

February 7, 1977

The Natural Resources committee convened on February 7, 1977, at 10 a.m. in room 437 with Chairman Shelden presiding and all members present except Reps. Hirsch and Huennekens who were excused because of a committee conflict.

HB 155 REP. DRISCOLL, the bill's chief sponsor, said this bill would permit the Department of Natural Resources to approve loans as well as grants under the Alternative Renewable Energy Sources Program. He is on the advisory committee of this program. He said the money, \$500,000 this past biennium, comes from the earmarked coal tax fund. He said they screened 93 projects and funded 31--two-thirds of the proposed projects were for solar energy. He felt many more of the projects, especially for solar, were technically sound but were rejected due to a need to look into other forms of renewable energy. He said if they could make loans as well as give grants the money could stretch further. Another change would be to leave it to the discretion of the advisory board as to whether the information concerning the project should be made public information. This protection of patent rights would encourage some of the better ideas.

TED J. DONEY, Department of Natural Resources, said he would be available to answer any questions.

CHARLES W. GREENE, Department of Natural Resources, is also a proponent and available to answer questions.

JOHN CADBY, Montana Bankers Assn., was the first opponent speaker. He felt the state of Montana should not be in the lending business as it would be in direct conflict with the private sector. He felt if they did it could be a major step toward the need of another bureau and so more bureaucracy. He suggested continuing with grants and perhaps tax incentives to stimulate work in this area, or that they become a secondary market using available lending institutions.

HAROLD PITTS, Montana Independent Bankers, spoke next in opposition. He felt, too, that the state should be a secondary market rather than in direct loaning.

Rep. Driscoll in his rebuttal said this would make their money go further and they would like to make low interest loans in the solar field especially. He said the loan officer at DNR would spend 30% of his time on this and the expenses would come out of the alternative energy fund, so bureaucracy would not be a problem in this case.

RICHARD MUNGER, Department of Natural Resources, responded to a question that their loan officer would handle the loan part; and he didn't see where it would be that large a problem initially. The interest rates would be as low as possible and be established by the DNR.

In a response to a question as to what would be the problem of directing the money through the banks and other lending institutions, Mr. Doney said it deserved consideration but the cost would be more as there would be a middleman. Rep. Driscoll mentioned one other problem

and that is the banks would not have the technical expertise needed to know a worthwhile energy project.

Rep. Driscoll said the council has a lot of discretion and can encourage the use of various materials and sites; and also if there is a lot of personal benefit they can adjust grants accordingly.

In response to a question Mr. Cadby said their charge would probably be 3/8 of 1% to handle the loans. When asked if they would be interested in setting up low interest loans of their own, his reply was that their money is not free, that they cannot come up with 5 1/2 to 6% loans as they bid on the Board of Investment money and pay as high as 8 to 9%.

Rep. Nathe asked why Eastern didn't come to this council for a grant rather than to the legislature for money for their solar project. Rep. Driscoll said he didn't know why.

Rep. Sheldon asked if their could be a condition in the grant whereby if a patent resulted the grant could be repaid. Rep. Driscoll said this would be negotiated in the contract.

HB 156 REP. DRISCOLL, the bill's chief sponsor, said this is an act to clarify and modify eligibility requirements for loans under the renewable resource development program. He said he had two minor amendments: change the title, line 7, to include 89-3604 (this would modify agencies who can receive grants); and to increase the amount of loan permitted so as to encourage loans in water cases, *etc.*

TED DONEY, Department of Natural Resources, spoke as a proponent. He went through the bill pointing out the changes: owners/operators would become owners or operators to cover renters or leasers of land; page 5 was the replacing of material to make it more logical; page 6 would extend the loan repayment from 30 to 40 years; eliminates the 100,000 limitation on loans; typoerror on page 6, line 8 "of" instead of "or".

BOB BIGGERSTAFF, MT Assn. of Conservation Districts, spoke next in support of the bill. He passed around copies of suggested amendments which is exhibit 1.

JOHN CADBY, Montana Bankers Assn., was the first opponent speaker. He said this bill opens the door wide--the state of Montana could loan money to a farmer for virtually anything he might want to do. He said again that it would be competition with the private sector, and that the state should use private lenders as the front line and have the state be in the secondary market position.

Rep. Driscoll felt the modification asked for by Mr. Biggerstaff would be outside the scope of this bill. He said the purpose of the bill is to clarify the procedures for these loans and to make grants available to other political entities and encourage larger grants.

In reply to a question about how long this program would go on, Rep. Driscoll said that just because we have funded 31 projects doesn't mean too much--a long way to go. He said they are trying to get the projects dispersed across the state so all can see a solar panel, etc.

He said a half a dozen new businesses have come into the state because of the attitude expressed in this bill--a welcoming of renewable energy ideas. Rep. Driscoll mentioned the Whitehall Wood Burning Stove--which burns slowly and hot. He said it will take time --at least ten years; when one area is developed and going they will back out of it and go to another area.

Chairman Sheldon closed the hearing to HB 156 and opened it to a consideration of HB 311.

HOUSE BILL 311

Rep. Harper asked the feeling of the group on raising the asked for \$25,000 to \$30,000. The feeling of the group seemed to be to leave it at \$25,000 for now.

Rep. Metcalf moved that HB 311 do pass. Rep. Quilici seconded it. The motion passed unanimously (Reps. Hirsch and Huennekens were absent) by those present.

Rep. Quilici commented on the amendments that have been offered by the utilities to HB 197. He said they were not good. He read the last amendment and he said if accepted this would circumvent the present law.

Chairman Sheldon appointed the following subcommittee to HB 155 and 156: Reps. Metcalf (chairman), Bengtson and Hurwitz.

Meeting adjourned at 12:05 p.m.

Respectfully submitted,

  
ARTHUR H. SHELDEN, Chairman

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