

## **MINUTES**

### **MONTANA SENATE 54th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON FINANCE & CLAIMS**

**Call to Order:** By **SENATOR GARY AKLESTAD, CHAIRMAN**, on Friday,  
February 3, 1995, at 5:35 p.m.

#### **ROLL CALL**

##### **Members Present:**

Sen. Gary C. Aklestad, Chairman (R)  
Sen. Thomas F. Keating, Vice Chairman (R)  
Sen. Thomas A. "Tom" Beck (R)  
Sen. James H. "Jim" Burnett (R)  
Sen. Loren Jenkins (R)  
Sen. Ethel M. Harding (R)  
Sen. Arnie A. Mohl (R)  
Sen. Charles "Chuck" Swysgood (R)  
Sen. Larry J. Tveit (R)  
Sen. B.F. "Chris" Christiaens (D)  
Sen. Eve Franklin (D)  
Sen. Greg Jergeson (D)  
Sen. John "J.D." Lynch (D)  
Sen. Mignon Waterman (D)

**Members Excused:** Senator Jacobson, Senator Toews

**Members Absent:** None

**Staff Present:** Clayton Schenck, Legislative Fiscal Analyst  
Lynn Staley, Committee Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

##### **Committee Business Summary:**

Hearing: HB 10, HB 12  
Executive Action: HB 10 - BE CONCURRED IN  
HB 12 - BE CONCURRED IN

#### **HEARING ON HB 12**

##### **Opening Statement by Sponsor:**

**REPRESENTATIVE JOE QUILICI**, House District 36, Butte, sponsor,  
said HB 12 is the bonding bill for the energy retrofit. He noted  
that the bonding and retrofit program has worked very well over  
the years. He said the reason for HB 12 is that the legislature  
has to look at this issue every biennium when there are new

projects. The program has retrofitted many buildings, saved energy and the general fund considerable money. The savings from the energy costs pays off the bonds. Once the bonds are paid off, that money reverts to the long range building program. He explained that there was an amendment added to the bill for MSU-Northern allowing them to enter into a pilot program using performance contracting.

Proponents' Testimony:

**Tom Livers**, Department of Natural Resources and Conservation (DNRC), presented testimony in support of HB 12. **EXHIBIT 1**

**Gary Willis**, representing The Montana Power Company (MPC), testifying in support of HB 12, stated they co-fund some of the projects with DNRC. He noted their budget for 1995 is \$7.1 million for the commercial and industrial sector. With ongoing funding for the program, the state will participate and part of the money will go to some of the state buildings. The MPC is compensated in this program by way of electricity they get at a reasonable cost to resell to other customers. The state benefits with operating costs and reduced energy bills, so it is a win-win situation.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

**SENATOR SWYSGOOD** asked **Tom Livers** to comment relative to the table on the last page of **EXHIBIT 1** that shows projects being studied.

**Tom Livers** said they attempt to get information on the projects before the legislative session so they know whether they will be good investments or not. He added that the studies are paid out of the previous appropriation.

When questioned by **SENATOR SWYSGOOD** if the other projects listed on Table 1 **EXHIBIT 1** have either been completed, funded for or in the process of being paid, **Tom Livers** said that was correct.

**SENATOR KEATING**, directing a question to **Van Jamison**, asked if the buildings are being retrofitted for conservation energy.

**Van Jamison**, Administrator of Energy Division, Department of Natural Resources and Conservation, said they are doing efficiency improvements to those buildings. Measures they are doing include replacing lights to allow for more efficient lighting, boiler replacements, and other measures.

**SENATOR KEATING** said there previously was a company that approached the state and said they would furnish the capital

expenditure money, do the job and receive their return from 10 percent of the savings on the utility bills. He added that proposal would not have cost the state expenses with bonding and capitalization, and he questioned why they were not accepted when it would have accomplished the same objective.

**Van Jamison** explained that is what the energy performance contracting pilot program is about. They have questioned whether there is more value doing it themselves or having it done by private enterprise. As businesses have become competitive and people have rejected the past practices, the energy service companies have done comprehensive types of energy efficiency improvements and investments similar to what DNRC is doing. He concluded if the private groups can do the same thing that DNRC is doing and get more efficiency improvements done faster with less financial exposure to the state, they would come before the 1997 legislature with that proposal.

When questioned by **SENATOR AKLESTAD** as to the number of projects that were on the list last time, **REPRESENTATIVE QUILICI** said there might have been some of the projects on the same campuses but they were not the same buildings.

**SENATOR AKLESTAD** voiced concern that the costs related to DNRC of \$625,000 and \$100,000 in relationship to the total are over 10 percent, and he asked if the costs are in line with previous costs.

**REPRESENTATIVE QUILICI** said it was his understanding that they are in line with previous costs. Outside architects are contracted to do energy audits to make sure there is the type of energy savings in this project to allow bonds to be paid off.

In questioning from **SENATOR AKLESTAD** whether there was any relationship between HB 12 and the long range building committee, **REPRESENTATIVE QUILICI** said the only relationship is they are discussing stripper well monies.

**SENATOR KEATING** questioned if the pilot project mentioned by **Van Jamison** is included in HB 12.

**REPRESENTATIVE QUILICI** said it is shown as an amendment to HB 12 on page 3, lines 10 to 24. He added that he was contacted by private corporations that wanted to do a pilot project at MSU-Northern. They said if Northern would come up with an RFP competitive bid, they would do the performance contract and also guarantee them that if they could not save money, they would give them a check, which is why the amendment is in HB 12.

Closing by Sponsor:

**REPRESENTATIVE QUILICI** closed on HB 12.

HEARING ON HB 10Opening Statement by Sponsor:

REPRESENTATIVE MATT MC CANN, House District 92, Harlem, sponsor, stated that HB 10 appropriates oil overcharge money for energy conservation programs administered by the state. The funds are allocated to the state by the Federal Department of Energy as the result of court action occurring between 1973 and 1981. When the program began, funds received by the state totalled millions of dollars each biennium of oil overcharge funds. Because most of the litigation has been settled, the state is now receiving considerably less. He related that the Department of Natural Resources and Conservation (DNRC) oversees the administration of oil overcharge funds received by the state. New appropriations included in HB 10 are all from stripper well payments. He added that by law, funding still available must be reappropriated to the program for which it was intended. The appropriations will be made in the order they are presented as funds are received. HB 10 specifically states that the expenditure of money appropriated may not exceed the amount of money available.

Proponents' Testimony:

Van Jamison, Administrator of Energy Division, Department of Natural Resources and Conservation, testified in support of HB 10.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

SENATOR SWYSGOOD made reference to the tractor program at Northern Montana College and questioned the ongoing activity at a tractor resource center relating to energy.

Van Jamison said although he may not be the best person to answer that question, he would provide some background on what has gone on in that area. The Northern Montana College Tractor Center proposed to the executive in 1993 that the state underwrite the cost of a tractor clinic at the college. They identified that by doing tractor tuneups and properly loading the tractor, balancing the loads, a good deal of energy would be saved. They felt that the service offered would be a service that could sell and make a self-sustaining business out of it. DNRC in 1993 did not feel they had sufficient information to recommend that because they did not have any marketing data to know how many people would be interested in the service or what they would pay. Northern Montana College made their proposal and funding for the proposal was included as an amendment to the bill. They began purchasing some needed equipment to do the work. They received the first half of their appropriation in the first year of the fiscal year.

They did not receive anything in the second half of the fiscal year because anticipated monies from the settlement of the city services oil overcharge refund got held up in court. They came back to the long range planning committee and asked that they be permitted to proceed until they had enough experience and client base to make this self-sustaining. He said he did not expect that much revenue this time, The minimum he expected to be available would be \$75,000, and he would expect around \$200,000 to come in. He noted there are between \$1 million and \$2 million worth of oil overcharge refunds that would ultimately come to the state currently in a legal battle that probably will not be received in this biennium. He concluded that **REPRESENTATIVE BERGSAGEL** informed Northern Montana College that they probably would not receive any funding in the upcoming biennium.

When questioned by **SENATOR SWYSGOOD** as to how many projects would not be funded given the scenario of what he figures will come in, **Van Jamison** remarked that Northern Montana College would probably drop out and a portion of the money going to the institution conservation program likely would not be available. If the \$200,000 is adhered to based on the survey within the Department of Energy, energy share would receive its \$50,000. The \$10,000 currently in the bill to promote alternative fuels from agricultural products would be funded, and about \$140,000 to the institution conservation program probably would be funded.

**SENATOR SWYSGOOD** voiced concern that with the modern equipment available on tractors in the farming industry, what the types of equipment would be and who would be their clients.

**REPRESENTATIVE MC CANN** said they normally test the larger tractors and big four wheel drive tractors.

**SENATOR BECK** asked if there is a priority on these when it was stated the tractor resource center probably would drop out if the funding is not available. **Van Jamison** said that was correct.

Closing by Sponsor:

**REPRESENTATIVE MC CANN** closed.

EXECUTIVE ACTION ON HB 12

Motion/Vote: **SENATOR BECK** MOVED THAT HB 12 BE CONCURRED IN.

Motion **CARRIED UNANIMOUSLY**. **SENATOR LYNCH** will carry HB 12 on the Senate floor.


EXECUTIVE ACTION ON HB 10

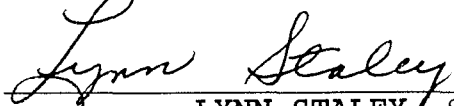
Motion/Vote: **SENATOR JERGESON** MOVED THAT HB 10 BE CONCURRED IN.

Motion **CARRIED** with **SENATOR SWYSGOOD** opposed. **SENATOR JERGESON** will carry HB 10 on the Senate floor.

**ADJOURNMENT**

Adjournment: 6:05 p.m.

  
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GARY C. AKLESTAD, Chairman

  
\_\_\_\_\_  
LYNN STALEY, Secretary

GCA/ljs

MONTANA SENATE  
1995 LEGISLATURE  
FINANCE AND CLAIMS COMMITTEE

ROLL CALL

DATE

2/3/95

NAME	PRESENT	ABSENT	EXCUSED
SWYSGOOD, CHUCK	✓		
BURNETT, JIM	✓		
MOHL, ARNIE	✓		
JERGESON, GREG	✓		
FRANKLIN, EVE	✓		
TVEIT, LARRY	✓		
JENKINS, LOREN	✓		
JACOBSON, JUDY			✓
LYNCH, J.D.	✓		
HARDING, ETHEL	✓		
TOEWS, DARYL			✓
CHRISTIAENS, B.F. "CHRIS"	✓		
WATERMAN, MIGNON	✓		
KEATING, TOM - VICE CHAIRMAN	✓		
BECK, TOM	✓		
AKLESTAD, GARY - CHAIRMAN	✓		

SEN:1995

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SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 6, 1995

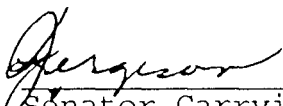
MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration HB 10 (third reading copy -- blue), respectfully report that HB 10 be concurred in.

Signed:   
Senator Gary Aklestad, Chair

 Amd. Coord.

SA Sec. of Senate

  
Senator Carrying Bill

311235SC.SRF



SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 6, 1995

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration HB 12 (third reading copy -- blue), respectfully report that HB 12 be concurred in.

Signed:   
Senator Gary Aklestad, Chair

  
SA

Amd. Coord.  
Sec. of Senate

  
Senator Carrying Bill

311238SC.SRF

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
TESTIMONY ON HOUSE BILL 12

## INTRODUCTION

My name is Tom Livers. I'm representing the Department of Natural Resources and Conservation, and I'm here to support House Bill 12.

In 1989 the Montana Legislature unanimously established the state buildings energy conservation program. This program sells general obligation bonds to pay for energy efficiency improvements, then uses the energy cost savings to cover the debt service on the bonds.

Each biennium the Department of Natural Resources and Conservation presents to the Governor's Office and the Legislature a proposed energy retrofit package. House Bill 12 contains the retrofit package proposed by DNRC and recommended by the Governor's Office for the 1996-97 biennium.

## WHAT HOUSE BILL 12 DOES

This bill saves state government money. It reduces operating costs in state buildings by increasing their energy efficiency. In doing so, the program creates private sector jobs, and saves the state more money than it spends.

I'd like to call your attention to the chart I've handed out. The top line shows current utility costs for the facilities we're proposing to retrofit, projected over fifteen years. This is the projected cost to the state if we do none of this work.

The lower line shows the projected annual cost if the bonds are sold and the energy conservation work is done. It includes both the reduced utility costs and the bond repayment. In this example, the bonds are retired in ten years, which accounts for the sharp drop partway through on the lower line.

The area between the two lines represents the estimated savings to the state. As you can see, the state realizes a small net savings, even while the bonds are being repaid, and considerably greater savings once the bonds are retired.

In this manner, the program operates as a profit center for state government, even in the short term. Last year, after paying debt service and operating expenses, the program transferred \$194,488 of excess savings into the state's long-range buildings program.

I think this chart clearly points out that there is a significant cost to the state associated with not doing this work. In other words, the cost of doing nothing is greater than the cost of doing the work proposed in this bill.

**Specifically, House Bill 12 does four things:**

1. It authorizes up to \$5.5 million in general obligation bonds for energy conservation projects for the coming biennium.
2. It appropriates \$625,000 in bond proceeds to the Department of Natural Resources and Conservation to pay for engineering analysis, design work, training of state building operators and program administration.
3. It reappropriates \$100,000 in oil overcharge money to the Department of Natural Resources and Conservation for this same purpose.
4. It streamlines and reduces program administration.

I'll speak briefly to each of these actions.

1. **Authorization for up to \$5.5 million in general obligation bonds for the 1996-1997 biennium.**

The \$5.5 million in bond proceeds will fund energy efficiency improvements at several state facilities:

- University System
  - Montana Tech-UM
  - MSU-Billings
  - MSU-Northern
  - UM-Missoula
- Veterans' Home, Columbia Falls
- Kalispell National Guard Armory
- Helena National Guard Armory
- Capitol Complex:
  - Scott Hart Building
  - Office of Public Instruction Building
  - Mitchell Building (heating system)
  - State Capitol

As you can anticipate, some of these projects may be impacted by other restoration and maintenance work proposed this session. My department will continue to work closely with the state's Architecture & Engineering Division to ensure that all work is coordinated and that we minimize costs and maximize work accomplished. Where appropriate, these energy projects will be incorporated into larger maintenance and restoration efforts coordinated by A&E. The energy projects proposed here make economic sense regardless of what action the Legislature chooses to take on state maintenance and restoration projects. I've included in your packet a summary of these projects; at the end of the testimony I would be happy to answer questions on them.

I do want to point out that the retrofit at MSU-Northern will be done as a pilot project using performance contracting, a way of doing energy work that is starting to be used more widely in the private sector and in some other states. If successful, this approach may allow us to privatize even more of this work in the future, and to achieve more energy and cost savings more quickly.

Last session the Legislature directed the Department to ramp up this program, thus capturing more energy and cost savings sooner. This pilot, and the increase this biennium from \$3 million to \$5.5 million in bond authorization reflects this ramp-up. The second action in HB 12 -- the appropriation of \$625,000 in bond proceeds -- also reflects this ramp up.

**2. Appropriation of \$625,000 in bond proceeds.**

This past October the Department issued \$1.5 million in general obligation bonds authorized last session to fund retrofits at several state buildings. We plan to issue up to an additional \$1.5 million this spring for more projects. This provision in HB 12 would appropriate \$625,000 of the proceeds from these two issuances to pay for engineering analysis, design work, training of state building operators and program administration. Most of this work is contracted out to private sector engineers and architects.

Each biennium, a portion of the bond proceeds is set aside to pay for these costs for the next cycle of buildings. In this manner the program reseeds itself and is able to continue to operate without any general fund expenditures. This \$625,000 will enable the Department to operate the program at the ramped up \$5.5 million level requested by the 1993 Legislature.

**3. Appropriation of \$100,000 in oil overcharge money.**

This program was originally seeded with \$550,000 in oil overcharge money to pay for engineering analyses, design work, training of state building operators and program administration. HB 12 reappropriates unspent oil overcharge money to be used for the same purposes this biennium, which also reduces and delays the amount of bond proceeds needed for these activities, thus reducing financing costs.

**4. Streamlining and reducing program administration.**

When we first designed this program, we patterned it after the state's existing long-range building program. Parts of that process work well for this program, other parts don't. The administrative changes outlined here reduce and streamline program administration.

## SUMMARY

- This bill increases the efficiency and reduces the cost of state government. It saves both energy and money.
- It provides needed improvements to more than a dozen state buildings.
- The retrofit projects provide work in the private sector for local engineers, architects, craftsmen and suppliers.

It's often said that government should operate more like a business. In certain areas, that's possible. This is one place in which government does operate like a business. This program is a profit center for state government, with the profit going to the state's Long-Range Buildings Program. And, in the process, this program saves energy, creates jobs, and provides needed improvements to state facilities.

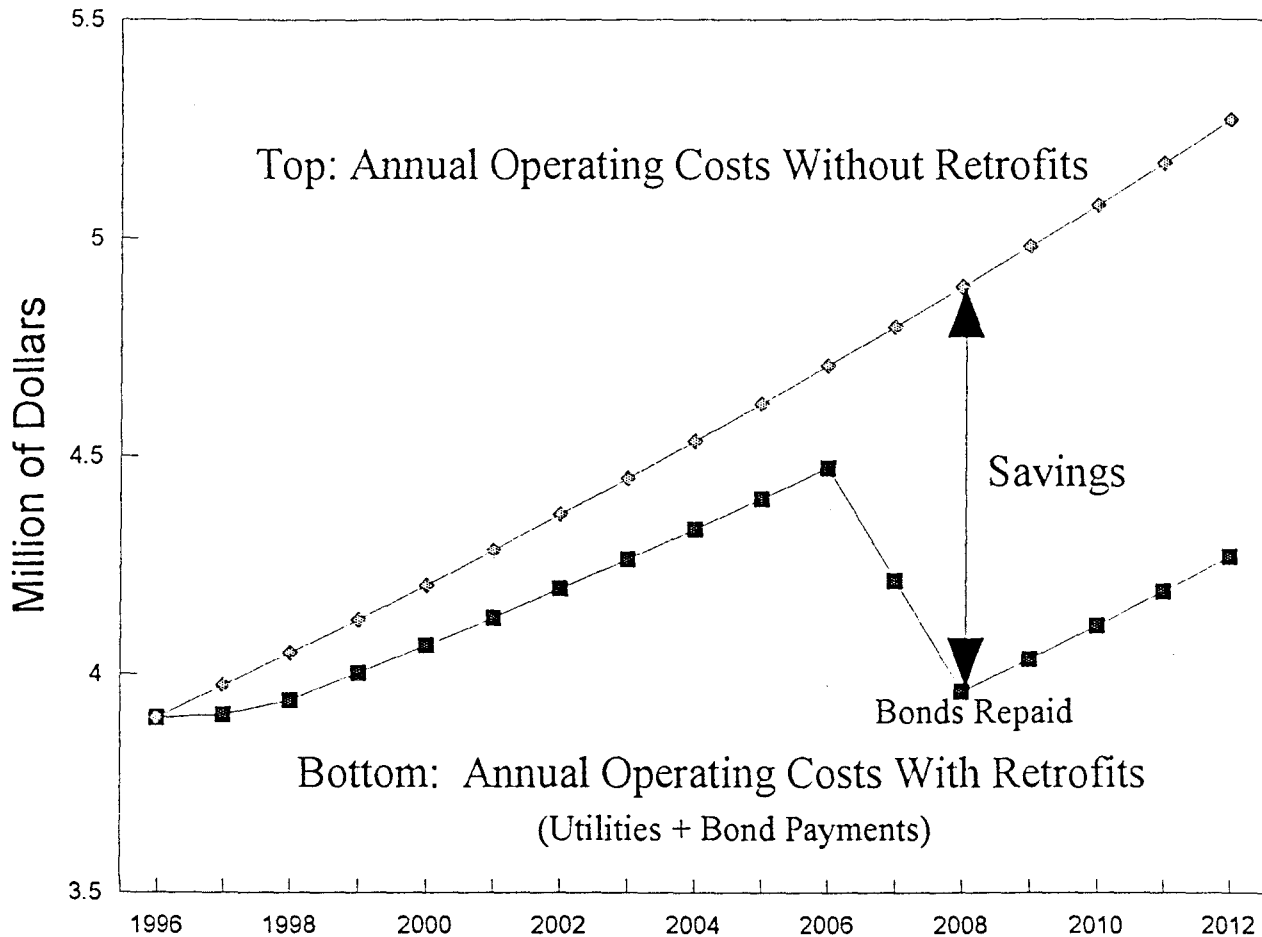
Previous legislatures have been so supportive of this program they have given us two specific directives: (1) to ramp up this program, and (2) to replicate this concept for other government facilities, starting with schools. We have managed to meet both directives.

To date we've completed 18 retrofits under the State Buildings Energy Conservation Program, and another 20 are in progress. I have included a list of these projects in your packet. We have ramped this program from \$3 million per biennium up to \$5.5 million. This is the maximum increment we believe feasible at this time while still maintaining a positive cash flow and ensuring program quality without increasing staff.

The State Buildings Energy Conservation Program was seen as a good idea each of the last three sessions. It saves the state money, and it costs the state less to do this work than it does not to do it. The program was designed so that the Legislature has an opportunity to review and approve the work proposed each biennium. House Bill 12 represents your opportunity to review and approve the work for the coming biennium. I urge you to support this bill, and I will try to answer any questions you have. Thank you.

EXHIBIT 1  
DATE 2-3-95  
HB 12

Projected Savings From HB 12



Fuel Cost Escalation Rate = 1.9% (Fuels Producer Price Index, compounded annual growth rate, Source: Fig 9, Attachment A, MPC's Load Forecast and ILCRP, Technical Appendix, March 1993. )

January, 1995

## SUMMARY OF PROJECTS UNDER HB 12

- **Montana Tech of the University of Montana**
  - **Mining Geology Building:** Upgrade heating and ventilation system controls, upgrade lighting, and add heat recovery ventilation.
  - **Central Heating Plant:** Add waste heat recovery from the exhaust gases to preheat the combustion air, upgrade boiler controls, and install small pony boiler for light load periods.
- **Montana State University at Billings**
  - **College of Technology Building:** Upgrade lighting and temperature control system, replace existing rooftop heating and ventilation systems, and rebalance heating and ventilation system.
  - **Physical Education Building:** Upgrade lighting system, replace existing motors with high efficiency motors, insulate pipes and boiler feedwater unit, install condensate return system from the main air handler pre-heat coil, modify boiler controls, expand the control function of existing energy management system, modify domestic hot water heating and laundry water system, add pool cover, and revise humidity control in pool area.
- **University of Montana at Missoula**
  - **College of Technology Building:** Upgrade temperature controls for heating and ventilation systems, convert electric resistance heating and electric domestic hot water heating to natural gas fired systems, and upgrade lighting.
- **Veterans' Home, Columbia Falls:** Upgrade fluorescent lighting fixtures and replace incandescent fixtures, upgrade control of mechanical systems to allow for nighttime setback, replace high KW electrical kitchen appliances including: ovens, griddle, frier and convection oven with gas fired appliances, replace electric commercial type dryer with gas fired type, and increase boiler combustion air and pre-heat combustion air with an air-to-air heat recovery system using hot exhaust gases from boiler stack.

EXHIBIT 1  
DATE 2-3-95  
HB 12

- **Kalispell National Guard Armory:** Replace the boiler and domestic hot water heater with new high efficiency pony boilers, and replace thermostats with day/night thermostats.
- **Helena National Guard Armory:** Replace thermostats controlling the steam radiators with day/night thermostats, install a automatic damper control system to close the outside air dampers to the drill area when heating is required and replace standard fluorescent fixtures with new high efficiency electronic ballasts and T-8 lamps.
- **Capitol Complex:**
  - **Scott Hart Building:** Upgrade the heating system to allow the building to be heated with the new, energy efficient boiler that was recently installed, install a cooling tower to provide cooling water to the chillers, install new high efficiency motors and new temperature controls for the air handling systems in the newer section of the building, rebalance air handling systems to provide the required air flow in building, replace existing lighting with new high efficiency electronic ballasts and T8 lamps, reduce window area by 60% by installing R19 insulated panel, and remove remaining single pane windows and install low E, thermal-pane windows.
  - **Office of Public Instruction Building:** Replace rooftop heating units, upgrade lighting.
  - **Mitchell Building:** The Mitchell Building lighting system has been completely upgraded this past year. Current analysis is looking to reduce the cost of operating this building's HVAC systems as well as other components of the facility.
  - **State Capitol:** Upgrade the existing mechanical air handling equipment with variable air volume systems and new temperature control systems, upgrade lighting systems with high efficiency electronic ballasts and T8 lamps, compact fluorescent lamps and new metal halide fixtures. This project will be coordinated with any major renovation and restoration work.
- **Montana State University-Northern:** Campus-wide retrofit covering approximately 552,000 ft<sup>2</sup> of buildings. Install energy efficient lighting, add night setback temperature controls, upgrade constant volume ventilating systems with variable speed drives and improved temperature controls, convert kitchen electric equipment to natural gas, add modular boilers to reduce summer load.



Table 1  
STATUS OF PROJECTS SEPTEMBER 1, 1994

PROJECTS COMPLETED

LOCATION

Montana State Hospital	Warm Springs
Center for Aged	Lewistown
SRS Headquarters	Helena
School for Deaf and Blind	Great Falls
U of M Campus Lighting	Missoula
Brockman Center, MSU	Havre
Physical Education, MSU	Havre
National Guard Armory	Hamilton
National Guard Armory	Sidney
National Guard Armory	Miles City
Eastmont Services	Glendive
Pine Hills School	Miles City
Cogswell Building	Helena
SRS - Lights	Helena
Mitchell Building - Lights	Helena
Cogswell Building - Lights	Helena
Montana State Hospital	Galen
Mansfield Library, UM	Missoula

PROJECTS IN DESIGN/CONSTRUCTION

Student Union Building, UM	Dillon
Field House, UM	Missoula
Health Science, UM	Missoula
Old Business Administration, UM	Missoula
Screiber Gym, UM	Missoula
Central Plant, UM	Missoula
Pharm/Psych Building, UM	Missoula
Social Science Building, UM	Missoula
Music Building, UM	Missoula
Performing Arts Building, UM	Missoula
Liberal Arts Building, MSU	Billings
Science Complex, UM	Missoula
Special Ed Building, MSU	Billings

PROJECTS BEING STUDIED

National Guard Headquarters	Helena
National Guard Armory	Kalispell
Mining/Geology, UM	Butte
Heating Plant, UM	Butte
Veterans Home	Columbia Falls
Scott-Hart Building	Helena
State Capitol Building	Helena

DATE February 3, 1995

SENATE COMMITTEE ON Finance and Claims

BILLS BEING HEARD TODAY: SB 10 Rep. Bergsagel  
SB 12 Rep. Quilici

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Gary W. Willis	Montana Power	12	X	
Tom Livers	Dept. Natural Resources	12	X	

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY