RETC bills HB 2522A and SB 688 A

Testimony for Joint Tax Credits, May 10, 2011 Patrick Story

First, we support the elimination of tax credits for both all home furnaces and for home appliances.

We are confused about furnaces: SB 688 A-engrossed, Sec. 12, lines 11-12, says "Furnaces . . . that have efficiency ratings of 94% or less" are not eligible. This appears to mean that furnaces 95% and above are still eligible. We hope not and hope you will clarify.

In the midst of winter I found myself purchasing a furnace. While I purchased a 95% efficient furnace, there was no mention of either state of federal subsidies that were available. I only found out about the programs when editing earlier Tax Fairness Oregon testimony. That is a clear demonstration of the windfall effect of these tax credits. Others in our group have had the similar experiences in purchasing eligible appliances.

About appliances: like furnaces, most appliances sold today are already energy-efficient and salespeople often fail even to mention tax credits. Over the last two years the marketplace has evolved hugely. With virtually all models available in Oregon stores now energy efficient, the marketplace has now moved past any need for subsidies.

Other Recommendations:

1. Require Sealing of heating ducts:

We have heard testimony that the sealing of heating ducts alone can result in a 25% energy reduction. We therefore recommend that, with such a level of efficiency, examination and correction of the need for duct sealing should be required prior to installation of subsidized solar panels, solar thermal, or wind. And the same for subsidization for home furnaces—if any furnace subsidies do remain. The failure of seals on ducts, and the huge benefit of sealing ducts, is poorly understood by the public, and in our experience as consumers we've noticed the absence of scrutiny of this issue.

2. Limit overall biofuel subsidies to $200 per vehicle:

The production and use of biofuels such as waste grease for vehicles has already been heavily subsidized through BETC as well as through the RETC which currently provides a tax rebate up to $200 per vehicle per year, apparently no matter what percentage biofuels contribute to the fuel mixture. This at a time when a new tax on electric vehicles is being sought. More

disturbingly, one company, SeQuential, has so far received $5.8m in BETCs and $8.8m in five SELP [State energy loan program] loans. Another bill you are hearing today [2196] would add to the subsidy, at an average cost per vehicle of a second $200 per year. We recommend that you do one or the other, but not both. Choose the more targeted and environmentally friendly waste grease subsidy.

3. Seek economies of scale for solar panels:

Subsidies are offered for both homes (via RETC) and businesses (via BETC). Because of obvious economies of scale, it would not be prudent to end subsidies for large installations via BETC while continuing subsidies for the smaller and more expensive installations on homes via RETC. Please, in considering all the bills you have before you, remember this issue. The larger installations will cost less per unit of energy produced, and as we have limited resources, we should go for the least expensive ways to reach our goals.

4. Increase owners "skin in the game."

In either RETC bill before you, up to 75% of someone's costs can be paid by one's neighbors in ratepayer and taxpayer subsidies. We believe owners should be required to have more skin in the game—at least 35%. This is an issue of both fairness and cost control for RETC (and BETC).

5. Establish RETC caps for renewable energy subsidies:

It is clear that this part of the RETC is growing rapidly. Solar City now advertises at Home Depot, in the press and at renewable energy fairs with ownership structures that cost the homeowner nothing down. This part of the RETC must have a cap. We have heard testimony that because of consumer behavior it is difficult to devise a workable cap. But establishing a precertification program for homeowner solar, wind and geothermal proposals, similar to that for BETC is the obvious solution. The small cost to operate such a program would far outweigh the risk of otherwise experiencing an explosion of cost, and applications for precertification could include a fee to cover costs as with BETC. This mechanism would allow you to cap funding for solar subsidies.

6. Require devices that exceed energy efficiency requirements by 15% for eligibility.

SB 688, sec. 8(e), states that tax credits will be given to devices that "meet or exceed" existing energy efficiency requirements. We think it's not enough to "meet" requirements. We recommend requiring at least 15% better efficiency than existing minimums for subsidy eligibility.