



# CITY OF PENDLETON

*Public Works Department*  
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May 20, 2011

Dear Legislator,

RE: Request for support of HB 2563, as amended

HB 2563, as amended, clarifies the language within the solar property tax statute - ORS 307.175. Established in 1976, this statute allows solar equipment to be exempt from property taxes. In 2007 an amendment, which added paragraph (4) to ORS 307.275, was approved. The apparent intent was to allow third-party owned solar systems to benefit from the tax exemption.

City of Pendleton has two third-party ownership solar systems installed at our public works facilities. One is a 100 kW DC roof mount system at our water treatment plant installed in 2007. The other is a 200 kW DC ground-mount tracking system installed at our wastewater treatment plant in 2008. We have since entered into a power purchase agreement with another potential third-party investor for another 200 kW DC ground-mount tracking system at our wastewater treatment plant. All of our power purchase agreements are at a cost-per-kWh-produced that is slightly less than direct purchase from our local utility power provider. Otherwise, we would not of had an incentive to enter into these agreements.

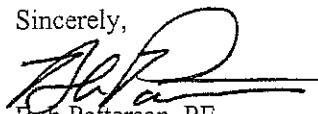
Recently, the Oregon Department of Revenue developed a new interpretation of the solar property tax exemption statute, which appears to counter the Legislature's intent in passing the 2007 amendment. This interpretation makes third-party owned solar installations liable for property taxes, which in turn makes the project non-viable to the City of Pendleton.

For our potential installation, this would equate to about \$20,000 per year in property tax. Third-party investor wants the property tax offset through a higher kWh purchase cost. About 40% of the property tax would go to the City's general fund and the other 60% would go to Umatilla County, School District 16R, Port of Umatilla, etcetera. Our ratepayers would have to cover the additional cost of the property tax, which is significantly more than directly purchasing the power from our local utility or from the third-party without a property tax consideration. This situation has put our latest third-party project on-hold awaiting legislative action.

To take advantage of other incentives related to this project, we must have the system installed and in operation by April 2012. This makes June 30, 2011 our drop-dead date to proceed and allow for the construction window. If the property tax exemption is not clarified through HB 2563, City of Pendleton will not proceed with our third-party investor.

Please support HB 2563, as amended.

Sincerely,

  
Bob Patterson, PE  
Public Works Director

BP/bp

Copy: Larry Lehman, City Manager

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