

PUBLIC HEARING: SB 520

PUBLIC HEARING AND WORK SESSION:

SB 521, SB 301

TAPES 047-048, A/B

SENATE REVENUE COMMITTEE

February 20, 2001 — 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo (left meeting at 9:10 a.m.)

Senator Gary George

Senator Charles Starr

Members Excused: Senator Tony Corcoran

Senator John Minnis

Staff: Paul Warner, Legislative Revenue Officer

Ed Waters, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Mike Graine, Oregon Office of Energy

Steve Vincent, Avista Utilities

Brad Higbee, Renewable Northwest Project

Sandy Flicker, Rural Electric Co-ops

John Patterson, President, Oregon Solar Energy
Industries Assn.

Andrea Foe, League of Oregon Cities

Brian Boe, PGE

Gary Bauer, NW Natural, Public Policy & State Gov't. Relations

Pamela Konstantopolous, Director of State Board of Tax Service Examiners

Donna Gilmore, Legislative Liaison for Oregon Association of Tax Consultants

Gerald Zelinsky, Board Member, Tax Service Examiners

TAPE 047, SIDE A

005 Chair Ferrioli Meeting called to order 8:35 a.m.

018 Ed Waters SB 520 is brought from the Office of Energy. It eliminates sunset dates and modifies several alternative energy incentive programs. The income tax credit provisions would reduce General Fund revenues (mostly personal income tax revenues) by an estimated minus \$2.42 million in the 2001-2003 biennium. The Governor's budget recommends extending credit sunsets.

OPENED PUBLIC HEARING ON SB 520

055 Mike Grainey Discussed Exhibit 4. Stated that the Residential Energy Tax Credit Program has been very popular for solar, geothermal, energy-efficient appliances, and for alternative fuel vehicles for individuals. Believes it is an important program to continue.

083 Steve Vincent Discussed Exhibits 5 and 6 and reasons for support of the bill. Although the natural gas industry does not face the same capacity constraints experienced by the electric sector, Avista customers still benefit from conservation measures.

Aside from natural gas vehicles and appliances, Avista Corp. has wholly-owned subsidiary

named Avista Labs that is manufacturing and commercializing a proton exchange membrane fuel cell (see Exhibit 6). Extensive technical comments on how these fuel cells work.

Comments, and questions and answers followed.

- 202 Brad Higbee Testified on behalf of the Renewable Northwest Project, a regional organization made up of consumer and environmental organizations as well as developers of renewable energy, i.e. solar, wind, geothermal. Supports SB 520.
- 219 Sandy Flicker Testified in support of SB 520 on behalf of the Rural Electric Co-ops. Several of those on the east side of Oregon use the tax credit to help market items such as ground source heat pumps to their customers. The tax credit is very beneficial to the Rural Electric Co-ops and should be maintained now, especially because conservation is so important at this time.
- 245 John Patterson Testified in support of SB 520. The industry depends heavily on the tax credit and is a motivating factor in causing buyers to purchase a solar energy device.
- 284 Ed Waters Discussed revenue impact of this bill. As previously stated, the estimated revenue impact for the 2001-03 biennium is approximately minus \$2.42 million. It is higher than what was incorporated in the Governor's recommended budget, where the estimated cost of extending the sunsets was about \$1.8 million in 2001-03. Evaluating more recent data than was available when the budget was produced causes the difference.
- 320 Chair Ferrioli Said even though the difference is only about \$600,000, Co-Chairs have asked Revenue Committee Chairs not to move bills forward that have higher revenue impact than

anticipated without first consulting with them. Decided this bill would not be moved today, but will probably come back after consultation with the Co-Chairs.

- 349 Chair Ferrioli Read into the record written testimony from the League of Oregon Cities. Testimony indicates the League supports SB 520.
- 366 Chair Ferrioli Asked members if the bill should go forward with a repeal or with a ten-year extension. After consulting with Co-Chairs of Ways and Means, the Chair will bring back a recommendation from the Office of Energy as to their desire for repeal or extension.
- 394 Ed Waters Added for clarification that SB 520 eliminates sunsets on three programs. The letter from the League of Oregon Cities refers to the sunset on the alternative energy system property tax exemption.
- 405 Andrea Foe Clarified that their concern is with the property tax component of the bill and are not requesting a sunset on the other issues.
- 420 Graineey Stated Office of Energy would be comfortable with ten-year extension on property tax exemption.
- 430 Chair Ferrioli Directed staff to create (-1) amendments to reflect the League of Oregon Cities concern that is specific to the tax credit sunset date on the property tax exemption. Would bring SB 520 back to Senate Revenue at earliest available opportunity for work session.

CLOSED PUBLIC HEARING ON SB 520

- 456 Waters Discussed SB 521, which is also from the Office of Energy. It affects the business energy

tax credit program, as opposed to the residential energy programs addressed in SB 520. It allows utilities to claim business energy tax credit, which are currently excluded by statute. Has estimated revenue impact of minus \$293,000.

TAPE 048, SIDE A

OPENED PUBLIC HEARING ON SB 521

- 038 Grainey Testified in support of SB 521. Stated the changes will help make the program more effective, in light of the current energy crisis.
- 066 Brian Boe Testified on behalf of Portland General Electric. PGE supports SB 521, which would allow utilities to claim energy conservation facilities tax credits. This would allow PGE to partner with others in biomass digester type installations while allowing them to receive the business energy tax credit. Under current law, PGE cannot have an ownership interest in such facilities because it would disqualify that facility from obtaining the business energy tax credit. Biomass facilities produce methane for electric generators, and turn a potential pollutant (manure) into useful, clean fertilizer.
- 081 Vincent Stated that Avista also uses the tax credit program for natural gas vehicles in their service territory. There are approximately 160 alternative fuel vehicles in the Medford area, most of them using natural gas. Gave example of City of Ashland's installation of photovoltaic array to generate power for municipal utility. Commended the Office of Energy for their efforts.
- 129 Higbee Also commended the Office of Energy for their helpful and friendly assistance to consumers with this program. Further testimony in support of this bill.
- 140 Gary Bauer NW Natural supports SB 521, which will allow

them to proceed with some experimental programs related to fuel cells and other projects.

- 154 Graineey Discussed Exhibit 13, summary of (-1) amendments.
- 190 Waters Discussed base bill and (-1) amendments. The base bill has an estimated revenue impact in the 2001-03 biennium of about minus \$293,000. The (-1) amendments may have additional impact in the 2001-03 biennium of approximately \$810,000 cost to the General Fund.
- 209 Chair Ferrioli Because of the unanticipated revenue impact, moving SB 521 will be delayed until the (-1) amendments can be incorporated to the bill. As soon as both SB 520 and SB 521 can be scheduled for a meeting, both bills will be moved together.

OPENED WORK SESSION ON SB 521

- 230 Sen. L. Beyer MOTION:

MOVES (-1) AMENDMENTS TO SB 521 BE ADOPTED.
- 233 Chair Ferrioli ORDER:

HEARING NO OBJECTION, MOTION PASSES: 5 — 0 — 2

SENATORS VOTING AYE: CASTILLO, GEORGE, STARR, L. BEYER, and FERRIOLI.

SENATORS ABSENT: CORCORAN, MINNIS.

CLOSED WORK SESSION ON SB 521

- 240 Chair Ferrioli Explained that these two bills will come back to

work session only at earliest convenience.

244 Chair Ferrioli Related to Mr. Grainey that it is rare when legislators hear consistently high praise for an agency, and that the Chair and other members have heard consistently high praise for the Office of Energy and the administration of the alternative energy program and tax credit. Asked Mr. Grainey to convey to the Office of Energy and its staff that their work is very much appreciated.

CLOSED PUBLIC HEARING ON SB 521

269 Paul Warner Explained that SB 301 was before this committee two weeks ago but needed to be adjusted before it could be finalized. The bill is from the State Board of Tax Service Examiners and pertains to changing the name of the agency and to expanding authority.

OPENED PUBLIC HEARING ON SB 301

316 Pamela Konstantopoulos Discussed the (-1) and (-2) amendments to SB 301. Also discussed Exhibit 22.

Questions and answers interspersed.

389 Donna Gilmore To correct the record, clarified that because of testimony several weeks ago in opposition to this bill, they wished to verify support for the bill.

411 Gerald Zelinsky Stated he has been with the Tax Service Examiners since inception of the agency.

420 Chair Ferrioli Pointed out that when SB 301 was previously discussed, the State Board of Tax Service Examiners requested the \$5,000 limitation on violations. However, after hearing the testimony and upon seeing how the bill is drafted, the Chair is inclined not to move (-1) amendments.

451 Warner Explained (-2) amendments are intended to do three things: Keeps information gathered in an investigation confidential until final determination by the Board, allows the Board to disclose information prior to completion of an investigation when necessary, and keeps personal financial information (i.e. tax returns) confidential unless necessary for investigation or prosecution.

TAPE 047, SIDE B

039 Konstantopoulos Confirmed that the Board worked closely with Sen. Minnis' staff in drafting the (-1) and (-2) amendments and are in support of the changes.

Questions and answers followed.

CLOSED PUBLIC HEARING ON SB 301

OPENED WORK SESSION ON SB 301

063 Sen. L. Beyer MOTION:

MOVES (-2) AMENDMENTS TO SB 301 BE ADOPTED.

064 Chair Ferrioli ORDER:

HEARING NO OBJECTION, MOTION PASSES: 4 — 0 — 3

SENATORS VOTING AYE: GEORGE, STARR, L. BEYER, FERRIOLI.

SENATORS ABSENT: CASTILLO, CORCORAN, MINNIS.

065 Sen. L. Beyer MOTION:

MOVES SB 301 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

070 Sen. George Declared that without the (-1) amendments, he will vote NO.

072 Chair Ferrioli Because of lack of quorum, asked Sen. Beyer to withdraw his motion.

CLOSED WORK SESSION ON SB 301

077 Sen. George Stated his reason for not approving (-1) amendments was rate of increase of penalty from \$5,000 to \$10,000 per violation. Feels this may be excessive. Would reconsider voting for the (-2) amendments if the penalty rate was set at \$5,000.

083 Chair Ferrioli Asked the State Board of Tax Service Examiners if they would agree to change the penalty amount from \$10,000 to \$5,000 per violation, to which they agreed..

RE-OPENED WORK SESSION ON SB 301

091 Sen. George MOTION:

MOVES (-1) AMENDMENTS TO SB 301 BE ADOPTED.

092 Chair Ferrioli ORDER:

HEARING NO OBJECTION, MOTION PASSES: 4 — 0 — 3

SENATORS VOTING AYE: GEORGE, STARR, L. BEYER, FERRIOLI.

093 Sen. L. Beyer MOTION:

MOVES SB 301 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

096 Chair Ferrioli ORDER:

HEARING NO OBJECTION, MOTION
PASSES: 4 — 0 — 3

SENATORS VOTING AYE: GEORGE,
STARR, L. BEYER, FERRIOLI.

SENATORS ABSENT: CASTILLO,
CORCORAN, MINNIS.

Sen. Starr will carry the bill on the Senate
Floor.

CLOSED WORK SESSION ON SB 301

112 Chair Ferrioli Meeting adjourned at 9:38 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 520, Waters, Fiscal Impact Statement, 1 pp.
2. SB 520, Waters, Revenue Impact Statement, 2 pp.
3. SB 520, Rep. March, Written testimony dated February 20, 2001, 1 pp.
4. SB 520, Graine, Summary of SB 520, 1 pp.
5. SB 520, Vincent, Written testimony dated February 20, 2001, 2 pp.
6. SB 520, Vincent, Fuel Cell Brochure, 4 pp.
7. SB 520, unknown, Written testimony, 1 pp.
8. SB 521, Waters, Fiscal Impact Statement, 1 pp.
9. SB 521, Graine, (-1) amendments (DJ/ps 2/19/01), 3 pp.
10. SB 521, Waters, alternative Energy Devices information, 6 pp.
11. SB 521, Waters, Revenue Impact Statement, 2 pp.
12. SB 521, unknown, Written testimony, 1 pp.
13. SB 521, Graine, (-1) amendments summary, 1 pp.
14. SB 521, Graine, bill summary section by section, 1 pp.
15. SB 521, Boe, Written testimony dated February 20, 2001, 1 pp.
16. SB 521, Vincent, Written testimony dated February 20, 2001, 2 pp.
17. SB 521, Bottomly, Written testimony dated February 21, 2001, 1 pp.
18. SB 301, Konstantopoulos, (-1) amendments (DJ/ps 2/5/02), 1 pp.

19. SB 301, Konstantopoulos, (-2) amendments (DJ/ps 2/8/01), 1 pp.
20. SB 301, Warner, Fiscal Impact Statement, 1 pp.
21. SB 301, Warner, Revenue Impact Statement, 1 pp.
22. SB 301, Konstantopoulos, Report on Application Process, 2 pp.