



Testimony in Support of HB 2893 – May 6, 2013

Chair Dingfelder and Members of the Senate Environment and Natural Resources Committee:

My name is mark Pengilly. I appreciated the opportunity to participate in the work group for HB 2893, along with Kathleen Newman, my colleague at Oregonians for Renewable Energy Policy (OREP). In particular, OREP is pleased that the work group, with leadership from Lisa Naito, removed the repeal of the Oregon Solar Pilot Program that was in the initial draft of the bill and, with leadership from OREP, added a small extension to the program focused on medium-sized systems.

The Solar Pilot Program has been popular and successful, and is an ongoing experiment in devising a new and more efficient model for transforming Oregon's energy markets, without using dollars from the general fund. I would like to give the Committee a brief background on the Solar Pilot Program and describe how it differs from the more traditional Oregon tax credit and Energy Trust of Oregon incentive programs.

First, the Solar Pilot Program is a **production payment program**.

A. Owners of systems installed under the Solar Pilot Program get paid only for the actual energy they produce. If system owners install panels in a place that doesn't get much sun, they won't get paid much. Under this program the onus is on the owner to keep the system clean, unshaded and in optimum operating condition. This is in contrast to other incentive programs where the up-front incentives are paid for installation and there are no consequences if the photovoltaic system does not produce electricity.

B. Under the Solar Pilot Program the investment is made and the risks are taken by individuals, instead of using public funds. Under the Solar Pilot Program, system owners supply the capital funds for system installation and recoup their investment over the 15 years of the program contract. Again, this is in contrast to other incentive programs where public moneys are used for the up-front costs of a system. This approach means a lot more activity in the market than can be spurred by incentives from limited tax credits, allowing for competition and efficiencies to emerge, driving down the price of installation. Rates paid under Oregon's Solar Pilot Program have already decreased by 40% in the last three years.

Second, participants of the Solar Pilot Program are paid by their utility for the energy they produce, so there is **no impact of this program on the general fund**. Under this program, **Oregonians pay for clean energy the way they pay for dirty energy – through rates**. This is appropriate because ratepayers will benefit over the longer term from lower electricity prices that will follow from development of zero-fuel cost technologies, just as Oregonian rate payers today benefit today from the low electric rates that are a result of huge investments in our regional hydroelectric systems 80 years ago. With the trajectory that we are seeing for the cost of energy from fossil fuels, OREP's analysis shows that the fixed price contracts signed under the Solar Pilot Program extension authorized by HB 2893 may in fact be saving ratepayers money before the end of the contract period. Even in the short term, we estimate that payments for the 2.5MW extension will cost typical ratepayers less than a penny a month.

HB 2893, though a small, cautious step forward, will benefit ratepayers and deserves your support.



Thank you.

Mark Pengilly