



BETC RECOMMENDATIONS

1. Provide **clearer goals and guidelines and fewer specifics.**
2. Require that **project owners have at least 35% or 40 % skin in the game.** Current rules say that public subsidies shall be limited to 100% of project cost. That limit should be reduced to 60%-65%. For rental housing owners (not vacation units) the ownership share should be 15%-20% for conservation efforts.
3. **Eliminate programs** that have transformed the market already and are no longer necessary or are simply too generous for our tight budget:
 - Solar Manufacturing – this cluster is complete
 - LEED – a now well-known and popular standard
 - Electric Vehicles & charging stations – the \$1500 subsidy not needed for early adopters whose 2011-2013 model year vehicles will never pay road taxes, a benefit worth \$200/year for the life of the vehicles, available via HB 2328
 - Electric Vehicle infrastructure - unless it is supplied for public use
 - Homebuilders Projects – this idea is now popular and the payback period 7-10 years
 - Wind – no state subsidy is needed
 - All transportation tax credits except Transportation Services for K-12 students

These can be reconsidered after the recession lifts.

4. We can't afford to be granting public subsidies of 35% and 50%. **All BETC should be reduced to 30% tax credits, 26% grants or low interest loans, with a shift away from giveaways and toward loans.** The reduction in subsidy percentages will be mitigated by lower pass-through rates. Eliminating the 50% subsidies of renewables will shift the balance toward conservation rather than the more taxpayer-expensive renewables.
5. Address the problem with having tax credits with deep discounts for pass-through purchasers:
 - Reduce the **pass-through discount rate.** The discount to 73-74 cents on the dollar is not necessary or appropriate in today's interest climate.
 - **Market tax credits** to the public.
 - **Subsidies for non-taxpaying entities should be 26% grants rather than 30% tax credits.**
 - For all projects with a cost of less than \$20,000, provide a **26% Business Energy Grant** rather than a tax credit. This will have the same revenue impact as current 1-year tax credits.

Provide ODOE with a budget from which to provide both tax credits and grants. Large grants should be paid over five years to spread the cost.

6. For BETC projects that are subsidized based on their **payback period** (conservation, truck efficiency, industrial process, etc), change the current payback period of 1-15 years to 2-10 years. Changing the threshold will not substantially affect the 40-60 year life measures (like insulation) which are important to the rental dwelling program, but will reduce windfalls. Further, index the payback period to the longevity of the measure (a 10 year payback on a project with a life of 5 years is inappropriate).
7. Currently conservation projects only need to be 10% above standard to get subsidy. To drive the market toward greater efficiency, **change the efficiency standard to 15% above standard in 2012** and expect ODOE to increase the demands over time to drive the market toward greater efficiency.
8. **Change the metrics for arriving at the subsidy for manufacturing facilities to one based on the payback period from tax receipts.** The current 50% of capital costs with a \$20 million cap is providing job subsidies of well over \$100,000 per job. This is not sustainable. The subsidy should be based on repayment from the combination of tax payments from the business and its employees for the first three, four or five years of operation.
9. **Negotiate an equity interest** when the total of state and federal taxpayer contributions to a business **for RD&D** exceeds 25% of the total private capital invested. The state's ownership interest should pass to PERS because the state can't own stock. Any growth in equity value for PERS would defray costs for public entities, thus benefiting the public which has made a venture capital investment.
10. Establish a requirement that **all prudent weatherization and efficiency measures must be completed before renewable technologies will receive public subsidy.** For example, the public should insist on completion of a needed \$140,000 lighting project before participating in the cost of a \$2.3 million PV system as both will yield the same kWh of energy.
11. **Environmental attributes should be owned by the state** in proportion to the public investment. The value of these, when realized, should be used to fund renewable energy resource development and energy efficiency.