

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

951 SCOMM44: HOUSE POWER ALTERNATIVES STUDY COMM. 1979-80

PROGRAM MEASURE NO. 2--LIGHTING STANDARDS FOR PUBLIC BUILDINGS

Narrative Statement

Lighting efficiency standards will be included within the building code program described under program measure No. 1. The same implementation strategies and target deadlines apply. The state will use a standard no less efficient than in Section 9 of ASHRAE 90-75 as the minimum standards for lighting efficiency, and the Department of Administration shall designate the category of public buildings to which the standards are applicable.

The milestone chart (see Table C3) for program measure No. 1 also applies to program measure No. 2.

Estimated Energy Savings for Calendar Year 1980

Using FEA methodology and regional data supplied by FEA, we calculate that 1.36 trillion Btu's of energy will be saved in calendar year 1980 by implementing this program measure. We assume that the standard will have been in effect for 3.25 years and that all the floor space of new buildings will be affected, along with half the floor space of existing buildings.

Costs of implementation are included in the costs for program measure No. 1 (see Table C4).

PROGRAM MEASURE NO. 3.--PROCUREMENT: LIFE CYCLE COST ANALYSIS AND VEHICLE FUEL EFFICIENCY STANDARDS

Narrative Statement

The public sector provides broad opportunity for substantial energy savings. State and local governments utilize large amounts of energy, directly in operations and indirectly through the purchase of buildings, equipment, and materials. Governments, like private citizens, have not been inspired by the need to eliminate wasteful energy use until quite recently. This program measure will make energy conservation a salient principle of daily government activities and will produce significant direct savings. In addition, the example set by government should serve indirectly to promote savings in the private sector by providing exemplary patterns for emulation by businesses.

The state is in a current stage of physical plant growth. The capitol building complex is under expansion, and additions or renovations are being made to numerous public facilities including university campus buildings, state hospitals, and detention facilities. This period of new construction should be made to symbolize a state policy of long term investment in energy conservation and renewable energy. Under provisions of proposed legislation, the Department of Administration is charged with adopting a uniform design and procurement procedure which includes life cycle cost analysis and analysis of payback periods for energy conservation over the effective life of buildings and equipment. The state's financial commitment to the operation and maintenance of public owned facilities for the duration of their useful lives permits the adoption of construction options which require ten or more years of fuel savings before net economic savings are realized. Accordingly, the state is best situated to consider longer life cycle cost periods.

The Department of Administration will create an inventory of all classes of equipment and materials to be covered under the life cycle cost procedure, but the categories must include (at a minimum) all new buildings, motor vehicles, computers, and print reproduction equipment. The Department of Administration is required to adopt the most recent standards produced by efforts such as those of the General Services Administration and the National Bureau of Standards. At a minimum, however, the following considerations are required of the life cycle cost standards for buildings:

- a. fuel cost escalation and total fuel cost inflation rate, interest rate, and discount rate over the life of the equipment or building;
- b. cost of maintenance (including labor and materials) and operation over the life of the equipment or building;
- c. the orientation and integration of the facility with respect to its physical site;
- d. the amount and type of glass employed in the facility and the directions of exposure;
- e. the effect of insulation incorporated into the facility design and the effect on solar utilization of the properties of external surfaces;
- f. the variable occupancy and operating conditions of the facility and subportions of the facility; and
- g. an energy consumption analysis of the major equipment of the facility's heating, ventilating, and cooling system, lighting system, hot water system, and all other major energy consuming equipment and systems as appropriate. This analysis shall include 1) the comparison of alternative systems; 2) a projection of the annual energy consumption of major energy consuming equipment and systems for a range of operation of the facility over the life of the facility; and 3) the evaluation of the energy consumption of component equipment in each system, considering the operation of such components at other than full or rated outputs.

The Department of Administration will be provided resources for preparing the life cycle cost analytical procedure including costs of programming computer software necessary for the analysis and supporting personnel and computer time required in the evaluation process. The Department

of Administration will have the evaluation procedure in place by January 1, 1978 and will supervise its application to relevant state agencies thereafter. Application to local governments will not be mandatory, except in cases where state funds are used for public building construction. Rather, the Department of Administration will work with the Department of Community Affairs to promote mechanisms through which local governments can avail themselves of the life cycle cost procurement procedure and can enter joint purchase agreements with the state to maximize cost savings. The Department of Administration will promote communication of all energy saving procurement techniques both within state government agencies and between state and local governments.

The Department of Administration also will be given explicit authority to require the purchase of state vehicles with average fuel efficiency levels in the upper one third of the U.S. Environmental Protection Agency's city/highway rating scale. This mandate will apply to all passenger vehicles purchased by any state agency (except Montana Highway Patrol purchases of law enforcement vehicles) beginning July 1, 1977.

In addition, the Department of Administration will conduct the purchase inventory studies necessary to comply with all other FEA procurement requirements.

Estimated Energy Savings for Calendar Year 1980

The major energy savings which will occur under this program measure will be in the area of new state building construction. Ecotope projects that 2 million square feet of new construction will occur in the government and institutional sector by 1980. For this analysis, we will assume

that 25 percent of this construction will occur each year between 1977 and 1980. We again will assume that design contracts for construction in 1977 and 1978 already have been let and no design changes are possible. We will assume that 50 percent of the construction that is projected to occur in 1979 and 1980 will fall under the life cycle cost analysis program (500,000 square feet). We will again assume that a life cycle cost purchasing decision could save 25 percent of the energy consumed in a new building (split equally between fossil fuels and electricity) or 62,500 Btu's per square feet. Thus, we project total energy savings of approximately .07 trillion Btu's in 1980 for building procurement alone.

The state motor vehicle fuel efficiency procurement policy also will save energy. Although exact records have not yet been compiled, it appears that over ten million vehicle miles are traveled annually by state owned passenger vehicles. The state fuel economy standard requires that American made vehicles be purchased which are in the top one third of the combined EPA city/highway mileage standard. Since all motor vehicles will meet a 20 mile per gallon standard by 1980 under federal regulations, only those fuel economy gains above 20 miles per gallon can be credited to this program. If we assume that under this program measure the state passenger car fleet will have an average fuel economy of 25 miles per gallon, a total of .25 trillion Btu's of gasoline will be saved in 1980.

Energy saving through life cycle cost procurement will occur in many other areas; however, insufficient data exist to quantify the savings.

Table C5
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80														
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Motor vehicle efficiency standards adopted and in place																														
Life cycle procurement procedure in place and applicable to state agencies. Procurement procedures available to local governments; joint purchase agreements available																														

Table C6.--Costs of Implementation

1977	\$35,000	Computer Programming Software
1978		
1979		
1980		

PROGRAM MEASURE NO. 3a--ENERGY MANAGING, AUDITING, AND RETROFITTING STATE BUILDINGS

Narrative Statement

The commitment to life cycle cost analysis in designing and constructing new state buildings is a symbolic beginning in the public sector with far-reaching results. Other measures must be instituted to achieve present direct savings in the operation of state government buildings. Some programs can be implemented immediately to eradicate fuel wastage. A number of these will be included under the broad program title of energy management in state buildings. The components of this program include the following:

- a. energy auditing in existing state buildings for determination of significant energy savings potential;
- b. implementing energy management practices with the existing network of buildings; and
- c. implementing conservation retrofitting in state buildings on a priority basis as established by the audit program.

Under the energy audit program, from 250 to 300 state buildings would be selected to identify operational and structural modifications capable of reducing energy demands with a minimum disruption of on-going functions. The energy audit program will develop a standard evaluation methodology which can be utilized by administrators of state and local buildings not selected for the audit sample which, nevertheless, could benefit from analysis. Efforts should be made to encourage the participation of the private sector for the purposes of assisting in designing the audit procedures and promoting widespread use of the completed audit procedure in the private sector. Under the terms of proposed legislation, an appropriation of \$200,000 would be made to conduct the energy audit.

While it is expected that the energy audit program will provide valuable suggestions for both structural and operational modifications of

buildings, a program of energy management does not need to await results of the audit. Immediate savings can result from implementing known techniques which require little additional resource outlay. Simply educating maintenance personnel and building users in the efficient management of thermostat settings, illumination levels, hot water control, equipment maintenance, and ventilation can achieve short run savings. More significant savings can accrue from small expenditures for minor retrofitting devices such as flow reduction water faucets, double door entrances, and added insulation and weatherstripping. Many of these changes can be made in the absence of the energy audit and should be encouraged in all state buildings.

To accomplish these energy savings, Governor Judge has issued an executive order requiring the Department of Administration to specify and put into effect more efficient management practices in the operation of existing state buildings. Such measures could save on the order of 15-30 percent of the energy use in existing buildings.

Major retrofitting will occur in those buildings discovered by the energy audit to be in greatest need and capable of producing the most savings at the lowest cost of retrofitting. As in the case of life cycle cost procurement, the state is in a good position to make important leadership contributions since the state owns its buildings and can afford the years necessary to recapture the investment cost. As a large fuel consumer, the state must adopt this hedge against the inflation of fuel costs and must show private citizens the advantages of doing so themselves. Under the terms of proposed legislation, an appropriation of \$500,000 would be made for the acquisition and installation of conservation materials. A

portion of this funding would be set aside for the program of energy operations management, including informational and educational materials as well as minor retrofitting equipment and supplies.

Estimated Energy Savings for Calendar Year 1980

Both the energy auditing program with its accompanying retrofit appropriation and the energy management program will produce almost immediate energy savings in government operations. Ecotope projects that 1.7×10^7 square feet of government floor space will be in existence in 1980. The average energy consumption of government buildings in Montana works out to be 250,000 Btu's per square feet per year. Thus, energy consumption in government buildings in 1980 is projected to be 4.25 trillion Btu's. If 60 percent of the buildings (floor space) in the government sector are audited and implement the governor's executive order and each save a projected 20 percent of their energy consumption due to implementing energy conserving operating procedures, a total of .51 trillion Btu's of end use energy will be saved in 1980. If we assume that 80 percent of these savings will be fossil fuels and 20 percent electricity, actual energy savings from implementing this measure will be .748 trillion Btu's using FEA methodology. These savings will be accomplished with a capital investment of less than \$100,000.

The energy auditing and retrofit program will produce energy savings in addition to those calculated above. It is projected that approximately \$900,000 in state funds will be available for implementing energy conservation procedures disclosed through the auditing procedures. Ecotope estimates that energy savings on the order of 50 percent can be accomplished for (at most) approximately \$3.00 per square feet in existing buildings.

Table C7
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80												
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
Passage of enabling legislation																												
Initiation of energy management program																												
Design of energy audit procedures; initiation for 1 year period																												
Energy management program in place																												
Implementation of energy audit programs																												
Minor retrofitting in place																												
Completion of energy audit																												
Begin expenditure of retrofitting funds.																												
Completion of building retrofitting																												

Thus, \$900,000 will retrofit approximately 300,000 square feet, and retrofitting existing state buildings will save approximately .045 trillion Btu's in 1980. This assumes that the retrofitting will be applied to the worst energy consuming buildings and will save 150,000 Btu's per square foot. Total savings in state government building operations thus are projected to be approximately .753 trillion Btu's in 1980.

Table C8.--Costs of Implementation

1977	\$100,000	Energy audit
	\$100,000	Energy management and minor retrofitting
1978	\$100,000	Energy audit
	\$400,000	Retrofitting
1979	\$250,000	Retrofitting
1980	\$250,000	Retrofitting

PROGRAM MEASURE NO. 3b.--RENEWABLE ENERGY DEMONSTRATION PROJECT

Narrative Statement

In addition to the direct savings resulting from changes in energy use patterns of the state government, the potential demonstration effect of state activities for private behavior is quite large. Because of the great diversity of both renewable and non-renewable energy sources in the state, a number of projects could be undertaken to illustrate the fact that Montana is, by no means, locked into traditional energy use patterns. Even though certain projects might not be cost effective in the short term themselves, they are worth supporting for their value in stimulating public awareness of the wide range of innovative energy sources that currently are possible both in technological and economic terms.

Serious consideration has to be given to creating model projects in more than one energy use sector. Solar heating of a highly visible state building is one possibility. Another realistic project might be the conversion of the Warm Springs State Hospital to geothermal heat as part of a renovation of that facility. Therefore, it is recommended that the state undertake a research and development effort to consider the geothermal adequacy as well as the costs, practicability, and possible environmental impacts of a geothermal project at Warm Springs. If found to be advantageous, the state should accomplish the conversion task immediately. If Warm Springs State Hospital were converted to geothermal energy, at least .25 billion cubic feet of natural gas would be conserved. The state of Montana also has an opportunity (some would argue "obligation") to convert its other building complexes from natural gas to some other energy source. In many cases, coal would be the most economic choice; however, coal's polluting characteristics must be considered fully before any

Table C9
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80													
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
Completion of feasibility study																													
Montana state legislature considers conversions																													

conversions are undertaken. The state of Montana has a tremendous reservoir of talent within the university system. The universities should take the lead in developing innovative solutions to natural gas supply problems. Many state building complexes are in areas with sizable potential for the implementation of renewable energy resources. This potential should not be ignored.

Estimated Energy Savings for Calendar Year 1980

The extent of energy savings from this program measure obviously depends on the degree to which conversions are effected. Feasibility studies alone will save no energy. Because we cannot recommend a specific appropriation for conversion at this time. (the 1979 legislature must address this), we presently cannot attribute any direct energy savings to this program measure.

Costs of Implementation

The costs of implementation are uncertain. The state may be able to conduct these evaluations by redirecting existing resources. Long term savings may be the actual result.

PROGRAM MEASURE NO. 4--RIGHT TURN ON RED

Narrative Statement

Montana has a "right-turn-on-red" traffic law (RCM 32-2137):

"Vehicular traffic facing the signal shall stop before entering the crosswalk on the near side of the intersection or, if none, then before entering the intersection and shall remain standing until green or "Go" is shown alone or until a right turn can safely be made and in making such turn vehicular traffic must yield the right-of-way to pedestrians lawfully within the crosswalk and to other traffic lawfully using the intersection. If a traffic sign legend indicating that no right turn on red may be made after a stop is posted at said intersection, such movement cannot be made until green or "Go" is shown alone."

Because Montana has a "right turn on red" traffic law, estimates of milestones, energy savings, and implementation cost are not applicable.

PROGRAM MEASURE NO. 5--CAR POOL/VAN POOL: INCREASE IN TRANSIT LEVEL OF SERVICE

Narrative Statement

The transportation sector in Montana offers considerable prospect for energy savings because of the high percentage of total energy use it constitutes. At the same time, it must be remembered that reduction in fuel use is quite difficult in a highly rural state where transportation is a critical link between dispersed pockets of population. The greatest opportunity for savings in the mandated program measures in transportation lies in the more urbanized areas where incentives are necessary to increase the number of persons per vehicle. In response to FEA requirements, two Montana cities with urban area populations of between 50,000 and 100,000 have been selected for car pool/van pool matching campaigns (Billings) and increased levels of transit service (Billings and Missoula).

Both carpooling and increased levels of transit service can produce direct energy savings and the residual benefits of reduced peak hour traffic congestion, air pollution, and transportation for the aged or disabled. But habits associated with the use of private automobiles are difficult to break and may require time to alter. The program measures described here would be most effective under conditions in which complementary measures (such as increased motor fuel taxes or increased parking fees) were imposed. Nonetheless, it is possible to show net energy savings from car pooling and mass transit if imaginative and aggressive promotional programs are implemented. Four additional Montana urban areas have submitted demonstration project responses to the Federal Urban Mass Transit Act (UMTA), and other communities have initiated voluntary car pooling projects, which are indications of the potential for energy gains from broadening these programs.

A plan exists for implementing a car pool system for Billings and only requires sufficient funding to be in place by January 1, 1978. Funds to support the program have been proposed in the Emergency Highway Energy Conservation Act, available initially to the communities on a 90/10 federal/state match basis.

The plan for increasing the transit level of service in Billings calls for significant increases in service and ridership based on a reduction of headway time from 45 minutes to 20 minutes. The increased level of service is dependent upon the purchase of new buses. A bill in the current legislative session would provide state matching of capital grant funds under UMTA for purchase of equipment by local governments. Upon receipt of funding, this program could be in operation within one year and fully implemented by 1980.

Voters in Missoula approved creation of a metropolitan transit district to provide service within the incorporated area. The plan provides for establishment of a core system in 1977 and expansion in subsequent years (through 1980). The savings attributable to this initiation of transit service are comparable to the increase expected in the upgrading of the Billings program. Both the Billings and Missoula expanded transit level of service programs are coordinated through their respective local metropolitan planning organizations.

Estimated Energy Savings for Calendar Year 1980

Billings Car Pool

Assuming that 10 percent of the working force participates, it would result in a reduction of 12,836 vehicle miles of travel per day in Billings which amounts to 237,120 gal/yr or $.02964 \times 10^{12}$ Btu/yr. Applying the annual

growth rate in gasoline consumption of 3 percent (reflecting both the increased numbers of miles driven and participation in the car pool program) would give a total savings of $.0353 \times 10^{12}$ Btu. Because of the estimated small savings, the "Guidelines for Travel Demand Analysis of Program Measures to Promote Carpools, Vanpools, and Public Transportation," prepared for the Federal Energy Administration by Cambridge Systematics, Incorporated, was not used to calculate the potential energy savings. The city of Billings conducted a comprehensive car pooling analysis which is used for this analysis.

Billings chose to use the FHWA Computer Matching Program to match travel data and participant requests. There are approximately 42,800 employees in the Billings urban area. The average roundtrip to work is 6 miles. The following assumptions were used to calculate the energy savings:

- a. 1.2 commuters per vehicle in rush hours;
- b. 10 percent of total employees join car pool;
- c. 13 miles per gallon of fuel consumed;
- d. 3 commuters per vehicle in car pool; and
- e. 98 percent of the employees in cars.

Billings Mass Transit

Two methods were used to project the possible energy savings of this program measure: "Guidelines for Travel Demand Analysis of Program Measures to Promote Carpools, Vanpools, and Public Transportation" and Btu analysis from data provided by the Billings transportation planners. The first procedure would yield a savings of $.061 \times 10^{12}$ Btu/yr, whereas the latter projects a savings of $.00673 \times 10^{12}$ Btu/yr. The latter number is in the same magnitude as that calculated for the Missoula bus system and is the

more conservative figure. Thus, the remaining analysis is based on this projection.

Only the persons served by the bus route were included in the analysis. This included 87,000 persons served with an average of 2.7 persons per household. Assume that 1.1 workers per household yields 35,444 potentially affected workers. The remaining assumptions were used in calculating with FEA guidelines:

- a) 1.2 persons per car;
- b) 6 mile roundtrip;
- c) 13 miles per gallon per auto;
- d) 8 miles per gallon per diesel bus;
- e) 40 persons per bus and 20 percent occupancy; and
- f) base modal shares (see appendix).

Methodology used to calculate savings from information provided by the Billings city transportation planner included the following:

- a) total ridership per day would increase from 1500 in 1975 to 2100 in 1980;
- b) the number of bus miles traveled per day to decrease headway would increase from 1500 miles per day in 1975 to 2000 miles per day in 1980;
- c) 6 mile roundtrip;
- d) 13 miles per gallon per auto; and
- e) 8 miles per gallon per diesel bus.

Missoula Mass Transit

Based on data provided by the Missoula City Planning Office, the bus system implemented by 1980 would have an energy savings of $.0065 \times 10^{12}$ Btu/yr. Translated into gallons of gasoline, the system would yield a savings of 51,864 gallons of gasoline.

Table C10
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80												
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
Billings car pool system in place, renewable on a yearly basis																												
Missoula mass transit system initiated																												
Billings mass transit system partially expanded																												
Billings car pool system established on a renewable basis																												
Missoula mass transit system at full level of operation																												
Billings mass transit system at full expanded level of operation																												

Based on the number of miles traveled per year by the bus system and the number of persons riding provided by the Missoula City Planning Office, the energy savings was computed. Assumptions included the following:

- a) 447,668 miles traveled per year by bus in 1977;
- b) 24,700 persons used the bus per year in 1977;
- c) the ridership and bus mileage remained constant through 1980;
- d) 13 miles per gallon per auto; and
- e) 8 miles per gallon per diesel bus.

Note the total savings is .048 trillion Btu's in 1980.

Table C11.--Costs of Implementation
(includes costs for program measure No. 2)

	Billings Car Pool	Billings Mass Transit	Missoula Mass Transit
1977	\$26,000		\$1.2 million (capital costs only)
1978	6,000	\$200,000	
1979	6,000		
1980	6,000		

Narrative Statement

The energy efficiency of well utilized public transportation and railroad passenger and freight service offers prospects of substantial energy savings if a significant portion of transit needs now met by private automobiles and motor freight carriers could be assumed by the urban public and railroad transportation modes. Large shifts to these efficient alternatives to the private internal combustion vehicle are unlikely in view of the totally inadequate level of service and convenience currently offered by these transportation systems.

Years of neglect and under utilization of these systems have been aggravated and abetted by the enormous public subsidy of the interstate, state, and local highway system and related services such as police patrol, traffic control systems, and public parking facilities. There has been a pervasive presumption that the public interest is best served by government actions which increase the speed, accessibility, geographic range, and convenience of private automobile and truck transportation. This preoccupation with private on-demand mobility has seriously impaired the capability of other transit modes to support Montana's transportation requirements. Because of the single focus policy, Montana's economic health and social diversity lean upon an energy supply which is extremely vulnerable to curtailments and disruptions over which the state has little or no control.

If Montana hopes to reestablish a balanced and diverse transportation system necessary for future prosperity and viable communities, it must be willing to invest significant capital and operational expenses to gradually

resuscitate a severely atrophied rail system and also be willing to initiate and support urban transit systems for short-distance, high-volume passenger trips. Public response to these transportation improvements are likely to be slow as engrained attitudes regarding cars, convenience, and speed adjust to emerging fuel constraints and price inflation. Deficit operation of many public transit and rail services is to be expected during the beginning years of establishing public confidence in, and use of, these systems. Without assuming the responsibility for providing energy efficient transportation alternatives now, Montana cannot expect to be spared the consequences which will beset a society whose mobility is almost totally dependent on the fluctuations of foreign suppliers of petroleum.

In view of this need for immediate preparation of a multipurpose transportation system, we recommend that the Gasoline Distributor's License Tax (levied at 7 3/4¢/gallon effective July 1, 1977) be increased by 2 1/4¢/gallon, with the revenues being deposited to the account of a Public Transportation and Railroad Assistance Trust Fund. The monies in this fund would be administered by the state's Department of Community Affairs, which currently has authority for public transit programs and is to be designated the lead agency for Montana's railroad planning and assistance program. Eligible appropriations from this trust fund would be for 1) state grants to local governments for public transit planning; 2) state capital grants to local governments to match federal Urban Mass Transportation Act funds (80/20 federal to state and local matching ratio) for public transit vehicles, equipment, and facilities; 3) state subsidies for up to half of a local public transportation program's operational deficits (as currently authorized by 11-4513 RCM); 4) state planning, subsidization, and capitalized implementation of a statewide rail service program as developed

in compliance with the federal Railroad Revitalization and Regulatory Reform Act; 5) state grants for planning, capitalized implementation, and operational support of innovative, energy efficient transportation demonstration projects; and 6) expenses incurred by the department for planning, implementing, and evaluating the statewide public and railroad transportation programs.

The fund would receive approximately 19 million dollars ($2\frac{1}{4}\text{¢/gal} \times 422,233,150 \text{ gals/yr}$) from revenue generated in the 1978-1979 biennium if the tax were to go into effect by July 1, 1977. While these are not insignificant sums of money, they are a modest proportion of the funds allocated to the Highway Trust Fund (approximately \$65,446,200). It also must be recognized that there is a pressing need for state financial assistance to public transit and railroad service maintenance at this very moment.

Perhaps more than one hundred miles of railroad lines within Montana have been abandoned in the last few years. There is strong speculation that a forty three mile stretch of rail service between Vaughn and Augusta (Lewis and Clark and Cascade counties) may be discontinued within the year. There also is the prospect of the Milwaukee Railroad Company merging with Burlington Northern (Milwaukee's petition for permission to merge currently is before the Interstate Commerce Commission). Under federal railroad reorganization rules, merged railroad companies can discontinue rail service along one of their combined lines whenever they are roughly parallel. Since most, if not all, of Milwaukee's rail lines are in this parallel category with Burlington Northern's service, the potential impact of discontinued rail service throughout the southern portion of Montana is severe.

A large portion of rail freight demand comes from Montana farmers who must move millions of bushels of grain and other products to markets each year. When rail haulage of this harvest is curtailed or discontinued, farmers have little option but to switch to motor freight carriers. Not only are motor carriers less energetically efficient than rail freight, the increased requirements and wear and tear of rural road systems would require substantial expenditures of state highway trust funds to upgrade roadways for this increased motor carrier use.

Maintenance and eventual expansion of rail freight service in eastern Montana is particularly significant if the state is to pursue a policy of exporting coal for out-of-state energy demands. Sustaining and extending local rail service may be desirable if Montana chooses to encourage in-state small scale load center coal conversion to electricity, district heating, and residential heating. Transporting coal for industrial co-generation and local utility service would be assisted greatly by a functional rail system.

The case for assistance to urban public transit programs also is strong for the 1978-1979 biennium. The city of Missoula recently established an urban transit district and now is purchasing buses to begin implementing its public transportation plan. The consolidated local government of Butte-Silver Bow is considering seriously the establishment of an urban transit district, and Billings needs to improve upon its public bus service. Currently, all capital expenditures necessary to begin such public transit programs (and to acquire 4 to 1 federal UMTA matching funds) must come from the local governments. With the full weight of capitalized expenditure upon local communities, the capability of beginning with an adequate level of public transit service is weakened.

Furthermore, while the state is authorized to subsidize up to one half the local public transit operational deficits, the actual assistance levels have been substantially less than this upper limit. There also is a problem of state payments coming at the end of the year in which the deficits occurred, while the local government must cover the costs on a continuing basis. We endorse the Department of Community Affairs' recommendation that the state provide operational funding assistance at the beginning of the year based on estimated deficits or during the year as deficits are incurred (perhaps on a quarterly basis).

Estimated Energy Savings for Calendar Year 1980

Energy savings under this program measure will occur from both reduced demand due to increased gasoline prices and from the direct energy savings from increased levels of public transportation and other innovative transportation measures.

It has been documented that an increase in the price of gasoline will cause a decrease in its demand. Assuming a "best case" estimate, a 1 cent increase in gasoline price would give a 1 percent fuel savings in 1980. Using a 3 percent annual growth rate in gasoline consumption, 1980 gasoline consumption is projected to be 66.8 trillion Btu's. Thus, it is estimated that 1.5×10^{12} Btu's would be saved in 1980 by the enactment of this indirect measure.

The direct energy savings accompanying this measure cannot be quantified at this time. All the specific programs that would be adopted have not been enumerated yet.

As one specific example of the potential direct energy savings from this program, we shall consider the Vaughn to Augusta rail line.

Table C12
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80													
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
2 1/4 gasoline tax increase goes into effect																													
Public Transportation and Railroad Assistance Fund implemented																													

Approximately 2,557 tons of agricultural or livestock products were hauled over this line in 1972. If this transportation is done by truck with an energy use of 2400 Btu/ton mile, the energy usage would be 2.639×10^8 Btu. Whereas, if the same load was hauled by train with an energy use of 750 Btu/ton mile, the energy demand would be 8.246×10^7 Btu. Assuming the same level of production in 1980 would yield the projected savings of $.00018 \times$ trillion Btu.

Table C13.--Costs of Implementation

	Administrative Costs	Additional Tax
1977	\$12,500	\$4.75 million
1978	25,500	9.5 million
1979	50,000	9.5 million
1980	50,000	9.5 million

PROGRAM MEASURE NO. 5b--BIKEWAY CONSTRUCTION

Narrative Statement

As with many other energy conservation program measures, the promotion of bikeways has a dual set of benefits. Not only is bicycling an energy efficient mode of transportation, it is a package of positive externalities. It is less expensive, often more convenient, usually more healthful, and certainly more compatible environmentally than its chief rival--automobiling. And based on testimony in public hearings throughout Montana's urban areas, it appears that a significantly greater incidence of bicycling would occur if bicycle paths were established to help reduce the hazards of competing with other traffic. Immediate goals in Montana are to develop the bikeways in four of the larger urban areas: Miles City, Missoula, Billings, and Great Falls. Funding would come from state highway construction funds if the legislature clarifies previous legislation providing that 3/4 of 1 percent of the funds be spent for creation of footpaths and bicycle trails.

Estimated Energy Savings for Calendar Year 1980

Extensive local energy saving calculations have been performed for potential bikeways in Miles City, Billings, Great Falls, and Missoula. The combined plans are projected to result in over 163,000 fewer vehicle miles per day traveled in these cities. The total savings from implementing bikeways in these four cities is .0032 trillion Btu's.

Table C14--Costs of Implementation*

	Miles City	Missoula	Billings	Great Falls
1977-1980	\$26,800	\$117,000 (in hand)	\$166,400	\$67,440

*To be funded from a combination of gasoline tax, bicycle license fees, sale of maps, federal grants from Bureau of Outdoor Recreation, and Highway Safety funds.

Table C15
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80														
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Clarification of disposition of construction funds																														
Completion of substantial portions of each system; in operation																														

PROGRAM MEASURE NO. 5c — ENFORCEMENT OF 55 M.P.H. SPEED LIMIT

Narrative Statement

Numerous studies have documented well the two-fold advantage of the nationwide 55 mile per hour speed limit: overall fuel savings and reduction of fatal accidents. Nonetheless, it remains true that penalties for violation have failed to produce uniform compliance with the speed standard. In Montana, a combination of extensive open road and inconsequential fines has produced a substantial percentage of violators. Based on 1976 Montana Highway Department data, more than 60 percent of drivers on state highways exceeded the limit (broken down as follows):

31.8 percent	55-60 m.p.h.
19.0 percent	61-65 m.p.h.
7.7 percent	66-70 m.p.h.
3.8 percent	70+ m.p.h.

Strict conformance to the 55 m.p.h. limit could produce significant savings by 1980. It has been shown that automobiles traveling at 60 m.p.h. consume 5 percent more fuel per mile than those traveling at 55 m.p.h. The corresponding figures for reductions back to 55 m.p.h. are 13 percent for 65 m.p.h. and 20 percent for 70 m.p.h. Thus, immediate savings are likely since more than half of Montana's drivers would be affected. It should be noted that stricter enforcement of the limit may alter the behavioral pattern of only a portion of the drivers (perhaps two-thirds) and that resentment to the imposition may produce some non-quantifiable costs of compliance. A public information program should focus first upon greater voluntary compliance, especially during the portion of the year when the nation's fuel shortages are dramatized by the winter's coal. However, enforcement can change behavior (i.e., perception of risk in being caught).

Immediate enforcement with stricter fines will not require any additional manpower, vehicles, or radar costs on the part of the Montana

Table C16
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80														
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Immediate Implementation																														
Strict enforcement with stiffer fines policy in place																														

Highway Patrol. The exact fine mechanism and structure will be determined by the 1977 Montana State Legislature.

Estimated Energy Savings for Calendar Year 1980

Approximately 75 percent of the vehicle miles traveled in Montana are on roads with a posted 55 m.p.h. speed limit. Using data supplied by the Montana Highway Department and the Montana Highway Patrol, we calculate that if everyone in the state obeyed the 55 m.p.h. speed limit, 2.83 percent of the energy used in transportation could be saved. In our analysis, we assume that strict enforcement of the 55 m.p.h. speed limit would cause two thirds of the drivers in Montana to change their behavior and obey the speed limit. This would result in a 1980 projected energy savings of 2.23 trillion Btu's.

Table C17. --Costs of Implementation

1977	0
1978	0
1979	0
1980	0

Supplemental Discussion: 55 Mile Per Hour Speed Limit

The 55 mile per hour speed limit saves both energy and lives. It also is mandated by the Federal Government, and no state may have a speed limit greater than 55 m.p.h. As was shown previously, it is disobeyed routinely in Montana. With wide expanses of land to traverse in Montana, travel time often is important. The 55 m.p.h. mandatory speed limit has been ill-received, particularly in the disperse eastern portion of the state. For this reason, a resolution has been introduced into the Montana legislature calling for the Federal Government to raise the maximum speed limit to 65 m.p.h. We submit that there is an alternative method to both conserve energy and raise the speed limit. We suggest that the legislative resolution be amended to propose that the Federal Government consider a variable speed limit in Montana as an experiment.

Particularly with passenger automobiles, there are significant variations of fuel efficiencies that should be recognized in governmental efforts to reduce energy consumption. Rather than imposing a uniform maximum speed for all cars, highway laws could be applied so that encouragement is given to the purchase of smaller more fuel efficient vehicles by strictly enforcing a graduated maximum speed limit based on vehicular fuel efficiency. Each driver then is permitted to burn up a similar amount of energy. For example, a vehicle which obtained a 30 mile per gallon average might be permitted to travel 60 miles per hour, while a vehicle that only obtained 15 miles per gallon would be constrained to travel at 50 miles per hour. The significant difference in speed then is perceived as a trade off between elapsed travel time and larger, heavier vehicle amenities. Such a policy would create a strong incentive among consumers to purchase lighter weight, higher fuel efficiency vehicles, thus significantly reducing the enormous

demand for non-renewable resources (oil, iron, aluminum) represented by the automobile industry. A government energy policy should not merely penalize all forms of energy consumption, rather it should consciously encourage actions which improve end use efficiencies in those necessary areas when transitions to renewable energy forms or generically different modes of service require substantial lead times and capital investment.

As a final note, the safety aspects of the graduated speed limit with increased speeds for smaller light weight cars should be explored thoroughly. The requirement of air bags and other safety engineering features for new cars permitted to exceed 55 miles per hour may be reasonable.

PROGRAM MEASURE NO. 6.--WEATHERIZATION

Narrative Statement

The federal government's cooperative weatherization program already has proved to be an effective method of reducing heat loss in Montana homes. Approximately two thousand homes have been upgraded with demonstrated energy savings ranging from 15 to sometimes more than 40 percent of previous energy consumption levels (depending on the quality of the existing construction). Still, nearly 30,000 additional low income households in the state are eligible for energy conservation renovations through the program. The state is committed to a significant expansion of the weatherization program in order to reach a substantial number of these homes. The results will be an immediate documentable energy savings together with a needed reduction of the burden of rapidly rising heating costs upon those in Montana who are least able to afford them. The extensive state commitment is justified further by the availability of federal weatherization funds from the Community Services Administration at a sixty-to-forty match ratio and under Title 20 of the Social Security Act, a three-to-one match ratio.

The state will utilize \$150,000 per year for FY78 and FY79 to generate an approximate additional \$450,000 per year in federal funds. This commitment amounts to an approximate tripling of the resources of the existing program. Implementation of the program will be done within the existing framework of joint administration by the Department of Community Affairs and the Department of Social and Rehabilitation Services. The combined federal and state weatherization funds will be allocated to local weatherization programs on both a formula and project basis. One half of the funds will be disbursed to local programs according to the incidence of eligible households, and the remaining one half will be allocated on the basis of

Table C18
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80														
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Legislative enactment of expanded program																														
Expanded program in place for FY78																														
Extension of program to 2-3 thousand additional homes; expanded program in place for FY79																														
Extension of program to 2-3 thousand additional homes; total impact of program, 8-10 thousand additional homes																														

PROGRAM MEASURE NO. 7--CONSERVATION LOAN PROGRAMS

Narrative Statement

Two basic economic factors tend to reduce consumer interest in energy conservation: 1) the costs of correcting inefficient uses of energy generally are greater than original construction or installation costs of appropriate conservation measures; and 2) a discrepancy exists between the average and marginal costs of energy supplied to the consumer on the one hand and the marginal cost to the energy supplier for providing additional units of energy to meet growing consumer demand on the other hand. This second factor is the most serious impediment to rational allocation of capital for conservation. The formulas for determining retail cost of energy to consumers aggregates the more expensive new conversion plants and fuel reserves with the less expensive existing plants and fuel resources. This averaging of old and new costs underestimates the true economic value of end use energy conservation relative to the economic costs of increasing energy supplies and delivery capacity.

Clearly, a need exists to achieve an equilibrium between the marginal life cycle costs of saving a unit of energy through demand reduction and the marginal life cycle cost of converting and delivering an additional unit of energy through supply expansion. The energy conservation loan program promotes this objective through state government encouragement of life cycle energy investment decisions.

Historically, Montana has been a capital-poor state. Most of the wealth generated by the resource extraction and processing industries has accrued to out-of-state investors. This primary flow of capital out of Montana severely restricts the ability to finance in-state economic development, particularly that of small businesses with limited credit

ratings. With the 1975 enactment of the state tax on coal extraction levied at thirty percent of the mine-mouth market value, an opportunity exists to build in-state capital. This coal tax revenue exceeded sixty-one million dollars in the 1976-1977 biennium and is forecasted to approach one hundred million dollars for the 1978-1979 biennium. These state revenues will continue to escalate as the market value of Montana coal increases and as extraction rate expands to meet rational demands for low-sulfur coal.

The people of Montana recognized the fiscal danger of a situation in which large sums of coal tax revenue could be spent unwisely for short term governmental projects and services which do not contribute to the future strength of the economy. In 1976, the Montana constitution was amended to create a coal tax trust fund in which twenty-five percent (rising to fifty percent in 1980) of the coal tax revenue would be earmarked as principal to be invested by the state. This investment insures economic benefits to future generations of Montanans when the coal resources have been exhausted.

The central issue regarding this coal tax trust is the legislature's determination of how these funds will be invested. Currently, the state manages an investment program with 627 million dollars of public funds (surplus treasury funds, public employer pension funds, trust funds for schools and universities, etc.). Of these funds, less than 14 percent (\$87,166,00) is invested within the state. The small proportion of public funds invested in Montana is a direct result of statutes which govern how the state board of investments must manage the investment program. Operating under the "prudent man rule" (70-309(1) RCM), the board must administer the state's investments as if the public funds were the board members' own personal wealth. The effect of this management policy is an

institutional inability to consider the many indirect economic benefits which accrue to the state government as a result of in-state investment of public capital.

Since the potential positive impacts on Montana's employment, property values, taxable corporate and personal income, and other economic factors cannot be considered in the board's investment decisions, the only criterion of concern is maximizing the rate of return on the investment instrument itself. This narrow view of the public interest served through the state's investment policy perpetuates the flow of public capital to out-of-state investments which offer higher yields and perhaps lesser risk in some cases than are available from in-state investment opportunities. While it is recognized that there are certain additional investment rules for managing many of these public funds (i.e., trust and legacy funds, public employee retirement funds) which compel maximum interest rates of return, there is no specific requirement that the newly created Coal Tax Trust Fund be restricted to those same single-focus investment principles.

We recommend that the Coal Tax Trust Fund be created as a separate account of the state's unified investment program to be managed by the Board of Investments according to rules and objectives specifically established for this trust. The primary requirement of this fund is that investments of coal trust monies must be made within Montana. These investments can be in the form of time deposits of trust funds with banks, savings and loan associations, and credit unions throughout Montana which then can be issued as loans to Montana citizens, purchases of local government bonds, and purchases of revenue bonds issued by in-state businesses.

It is recommended further that loans of state coal trust funds on deposit at in-state financial institutions should be prioritized to promote, through power interest rates, investments which conserve energy in homes, farms, public institutions, businesses, and industry. The scope of eligible conservation investments should be sufficiently broad to include building improvement measures (such as insulation, thermal windows, more efficient furnaces, electric load management devices, flow reduction water faucets, etc.), consumer loans (such as purchases of energy efficient automobiles, refrigerators, etc.), and large commercial loans for investments in total energy systems, industrial co-generation of process steam and electricity, waste heat recovery systems, and other energy conserving equipment or processes.

In addition to loans for investments which conserve our non-renewable resources, the trust fund also should promote investments in systems which convert renewable energy sources (sunlight, winds, biomass, and small scale hydro-electric generation) into useful energy supplies. Such investments should be made only in those renewable energy technologies demonstrated to be technically feasible and cost-effective on a life-cycle cost basis. Montana's current alternative energy grant program should be utilized in substantiating the eligibility parameters for renewable energy investments covered by this coal trust loan program.

Estimated Energy Savings for Calendar Year 1980

It is estimated conservatively that fifty million dollars will be available under this program by the end of calendar year 1980. We then will assume that twenty million dollars of this fund actually is loaned for conservation retrofitting in existing residences and businesses and that an additional ten million dollars in local government revenue bonds for local government conservation retrofit programs are issued. Thus,

we assume that fifteen million dollars in residential retrofitting takes place by 1980 along with fifteen million dollars in commercial and government retrofitting. For approximately fifteen hundred dollars, an average existing Montana residence can reduce its fuel consumption by 50 percent or 75 million Btu's per year. Thus, fifteen million dollars will retrofit over 9900 residences for an end use energy savings of .75 trillion Btu's. If 80 percent of this savings is in fossil fuel and 20 percent is in electricity, the total energy savings (according to the FEA methodology) will be 1.08 trillion Btu's. In commercial and government retrofit, fifteen million dollars is assumed to save 100,000 Btu's per square foot per year for \$3 per square foot. Thus, the end use energy savings in the government and commercial sectors in 1980 is .5 trillion Btu's. Again, assuming that 80 percent of the energy savings is fossil fuel and 20 percent is electricity, the total commercial and government 1980 energy savings using FEA methodology would be .73 trillion Btu's.

The total 1980 energy savings from implementing this program measure thus are calculated conservatively to be approximately 1.8 trillion Btu's. This calculation assumes that only 60 percent of the available trust fund money actually is invested in conservation retrofit. Potential savings may be twice our reported figure.

Table C20
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80														
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Program is enacted by the legislature and goes into effect																														
Administrative procedures are promulgated																														
Loan interest loans become available																														
State begins to purchase revenue bonds																														

Table C21.--Costs of Implementation

1977	\$50,000
1978	\$50,000
1979	\$55,000
1980	\$55,000

The estimated costs of implementation reported here are strictly administrative costs. In addition, the state will lose income due to the preferentially low interest rates that it accepts on in-state investments. This could amount to \$150,000 for the year 1980 alone. The state also would receive additional income from the multiplier effect of investing its funds within the state. This additional income cannot be quantified at this time.

PROGRAM MEASURE NO. 8--RENEWABLE ENERGY TAX CREDIT

Narrative Statement

In recent years, public interest in renewable energy conversion systems has risen dramatically from an attitude of curious amusement to a growing consensus that solar and wind energies will be major energy sources in the future. While belatedly gaining recognition as the long term solution to our crisis of non-renewable energy dependency, solar energies have not been widely perceived yet as near term energy supply options. This reluctance to accept one of the next century's primary energy supplies as the decade's reasonable energy option stems from many factors.

The rapid escalation of fossil fuel prices has been in effect for only the last few years, and there remains much confusion over whether these inflationary pressures will persist indefinitely. This same short period of fossil fuel supply constraints and price rises also marks the beginning of serious consideration of renewable energy alternatives. Hence a widespread unfamiliarity with the technology of their conversion and use exists. There is also the economic condition of the average cost of conventional energy supplies to the consumer being substantially less than the marginal cost to the supplier for providing new units of depletable energy. This dilution of the new cost of energy among the lower priced, on-line supplies delays the impact on the consumer; and it also reduces the apparent cost effectiveness of renewable energy systems which displace the need for depletable energy consumption. Of no small significance is the immature status of this fledgling industry. Cost reductions through larger scales of production and innovative materials and designs have not yet reached the marketplace. And finally, our tax system biases the flow of capital by offering investment

tax credits, amortized depreciation, depletion allowances, etc. for large scale corporate efforts to extract, convert, and deliver more non-renewable energy, while individual or family investments in durable, value-producing goods (like a solar water heater or wind generator) are ignored as frivolous consumer purchases.

To compensate for these conditions which artificially depress the market for renewable energy systems, we recommend that Montana enact a six year tax credit for investments in purchasing or constructing and installing such systems. This credit would be against a taxpayer's state income tax liability and would be offered on two different schedules. For installations on a principal dwelling unit, a credit of 40 percent of the first \$1,000 cost and 20 percent of the next \$3,000 cost of the system is available. For installations on real property used in business or trade, the credit would be 40 percent of the first \$3,000 and 20 percent of the next \$9,000 cost of the system. If the federal government were to enact similar tax credits, the state credit would be reduced, but not eliminated, in order to complement the federal incentive. Renewable energy systems purchased and installed after the six year period would not be eligible for the state's tax credit because we believe the market stimulating purpose of the incentive will have been accomplished.

We further recommend that for this same six year period, a taxpayer who installs a renewable energy system may choose to amortize the full value of that system over a sixty month period. Such amortization would be allowed as a deduction from that taxpayer's adjusted gross income computed for state income tax purposes.

Table C22
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80													
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
Renewable energy tax credit adopted by the legislature and enacted into law																													

Estimated Energy Savings for Calendar Year 1980

The tax credit definitely will encourage solar hot water heaters. For the purposes of this analysis, we will assume that the average Montana home hot water heater requires 28.7×10^6 Btu's per year. Solar hot water heaters can provide up to 80 percent of the average Montana domestic hot water heating needs at a reasonable cost of about \$1,000 per heater. This cost is reduced to \$600 per heater by the tax credit. The life cycle cost of the solar energy used is decreased from \$2.96/mm Btu's to \$1.77/mm Btu's (about the cost of natural gas now). If we assume a 1 percent per year remodeling rate, 6,400 Montana homes in 1980 will have solar water heaters. This would represent a savings in fossil fuels and electricity of .249 trillion Btu's in 1980 (70 percent fossil fuels, 30 percent electricity + electricity conversion factor).

It is very likely that many other renewable energy systems will be purchased under this program; however, it is impossible to project exactly what they might be or what energy savings might occur.

Table C23.--Costs of Implementation

1977	Administrative costs will be assumed by the Department of Revenue	
1978	\$800,000	Tax credit
1979	\$800,000	Tax credit
1980	\$800,000	Tax credit

PROGRAM MEASURE NO. 9--PUBLIC UTILITY MEASURES

Narrative Statement

Utility Rate Structure Study

With the exception of fuel used in transportation, the vast majority of energy consumed in Montana is marketed through the fixed utilities which distribute natural gas and electricity. The signals which stimulate consumer decisions on the use of these energy forms are the prices which depend on the rate structure that is approved by the Public Service Commission. It is imperative that the impact of rate schedules on electricity and gas demand be analyzed thoroughly to identify whether the efficient use of energy is encouraged through the regulatory policies of the commission.

Consumer demand for energy primarily is a function of price; but the effect of price on demand varies with the degree to which a particular demand exceeds those basic energy requirements that must be satisfied irrespective of costs. This variable effect of price on levels of consumption is referred to as the elasticity of demand. Energy needs for physical comfort, hot water, cooking, and power for refrigeration and lights are less susceptible to reduction because of price than energy needs would be for additional space heating, illumination, convenience appliances, and other energy consuming goods and services which exceed that irreducible level of minimum energy requirements. The reduction of energy consumption is most likely to occur in those marginal end use categories, particularly if state policy intends to maintain equitable minimum energy supplies for all citizens.

Current utility rates for natural gas and electricity are charged on a declining block schedule in which the per unit price decreases as the level of consumption increases. Historically, as the demands on utilities grew,

the costs of supplying electricity or natural gas decreased with larger scale production and distribution facilities. This trend has been reversed in recent years, and it is clear that increased energy supplies will cost substantially more at the margin than the costs of on-line supplies. In Montana, this escalation of new energy supply prices is particularly apparent since the predominant role of hydroelectric generation is being superseded by coal-fired generation capacity; and new natural gas prices continue their steep rise above cost levels that were in effect only two years ago.

With the costs of supplying consumer demands for natural gas and electricity escalating, the appropriateness of declining block rates which promote additional consumption must be evaluated as to their implications for conserving energy and equitably allocating costs among customers according to the utility costs of serving their particular needs. The Montana Consumer Counsel recently granted funds to assist the Montana Power Company in conducting a load characteristic study of randomly selected residential, commercial, and industrial customers. By monitoring these customers' demands for electricity as a function of time, the utility company will be able to identify the contributions each customer class makes to the system's energy supply and demand capacity requirements.

It is recommended that this study be augmented with a simultaneous one year analysis of the operations of the Montana Power Company (and other major utilities if funds permit) to determine the utility's real costs of providing electric power to all customer classes. Without an accurate assessment of capital and operational costs of providing electric power, the validity of the current rate structure in relation to customer load characteristics cannot be determined fully.

The significant issue of integrating renewable energy conversion systems (solar heating equipment or wind electric generators) with utility networks also should be addressed by this customer load study. There are a limited but growing number of buildings in Montana that are solar heated. We recommend that a selected number of these buildings be incorporated into the load study to identify the characteristics of their auxiliary energy demands and to determine how their heat storage capabilities can be used for electric load management purposes.

After one full year's analysis of utility costs of service and customer class load characteristics, the Consumer Counsel and the Public Service Commission should determine whether the existing rate schedules accurately charge just and reasonable rates to customers according to their responsibility for electric service costs incurred for their benefit. This assessment also should consider the long run marginal cost of service for continued expansion of the utility system. With the completion of this review, the Public Service Commission should recommend an electric utility rate schedule which may reflect more accurately the true costs of service and which will support the conservation of depletable energy resources.

Encouraging Industrial Co-generation of Process Heat and Electricity

Many of Montana's energy intensive industries consume huge quantities of natural gas for producing process heat and steam necessary for their operations. There are promising opportunities for this process steam to be applied to generate electric power in addition to supplying heat and mechanical power. A National Science Foundation study estimates that current industrial co-generation represents only five percent of the total capability for implementing this dual purpose energy use in the United States. That

same study estimated that the Hoerner-Waldorf paper mill in Missoula has a capability to generate 35 megawatts of electricity in conjunction with its on-going operations; and the oil refinery complex in Billings represents another major prospect for co-generated electricity.

Since the mechanical and thermal energy of the steam used for industrial generation of electricity is applied subsequently to other industrial processes, the total end use efficiency of the raw source energy is substantially higher than those conversion efficiencies characteristic of central electric generating stations. By implementing conversion technologies which increase end use efficiencies, industrial co-generation can accomplish multiple purposes with a given amount of fuel, thus avoiding the need for redundant and thermodynamically less efficient electric generation capacity in the utility system.

With thorough auditing of each industry's energy consumption and specific energy requirements, the technical feasibility of co-generation can be determined for specific facilities or processes. The existing utility rate schedules for industrial users provides electric power at costs far below the average cost to residential and commercial users and even farther below the marginal costs of new electric power capacity. As these utility rates are evaluated and possibly revised, the economic feasibility of industrial co-generation also may be enhanced as the most cost effective investments in power supply are identified.

We recommend that the Public Service Commission analyze the potential for industrial co-generation as determined from the detailed energy audits to be submitted in compliance with the state's emergency energy allocation plan. The commission also should assess whether the "Electric Supplier's

Territorial Integrity Act of 1971" (70-501 RCM) prohibits industrial or commercial co-generation of electric power. This law provides that "...an electric utility shall have the right to furnish electric service to any industrial or commercial premises if the estimated connected load for full plant operation at such...premises will be 400 kilowatts or larger within two years from the date of initial service..." (70-503(3) RCM).

A final issue deserving the commission's attention is whether existing electric utilities should be required to enter into purchased power contracts with those industries whose co-generation capabilities exceed their own private electric requirements. In those cases where the co-generated electricity is reliably available at a cost less than what the utility company could provide from its own facilities, the utility should show cause why it would refuse a co-generated electric sales offer. In lieu of this requirement, the designation of common carrier status for fixed energy utilities should be reviewed for its impact on improving the marketability of electric power generated by industry within Montana.

Energy Audits of Large Commercial and Industrial Utility Customers

On May 30, 1975, the Montana Public Service Commission exercised its emergency rule making authority by ordering natural gas utilities to prepare (in conjunction with major industrial and commercial gas users) energy conservation plans for improving the efficiency of energy usage by those large customers. If a utility customer did not file an emergency conservation plan by a specific date or if their plan was deemed insufficient by the commission, the commission then could impose a monthly penalty curtailment of natural gas up to ten percent of the amount used by the offending customer during the same month of the previous year. This emergency order

actually was not served upon utilities until September 1975. Under the Montana Administrative Procedures Act, the commission was required to conduct a hearing on this emergency order within six months of its imposition. During this time, there was no formal compliance by the utility companies nor by their major natural gas customers. In February 1976, this emergency order expired through default when the commission decided not to conduct the mandatory public hearing.

The need for an accurate audit of how natural gas and electricity are used by large industrial and commercial customers is more pronounced in 1977 than it was in 1975. Significant curtailments of industrial interruptible gas supplies are forecasted for the immediate future, and there are indications that the Bonneville Power Authority may begin to reduce electric power sales to large industrial customers in northwest Montana. With the severe weather conditions in the eastern United States and federal considerations of emergency allocation of interstate natural gas supplies, Montana should prepare a comprehensive emergency energy conservation plan which would minimize the economic disruptions of a statewide or national energy emergency.

We recommend that the Montana Public Service Commission order all utility companies and their major industrial and commercial customers to immediately prepare detailed evaluations of energy use in their operations and to prioritize those energy needs according to the basic minimum requirements of each customer. These energy audits should be submitted to the Public Service Commission for review and inclusion in a statewide emergency energy allocation plan.

Estimated Energy Savings in Calendar Year 1980

The energy savings expected under this program measure are speculative. An energy conservation rate structure that goes into effect in calendar year 1980 obviously will save energy; co-generation of electricity and process steam also will save energy. In addition, the required industrial and large commercial energy audits will disclose areas in which energy can be saved in a cost effective manner.

It is anticipated that the combined effects of all of these measures will be a projected 1980 electric energy demand that is reduced by at least 1 percent. If residential and commercial electric energy demand grows at 3 percent per year and the other demands (primarily industrial) remain constant, the projected 1980 energy savings will be at least 1.14 trillion Btu's (11,300 Btu's per Kwhr).

Costs of Implementation

Again, implementation costs (see Table C25) for this program measure are speculative. It likely will require extra personnel to expand the consumer council study. Placing major additional requirements on the Public Service Commission also will require additional staff. We project that at least two additional staff people will be required for the Public Service Commission during 1977 and 1978, with an additional two people required for 1979 and 1980.

Table C24
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80													
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
Consumer council study expanded																													
Public service commission begins cogeneration study																													
Public service commission requires energy audits																													
Energy audits due																													
Consumer council study completed																													
Public service commission makes legislative recommendations regarding cogeneration																													
Public service commission begins revised rate structure determination																													
Energy conservation rate structure adopted																													

Table C25.--Costs of Implementation

1977	\$ 50,000 (estimated)	Expanded Consumer Counsel study
	50,000	Public Service Commission staff
1978	50,000	Public Service Commission staff
1979	100,000	Public Service Commission staff
1980	100,000	Public Service Commission staff

PROGRAM MEASURE NO. 10--ENERGY CONSERVATION EDUCATION

Narrative Statement

Commitment to a coordinated program of public education in energy conservation may prove to be the most effective method of saving energy, especially in the long run. Thus, education is central to our plan. The following reasons are offered for placing high priority on educational measures:

- a. since self-interest is a powerful individual motive, education can promote awareness of energy savings choices which are free from negative impacts;
- b. voluntary compliance is the most acceptable form of behavioral modification in a democracy, and bureaucratic costs are minimized in an education program;
- c. energy conservation is a positive and popular ethic (shared by many social groupings in Montana) which can be expressed in a comprehensive education program; existing programs and resources can be integrated to achieve maximum effects; and
- d. proven energy saving methods exist for every energy consuming sector of our society simply waiting to be communicated to people; there also is likely to be significant spillover or demonstration effects from sector to sector.

The greatest value will result from an educational program which involves and orchestrates the activities within all major mediums of communication including schools, vocational and adult education, university system outreach, distribution of pamphlets and other materials, print and broadcast channels, demonstration projects, community display programs. This program measure has three components which address the need:

- a. confirmation and expansion of existing programs centered in one or more of these mediums;
- b. promotion and support of new and innovative programs for mediums previously lacking attention; and
- c. provision of a state organizational framework for the continuing coordination of public and private education efforts in all mediums.

The key element in the education program measure is the creation of the coordinating mechanism. The state's Energy and Resource Policy Office (ERPO), proposed in the 1977 legislative session, is intended to provide the focal point for integrating energy conservation education and the conduit for channeling future funds for energy conservation research studies. The advisory council of ERPO, composed of representatives of major state agencies which implement other conservation program measures, is intended to provide visible state leadership through both the example of energy conservation in state operations and the aggressive support of education efforts in other mediums support. Thus, the advisory councils may be charged with the following tasks:

- a. reviewing expenditures within programs of the university system, the public education system, and the cooperative extension service;
- b. monitoring all other programs developed by private groups;
- c. providing comment and review of education programs instituted for state and local government agency personnel; and
- d. evaluating possible duplication in state efforts, such as programs of alternative energy development, energy conservation research, and energy conservation education.

The role of ERPO in these functions will be coordinated with the existing Citizens Advisory Committee on Energy (CACE). The membership of this committee is appointed by the governor and represents a broad spectrum of interests within the state. The task of CACE is to increase citizen participation in the process of developing the state's energy policies. Subcommittees have been formed to deal with energy conservation, alternative energy and technology, legal issues, and natural gas reserves. This same framework could be applied to address future energy issues within ERPO. The Citizens Advisory Committee has a \$56,000 budget request before the legislature to continue its activities.

The Office of Energy and Resource Policy and the Citizens Advisory Committee on Energy will have input regarding other efforts to develop a core program of energy conservation education in the state. Two measures currently before the legislature will provide an expanded state role in energy conservation education. These are proposals to develop an energy conservation extension service and an energy conservation curriculum in the public school system.

The energy conservation extension service will be expected to utilize and expand the existing agricultural extension service to provide practical energy conservation and renewable energy information to citizens throughout the state. The possibility of coordinating with the recently approved federal energy extension service under the Energy Research and Development Administration (ERDA) is being explored. ERDA was appropriated \$7.5 million for fiscal year 1977 to create an energy extension service utilizing existing organizations at the state and local levels which have established constituencies and distribution channels for providing information. ERDA will tailor this information to the conditions and needs of each individual area. Montana's efforts in developing an energy conservation extension service will be linked with ERDA's program.

The revised codes of Montana, Section 75-7509, require that conservation education be part of school curricula. Pupils are required to have a widespread understanding of conservation facts, principles, and attitudes. Conservation education is required to be integrated with instruction in related courses. The Citizen's Advisory Committee on Energy recommends that this provision be expanded by legislation to encourage opportunities for every student in the public school system in the state of Montana

which emphasize a) principles of ecology, b) environment of Montana, c) energy conservation, and d) private enterprise and the market economy. The legislature is expected to act on this matter either through resolution or specific legislation.

While significant efforts must be made in the direction of creating innovative programs, it is equally important to sustain and coordinate a wide variety of existing private and public programs addressing many facets of the energy conservation problem. The Office of Energy and Resource Policy can provide strong leadership in the cultivation of a shared public conservation consciousness by promoting and assisting the efforts of programs such as the following currently existing examples:

1. Human Resources Development Councils in eleven areas of the state. The councils provide practical energy conservation and renewable energy information and administer the statewide weatherization program.
2. Montana University System. The universities and colleges of the state provide a tremendous reservoir of talent and information on energy systems, energy conservation, and renewable energy. Funding proposals are before the state legislature this session.
3. Citizens Groups. Various citizens groups such as the League of Women Voters, American Association of University Women, the Alternative Energy Resources Organization (AERO), the Environmental Information Center, and numerous others are sources of information on energy conservation. The activities of these groups should be encouraged since they provide "grass roots" contact with the citizens of the state.
4. Utility Company Advertising. The various utility companies in the state currently are advertising the benefits of energy conservation. The continuation and expansion of this program will account for measurable energy savings.
5. Adult Education Programs. For example, the Institute of the Rockies, an educational group in Missoula, currently is planning a statewide seminar program which will focus on energy, technology, and lifestyles.

It is expected also that the Office of Energy and Resource Policy will provide long-range leadership in the stimulation of new ideas in energy conservation. In addition to dispensing available monies for research in this area, the office itself should be the source of new ideas and assume responsibility for their formulation into policy initiatives.

Estimated Energy Savings for Calendar Year 1980

It is extremely difficult to establish precise figures for the amount of energy savings expected from comprehensive education efforts. The reasons are evident:

- a. the truly significant amounts of saving are expected to show beyond the immediate short run when the effects of adoption of a conservation ethic are apparent;
- b. the full spectrum of conservation education activities is not known, nor is it certain which activities can be attributed solely to the program set in motion by the state in response to ECPA; and
- c. much of the energy savings attributable to education efforts must be measured indirectly, e.g., in the case of a program which stimulates participation in an incentive program such as solar loans or tax incentives (whose savings are measured directly).

For the purpose of illustrating the multitude of possible energy conserving targets, a sector breakdown including programs, principal mediums of communication, and expected range of savings follows:

Table C26.--Examples of Energy Conservation Education Programs

<u>Programs by Sector</u>	<u>Medium</u>	<u>Expected Savings</u>
1. <u>Residential</u>		
a. insulation and temperature modulation	schools, pamphlets, prints, & broadcasts	immediate
b. publicity on tax incentive, loan, & weatherization programs	schools, pamphlets, prints, & broadcasts	immediate

Table C26.--Continued

<u>Programs by Sector</u>	<u>Medium</u>	<u>Expected Savings</u>
c. publicity on alternative energy generation	demonstration projects, community display	intermediate
2. <u>Commercial</u>		
a. same as residential, a, b, & c		
b. competitive energy savings demonstration projects	demonstration projects	intermediate
c. life cycle costing	pamphlets, demonstration projects	intermediate
3. <u>Industrial</u>		
a. energy auditing	pamphlets, workshops	intermediate
b. systems energy management	pamphlets, workshops, training	immediate
c. cogeneration	pamphlets, workshops	long-range
4. <u>Transportation</u>		
a. driver training, operation, maintenance	schools, vocational coop extension	immediate
b. energy efficient auto purchases	multiple, pamphlets	immediate
c. car pooling promotion	multiple, demonstration projects	immediate
d. alternative transport, bicycles, pedestrian	multiple, pamphlets	immediate
e. mass transit	multiple, demonstration projects	intermediate

Table C26.--Continued

<u>Programs by Sector</u>	<u>Medium</u>	<u>Expected Savings</u>
5. <u>Agriculture</u>		
a. cropping and fallowing	coop extension, pamphlets, demonstration	immediate
b. natural fertilizing	coop extension, pamphlets, demonstration	immediate
c. biomass conversion	coop extension, pamphlets, demonstration	intermediate
d. wind power	coop extension, pamphlets, demonstration	intermediate
6. <u>Government</u>		
a. agency training	workshops, pamphlets, demonstration projects	immediate
b. intergovernmental transfers	workshops, pamphlets, demonstration projects	immediate
c. private activity transfers	demonstration projects, pamphlets, prints, & broadcast media	intermediate
e. "model" renewable energy demonstration projects	demonstration project	intermediate-long-range

Notwithstanding the problems of calculating actual energy savings, the total potential can be estimated. Estimates are based on methodologies used by Skidmore, Owings and Merrill (SOM) of Portland, Oregon, for the Bonneville Power Administration to establish the effectiveness of energy conservation education programs used or proposed by both public utilities and state agencies. SOM projected that a coordinated educational program implemented by states and utilities could save 3 percent of the overall projected 1980 electric consumption in the Pacific Northwest. The proposed Montana program is even more extensive than those studied. According

to SOM, the largest savings appeared possible in the commercial sector (5.8 percent), while the smallest savings took place in the industrial sector (2.5 percent). Residential savings amounted to 2.75 percent. While the SOM study focused only on electricity, Montana's educational program will focus on all energy consumption sectors and energy forms.

Based on SOM figures, we estimate conservatively that our program will reduce projected 1980 electrical consumption by 2 percent in the residential sector, 4 percent in the commercial sector, and 0.1 percent in the industrial sector. (Montana's industrial electrical consumption is dominated by an aluminum reduction plant with relatively fixed electrical consumption.) Since data on projected 1980 energy consumption by sector is unavailable, a conservative estimate places the growth of electrical energy consumption in the residential and commercial sectors at 3 percent annually and assumes constant industrial consumption. Thus, overall savings will equal 172.2 million kilowatt hours or 1.98 trillion Btu's (11,300 Btu's/Kwhr) in 1980.

In natural gas use, a conservative estimate sets 1980 consumption at the same level as that in 1975. Assuming a 3 percent reduction in residential and commercial sectors and a reduction of 2 percent in the industrial sector caused by educational programs, a total savings of 1.97 trillion Btu's for 1980 can be calculated. Using the same assumptions, a savings of .70 trillion Btu's of propane and fuel oil is counted. (Estimates in this sector are based on simple behavioral changes. For example, a program encouraging thermostat control--68°F day, 60°F night as opposed to a constant 70°F setting--can save nearly 15 percent of gas consumption in a typical residence.)

Finally, educational programs addressing transportation will influence people to buy smaller cars, radial tires, and other fuel savings options. Educational programs to promote proper driving and maintenance habits will also save energy. It is assumed that programs such as these can influence 15 percent of the motor vehicle users in Montana to procure and operate motor vehicles in a manner that would reduce their vehicular energy consumption by 10 percent, producing a 1.5 percent overall decrease in transportation energy consumption in 1980. This reduction amounts to 1.18 trillion Btu's under the assumption that transportation energy consumption will grow by 3 percent annually.

The total energy savings for 1980 from these educational programs is projected at 5.83 trillion Btu's, a figure likely to be lower than the actual savings. The source of data used to reach these conclusions is Montana Historical Energy Statistics (Terry Wheeling, Montana Energy Advisory Council, September, 1976). All consumptions used are stated explicitly therein. It should be emphasized that these projected savings are separate from those calculated for the other program measures. The savings associated with educational programs leading to participation in measures such as the conservation loan program or the renewable energy tax credit have been counted as part of the direct savings within those programs.

Costs of Implementation

As in the case of estimated energy savings, the costs of the programs in energy conservation education are difficult to calculate because of the close interface between public and private efforts and the problem of demarcating direct and indirect costs. The true value of the overall conservation program undoubtedly is underestimated by the assignable costs

Table C27
MILESTONE CHART

Milestones	FY77					FY78					FY79					FY80												
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
Office of Energy and Resource Policy operational; advisory council constituted and functioning; program coordination underway; long-range policy innovation initiatives begun.																												
Program planning developed for implementation in new state funded programs; university system and coop extension.																												
Program planning initiated for government agency, intergovernment demonstration projects; feasibility reports of model state demonstration projects by OERP advisory council.																												
Office of Energy and Resource Policy legislative recommendations for expansion of energy conservation programs																												

since the program benefits from the momentum of existing programs, from the presence of administrative structures in place to administer new programs, and from the existence of substantial materials available for distribution. For these reasons, the program can be considered highly cost effective, even considering the largely unknown probability of public response. Identifiable direct public costs include the following:

Table C28.--Costs of Implementation

1977	ERPO	\$144,000
	energy extension service	\$ 60,000
1978	ERPO	\$144,000
	energy extension service	\$ 28,000
1979	ERPO	\$160,000
	energy extension service	\$ 70,000
1980	ERPO	\$160,000
	energy extension service	\$ 70,000

Table C29.--Summary of Program Measure Responsibility in State Agencies

No. 1.	State Building Code	Department of Administration Department of Health and Environmental Sciences Department of Community Affairs
No. 2.	Public Building Lighting Standards	Department of Administration Department of Community Affairs
No. 3.	Procurement; Life Cycle Cost Analysis and Vehicle Efficiency Standards	Department of Administration Department of Community Affairs
No. 3a.	Energy Managing, Auditing, and Retrofitting State Buildings	Department of Administration
No. 3b.	Renewable Energy Demonstration Project	Department of Administration
No. 4.	Right Turn on Red	
No. 5.	Car Pool/Van Pool: Increase in Transit Level of Service	Department of Community Affairs
No. 5a.	Public Transportation and Railroad Assistance Fund	Department of Community Affairs
No. 5b.	Bikeway Construction	Department of Highways
No. 5c.	Enforcement of 55 m.p.h. Speed Limit	Department of Justice
No. 6.	Weatherization	Department of Community Affairs Department of Social & Rehabilitation Services
No. 7.	Conservation Loan Programs	Department of Revenue
No. 8.	Renewable Energy Tax Credit	Department of Revenue
No. 9.	Public Utility Measures	Public Service Commission
No. 10.	Energy Conservation Education	Energy Resource Policy Office

PROGRAM MEASURES 3, 5a, 5b, 5c, 10--PROGRAM NOTE: CRUDE OIL SAVINGS

Based on recommendations in the "Final Assessment of the Environmental Impacts of the State Energy Conservation Program" (page 22), the projected savings in evaporative losses in refineries and additional savings in crude oil can be determined. The total gasoline equivalent from the preceding transportation measures is 41,719,144 gallons of gasoline per year. Assuming an efficiency of 91 percent at the oil refining process, the corresponding savings in refinery losses is 3,755,123 gallons of gasoline per year .47 trillion Btu's per year.

ADMINISTRATIVE ANALYSIS

A charge often leveled against Federal Government grant-in-aid programs is that they tend to distort a state's own priorities in the allocation of resources to public policies. Sometimes, the costs to a state in terms of required state legislation, administrative regulations, and/or matching funding requirements outweigh the benefits of the federal assistance. The growth of bureaucratic structure, the expansion of the network of inter-governmental relations, and heightened conflict among officials at national, state, and local levels all have been found to follow the acceptance of federal monies intended to meet a variety of social goals. Each state must carefully weigh for itself the net effect of participation in Federal Government induced programs requiring state compliance procedures.

This evaluation has been applied to the requirements of the Energy Conservation Policy Act. The state has concluded that there are substantial net benefits by complying with ECPA. In the first place, Montanans embrace fully the principle of energy conservation and welcome the commitment of all levels of government in the United States to an aggressive but cooperative program of husbanding the nation's scarce energy reserves. In fact, Montana's leaders have expressed their intention to be the nation's leaders in this vital area, proceeding well beyond ECPA's minimum standards in pursuit of significant long range energy savings through the development of renewable energy. Thus, Montana's priorities are the same as those of all of America in this crucial program, and the ECPA goals complement the state's mission.

In the second place, the heavy emphasis being placed on the voluntary dimensions of energy conservation in Montana, through vehicles such as

economic incentive and education programs, allows for minimizing the problems and frictions inherent in changing bureaucratic structures and patterns of intergovernmental relations. Even prior to the ECPA solicitation, the state began considering seriously internal reorganization of several agencies and departments charged with various energy and resource functions. The ECPA stimulus, therefore, has proved to be mainly a catalyzing agent for many activities already set in motion. For this reason, the FEA role in energy conservation is accepted enthusiastically with the expectation that federal funds can assist greatly in the state's own program.

Finally, the introduction of a systematic statewide energy conservation program will create little state-local conflict over implementation strategies. Greater clarification in the state-local division of powers and responsibilities is a basic principle of a proposed new code of local government which is the culmination of a three year study of the powers, capacities, and resources of local governments. The state has the responsibility to require conformance of local governments in those energy conservation matters which are of concern to all Montana citizens. At the same time, maximum flexibility is allowed local governments in designing innovative and imaginative methods of energy conservation and alternative energy generation.

IMPACT ON LOCAL GOVERNMENTS

Just as the ECPA grant mechanism requires some alterations of state policies, the state government, in turn, must revise certain state-local relationships to produce compliance with the federal mandate at the local level. The implementation of an energy conservation plan involving local governments coincides with the last phase of a three year program of local government reorganization whose scope is unparalleled anywhere in the nation. The legislature currently is considering a massive recodification of local government laws which, if adopted, will change dramatically the powers, capabilities, resources, and functions of local governments throughout the state. In combination with existing constitutional provisions, earlier laws, and decisions recently reached by the electorates of many local units in the recently completed voter review process, this recoding signals a new era of maximum local self-determination in Montana. The requirements imposed upon local governments by an energy conservation plan must be weighed carefully in the context of these changes.

A well designed energy conservation plan can take advantage of this expanded local self-determination. Maximum opportunity for innovative conservation and alternative energy development projects at the local level is afforded by several changes in the status of local government:

- a. the acquisition of legislative powers by counties previously hamstrung by restrictive state laws which had specified narrowly both the subjects of county resolutions and the procedures of fulfilling county duties;
- b. the provision of much broadened service options and more flexible service delivery mechanisms within the revised code for both the counties and incorporated municipalities falling under the category of general powers of local governments;
- c. the acquisition of self-government powers status by several local government units enabling them to perform any functions not denied specifically to this class of localities by the legislature;

- d. constitutional stipulation that the powers of local government are to be construed liberally by the courts; and
- e. constitutional provision of maximum opportunity for inter-local cooperation in developing joint jurisdictional solutions to solve service delivery problems.

The combination of these measures creates a number of possibilities for experimentation in different communities in a wide variety of creative conservation efforts. Those successful in one setting then can be replicated in other communities.

Although the details of the code still are pending possible alterations, it appears that the following examples of local innovation are possible:

- a. counties with urban areas outside of the limits of an incorporated municipality have the authority to approve creation of an energy related service delivery function;
- b. contiguous local government units can pool resources in the exercise of an energy creation of distribution functions which individual units may be unable to afford;
- c. sixteen local government units can initiate unique community energy projects under self-government powers and can be selected for model projects;
- d. planning and zoning restrictions do not appear to limit the possibility of alternative energy facilities;
- e. provision of community development authority appears to allow a community to develop alternative energy facilities as an element of the fight against "blight and environmental decline;"
- f. power is available to create subordinate solid waste disposal districts which could utilize innovative local recovery methods;
- g. local traffic right of ways seem capable of being employed as a public use for distributing alternative energy; and
- h. capital improvement districts can be established under a variety of user fee mechanisms, including criteria such as "relative usefulness" or "connection," which make it possible to create an alternative energy neighborhood where not all residents are required to participate.

These are but a few examples of the widened latitude provided to local governments in the area of alternative energy and conservation efforts.

They offer a great opportunity for the state to become a leader in testing the validity of the principle of decentralized energy generation and distribution.

The second major area of consideration is the possible friction between state and local levels of government in implementing mandated programs. Here again, the consequences of the three year state review of local government functions is pertinent. There currently is much greater acceptance of the principle of dividing primary responsibility for various service functions between state and local levels. Thus, while a certain activity which is primarily a state responsibility may be delegated to local governments, the delegation must be accompanied by the provision of the resources required to carry out the activity. Adherence to this principle is illustrated by the satisfactory manner in which the problem of local building code inspection has been handled.

The ECPA guidelines clearly do not require the state of Montana to violate the new compact of liberation with its local government partners. Certain conservation areas even afford an opportunity for strengthening the partnership through collaborative compliance with ECPA mandates. Procurement practices provide the best illustration since the state is authorized to select the methods most appropriate to its circumstances for inducing political subdivisions to adapt their practices to state procedures. In Montana, the choice has been made to work through established channels of state-local communicators in the Department of Community Affairs. Within this channel, cooperation and collaboration have been chosen as the method of achieving objectives. To this end, programs of orientation and training at the state level will be offered for local official participation

as well. Regularized communication of new developments in training, procedures, or assistance will be made to local officials. State and local officials will participate jointly in planning and implementing future training and review sections. Local governments will be encouraged to participate in state purchasing contracts to maximize energy savings. In each of these respects, the emerging cooperative relationship between state and local governments is reinforced rather than threatened.

In summary, the ECPA mandates introduce no significant dysfunctional variables into the equation of state-local relationships in Montana. The timing is opportune since energy conservation relationships still can be included in the final package being wrapped in the legislature and confirmed as an important part of the bargain struck between state and local governments. There are no consequential bureaucratic costs of compliance resulting from ECPA in the state-local area.

IMPACT ON STATE AGENCIES

The various implementation strategies add mandates within a number of state agencies. Some changes are of immediate concern and require action of the 1977 Montana legislative session. Others can be handled through executive revision of existing administrative structures. The development of a comprehensive and workable energy conservation organizational structure may require both legislative and administrative attention over several years. As in any policy area, the evolution of the ideal bureaucratic structure will involve a sequential process of innovation and revision. This discussion outlines the organizational steps already taken and places them in the context of long range administrative goals.

The current legislative session will establish the Montana Energy and Resource Policy Office (ERPO) within the governor's office as the successor to the Montana Energy Advisory Council (under whose auspices this ECPA submission has been developed). This action will institutionalize the state's commitment to the careful and continuous scrutinization of all policies associated with energy development and energy conservation. A sharp focus and sustained public visibility is achieved by placing this mandate directly under the governor. Maximum coordination of all energy related activities also is produced. Energy conservation and the wise utilization of existing resources thereby is given equal stature with the goal of finding and developing new sources of energy supply.

Under terms of the legislation, energy conservation is given significant standing. ERPO is charged with developing periodic recommendations for energy conservation techniques which will comprise part of a comprehensive state energy policy. These recommendations will culminate in the

formulation of a state energy conservation program dealing in further detail with the subjects contained in this report. Special focus is to be placed upon possible savings in the energy related activities of state government and upon public education in methods of energy conservation. Comprehensive-ness of scope and coordination of conservation activities are enhanced by the stipulation of ERPO advisory council representation by state agencies dealing in key facets of the state's resource program. ERPO also will coordinate the disbursement of funds for energy conservation research and education.

In addition to ERPO's creation, the intensified concern with energy conservation will produce the following changes in agency structures and mandates. The Department of Administration is given significant additional responsibilities, some of which are to be carried out in conjunction with related state agencies. The Department of Administration is charged with producing the life cycle cost analysis for state buildings and procurement of major energy consuming equipment. The Department of Administration also is assigned primary responsibility for creating and implementing the building code provisions for thermal and lighting efficiency but must work with the Department of Health and Environmental Sciences in developing the code's contents and with the Department of Community Affairs in its implementation by local building code inspectors.

The Department of Community Affairs is given several new or expanded functions as a result of the need to promote conservation at the local level. Expansion of the weatherization program will require continuation of the cooperative effort involving the Department of Social and Rehabilitation Services. No new mandates or unmanageable problems of compliance are imposed by this program. These two agencies already have addressed

methods of enhancing efficiency and promoting increased cooperation in achieving the goal of assisting low income persons in saving energy costs. The Department of Community Affairs also will assume a significant responsibility for disbursing funds within the Public Transit and Railroad Assistance Fund.

Finally, the Department of Community Affairs (DCA) will be expected to develop a major role in communication with local governments on a wide variety of energy conservation methods. DCA will be the link between ERPO and the cities, towns, and counties and should play a major role in making available to local officials the latest information on savings in areas such as purchasing, life cycle cost analysis, and training and education regarding building codes. In each of these cases, the added responsibilities will be commensurate with the important role charged to the Department of Community Affairs as the link between the state and local levels in Montana.

The Department of Revenue will have two major new responsibilities: the implementation of tax credit and accelerated amortization of cost systems for promoting installation or acquisition of renewable energy resource equipment and the low interest loan program for installation of energy conserving equipment and devices under the terms of provisions regarding the Coal Tax Trust Fund and the banking system.

Other agencies will be assigned duties consistent with their current primary missions, for example, the Department of Justice in the speed law enforcement program and the Public Service Commission in the state utility rate structure program. The Department of Natural Resources, current sponsors of the state's grant and loan programs for alternative energy development, likely will have a continuing involvement in those conservation

activities which interface its mandate. The intergovernmental framework will be complicated in the future by the possible development of a source separation solid waste recovery system within the Department of Health and Environmental Sciences and the consolidation of transportation functions within a new Department of Transportation.

ASSESSMENT OF ENERGY SAVINGS

The energy savings estimated in this plan are based on projections. Projections are a "best guess" of what will happen in the future based on numerous assumptions. If those assumptions do not match reality, the projections will be wrong. There are many variables that simply cannot be quantified. Thus, in addition to adopting the measures outlined, the state must monitor patterns in energy consumption within Montana very carefully to insure that the various program measures are indeed having the desired effect. The worst mistake that the state could make would be to do nothing.

In recognition of this, the Montana Energy Advisory Council's report to the governor recommends that a Governor's Energy and Resource Policy Office should be established. The Energy and Resource Policy Office would have numerous responsibilities. Among them are specific responsibilities related to data collection and analysis. This office will be the central collection point for energy information in Montana. The office would prepare long range projections of the supply and demand for energy in Montana on an annual basis. Specifically, they would collect the data necessary to measure the effectiveness of the program measures contained in this document.

Legislation to create this Energy and Resource Policy Office has been introduced into the Montana House of Representatives (H.B. 204). The charter of the office would be to recommend energy conservation techniques and other appropriate energy policies to the state. Specifically, this legislation assigns the following duties to the Energy and Resource Policy Office.

- a. serve as the central repository within the state government for the energy and resource related research carried on in and for the state;