

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

#### SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By Chairperson Connelly, on February 10, 1989, at 8:00 a.m.

#### ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Claudia Montagne, Secretary; Carroll South, Staff Researcher, Legislative Fiscal Analyst's Office

Announcements/Discussion: None

#### OIL OVERCHARGE PROPOSALS - HB 563

Tape 40:A:000

VAN JAMISON, Administrator, Energy Division, DNRC, gave an overview of what the Oil Overcharge monies were, and how the Executive Branch proposal had been developed. He said the fund derived from monies the Department of Energy (DOE) was recovering for alleged violations of price and allocation controls in effect between 1973 and 1981. The monies were being recovered to provide restitution to those individuals who were harmed by being charged more for energy than they were supposed to have been charged.

The monies in question were stripper well monies. Under the Stripper Well agreement, once a settlement agreement would be reached, 20% of the settlement monies was set aside for those who could prove they were harmed by the oil overcharge. The remaining 80% was split 50/50 with the U.S. Treasury and the states. Montana's share of the 40% was \$2,100,000 for this biennium. Two recent settlements, Getty Oil and Sidney Services, would provide additional monies to this fund, possibly \$425,000.

In response to this new information, the Office of Budget and Program Planning (OBPP) had asked REP. SPAETH to enter into the record some amendments and recommendations for the allocation of these additional monies. OBPP was asking that the Low Income Weatherization Program receive an additional \$400,000, and that the Local Government Energy Program receive an additional \$25,000.

MR. JAMISON continued with the eligibility criteria for receiving these funds (40:A:068), and the programs funded by these funds. He said that the priorities were set within OBPP this biennium, and that the requests and recommendations were as follows:

- 1) Energy Share, \$200,000 request, with \$100,000 recommended.
- 2) Low Income Weatherization Assistance, \$1,800,000 requested, with \$500,000 recommended.
- 3) Individual agency requests for retrofits for energy savings, \$550,000, which had been moved into the State Building Bond Energy Retrofit Program.
- 4) Dept. of Agriculture Biological Control of Weeds, \$100,000 requested; not recommended for inclusion.
- 5) Dept. of Commerce, \$300,000 requested for Shelby Transload Facility.
- 6) Dept. of Highways, \$300,000 requested for photovoltaic remote sensing of snow on passes.
- 7) Office of Public Instruction supported DNRC'S request to obtain funding for the Schools' and Hospitals' Program.
- 8) DNRC, \$500,000 request for a State Building Energy Retrofit Bond Program.
- 9) DNRC, \$950,000 request for additional work in schools and hospitals (REP. QUILICI's bill).
- 10) Local Government Energy Offices, \$124,300 requested.

MR. JAMISON (40:A:209) said the priorities that were established and in the bill represented an over-appropriation of the money. He added that the Transload facility was not assured of being approved by the DOE. Priorities were as follows:

- 1) Low Income Weatherization
- 2) Energy Share
- 3) Transload Facility
- 4) State Building Retrofit Program
- 5) Local Government Energy Office
- 6) Schools and Hospitals Program

If all the programs were to be approved, and Rep. Spaeth's amendment for the additional \$425,000 was incorporated into the bill, any shortfall would cause the appropriation to the Schools and Hospitals Program to be reduced.

MR. JAMISON said the Transload Facility project was not certain of approval because there was not enough proof that it would prove restitutionary effect.

SEN. HIMSL (40:A:277) asked which governor made these allocations. MR. JAMISON clarified the allocation process. He said former Governor Schwinden made the allocations, and Ray Shackelford approved them and the amendment for the additional \$425,000.

A conversation followed on the selection of Butte over Shelby for the site of the original transload facility.

REP. THOFT commented that the biological control of weeds could provide restitution to agriculture with energy savings. MR. JAMISON said he would not be against the \$100,000 request. In his experience, the project had been denied repeatedly by DOE. He said their objections were that it was a research project, and therefore not restitutionary, and also was not timely. REP. THOFT suggested a \$100,000 allocation in third priority for Biological Control of Weeds.

SEN. MANNING registered his support for weed control.

(40:A:450) Another conversation took place on the transload facility, with REP. BARDANOUVE commenting that Shelby had done much already and had received the short end last session. He suggested providing for Shelby in 1991 by leaving some monies in the fund, and MR. JAMISON said it would be possible. In the future the settlements would be in increments over time. Montana would be looking at \$1,800,000 to \$1,500,000 in new money over the next two bienniums. He said the monies earned interest as well. However, he said that the states were generally being criticized for not developing restitutionary programs in a timely manner. Therefore, Congress was threatening to cut funds for low income energy assistance, thus forcing the states' hands to spend these funds. MR. JAMISON said that in banking these accounts, Montana might be playing into the hands of a Congress looking to make cuts in these areas. REP. BARDANOUVE said that planning for the Transload facility in Shelby could not be considered holding on to the money, because some of the money had not even come in yet. He added that he thought it would make a worthwhile appropriation, and would give the legislature in 1991 the chance to make a decision at that time.

SEN. HIMSL (40:A:568) asked if the interest on these monies was restricted. MR. JAMISON said the interest earnings had to go into the original pot of money and had to be spent as the corpus was spent.

CARROLL SOUTH (40:A:674) asked if the department already had a program that provided for what the State Building Energy Bond Program proposed to do. MR. JAMISON said the legislature had provided \$1,985,000 to DNRC last session to do energy retrofits in state buildings. Buildings were studied on a priority basis, those most in need, and those funded with general fund dollars. Engineering analyses were performed at Boulder, Montana State Hospital, Warm Springs and Galen, Montana School for the Deaf and Blind (MSDB), and the Center for the Aged. Using the Oil Overcharge Funds appropriated last session, they planned to do all the work recommended at Boulder, at a cost of \$1,300,000. This money, and the bond program proposed in a bill sponsored by REP. QUILICI, would allow oil overcharge money to be spent for additional buildings to be analyzed. The bond proceeds would provide the money to do all of the recommended measures at Montana State Hospital, Montana School for the Deaf and Blind, and the Center for the Aged. Without the bond program, the

department would do as much as they could at Galen and Warm Springs. He said Quilici's bill establishing the program was still pending.

REP. BARDANOUVE (40:B:006) asked how the bond issue would be paid off. MR. JAMISON said a general obligation bond would be issued. Bonds would be paid out of Department of Institutions energy costs, and if the department could not make the payments, the legislature could keep that portion of their budget and pay the bonds out of the General Fund.

SEN. HIMSL asked about the prospects for the Biological Control of Weeds to be approved by the Department of Energy. MR. JAMISON said approval was not certain. REP. THOFT said the money would revert back to a lower priority program, so nothing would be lost in the attempt.

JIM JENSEN (40:B:051), Montana Environmental Information Center, stood in support of the proposal.

PHYLLIS HONKA, Vice President, Energy Share of Montana, spoke in support of the proposal. She said the board, composed entirely of volunteer members, all supported the bill.

JIM SMITH, Human Resources Development Councils, spoke on the Low Income Weatherization Program. He said the councils supported HB 563 as written, and supported the amendments the sponsor would offer. He said there was also a bill draft request appropriating \$1,000,000 to Low Income Weatherization.

TOM MARVIN, Energy Coordinator, Montana Local Government Energy Committee, spoke for the Local Government Program. He said it provided technical assistance to local governmental entities. He said their original budget last biennium had been \$235,000, and this biennium was proposed at \$125,000. MR. MARVIN said they had submitted the lower budget figure because they did not want to cut into the low income weatherization budget. Since they had learned of additional monies available for the programs, he suggested an amendment to increase the figure to \$235,000. He said that the program produced savings in the amount of \$3.50 for every dollar spent.

REP. BARDANOUVE (40:B:165) commented that the subcommittee could only make recommendations to the full committee to amend the bill. The proposed amendments (EXHIBIT 1) were distributed to the committee. REP. THOFT suggested that the committee could amend the bill subject to approval by the full committee. The committee agreed that it could do that.

REP. BARDANOUVE (40:B:197) asked why a retrofit was needed at MSDB since most of the buildings were new. TOM LIVERS, DNRC, Energy Division, said the retrofit project at MSDB was not comprehensive. Two buildings built in the early 1970's, not the entire institution, were studied and needed attention.

SEN. MANNING (40:B:223) asked for more specifics regarding the problems at MSDB. MR. LIVERS said the projects included the conversion of one the air handling systems to a variable heated air volume system, and the installation of insulation and temperature controls.

MR. SOUTH asked a technical question about the \$550,000 for the bonding program. If the bonding bill was not to pass, what was the fallback position for spending the \$550,000? MR. JAMISON said in the event that the bonding bill did not pass, the appropriation in this bill would be void, and the \$550,000 would flow to the lower priority projects. The result would be that all the projects would be funded with additional money left over. He mentioned that at the present time the Institutional Conservation Program had an appropriation of \$950,000 of which only \$550,000 was funded. If the bonding program were not to pass, the additional \$400,000 would be available for that program with \$150,000 left over and available for appropriation.

MR. JAMISON said with REP. SPAETH's amendments, \$2,925,000 would be available for appropriation, with expected revenues at \$2,525,000. There was still the \$400,000 differential because of the uncertainty regarding the transload facility and the bonding program.

SEN. HIMSL (40:B:305) said he did not see why the bonding program was needed. MR. JAMISON said the need for the State Building Bond Program was based on the department's estimates that enormous energy savings that could be obtained cost effectively in state buildings. The department had estimated that if all state buildings were made energy efficient just to the level that was cost effective, energy bills for the state would be reduced by \$5,000,000 annually.

ANN MARY DUSSEAUT (40:B:387), President, Montana Association of Counties, spoke as a direct representative of local government officials who have had the benefit of participating in the Local Government Energy Program. She recommended the increase to \$235,000 of the appropriation to the Low Income Energy Assistance and Weatherization Program, which would enable the program to operate for two years instead of one.

RICK DI MARINIS (40:B:430), an engineer employed by the Local Government Energy Office, distributed a handout which listed the work completed by the Local Government Energy Office, EXHIBIT 2. He said that the Energy Grant Program and technical assistance that the office offered allowed savings in energy, and efficient use of energy meant efficient government and use of tax dollars. He added that the program was already in place and had begun to build momentum, and recommended that the program be continued.

SEN. HIMSL asked for explanations of specific grants. MR. DI MARINIS described the project in Ismay, and said it was for insulation and retrofit of a heating system in the Town Hall/Fire Hall. In Whitefish, the project was to replace single pane

windows with double pane windows in the City Hall. He explained the purpose of their demonstration projects, and how that information was shared with other communities with similar facilities or needs.

ADJOURNMENT

Adjournment At: 10:00 a.m.

M. E. Connelly  
REP. CONNELLY, Chairperson

MEC/cm

3525.min

## Long Range Planning

DATE

[illegible]

EXHIBIT 4

DATE 2-10-19

HB Oil Overcharge

PROPOSED AMENDMENTS  
HOUSE BILL 563  
Introduced Bill

1. Page 1, line 23.

Following: "following definitions apply:"

Insert: "(1) "Cities Services payments" means the oil overcharge payments made to the U.S. treasury for distribution to the state of Montana pursuant to the consent agreement between Cities Service Oil and Gas and the U.S. Department of Energy as affirmed by the Federal Energy Regulatory Commission and any interest accrued on the payments.

(2) "Getty Oil payments" means the oil overcharge payments made to the U.S. treasury for distribution to the state of Montana pursuant to the order of disbursement issued in Civil Action No. 77-434 (MMS) in the United States District Court for the District of Delaware and any interest accrued on the payments."

Renumber: subsequent subsections.

2. Page 2, line 5.

Following: "not limited to"

Insert: "Cities Service payments, as defined in subsection (1), Getty Oil payments, as defined in subsection (2),"

3. Page 2, lines 5 and 6.

Following: "subsection"

Strike: "(2)"

Insert: "(4)"

4. Page 2, line 7.

Following: "subsection"

Strike: "(3)"

Insert: "(5)"

5. Page 3, line 7.

Following: "appropriated"

Strike: "\$500,000"

Insert: "\$900,000"

6. Page 5, line 16.

Following: "appropriated"

Strike: "\$100,000"

Insert: "\$125,000"



HOUSE BILL 563  
INTRODUCED BILL  
SECTION 2 INCORPORATING AMENDMENTS

NEW SECTION. Section 2. Definitions. As used in [this act], the following definitions apply:

(1) "Cities Services payments" means the oil overcharge payments made to the U.S. treasury for distribution to the state of Montana pursuant to the consent agreement between Cities Service Oil and Gas and the U.S. Department of Energy as affirmed by the Federal Energy Regulatory Commission and any interest accrued on the payments.

(2) "Getty Oil payments" means the oil overcharge payments made to the U.S. treasury for distribution to the state of Montana pursuant to the order of disbursement issued in Civil Action N. 77-434 (MMS) in the United States District Court for the District of Delaware and any interest accrued on the payments."

~~(1)~~(3) (a) "Stripper well payments" means the oil overcharge payments made to the U.S. treasury for distribution to the state of Montana as the result of the final settlement agreement in the U.S. district court for the district of Kansas, Cause No. M.D.L. 378, and any interest accrued on the payments. The term also includes but is not limited to Cities Service payments, as defined in subsection (1), Getty Oil payments, as defined in subsection (2), Texaco payments, as defined in subsection ~~(2)~~(4), and any unspent project funds, as defined in subsection ~~(3)~~(5).

(b) The term does not include stripper well payments that have been expended or legally obligated or have been incorporated into any of the existing federal energy programs as the result of prior appropriations by the legislature.

~~(2)~~(4) "Texaco payments" means the oil overcharge payments made to the U.S. treasury for distribution to the state of Montana pursuant to the Texaco final consent order, 53 Fed. Reg. 32929, August 29, 1988, and any interest accrued on the payments.

~~(3)~~(5) "Unspent project funds" means stripper well payments that were not expended or otherwise legally obligated during the 1989 biennium but were appropriated for the 1989 biennium in House Bill 621, Laws of 1987, in:

- (a) section 4, subsection (5));
- (b) section 9, subsections (8) and (9); and
- (c) section 10.

February 10, 1988

EXHIBIT 2DATE 2-10-89HB Bill Overberg

## MT Local Government Energy Office - Helena, Project Summary 1987-89

JURISDICTION

- 1) City of Belgrade
- 2) City of Billings
- 3) Town of Boulder
- 4) City of Bozeman
- 5) Carbon County
- 6) Town of Chester
- 7) City of Choteau
- 8) Town of Circle
- 9) City of Conrad
- 10) Town of Culbertson
- 11) Custer County
- 12) Daniels County
- 13) Town of Darby
- 14) Dawson County
- 15) Town of Ekalaka
- 16) Fallon County
- 17) City of Fairview
- 18) Fergus County
- 19) City of Forsyth
- 20) City of Fort Benton
- 21) Town of Fort Peck
- 22) Town of Fromberg
- 23) Gallatin County
- 24) City of Glasgow
- 25) City of Glendive
- 26) Golden Valley County

ASSISTANCE

- \$1800 Demonstration grant
- \$1800 O & M grant
- \$1800 Demonstration grant
- Energy Audit
- \$1800 O & M grant
- \$1800 Demonstration grant
- Energy Audit
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- \$1800 Demonstration grant
- \$1800 O & M grant
- \$1800 O & M grant
- \$1800 O & M grant
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- Energy Audits
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- \$1800 Demonstration grant
- Energy Audit
- \$1800 O & M grant

27) City of Havre	\$1800 O & M grant
28) Town of Hysham	\$1800 O & M grant
29) Town of Ismay	\$1800 Demonstration grant
30) Jefferson County	Energy Audit
31) City of Lewistown	\$1800 O & M grant
32) City of Livingston	\$1800 O & M grant
33) City of Malta	\$1800 O & M grant
34) Town of Melstone	\$1800 O & M grant
35) Moss Mansion (City of Billings)	Energy Audit
36) Musselshell County	\$1800 O & M grant
37) Town of Nashua	Energy Audit
38) Park County	Energy Audit
39) Phillips County	\$1800 O & M grant
40) Powell County	\$1800 O & M grant
	Energy Audits
41) City of Red Lodge	\$1800 Demonstration grant
	Energy Audit
42) Roosevelt County	\$1800 O & M grant
43) City of Shelby	\$1800 O & M grant
44) Stillwater County	\$1800 Demonstration grant
	Energy Audit
45) Town of Sunburst	\$1800 O & M grant
46) Sweetgrass County	\$1800 Demonstration grant
	Energy Audit
47) Teton County	\$1800 O & M grant
48) Town of Thompson Falls	\$1800 O & M grant
49) Treasure County	\$1800 O & M grant
50) Wheatland County	\$1800 O & M grant
51) City of Whitefish	\$1800 Demonstration grant
52) Wibaux County	\$1800 O & M grant
53) Town of Wibaux	\$1800 O & M grant
54) City of Wolf Point	\$1800 Demonstration grant

NOTE: O & M refers to "Operation and Maintenance". O & M studies are done by qualified energy experts to reveal low cost/no cost energy conservation measures for specific buildings.

Demonstration grants are designed to demonstrate the effectiveness of different energy conservation techniques in local government buildings.

## VISITOR'S REGISTER

Long Range Planning SUBCOMMITTEE  
AGENCY (S) \_\_\_\_\_ DATE 2-10-89  
DEPARTMENT Oil & Gas Lease Proposals

NAME	REPRESENTING	SUP- PORT	OP- POSE
Phyllis Honta	Energy Share of MT.	✓	
Ladonne Peck	Energy Share of MT.	✓	
Rick DeMarinis	MT. LOCAL GOVT ENERGY OFFICE	✓	
Tom Marvin	MT. LOCAL GOVT ENERGY OFFICE	✓	
Jim Jensen	MEIC	✓	
Jim Smith	HRDC Assoc	✓	
Tom Livers	DNRC	✓	
Van Jamison	DNRC	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT  
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.