

**HOUSE REVENUE COMMITTEE**  
**JUNE 10, 2003 8:30 AM STATE CAPITOL BUILDING**

Members Present: Representative Lane Shetterly, Chair  
Representative Joanne Verger, Vice Chair  
Representative Phil Barnhart  
Representative Vicki Berger  
Representative Pat Farr  
Representative Mark Hass  
Representative Elaine Hopson  
Representative Max Williams

Members Excused: Representative Wayne Scott, Vice Chair

Witnesses Present: Representative Jeffrey Kropf, District 17  
Jon Miller, Oregon Solar Energy Industries Association (OSEIA)  
Matt Blevins, Oregon Environmental Council (OEC)  
Mike Graine, Oregon Office of Energy, (OOE)  
Patrick Green, Oregon AFL-CIO and Oregon Revenue Coalition (ORC)  
John Ledger, Associated Oregon Industries, (AOI)  
Pat Egan, Office of the Governor  
Dave Nelson, Oregon Seed Council and Oregon Dairy Farmers

Staff Present: Paul Warner, Legislative Revenue Officer  
Lizbeth Martin-Mahar, Legislative Revenue Office  
Kathy Tooley, Committee Assistant

**TAPE 183, SIDE A**

004 Chair Shetterly Calls meeting to order at 9:40 a.m.

**OPENED WORK SESSION HB 2652**

031 Lizbeth Martin-Mahar Provided summary of amendments for HB 2652, (Exhibit 1), provided -10, (Exhibit 2) and -11 amendments, (Exhibit 3)

038 Martin-Mahar Described HB 2652 and paraphrased breakdown of -10 amendments by section, (Exhibit 4).

054 Martin-Mahar Described Section 2a, as Rep. Kropf's amendment regarding biodiesel, agreed upon with Department of Environmental Quality (DEQ).

058 Chair Shetterly This goes back to the alternative fuel production facility he testified about?

060 Martin-Mahar Answered affirmatively.

139 Martin-Mahar Described Section 20 as an important section.

- Specifies the tax credit be 50% of total certified costs for renewable energy manufacturing facilities.
- Retains from existing law, the requirement that an energy facility cannot qualify for both the federal and state energy tax credit.

145 Martin-Mahar Clarified -11 amendments allow the federal and state energy tax credits to be taken at the same time.

165	Chair Shetterly	You have some conceptual amendments?
166	Martin-Mahar	Answered affirmatively, have conceptual amendments from Legislative Counsel. Continued review of -10 amendments by section.
186	Martin-Mahar	Described the -11 amendments as the same as the -10 with the exception of Section 20, page 32, deletes language in existing law. Allows federal tax credit for an energy facility and will not reduce certified costs. Makes the program more attractive by not reducing the state tax credit.
201	Martin-Mahar	Described conceptual amendment.
207	Chair Shetterly	This addresses the double-dipping?
207	Martin-Mahar	Answered affirmatively, for the two state credits. DEQ statutes have a conflict with the existing language in page 33 of the -11 amendment. If the Committee chooses the policy allowing double-dipping, it would need to address DEQ's conflicting statute.
225	Chair Shetterly	Are there vehicles available for conflict amendments?
226	Martin-Mahar	Answered affirmatively, could also be addressed on the Senate side.
232	Chair Shetterly	Clarified -11 amendments incorporate all of the program changes.
236	Martin-Mahar	Provided revenue impact statements for -10, (Exhibit 5) and -11 amendments, (Exhibit 6). statements include a small amount for double-dipping that would occur under the amendments. If conceptual amendments are adopted, will adjust impacts downward.
257	Rep. Kropf	Very pleased with -11 amendments. The -11 addresses the double-dipping issue identified by the interim Biofuels Task Force; and incorporates biofuels. Recommended approval.
288	John Miller	Spoke in support of solar tax credits in the -7 amendments, as it is a carry forward tax credit. The change allows an individual to install a properly-sized system, facilitates receipt of the tax credit and places a cap on the current system. The solar industry likes the amendments as it encourages people to install properly sized systems.
320	Rep. Barnhart	What's a properly*sized system and how does that relate to the amount of the tax credit?
323	Miller	Could describe what a properly-sized system is not, rather than what it is because it changes for each use. What is not a properly-sized system for most and what is currently allowed is 500 watts. An average system that would offset electricity use would be 1000 to 2000 watts.
328	Matt Blevins	OEC opposes HB 2652, approves of incentives for renewable energy facilities, but tradeoffs of other elements in the bill do not make sense in terms of using resources wisely to encourage pollution control and economic development. Encouraged Committee to look at amendments that provide front-end pollution control effort and more focused.
393	Mike Grainey	Addressed energy aspect of amendments. Supported both -10 and -11, but feels the -11 are superior as it allows advantage to be taken of the federal and state energy tax credits. The state provides a credit at the front-end; the federal production tax credit provides a credit when the resource produces

energy. Supported the conceptual amendment which allows a choice of one of two state tax credits.

- 404 Patrick Green Concerned about new tax credits. If this is compelling there should be an offset. Has not read the -10 and -11 amendments, but opposed to a credit which asks people to do what they are already doing.
- 428 John Ledger AOI is pleased OOE supports the bill. Described as a tool to attract industry and higher wage jobs. Discussed competition with other states for manufacturing jobs. This bill would provide a good tool in attracting high paying jobs. A credit is not received until a firm makes money. Discussed pollution control aspect. Each credit is scrutinized by DEQ. Cited difficult engineering analysis process required to qualify for the credit. Would like to be able to offer to outside companies to locate or stay in Oregon.

#### TAPE 184, SIDE A

- 040 Rep. Hass What is the incentive or strategy to use this for a utility such as PGE/Enron, particularly a monopoly?
- 052 Ledger What happened with Enron was an anomaly and don't know if it is worth eliminating the whole program. Enron's business practices were despicable and not representative of Oregon businesses using the credit.
- 060 Rep. Hass If continued, there is no reason for companies to not take advantage of this tax credit. Questioned strategy of subsidizing a utility that is a monopoly, cannot expand, is not adding new jobs and is instead laying people off. What are taxpayers buying with that strategy as it applies to utilities?
- 065 Ledger Ideally it would be reflected in the rate structure because it is part of their costs. Did not know enough about utility pricing to address that issue.
- 077 Pat Egan Clarified Ledger's remarks regarding executive branch support of the -11 amendments. The Governor's office supports the -7 elements incorporated into the -11 amendments. Concerned with the expansion and level of pollution control tax credit; assumes it would be changed in the Senate. The Governor appreciates delaying the short term impact on the 2003-05 biennium. Reservations exist over extension of sunset for a sixth time, or at least the percentages. Described -7 amendments establishing an industry cluster in which the level of credit is at 50% as too high as an incentive. Current business energy tax credit is 35%, maybe higher, but not 50%. Supports -7 elements on renewable energy in Section 15. Reservations with the original bill are addressed in a letter of concern written earlier to the Committee.
- 103 Rep. Barnhart Does that mean if the final bill included only -7 amendments, the Governor would be happy with that?
- 114 Egan -7 were drafted by the Governor's Office, but in a short period of time, and 50% is more generous than necessary,
- 121 Rep. Barnhart The Governor would be happy if the HB 2652 passed with the -7 and a number less than 50%?
- 123 Egan Answered affirmatively.
- 125 Rep Verger If 50% was reduced would you be happy with -11?

127	Egan	Relative to the Business Energy Tax Credit or the Pollution Control tax credit?
		Probably pollution control?
129	Rep. Verger	
130	Egan	It would go some distance in taking care of concerns. If it included a phase out, would be open to discussion.
139	Dave Nelson	This has been an important element to the agricultural community. While the credit has been available for years, agriculture has just begun to take advantage of it over the last 10-15 years. The tax credit has been at 50% for most of its existence except for last 2 years. The credit helped the grass seed industry transition from a burning society to a non-burning society. In the dairy industry, it helped capture all the waste and keeping it from the state's waters.
171	Chair Shetterly	Closed Work Session on HB 2652.
174	Chair Shetterly	Meeting adjourned at 10:25 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:

1. Martin-Mahar, "HB 2652 – Amendments", 3 pages
2. Martin-Mahar, "HB 2652-10 Amendments", 41 pages
3. Martin-Mahar, "HB 2652-11 Amendments", 41 pages
4. HB 2652 – "Pollution Control and Business Energy Tax Credit Changes", 2 pages
5. Martin-Mahar, "HB 2652-10 Revenue Impact Statement", 1 page
6. Martin-Mahar, "HB 2652-11 Revenue Impact Statement", 1 page
7. Miller, "Testimony HB 2652", 1 page