

New Energy Directions For Oregon



Governor Victor Atiyeh

A handwritten signature in blue ink, appearing to read "Victor Atiyeh", is written below the printed name.

Presented To A Joint Session Of The Oregon Legislature
March 16, 1979

New Energy Directions For Oregon

More than 130 years ago, the men and women who settled The Oregon Territory chose a motto: "She Flies With Her Own Wings". Today, we know it was more than a motto.

It was a prophecy.

Self-reliance is a trait deeply ingrained in the Oregon spirit. From the beginning, Oregonians have been a proud, confident and independent people. Proud of our past. Confident of our future. And independent because we have proven, time and again, that bold ingenuity and a firm dedication to the common good are the essential qualities of leadership.

The time has come again for bold ingenuity and leadership. We live in a world of dwindling energy supplies and rising costs. Moreover, despite the blessings of the most productive hydroelectric system in the world, Oregon must import all of its oil, coal and natural gas.

We are vulnerable. But we are not helpless.

Oregon has enormous and virtually untapped natural resources to which we must turn if we are to achieve a higher degree of energy independence. And, at the same time, we must continue to insist that the ways in which we use energy are based on a simple but meaningful proverb: Waste not....want not.

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 and agricultural residues and small-scale hydro.

This program brings a new and vital emphasis to Oregon's renewable energy resources. At the heart of this program and of my own personal attitudes toward solving Oregon's energy problems is the spirit of "We can do it!"

We can. And we will.

Governor Victor Atiyeh



TABLE OF CONTENTS

	<u>Page</u>
I. <u>SUMMARIES</u>	
A. PROPOSED ENERGY PROGRAMS - 1979-81.	1
B. BILLS	
(1) <u>Governor's Bills</u>	2
(2) <u>Other Bills</u>	3
II. <u>OREGON DEPARTMENT OF ENERGY 1979-81 - BUDGET AMENDMENT SUMMARY</u> . . .	4
III. <u>GOVERNOR'S COUNCIL ON ENERGY</u>	5
IV. <u>CONSERVATION</u>	
A. PUBLIC BUILDINGS ENERGY CONSERVATION PROGRAM.	9
B. ENERGY CONSERVATION CLEARINGHOUSE FOR COMMERCE AND INDUSTRY . .	13
C. GOVERNOR'S TRANSPORTATION ENERGY CONSERVATION TASK FORCE. . . .	15
D. STATE GOVERNMENT ENERGY CONSERVATION PROGRAM.	17
E. LEGISLATION SUMMARIES	
(1) <u>Mobile Home Weatherization (HB 2147A)</u>	18
(2) <u>Low Income, Elderly Weatherization (HB 2414)</u>	19
V. <u>RENEWABLE RESOURCES</u>	
A. ALTERNATE ENERGY DEVELOPMENT COMMISSION	20
B. WOOD RESIDUES TASK FORCE.	24
C. ALTERNATE ENERGY RESEARCH AND DEVELOPMENT FUND.	25
D. LEGISLATION SUMMARIES	
(1) <u>Commercial/Industrial Alternative Energy Tax Incentives</u> . .	26
(2) <u>Small-Scale, Local Energy Project Program (SB 611)</u>	35
(3) <u>Alternate Energy Device Tax Credit Amendments (SB 337)</u> . .	37
(4) <u>Woodcutting on Forest Lands (HB 2081)</u>	38
(5) <u>Small-Scale Hydro Resource Assessment</u>	40
(6) <u>Geothermal Resource Assessment</u>	41
VI. <u>SPECIAL PROJECTS FOR GOVERNOR'S ENERGY PROGRAM</u>	42

I. Summaries

I.
A. PROPOSED ENERGY PROGRAMS
1979-81 BIENNIUM

DEPARTMENT OF ENERGY EXPENDITURES	<u>General</u>	<u>Other</u>	<u>Federal</u>	<u>Total</u>	<u>Positions</u>	<u>Substantive Legislation Required</u>
Energy Policy Options Program Statewide public opinion poll and "Great Decisions" format public information and education program.	\$ -0-	\$ 103,500*	\$ 34,500**	\$ 138,000*	Temporary	No
Public Buildings Energy Conservation Program State buildings energy conservation and renewable resource demonstration projects and federal Schools, Hospitals, & Local Governments energy audit and retrofit program.	2,721,110	157,178	6,324,000	9,202,288	4	No
Industrial Energy Information Clearinghouse Provide Oregon businesses and industries with energy conservation information through publications and seminars.	-0-	15,119	136,070	151,189	2	No
Transportation Task Force Task force to develop innovative and effective transportation energy conservation strategies and 1981 legislative proposals. Administered by DOT within current budget.	-0-	-0-	-0-	-0-	0	No
General Services Energy Conservation Program Direct Dept. of General Services to explore life cycle costing of new buildings and expand energy conservation efforts in purchasing and state motor pool programs.	-0-	-0-	-0-	-0-	0	No
Alternate Energy Development Commission Special task force to develop statewide renewable resource plan and 1981 legislative proposals.	-0-	193,501	119,100	312,601	4	Drafted
Alternate Energy Research and Development Fund Provide matching funds to universities for renewable resource research projects.	<u>250,000</u>	<u>-0-</u>	<u>-0-</u>	<u>250,000</u>	<u>0</u>	No
Total Increased Expenditures	\$ 2,971,110	\$ 469,298	\$ 6,613,670	\$10,054,078	10	
REDUCTION OF REVENUE						
Tax Credit for Business & Industry Provide a 5% tax credit for five years for installation of renewable resource equipment which does not have a payback period of less than 5 years.	<u>\$ 100,000</u>	<u>-0-</u>	<u>-0-</u>	<u>\$ 100,000</u>	<u>0</u>	Drafted
TOTAL COST--PROPOSED ENERGY PROGRAM	\$ 3,071,110	\$ 469,298	\$ 6,613,670	\$10,154,078	10	

*Plus \$25,000 in 1977-79 biennium

**Assuming one of topics deal with conservation issues. Subject to federal approval of project.

I.B. BILL SUMMARY
(1) Governor's Bills

BILL	SUMMARY	EFFECT ON REVENUE	EFFECT ON EXPENDITURES	STATUS
<u>Renewable Resources</u>				
Alternate Energy Development Commission	Establishes Alternate Energy Development Commission to develop a comprehensive alternate energy development plan and to prepare a report for the Governor and the Legislature	0	G 0 O 193,501 F 119,100 Total 312,601	Drafted
Tax Credit for Business and Industry	Provide a 5% tax credit for 5 years for installation of renewable resource equipment which does not have a payback period of less than 5 years.	1979-81 - (\$100,000) 1981-83 (\$1,689,360) 1983-85 (\$5,068,076)	0	Drafted

I.B.
(2) Other Bills

BILL	SUMMARY	EFFECT ON REVENUE	EFFECT ON EXPENDITURES	STATUS
<u>Conservation</u>				
HB 2147A (Dept. of Energy)	Amends energy supplier programs. Adds mobile and floating homes and multiple unit residential dwellings. Allows residential customers of public utilities to arrange own financing.	0	Minor state costs	Passed House-2-27-79. Hearings not yet scheduled in Senate
HB 2414 (Rep. Fadeley)	Extends low income elderly weatherization assistance to other low income people who don't qualify for federal or state weatherization programs. Replaces current programs (SB 4).	0	G \$2,000,000* O 0 F 0 Total \$2,000,000 *Governor recommends \$2,000,000 as opposed to \$4,000,000 in current language.	House Energy Committee hearings held. Awaiting work session.
SB 611 & SJR 24 (Sen. Fadeley)	Establishes bonding program to create Loan fund for small-scale local energy projects	G 0 O \$233,232,244 F 0 \$233,232,244* *.5% of True Cash Value	G \$ 156,539* O \$10,526,768 F 0 Total \$10,683,307 *To be reimbursed out of proceeds of initial bond sale during 1979-81 biennium.	Introduced in Senate
SB 337 (Sen. Wingard & Rep. Fadeley)	Amends alternate energy device tax credit program to include small-scale hydro projects & solar water heating systems.	State G (\$391,600) O 0 F 0 Total (\$391,600)	0	Hearing held in Senate E & E. Amendments are being prepared
HB 2081 (Forestry Dept.)	Limits Landowner's Liability for Woodwaste Gleaners	0	0	Passed by House, sent to Senate.

II. Oregon Department of Energy 1979-81
Budget Amendment Summary

II. DEPARTMENT OF ENERGY 1979-81 BUDGET AMENDMENT SUMMARY

		Base Budget		Added - Governor's Recommended Budget		Current Total Budget		Proposed Additions		Proposed Total	
		Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
Administration	General	\$ -0-		\$ -0-		\$ -0-		\$ -0-		\$ -0-	
	Other	468,854		28,962		497,816		197,710		695,526	
	Federal	248,988		13,859		262,847		34,500		297,347	
	Total	\$ 717,842	14	\$ 42,821	1	\$ 760,663	15	\$ 232,210	3	\$ 992,873	18
Conservation	General	\$ -0-		\$ -0-		\$ -0-		\$ 2,721,110		\$ 2,721,110	
	Other	-0-		-0-		-0-		110,680		110,680	
	Federal	501,291		-0-		501,291		6,460,070		6,961,361	
	Total	\$ 501,291	5	\$ -0-	0	\$ 501,291	5	\$ 9,291,860	4	\$ 9,793,151	9
Renewable Resources	General	\$ -0-		\$ -0-		\$ -0-		\$ 250,000		\$ 250,000	
	Other	85,919		44,819		130,738		160,908		291,646	
	Federal	265,626		54,492		320,118		119,100		439,218	
	Total	\$ 351,545	2	\$ 99,311	2	\$ 450,856	4	\$ 530,008	3	\$ 980,864	7
Planning	General	\$ -0-		\$ -0-		\$ -0-		\$ -0-		\$ -0-	
	Other	507,336		1,800		509,136		-0-		509,136	
	Federal	-0-		-0-		-0-		-0-		-0-	
	Total	\$ 507,336	7	\$ 1,800	0	\$ 509,136	7	\$ -0-	0	\$ 509,136	7
Siting & Regulation	General	\$ -0-		\$ -0-		\$ -0-		\$ -0-		\$ -0-	
	Other	579,851		73,509		653,360		-0-		653,360	
	Federal	-0-		-0-		-0-		-0-		-0-	
	Total	\$ 579,851	4	\$ 73,509	1	\$ 653,360	5	\$ -0-	0	\$ 653,360	5
TOTAL	General	\$ -0-		\$ -0-		\$ -0-		\$ 2,971,110		\$ 2,971,110	
	Other*	1,641,960		149,090		1,791,050		469,298		2,260,348	
	Federal	1,015,905		68,351		1,084,256		6,613,670		7,697,926	
	TOTAL	\$ 2,657,865	32	\$ 217,441	4	\$ 2,875,306	36	\$ 10,054,078	10	\$ 12,929,384	46

*Other funds sources:

Beginning balance	\$ 179,904	\$ (25,500)**	\$ 154,404
Site Certificate Renewal Fees	275,560	-0-	275,560
Energy Supplier Assessments	1,466,343	479,679	1,946,022
Industrial Conservation Seminar fees	-0-	15,119	15,119
	\$ 1,921,807	\$ 469,298	\$ 2,391,105

**Required to finance 1977-79 portion of Energy Policy Options Program

III. Governor's Council on Energy

III. GOVERNOR'S COUNCIL ON ENERGY

Public Involvement in the Development of Oregon Energy Policies

A. Goals

- To identify energy issues which citizens perceive to have critical priority.
- To inform and educate citizens on important and complex energy issues.
- To involve the State Government in a highly visible and productive leadership/partnership role with citizens in energy policy decisions.
- To provide a credible process by which citizens effectively can participate in the development of energy policies.
- To develop and implement through Executive direction and legislation an Energy Policy for Oregon.

Every means should be taken to inform and to educate Oregonians on an enormously complex range of energy issues. The objective, however, is not a populace of energy scholars, but reasonably well-informed citizens who can make (or support) intelligent decisions and policies. Citizens become well-informed because they have access to information. This proposal provides a process by which essential information can be made available to citizens. It assumes that government knows something, but not enough, about Oregonians' attitudes and opinions about energy. Finally, although the proposal outlines a specific "project", there is implicit recognition that the process will continue beyond completion of the immediate task.

B. Program to Achieve Citizen Involvement

The two-phase program described below would:

- assure maximum public participation
- determine levels of public knowledge and understanding
- present appropriate, useful and timely information
- insure a clear message from informed citizens, and
- produce maximum results at minimum costs

Phase One:

A sophisticated, scientific and comprehensive statewide public opinion poll (comprising not fewer than 1,000 interviews) will ascertain (1) the level of public awareness and understanding of key energy issues, and (2) public attitudes on the appropriate roles to be played by private citizens, business and industry and government in developing effective energy policies.

Phase Two:

Governor Atiyeh's Council on Energy is a highly organized and effective process by which citizens in 13 major Oregon communities can become well-informed on key energy issues through objective briefing papers prepared by credible experts, neighborhood and community forums, expert speakers, televised debates and discussions. Advisory reports prepared by Council participants will convey recommendations on energy policy to decision-makers and the general public.

Each phase is a separate and distinct function. Put simply, the poll scientifically documents public attitudes on a predetermined range of energy-related issues. That documentation will provide reliable guidance in the development of an agenda for the Governor's Council on Energy which accurately reflects fundamental public concerns.

Formal Program Scope:	Portland, Salem, Eugene, Albany, Medford, Grants Pass, Klamath Falls, Bend, Pendleton, Baker, The Dalles, Astoria and Coos Bay
Formal Participants:	750 -- 1,000
Informal Program Scope:	Statewide distribution (100,000 copies) of workbook and questionnaire; statewide publicity and promotion.
Participants:	5,000 -- 7,000
Program Format:	Highly structured curriculum limited to four energy-related issues; ten-week process; two weekly meetings per issue, two additional weeks to compile recommendations to Governor. Substantial reliance on community and/or local government to organize and administer local program.
Staffing:	Requires skilled staff and/or consultants for preparation of briefing papers and other study materials, Speakers Bureau, advertising and promotion, television and radio production, public contact and coordination.

Promotion:

Heavy paid advertising, all media, to promote public interest and participation; accompanying package of energy-related feature material for local media; personal involvement of the Governor will require significant schedule commitments.

Timeframe:

June: Staff assigned and/or contracted; advertising and promotion requests for proposals (RFPs) made; briefing papers and technical material preparation outlined and assigned.

July: Analyze public opinion poll; preparation of study material outlined and assigned; television and radio public service announcements (PSAs) concepts approved and production scheduled; local media feature material outlined and assigned; advertising and promotion RFPs reviewed, contracts let.

August: Briefing papers, workbooks completed, sent to printer; television and radio PSAs taped and duplicated; schedule Governor's briefing with local community organizers; local media feature material completed and packaged; Speakers Bureau organized; assign staff to local community organization effort.

September: Program ready. Major announcement by Governor; Governor's personal briefing with local community organizers; begin television and radio promotion; key staff, with appropriate technical and public information skills personally deliver media package, brief local editorial boards and energy reporters; four staffers to local communities to help organize programs (three communities per staffer, 1-2 days per community). Distribute all materials.

October, November, mid-December:
Program underway. Recommendations
to Governor.

December, January: Review and
analyze recommendations; Major City
Club Address by Governor.

PROPOSED BUDGET

Workbook, 40 -- 90 pages, on specific issues.	\$ 21,000	
-100,000 copies		
Postage and distribution	1,000	
Advertising		
Newspaper space	25,000	
-Production	500	
Television airtime	30,000	
-Production	15,000	
Radio airtime	5,000	
-Production.	1,000	
Subtotal, Advertising . . . \$	76,500	76,500
Staff and Related Expenses	\$ 20,000	
		\$ 118,500
Statewide Public Opinion Poll	\$ 45,000	
TOTAL PROPOSED BUDGET		<u>\$ 163,500*</u>

IV. Conservation

*\$25,500--1977-79 biennium; \$138,000--1979-81 biennium.

IV.
A. PUBLIC BUILDINGS ENERGY CONSERVATION PROGRAM

Purpose

To have credibility with the Commercial/Industrial sectors, government must practice what it preaches. This will require a commitment of General Funds to implement energy conservation projects in State-owned and operated buildings.

Program

This program has two parts:

1. State Building Demonstration Projects

General Fund appropriations would fund energy conservation and alternative energy projects in state buildings. These projects will be developed and evaluated according to criteria developed by the Department of Energy. A technical advisory committee representative of the major state agencies with responsibility for the operation of buildings (General Services, Human Resources, Transportation, Higher Education, etc.) will advise the Department of Energy.

Criteria for funding projects would include:

- a. Length of time needed to "pay back" the investment through energy savings.
- b. The extent to which similar buildings exist in the private and local government sector.
- c. The extent to which the project can demonstrate technology applicable to the private and local government sector.

Examples of projects include:

- Solar water heating in a food service/restaurant facility.
- Heat recovery systems in boiler plants.
- Conversion to energy efficient lighting systems in offices/retail stores.

2. Assistance to Schools, Hospitals, Local Governments and Public Care Facilities

Ten to twelve million dollars in federal funds will be made available to Oregon over the next three years if a 50 percent non-federal match can be provided.

The Governor will designate a state school facilities agency and a state hospital facilities agency to coordinate the program for their respective agencies. The Department of Education and the State Health Planning and Development Agency have indicated interest in these roles. The Department of Energy will provide overall program direction.

Staff

Four positions in the Department of Energy and the equivalent of three FTE in the other two agencies will implement this program. Consultants will be used when necessary.

Funding

\$2.7 million in General Funds together with approximately \$160,000 in Other Funds (DOE assessments) and \$6.3 million in Federal Funds will be used for this program.

\$400,000 of the General Funds will be used to ensure that no eligible institutions are unable to participate in the qualifying phase of this program (energy audits) due to a lack of matching funds. An additional \$700,000 in General Funds will be used to provide approximately 15% of the non-federal match for the later phases of this program in which technical assistance studies will be performed and energy conservation measures implemented.

\$1.6 million will be used to fund energy conservation and alternative energy projects in state buildings. Funds for the State Building Demonstration Projects can qualify for matching federal funds to the extent that they apply to schools, hospitals and public care facilities.

Energy Conservation in Public Buildings Cost Summary

	<u>General</u>	<u>Other</u>	<u>Federal</u>	<u>Total</u>
<u>Personal Services</u>				
1.0 FTE Program Exec. 1		\$ 34,440		\$ 34,440
1.0 FTE Admin. Assist. 3		29,712		29,712
1.0 FTE Clerical Assist.		15,048		15,048
1.0 FTE Accounting Clerk 2		22,200		22,200
Subtotal		<u>\$101,400</u>		<u>\$ 101,400</u>
OPE (21.5%)		<u>21,801</u>		<u>21,801</u>
Subtotal		\$123,201		\$ 123,201
<u>Services and Supplies</u>				
Position Related		\$ 28,106		\$ 28,106
Professional Services (other agencies) (equivalent of 3.0 FTE Prog. Exec.1)			<u>152,000</u>	<u>152,000</u>
		\$ 28,106	\$152,000	\$ 180,106
<u>Capital Outlay</u>		\$ 5,871		\$ 5,871
<u>Special Payments</u>	<u>\$2,721,110</u>		<u>6,172,000</u>	<u>\$8,893,110</u>
TOTAL	\$2,721,110	\$157,178	\$6,324,000	\$9,202,288

PUBLIC BUILDINGS ENERGY CONSERVATION PROGRAM

1. Schools and Hospitals Program

	State		Federal	Total
	General	Other		
Admin.	-0-	\$157,178	\$152,000	\$309,178
Audits	\$50,000	-0-	50,000	100,000
Tech. Assist.	*	-0-	100,606	100,606
Projects	*	-0-	813,994	813,994
Total	\$50,000	\$157,178	\$1,116,600	\$1,323,778

*Unmet needs for matching funds will be provided from the \$1.6 million State Demonstration Project Fund.

	Schools, Hospitals, & Local Government			Total
	General	Other	Federal	
Admin.	-0-	-0-	-0-	-0-*
Audits	\$350,000	-0-	\$350,000	\$700,000
Tech. Assist.	79,322	-0-	454,894	534,216
Projects	641,788	-0-	4,402,506	5,044,294
Total	\$1,071,110	-0-	\$5,207,400	\$6,278,510

*State administration costs shown in table above.

2. State Building Demonstration Projects

	General	Other	Federal	Total
Projects	\$1.6 million	-0-	-0-	\$1.6 million

IV.
B. ENERGY CONSERVATION CLEARINGHOUSE FOR COMMERCE AND INDUSTRYPurpose:

With many highly cost-effective energy conservation measures available to Oregon businesses there is a real need for an aggressive information/education exchange to identify and promote specific conservation and alternate energy projects and strategies.

Program:

The need will be met by a small clearinghouse staff within the Department of Energy. The program will work with public and investor-owned utilities, universities and others to conduct workshops, arrange visits to demonstration projects, and provide for the exchange of appropriate information in energy conservation and alternate energy resource technology.

The program will include:

1. Energy conservation seminars in which selected topics will be presented in depth by expert consultants at regional centers in Oregon. Topics will include:
 - Boiler Combustion Efficiency
 - Estimating Costs and Savings of Energy Conservation Projects
 - Energy Efficient Lighting Techniques
 - Energy Management Programs
 - Computer Programs for Energy Conservation
2. A publication series which will include seminar proceedings and monthly newsletters describing successful energy conservation programs and techniques. The newsletters will employ a case-study format and will profile the achievements of Oregon firms.
3. Other clearinghouse functions will include: (a) providing research assistance in response to requests for information on particular energy conservation topics; (b) maintaining a roster of engineers and architects qualified to assist with energy conservation projects; (c) responding to telephone inquiries; (d) maintaining a directory of speakers on different energy conservation topics, and (e) evaluation of energy savings attributable to this program.

Staff: One engineer and one researcher.

It is important that staff be highly qualified to assure the acceptance, credibility and results of the entire program.

Funding:

Approximately \$150,000 in federal conservation funds will be used to implement this program. Fees (perhaps \$15/person) will be charged for each seminar presentation. It is estimated that fee income will offset approximately 10 percent of the costs of the program. It is also anticipated that in-kind contributions will be received from participating businesses and industry.

Energy Conservation Clearinghouse for
Commerce and Industry
Budget Summary

	<u>General</u>	<u>Other</u>	<u>Federal</u>	<u>Total</u>
<u>Personal Services</u>				
1.0 FTE Researcher 2		\$ 2,690	\$ 24,214	\$ 26,904
1.0 FTE Civil Engineer 3		4,188	37,692	41,880
Subtotal	-0-	\$ 6,878	\$ 61,906	\$ 68,784
OPE (21.5%)	-0-	1,480	13,309	14,789
Subtotal	-0-	\$ 8,358	\$ 75,215	\$ 83,573
<u>Services & Supplies</u>	-0-	\$ 6,509	\$ 58,585	\$ 65,094
<u>Capital Outlay</u>	-0-	\$ 252	\$ 2,270	\$ 2,522
TOTAL	-0-	\$15,119	\$136,070	\$151,189

IV.
C. GOVERNOR'S TRANSPORTATION ENERGY CONSERVATION TASK FORCE

Purpose:

The transportation sector consumes about 40% of the energy used in Oregon and is the largest consuming sector. The impending petroleum shortage underscores the need for wise use of transportation energy. To date, however, the State has not had a comprehensive, aggressive program to reduce transportation energy consumption. This program addresses that need.

Program:

The Governor will appoint a special Transportation Energy Conservation Task Force charged with recommending a workable set of government policies and programs to reduce Oregon's demand for transportation energy. The Task Force will be a broad-based group of creative persons with expertise in transportation. The Task Force will include representatives of such agencies and groups as: Oregon Department of Transportation, Oregon Department of Energy, Oregon Public Utility Commissioner, Oregon Department of General Services, a university, a transit agency, an auto club, a petroleum supplier, the motor carrier industry, and the public.

Recommendations will address various petroleum supply scenarios, including: continuation of the mid-1970's supply level, a shortage similar to 1973-1974 and a severe shortage. Appropriate State options will be identified for each scenario.

The Task Force will focus on reducing use of the automobile and on increasing the efficiency of that use. The automobile accounts for about 85% of the energy consumed for transportation in Oregon, while air, rail, truck and bus combined account for only 15%.

The Task Force will pay particular attention to implementation strategies. Clear and detailed instructions to State government for the execution of recommended programs must accompany the Task Force recommendations. The Task Force recommendations will be based primarily on cost-effectiveness and will include proposals for:

1. Interim action
2. 1981 legislation
3. Long-term actions

In the event of a near-term petroleum supply problem, the Governor will direct the Transportation Energy Conservation Task Force to act as an advisory group to help shape State government's response to the shortage. Energy conservation is the appropriate context for development of the State's petroleum shortage policy.

Staffing:

The staff support for the Task Force will be provided by the Oregon Department of Transportation. The work of the Task Force should be completed within one year.

Funding:

Costs associated with this program will be absorbed by the Department of Transportation.

Budget Summary

<u>Budget Item</u>	<u>Amount (\$)</u>
Member Expenses	
Five members: 25 meetings @ \$30/day	\$ 3,750
Mileage @ .14/mile: Average 100 mile round trip	1,750
Publication of Final Report (300 @ \$5.00)	1,500
Miscellaneous	<u>500</u>
Total	\$ 7,500

IV.

D. STATE GOVERNMENT ENERGY CONSERVATION PROGRAM

Purpose: To ensure that Oregon state government remains a leader in the efficient use of energy in the construction and operation of buildings and in transportation.

Program: Eighty-five percent of all the commercial buildings that will be in operation by the end of this century have already been built. Most of these buildings were designed when energy costs were not a major consideration. The Department of General Services will ensure that new state buildings do not repeat the mistakes of the past. All state construction and major remodeling projects shall be designed and constructed to maximize the efficient use of traditional as well as innovative energy sources following life cycle cost analysis techniques.

The State Building Demonstration Projects Fund will provide front end money for retrofit projects to increase the energy efficiency of existing state buildings (see IV.A.). Since it is also essential that efficient operations and maintenance practices be implemented and strengthened, the Advisory Committee discussed in IV.A. will develop an energy management program that builds on past building energy management efforts and ensures that state buildings continue to increase in energy efficiency.

The Department of General Services will explore the possibility of expanding its Alternate Mode Transportation Program, now operational in Salem to other communities. General Services will also identify incentives to increase the use of the state shuttle, encourage ride sharing by employees of different agencies when traveling to the same or nearby destinations, and encourage the use of public transportation whenever possible. Study will also be given to the use of substitute fuels in state vehicles.

The Department of General Services will report to the Governor by April 2, 1979 with recommendations for implementing energy efficiency improvements in new building construction and transportation.

Staff: No additional staff will be required.

Funding: No additional funding will be required.

IV. E.

(1) Mobile Home Weatherization (HB 2147A)

Summary: HB 2147A amends the energy supplier programs by adding mobile homes, floating homes, and multiple unit residential dwellings to the home weatherization program. The bill also allows residential customers of public utilities to arrange their own financing for the weatherization services.

Fiscal Impact: No affect on revenue, and should have a negligible effect on expenditures.

Discussion: Approximately 100,000 Oregon families live in mobile homes and are currently excluded from the weatherization program. Mobile homes are often energy inefficient and would benefit greatly from the weatherization program. The bill also extends the program to multiple unit residential housing and removes restrictions on the definition of tenants eligible for the program. The prior definition of tenant requiring an unexpired three-year lease was unreasonably restrictive, excluding many tenants whose apartments should receive the benefits of the program.

The bill also addresses certain difficulties that have arisen with respect to financing of the weatherization program. The bill provides the residential customers more options for arranging for financing either with or without the assistance of the utility.

IV. E.

(2) Low Income, Elderly Weatherization (HB 2414)

Summary: Extends low income elderly weatherization assistance to additional low income persons who do not qualify for existing federal or state weatherization programs. It replaces and consolidates current programs authorized by Senate Bill 4 and transfers the programs from Department of Revenue to Department of Human Resources.

Fiscal Impact: The Governor supports an expenditure of \$2 million to implement HB 2414.

Discussion: Only one-fourth of the funds appropriated for SB 4 were used at the end of the year. The Governor supports transfer of the current program from Department of Revenue to Department of Human Resources.

V. Renewable Resources

V.
A. ALTERNATE ENERGY DEVELOPMENT COMMISSION

Purpose: To prepare and maintain a comprehensive alternate energy resources plan for Oregon -- to recommend state policy and to guide development of these resources to help meet Oregon's growing energy demands.

Scope: Specific resource areas to be addressed will include:

Solar
Wind
Forest and agricultural residues
Water power resources

Methodology: Resource-specific plans will be developed in each of the areas by five separate task forces, each one focused on a single resource. The Alternate Energy Development Commission will be formed with one representative from each of the resource-specific task forces and four citizens broadly representing those interested in development of alternate energy resources.

The initial alternate energy resources plan will be completed by early 1980. Following the initial plan development, the resource task forces and the Alternate Energy Development Commission will meet quarterly to update the plan and monitor its implementation.

Staffing: 4 positions

General staffing for the Commission and task forces will come from the Oregon Department of Energy. Oregon Department of Energy staff will be responsible for organizing the Commission and task forces, assuring that the necessary background work is completed, and implementing the programs recommended in the plan. Expertise to address specific issues will be requested when appropriate from other state agencies or hired under contract. At a minimum, one full-time position will be dedicated to each resource area.

Budget: \$193,501 Other Funds and \$119,100 Federal Funds.

The expenses for the Alternate Energy Development Commission will be financed through assessments against energy suppliers. Federal funding will be utilized to fund the resource task forces. Necessary additional staff at the Department of Energy will be funded through assessments against energy suppliers. Funding to carry out programs recommended in the plan will be developed from federal sources by the staff or, where appropriate, referred to the Executive Department for possible state funding.

V. A. Attachment
ALTERNATE ENERGY DEVELOPMENT COMMISSION

	<u>General</u>	<u>Other</u>	<u>Federal</u>	<u>Total</u>
Personal Services				
Commission per diem*		\$ 6,480		6,480
Program Exec. 1		34,440		34,440
Civil Eng. 2		36,144		36,144
Env. Tech. 3		28,272		28,272
Clerical Spec.		17,616		17,616
		<u>\$122,952</u>		<u>\$122,952</u>
OPE (21.5%)		26,435		26,435
Total Personal Serv.		\$149,387		\$149,387
Services & Supplies				
Position Related		\$ 28,106		\$ 28,106
Commission Related				
Travel		5,000		5,000
Publications		1,500		1,500
Mtg. Rm Rental		1,000		1,000
Task Force Related				
Travel			\$ 19,100	19,100
Professional Services			50,000	50,000
Total Services & Supplies		\$ 35,606	\$ 69,100	\$104,706
Capital Outlay (position related)	\$ 8,508**			\$ 8,508
Special Payments			\$ 50,000	\$ 50,000
GRAND TOTAL		\$193,501	\$119,100	\$312,601

* Nine members, one meeting/month, \$30/meeting

** Includes Wang work station--\$4,500

A BILL FOR AN ACT

Relating to the preparation of a comprehensive alternate resources plan for Oregon.

Be it Enacted by the People of the State of Oregon:

Section 1: As used in this Act, unless the context requires otherwise:

(1) "Commission" means the Alternate Energy Development Commission created under Section 2 of this Act.

(2) "Department" means the Oregon Department of Energy created under ORS 469.030.

Section 2: (1) There is hereby established an Alternate Energy Development Commission consisting of nine members to prepare a comprehensive alternate resources plan for Oregon.

(2) Members of the Commission shall be appointed by and serve at the pleasure of the Governor, but membership shall include one member from each of the five Task Forces described in Section 3 of this Act, and four citizens broadly representing those interested in development of alternate energy resources.

(3) Commission members shall be entitled to compensation and expenses as provided in ORS 292.495.

Section 3: (1) There is hereby established a Task Force in each of the following areas: solar, wind, geothermal, forest and agricultural residue, and water power.

(2) Members of each Task Force shall be appointed by and serve at the pleasure of the Director of the Department of Energy, but membership shall include the technological expertise necessary to prepare a plan for the particular resource in question.

(3) Subject to applicable laws regulating travel and other expenses of state officers and employees, members of any Task Force appointed under sub-section (2) of this section shall receive no compensation but may receive their actual and necessary travel and other expenses incurred in the performance of their official duties.

Section 4: (1) The Task Forces shall present resource specific alternate energy development plans to the Commission on or before June 30, 1980.

(2) The Commission shall present a comprehensive alternate energy development plan to the Governor and the Legislative Assembly on or before March 31, 1981.

Section 5: (1) This act is repealed effective June 30, 1981.

V.
B. WOOD RESIDUES TASK FORCE

The Governor has called upon members of Oregon's forest products industries, public and private utilities, the State Department of Forestry and the U.S. Forest Service to organize a Wood Residues Task Force to demonstrate the effective conversion of wood residues into energy.

Private funding in excess of \$100,000 has been committed by the Task Force to develop Oregon's first wood waste, assess transportation costs and additional labor costs and determine the marketability and feasibility of wood waste conversion.

Technical staffing for the Task Force will be provided by the Department of Energy.

V.
C. ALTERNATE ENERGY RESEARCH AND
DEVELOPMENT FUND

Purpose: To provide state "seed" money for alternate energy research and development by Oregon colleges and universities, private research institutions and others.

Program: State funds would be appropriated to the Department of Energy to be used to provide partial funding for alternate energy research and development projects of special interest to Oregon. The disbursement of these funds to Oregon research institutions would be contingent upon receipt of federal or private funds for the remainder of the project. Since most funding agencies desire to "leverage" their money with others, the availability of state funds would likely increase the amount of alternate energy research being done in the state.

The Wall Insulation Study currently underway in Portland illustrates the potential of this fund. Beginning with a problem identified in Oregon with national implications, the Oregon Department of Energy committed staff time to coordinate the project and enlisted \$120,000 of federal and private funds to accomplish the project. A state program to provide funds for Oregon alternate energy projects of regional and national interest would make these projects attractive to other funding sources.

Some projects that might be considered:

- expanded solar radiation monitoring
- examination of the potential for solar electric generation in Oregon.
- feasibility study of gasification of forest slash or grass straw
- examination of the use of heat pumps in combination with low temperature geothermal wells
- survey of potential wind electric generation
- demonstration project combining wind electric generation with current hydroelectric resources

Staffing: This program could be tied to the Alternate Energy Development Commission and the staffing requirements could be met by the additional staff requested under that program. An advisory committee composed of representatives of the major universities, the private sector and the public should advise the Department on the disbursement of the funds.

Funding: \$250,000 in General Funds should be adequate to attract \$1 million or more in federal and private funds.

V. D.
(1) Commercial/Industrial Alternative Energy Tax Incentives

Summary: Provides an income tax credit of 25% of the capital cost for installation of equipment utilizing renewable resources for energy. The total credit is claimed as a 5% income tax credit for five years. To qualify, the equipment must be innovative and have a return-on-investment in excess of five years. A limit of no more than 20 million dollars of capital expense will qualify for this program in any given calendar year. The program will run between January 1, 1980 and December 31, 1983.

Projected Fiscal Impact: Based upon a projected annual investment of \$20 million:

<u>Biennium</u>	<u>Net Decrease in Revenue</u>
1979-1981	\$ 100,000
1981-1983	\$1,689,360
1983-1985	\$5,068,076
1985-1987	\$5,490,417
1987-1989	\$2,534,039

Importance: This bill provides a significant incentive to Oregon's businesses and industries to utilize indigenous, renewable resources for energy. It will, by supporting actions of the private sector, help to develop experience with options for providing energy through the use of forest and agricultural residues, solar, wind, water, and geothermal resources.

Currently, 37% of the energy in Oregon is utilized by the commercial and industrial sectors. Renewable resources are, in general, well suited for meeting the energy needs in these sectors. This bill, if passed, would establish the first State incentive program to encourage the use of renewable resources in Oregon's businesses and industries.

V. D. (1) Attachment

A BILL FOR AN ACT

Relating to energy equipment tax credits.

Be It Enacted by the People of the State of Oregon:

SECTION 1:

Sections 2 to 10 of this Act are added to and made a part of ORS 469.010 to 469.180.

SECTION 2:

In the interest of the public health, safety and welfare, it is the policy of the State of Oregon to encourage the conservation of electricity, petroleum and natural gas by providing tax relief for Oregon facilities that conserve energy resources or meet energy requirements through the use of renewable resources.

SECTION 3:

As used in sections 2 to 10 of this 1979 Act:

- (1) "Advisory Committee" means the committee appointed by the director pursuant to Section 4 of this 1979 Act.
- (2) "Cost" means the capital costs for construction and installation of energy production and conservation equipment.
- (3) "Cost effective" means that operation of the energy equipment will result in savings in the cost of the energy produced equal to or greater than the excess costs incurred in not using existing sources of electricity, petroleum or natural gas.
- (4) "Energy production and conservation equipment" (referred to herein as "energy equipment") means any machinery, equipment or device erected, constructed or installed by any person in the conduct of a trade or business which at the time the preliminary application relating to such equipment is filed pursuant to Section 6 of this 1979 Act:
 - (a) Is of an innovative nature in that the energy equipment is not routinely used in a commercial or industrial trade or business.
 - (b) Will utilize a renewable energy resource to:
 - (A) replace a substantial part or all of an existing use of electricity, petroleum or natural gas; or

- (B) provide the initial use of energy where electricity, petroleum or natural gas would have been used; or
 - (C) generate electricity to replace an existing source of electricity which is being used or will be used in the trade or business; or
 - (D) perform a process that obtains energy resources from material that would otherwise be solid waste as defined in ORS 459.005.
- (c) Is not reasonably expected to be cost effective within five years of erection, construction or installation.
 - (5) "Person" means any individual or legal entity except an entity that is in the business of directly or indirectly producing, transporting or distributing any form of energy for wholesale or retail use.
 - (6) "Renewable energy resource" includes, but is not limited to straw, forest slash, woodwaste or other wastes from farm or forest land, industrial or municipal waste, solar energy, wind power, water power, or geothermal energy.

SECTION 4:

As soon as is practicable after the effective date of this 1979 Act, the director shall appoint an Advisory Committee of five persons, consisting of the Director of the Department of Economic Development, two persons with technical or professional expertise in the utilization of renewable resources, and two persons actively engaged in trade or business in Oregon. The committee shall aid the director in setting standards and adopting rules in carrying out the provision of this 1979 Act.

SECTION 5:

The total of all costs of energy equipment certified by the director for tax credits in any calendar year shall not exceed \$20 million.

SECTION 6:

- (1) Prior to erection, construction or installation of proposed energy equipment any person may apply to the department for preliminary certification under Section 7 of this 1979 Act if:
 - (a) The erection, construction or installation of the energy equipment is to be commenced on or after the effective date of this 1979 Act and before December 31, 1983; and
 - (b) The facility will meet the definition of "energy production and conservation equipment" in Section 3 of the 1979 Act, and any standards or rules adopted by the director.

(2) Applications for preliminary certification shall be made in writing on a form prepared by the department and shall contain:

- (a) A statement that the applicant is using or would have used an energy source that uses electricity, petroleum or natural gas and that the applicant:
 - (A) Intends to convert from that energy source to a renewable energy resource;
 - (B) Plans to construct a new facility that will use a renewable energy resource instead of electricity, petroleum or natural gas; or
 - (C) Plans to use a renewable energy source in the generation of electricity that will replace an existing or proposed use of an existing source of electricity.
- (b) A detailed description of the proposed energy equipment and its operation;
- (c) Information on the amount by which consumption of electricity, petroleum or natural gas by the applicant will be reduced as the result of using the energy equipment.
- (d) The projected cost of the facility.
- (e) Any other information the director deems necessary to determine whether the proposed construction is in accordance with the provisions of Sections 2 to 10 of this 1979 Act, and any applicable rules or standards adopted by the director.

(3) The director may waive the filing of the preliminary application if he finds the filing inappropriate because special circumstances render the filing unreasonable, and if he finds such facility would otherwise qualify for tax credit certification pursuant to this 1979 Act.

SECTION 7:

(1) Within 30 days of the receipt of an application for preliminary certification filed under Section 6 of this 1979 Act, the director may require the submission of plans and specifications and, after examination thereof, may request corrections and revisions of the plans and specifications.

(2) If the director determines that the proposed erection, construction or installation is in accordance with the provisions of Sections 2 to 10 of this 1979 Act, the director shall issue a preliminary certificate approving the erection, construction or installation of the energy equipment. If the director determines that the erection, construction or installation does not comply with the provisions of Sections 2 to 10 of this 1979 Act, the director shall issue an order denying certification.

(3) Within 20 days from the date of mailing of the order, any person to whom the order is directed under subsection (2) of this section may request a hearing. The request shall be in writing, shall state the grounds for hearing and shall be mailed to the director. The hearing shall be conducted in accordance with the applicable provisions of ORS 183.310 to 183.500.

(4) If within 60 days of the receipt of plans, specifications or any subsequently requested revisions or corrections to the plans and specifications or any other information required under this section, whichever is latest, the director fails to issue a preliminary certificate of approval or an order denying certification, the preliminary certificate shall be considered to have been issued. The construction must comply with the plans, specifications and any corrections or revisions thereto, if any, previously submitted.

SECTION 8:

(1) No certification shall be issued by the director under this section unless the energy equipment was erected, constructed or installed under a preliminary certificate of approval issued under Section 7 of this 1979 Act (except where the filing of a preliminary application has been waived under Section 6 of this 1979 Act), and in accordance with the applicable provisions of Sections 2 to 10 of this 1979 Act and any applicable rules or standards adopted by the director.

(2) Any person may apply to the department for final certification of energy equipment:

- (a) After having obtained preliminary certification for the energy equipment under Section 7 of this 1979 Act; and
 - (b) After completion of erection, construction or installation of the proposed energy equipment.
- (3) Applications shall be made in writing on a form prepared by the department and shall contain:
- (a) A statement that the conditions of the preliminary certification have been complied with (unless filing has been waived);
 - (b) The actual cost of the facility certified to by a certified public accountant who is not an employe of the applicant; and
 - (c) Any other information determined by the director to be necessary prior to issuance of a final certificate, including inspection of the energy equipment by the department.

(4) The director shall act on an application for certification before the 60th day after the filing of the application under this section. The action of the director shall include certification of the actual cost of

the energy equipment. However, in no event shall the director certify an amount for tax credit purposes which is more than 10 percent in excess of the amount approved in the preliminary certificate, where one is issued.

(5) If the director rejects an application for final certification, or certifies a lesser actual cost of the facility than was claimed in the application, the director shall send to the applicant written notice of the action, together with a statement of the findings and reasons therefor, by certified mail, before the 60th day after the filing of the application. Failure of the director to act constitutes rejection of the application.

(6) If the application is rejected for any reason, or if the applicant is dissatisfied with the certification of cost, then, within 60 days of the date of mailing of the notice under subsection (4) of this section, the applicant may request a hearing to appeal the rejection under the provisions of ORS 183.310 to 183.500 governing contested cases.

(7) (a) Upon approval of an application for final certification of a facility, the director shall certify the energy equipment. Each certificate shall bear a separate serial number for each device. Where one or more devices constitute an operational unit, the director may certify such energy facilities under one certificate.

SECTION 9:

(1) A certificate issued under Section 8 of this 1979 Act is required for purposes of obtaining tax credits in accordance with Sections 12 and 14 of this 1979 Act. Such certification shall be granted for a period not to exceed 5 years. The 5-year period shall begin with the tax year of the applicant during which the energy equipment is placed into operation, or the year the equipment is certified under Section 8 of this 1979 Act, at the election of the applicant.

SECTION 10:

(1) Under the procedures for a contested case under ORS 183.310 to 183.500, the director may order the revocation of the certificate issued under Section 8 of this 1979 Act if the director finds that:

- (a) The certification was obtained by fraud or misrepresentation; or
- (b) The holder of the certificate has failed substantially to construct or operate the facility in compliance with the plans, specifications and procedures in such certificate.

(2) As soon as the order of revocation under this section becomes final, the director shall notify the Department of Revenue of such order.

(3) If the certificate is ordered revoked pursuant to paragraph (a) of subsection (1) of this section, all prior tax credits provided to the holder of the certificate by virtue of such certificate shall be forfeited and the Department of Revenue shall proceed to collect those taxes not paid by the certificate holder as a result of the tax credits provided to the holder under Sections 12 or 14 of this 1979 Act.

(4) If the certificate is ordered revoked pursuant to paragraph (b) of subsection (1) of this section, the certificate holder shall be denied any further relief under Section 12 or 14 of this 1979 Act in connection with such facility from and after the date that the order of revocation becomes final.

SECTION 11:

Section 12 of this 1979 Act is added to and made a part of ORS Chapter 316.

SECTION 12:

(1) A credit is allowed against the taxes otherwise due under this chapter, based upon the certified cost of energy equipment during the period for which that equipment is certified under Sections 2 to 10 of this 1979 Act. The maximum credit allowed in any one tax year shall be five percent of the cost of the energy equipment, but shall not exceed the tax liability of the taxpayer.

(2) (a) The taxpayer who is allowed the credit must be the owner or contract purchaser of the trade or business that utilizes Oregon property equipped with energy equipment or a person who, as a lessee or pursuant to an agreement, conducts the trade or business that operates or utilizes such property; and

(b) The energy equipment must be owned or leased during the tax year by the taxpayer claiming the credit and must have been in use and operation during such tax year.

(3) A credit under this section may be claimed by a taxpayer for energy equipment only in those tax years which begin on and after January 1, 1980.

(4) The maximum total credit allowable shall not exceed 25 percent of the certified cost of such energy equipment.

(5) Upon any sale, exchange or other disposition of energy equipment, notice thereof shall be given to the Director of the Department of Energy who shall revoke the certificate covering the energy equipment as of the date of such disposition. The transferee may apply for a new certificate under Section 8 of this 1979 Act, but the tax credit available to that transferee shall be limited to the amount of credit not claimed by the transferor.

(6) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in that next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, but may not be carried forward for any tax year thereafter. Credits may be carried forward to and used in a tax year beyond the years specified in subsection (3) of this section.

(7) The credit provided by this section is not in lieu of any depreciation or amortization deduction for the energy equipment to which the taxpayer otherwise may be entitled under this chapter for such year.

(8) The taxpayer's adjusted basis for determining gain or loss shall be further decreased by any tax credits allowed under this section.

(9) If the taxpayer is a shareholder of a Subchapter S corporation the credit shall be computed using the shareholder's pro rata share of the corporation's certified cost of the energy equipment. In all other respects, the allowance and effect of the tax credit shall apply to the corporation as otherwise provided by law.

SECTION 13:

Section 14 of this Act is added to and made a part of ORS Chapter 317.

SECTION 14:

(1) A credit is allowed against the taxes otherwise due under this chapter, based upon the certified cost of energy equipment during the period for which that energy equipment is certified under Sections 2 to 10 of this 1979 Act. The maximum credit allowed in any one tax year shall be five percent of the cost of the energy equipment, but shall not exceed the tax liability of the taxpayer.

(2) (a) The taxpayer who is allowed the credit must be the owner or contract purchaser of the trade or business that utilizes Oregon property utilizing energy conservation equipment or a person who, as a lessee or pursuant to an agreement, conducts the trade or business that operates or utilizes such property; and

(b) The energy equipment must be owned or leased during the tax year by the taxpayer claiming the credit and must have been in use and operation during such tax year.

(3) A credit under this section may be claimed by a taxpayer for energy equipment only in those tax years which begin on and after January 1, 1980.

(4) The maximum total credit allowable shall not exceed 25 percent of the certified cost of such energy equipment.

(5) Upon any sale, exchange or other disposition of energy equipment, notice thereof shall be given to the Director of the Department of Energy who shall revoke the certificate covering the energy equipment as of the date of such disposition. The transferee may apply for a new certificate under Section 8 of this 1979 Act, but the tax credit available to that transferee shall be limited to the amount of credit not claimed by the transferor.

(6) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in that next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, but may not be carried forward for any tax year thereafter. Credits may be carried forward to and used in a tax year beyond the years specified in subsection (3) of this section.

(7) The taxpayer's adjusted basis for determining gain or loss shall be further decreased by any tax credits allowed under this section.

SECTION 15:

If a taxpayer obtains grants or tax credits from the Federal Government in connection with energy equipment which has been certified by the Director of the Department of Energy, the certified cost of the equipment shall be reduced on a dollar for dollar basis. Any income or excise tax credits which such taxpayer would be entitled to under this 1979 Act after any such reduction shall not be reduced by such federal grants or tax credits.

Taxpayers applying for such grants or credits shall notify the Department of Revenue of each such application, and of the receipt of any such grant. Notification shall be made in the taxpayer's next Oregon income or excise tax return.

SECTION 16:

(1) Upon receipt of notice of the revocation of a certification of energy equipment pursuant to subsection (1) of Section 10 of this 1979 Act, the Department of Revenue immediately shall collect any taxes due by reason of such revocation, and shall have the benefit of all laws of this state pertaining to the collection of income and excise taxes. No assessment of such taxes shall be necessary and no statute of limitation shall preclude the collection of such taxes.

(2) No tax credit shall be allowed under this 1979 Act for any energy equipment constructed or used by or for the benefit of any governmental or quasi-governmental body or public corporation or form thereof.

V. D.

(2) Small-Scale Local Energy Project Program (SB 611)

Summary: SB 611 creates a bonding program to provide loans for local, small-scale energy projects constructed by cities, public utility districts, individuals, small businesses and non-profit corporations. The loans will be secured by mortgages, liens on project revenues, or rate covenants. The companion measure, SJR 24, proposes a constitutional amendment authorizing the sale of General Obligation bonds in an amount equal to one half of one percent of True Cash Value (TCV) of the State of Oregon.

Program Objectives:

- a. Increase energy supply available to Oregonians.
- b. Utilize hitherto undeveloped renewable energy resources to supplement existing conventional energy sources.
- c. Fund programs supplying consumers with low cost energy.
- d. Serve local communities throughout Oregon.
- e. Be fiscally self-sustaining.

Fiscal Impact:

Administration	\$183,307
----------------	-----------

The program would be administered by the Dept. of Energy with the addition of four staff positions: 1 Civil Engineer 2, 1 Program Executive 1, 1 Administrative Assistant 3, and 1 Clerical Specialist. Administrative costs during the 1979-81 biennium reflect only one year of operation since the program could not take effect until after a May 1980 affirmative vote of the people. Administrative cost estimates are based on a July 1, 1980 hiring date.

The program will be self-sustaining, but will require an initial General Fund appropriation of approximately \$160,000 to cover costs of the program before the bonds can be sold. This appropriation will be repaid from bond sale proceeds.

Loan Fund	\$10,000,000
Debt Service	\$ 500,000

The measure authorizes bond sales in excess of \$200,000,000. However, the Internal Revenue Service requires that the proceeds from tax exempt bond sales be used within a three year period. The Department would therefore issue a relatively small amount of bonds at any offering.

Debt service in the 1979-81 will total approximately \$500,000. This will increase to over \$2,000,000 in the 1981-83 biennium when the repayment of outstanding bonds will begin.

Discussion:

Low interest loans are an excellent complement to tax incentives for the development of new energy resources. However, this particular mechanism may have problems which must be resolved. To keep its tax free status, 75% of the bond funds must be borrowed by municipals and non-profits. Based upon experience of the Dept. of Veterans Affairs, we anticipate that an interest rate of 6.7% would be necessary to cover the bond and administrative costs. Municipals and non-profits have access to interest rates below that rate. One remedy would be to change federal law (as in the case of the bond fund for irrigation and drainage projects). In its existing form we would expect this bond fund would attract a high proportion of its borrowers from individuals, private businesses and some community groups.

The Governor supports the concept of SB 611 as well as the Legislature's efforts to resolve legal questions related to the tax status of funds borrowed through the proposed program.

V. D.

(3) Alternate Energy Device Tax Credit Amendments (SB 337)

Summary: SB 337 amends the existing residential alternative energy tax credit program by extending eligibility to buyers of solar "spec" homes, owners of solar hot water systems which meet 50 percent of the home's hot water needs, owners of rental units, and home owners using small-scale hydro installations.

Fiscal Impact: This bill will result in a reduction of General Fund revenues in the amount of \$391,600 in the 1979-81 biennium.

Discussion: SB 337 will allow people installing a solar hot water system meeting 50 percent of their hot water needs to qualify for the tax credit. Under the existing law the device must meet 10 percent of the total energy needs of the dwelling. For a large home the total hot water needs of the home may not represent 10 percent of the total energy needs of the dwelling.

This bill will also enable a builder to act as an agent for the ultimate house buyer and apply for the tax certification. Under the existing law, persons building homes for the speculative market are not able to qualify those homes for the tax credit program. The current program consequently misses most new construction in the state.

The Governor supports concepts proposed in these portions of SB 337.

V. D.

(4) Woodcutting on Forest Lands (HB 2081)

Summary: Defines woodcutting as a recreational use of forest lands. Inclusion in this designation limits landowner liability in case of accident and prevents creation of public license or easement for continued use of forest land for collection of waste wood products.

Fiscal Impact: - 1979-1981 None

Discussion: This bill removes a potentially serious disincentive to the collection of wood residue from forest lands. By protecting the landowner, it helps assure a supply of wood to individuals interested in cutting wood for energy and facilitates improved forest management through manual removal of forest slash and debris.

V. D. (4) Attachment

HOUSE BILL 2081

A Bill For An Act

Relating to recreational use of land: amending ORS 105.655.

Be It Enacted by the People of the State of Oregon:

Section I. ORS 105.655 is amended to read:

105.655. As used in ORS 105.655 to 105.680:

(1) "Charge" means the admission price or fee asked by any owner in return for invitation or permission to enter or go upon his land or payment for the value of wood taken by woodcutting.

(2) "Land" means agricultural land, range land, forest land, and lands adjacent or contiguous to the ocean shore as defined by ORS 390.605, including roads, bodies of water, watercourses, private ways, private buildings and structures on such lands and machinery or equipment on the land when attached to the realty, but shall not include lands described in ORS 390.605 to 390.770.

(3) "Owner" means the possessor of a fee title interest in any land, a tenant, lessee, occupant or other person in possession of the land.

(4) "Recreational purpose" includes, but is not limited to, hunting, fishing, swimming, boating, camping, picnicking, hiking, nature study, water skiing, winter sports, woodcutting and viewing or enjoying historical, archaeological, scenic or scientific sites.

(5) "Woodcutting" means the cutting and removal of wood from land by an individual who has obtained permission from the owner of the land to cut and remove such wood without charge.

V. D.

(5) Small-Scale Hydro Resource Assessment

Purpose: To provide meaningful incentives and development opportunities for small-scale hydroelectric power.

Program: Several federal agencies, as well as Oregon State University's Water Resources Department, are investigating sites in Oregon for development of small-scale hydroelectric projects. These include examining both existing dams for new turbines and new sites where no dams currently exist. These studies, however, have not focused on the smaller residential-sized systems. A resource assessment on residential sized systems would be undertaken.

For larger sites where sufficient studies either have already been completed or soon will be completed, the next step should be funding for a feasibility study or for construction at a specific site. In addition, a number of legislative concepts should be supported which would provide meaningful incentives for small scale hydro, including the low interest loan fund (SB 611), the commercial/industrial tax credit (LC 433), and the tax credit for residential users (SB 337).

Staff: The staff position relating to water power in the Governor's Alternative Energy Development Commission will provide the necessary DOE staff support for this program.

V. D.
(6) Geothermal Resource Assessment

Purpose: To provide an accurate and complete assessment of geothermal resources in Oregon.

Program: Accurate resource assessment is vitally important for development of geothermal resources. Geothermal resource assessments in Oregon are undertaken piecemeal by three major groups: The Oregon Department of Geology and Mineral Industries, the United States Geological Survey, and private industry. Privately-funded resource assessments by industry are not matters of public information, but should be whenever possible. State funding is particularly important because of cutbacks in federal funding.

Options

To provide an accurate geothermal resource assessment the following options are available.

- a. Increase the level of study in the central Cascades. The expected federal funding level is \$500,000.
- b. Continue the resource assessment on Mount Hood.
- c. Provide support to collate and publish existing geothermal resource assessment data for the state. This can be handled by the DOE staff positions recommended by the Governor in the proposed DOE budget and by those provided to the Alternate Energy Development Commission.
- d. Establish a Governor's task force to address the sensitive question of geothermal leasing in the Cascades. Wilderness, recreation and timber interests must be balanced in evaluating geothermal leasing. A Governor's task force which formulates a clear state policy on leasing in the Cascades will help expedite the federal leasing process.

VI. Special Projects for the Governor's Energy Program

VI. SPECIAL PROJECTS FOR THE GOVERNOR'S ENERGY PROGRAM

The following is a brief description of projects which the Department will implement or expand at the Governor's direction. No additional funding is involved unless indicated.

- A. The Governor's Co-generation Conference in Portland: This summer would be an excellent time for a co-generation conference in the Northwest. A recent study by Rocket Research Company and funded by Bonneville Power Administration indicates a potential for 366 megawatts from co-generation facilities in Oregon and a regional potential for 560 megawatts. The 1978 National Energy Act has provisions which will encourage installation of co-generation facilities at existing industrial plants. Included are changes in the regulation of co-generated power, increased potential tax incentives, and assurances of a market for the generated electricity.

A one-day Governor's Co-Generation Conference for Northwest utilities and the forest products industries would focus on the administrative rules under which co-generation provisions of the National Energy Act will be implemented. Further, the Conference could address rates which existing industries could obtain for co-generated power and other institutional issues pertinent to co-generation in the Northwest.

- B. Anemometer Loan Program: The Governor has authorized the Department of Energy to expand a six-county pilot anemometer loan program. ODOE loans, for a small fee, wind measuring equipment to homeowners to help them obtain accurate on-site assessments of the wind resource. This has been an extremely popular program. It has motivated several citizens' groups to pursue the feasibility of local wind-powered generation. Using existing funds, the Department of Energy will purchase 50 more anemometers to extend the program statewide. This program was recommended by the 1977 Legislative Assembly Joint Interim Task Force on Energy Conservation and Planning.
- C. Wind Turbine Demonstration Projects: The next step in pursuing wind-powered generation in Oregon is demonstration projects from which feasibility and actual performance data can be analyzed. The Governor has authorized the Department, with existing funds, to purchase and install two small-scale residential wind generation demonstration projects. Wind generators will have a maximum production capacity of from 1 to 4 kilowatts. The performance of these devices will be monitored to better assess the feasibility of small-scale wind generation for homeowners.

- D. Geothermal Heating District: Oregon has geothermal heating district legislation which has never been used. The time is right to establish geothermal heating districts wherever feasible. One such project is well underway with federal financing in Klamath Falls. A part of this project involves the heating of two State-operated buildings. Federal funds were obtained in part with the understanding that the State would contribute \$50,000 to the heating district study. The Governor will actively support the Klamath Falls programs and will recommend the \$50,000 be placed in the budget of the Department of Geology and Mineral Industries or the ODOE.