

74TH OREGON LEGISLATIVE ASSEMBLY
STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE

MEASURE: HB 3488-B
CARRIER: Rep. Witt

REVENUE: Revenue statement issued

FISCAL: No fiscal impact

Action: Do pass with amendments to the A engrossed bill and be engrossed

Vote: 7-0-2

Yeas: Berger, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart

Nays:

Exc.: Bruun, Butler,

Prepared By: Chris Allanach, Economist

Meeting Dates: 5/15, 6/5

WHAT THE BILL DOES: Expands the property tax exemption for alternative energy systems to include certain systems that are owned or leased by a person whose principal business activity is the production, transportation or distribution of energy. Requires the alternative energy system to be a net metering system primarily designed to offset onsite electricity use by the person. Applies to tax years beginning on or after January 1, 2007. Allows public utilities to provide no-interest loans to customers who install renewable energy generation facilities in their homes. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- The impact of financing on these kinds of renewable energy projects.

EFFECT OF COMMITTEE AMENDMENTS: Replaces the bill.

BACKGROUND:

The Oregon Legislature has expressed an interest in encouraging the development and use of renewable energy. Under current law, privately owned utilities are subject to paying property tax. However, under ORS 307.175 (1) any portion of the property that is equipped with solar, geothermal, wind or methane gas energy systems is exempt from tax. The statute does not exempt 'net metering systems' from property tax. Subsection (3) disallows this exemption for public utilities, defined by ORS 757.005 and for other types of providers such a people's utility districts, defined by ORS 261.010.

Two projects are being considered by the city of Portland that will expand the use of renewable energy by constructing net-metering systems at certain sites. If these projects go forward and are successful, they may serve as a model for other cities who wish to develop or retrofit public facilities in order to conserve energy.

The costs of the two projects will utilize private funds, public funds and grant monies. During the design and construction stages of development, limited liability companies (LLCs) will be created to manage the projects that will take between 18-24 months to complete. During this period of time, the LLCs' 'net metering systems will be subject to property tax. The two projects under consideration are: (1) the East Portland Community Center's indoor swimming pool which will draw about 90KW of renewable power from its net metering system, the cost of which is an estimated \$800,000; and (2) the Portland Habitation Center's net metering system, the cost of which is an estimated \$6 million.

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This summary has not been adopted or officially endorsed by action of the committee.