

# State and Federal Incentives

Sixth Oregon Geothermal Working Group Meeting

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by

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Oregon Department of Energy



# Incentives

- ◆ Oregon Department of Energy's Incentives
- ◆ Federal Incentives (energy tax credits, USDA programs)
- ◆ Energy Trust of Oregon (PGE and PacifiCorp)
- ◆ Other utilities

Stateline Wind Project



# Oregon Department of Energy's Support:

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- ◆ Energy Tax Credits
- ◆ Energy Loan Program
  - ◆ Project technical and design review
  - ◆ Project financial review

Tamarack Wellness Center Eugene



# Business Energy Tax Credit

## Encourages investments in:

- ◆ Energy efficiency measures
- ◆ Renewable energy production
- ◆ Alternative fuels
- ◆ Reducing commuting
- ◆ Sustainable building design



Efficient irrigation systems

# Business Energy Tax Credit

- ◆ Incentive program (not a reward)
- ◆ Owner must apply **before** project start
- ◆ 35% of **eligible** project costs
- ◆ Project owners pay review fee (0.75% of eligible costs)
- ◆ Tax credit taken over 5 years (10%, 10%, 5%, 5%, and 5%)
- ◆ If eligible costs are \$20,000 or less, credit taken in one year

Geo-thermally heated greenhouse





# Business Energy Tax Credit (BETC)

- ◆ Project must be 10% more efficient than energy code or standard industry practice
- ◆ Lighting retrofits must be 25% more efficient
- ◆ Project must have a simple payback of 1 to 15 years (30 years for solar PV systems)



Geothermal heating of sidewalks

# Who can apply for a BETC?

- ◆ Business owner
- ◆ Rental property owner
- ◆ Non-profit organization
- ◆ School
- ◆ Public entity
- ◆ Tribe

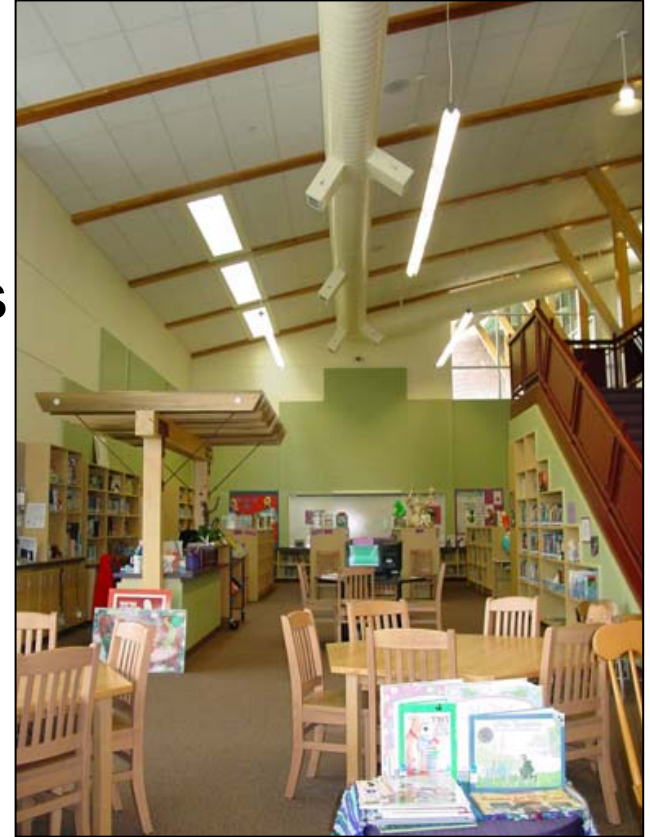


West Salem High School

# What is the Pass-through Option?

The pass-through option allows a project owner to transfer their tax credit eligibility to a business or individual with a tax liability in exchange for a lump-sum payment.

New Eagle Rock  
Elementary  
Eagle Point, OR  
Applying for LEED™  
certification





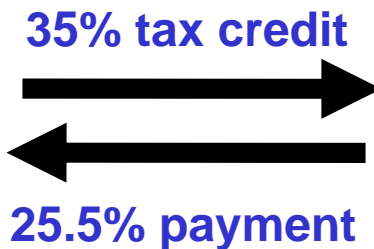
# Pass-Through Option

## The Pass Through- Partner

- ◆ Pays the net present value (25.5%) of eligible project costs and gets the 35% tax credit
- ◆ Business or Individual (one or more)
- ◆ Must have an Oregon tax liability
- ◆ Can help capitalise a project

## Project owner

(church, school,  
public entity,  
business, etc.)



## Pass-through partner

(business or individual with  
an Oregon tax liability)

# Business Energy Tax Credit

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**From 1980 through 2005:**

- ◆ **Tax credits issued:** 10,180
- ◆ **Total project costs:** \$800 million
- ◆ **Energy saved:** 23.1 trillion Btu per year
- ◆ **Energy generated:** 4 trillion Btu per year



Biogas on dairy farm

# Residential Energy Tax Credits



- ◆ Envelope Efficiency
- ◆ Most Efficient Appliances
- ◆ Solar, Wind, Geothermal
- ◆ Manufactured housing

# Energy Loan Program

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- ◆ **Eligible applicants:** public entities, tribes, businesses, individuals, non-profits
- ◆ **Loans for:** efficiency, renewables, recycled products and alternative fuels
- ◆ **No cost to taxpayers:** fees and interest spread pay program costs
- ◆ **Loans Activity:** 606 loans for \$315 million
- ◆ **Energy Savings/production:** \$44 million per year

# Energy Loan Program Terms

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- ◆ \$20,000 to \$20 million
- ◆ 5 to 20+ year terms
- ◆ Construction or take-out loans
- ◆ Application fee + 1% loan fee
- ◆ Low fixed rates
  - Private 7.15%, up to 15 years
  - Public 4.90%, 12 years
- ◆ Collateral required

Viridian Place Portland



# Energy Loan Program Terms cont.

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- ◆ Flexibility on terms and structure. Can use other collateral and work with the existing debt or other lenders
- ◆ Can include most costs in the loan, e.g. study, design, engineering, installation, commissioning
- ◆ Use with tax credits, utility and other incentives
- ◆ Possible use of tax-exempt funding for renewable resource projects (may conflict with federal tax credits)





# Energy Loan Program Process

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- ◆ Application on web site or via e-mail
- ◆ Staff reviews project technical and financial information
- ◆ Approval usually within 2 weeks if less than \$100k
- ◆ Advisory Committee reviews loans more than \$100k (\$500k state agencies)



Solar Electric water pumping

# Technical Assistance

- ◆ Review project design & engineering
- ◆ Technical support in selecting energy measures
- ◆ Assist in troubleshooting existing projects
- ◆ Assistance in developing demonstration projects
- ◆ Fuel blind and impartial to equipment brand or specific contractor



Ashland City Hall

# Federal Incentives

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## Federal Production Tax Credits (PTC) for renewable energy electricity generation (expires end of 2007)

- ◆ 1.9 cents/ kWh produced for first 10 years of project
- ◆ Projects are also eligible for 5 year accelerated depreciation of project costs
- ◆ Investors must have tax appetite to take advantage of credits
- ◆ These tax credits have real value to renewable projects and can bring investments equal to 25%-30% of project costs

# Federal Incentives

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## Clean Renewable Energy Bonds (CREBs) (new)

- ◆ Basically a public power program: electric coops and other governmental entities that can not make use of the PTC
- ◆ Projects eligible for the PTC are eligible for the CREBs
- ◆ Total amount available \$800,000,000 for the next two years
- ◆ Ranking based on the amount of funds requested (small to large)
- ◆ April 26, 2006 deadline to apply for “authority to issue these bonds”

# Federal Tax credits for homes:

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Tax benefits **for existing homes** include:

- ◆ \$50 for highly efficient circulating furnace fan
- ◆ \$150 for highly efficient furnace or boiler
- ◆ 10% up to \$500 for envelope improvements such as insulation, doors, duct sealing, energy efficient windows, skylights, pigmented metal roofs
- ◆ \$300 for highly efficient central air conditioner, heat pump or water heater (not for swimming pools and hot tubs)
- ◆ up to \$175 for appliances
- ◆ \$30%, up to \$2,000, for solar water equipment

# Federal tax credits for business:

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**Businesses** are eligible for credits such as:

- ◆ energy efficient whole buildings, lighting, HVAC and envelope
- ◆ 30% credit for installing qualifying solar equipment on buildings
- ◆ Credits for companies that build highly efficient **new** homes (site built or manufactured)
- ◆ Credits for companies that manufacture energy efficient appliances
- ◆ Microturbines, for business only: 10% up to \$200 per kW



# Federal Tax credits (miscellaneous) :

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- ◆ Tax credit for fuel efficient cars, such as **hybrids**: complicated formula, up to \$3,400
- ◆ Fuel cells for home or business: 30% up to \$1,000 per kW

Source:

ACEEE at <http://www.aceee.org/> and

US DOE at <http://www.energy.gov/taxbreaks.htm>

# USDA Farm bill

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- ◆ Section 6013, : **Value-added Grant Program**  
an existing program amended to expand the definition of the term “value-added agricultural product” to include farm and ranch-based renewable energy to qualify for grants
- ◆ **Section 9006: Renewable Energy System and Energy Efficiency Improvements:**
  - ◆ loan, loan guarantee or grant program
  - ◆ up to 25% of the cost of a project
  - ◆ combined grant and loan or guarantee up to 50% of the cost of a project

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