



Department of Energy

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November 14, 1979

MEMO TO: Governor Atiyeh
FROM: Lynn Frank 
RE: Contingency Planning Briefing Paper

This briefing paper may be useful to you in preparing for your meeting with the President on November 16. The paper addresses three issues: (1) Gasoline Shortage Contingency Planning; (2) Heating Oil Shortage Contingency Planning; and (3) the State's efforts and achievements in general conservation programs and for petroleum products in particular. Draft copies of contingency plans are attached.

I. Oregon Gasoline Shortage Contingency Plan

The three-phase contingency plan is structured to address increasingly severe shortages. Phase I and II stress voluntary conservation and voluntary compliance with guidelines for minimum purchases, restricted container sales, weekend and evening business hours for retail stations and effective public information about the availability of gasoline. Phase II asks for voluntary compliance with the 'odd-even' plan. The contingency plan includes definitions of priority users and vehicles which are not subject to the odd-even plan. Phase III is to be implemented by your Executive Order in which you declare an energy emergency. All of the voluntary constraints in Phases I and II are mandatory under Phase III. Phase III also provides that your office and the Department of Energy will assist local communities in developing locally-appropriate contingency plans. The Executive Order will also address compliance with measures mandated by Phase III as well as enforcement of Phase III regulations and penalties for non-compliance by retailers and/or consumers.

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You implemented Phase I of the Contingency Plan in March 1979 in response to a gasoline and middle distillate shortages. The shortage, while not severe statewide, did result in supply system disruptions and localized spot shortages. You authorized the Department of Energy to assume administrative responsibility for the State Set-Aside Program and to relieve spot shortages and to serve priority users through emergency allocations of gasoline and diesel fuel from the set-aside.

Oregonians responded well to your call for voluntary gasoline conservation. In February 1979, gasoline consumption exceeded that of February 1978 by more than 6 percent. Consumption decreased only slightly in March and April. But consumption was down nearly 4 percent in May, by more than 8 percent in June and July and by more than 6 percent in August and September. The reduction average in the May-September period (when demand is near peak) was 6.6 percent. That reduction more than cancels out normal demand growth. It is safe to assume that at least half of the reduction is the result of conservatism by Oregon drivers. It is also reasonable to infer that Oregonians can accommodate a shortage of this magnitude by continuing to drive less, obey speed limits and avoid hoarding gasoline.

II. Middle Distillate (Heating Oil & Diesel) Contingency Plan

The three-phase plan also responds to increasingly severe shortages of home heating oil and diesel fuel. Phase I addresses a pre-emergency shortage (a supply shortfall of less than 15 percent) and describes how the State Set-Aside Program would redirect fuel supplies to meet emergency and hardship needs.

The plan establishes user group priorities, outlines voluntary guidelines for space heating and cooling energy conservation and asks dealers voluntarily to curtail unnecessary deliveries of fuel oil. Phase II would be implemented if a shortage exceeds 15 percent. Voluntary thermostat restrictions under

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Phase I become mandatory under Phase II. Other mandatory Phase II requirements include supply curtailments to all non-essential industrial and government users and commercial and industrial fuel switching where feasible. The Department of Environmental Quality would review air quality restrictions which could impair the temporary substitution of other fuels for heating oil. Voluntary Phase II measures include lower thermostat settings for residential consumers and shorter work days and work weeks. Phase III would be implemented if a shortage exceeds 20 percent. Additional mandatory reductions would be imposed on commerce and industry, including shortened work days and work weeks in non-essential activities, including appropriate government operations.

Intensive public education and information efforts -- including all-media campaigns, accurate and timely analyses of fuel availability and conservation achievements -- are to be integral elements of all contingency planning. Efforts to alert Oregonians to the need for additional conservation in the face of shortages can be tailored to specific goals. For example, the potential home heating difficulties ahead are to be the focus of Oregon's "Take Five!" conservation campaign. "Take Five!" emphasizes five no-cost, low-cost steps every homeowner can take to achieve up to 15 percent reductions in home heating energy consumption. The campaign has been inserted in the Department of Energy's longer-range promotion of residential weatherization programs. It is a cooperative effort among several state agencies and energy suppliers.

The contingency plan also provides for emergency energy assistance to low-income families and individuals. You directed the Department of Human Resources (with Legislative Emergency Board approval) to transfer \$2.1 million from Adult and Family Services to the State Community Services Division for emergency financial aid. Federal funding for that assistance is not expected before December 15. About 130,000 low-income families and individuals will be eligible for assistance. Nearly 80,000

of those families and individuals are not on any state assistance rolls.

III. Oregon Conservation Programs

Per capita consumption of energy in Oregon in 1977 was 8 percent less than in 1973, our peak consumption year. Since then, energy consumption in all sectors (except transportation) has declined. And, whereas demand growth increased by about 5.5 percent annually in the decade preceding 1973, demand growth has increased at a slower pace since then.

Dramatic price increases, tighter supplies and effective conservation programs established by the State of Oregon are responsible for a slower demand growth rate.

Oregon's aggressive energy conservation program has taken two forms: a series of statutes comprising one of the most comprehensive State Plans in the nation; and development and implementation of a federally-funded State Energy Conservation Plan.

Residential Programs

Oregon's residential conservation incentive programs comprise a comprehensive legislative package and a stringent building code.

Private Utility Weatherization Programs

Investor-owned gas and electric utilities serving Oregon are required to provide to their space heating customers a free home energy analysis and to arrange for low-interest financing and installation of weatherization. The interest rate for the loans is 6-1/2 percent. Pacific Power and Light, Portland General Electric and California Pacific National also offer loans on an interest-free, deferred-payment basis. After a

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year of program operation, 6,396 homeowners had requested no-interest loans and 1,766 had requested 6-1/2 percent loans. A total of 26,717 households requested an energy analysis.

Publicly-owned Utilities and Oil Dealers Programs

Publicly-owned utilities and larger fuel oil dealers are also required to offer a free home energy analysis to their space heating customers. Customers are provided information on registered contractors and commercial lenders offering 6-1/2 percent loans. As of July, 1979 energy suppliers conducted more than 7,200 home energy audits. ODOE estimates that lenders processed 500 weatherization loans during that period.

Weatherization Tax Credit

Oregon taxpayers can claim a personal income tax credit of 25 percent of weatherization costs up to \$125 for adding such materials as caulking, weatherstripping, insulation and storm windows to their primary residence or to a rental occupied as a primary residence. Approximately 43,500 tax credits were claimed for weatherization installed between October 1977 and December 1978.

Veterans Weatherization Loans

In order to qualify for a Department of Veterans Affairs (DVA) loan, a home built before July 1974 must meet minimum weatherization standards. The cost of weatherization can be added to the principal of the DVA loan. Between October 1977 and October 1979 more than 30,000 homes were weatherized under this program.

One or more of these incentives, along with the federal low-income weatherization program and the discontinued state Senior Citizen's Weatherization Refund Program, reached an estimated 123,000 Oregon homes between October 1977 and July 1979.

In addition to the incentive programs, Chapter 53 of Oregon's Building Code contains residential energy efficiency standards among the most stringent in the nation. The code insures that new homes and apartments will be built to the following minimum energy conservation standards: insulation to R-30 in attics, R-19 in floors, R-11 in walls, R-16 on water heaters in unheated spaces, insulation of exposed ducts, double-glazed windows, caulking, weatherstripping, and electronic ignition devices for gas heating systems and appliances.

Chapter 53 also contains requirements for non-residential buildings. In addition to requiring insulation, heating, ventilation and air conditioning (HVAC) equipment must be designed to use energy efficiently.

1979 Legislative Changes

The 1979 Legislature amended two of the existing weatherization incentive programs described above to include mobile homes, houseboats and multiple unit structures and to simplify procedures for using the incentives.

The existing Residential Weatherization Tax Credit Program provides a tax credit of 25 percent up to \$125 for the cost of installing weatherization items in single family site-built homes. HB 2321 makes weatherization installed in mobile homes, houseboats, and one unit per year in a multiple-unit residential structure eligible for the credit. The Legislature removed requirements that the installation conform to code standards and be inspected. This changes will encourage more homeowners to claim the credit, but it will make it more difficult to monitor the nature of the improvements. For example, we can no longer assume that a home for which a tax credit is claimed for attic insulation now has an attic insulation level of R-30.

The 1979 Legislature also enacted HB 2147 which amended the

weatherization programs offered by utilities and fuel oil dealers in Oregon to include mobile homes, houseboats and apartment buildings (private utilities were already required to provide weatherization services to apartment buildings). These three structure types will now be eligible for the free home energy analysis, cost estimates and low-interest loans.

These legislative changes have made approximately 245,000 additional housing units eligible for weatherization assistance.