

STATE OF MINNESOTA

DEPARTMENT OF ENERGY, PLANNING AND
DEVELOPMENT

In the Matter of the Proposed Amendment
of Rules of the Department of Energy,
Planning and Development, Energy Division,
Governing Implementation of the State
Energy Supply Conservation and Allocation
Plan During a Petroleum Supply Shortages;
6 MCAR §§ 2.3101-2.3121.

Statement of Need and
Reasonableness

In May of 1982 the Department of Energy, Planning and Development adopted Petroleum Supply Emergency Rules, 6 MCAR §§ 2.3101-2.3121, to guide the actions of the Governor during a petroleum shortage. These rules, which became effective on May 29, 1982, set forth a plan for increasing conservation and maintaining essential services in order to minimize the impact of a shortage on Minnesota residents. The Petroleum Supply Emergency Rules are authorized by Minn. Stat. § 116H.09 (1981 Supp.). These rules also meet, in part, federal requirements set forth in the Emergency Energy Conservation Act of 1979, Pub. L. 96-102, Title II Section 212,42 United States Code, Section 8512.

This statement explains the need for and reasonableness of the amendments the Department is proposing which delay implementation of two ongoing measures in the rules. The amendments (see the last page of this statement for their specific wording) would delay implementation of the employer-based conservation measure one year and move the time table for the school conservation measure back four months. The amendments are proposed as noncontroversial rules pursuant to Minn. Stat. 15.0412 Subd. 4h (1981 Supp.). The Department recognizes its obligation under the statute to make an affirmative presentation of facts establishing the need for and reasonableness of these amendments. This statement is submitted for that purpose.

The primary reason for delaying the employer and schools measures is the dampening affect the world oil glut has had on concern for emergency planning and ridesharing. Between February and April of this year gasoline prices in Minnesota dropped by nearly 10 cents per gallon. The Energy Division of the Department prepares quarterly forecasts of energy prices for the Department of Finance. The forecast indicates that a recent reduction in oil production by OPEC countries will cause the price gasoline and diesel fuel to resume rising faster than the inflation rate after 1982. OPEC production was 20.5 million barrels per day in October of 1981, according to the CRU Energy Monitor, but has fallen to 15.8 million barrels per day in April of 1982. Thus, although the world oil glut has had a pronounced affect on petroleum prices, the Energy Division believes this affect to be temporary.

If the employer and schools measures were implemented this summer, the initial level of interest would be very low. These two measures require significant levels of cooperation from schools and larger employers in order to be successful; yet the oil glut has seriously reduced the motivation for such cooperation. Declining gasoline prices have diminished concern for emergency preparedness, and company ridesharing coordinators report that they are finding it difficult to maintain current levels of participation in ridesharing programs.

Because substantial expenditures are required for informing employers and schools about the measures, the Department has determined that it would be more effective to make these expenditures when the audience would be more responsive. The cost of preparing and printing the necessary workbooks is over \$12,000, not including overhead. If the employer measure is delayed one year, gasoline prices will again be rising somewhat faster than the rate of inflation. At that time, mailing workbooks to affected employers and fielding questions through the Department's Energy Information Center will generate a greater level of participation in the employer measure than if the measure were

implemented this summer.

The Department wishes to delay implementation of the schools measure for another reason as well. This fall the Energy Division will be conducting a Total Energy Management Program for Schools. The outreach program will include presentations and workshops on all aspects of energy conservation for schools in a single, comprehensive package. By delaying the mailing of workbooks for schools until October of 1981, the Energy Division will be able to dovetail promotion of the schools measure with the beginning of this outreach effort. The result will be greater contact with schools and a higher level of participation.

For the above reasons the Department believes that the proposed changes will permit greater success in implementing the employer and schools measures.

Amendment to the School Conservation Measure

2.3120.C.3 The Governor must not implement the school conservation measure before October 1, 1982. School boards shall submit to the department before April 1, 1984 ~~within 10 months after the effective date of these rules,~~ or within 45 days after the declaration of an energy supply emergency, whichever comes first, an emergency motor fuel conservation plan as defined in paragraphs 6. or 7.

Amendment to the Employer-based Conservation Measure

2.3120.B.1 The purpose of this measure is to conserve motor fuel by requiring certain employers to reduce employee commuting and business-related fuel consumption in an energy supply emergency. The Department must inform affected employers before May 25, 1983 of the requirements for participating in the employer-based conservation measure. The Governor must not implement this measure before May 25, 1983.