



To: Chair Dembrow; Members of the Senate Committee on Environment & Natural Resources
From: Tracy Rutten, League of Oregon Cities
Date: February 9, 2017
Re: SB 168, SB 175 & SB 179 – ODOE Incentive Programs

The League of Oregon Cities appreciates the legislature’s careful consideration of the efficacy of the services and funding programs that are currently offered through the Oregon Department of Energy (ODOE). Many of our cities have applied for, and have subsequently received, financial support through ODOE’s various funding programs, including the Energy Incentive Program’s biomass tax credit, transportation tax credits, conservation tax credits, renewable energy development grants and the state energy loan program. These funds have been critical to the success of a variety of projects that support energy conservation, generation and reduction of greenhouse gas emissions. In addition, these projects have resulted in cost savings for taxpayers and have contributed to our ability to advance local sustainability goals and initiatives.

SB 168, 175 & 179 would extend the sunset on the biomass tax credit, renewable energy development grant program and transportation tax credit program. Local communities, including many cities, have benefited from these funding resources and those benefits have had a direct impact on taxpayers by helping to save in energy costs overtime. Without such incentives, many communities, including cities, would be unable to finance projects that have been incredibly successful. These projects include the city of Gresham’s efforts to convert their wastewater treatment plant to a net-zero energy facility which means the plant now produces more energy than it uses, saving the city an estimated \$500,000 a year for ratepayers in electricity costs.

We support efforts to extend the sunset on these funding programs but we do also have recommendations for improvements to these programs that we hope the committee will take into careful consideration.

- **Funding incentives should be continued in some capacity.** The League feels strongly compelled to articulate the importance of funding for municipal projects. In order to successfully engage in energy efficiency and generation projects, municipalities must be able to demonstrate financial feasibility. While projects can generate significant long-term savings, some municipalities struggle to provide funding for upfront costs for project feasibility studies and implementation. Again, these projects can provide a multitude of benefits including energy savings for facilities which result in cost savings for taxpayers, in addition to advancing sustainability goals and objectives.

- **There should be distinct funding considerations for municipal projects.** Municipalities are tax exempt entities and, therefore, tax credits can be unnecessarily cumbersome and possibly unworkable. There is increased reliability that exists for funding municipal projects. As a result, the committee should consider providing grants as opposed tax credits for municipalities. Grants provide increased certainty for local governments when they consider whether or not a specific project will be financially feasible. Other infrastructure incentive programs offered through the state, including wastewater, water supply and transportation, include grant funding as well as low interest loans and loan forgiveness opportunities for municipalities.
- **The application process should be simplified for various funding programs.** Members of the Energy Policy Committee include technical staff who have directly interacted with ODOE funding programs over the years. They have observed that current funding opportunities provided through the Energy Incentives Program (EIP) have become overly complex and costly to engage in. In order to be successful in obtaining funding through EIP programs, a city must invest considerable time and resources upfront with little certainty as to whether they will receive a tax credit and if they do, what the value of the tax credit will be. Certainty is a critical component of success for municipal project feasibility. If municipalities are not certain as to what the final incentive will be, including whether or not a tax credit will be able to be successfully sold on the market, it becomes incredibly challenging to pencil out a project. Some cities who have successfully engaged in previous funding programs have indicated that they no longer participate in existing funding programs due to the lack certainty, complexity of tax credit incentives for tax exempt entities, cost to apply for funding, and substantial time and effort required to submit applications. While some of the cities who have discontinued participation in funding programs have invested their own capital to move forward on projects, others have indicated that they are simply not able to move forward on projects due to these challenges and a lack of funding to fully support the projects themselves.
- **The state should consider investments to provide technical assistance and support to small communities.** Small communities frequently lack the staffing capacity and technical expertise to develop and analysis potential projects. Therefore, it becomes incredibly difficult for them to engage in funding opportunities for energy conservation and generation projects. The complexity of the existing incentive programs through the EIP further contribute to these challenges. An applicant for funding must go through consider time, money and effort to be successful in the current funding program environment. Smaller communities simply don't have the capacity to engage in current funding programs. We strongly encourage your consideration of technical assistance and feasibility grants for small communities. This could provide for critical cost savings for Oregon communities with low-income populations.

Again, the League appreciates the efforts of the legislature and this committee. We further appreciate the opportunity to collaborate on possible solutions and improvements and offer up any assistance from our cities that may be helpful as you move forward.