

February 4, 2021

Senator Lee Beyer
Chair, Senate Energy and Environment Committee
900 Court St.
Salem, Oregon 97301

Subject: Senate Bill 154: Payment in Lieu of Taxes

Testimony of David Brown
SB 154 – Payment in Lieu of Taxes
Senate Energy and Environment Committee

Chair Beyer, members of the Committee:

- My name is David Brown. My company is Obsidian Renewables, based in Lake Oswego. Obsidian developed some of Oregon’s first and larger solar projects. Our mission is to deploy renewable energy of all types and sizes quickly and efficiently, and to drive down the price of solar and other promising renewable energy technologies.
- In 2015, I approached the Legislature with an idea to provide fiscal certainty to solar developers, create jobs for Oregonians, and provide revenue through increased economic development activity in Oregon’s rural communities. That idea is now before you for reauthorization in SB 154.
- My goal today is to tell you that the decision you made to create the payment-in-lieu of taxes for taxable solar energy projects worked on all counts.
- For background, all residential and commercial solar projects are exempt from property taxes. Projects that are “net metered” or “behind the meter” (think rooftop) are exempt from property taxes. Projects of any size that sell directly to utilities are taxable. Prior to this program, smaller projects that sold directly to utilities could receive 5 years of exemption if located in a Rural Renewable Economic Development Zone. (A RRED Zone.) Larger projects that sold directly to utilities, including almost all wind projects, could get a substantial property tax break under the Strategic Investment Program

(the SIP). In all other cases, solar projects were subject to central assessment as utilities by the Department of Revenue. The economic nature of solar projects (very high capital costs/very low operating costs) made the effective property tax cost of taxable projects high and the mysteries of central assessment made forecasting the property tax expense uncertain.

- This PILT program requires projects like mine to start paying property taxes in year one and then pay a level (but lower) property taxes over a long period of time. This greatly simplifies the methodology for taxing solar projects and makes solar taxes very predictable for bank financing. The PILT program also produced a modest incentive. The goal was to incentivize utility scale solar projects and increase revenue for counties that otherwise see very little revenue from the tracts of land used for the projects. This is why the Association of Counties, the Community Renewable Energy Association and Renewable Northwest all worked together to pass this proposal in 2015. And it worked.
- To illustrate: We developed a solar project on 320 acres of county land next to the county airport outside Lakeview. The soil is poor quality for farming, the proximity to the runway and high density of sagebrush make it unsuitable for grazing. Lake County had received no economic benefit from owning the land since it acquired title from the military after World War II. Our solar project pays \$200 per acre per year as rent and an additional \$1,000 per acre per year in property taxes.
- \$64,000 per year in rent is a large number for the small airport. And additional \$320,000 in property tax to the county and other property tax districts in a big win over zero.
- Obsidian is not the only solar developer in Lake County. In 2020, Lake County solar projects, as a group, paid \$938,000 in property taxes. 2021 the total will exceed \$1 million. For 20 years. As a group, solar projects are the second largest property tax contributors in the county, behind the Ruby Natural Gas Pipeline.
- Since 2015, the cost of installed solar farms has dropped 40 percent or more. But the price utilities pay for solar energy has dropped more than 50 percent. The \$7,000 number has become stale and solar developers have less interest in the program, some choosing the REDD Zone. It is important to lower the amount of the payment from \$7,000 to \$5,500, and we have continuing

discussions with Counties and other stakeholders on the subject. In my view, \$5,500 is a better reflection of the cost of solar and maintaining the balance between incentivizing projects in Oregon and generating revenue for counties and schools.

- A final note for community solar projects. The legislature passed community solar legislation several years ago and the concept has been stuck in study phase ever since. It looks like the program is now ready to launch, and uncertain property tax expense has emerged as a significant issue for financing. We are suggesting community solar advocates propose an amendment to this bill that covers their needs as well.
- You authorized a very important program in 2015, it worked, and it's still needed. I urge you to reauthorize the program and pass SB 154.

Thank you for your time today.

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