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Joint Committee on Tax Credits 76<sup>th</sup> Session  
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Joint Committee on Tax Credits  
SB 688 A, HB 2522 A  
Testimony of Mark Pengilly

Co-Chairs Burdick, Bailey, Berger and Committee Members:

I support SB 688 A and HB 2522 A. The Residential Energy Tax Credit (RETC) has been the lifeblood of the residential solar industry in Oregon. Without RETC, the residential solar industry will shrivel, and the rate of renewable energy installations will decline precipitously. Job losses will develop in the solar industry, businesses will close and the momentum so recently achieved will stall and not be regained quickly or easily.

I wish to make the following points about the RETC for alternative energy devices:

1. It is working. As the attached graphs show, in the last two years the cost of solar PV has declined and the number of installations has increased. The two are related and interdependent. Mass deployment of solar systems is needed to drive down the cost. Lower costs make solar installation financially attractive and affordable for more people.
2. The cost of the residential tax credit for alternative energy devices, as compared to the total program costs of other tax credits, is relatively small. From 2001 through 2009, the total tax expenditure for residential solar systems was \$9,067,856. The graph before you shows 1,040 residential solar installations from the period 2003-2009. Compare this to the \$10 million BETC subsidy for one wind installation.
3. The state gets a solid return on its investment for residential alternative energy systems. Estimates are that Oregon spends \$6 billion on energy each year and that 85% of those dollars leave the State. Small-scale solar systems are financed locally, installed by local solar contractors and electricians, inspected by Oregon inspectors and often use solar modules and inverters manufactured in Oregon. They are owned by Oregon residents. In many installations, aged roofing must be replaced before the solar systems can be installed, providing more jobs for local roofers and roofing manufacturers. These dollars recirculate through the Oregon economy.
4. There is no free rider. Some tax credit programs are criticized because the purchaser of an energy efficiency appliance would purchase the product anyway and the tax credit is essentially a gift. That is not the case with the RETC for alternative energy devices. The tax

credits drive the program. The enormously popular Solarize programs promote the tax credits very effectively in marketing community group-buy campaigns. People invest in solar systems in large part precisely because the RETC makes the systems affordable. This RETC changes behavior.

5. The developing solar industry needs stability. The “solar coaster” is the label that has been given to the history of uncertainties in solar incentives. If the sunset of the RETC is not extended, the residential solar industry will lose the momentum it has recently begun to generate. Sustained, orderly development is what the solar industry and Oregon’s economy need.

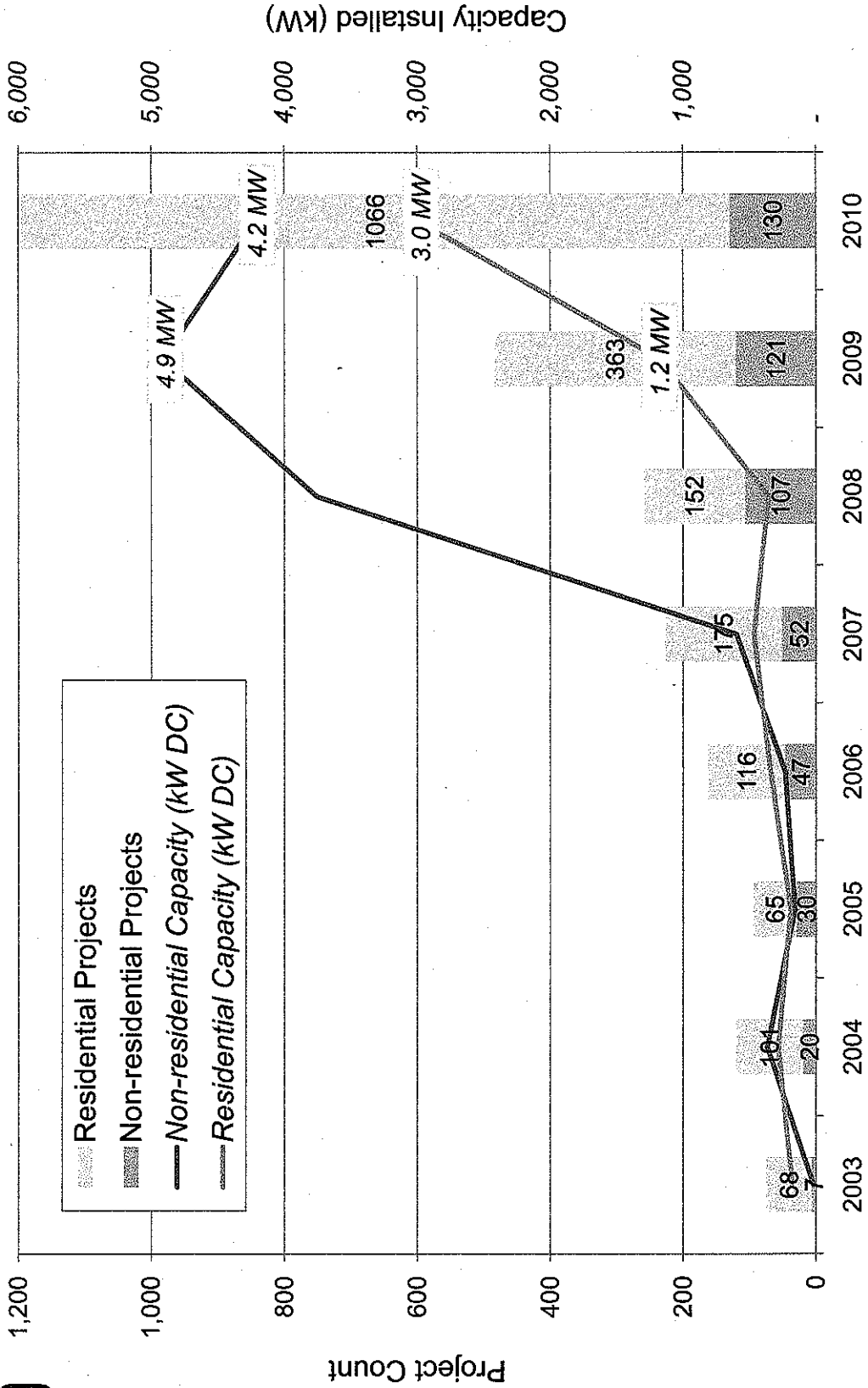
6. The A-Engrossed bills are a significant improvement over the existing RETC. The Oregon Department of Energy has been given authority to adjust the amount of the RETC in order to improve its efficiency as market conditions change and the largesse for energy efficient appliances has been corrected.

7. Lastly, the 30% federal tax credit for the cost of alternative energy devices expires in 2016. Oregon should take full advantage of this federal tax credit. Each alternative energy system that is installed in Oregon between now and 2016 returns 30% of the system’s cost to an Oregon taxpayer. These dollars, which would otherwise leave the State on a one-way trip to the federal government, are returned to be recirculated in Oregon’s local economy.

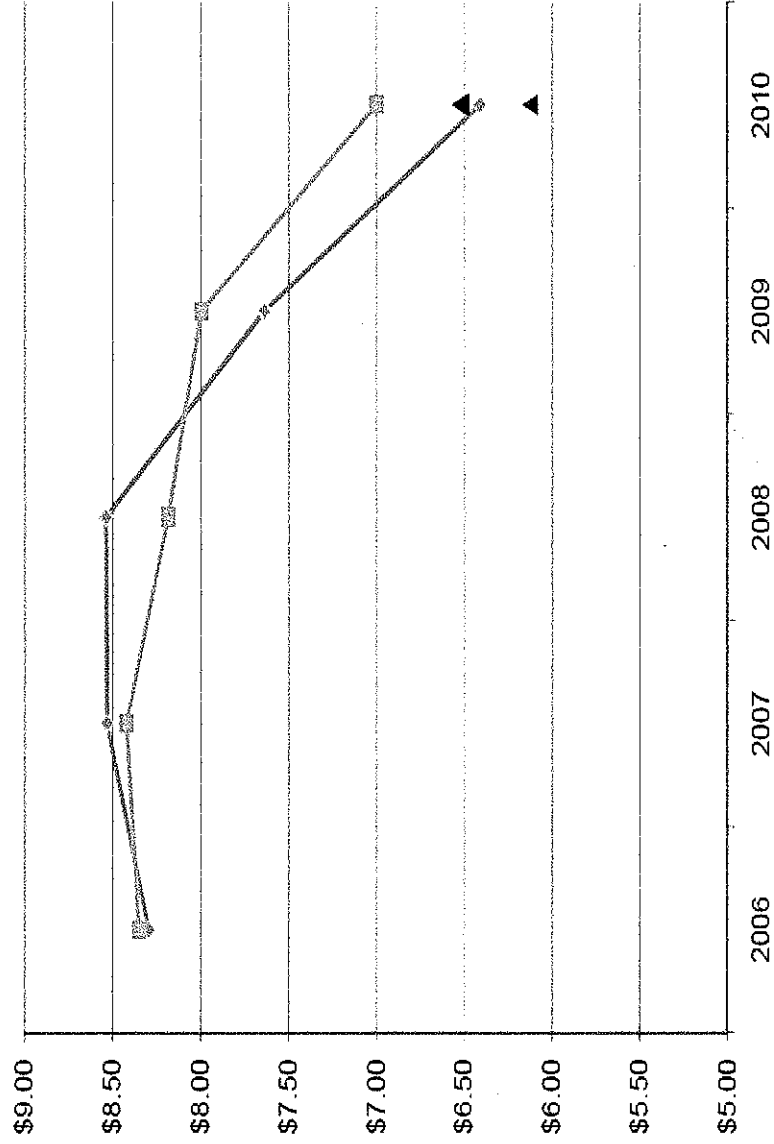
Thank you for your service and for your consideration of this important issue. I urge your passage of SB 688A and HB 2522 A.

Mark Pengilly

# Solar electric projects supported by Energy Trust, 2003-2010



Average cost (\$/watt)



- ◆ Oregon
- National
- ▲ Solarize Q2-Q4
- ▲ Non-Solarize Q2-Q4