

MEASURE: HB 2563

EXHIBIT: L

Senate Finance and Revenue 76<sup>th</sup> Session

DATE: 06.15.2011 PAGES: 5

SUBMITTED BY: Christina Skellenger

To Whom It May Concern,

HB 2563 includes an amendment to fix language within the current solar property tax statute (ORS 307.175). Established in 1976, this statute allows solar equipment to be exempt from property taxes.

In the 2007 Regular Legislative Session, an amendment was added to explicitly allow third-party owned systems to benefit from the exemption. Third-party owned solar installations are important to public sector organizations such as school districts, community colleges, universities, cities, state agencies, and non-profits across the state. It allows investors to take advantage of state and federal tax credits available to solar projects, which public sector agencies cannot take advantage of. Without the ability to take advantage of this provision, these solar installations would not make economic sense.

Utilizing creative financing structures, the Legislature's passage of the 2007 amendment spurred on numerous solar installations for public sector agencies across the state, which would not have happened otherwise.

Recently, the Department of Revenue developed a new interpretation of the solar property tax exemption statute, which was counter to the Legislature's intent in passing the 2007 legislation. This interpretation makes third-party owned solar installations not exempt from property taxes, which drastically increases the ongoing expenses of a project to the point where these solar projects become not financeable. If left alone, this interpretation will kill all third-party owned projects already in place and will drive investors on all current and future deals out of the state. The amendment included in HB 2563 fixes the property tax exemption language and reaffirms the property tax exemption status to all solar systems, including those owned by third-party investors.

The success of all third party owned solar projects hinge on the passage of HB 2563. Should HB 2563 fail to pass, each of our projects with various school districts, community colleges, and others will be adversely affected and public agencies will no longer have the option to leverage private capital and reduce their long-term operating expenses. The impact of such a failure will be catastrophic to the solar industry in Oregon and will rollback the significant progress Oregon has made in becoming a leading hub of clean energy industry clusters.

Please support HB 2563 and the included solar property tax exemption amendment.

Thank you,



Christina Skellenger  
Development Manager

Gerding Edlen

SUSTAINABLE SOLUTIONS

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May 5, 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 the 2007 Regular Legislative Session, an amendment, which added paragraph (4) to ORS 307.175, was approved with the apparent intent of allowing third-party owned systems to benefit from the tax exemption. Third-party owned solar installations are important to public sector organizations including school districts and many others. It allows investors to take advantage of state and federal tax credits available to solar projects, which public sector agencies cannot. Without the benefit of these tax exemptions, it is our understanding that investors will not fund solar installations.

Recently, the Oregon Department of Revenue (DOR) developed a new interpretation of the solar property tax exemption statute, which appears counter to the Legislature's intent in passing the 2007 amendment. This interpretation makes third-party owned solar installations liable for property taxes, thus increasing solar project costs to the point where they will become uneconomical for the investor. We also understand the DOR ruling would be retroactive affecting already installed systems. HB 2563 clarifies the property tax exemption language and reaffirms the property tax exemption status for all solar systems, including those owned by third-party investors.

Each of our three school districts strongly supports the tax exemption for third-party owned solar systems. Portland Public Schools (PPS) has already installed third-party financed solar systems on nine school buildings. Beaverton and Gladstone School Districts have partnered together and are ready to sign agreements with an investor to install six 100 kW systems on our schools. The capital cost of these solar systems would be fully funded by an investor; the schools will benefit from free solar electrical power for 15 years and gain the opportunity to utilize technical output from the photovoltaic systems in academic class work. If the property tax exemption is not clarified through HB 2563, Beaverton and Gladstone have been told that our investor will not be able to finance the six solar systems, and there is the potential for unknown financial impact on the existing system at PPS.

Please support HB 2563, as amended.

Sincerely,

Richard Steinbrugge, P.E.  
Executive Administrator for Facilities  
Beaverton School District

Darwin Dittmar  
Business Manager  
Gladstone School District

Tony Magliano, Director  
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# Gladstone School District 115

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Darwin Dittmar  
Business Manager

Subject: HB 2563 Testimony

HB 2563 provides a legal clarification to allow solar equipment, including third-party investment, to be exempt from property taxes. Additionally, the amendment removes obstacles so that:

- Oregon's leadership in sustainability and renewable energy is strengthened.
- Investing in Oregon solar and renewable energy projects is supported.
- The problem of what to do with third-party owned projects already in place is eliminated.
- Public and private sector organizations can foster partnerships to accomplish goals more efficiently and quickly.
- Energy savings can be directed towards the mission of the organization.
- Educational opportunities for Oregon students and citizens will increase.

Gladstone School District's journey of sustainability centered on a K-12 sustainability curriculum to increase embedded sustainability concepts within existing course content, implement new instructional strategies and provide relevant project-based learning options for all students. Projects range from recycling to renewable energy options and more.

In 2007, students and staff challenged the school board to make the District's bond projects as energy efficient and sustainable as possible. Included in the project planning and design was a goal to include renewable energy in the District's future.

Since then, the District has been working to develop a workable and affordable solar solution. Before HB 3039 created the Feed-In-Tariff (FIT) Pilot Program in 2009, solar was either too expensive or too uncertain regarding future liabilities. Working in partnership with Gerding Edlen Sustainable Solutions, Gladstone and Beaverton School Districts were awarded a total of 600 KWh under the FIT program, which made it economically feasible to attract a third-party investor to fund the project. Kenyon Energy was added to the partnership and agreed to provide the investment necessary to install 100 KW of solar PV at 6 school sites, 3 in each District. Kenyon has installed over 25 school district solar installations across the United States. Kenyon understands the educational opportunities a project like this provides and are supplying valuable software for system monitoring and to enable teachers and students to access and use data from the project in classroom instruction.

The passage of HB 2563 is critical for completion of this and future projects across the state. It will also enable innovative school districts like Gladstone and Beaverton to provide relevant, engaging learning opportunities for students of all ages. The Gladstone School District strongly urges you to support this legislation.

Darwin Dittmar  
Business Manager

#### Board of Directors:

Denis Whittet, Chair Rod Cole, Vice Chair Denise Browning Susan Cronin Kristin Eaton Leslie Everson Bruce Wadsworth

Testimony in Support of the -7 Amendment to HB 2563  
Senate Finance and Revenue Committee Hearing, June 15, 2011  
by Richard Steinbrugge, P.E.  
Executive Administrator for Facilities  
Beaverton School District

The Beaverton School District requests your support of the -7 Amendment to HB 2563 in order to enable solar energy projects to proceed on three of our school buildings. We believe these projects:

- are consistent with the State's goals of increasing renewable power generation,
- will save our District some electricity costs over the next 15 years, and
- will have academic applications in our classrooms.

Beaverton has developed a highly successful energy and resource conservation program over the past several years. We have 22 schools that have received the ENERGY STAR® from the U.S. Environmental Protection Agency and 31 schools that carry Oregon Green School certifications. Our District has also been recognized by EPA with a Top Performer award because our energy performance is among the top 11% of school districts in the United States. Over the past four years we have actually reduced energy consumption while adding over one-half million square feet of new building space. Beaverton has been looking at the potential for installing solar photovoltaic (PV) panels on school buildings for two years in order to push our program to the next level by installing some renewal energy generation.

Beaverton encountered two roadblocks in our pursuit of solar power:

- the lack of available capital funding to self-finance solar installations, and
- the economic pay-back for solar PV systems, which is very long absent state and federal incentives.

However, we saw an opportunity created by the Legislature in 2009 when it passed HB 3039 that created the Feed-in-Tariff Pilot Program that works together with certain tax incentives. Through a partnership with Gladstone School District, Gerding Edlen Sustainable Solutions, and Kenyon Energy, we have together developed a project that would install solar PV systems on three school buildings in each district. Kenyon has agreed to provide the full capital investment of about \$3 million, Beaverton and Gladstone will provide the roof space and will each receive about 300,000 kWh per year of solar generated electricity for 15 years. This deal works for Kenyon because of the combination of the Feed-in-Tariff and tax incentives, but a recent ruling by the Department of Revenue has put all this at risk.

We have been told that a new interpretation of an existing property tax statute by the Department of Revenue will tip the economics making these projects unviable for our investor. Only the Legislature can reset the economic equation. The -7 Amendment to HB 2563 that this Committee is considering today, will clarify the tax code language and reaffirm that solar systems installed on public buildings owned by third parties are exempt from property taxes.

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by Richard Steinbrugge, P.E.  
Executive Administrator for Facilities  
Beaverton School District

Both the Beaverton and Gladstone School Boards have approved the solar project, we have completed a formal agreement with Kenyon, and are ready to install the PV systems this summer. Our Feed-in-Tariff allocation expires in October of this year, therefore, it is critical that this legislation is passed during the current legislative session.

We believe these solar power projects will further the State goals for creating more Oregon renewable energy generation, advance the Legislature's objectives outlined in the Feed-in-Tariff Pilot Program, and provide a great example of how school districts can work with each other and partner with the private sector to everyone's mutual benefit.

Beyond all those important benefits, we are also planning to leverage this project for classroom applications. Beaverton will be installing flat screen monitors in the lobbies of each of our three host schools that will provide technical information about the real-time performance of the solar system on their buildings in a visually stimulating display. In addition, this data will be web-based and available via computer in any classroom across the District. We've worked closely with educators in our District to ensure that this information will be in a form that can be integrated into teaching to established learning targets for students in multiple grade-levels and different curricular subjects.

The Beaverton School District urges your support of the -7 Amendment to HB 2563 to ensure all this can happen. We need the investor's capital, they need the tax incentives, and we both need the Legislature. Our solar installations will not occur without clarification of the property tax matter.



Richard Steinbrugge, P.E.  
Executive Administrator for Facilities  
Beaverton School District

