VICTOR ATIYEH
GOVERNOR

Department of Energy

LABOR & INDUSTRIES BUILDING, ROOM 111, SALEM, OREGON 97310 PHONE 378-4040

January 1979

In presenting his recommended 1979-81 budget to the Oregon Legislature, Governor Atiyeh initially proposed a $3 million budget for the Oregon Department of Energy -- which would support existing programs and a staff of 36 persons but which envisioned little if any expansion of ODOE's activities. However, the Governor and his staff were already considering several options, any of which would have substantial impact on ODOE. The option chosen was to develop a comprehensive and aggressive energy program, "New Energy Directions for Oregon", in which Governor Atiyeh recommended a $13 million ODOE budget which would support a staff of 46 and strengthen and broaden the agency's Conservation and Renewable Energy Resource programs.

The Governor, on March 16, 1979, presented his Energy Program to the Legislature. He asked for an unprecedented commitment to efforts which would move Oregon toward energy self-reliance: "Oregon has enormous and virtually untapped natural resources to which we must turn if we are to achieve a higher degree of energy independence...by the adoption of far-sighted and innovative public policy, Oregon has the most effective and comprehensive residential energy conservation program of any state in the nation. In that same spirit, the energy program I will set forth today is the first step toward a public policy which calls for the fullest possible development and utilization of our natural energy resources -- solar, wind, geothermal, wood waste, agricultural residues, and small-scale hydro."

"New Energy Directions for Oregon", which was to be adopted nearly intact by the Legislature, not only launched the state's first serious effort in developing renewable energy resources, but also expanded ODOE's energy conservation programs into the commercial and industrial sectors.

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As a State Senator, the Governor in 1975 had supported creation of the Domestic and Rural Power Authority (DRPA). As Governor, Atiyeh asked for and received Legislative approval to extend the time in which DRPA could be activated if Congress failed to approve regional energy legislation which could achieve, among other goals, electricity rate parity for Oregonians served by private utility companies.

But the Governor favored a regional approach to regional energy problems and consistently held that activation of DRPA would be Oregon's last resort. In testimony on December 13, 1978, before the U.S. House Energy and Power Subcommittee's hearing on the Pacific Northwest Regional Energy and Power Conservation Bill, Governor Atiyeh said: "Activation of DRPA could be a unilateral solution to Oregon's quest for an equitable share of the region's power at an equitable price. However, I hope that we do not have to activate DRPA. What is needed is a statesmanlike approach wherein parochial interests are foregone in order to attain a regional solution that accommodates all interests. I believe these principles are embodied in S. 3418..."

Later, in mid-January, the Governor told members of the Northwest Public Power Association: "...most Oregon consumers pay electricity bills far higher than do consumers served by most publicly-owned systems. And, most of the public systems served by the Bonneville Power Administration are in the State of Washington." The Governor said he was convinced that "a regional solution is the best solution." But, he added, "I am prepared to implement DRPA if necessary...to help Oregonians get an equitable share of the region's federal hydropower at an equitable price." That would be, he said, "a unilateral solution. And in this context, a unilateral action is not in the best interests of the Pacific Northwest as a region...."

February 1979

The Governor, his staff and ODOE prepared recommendations which would provide General Fund financing for cost-effective energy management programs and projects in state-owned and operated buildings. Low-cost and no-cost conservation measures had already proven effective. Energy consumption in state buildings had been reduced by about 10 percent, which represented savings of more than $1.3 million. The Governor recommended, and the Legislature approved, appropriating $1.5 million from the General Fund for energy-saving retrofits in state buildings. Additional funding and staff were authorized for ODOE's administration of the program.

March 1979

The Governor, on March 16, delivered his Energy Program to a Special Joint Session of the Oregon Senate and House.

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Following the Senate's refusal to confirm Governor Atiyeh's appointment of Dr. Kelly Woods as interim ODOE Director, the Governor himself assumed direct administrative responsibility for the agency. The Governor and his staff worked closely with ODOE's program supervisors to develop "New Energy Directions for Oregon" and a new ODOE budget.

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By late March, the spectre of a gasoline shortage signalled the development of Oregon's Gasoline Shortage Contingency Plan by Governor Atiyeh, his staff and ODOE. The Governor, in meetings with U.S. Department of Energy officials in Washington D.C., insisted that it was the federal government's role "to tell us how must we must conserve, but not how to do it." The three-phase contingency plan was designed to respond to shortages of increasing severity. Oregon's plan was the first to be submitted to US DOE for approval and was in place -- and well-publicized -- by the time gasoline supplies tightened. In announcing Phase I of the plan, the Governor asked for voluntary conservation: "Drive a little less, obey the speed limits and -- above all -- don't hoard gasoline," he said in a press conference.

Although Oregon's gasoline shortage was as severe as shortages in other states, the state avoided a replay of the panic-buying and long waiting lines experienced in 1973-74. Oregon's retail gasoline dealers -- who helped design the contingency plan -- were credited with helping the Governor and citizens "keep our cool" during the Spring and Summer when supplies were from 8 to 12 percent below 1978. Oregon's gasoline consumption, which had a pre-1979 annual growth rate of 4 to 5 percent, dropped two-tenths of one percent below 1978 consumption in March. In April, consumption was down four-tenths of one percent. By May, supplies were much tighter and Oregonians' efforts to conserve dropped consumption almost 4 percent. Throughout the remainder of the Summer and Fall, gasoline consumption leveled off at about 6 to 7 percent below 1978. Phase I of the contingency plan remained in effect throughout the balance of 1979.

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The Governor assumed authority from the US Department of Energy to operate the Gasoline and Middle Distallate Set-Aside Program to deal with the emerging shortage. The Governor sought and received Emergency Board approval of funds for an Emergency Allocations Section in ODOE for a six-month period. Staff was hired and the section was operational on April 1.

The Set-Aside program operates on an emergency reserve comprising 5 percent of the state's total monthly supply of gasoline and 4 percent of middle distillate (diesel fuel) supplies. Priority end-users (agriculture, fishing, logging and certain essential services) and retail gasoline dealers can apply for emergency allocations from the set-aside to deal with hardships and spot shortages.

The allocations program processed up to 2,000 applications per month during the worst of the summer shortage and, by year's end, was receiving about 1,200 applications per month. The Emergency Board approved a six-month extension of the program in view of the likelihood of a prolonged shortage.

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The communities of Lakeview, Klamath Falls and Oakridge shared ODOE grants totalling $25,000 to help finance preliminary studies for geothermal heating districts.

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Governor Atiyeh selected 28-year-old Lynn Frank to become Director of the Oregon Department of Energy. Frank, senior budget analyst for the Executive Department's Budget Division, had played a key role in developing the Governor's new ODOE budget and "New Energy Directions for Oregon". In supporting Frank's nomination on the Senate floor, Sen. Ken Jernstedt said: "...The Governor's energy program for the coming biennium proposes greater emphasis on Oregon's renewable energy resource development than any executive proposals in the past. By recommending significant budget and staff increases for the Department of Energy, Governor Atiyeh not only acknowledged the important work that must be done in energy conservation and renewable energy resource development, but also asked the Legislature to provide the tools with which those goals can be achieved.

"...Lynn Frank has a decided advantage over most new department heads. He has been an important member of the energy team from the beginning." Frank's appointment was approved by the Senate.

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Governor Atiyeh established the Governor's Forest Slash Utilization Committee -- supported with $100,000 in private funds from the forest products industry and utilities -- to assess the cost and availability of forest slash and its conversion to energy. The committee chose two timber sales in the Willamette National Forest as its "laboratory" and is to submit a final report and recommendations to the Governor in early 1980.

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ODOE, in cooperation with the Eugene Water and Electric Board, conducted a feasibility study to assess the potential of forest residues as an energy source for electricity generation. An engineering study for a plant to produce pipeline-quality methane gas from Coastal region hardwoods was initiated by ODOE. And, the department completed a survey documenting the importance of wood as an energy resource. Wood provides nearly a third of the state's industrial energy supply and more than 10 percent of Oregon homes use wood as a primary space heating fuel.

ODOE finished a state-wide weatherization survey in which more than 1,000 personal interviews were conducted. The results showed that:

- One of every two Oregon householders took some weatherization action in 1978 -- and as many plan to increase the energy efficiency of their homes in 1979.

- The typical householder who weatherized spent about $286 on insulation, weatherstripping and other energy-saving measures.

- Electricity (36 percent), natural gas (29 percent) and fuel oil (25 percent) are Oregon's primary space heating sources. Ten percent of householders surveyed use wood stoves for primary heat.

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May 1979

Governor Atiyeh, saying that "government must practice what it preaches" directed state agencies to reduce gasoline consumption through better trip planning, carpooling and increased use of the state's Eugene-Salem-Portland shuttle service and public transportation. By August, state employess had cut total mileage by 3.4 million miles, as compared to a year earlier, and reduced gasoline comsumption by more than 320,000 gallons. The reduction more than matched consumption decreases achieved by the general public.

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ODOE's Planning Staff prepared a short-term gasoline forecast which, in retrospect, accurately predicted the month-by-month supply shortfall through October. The forecast, released by the Governor in a press conference, received a great deal of media coverage and provided additional assurance to consumers that moderate restraints could effectively deal with the summer shortage.

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Geothermal energy projects in Lakeview and Nyssa are to receive $187,000 in research and development grants from the U.S. Department of Energy. The funds are for preparation of preliminary engineering and economic design and feasibility studies for a geothermal space heating district in Lakeview and a methane production plant in Nyssa.

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June 1979

The 1979 Legislature approved Governor Atiyeh's Energy Program and dealt with several other significant, energy-related issues.

Legislators approved a measure offering Oregon business and industry tax incentives for cost of equipment using renewable energy resources, as well as:

- broader eligibilty for both homeowners' weatherization and alternate energy system tax incentives

- a measure requiring electric utilities to purchase surplus power generated by small power producers.

- a low-interest loan program to provide initial financing for small power producers. The program, which requires voter approval in May 1980, would provide a $250 million loan fund.

- $1.5 million set aside from the General Fund for energy conservation retrofits in state-owned and operated buildings. Preliminary audits indicate that energy consumption can be reduced as must as 20 percent through no-cost and low-cost measures alone. The full impact of the program will be substantially greater because many buildings will receive federal funding for retrofit projects.

The Legislature also gave the Governor authority to appoint Oregon's first Alternate Energy Development Commission (AEDC). Governor Atiyeh launched an effort to recruit the state's "best and brightest" men and women to serve on ADEC and its six task forces on solar, geothermal, wind, hydro, alcohol fuels, wood wastes, and agricultural residues. The Governor sought nine persons for the Commission and six to ten persons for each of the task forces -- all of whom would be willing to volunteer time and talent to the task of quantifying the energy potential in each resource and developing ways and means to fully tap those potentials. More than 400 Oregonians volunteered to serve and the Governor was later to say: "I cannot think of more persuasive endorsements for active citizen involvement in important public affairs...and for my own sense of urgency about the need to push ahead with a bold plan for renewable energy resource programs in Oregon."

The Governor later was to choose Portland industrialist John Gray to head AEDC. The Commission and its task forces were will underway by November.

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Governor Atiyeh, working with initial proposals by legislators, proposed that Portland General Electric Company provide $100,000 annually to the State and affected counties to help finance response plans to accidents at the Trojan nuclear plant. The Governor won legislative approval of that proposal as well as a proposal (SB 641) for an ODOE resident inspector at the Trojan plant.

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Neither Governor Atiyeh nor the 1979 Legislature supported a measure to ban nuclear power in Oregon. However, both the Governor and the Legislature did approve a bill which precludes the issuance of a site certificate for a nuclear plant before November 15, 1980. Further, the Governor signed legislation (HB 2570) which directed the Oregon Department of Energy to monitor studies of the accident at the Three Mile Island nuclear plant in Pennsylvania and to study the cost and availability of out-of-state permanent storage facilities for high-level radioactive wastes.

ODOE published "The Energy Land Use Handbook" and distributed copies to every planning unit of local government in Oregon. The publication is designed to assist local planners in addressing energy conservation-related land use options and Goal 13 of the Land Conservation and Development Commission's local land use comprehensive planning program.

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Governor Atiyeh and ODOE assisted the Eugene Water and Electric Board in obtaining $200,000 in federal funds to assess the potential of geothermal energy in the Western Cascades.

JULY 1979

The U.S. Department of Energy adopted new retail price regulations for gasoline dealers and abruptly shifted the responsibility for retail price regulations to governors--without prior notice or consultation. The National Governors Association balked and demanded that the President rescind or suspend the governors' authority to adjust price margins upward to more accurately reflect local economic conditions.

Governor Atiyeh, however, did not join the revolt. He said it was not enough to "get the governors off the hook. The more important question to be answered is that dealers know where they stand." And, in a letter to U.S. Secretary of Energy Charles Duncan, the Governor said: "The U.S. DOE's petroleum regulations have created havoc in the entire industry. It is my belief that the regulations and the frequency with which they have been changed have turned a manageable shortage into a red tape nightmare."

ODOE announced that $190,000 in federal funds would be awarded to "local community organizations with bright new ideas for promoting energy conservation projects". More than 100 grant applications would be received by ODOE. In late November, 18 winners were announced. Projects chosen for funding ranged from the development of energy-efficient ordinances for new subdivisions (City of Woodburn - $15,000) to a $22,000 grant for an alcohol-methane demonstration project at a Polk County hog farm. A year earlier, ODOE made similar grants totalling $160,000.

AUGUST 1979

The Pacific Northwest Regional Power Bill was approved by the U.S. Senate and sent to the House. That action heightened hopes that Congress would, at long last, approve legislation which had the support of the region's governors and a majority of the region's utilities. Governor Atiyeh had devoted--and would continue to devote--major time commitments of his personal staff as well as staff of ODOE and the Public Utility Commissioner to passage of the bill.

As passed by the Senate, the bill would give Oregonians greater access to BPA power by authorizing BPA to provide firm power to the investor-owned utilities that serve most Oregonians. The bill would also establish a mechanism for regional coordination among the utilities, with resource acquisition, financing, and type of resource facility planned on a regional basis, with greater savings to the region's ratepayers. The bill also requires that conservation and renewable resources be utilized as priority energy resources prior to the acquisition of thermal resources.

Governor Atiyeh offered amendments which made the conservation and renewable resource provisions of the bill more effective, and which assured greater state participation in the decision making process.

The Governor's amendments were incorporated almost in total in the version which passed the Senate in 1979. The bill is still pending before the House and the Governor has continued his commitment of resources to work for its passage. However, in the event the bill does not pass in 1980, the Governor is prepared to activate the Domestic and Rural Power Authority (DRPA), which would qualify the state as a preference customer by establishing a state-run utility. The Governor has instructed the Public Utility Commissioner to begin the hearings necessary to activate DRPA.

The Governor's efforts on federal legislation have not been limited to the regional bill. Governor Atiyeh has closely followed the important national federal energy legislation pending before Congress and has worked with the Congressional delegation to develop proposals which are most compatible with Oregon's energy policy.

For example, the Governor has sent letters supporting the large tax credits for conservation and renewable resources proposed by Senator Packwood, to the windfall profits tax and supporting the major energy conservation programs (co-sponsored by Senator Hatfield) in the synthetics fuel bill, and recommending provisions to the Energy Mobilization Board legislation that would keep the Board from overriding state decision making authority. The Governor has also written to the delegation and to U.S. DOE recommending increased support and funding for important conservation and renewable resource programs and he has strongly protested U.S. DOE cutbacks of successful programs. In addition to the Governor's own activities in these areas, he has followed up with staff level work with the Congressional delegation, both in the state and in Washington, D.C.

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ODOE, the US DOE and other state and federal agencies met with Lakeview area citizens to discuss a proposed state/federal program to complete cleanup of abandoned uranium mill tailings.

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The Governor asked for and received Pacific Northwest Regional Commission (PNRC) funding for two important programs: PNRC approved $100,000 to keep financially troubled Community Action Program weatherization efforts afloat in several Oregon communities. The programs provide free home weatherization for low income families and the elderly poor. PNRC also approved the Governor's request for $50,000 for emergency planning in Cowlitz County, Washington. That county could be affected by an accident at the Trojan nuclear power plant.

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ODOE's Planning Section developed a methodology to assess the economics of solar installations and completed a thorough analysis of the cost-effectiveness of residential solar systems certified for tax credits by the department. The study is to be published by ODOE in early 1980.

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Governor Atiyeh declined authority offered by the US DOE to enforce the President's Emergency Building Temperature Restrictions Program in Oregon. A <u>Statesman-Journal</u> editorial praised the Governor's decision, adding that government should "not do for the people what they can do for themselves.

September 1979

The first section of a draft order on the Pebble Springs nuclear plants site certification application was submitted to the Energy Facility Siting Council (EFSC) by Hearings Officer Lowell Bergen. Bergen concluded that applicants had made a case that the power for the proposed facility would be needed by the late 1980s. He also found that the application met four general standards: water rights, land use, historical and archeological impacts and beneficial use of wastes. EFSC subsequently made affirmative findings on those four standards. The Council's deliberations on two of six remaining standards (environmental impact and socio-economic impact) were nearing completion by mid-December 1979. Bergen is preparing the balance of his draft order which will address need for power, safety and public health, and ability to construct and operate and financial ability.

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Western SUN, a $4.5 million federal program to promote commercialization of solar power in the 13 western states, established headquarters in Portland.

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The Governor, in a speech before the annual convention of Associated Oregon Industries, candidly expressed his frustrations in dealing with complex energy issues and equally complex and divided constituencies:

"...That energy will be the dominant issue of the 1980s is not a debatable question by anyone," the Governor said. "But the questions of how to solve energy problem are threatening to divide this country as deeply as Vietnam. The chaos growing out of the search for stable and reliable energy sources is slowly paralyzing our ability to act." The Governor urged Oregon industrialists to take the lead because, if they will not, government will be forced to step in. "Put your tremendous resources and technology to work," he told AOI members. "Build energy-efficient facilities...install co-generation...conduct energy audits to insure proper building weatherization...develop alternate energy sources."

October 1979

Governor Atiyeh appointed his Alternate Energy Development Commission and addressed a joint meeting of the Commission and task force members in Salem.

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The Trojan nuclear plant was shut down to repair pipe leaks in the generators. The plant was to be down for eight days. Subsequent problems would stretch that shutdown far into December, amplifying serious electricity supply problems for Portland General Electric Company.

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ODOE issued four new publications designed to help Oregonians reduce energy costs in their homes: Weatherization and Alternate Energy Systems for Oregonians; Weatherization: One Step At A Time; The Oregon Windbook and the Oregon Solar Directory. ODOE held six workshops in five different Oregon communities and trained more than 600 persons to perform energy audits for schools, hospitals and local government buildings.

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Governor Atiyeh participated in and critiqued an exercise drill for the Trojan Nuclear Plan Emergency Response Plan. As a result of a comprehensive evaluation of the drill, the Governor forwarded a revised plan to the Nuclear Regulatory Commission in December 1979.

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November 1979

In a major energy address, Governor Atiyeh told the City Club of Portland that the Energy Facility Siting Council's final decision on the Pebble Springs case will "not merely be a decision of whether or not to go nuclear, but probably requires a choice between nuclear and coal."

The Governor added that "I cannot proceed on hope alone" that the Regional Power Bill would be approved by Congress this year. "If the bill fails, Oregon will go it alone," he said. "I have directed the Oregon Public Utility Commissioner to commence hearings on the activation of the Domestic and Rural Power Authority."

Atiyeh told the City Club that the Alternate Energy Development Commission is to submit to him a "no-nonsense action plan to get us past the point of taking about energy self reliance and to the point of taking action." Even if the State realizes the full energy potential from conservation and renewable energy resources, "there is a real likelihood that we will still not have enough energy...and we will need new conventional generation."

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The 1979 Legislature directed ODOE and the Energy Facility Siting Council to adopt standards for underground storage of natural gas. With the discovery of significant natural gas resources at Mist and anticipating a site certificate application for facilities at the Mist field, ODOE commenced public hearings on proposed site standards.

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Governor Atiyeh approved a contract between the State and the City of Klamath Falls by which the State will grant the city $50,000 to help launch a geothermal heating district.

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Sites were selected for two wind generators, of 2 and 10 kilowatts, under a federal field test program. One site is near Cape Blanco on the Southern Oregon Coast and the second in in the Columbia Gorge near The Dalles.

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ODOE continued work with the Eugene Water and Electric Board and other utility sponsors to site the world's largest vertical axis wind generator on the Central Oregon Coast.

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ODOE approved the state's first application under the new Industrial/Commercial Small Grants Program -- a solar-heated goat barn in Central Oregon.

ODOE's Energy Clearinghouse for Business and Industry, approved by the Legislature at the Governor's request, is designed to promote the exchange of effective energy conservation strategies and technical information among Oregon's private and public sectors. The Meier & Frank Company, Weyerhaeuser, 3-M and Tektronix Corporation made presentations at the first Clearinghouse seminar in Portland.

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ODOE developed Oregon's new Energy Extension Service, which will be operational in January 1980. Six energy extension agents will provide technical assistance to individuals, local government and small businesses in six communities in the state.

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ODOE, with cooperation from four major utility companies and the Oil Heat Institute, developed an intensive, short-term homeowners' energy conservation campaign, "Take Five!" The campaign's theme is simple and easy, low-cost, no-cost measures homeowners can take to save energy and money. Take Five! was designed to respond to dramatically higher home heating costs, the possibility of a serious electricity shortage, and the potential for spot shortages of heating fuel. The campaign comprises radio and television ads, brochures and supporting "how-to" publications for effective home weatherization.

December 1979

Without the Trojan nulear plant on-line, Portland General Electric Company faced an electricity shortfall of up to 50 percent by mid-December. After Public Utility Commissioner John Lobdell declared a power emergency, the Department of Environmental Quality granted PGE permission to operate combustion turbine generators at Harborton up to 150 hours. Governor Atiyeh, in a letter to President Carter, urged the Environmental Protection Administration to approve additional operation of Harborton's gas-fueled generators.

The Trojan shutdown, coupled with streamflows on the Columbia system at the lowest point in 55 years, painted a bleak power supply picture for Oregon's oncoming winter. Water conditions began to improve by mid-December and relatively balmy weather gave cause for guarded optimism. Snowpack measures in late December will give a far more accurate outlook for reservoir fills in January and anticipated Spring 1980 runoffs. The Atomic Safety Licensing Board (ASLB) of the U.S. Nuclear Reguatory Commission (NRC) was to hold hearings on December 28 to determine whether or not Trojan should be operated on an interim basis while plant modifications are completed.

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ODOE's Renewable Resource Program continued work with the Grand Rhonde Commodities Company to develop an Oregon source of alcohol for motor vehicle fuel.

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12/19/79

VICTOR ATIYEH
GOVERNOR

Department of Energy

LABOR & INDUSTRIES BUILDING, ROOM 111, SALEM, OREGON 97310 PHONE 378-4040

December 21, 1979

TO: The Legislative Emergency Board
FROM: Lynn Frank, Director
RE: Gasoline Conservation/National Standby Rationing Plan

Mr. Chairman and members of the Emergency Board: My name is Lynn Frank and I am the Director of the Oregon Department of Energy.

Yesterday, Senator Boe asked for an assessment, in terms of new positions and costs, of the impact of the imposition of a Federal gasoline rationing plan. The question has particular significance because of the limitation on total state employes approved by the 1979 Legislature.

We have prepared that information for you and it is attached to your copy of my testimony. With your permission, Mr. Chairman, I would first like to summarize our current situation with respect to the gasoline shortage, the short-term outlook and activities at the federal level involving voluntary and mandatory curtailment plans and a proposed Standby Gasoline Rationing Plan.

My presentation is in five parts:

I. Gasoline Shortage Management and Oregon's Contingency Plans
II. Gasoline Consumption Reductions in Oregon During 1979
III. Voluntary, State-by-State "Target Conservation Goals" for the First Quarter, 1980
IV. President Carter's Proposed Standby Gasoline Rationing Plan
V. Oregon's Role in Implementation of a National Gasoline Rationing Program.

I. GASOLINE SHORTAGE MANAGEMENT/OREGON'S GASOLINE AND MIDDLE DISTILLATE CONTINGENCY PLANS

In early March 1979, the United States braced itself for what was expected to be -- and indeed, was -- a comparatively moderate gasoline shortage brought on by a disruption of U.S. crude oil imports from Iran. At that time, our Iranian imports amounted to 5 percent of total U.S. crude oil imports. The shortage was predicted to be of about the same magnitude. But a reduction in supply, coupled with demand growth, could result in more severe shortages if Americans failed to conserve.

Oregon's shortage was no more or less severe than in other states. We did not, however, experience the trauma of 1973-74 when a comparable shortage caught the nation completely by surprise. Some other states were not as well prepared as Oregon in 1979. In some states, long lines appeared overnight at service stations -- a frustrating and disheartening replay of the 1973-74 nightmare.

In March, Governor Atiyeh appointed a special task force to develop management strategies by which Oregon would address shortages of both gasoline and diesel fuel. The task force, comprising members of the Governor's staff, the Oregon Department of Energy and representatives of major petroleum suppliers, retail dealers and jobbers, drafted a basic Shortage Contingency Plan.

The plan comprises three phases, each of which is designed to respond to shortages of increasing severity. Phases I and II outline action which may be requested by the Governor on a voluntary basis, including a system of alternate day sales based on odd or even license plate numbers.

If the shortage situation were to warrant the imposition of Phase III and the declaration of an emergency by the Governor, his management options include a mandatory odd-even plan, a minimum purchase requirement, curtailed hours for retail sales and other measures in addition to the voluntary elements of Phases I and II.

The Gasoline and Middle Distillate Contingency Plans have undergone extensive review and revision but the basic format and the objectives have not changed. Embodied in the plans is the intent to allow timely and flexible responses. It is important to remember that a contingency plan offers a range of management options to deal with a shortage. It is not a "rationing plan".

The Governor, in advising Oregonians of the impending shortage, in mid-March outlined each phase of the plan. He said that, according to the best information available to him at the time, voluntary conservation -- driving 10 miles less each week, obeying speed limits and avoiding hoarding -- would accommodate the shortage Oregon could expect.

The Governor also assumed authority from the US Department of Energy for administration of the State Set-Aside Program. Briefly stated, the program makes emergency allocations of gasoline and diesel fuel -- to relieve hardships and spot shortages -- from a 5 percent reserve of the state's total gasoline supply and a 4 percent reserve of the diesel fuel supply.

This program has been operational in the Department of Energy since April 1. During the height of the summer shortage, applications for emergency allocations from priority end-users and retail dealers amounted to more than 2000 per month. The Legislature approved temporary positions for the Allocations Program in the Department's 1979-81 budget. The Emergency Board extended those positions in September in view of a prolonged fuel shortage.

II. GASOLINE CONSUMPTION REDUCTIONS IN OREGON IN 1979

From 1974 until April 1979, total annual gasoline consumption in Oregon increased by more than 3 percent annually. Population increased by only 2 percent annually. Between 1974 and 1978, total consumption increased by 24 percent. Oregonians in 1978 consumed 1.4 billion gallons of gasoline.

In January 1979, consumption increased 1 percent over January 1978. In February, consumption leaped by more than 6 percent. The first sign of a turnaround in consumption was seen in April, when supplies began to tighten. Oregonians used one-half of one percent less gasoline than in April 1978.

But it was the beginning of a trend that we have maintained for nearly nine consecutive months.

From April throughout the remainder of the year, diminished supplies and responsible conservation efforts produced a consumption decrease which averaged 6.8 percent. Again, Oregonians used less gasoline because less was available. But, the lack of long lines at service stations and the relative availability of gasoline -- albeit at reduced business hours at most service stations -- is evidence that we have not bought and burned every drop of gasoline in the state. As much as half of the 6.8 percent reduction can be attributed to conservation. Clearly, Oregonians have done their share.

III. VOLUNTARY CONSERVATION TARGETS

Earlier this month, the U.S. Department of Energy announced "voluntary gasoline conservation targets" for each state for the First Quarter of 1980. Oregon's target -- as first announced -- is to be about 5 percent. New calculations, based on more accurate data, may alter that target but the change -- up or down -- will not be significant.

The national target is to reduce U.S. consumption during the First Quarter of 1980 by about 9 percent to 6.8 million barrels of gasoline per day. Oregon's target is among the lowest. Our per capita consumption growth since 1975 has been lower than the national average. And, our conservation achievements this year were taken into consideration when our target was computed. For whatever reason, Kansas must reduce consumption by 15 percent and Michigan by 11 percent.

Translating a 5 percent target for Oregon into absolute gallons means Oregon would be asked to voluntarily cut consumption by about 15 million gallons in January, February and March 1980.

That goal -- and more -- can be achieved if Oregonians maintain current reduced levels of consumption. By projecting the 6.8 percent reduction the state has maintained since May 1979, Oregon could consume about 22 million gallons less during the First Quarter of 1980 than in the same period a year ago.

Governor Atiyeh was notified of Oregon's conservation target -- by the news media and not the U.S. Department of Energy -- on December 6. And, because the Federal Highway Administration, which calculated each state's target numbers, used incorrect data for Oregon and is still re-calculating our target, we do not yet have a precise percentage reduction. It is likely to be between 4.7 percent and 5.3 percent.

We are near agreement with federal statisticians on both the target and the data base and calculations which produced the target. Accuracy and equity are highly important at this stage because these voluntary targets could well be the bases for mandatory curtailments sometime in the future. Oregonians are willing to do their fair share. But they will not accept a plan which allows someone else to waste the gasoline they conserve.

In conversations with U.S. Department of Energy officials -- the latest of which was yesterday -- the process by which each state's voluntary conservation targets will be confirmed and put in place will be this:

- By mid-January, the states and the U.S. Department of Energy are to agree that the targets are fair and equitable and based on accurate data. Those negotiations may alter some states' targets slightly, but the national conservation target -- the bottom line -- is not negotiable.

-When those agreements are reached, the U.S. Department of Energy will present the complete voluntary conservation package to the President.

-If at some time the President determines that those voluntary targets -- or different targets -- must become mandatory, the states will have 45 days in which to prepare individual plans which will assure compliance with the mandatory target. It is important to note here that the President's decision to move from voluntary to mandatory goals likely would be triggered by one of two things:

1. Voluntary conservation by the collective states is not achieving the national conservation target, or
2. Something has (or will) happen to worsen the nation's supply situation and measures more stringent than voluntary conservation but less stringent than formal rationing must be imposed. It would be reasonable to assume that mandatory targets could be higher -- in terms of reduced consumption -- than the voluntary conservation targets.

Again, each state has the responsibility of designing conservation efforts to achieve either voluntary or mandatory targets. In either case, the states' plans will be reviewed by the U.S. Department of Energy. If the plans are found wanting, the Department will recommend improvements. Implicit in the information I have received and the conversations my staff and I have had with Washington, any state which fails to develop an effective plan will have that task done for it by the federal government.

Oregon's Contingency Plan, which I described earlier, will be submitted to the U.S. Department of Energy as our conservation strategy to meet the voluntary target for the First Quarter of 1980. Governor Atiyeh and I are confident that Oregon's Contingency Plan will be approved and the state will achieve our target under Phase I of that plan.

Should these voluntary targets become mandatory -- and if the mandatory target does not exceed the 6.8 percent reduction Oregon has already achieved under Phase I, the Governor's notice of his intention to implement Phase II or Phase III would, in all probability, enable us to meet a higher mandatory target.

IV. PRESIDENT CARTER'S STANDBY GASOLINE RATIONING PLAN

The President, on November 5, 1979, signed the Emergency Energy Conservation Act which requires the preparation of a national Standby Gasoline Rationing Plan. The plan is to be imposed only if the President finds that a 20 percent shortfall of gasoline and middle distillates exists, or is likely to exist, for at least 30 days.

A draft of that plan has been prepared and distributed to Governors for review and comment. It differs from the plan which was submitted to Congress earlier this year and which Congress rejected.

The main differences are that the new plan provides for:

- Proportionate state adjustments to reflect each state's historic use of gasoline
- Supplemental allotments to businesses based on historic use
- An expanded state role in administering hardship allotments and addressing imbalances within each state, and
- Provisions which permit the use of simplified procedures in the event it is necessary to impose rationing before all plans have been completed.

The states are to review and comment on the draft rationing plan by early January. A public hearing on the proposed plan will be held in Seattle on January 3.

It is my understanding that the President intends to submit a completed National Gasoline Rationing Plan to Congress in early February. Congress then has 30 days in which to review the plan. Unless a joint resolution of disapproval is enacted during this review, the plan would be considered approved and would remain in a standby status.

Congress could approve the plan immediately. If, by affirmative action or no action the plan is approved by Congress, the U.S. Department of Energy believes it will need 60 days in which to develop detailed rules and regulations for the implementation of rationing. I think, however, it is reasonable to assume that some, if not all, of that detailed work is done or will be done when or if the plan attains standby status.

If the President subsequently finds that a severe shortage exists or is imminent, he must then seek Congressional approval to implement the rationing plan. Congress has 15 days in which to approve or reject implementation, or allow the plan to become effective without Congressional approval.

It would appear, Mr. Chairman, that if the President is able to transmit the Standby Rationing Plan to Congress as early as February 1 -- and if Congress approves the plan promptly, the nation could have a Standby Plan in place sometime in February.

According to the draft plan we are reviewing, actual rationing could be implemented -- in the event of an emergency -- before all the details have been completed. If an emergency should arise and the President chooses to ask Congress to approve implementation of rationing -- with or without detailed implementation procedures -- Congress could act promptly to approve that action.

I offer these comments, Mr. Chairman, with the caveat that they are based on the latest and best information Governor Atiyeh and I have.

V. OREGON'S ROLE IN IMPLEMENTATION OF A NATIONAL GASOLINE RATIONING PLAN

The costs of meeting the State's responsibilities under a National Gasoline Rationing Plan are difficult to estimate with precision. The State's role and costs will depend on the severity and duration of a shortage and how the federal program is implemented.

For illustration, two principal options are outlined here. The first assumes that the Department could respond to major hardship problems through the state. The second option assumes that the shortage has become so severe that large numbers of individuals would be facing serious hardships -- and local review would be essential to determine greatest need.

OPTION 1

The State has the option of operating a State Ration Reserve Program, similar in concept to the Set-Aside Program, to handle severe hardships. Applications for emergency allocations of rationing coupons would be reviewed on the basis of need.

The Department has nine positions authorized to administer the present Allocations Program. Under a gas rationing program, the Department would request extension of those positions through June 30, 1981 and 20 additional positions. Two existing positions would be reclassified to reflect greater responsibilities. Of the total 30 positions, 28 would work in the Rationing Program and two would be assigned to the Department's Administrative Services Program to handle the additional workload in personnel and accounting services.

The Department projects a total cost of $948,176 for this option. This amount includes expenditures for data processing services, public information and publications, attorney general services and two toll-free incoming telephone lines.

PROJECTED BUDGET*
Option 1
March 1980 -- June 1981

Personal Services	$651,940
Services & Supplies	271,224
Capital Outlay	25,112
TOTAL	$948,176
Less existing limitation	-68,900
	$879,276

30 Positions
20 FTE

*The projected budget assumes a March 1980 starting date.

OPTION 2

Under Option 2, the gas rationing program would be administered at the local (county or municipal) level by local boards assisted by the Oregon Department of Energy. The bulk of the State Ration Reserve would be available to locally-appointed county Ration Boards to distribute to applicants of each county. A portion of the Ration Reserve would be held for statewide distribution by the Department of Energy as in Option 1. Option 2 assumes the addition of 103 positions and a budget of $4,354,860.

A total of 82 positions would be available for local rationing offices. Each county office would be staffed by at least two positions. An additional ten positions would be distributed among local offices according to greatest need. Thirteen positions would be used in the State Rationing Office. These positions would administer the State Ration Reserve and coordinate and support the activities of the local offices.

An additional eight positions would be assigned to the Administrative Services Program to strengthen central management functions of word processing, personnel and accounting.

In addition to normal services and supplies expenditures, the budget includes funds for rental of local offices, board member expenses, data processing, public information and publications, attorney general services, and two toll-free incoming telephone lines.

PROJECTED BUDGET*
Option 2
March 1980 -- June 1981

Personal Services	$2,490,127
Services and Supplies	1,696,808
Capital Outlay	167,925
TOTAL	$4,354,860
Less existing limitation	-68,900
NET TOTAL	$4,285,960

103 Positions
68.67 FTE

*The projected budgets assumes a March 1980 starting date

Finally, gas rationing checks issued by the Federal government will be redeemable for gas coupons at banks, post offices and other local offices. If this process is ineffective, the State can also choose to redeem the coupons at State agency offices.

For illustration, if gas gationing checks were redeemable at the 56 local Motor Vehicle Division offices, approximately 56 positions might be added to handle additional workload.

PROJECTED BUDGET*
March 1980-April 1981

Personal Services	$1,070,971
Services and Supplies	302,240
Capital Outlay	70,616
TOTAL	$1,443,927

56 Positions
37.33 FTE

*The projected budget assumes a March 1980 starting date.