

48TH LEGISLATIVE SESSION

MINUTES OF
NATURAL RESOURCES COMMITTEE
MONTANA STATE SENATE

February 7, 1983

A regularly scheduled meeting of the Senate Natural Resources Committee was called to order by Senator Harold L. Dover, Chairman, on Monday, February 7, 1983 at 1:00 p.m. in Room 405, State Capitol, Helena, MT.

ROLL CALL: Roll was called with a quorum of members present, Senator Lee absent and Senator Van Valkenburg excused.

SENATE BILL 291: Chairman Dover opened the hearing on SB 291 and called on Senator Dorothy Eck, sponsor, of Dist. 39. Senator Eck stated the bill deals with issuance of Air Quality Permits by the Dept. of Health in instances when another agency has responsibility for an EIS. Problems have risen when another agency is responsible for impact statements because the Dept. of Health is required to issue their decision within 30 days of the issuance of an EIS. In hard rock and coal mine operations the Dept. of State Lands and the Dept. of Health both issue permits and have different time constraints. She has notified persons involved by the rule change and there has been no response. This bill will clear up the department problem as well as that industry has had in obtaining permits.

PROPOSERS: Harold Robbins, Dept. of Health and Environmental Sciences spoke in favor of the bill. He stated the major problem has been involving coal mine applications. The law says the department must either accept or deny the permit within 180 days, that if that time frame has elapsed and the EIS is not complete a decision must be reached. This bill would make the time schedule for permit completion meet the schedule of preparation of the EIS, and would require a final decision on the application within 30 days after the final EIS. His testimony is attached, Exhibit '1'.

There were no further proponents.

OPPOSERS: Chairman Dover inquired if there were opponents. Carlton Grimm, Montana Power Company stated they feel the bill does not address the problem they have with dealing in certain time frames, that it may help the department of Health, however it does not set a time frame for other agencies dealing in the EIS. They could support the bill if it contained firm time frames. His testimony is attached, Exhibit '2'.

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SB 291 (cont.)
There were no other opponents.

Senator Halligan inquired of Mr. Robbins regarding the time frame for the State Lands. It was stated they have 240 days for completion. Senator Mohar asked how long the Dept. of Health goes beyond other agencies, Mr. Robbins stated this would provide 30 days beyond other agencies, that there is information in the EIS that can be relative to their permit process. Senator Mohar stated their information may be useful to other agencies as well.

Senator Eck inquired of Mr. Grimm as to what agencies they were concerned about having a definite period of time. Mr. Grimm stated they sometimes apply to the Board of Health for a permit and then if it is found that an EIS is needed, They don't always know which agency has authority. Senator Eck stated she would get to him a copy of the Environmental Quality Council permitting directory, which should help. She thought this problem had been previously taken care of.

Senator Keating asked regarding the 30 days limit not being adequate for the Dept. of Health, Mr. Robbins confirmed his statement. He also proposed a severability clause and a minor amendment as given in his testimony.

Hearing was closed on SB 291. Senator Eck had no further comments on the bill.

SENATE BILL 283: Chairman Dover opened hearing and called on Senator Dave Fuller, Dist. 15, Helena. Senator Fuller stated this bill is to provide a tax credit for solar energy systems, and that he would like to have the bill explained further by proponents. He introduced Wade Wilkison to speak for the bill.

PROPOSERS: Wade Wilkison, Solar Energy Industries Association, stated there is a current 40% federal income tax credit, maximum of \$4,000 for renewable energy and Montana currently offers a 5% income tax credit, maximum of \$125. This bill proposes a 20% state income tax deduction, maximum of \$3,000 for installation of renewable energy systems. He pointed out that the draft study of Northwest Power Planning Council speaks to providing incentives for conservation. This bill would prepare the state for regulations to be forthcoming from the BPA as well. His testimony is attached as Exhibit '3'.

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SB 283 (cont.)

Hank Smit, general contractor and solar installer stated the bill would make these installations available to more people because currently they have to go out of state to purchase materials. The bill would make more suppliers come into the State due to people wanting more installation. Both Helena and Missoula are having air pollution problems and the use of alternate energy would help these situations.

Jim Koontz, Sun Wise, Inc., installers of solar equipment, pointed out all other forms of energy have been heavily subsidized by the Federal Government, such as hydro-electric dams, nuclear plants, natural gas, oil and wind generators, and many states offer generous tax incentives for solar energy. Incentive should be given for installation, not as a subsidy, but as a tax credit. His testimony is attached as Exhibit '4'.

Leo Berry, Dept. of Natural Resources and Conservation, said he was taking no position, but wished to express the concerns of his department. This bill would require adoption of rules for minimum standards for solar energy systems by their department, however with the tax incentive involved he would suggest that this rule making authority rest on the Department of Revenue in relation to the tax credit allowance. His testimony is attached, Exhibit '5'.

Jim McNairy, Alternative Energy Resources Organization, or AERO, stated they are in support of SB 283. It would be of assistance to the consumers as the \$125 credit now given is the lowest offered by any of the states. They are in favor of lowering the proposed tax credit in the bill from 60% to 20% and a maximum of \$1,000 for solar heating systems be given. The \$3,000 should remain for wind energy systems. His testimony is attached, Exhibit '6'.

Lynn Lundborg, Lynn's Stove and Solar Shop of Helena, stated many customers are wanting to cut their power bills, and the incentive of \$125 is not enough, that at least a 40% incentive would help. The interest now is in solar more than stoves due to alternate energy that is clean. There have been very few incentives to keep the solar industry in business.

Don Reed, Montana Environmental Information Center, stated that Montana compares poorly with other states as to tax credit allowed, and presented a chart showing percentage and maximum credit allowed in other states. This chart is attached as Exhibit '7'

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SB 283 (cont.)

Ken Morrison; Department of Revenue stated he agreed with Mr. Berry on the technical problems with the bill. He presented proposed amendments to the bill -- which would also allow the Dept. of Revenue to be the rulemaking authority. Proposed amendment is attached as Exhibit '8'.

Senator Etchart had been chairing the meeting during this time, and Senator Dover returned from having presented testimony at another committee. There were no opponents to the bill.

Senator Eck inquired of Mr. Berry regarding whether this would be the appropriate place to use alternate energy funds. Mr. Berry said that now it calls for money to be used for credits, that there may need to be clarification.

Senator Story inquired whether the Dept. of Nat. Res. had personnel with expertise to adopt rules. Mr. Berry stated the department does have the personnel, he was concerned whether the Dept. of Revenue which would be responsible for administering the program would have people with expertise in energy and that he had indicated to them his department would be available for putting the program together.

Senator Eck inquired of Mr. Berry regarding relating this bill to the Northwest Power Planning Council draft. Mr. Berry stated to clarify that these rules are just around the corner and this bill helps to address the problems that will be coming due to that standard which will be forthcoming from BPA.

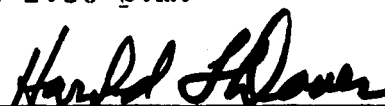
Senator Keating inquired as to Mr. Berry's testimony on conservation, Mr. Berry stated that conservation doesn't have to be alternate energy, there are ways to hold heat in houses, however we do also need to look at ways to generate heat as well. Senator Keating inquired as to why cost of solar energy has remained so high? It was explained that interest costs have made it remain high. Other industry is receiving subsidy and solar is not.

Senator Dover asked Mr. Berry if he thought definition of the rulemaking would solve the problems he had with the bill? Mr. Berry stated it would.

There were no further questions on the bill and hearing was closed.

There being no further business to come before the committee the meeting was duly adjourned at 2:30 p.m.


Patricia Hatfield


SENATOR HAROLD L. DOVER, CHAIRMAN
SENATE NATURAL RESOURCES COMMITTEE

ROLL CALL

SENATE NATURAL RESOURCES COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 2-07-83

NAME	PRESENT	ABSENT	EXCUSED
ECK, Dorothy (D)	✓		
HALLIGAN, Mike (D)	✓		
KEATING, Thomas F. (R)	✓		
LEE, Gary P. (R)		✓	
MANNING, Dave (D)	✓		
MOHAR, John (D)	✓		
SHAW, James N. (R)	✓		
STORY, Pete (R)	✓		
TVEIT, Larry J. (R)	✓		
VAN VALKENBURG, Fred (D)			✓
ETCHART, Mark (R) Vice Chairman	✓		
DOVER, Harold L. (R) Chairman	✓		

2-7-83

NATURAL RESOURCES

BILL NO. 283

VISITOR'S REGISTER

[illegible]

(Please leave prepared statement with Secretary)

TESTIMONY

SB 291

(1983 Legislature)

presented on behalf of the
Montana Department of Health and Environmental Sciences

The Department of Health and Environmental Sciences (DHES) would like to thank you for the opportunity to testify in favor of the proposed legislation. SB 291, proposed at the request of the DHES, would clear up certain problems with permits and environmental impact statement (EIS) time constraints when the responsibility for the process is with an agency other than DHES. In order to explain the proposal and the rationale for adoption, the testimony is divided into:

Background;

Need;

Department Activities Related to the Bill; and

Summary

BACKGROUND

The Montana Clean Air Act (Title 75, Chapter 2, MCA) authorizes DHES the authority to grant, suspend, revoke, and renew air quality permits. As a part of the permit process, the Act further defines application requirements and time schedules for filing a permit request. In the case of a permit that does not require an EIS, the Department must make a final decision on the application within 60 days of the filed application. A preliminary determination and an opportunity to comment on the Department's proposed decision is provided for in the air quality rules (ARM 16.8.1101 et. seq.). After the Department decision, any person adversely affected by the ruling may request a hearing before the Board of Health and Environmental Sciences.

When an application for a permit requires the compilation of an EIS, the Department must make a final decision on the matter within 180 days of the filed application. The preliminary determination, opportunity for comment, draft EIS, public hearings, final EIS and permit analysis must all be completed within the 180 day time table. The Clean Air Act does not make any provisions for a modification to the time table if another agency is responsible for preparing the impact statement (75-1-206).

NEED

In the last few years, the Department has had a problem with the EIS timetable when other agencies were in charge of preparing the EIS. Specifically, with regard to permits for coal mines, the following has occurred:

- a. Coal and hard rock mines must obtain permits from the Department of State Lands (DSL) and DHES (air quality permit). As the lead agency, DSL prepares the EIS.
- b. The company normally submits an air quality application and DSL application at the same time.
- c. A number of times the air quality application has been complete upon filing, while the DSL application has not.
- d. The time clock for DHES, therefore, has started before the time clock of DSL.
- e. The DHES completes a preliminary determination and submits a copy to the public for comment.
- f. The 180-day deadline expires before the EIS is completed. (Recall that the EIS is being written by DSL under their time clock.)
- g. To comply with the Clean Air Act, the Department must:
 - Option 1: grant the permit at the end of the 180 days without the EIS, or
 - Option 2: Deny the permit because no EIS is completed.

It is clear that neither option is fair to the Department or the applicant. Option 1 is not feasible since it is against the requirements of MEPA, and option 2 is contrary to the intent of the law. Yet without the EIS, a proper decision cannot be made.

In order to solve this inequity, SB 291 would amend the section of the Act (75-2-211) regarding the Department time limits for an EIS. The bill would provide for two deadlines:

- a. If the EIS is being prepared by the Department, the 180 day schedule would remain in effect;
- b. If the EIS is being prepared by another agency, the Department would make a final decision on the application within 30 days after the issuance of the final EIS.

This proposal would tie the schedule for permit completion to the schedule of the agency conducting the EIS. It is important to note that this would not delay the process of obtaining all necessary state permits. The granting of an air quality permit to a coal mine would not allow it to begin construction until the DSL permit is completed. The Department would then reach a final resolution on the permit within 30 days after the final EIS. (It is important to note that MEPA requires a minimum of 15 days to elapse between a Department decision and the final EIS.)

DEPARTMENT ACTIVITIES RELATED TO THE BILL

The Department's Air Quality Bureau has had a standing policy to allow the public to comment on proposed rules and policy well in advance of hearings conducted by the Board of Health or the Legislature. This legislation is no exception.

On August 31, 1982, the Department informed the persons and organization on its mailing list of several pieces of legislation being considered this

session. (The mailing list includes over 50 names, including most major industrial and environmental interests. A copy of this mailing list can be supplied upon request.) The August memo outlined four proposed alterations to the Act, including the changes proposed by SB 291. No one submitted any comments regarding any of the proposals.

The Department has also made an attempt to contact most of the environmental and industrial members on the mailing list concerning the specifics of SB 291. The Department believes that most of the persons interested in this legislation have been contacted.

SUMMARY

The Montana Clean Air Act directs the Department to make a final decision on granting or denying an air quality permit within 180 days (for those permits requiring an EIS). The Act, however, does not address any inconsistencies when another agency is responsible for preparing the impact study. On several occasions during the past two years, the 180-day deadline has elapsed prior to completion of an EIS by another agency.

The bill would tie the Clean Air Act to the completion of the EIS by another agency. The Department would be responsible for issuing a final decision within 30 days of the completion of the other agency's EIS. The bill does not alter any time schedules already in effect except to force the Department to make its decision in a reasonable time (30 days) after completion of the final impact statement.

NAME: CARLTON D. GRIMM DATE: 7 Feb 1983ADDRESS: 1121 WEST SILVER BOTE, MONTANAPHONE: 723-5421 EXT 2584REPRESENTING WHOM? THE MONTANA POWER COMPANYAPPEARING ON WHICH PROPOSAL: S.B. 291DO YOU: SUPPORT? AMEND? OPPOSE? XCOMMENTS: SEE ATTACHED TESTIMONY

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Statement RE: S.B. 291

MPC is opposed to S.B. 291 in its present form, even though we understand the concerns of the Air Quality Bureau.

The Department of Health has been cooperative and has acted in a timely manner with our requests and applications. However, they now find themselves in a perceived problem and are seeking a "quick fix". Unfortunately, the solution of S.B. 291 does not address the real problem. It only avoids the issue and condones delays and untimely decisions of others.

The Air Quality Bureau has no control over the timing of actions by other agencies. In the majority of cases, the Department of Health is not or will not be the lead agency. But running away from that problem will not help.

The MPC, as have all other businesses and applicants for permits, has consistently sought legislation and regulations providing for fixed maximum time periods for review of applications. We believe this is necessary for good planning and reduced costs. Open-ended review periods cause uncertainty and only increase the costs.

The result of this legislation is that no definite goal is set. The Air Quality Bureau decision is dependent upon another agency's action, which will occur at some unknown future time.

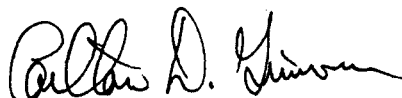
The real problem then is uncertain and non-specific times for publication of environmental statements by the leading agency. We could support legislation that contained firm time frames.

All decisions need not be made at the same time, but it is essential that applicants know when decisions can be expected. This bill will not alleviate that concern and could aggravate it.

Delay is the weapon of opponents to any application. Providing for further uncertainty only assists those interested in delay.

In most cases, today's environmental standards are technically achievable. The question is merely one of total costs. Indefinite review periods serve to increase those costs.

Conceptually, this bill is contrary to our goal of setting specific time limits on the decision making process.



Solar Energy Industries Association
(MontSEIA)

Wade Wilkison

SB 283 Testimony

We need to actively plan for our future, rather than just letting our future happen to us; some economists, in fact, have suggested that our current economic woes are upon us because we have been reacting to events rather than trying to shape our future. This bill, and some other bills before you in this legislative session, give you an opportunity to begin to spark our economic development and brighten our future.

I. THE STATUS QUO APPROACH

1. HB 264: CONTINUING OUR PAST POLICIES

You will shortly be considering HB 264, a bill which basically asks for a continuance of our past renewable energy policies. There are many merits to HB 264, and MontSEIA supports that legislation as beneficial to Montana. There are, however, alternatives to HB 264 which we as an Association feel you should have before you as you choose and shape our future.

2. EXISTING FEDERAL RENEWABLE ENERGY TAX CREDIT

Currently there exists a 40% federal income tax credit against tax due. The maximum credit per year is \$4,000, and if credit exceeds tax owed, the balance may be carried forward through 1987. This federal tax credit takes precedence in our proposed SB 283 legislation, so as a result only 20% of our proposed tax credit would be placed against state tax revenues.

3. EXISTING STATE RENEWABLE ENERGY TAX CREDIT

Montana currently offers a 5% income tax credit for residential application of renewable energy systems. The maximum credit per year is \$125.

II. SB 283: A REAL ALTERNATIVE FOR BOTH LOCAL ECONOMIC
DEVELOPMENT AND ENERGY CONSERVATION

1. SB 283 SUMMARIZED

SB 283 proposes a 20% state income tax deduction for approximately the same range of renewable energy systems as current legislation, after the 40% federal income tax exemption is applied. SB 283 includes conservation measures conducted as a part of installing a renewable energy system, and proposes a maximum deduction of \$3,000, portions of which can be carried forward to future tax years.

SB 283 is designed to anticipate and shape our state's future in several dimensions, each of which is summarized below.

2. POWER PLANNING COUNCIL/BPA ENERGY INCENTIVES

As members of this committee you are aware of the impact of approaching decisions to be made by our Northwest Power Planning Council on twenty year energy planning and development regulations for the Bonneville Power Administration.

I attach a few excerpts out of the draft study for the BPA regulations. As you can see from these examples, it is clear that increasing energy conservation measures and providing incentives---in the way of funds and other benefits--- and disincentives---additional tariffs and other penalties---to state and local units of government/or utilities in the BPA administrative area are some of the primary tools by which these regulations will be implemented.

SB 283 will prepare our state's tax regulations for these BPA regulations. On one hand, our bill will categorically include conservation carried out as a part of installing renewable energy systems in the BPA service area of Montana, and through this linkage will encourage more Montanans to install renewable energy systems so that we are less at the mercy of energy interruptions from the Middle East. On the other hand, SB 283 will to a certain extent spread the positive impact of BPA incentives from Western Montana to include Eastern Montana, not currently subject to BPA economic incentives, by in effect making similar benefits, through this tax legislation, available to residents in the eastern part of the state.

Moreover, because of the upcoming availability of BPA funding for at least the conservation components of SB 283, the full impact of any reduced tax revenues to the state will be diminished substantially.

3. LOCAL ECONOMIC DEVELOPMENT

The House Select Committee on Economic Development, in conjunction with the Montana Department of Commerce and other state agencies, is currently considering a wide range of options to encourage the development of Montana's economy. Certain economic parameters have already been identified in Committee discussion as particularly "Montanan," and among these are that most businesses in our state employ 30 or fewer workers and are local in orientation. If we genuinely intend to preserve our life styles in this state while at the same time provide for real economic growth, we cannot plan on establishing massive automobile plants or other major concentrations of workers. Instead we must aim at stabilizing our smaller businesses and

encouraging the development of many more smaller businesses.

The renewable energy industry in Montana is ideal in size, its labor-intensive qualities, and its local community orientation to bring about actual local economic development. The average size of a renewable energy business in California is less than ten. If MontSEIA's membership is typical of similar businesses in our state, the Montana typical renewable business has between one and three full time staff and conducts 85% of its business within 30 miles of its business address. On a personal level, this is the local contractor in Big Fork or Red Lodge who pays his taxes and whose profits "turn over" between 2.3 and 4 times before leaving that community. On a professional level, this is the local salesman or contractor who provides the summer jobs that keep some of the young people in that community and provides training for Montana's overabundant unskilled labor force. Studies by the California Energy Commission and CalSEIA/CalSEAL have directly linked the growth and vitality of these businesses and their stimulation of the local economy to the 55% solar tax credit in that state.

Montana rightfully prides itself in helping the individual establish personal independence through hard work, and through that effort contribute to the community. SB 283 would address a real need in each community, namely keeping energy dollars within that community rather than paying the big international oil and gas companies with headquarters in New York, the Netherlands or Morocco. Workfare is the wrong approach; give the local businessman the opportunity to put unemployed Montanans back to work in creative and gainful employment that they can take pride in!

4. ECONOMIC GROWTH TAX REVENUE INCREASES AS OFFSET TO TAX CREDIT

According to the 1982 California studies of the renewable tax credit impact on local small businesses in California, for every one dollar of income tax revenue lost to the state of California, seven new dollars of new tax revenue were generated to both local and state tax funds.

Rather than assuming that these same patterns will hold true for Montana, one could conservatively estimate only a 50% coverage of lost tax revenues for the next two years. Other economic factors, particularly the availability of BPA funds, described in other sections of this testimony will also offset the actual dollar impact on state revenues.

III. PROPOSED TAX CREDIT IN NATIONAL PERSPECTIVE

According to standard references, for example the Energy Conservation Source Book: Summaries of State Laws Enacted 1975-1980 (National Conference of State Legislatures, Denver, CO, 1981), more than 400 energy conservation-related laws were passed by the fifty states from 1975 to 1980. While the

complexities of state law codes make it difficult to compare the resulting tax laws in the various states, there are some generalizations that can be made. Of those states with specific renewable energy tax credits, Montana's tax credit is by far the smallest at \$125. At the upper end, some states such as Rhode Island have commercial/resident tax credits to \$5,000, and tax credit limits at \$3,000 to \$1,000 have become the norm. There also seems to be a direct correlation between the health of the renewable energy industry in each state and the existence of an income tax credit of \$1,000 or more. Moreover, many states, for example New York and California, have developed intricate splitting arrangements for income tax credits against renewable energy systems, so that the homeowner and/or builder can gain 95%, 110% and even more of combined state and federal tax credits. For further examples, see Financing the Energy Efficient Home (California Energy Commission, August, 1981).

IV. IMPLEMENTATION STRATEGY

Administrative models for the implementation of this tax credit have been developed extensively in other states. Both Colorado and California, for example, have well articulated administrative models which can be easily modified to fit all administrative needs created by SB 283, particularly as would be required for most passive and semi-passive systems. Energy efficiency standards for state and local building codes have been established through BEPS (Energy-Performance Standards, developed under contract by HUD), CABO (Council of American Building Officials), BOCA (the Building Official and Code Administrators, Inc), ICBO (the International Conference of Building Officials), and the SBCCI (Southern Building Code Congress International). A new Energy Efficiency Building Code produced in conjunction with these organizations has just been published and will soon be under adoption hearings by the State of Montana Building Codes Division. The national Solar Rating and Certification Corporation (SRCC) has been evaluating and rating solar collectors since 1980 and is an equivalent national standard reference for reliable and comparable active system performance data. The Directory of SRCC Certified Solar Collector Ratings would provide a baseline of both system performance standards and available systems for the Department of Natural Resources and Conservation in establishing and maintaining performance standards for the state. Finally, the Northwest Power Planning Council's draft regulations include funding support for the training of local building inspectors as well as funding support for their actual inspection of energy conservation and production systems, so even these costs appear to be covered from other than state or local budgets.

NEW AND EXISTING STRUCTURES MODEL STANDARDS
AND CONSERVATION PROGRAMS
DECISION MEMORANDUM

ACTION

The Staff's recommendation on model standards for new and existing structures consist of four elements. These are:

- o A standard for new residential structures which specifies minimum total building performance with prescriptive and component attainment paths as alternatives. The proposed space heating performance standard for new single family and multifamily structures in kwh/sq. ft./yr. is shown in the table below:

<u>Building Type</u>	<u>Climate Zone</u>		
	<u>1</u> (West of the Cascades)	<u>2</u> (E. Wash/E. OR & Idaho)	<u>3</u> (W. Mont.)
Single Family	2.0	2.0	2.4
Multifamily (5-plex and larger)	1.2	2.3	2.7

- o A standard for new non-residential structures which is based on the most recent version of the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) model energy code.
- * o A standard for existing residential structures which specifies installation of all physically feasible measures deemed cost-effective from the Region's view and which are fully financed by the Region. The cost-effectiveness determination may be made based on an on-site audit or by selecting items from an approved list of measures which have been demonstrated to be Regionally cost-effective.
- o A standard for existing non-residential structures based on an on-site technical audit, which specifies installation of all physically feasible measures deemed to be cost-effective from the Region's view and which are fully financed by the Region.

In addition, to facilitate the implementation of these model standards, the Staff also recommends that the Council Plan:

- * o Provide for reimbursement to code enforcement agencies for

the cost of model standards implementation and inspection. This includes the inspection cost of any entity (e.g. utility, local government, etc) which implements the model standard for existing structures.

- *o Include an incentive program, offered for a period of five years, which pays the full cost incurred by builders between current construction practice and those practices specified by the model standard for new structures.
- *o Include an incentive program which provides full financing of audit and retrofit measures for existing residential and non-residential buildings.
- *o Include an education program for builders and code enforcement officials regarding the provisions of the Council's model standards for new structures.
- *o Include an incentive program to encourage the construction of structures which exceed the Council's efficiency standards for new structures.
- *o Provide for assistance to the housing industry for the implementation of an energy performance rating system for new and existing residences.
- o Include an incentive program targeted at the manufactured housing industry to encourage the sales of energy efficient units which achieved the following performance standards: Zone 1 - 3.0 kWh/Sq. Ft/yr, Zone 2 - 5.4 kWh/Sq Ft/yr, and Zone 3 - 7.0 kWh/Sq. Ft/yr.

The Staff recommends that the "economically feasible" level of the Council's model standard for new residential structures be determined according to the following presumptions:

Presumption 1. The cost-effectiveness analysis is to be made by comparing individual conservation measures with the cost and performance of structures built to current standards.

Comment. This assumption requires that individual measures (e.g., adding R-19 wall insulation) rather than packages (e.g. adding R-19 wall insulation, R-38 ceiling insulation and weatherstripping) be cost-effective. Consequently, "low cost, high payoff measures" are not averaged with "high cost, low payoff" measures to allow the latter to appear more economical. The use of existing standards as the point of comparison presumes they are, by political consensus, "economically feasible" for consumers.

PROPOSED MODEL STANDARD'S IMPACT ON THE
CONSTRUCTION COST OF A TYPICAL
SINGLE FAMILY HOME

ZONE 3

WESTERN MONTANA

<u>CURRENT CODE/PRACTICE</u>		<u>PROPOSED STANDARD</u>	<u>COST</u>
			\$
CEILING	R-38	R-60	352
WALLS	R-11	R-31	497
FLOORS	R-19	R-30	301
WINDOWS	DOUBLE PANE	DOUBLE PANE WITH STORM AND THERMAL BREAK	346
ENTRY DOORS	SOLID CORE	INSULATED	87
INFILTRATION	VAPOR BARRIER	CONTINUOUS VAPOR BARRIER WITH MECHANICAL VENTILATION	1016
TOTAL			\$2599

ADDED COST PER SQUARE FOOT = \$1.96

IF HEATING SYSTEM IS DOWNSIZED TO MATCH THE SMALLER HEATING
REQUIREMENTS, THE ADDED COST OF THE PROPOSED STANDARD FOR ZONE
3 IS REDUCED TO \$1.50.

ASSUMES HOME SIZE IS 1350 SQUARE FEET WITH 12% GLASS.



SUN-WISE INC.

General Offices:

4000 River Drive North
Great Falls, Montana 59401
406/727-5977

February 8, 1983

Senator Harold Dover, Chairman
Senate Energy Committee
Room 405
State Capitol
Helena, Montana 59601

Re: S.B. 283

Dear Senator Dover:

We appreciated the opportunity to speak in support of S.B. 283 at the committee hearing on February 7, 1983.

Enclosed you will find copies of my presentation to the committee. If it is appropriate, please make these available to your committee members.

The existing federal energy tax credits and the proposed Montana tax credits do discriminate against most retired homeowners that have little or no tax liability. It might be well to consider a refundable credit for these people so that they may take advantage of the incentives to invest in alternative energy equipment. We know that inflation and rising energy costs have made it increasingly difficult for persons on fixed incomes to maintain their standards of living.

The discussion at the hearing touched on performance standards and rating methods for active solar systems. We presently market our solar collector in fifteen states and have been exposed to many different states' methods of regulation. We suggest that future administration of the program in Montana:

1. Makes no judgements as to system performance
2. Requires no pre-application for tax credit approval
3. Leaves materials and installation method approvals to existing state departments that administer building codes

Be Sun Wise

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4. Absolutely does not require S.R.C.C. rating procedures of solar collectors. We will explain in detail our strong reasons for this if requested.

We would be very happy to share with your committee our experiences in solar program administration at your convenience.

Sincerely,
Sun Wise, Inc.



James R. Koontz
Vice-President

JRK/kk

enclosures



SUN-WISE INC.

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General Offices:

4000 River Drive North
Great Falls, Montana 59405
406/727-5977 - 406/727-3550

February 7, 1983

TEXT OF PRESENTATION TO SENATE ENERGY COMMITTEE

HEARING ON S.B. 283

BY JAMES R. KOONTZ

SUN WISE, INC. GREAT FALLS, MONTANA

1. All forms of energy have been heavily subsidized by the Federal Government. Hydro-electric dams, nuclear plants, natural gas, crude oil and wind generators. All receive huge subsidies to develop and distribute their respective energy forms.
2. President Carter was a strong supporter of solar energy - setting a goal of 20% of our energy from solar, by the year 2,000. The Carter administration signed the bill providing tax incentives for the purchases of solar and other alternative energy equipment. These incentives are offered to both residential and business users of solar equipment.
3. Many states offer generous tax incentives also. - Arizona, 35%; Colorado and Kansas, 30%; Nebraska, 25%; and New Mexico, 20%; to mention a few.
4. The development of the solar industry has been slow. This may be considered a disappointment to some persons, who expected too much too soon. President Carter's goal was unrealistic. The industry had not developed sufficiently to fill the role that was expected. Solar energy is not new, but the industry as we see it today is new.
5. Any incentives offered for the installation of solar equipment should be viewed as methods of economic development, rather than give-away programs. Major issues facing all of us today are: high unemployment, loss of primary jobs, high energy costs, transportation, and the erosion of our work force.
6. Our company was formed in 1977 as a locally owned small business. Our company was involved in solar before any tax incentives existed. The first few years were spent primarily in research and development of a highly efficient, durable solar collector.

Be Sun Wise

P.5
2-7-83

Employment figures for 1980, 1981, and 1982 reveal the following:

1. Wages paid in Montana - \$1,849,000
2. Unemployment taxes paid in Montana - \$32,200.00
3. State withholding taxes - \$50,400.00
4. Goods and services acquired locally - \$1,700,000
5. Direct employment - 20 full time jobs.

7. Our Montana dealers would approximately double the above figures. These dealers have installed approximately 1,000 systems in our state. The retail value of these systems would be approximately 5 million dollars.

8. We feel the proposed tax credit would have a great impact on the following:

1. The number of new jobs here in Montana.
2. The investment in plant and equipment.
3. Increased tax base.
4. Higher awareness of energy and energy conservation.
5. Less unemployment.

9. We currently spend money to subsidize low income residential utility cost. As energy rates increase this subsidy will escalate to gigantic proportions and never solve the problem. In comparison, the proposed tax credit for alternative energy would provide a permanent fix for part of our energy problem, while creating jobs at the same time.

10. Our company does not support the grants and give away programs that existed in both federal and state governments in the past. We do not believe that the state should necessarily pay citizens' utility bills. We do, however, support the tax incentive program proposed in this bill because we feel it will help expand the alternative energy industries in Montana at this time. We feel that this bill should be viewed as an economic development tool. We feel it has the support of economic development organizations and could eventually provide more in benefits to the state than it costs.

AND CONSERVATION
ENERGY DIVISION

Ex. #15
Sen. Nat. Res.
2/7/83

TED SCHWINDEN, GOVERNOR

32 SOUTH EWING

STATE OF MONTANA

(406) 449-3780 ADMINISTRATOR & PLANNING AND ANALYSIS BUREAU
(406) 449-3840 CONSERVATION & RENEWABLE ENERGY BUREAU
(406) 449-4600 FACILITY SITING BUREAU

HELENA, MONTANA 59620

Testimony on SB283

My name is Leo Berry, Director of the Department of Natural Resources and Conservation. I am here today not to support or oppose this bill, but to express concerns the Department has with its role as outlined in Senate Bill 283.

Section 11 (page 7) requires the Department to develop minimum standards for the safety, reliability, and durability of solar energy systems that are eligible for the tax credit. The Department may have difficulty developing reliability standards for solar systems. Standards have been developed for active solar collectors in California and are proposed nationally by the Solar Rating and Certification Corporation. These standards could be reviewed and modified by the Department for use in Montana. However, there are no reliability standards for active solar systems once they are installed; their efficiency can vary greatly depending on installation.

Developing reliability standards for passive solar systems presents particular problems for the Department. At this time we are unaware of any reliability standards for passive solar systems that could be modified for use in Montana. The primary reason for the lack of existing standards is because a passive solar system is an integral part of a structure and each structure is generally different. Further, to determine the reliability of a passive solar system requires actual monitoring of the energy consumption in a building, making the cost prohibitive.

P.2
2.1.83

We are concerned that this bill places the Department in the position of adopting rules and guidelines for tax statutes. It is the Department of Revenue that is responsible for administering tax laws in Montana, not the Department of Natural Resources and Conservation. We are well aware that energy is beyond the traditional scope of the Department of Revenue, but feel it is important that they retain the ability to adopt rules they must ultimately administer. We are more than willing to assist the Department of Revenue, as we currently do with the existing energy tax credits, but feel strongly that rulemaking authority must rest with the Department of Revenue.



EX. #0
Sen. Nat Res. 2/6,
2/7/83

Alternative Energy Resources Organization

424 Stapleton Building, Billings, Montana 59101
(406) 259-1958

324 Fuller, Suite C-4, Helena, Mt. 59601
443-7272

TESTIMONY IN SUPPORT OF SB 283

My name is Jim McNairy and I'm here representing the Alternative Energy Resources Organization, or AERO. AERO has over 600 Montana members who share the common belief that renewable energies and conservation are important to Montana's future.

AERO supports SB 283 as a vehicle to increase the state's current renewable energy tax credit and to also support economic development in Montana communities.

Our current tax credit for alternative energy has a ceiling of \$125 per taxpayer. This credit is too low and has little or no effect in stimulating consumer purchases of alternative energy systems. Montana's \$125 credit ranks us dead last in comparison to the other 27 states that have similar tax credits. 20 of the 27 states offer credit ceilings of \$1000 or more. By increasing the level of our state credit, we'll be helping provide consumers with an alternative to their continued dependence on constantly rising electricity and natural gas bills. An increased credit will be a big boost to farmers and ranchers who need to find some way to bring their fuel bills under control and would like to install wind machines for irrigation, pumping and other electrical purposes.

Raising the credit will also help our struggling renewable energy businesses in Montana. AERO recently published a renewable energy directory, and in compiling the directory we identified over 200 small businesses in the state that sell renewable energy products. These businesses are almost all locally owned and are supporting the kind of clean and healthy economic development that a large majority of Montanans favor.

We would like to recommend some proposed changes in the bill.

- 1). The 60% state tax credit should be changed to 20%. As long as the federal tax credit remains in effect, the actual Montana credit will be 20% in this bill. However, we don't think that the state's share of the credit should increase to 60% if the federal credit expires.
- 2). We favor lowering the \$3000 credit ceiling to \$1000 for solar space and water heating systems. This \$1000 ceiling would equal 20% of a solar system that cost \$5000, which is a reasonable expense for a residential solar system. A \$1000 ceiling

will put us in line with a majority of other states, also. We do feel that the \$3000 ceiling should be left in place for wind energy systems. Wind machines for on-farm uses typically cost from \$15,000 on up, and a higher credit for these systems is justified due to this greater system cost.

3). Solar systems used for recreational or therapeutic purposes should not be eligible for the tax credit. The credit should be for solar space heating and domestic or commercial hot water purposes only. Swimming pools, hot tubs, and jacuzzis should be left out.

In addition, we strongly endorse the provisions in the bill that:

- 1). Allow taxpayers to carry over the credit for up to 5 years.
- 2). Allow builders to pass through the credit to the first purchaser of a building that uses an alternative energy system.
- 3). Allow conservation measures that are installed in conjunction with solar systems to be included in the credit.

For these reasons we urge the Committee to revise SB 283 and then give it a "do pass" recommendation.

Thank you.

NAME: DON REED DATE: 2/7/83

ADDRESS: P.O. Box 1184, HELENA

PHONE: 443-2520

REPRESENTING WHOM? MEIC

APPEARING ON WHICH PROPOSAL: SB 283

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: (see written comments)

Serious Econ. Development issue.
Montana compares poorly with other states.
We can bring the renewable energy industry
to Montana.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

PERSONAL TAX CREDITS FOR ENERGY CONSERVATION & RENEWABLE ENERGY SYSTEMS

STATE	MAXIMUM PERSONAL INCOME TAX CREDIT % COST/MAX. CREDIT	SYSTEMS INCLUDED	COMMENTS
ALABAMA	15%/\$1000	Active Solar	Passive Solar: 10%/\$1000
ALASKA	10%/\$200	Fuel Conservation	Residence, Joint Return
ARIZONA	35%/\$1000	Solar	
CALIFORNIA	*50%/\$75,000 *55%/\$3000	Solar Pumping Solar	For Farm Irrigation For Single Family Dwelling
COLORADO	30%/\$3000	Solar, Wind, Geoth.	
DELAWARE	No%/\$200	Solar Hot Water	
HAWAII	10%/No Max.	Solar, Wind	Includes Heat Pumps
INDIANA	25%/\$3000	Solar, Wind	For Single Family Dwelling
KANSAS	30%/\$1500	Solar, Wind	
MAINE	20%/\$100	Solar, Wind, Wood	
MASSACHUSETTS	35%/\$1000	Solar, Wind	
MICHIGAN	25%/\$500	Solar, Wind, Hydro.	15% Of Next \$8000
MINNESOTA	20%/\$2000	Solar, Methane	
MONTANA	5%/\$50 5%/\$150	Non-Fossil Fuel En. E. Consrvtion. Impvt	5%/1st \$1000; 2%/Next \$3000. For Residential Buildings
NEBRASKA	20%/\$3000	Renewable Energy	For Residential Buildings
NEW MEXICO	25%/\$1000	Solar	Taxpayer's Residence
NEW YORK	*55%/\$2750	Solar, Wind	For Residential Buildings
N. CAROLINA	25%/\$1000	Solar	
N. DAKOTA	5%/No Max.	Active Solar, Wind	
OHIO	10%/\$1000	Solar, Wind, Hythml	(Hythml. = Hydrothermal)
OKLAHOMA	35%/\$10,000	Passive Solar, Wind	For Residential Buildings
OREGON	25%/\$1000	Solar, Wind, Hydro.	For Residential Buildings
RHODE ISLAND	20%/\$1000 10%/\$1000	Energy Conservation Solar, Wind	Residential Rental Property Taxpayer's Residence
S. CAROLINA	25%/\$1000	Renewable Energy	Cons. Impvmts. Included
UTAH	10%/\$1000	Solar, Wind, Hydro.	
VERMONT	25%/\$1000	Solar	Taxpayer's Residence
VIRGINIA	25%/\$1000	Solar	

*These Are Combined Federal & State Credit Ceilings

Senate Bill 283 be Amended as Follows:

1. Page 4, line 9

Add: "If the solar energy system is owned by more than one person or corporation, no more than an aggregate of 60% of the eligible costs may be claimed as a credit by all owners of the solar energy system."

2. Page 4, line 20

Following: "COSTS"

Insert: "However if a credit is claimed for Energy conservation measures under this act it may not also be claimed under Title 15, Chapter 32, part 1."

3. Page 7

Strike: Lines 9 through 14

Insert: "Section 11. Rulemaking. The Department of Revenue is authorized to make such rules and to require such facts and information to be reported as it may deem necessary to enforce the provisions of this act. The Department of Revenue may request technical advice from other departments when developing rules under this act."

4. Page 7

Add: "Section 13.
Effective date. This act applies to taxable years beginning after December 31, 1983."

5. Page 1, line 9

Following: "MCA"

Delete: "."

Insert: " ; And providing an effective date."

6. Page 6, line 21

Following: "owner-developer."

Add: If the owner-developer elects to forego the credit provided for in (section 3), but claims a federal energy tax credit for the solar energy system, the purchaser must reduce the state tax credit provided in (section 3) so that the effective credit for any taxable year does not exceed 60% of eligible costs.