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To: House Committee on Energy and Environment

From: Maureen Bock
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Subject: House Bill 2894 – 3 Amendment to Energy Incentive Programs

Introduction

HB 2894 with the -3 amendment makes some changes to the Energy Incentives Program created by HB 3672 (2011) as amended by HB 4079 (2012). The amended bill changes the conservation and transportation credits without increasing the current cap for either program.

What the bill does

This bill and the -3 amendment changes two of the energy incentives created in 2011. For conservation tax credits, it raises the cost limits on small premium conservations projects that do not receive a preliminary certification from $20,000 to $50,000. This streamlined process, which only requires an informational filing to reserve a credit, was established in HB 3672.

It also changes the transportation tax credit program by providing tax credits for alternative fuel projects rather than just for alternative fuel vehicle infrastructure. This change allows people to get tax credits for acquiring fleets with alternative fuel vehicles. It also makes transit services eligible for one-year credits. Currently transit projects are eligible for 25% credits, which decline by 5% each year until the credit is 10% of the eligible project cost. This will occur for tax year 2015.

Discussion

When HB 3672 was enacted in 2011, it directed the department to create a streamlined process for some conservation projects with project costs up to $20,000, which could result in tax credits of up to $7,000. Small premium project owners submit an informational filing, which reserves their credit. Generally, these projects do not require custom engineering and have easily identifiable energy savings. The change to raise the cap on projects that do not require a preliminary certification will allow more projects to use this streamlined path. It means that eligible projects could receive tax credits of up to $17,500. This program change provides greater predictability in determining when the credit will be issued and used. This is because the small premium projects must be completed within one year following the date of the informational filing. The resulting tax credit is a one-year credit.

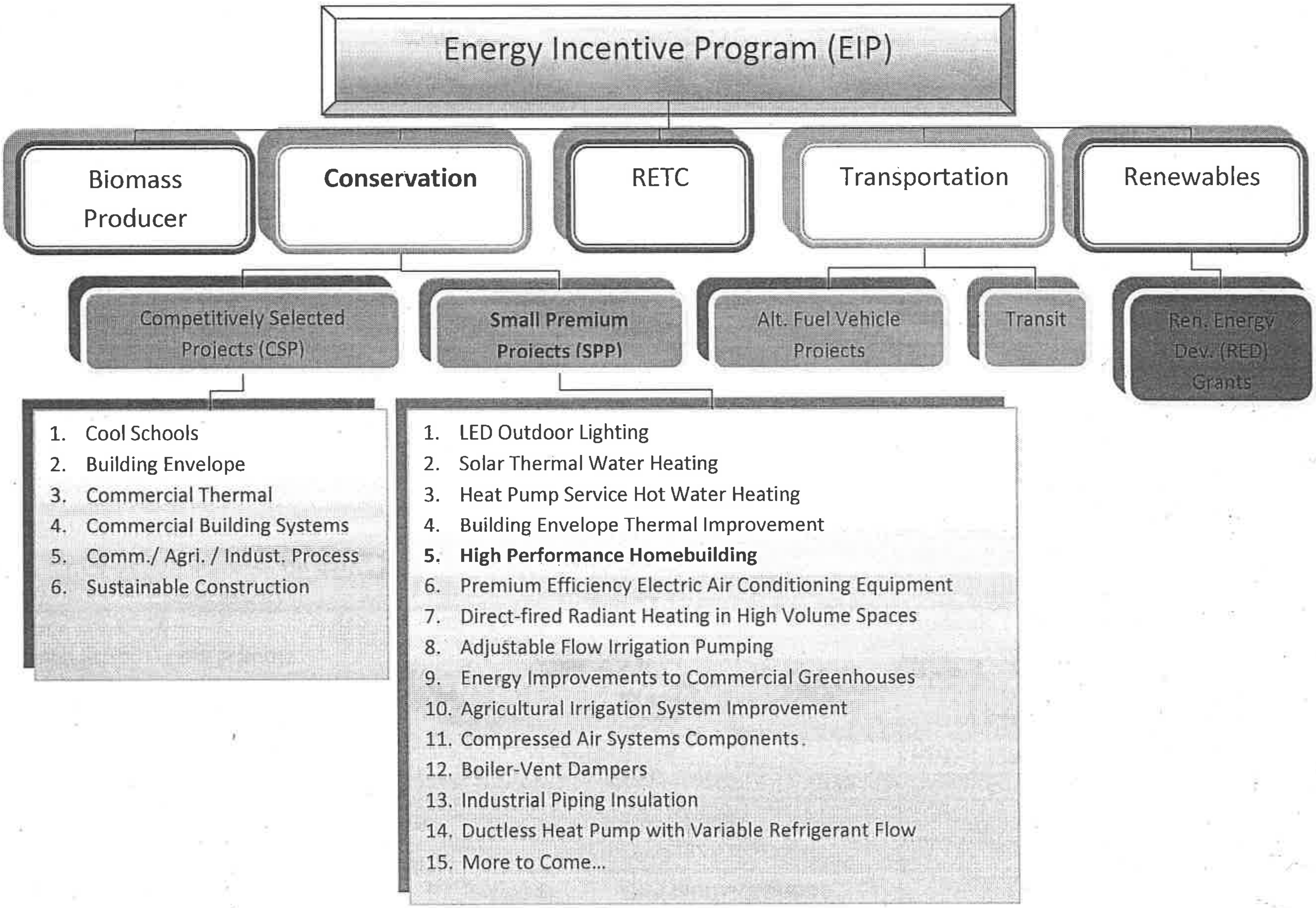
This bill also makes changes to the transportation credits. It provides an incentive for acquisition of alternative fueled vehicle fleets. This will allow businesses to acquire or replace gasoline or diesel powered vehicles with alternative fueled vehicles. The definition of alternative fuel vehicle is the same one used in ORS 470.050, which is what defines alternative fuel vehicles for the purposes of the Small

Scale Energy Loan Program. This change allows tax credit applicants the opportunity to use both programs.

The change to transit credits assists both government and non-profit transit providers that qualify for the transit credit, to transfer their credits more easily. Because these entities do not pay taxes, they sell their credits to entities with a tax liability. The declining credit, which is reduced by increments of 5 percent every year, makes these tax credits more difficult to sell as five year credits, so making these one year credits will allow them to be more easily transferred through the end of the program. This maintains the intent of providing transit service providers with a glide path away from tax credits while allowing for more predictability in determining when the credits will be used. Transit services are no longer eligible for tax credits after January 1, 2016.

<u>Summary</u>
The Oregon Department of Energy requests your support for HB 2894 with the -3 amendments. The bill changes the Energy Incentives Program adopted under HB 3672 (2011) as amended by HB 4079 (2012). It raises the cap for small premium projects from $20,000 to $50,000; provides an incentive for acquiring alternative fuel vehicle fleets, and makes transit services credits one-year credits.

Conservation Program Outline



Opportunity	Distribution Method	Notes
Conservation – Small Premium Projects	First in, first out	Part of $28 million cap Projects under $20 K in project cost, prescriptive
Conservation – Commercial Building	Competitive	Part of $28 million cap
Conservation – Commercial, Agricultural and Industrial Processes	Competitive	Part of $28 million cap
Conservation – Cool Schools	Competitive	Part of $28 million cap; one time offering
Conservation – Thermal	Competitive	Part of $28 million cap
Conservation – Sustainable Building	Competitive	Part of $28 million cap
Conservation – Building Envelope	Competitive	Part of $28 million cap
Transportation – Transit	Allocation of credits among projects based on formula	Part of $20 million cap
Transportation – Alternative Fuel Vehicle Infrastructure	First in, first out	Part of $20 million cap
Renewable Energy Development Grants	Competitive	Amount available depends on Department of Revenue auction; capped at $3 million per biennium