



To: Senate Environment and Natural Resources Committee

From: Michael Kaplan, Director
Oregon Department of Energy

Date: February 9, 2017

Subject: SB 175 – Renewable Energy Development Grant Program

SB 175 extends the ability for tax credits to be auctioned until the end of the 2023 tax year to fund the Renewable Energy Development grant program. The RED grant program is authorized under ORS 469B.250 – 469B.265, 315.326, and 315.329.

The Department of Energy opposes SB 179. The Governor and the department are recommending that the ability for the Department of Revenue to conduct tax credit auctions for RED grant funding be allowed to sunset at the end of the 2017 tax year.

INTRODUCTION

The RED grant program serves businesses, organizations, nonprofits, tribes, schools and public bodies that invest in renewable energy resources at a business or residential rental property in Oregon. The RED grant program provides renewable energy project grants for up to 35 percent of the cost of the projects. Grants may not exceed \$250,000.

BACKGROUND

In 2011, HB 3672 created RED grants for investment in and development of renewable energy projects. HB 3672 also authorized the Department of Revenue to auction \$3 million in tax credits a biennium to be deposited in the Renewable Energy Development Subaccount of the Clean Energy Deployment Fund to fund RED grants. Applications were first accepted in 2012.

In 2012, HB 4079 clarified when the grant was awarded and expanded the time an auction could take place through April 15 of the follow year. Since the start of the program, ODOE has offered approximately \$7.45 million in six competitive grant opportunity announcements.

The tax credits to fund RED grants may only be auctioned until the end of the 2017 tax year. The RED grant program does not expire and ODOE may continue to offer RED grants until funds in the Renewable Energy Development Subaccount are expended.



PROGRAM FUNCTION

Energy tax credit auctions, administered by the Department of Revenue, provide funding for the renewable energy development grants. Oregonians purchase tax credit certificates in increments of \$500 through the auction and proceeds fund RED grants. The Department of Revenue is limited at \$1.5 million of tax credits that can be auctioned each fiscal year. The Department of Revenue has held eight auctions providing over \$7.5 million in funding for the Renewable Energy Development Subaccount for RED grants.

To apply for a grant, project owners submit an application to ODOE in response to an open opportunity announcement. ODOE performs a completeness review; complete applications are scored and competitively ranked according to criteria in rule and the opportunity announcement. Rankings are based on project construction planning, financial plans, cost effectiveness, and other criteria outlined in the opportunity announcement. Based on available funding, the top ranked applications are moved into technical review. If the project passes technical review, the renewable energy projects are awarded a performance agreement.

Projects must start construction within 12 months of the issuance of the performance agreement. During construction of the project, the applicant makes periodic reports to ODOE about the project's progress. Each project's performance agreement provides the timeframe to complete the project, usually two to three years.

Once projects are constructed and operating, project owners submit a final report documenting that the performance agreement has been satisfied. ODOE reviews the submitted material and may conduct a site visit before dispersing grant funds. All projects issued a grant must remain in operation for at least five years. Through its compliance program, ODOE may inspect a project prior to issuing the grant funds and through the required five-year period of operation.

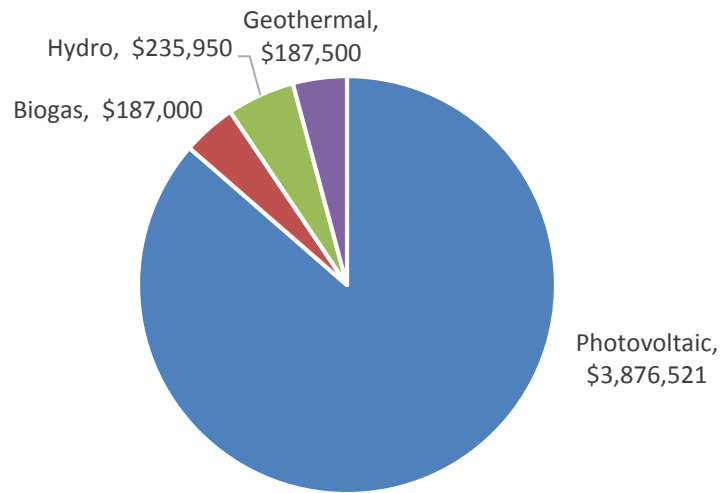
All applicants pay fees to cover the cost of administering the program.

The RED grant program has served businesses, organizations, nonprofits, tribes, schools and public bodies that invest in renewable energy resources at a business or residential rental property in Oregon. The grant program is utilized by many sectors including commercial, agricultural, industrial, and institutional facilities to initiate renewable energy development projects.



RED Grants by Project Type based on obligated amount 2012-2016

Data as of 12/21/16



SUMMARY

The ability for tax credits to be auctioned by the Department of Revenue, to fund the Renewable Energy Development grant program, sunsets at the end of the 2017 tax year. The Department of Energy opposes SB 175, and encourages the Senate Environment and Natural Resources Committee to recommend the sunset of this authority at the end of the 2017 tax year.