

June 10, 2011

To: Members of the Joint Committee on Tax Credits

From: John Audley, Deputy Director, Adam Schumacher, Policy Advocate, Renewable Northwest Project

RE: HB 3671-1; Comments on BETC Program Reforms

Renewable Northwest Project (RNP) appreciates the opportunity to provide comments on HB 3671-1. These comments are focused on RNP's recommendations for ensuring a successful sunset to the BETC program and for creating a reasonable new renewable generation incentive program that accounts for current budget limitations but is still capable of sustaining Oregon's clean energy economy.

RNP's recommendations for improving HB 3671-1 are as follows:

1. Section 1(1)(a): **Remove lines 16 and 17.** Requiring projects to obtain final certification by July 1, 2012, will result in otherwise viable projects being unable to receive funding and therefore result in unrealized economic impacts and renewable energy contributions to the state. Permitting more time to obtain final certification would allow for stronger projects in the ODOE application queue to supplant weaker projects that fall out later in the application process. For example, the Tier 3 technical review for pre-certification is still under way and it is likely that some projects currently under review will be eliminated, leaving space for the next projects on the list to be reviewed. The review process will take at least several months, leaving large-scale projects with at most six months prior to the ODOE safe-harbor application deadline of April 30, 2012, to complete a project after receiving a pre-certification. If the goal is to fully utilize available money to support renewable energy projects, we respectfully recommend you consider expanding the sunset date of the program.

Section 16(2)(a)(A): Given current budget constraints, 35MW ceiling and \$1.5 million are reasonable program caps. As the state economy heals, we hope the bill would be designed to allow for the expansion of tax credits in future years. This can be accomplished by tying the amount of targeted contributions to the amount of tax credits allocated by legislature instead of stating \$1.5 million directly in the statute.

Section 16(5)(a): The same recommendation as for Section 16(2)(a)(A) applies to this provision.

Section 20(3)(a): **Remove "...paid by the taxpayer for the system" from lines 30-31.** The use of the term "taxpayer" in this provision is confusing. It implies that only a tax-paying entity can accrue eligible costs from the "acquisition, construction, and installation" of a renewable energy system. Many entities installing or developing renewable energy projects are not necessarily taxpaying entities, such as

non-profit organizations or renewable development companies with little or not tax liability. We respectfully suggest you define cost simply as “the actual cost of the acquisition, construction, and installation of the renewable energy production system”.

Section 20(7): **Use the definition of renewable energy sources as provided in SB 838.** We understand and support your desire to target state incentives towards smaller projects. The 35 MW ceiling effectively eliminates large projects from consideration, negating the need to eliminate “wind” as an eligible renewable. Furthermore, many community scale projects rely on wind as their renewable resource.

Section 22(1): **Clarify “long-term energy savings” to mean long-term offset use of fossil fuels.**

Section 22(2): It is unclear whether utilizing tiers when the program has a relatively low amount of funding is the most effective approach. If there is only \$1.5 million available to the program each year and administrative fees are covered by applicants (Section 26), could the cost of administering the program outweigh the benefit of the incentive to renewable projects? In light of the significant administrative costs required to evaluate large volumes of applications, should the funding be targeted towards a more narrow scope of projects?

Section 23(1). The phrase “minimum performance and efficiency standards” is vague and should be further defined. Section 22(2) ties the eligibility of a project to the criteria established by Section 23 and Section 27(2) makes the criteria established under Section 23 the means by which to compare projects if applications for funding exceed the amount available. Therefore, the criteria under Section 23 are a critical component of the program and ODOE should be provided with more direction on the intent of the language. When further defining performance and efficiency standards, the varying efficiencies between renewable energy technology types should be considered to remain consistent with Section 22(2) that requires the consideration of diverse technologies.

Section 24(2)(a): **Remove Lines 22-24.** This language is not consistent with a program that incentivizes renewable energy generation facilities that are not tied to an existing load.

Section 24(1)(g): **Remove Lines 9-10.** This provision suggests that a project should have a recommendation from the Oregon Innovation Council, “if applicable,” in order to receive a grant. This language is open-ended and could be interpreted to mean that any renewable energy project should require a recommendation from the Oregon Innovation Council, which would be a burdensome task irrelevant to the goals of the program.

Section 25(2): Line 5 states that the director of ODOE shall issue a grant to successful applicants. This appears to be inconsistent with Section 21(3), which states that the Oregon Business Development Department (Business Oregon) is responsible for making grants to applicants. The relationship between Business Oregon and ODOE should be clarified so that Business Oregon is responsible for issuing grants to projects that have been determined eligible by ODOE.