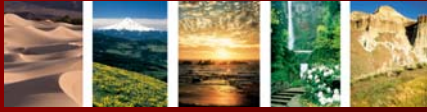


Stimulus Package Funding & Routine Incentive and Financing Programs ACWA 6-4-2009



Oregon Department of Energy

American Recovery and Reinvestment Act

- Federal stimulus details at: www.recovery.gov
- Register at: www.grants.gov
- It also funds programs that were authorized in the Energy Policy Act of 2005 (EPAAct) and the Energy Independence and Security Act (EISA) of 2007

General Stimulus Funds for Energy Projects

- State Energy Program (SEP)
- Energy Efficiency and Conservation Block Grant Program (EECBG)
- Energy Efficient Appliance Rebates
- Plug-in Electric Vehicles
- Smart Grid
- Research, Development, Demonstration and Deployment

I. State Energy Program (SEP)

- ARRA calls for expanding existing programs approved by the state, directing funds to energy efficiency retrofits of buildings and supporting renewable energy projects
- To increase the impact of the stimulus funds, USDOE gives preference to projects with a high degree of leverage or matching funds.

State Energy Program (SEP)

- The purpose of the SEP ARRA funds are to:
 - Stimulate the creation or increase the retention of jobs
 - Save measurable energy (10 MMBtu per \$1,000 invested)
 - Increase energy generation from renewable resources
 - Reduce greenhouse gas emissions
- States are required to commit to using SEP ARRA funding to expanding existing programs, and to not supplant or replace existing state, ratepayer or other funding.
- Projects need to be ready-to-go because funds are to be obligated by September 30, 2010 and spent by March 31, 2012.

State Energy Program (SEP) Prohibitions

- State Energy Program funds CANNOT be used for:
- Construction, such as construction of mass transit systems and exclusive bus lanes, or for construction or repair of buildings or structures;
 - To purchase land, a building or structure, or any interest therein;
 - To subsidize fares for public transportation;
 - To subsidize utility rate demonstrations or state tax credits for energy conservation measures or renewable energy measures; or
 - To conduct, or purchase equipment to conduct, research, development or demonstration of energy efficiency or renewable energy techniques and technologies not commercially available.
 - Swimming Pools
 - Zoos
 - Aquariums
 - Golf courses
 - Gambling establishments

State Energy Program (SEP)

- \$3.1 billion nationwide
- \$42 million to the Oregon Department of Energy; Percentage to be held back for monitoring, verification, administrative
- SEP "formula" funding is used for energy efficiency and renewable energy projects in public buildings and K-12 schools
- ODOE submitted final application 5-12-09

State Energy Program (SEP)

- To receive funding, governors have to send letters to Energy Secretary Chu regarding upgrading building codes and utility policies on energy efficiency
- Money comes to states 10% at the time of award; 40% when USDOE approves the state's plan; 20% when funds are obligated; 30% upon submission of required reports, including proof of jobs created

State Energy Program (SEP)

- Eligibility – Public Buildings
 - K-12 school districts; community colleges; universities; state and local governments (cities, counties, special districts)
- Eligible Projects
 - Energy efficiency projects (save Btus)
 - Renewable energy resource projects

State Energy Program (SEP)

Performance Measures:

- Jobs created
- Energy saved
- Renewable energy installed capacity and generated
- Greenhouse gas emissions reduced
- Energy cost savings
- Funds leveraged

State Energy Program (SEP)

Project Priorities

- Projects previously identified and not funded
- Projects identified by utilities and communities
- Prioritize regions most hard hit by recession (via employment data)
- Projects with largest job creation
- Energy savings and fuel type to maximize energy and emissions reductions

State Energy Program

Project Priorities

- Leveraged funding: ie customers investment, utility incentives, loans (zero interest), comprehensive retrofits, other benefits to building occupants, emissions, community
- Leveraged partnerships with utilities, service providers, etc.
- Cities and counties receiving EECBG grant funds must document how those funds will be utilized before consideration for SEP formula grant funding

II. Energy Efficiency and Conservation Block Grants

- \$3.2 billion nationwide to assist primarily local governments in implementing energy efficiency and renewable programs under Title V of EISA 2007
- Dollar amount for Oregon is \$33.5 million for counties, cities and tribal governments

EECBG

- 68% goes directly to the 10 most populous cities and 10 most populous counties
- 16% goes through the states to counties under 200,000 and towns under 35,000 in population
- 12% goes directly to state energy offices for the State Energy Program (SEP)
- 2% will be for a competitive program
- 2% is available to tribes

EECBG - Direct

Of Oregon's \$33.5 million:

– Albany	201,500
– Beaverton	914,900
– Bend	745,500
– Corvallis	511,600
– Eugene	1,485,800
– Gresham	901,500
– Hillsboro	924,700
– Keizer	138,500

EECBG – Direct

■ Lake Oswego	157,900
■ Medford	729,700
■ Portland	5,626,100
■ Salem	1,521,200
■ Springfield	539,400
■ Tigard	230,500

EECBG - Direct

■ Clackamas	3,159,500
■ Deschutes	325,700
■ Douglas	442,900
■ Jackson	524,800
■ Josephine	343,200
■ Lane	561,200
■ Marion	609,000
■ Umatilla	312,900
■ Washington	2,596,900
■ Yamhill	403,100

EECBG

■ Burns Paiute Tribe	29,000
■ Confederated Tribes of the Coos, Lower Umpqua and Siuslaw	63,500
■ Confederated Tribes of the Grande Ronde	301,100
■ Confederated Tribes of the Siletz	305,500
■ Confederated Tribes of the Umatilla	68,900
■ Confederated Tribes of the Warm Springs	129,300
■ Coquille Tribe	64,400
■ Cow Creek Band of the Umpqua	96,800
■ Klamath Tribes	91,500

EECBG

- The population data used in Program Formulas are from the 2007 US Census
- State Formula: The formula for determining allocations to states includes three factors that are considered with equal weight:
 - The total population of the state
 - The population of the state after subtracting the populations of all cities and counties eligible for direct formula grants from DOE in that state
 - The total energy consumption in the state, less consumption in the industrial sector

EECBG

- City/County Formula
The formula for determining allocations to cities and counties is based on two weighted factors: resident and daytime (commuter) population. Resident population factor receives a weight of approx. 70%, and daytime population factor receives a weight of approx. 30%. This accounts for the energy use of these populations

EECBG

- Tribal Formula
The formula for Tribal governments is based on two weighted factors: tribal population and climactic conditions in each tribe's state, derived from heating and cooling degree days. The tribal population factor receives a weight of 75% and the tribal climate factor receives a weight of 25%

EECBG – Possible Uses

- Activities specified in the authorizing language include the following:
 - Development and implementation of an energy efficiency strategy
 - Energy efficiency retrofits of nonprofit organizations and governmental agencies
 - Development and implementation of energy efficient programs for its buildings and facilities

EECBG – Possible Uses

- Transportation measures to conserve energy, including development of alternative infrastructure such as bike lanes, pathways and sidewalks, or other measures that decrease energy use and increase energy efficiency
- Development and implementation of building codes
- Application of energy distribution technologies such as district heating and cooling systems

EECBG – Possible Uses

- Application of technologies that capture methane from landfills
- Installation of light emitting diodes (LED) in traffic signals and for indirect lighting of the outside of buildings
- Use in any government building of onsite renewable energy such as solar thermal, solar electric, wind energy, or geothermal

EECGB

Local and Tribal Government deadline to apply is June 25, 2009 at 8:00 pm Eastern Time

Energy Efficient Appliance Rebates

- \$300 million available nationwide to state energy offices to operate a program encouraging people to buy Energy Star appliances
- This program was authorized in Section 124 of EAct 2005, but was not funded until now
- 15 states currently have energy-efficient appliance incentives programs, including Oregon
- USDOE guidance has not been announced

Plug-In Electric Vehicles

- \$400 million available nationwide
- Provides grants to states and local governments and others to encourage use of plug-in electric drive vehicles
- Authorized under EISA 2007
- Can be used for truck stop electrification and other measures

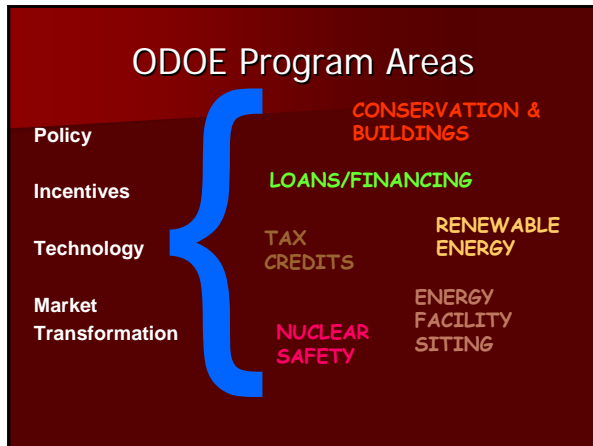
Smart Grid

- \$4.5 billion for the Smart Grid Investment Program
- For research and development and pilot projects
- Expected to include advanced metering and demand response equipment
- Funding open to utilities and others involved in smart grid development

Research, Development, Demonstration, and Deployment

- \$2.5 billion
- Includes \$800 million for biomass and \$400 million for geothermal
- Funding goes to USDOE's Energy Efficiency and Renewable Energy Division
- Biomass will include research and development for converting biomass resources to biofuels





Energy Loan Program (SELP)

In general the purpose of the Energy Loan Program (SELP) is to promote energy conservation and renewable energy resource development in Oregon.

Small Scale Energy Loan Program (SELP)

The program offers low interest loans for projects that:

- ◆ Conserve natural gas, electricity and oil
- ◆ Produce energy from renewable resources such as water, wind, geothermal, solar, biomass, waste materials or waste heat
- ◆ Use recycled materials to create products
- ◆ Promote use of alternate fuels

Energy Loan Program

- ◆ Loans to all types of applicants: public, private, tribes, non-profits
- ◆ Loans for: efficiency, renewables, recycled products, alternative fuels
- ◆ No cost to taxpayers - payed for by users. Funded from state bonds.
- ◆ \$300 M in loans, yielding \$89 M/y in energy value; Approx. 700 loans
- ◆ 1981 first loan: \$15 million Warm Springs Tribes hydro

Small Scale Energy Loan Program (SELP)

Energy Loan Program Basics

1980 Article XI-J. Constitutional amendment. Allows general obligation bond sales to fund projects.

- **Loans are secured**
- **\$20,000 to \$20 million**
- **Terms from 5 to 20 Years**
- **No cost to taxpayers – fees and interest pay program costs**
- **Approval within 2 weeks <\$100k**
- **Advisory Committee reviews Loans over \$100k**
- **Can include most costs**

Small Scale Energy Loan Program (SELP)

Who Qualifies?

- Individuals
- Businesses
- Governments
 - Cities
 - Counties
 - Tribes
 - State Agencies
 - Special Districts:
 - Fire
 - Water and Sewer
 - Irrigation Districts
 - Parks + Recreation
- School Districts
- Community Colleges
- Non-profits

Energy Loan Program

- Qualified Project Types
 - Conservation
 - Renewable resource
 - Alternative fuel
 - Recycling projects



AIA, Portland

- Saving/Production: \$47 million per year



SELP Project Review and Technical Support

- Review Projects for Eligibility
- Review Project Design and Engineering
- Review Finances, Collateral, Projections
- Technical Support in Selecting Energy Measures
- Assist in Troubleshooting Existing Projects
- Assist in Developing Demonstration Projects



Things to keep in mind....

- Loans over 100k must go to SELPAC
- Large project funding = Bond Sale
- Rates directly tied to bond rates
- Project incentives generally not financed
- Borrower equity in project expected



Benefits of SELP Energy Loan

- Easy to deal with – easy process
- Flexibility on terms and structure.
- SELP can use other collateral and work with the existing debt structure
- Can include most costs in the loan, e.g. study, design, engineering, installation, commissioning
- Fuel blind and impartial to equipment brand or specific contractor
- Technical help and second opinion of more complex projects
- Can use Energy Trust incentives, tax credits and loans on same project.

Benefits other than energy savings drive many projects



Business Energy Tax Credit

Encourages investments in:

- Improving energy efficiency
- Recycling
- Using renewable energy
- Burning less-polluting transportation fuels
- Reducing employee commuting
- Building sustainably



Business Energy Tax Credit

- Incentive program (not a reward)
- Owner must apply **before** project start
- Project owners pay a review charge (0.6% of eligible costs with maximum \$35,000)
- Projects must be 10% more efficient (lighting must be 25% more efficient than previous lighting)
- Project must have a simple payback of 1 to 15 years



Brewery Blocks
Portland

Business Energy Tax Credit

- ◆ For conservation projects - 35% of eligible project costs
- ◆ For projects over \$20,000 Tax credit taken over 5 years - (10%, 10%, 5%, 5%, and 5%)
- ◆ Tax credit taken in 1 year if eligible costs are \$20,000 or less



Les Schwab Tire Center
Corvallis

Business Energy Tax Credit

- ◆ For Renewable projects - 50% of eligible project costs
- ◆ For projects over \$20,000 Tax credit taken over 5 years - (10%, 10%, 10%, 10%, and 10%)
- ◆ Tax credit taken in 1 year if eligible costs are \$20,000 or less



Stateline Wind Farm

Project Start

Application must be received at ODOE office prior to:

- ◆ Ordering equipment
- ◆ Signing contracts, invoices, financial commitment
- ◆ Making down payment or non-refundable deposit
- ◆ Working on project



Huntington Elementary School
Lighting Project

Eligible Cost Effective Date

This is the date (mm-dd-yyyy) the Application for Preliminary Certification is **received** at the ODOE office

- ◆ Project must begin on or after the Eligible Cost Effective Date
- ◆ All proof of payment must be on or after the Eligible Cost Effective Date
- ◆ The Eligible Cost Effective Date is printed on the Preliminary Certificate

Projects started **BEFORE** Eligible Cost Effective Date

- ◆ Only **unusual** business hardship reason can or will be accepted.
- ◆ BETC Waiver Request Review Committee will make decision to accept or deny a project that begins before ODOE receives the application.



South Albany High School
Lighting Project

Who can get a BETC?

- Business owner
- Rental property owner
- Those with no tax liability – through a "pass-through partner who has tax liability:
 - Non-profit organization
 - School
 - Public entity
 - Church, synagogue
 - Tribe



Rejuvenation
Portland

Business Energy Tax Credit

Renewable Projects

- Business Energy Tax Credit increased to 50% of eligible costs for renewable projects.
- Pass through rate is 33.5%.



Business Energy Tax Credit

Conservation Projects

- 35% of eligible project costs
- Tax credit taken over 5 years (10%, 10%, 5%, 5%, and 5%)
- Tax credit taken in 1 year if eligible costs are \$20,000 or less
- Pass through rate is 25.5%



Sustainable Buildings

- ◆ Tax credit based on LEED® certification - existing, recognized national program
- ◆ LEED easily adapted to tax credit and requires minimal staff
- ◆ Building must receive silver, gold or platinum rating and minimum 2 energy points, 1 commissioning point



Business Energy Tax Credit

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.



Eagle Rock Elementary
Eagle Point

Pass-through Option

- ◆ The project owner is ultimately responsible for securing its own pass-through partner.
- ◆ The project owner can proceed with project and complete the project (and all the final tax credit paperwork) without a partner identified.
- ◆ The Oregon Department of Energy will assist project owners **who have all final paperwork submitted** with securing a pass-through partner if a project owner is unsuccessful in finding one.

The Pass-through Option

- ◆ **35% Business Energy Tax Credit (Conservation)**
Taken over 5 years (10%, 10%, 5%, 5%, 5%)
Pass-through rate: 25.5%
- ◆ **35% Tax Credit for projects \$20,000 and less**
Taken in 1 year (35%)
Pass-through rate: 30.5%
- ◆ **50% Business Energy Tax Credit (Renewables)**
Taken over 5 years (10% per year)
Pass-through rate: 33.5%
- ◆ **50% Tax Credit for projects \$20,000 and less**
Taken in 1 year (50%)
Pass-through rate: 43.5%

Pass-through Payments

Pass-through payments are made **AFTER** the Oregon Department of Energy approves the Final Application

How does the pass-through work?

1. The project owner completes the project specific application for preliminary certification form **BEFORE** beginning the project.



Pass-through Option Process

2. The project owner and pass-through partner (if known) complete the pass-through application form.



Pass-through Option Process

3. The Oregon Department of Energy issues the preliminary certification.



Mt. View Apartments
Corvallis

Pass-through Option Process

4. The project owner completes the project and files for final certification.



Portland State University

Pass-through Option Process

5. The Oregon Department of Energy reviews the final application, approves it and issues a Certified Amount Letter to both parties.
6. The pass-through partner pays the owner 25.5% of the eligible project costs on the Certified Amount Letter (30.5% if the eligible project costs are \$20,000 or less.)
7. The Oregon Department of Energy verifies the payment and issues the tax credit certificate (35% of the eligible project cost) to the pass-through partner.



Pass-through Option

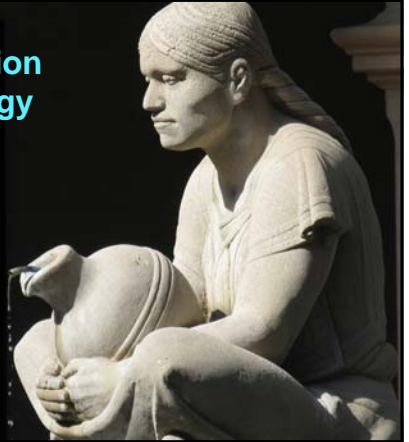
Who Are the Pass-through Partners?

- ◆ The pass-through partner can be one or more businesses or individuals with an Oregon tax liability.



Jackson County Fairgrounds
Central Point
Pacific Power, project owner
9 Southern Oregon industrial
customers were pass-through
partners

Conservation Is An Energy Source



ODOE Mission



Ensure Oregon has an adequate supply of **reliable** and **affordable** energy and is **safe** from nuclear contamination, by helping Oregonians **save** energy, develop **clean** energy resources, promote **renewable** energy, and clean up nuclear waste.

Ensure that Oregon's mix of energy resources **minimizes harm to the environment** and **reliably** meets the state's needs.