staff - 1 page J - Testimony on HB 2130 - Michael Graine, Oregon Department of Energy - 3 pages K - Testimony on HB 2130 - Mike Logan, Eugene Water and Electric Board - 3 pages L - "Making New Fuels Work," Sunday Oregonian, February 10, 1991 and "Promote Natural-Gas Cars," Oregonian, January 14, 1991 - George Richardson, Northwest Natural Gas - 4 pages M - Testimony on HB 2130 - Thomas Parvis - 1 page N - Testimony on HB 2130 - Thomas Parvis - 1 page O - Testimony on HB 2130 - Dennis Oberto - 1 page P - Testimony on HB 2130 - Dell Isham - 1 page Q - Oregon Revised Statutes 469.185 to 469.228, 469.675 to 469.683, and 317.103 to 317.106 - Committee Staff - 8 pages R - LC 3249 - Chair Parkinson - 3 pages

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