

HB 2618 -1 STAFF MEASURE SUMMARY
House Committee On Energy and Environment

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/28, 4/2

WHAT THE MEASURE DOES:

Establishes program to provide rebates for the purchase, construction, or installation of residential and commercial solar electric systems and paired solar and storage systems, to be administered by the Oregon Department of Energy (ODOE). Defines terms. Directs ODOE to adopt rules make rebates available through the program to be claimed by a contractor who constructs or installs a qualifying system. Establishes that full amount of rebates must be used to reduce the cost of the system for which the rebate is issued. Sets rebate amounts for residential customers at the lesser of 40 percent of the cost of the solar electric system or the applicable amount for each year (\$6,000 for 2020; \$5,500 for 2021; and \$5,000 for 2022 and 2023). Allows additional rebate for residential customers with a paired energy storage system at the lesser of 40 percent of the cost of the energy storage system or \$2,500. Sets rebate amounts for commercial customers at the lesser of 30 percent of the cost of the solar electric system or the applicable amount for each year (\$40,000 for 2020; \$35,000 for 2021; and \$30,000 for 2022 and 2023). Allows additional rebate for commercial customers with a paired energy storage system at the lesser of 40 percent of the cost of the energy storage system or \$15,000. Requires contractors to apply to ODOE in advance of starting work to reserve a rebate on behalf of a customer solar project. Allows contractor to apply for up to 25 projects per application. Requires contractors to submit the following on an ODOE form to claim a rebate: the location and a description of the solar electric system or paired solar and storage system; evidence of all required contractor licenses, bonding, and insurance; evidence of construction or installation of a qualifying system; a statement signed by the contractor and the customer that the qualifying system has been installed, the customer received the full amount of the rebate to reduce the cost, and that the rebate was clearly reflected on the customer invoice; and any other information deemed necessary by ODOE. Establishes Rooftop Solar Incentive Fund (Fund), separate and distinct from the General Fund. Directs moneys from the Fund to be continuously appropriated to ODOE to issue rebates for the program. Limits rebates for commercial solar systems to no more than 50 percent of available moneys per calendar year. Directs ODOE to report annually on the program to the legislature. Sunsets program January 2, 2024. Appropriates \$30,000,000 to the Rooftop Solar Fund. Takes effect on the 91st day after 2019 sine die.

REVENUE: May have revenue impact, but no statement yet issued.

FISCAL: May have fiscal impact, but no statement yet issued.

ISSUES DISCUSSED:

- Oregon solar industry declined sharply after state incentives through the Renewable Energy Tax Credit (RETC) sunset December 31, 2017
- Federal investment tax credit for solar projects begins stepping down this year and sunsets 2024
- Lessons learned from RETC include need to reduce cost of solar projects on the front end and reduce the amount of income needed to take advantage of incentives and lower electricity costs
- State subsidy assists solar as an emerging industry; goal is for incentives to be removed once prices and markets are fully established

EFFECT OF AMENDMENT:

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-1 Replaces measure. Establishes program within the Oregon Department of Energy (ODOE) for providing rebates to be claimed by the contractor that constructs or installs a solar electric system or paired solar and storage system. Defines terms. Requires that the full amount of the rebate be used to reduce the net cost of the system to the customer.

Establishes the Rooftop Solar Incentive Fund (Fund), separate and distinct from the General Fund. Directs moneys from the Fund to be continuously appropriated to ODOE to issue rebates for the program. Directs ODOE to pay rebates from the Fund and clarifies that a rebate may only be made if there are sufficient moneys available in the Fund. Limits rebates for commercial solar systems to no more than 50 percent of available moneys per calendar year. Requires that at least 15 percent of the moneys available must be reserved for rebates for low or moderate-income residential customers and low-income service providers.

Directs ODOE to adopt program rules that must include: 1) preferences for providing rebates that benefit low and moderate-income residential customers and nonresidential customers that are low-income service providers; 2) provisions for determining eligibility and verification of solar electric systems and paired solar and storage systems for the rebate; 3) policies and procedures for administration and enforcement of provisions of this Act; and 4) provisions for determining the rebate amounts available, which must be calculated per watt of installed capacity based on the projected energy production of the system over a 20-year period.

Sets rebate amounts for a low or moderate-income residential customer at the lesser of 60 percent of the net cost of the solar electric system or the applicable amount for the year the system was placed in service (\$6,000 for 2020; \$5,500 for 2021; \$5,000 for 2022 and 2023). Allows additional rebate for low or moderate-income residential customers with a paired solar electric and storage system at the lesser of 60 percent of the net cost of the energy storage system or \$2,500.

Sets rebate amounts for all other residential customers at the lesser of 40 percent of the net cost of the solar electric system or the applicable amount for the year the system was placed in service (\$6,000 for 2020; \$5,500 for 2021; \$5,000 for 2022 and 2023). Allows additional rebate for residential customers with a paired solar electric and storage system at the lesser of 40 percent of the net cost of the energy storage system or \$2,500.

Sets rebate amounts for a low-income service provider at the lower of 50 percent of the net cost of the solar electric system or the applicable amount for the year the system was placed in service (\$40,000 for 2020; \$35,000 for 2021; \$30,000 for 2022 and 2023). Allows additional rebate for a low-income service provider with a paired solar electric and storage system at the lesser of 60 percent of the net cost of the energy storage system or \$15,000.

Sets rebate amounts for all other non-residential customers at the lower of 30 percent of the net cost of the solar electric system or the applicable amount for the year the system was placed in service (\$40,000 for 2020; \$35,000 for 2021; \$30,000 for 2022 and 2023). Allows additional rebate for a non-residential customer with a paired solar electric and storage system at the lesser of 40 percent of the net cost of the energy storage system or \$15,000.

Establishes that, to be eligible to claim a rebate, a contractor must hold any required license, bond, insurance or permit and meet any other certification requirements set forth in rule by ODOE. Requires contractors to apply to ODOE in advance of starting work to reserve a rebate on behalf of a customer solar project. Allows contractor to apply for up to 25 projects per application. Requires contractors to submit the following on an ODOE form to claim a rebate: the location and a description of the solar electric system or paired solar and storage system; evidence of all required contractor licenses, bonding, and insurance; evidence of construction or installation of a qualifying system; a statement signed by the contractor and the customer that the qualifying system has been installed, the customer received the full amount of the rebate to reduce the cost, and that the rebate was clearly reflected on the customer invoice; and any other information deemed necessary by ODOE. Authorizes ODOE to

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recover any excess rebates paid or rebates paid due to the submission of false or fraudulent information by the contractor.

Directs ODOE to report annually on the program to the legislature. Sunsets program January 2, 2024. Directs any unexpended and unobligated moneys remaining in the Fund at date of sunset to be transferred to the General Fund. Appropriates \$30,000,000 to the Rooftop Solar Fund. Takes effect on 91st day after adjournment sine die.

BACKGROUND:

Solar energy technologies work throughout Oregon and generate electrical and thermal energy in all parts of the state. Common solar technologies include daylighting, passive solar space heating, solar water heating, and solar electric or photovoltaic (PV) systems. PV systems generate electricity, which is typically back fed to the grid through an electric service panel.

The majority of solar energy projects being installed in Oregon are PV systems. The number of installed PV systems increased from about 1,000 in 2009 to more than 8,000 systems in 2013. Most residential and commercial systems installed in recent years have been developed and financed by third-party companies, meaning that solar users pay none of the upfront costs, but pay a lease fee or ongoing charge.

The combination of federal, state, and utility incentives has helped to accelerate demand for and increase the volume of solar energy projects in Oregon. State-supported incentive programs have included residential tax credits and commercial grants, utility-sponsored rebates, and a pilot volumetric incentive rate program.

In 2015, the federal investment tax credit was extended through 2022. The state residential energy tax credit (RETC) sunset on December 31, 2017. The final year of that program, the Oregon Department of Energy (ODOE) processed RETC applications for approximately 2,800 residential solar systems.

House Bill 2618 would establish a program to provide rebates through contractors for the purchase, construction, or installation of residential and commercial solar electric systems and paired solar and energy storage systems, to be administered by ODOE.