

Briefing Paper

Process Underway for New Energy Tax Credit Analysis

July 7, 2011

Summary

Energy Trust is actively analyzing impacts and developing options stemming from new energy tax credits passed by the Oregon legislature. This paper describes the process now underway and planned for board and stakeholder engagement on these important tax credit changes and their impact on Energy Trust programs and goals.

Background

- State energy tax credits have been available for certain conservation and renewable energy investments for over 30 years. Most recently, program budgets were as high as \$500 million/biennium and covered 35%-50% of specific project costs. Funding for new energy tax credits now total approximately \$50 million per biennium with different eligibility and budget caps per project.
- A communications plan was immediately initiated to provide factual information about new state energy efficiency and renewable energy tax credit programs to trade allies, contractors, utilities and the general public.
- A factual summary was detailed and included in the public packet for the July 13, 2011 board meeting and also broadly distributed via email and website. The document entitled 2011 Legislative Update can be accessed here: http://energytrust.org/library/meetings/board/110713_BoardPacket.pdf
- Key meetings and activities identified between now and year end 2011 will provide forums for engagement with different stakeholders. These are highlighted in the factual summary identified, above. A newly added meeting of the Conservation and Renewable Energy Advisory Councils is slated for August 10 followed by a joint Utility Roundtable and Energy Trust Board meeting on August 17. Preliminary results of staff analyses and suggested actions will be presented at these meetings.
- This briefing paper provides additional details on the analysis now being conducted by program staff in coordination with our contractors. The analysis begins to assess and estimate the impacts of the new tax credits on Energy Trust programs and savings and generation goals both during the remainder of 2011 and into the future.

Discussion

- The Oregon Department of Energy (ODOE) is responsible for the transition from former energy tax credit programs to administration of new energy tax credit programs. This responsibility includes new rulemaking for conservation business energy tax credits, renewable energy tax credits and residential energy tax credits.
- Energy Trust received data from ODOE on the last set of projects to be pre-certified for business energy tax credits under the former energy program. A separate request for

data pertaining to those projects expected to be declined a business energy tax credit due to date changes specified in the new legislation has been requested and is pending.

- Energy Trust has asked to collaborate and help reinforce consistent messaging by ODOE concerning communications with current tax credit applicants about changes in eligibility and loss of anticipated tax credits for current year projects.
- Energy Trust anticipates participating in ODOE energy tax credit rulemaking.

Staff Analysis

In coordination with program management contractors and program delivery contractors, energy program staff is actively analyzing potential impacts of new energy tax credits on current year activities and our ability to reach savings/generation goals and utility Integrated Resource targets by year-end.

Key elements of the analysis include:

- The amount of savings/generation from projects already completed or close to completion in the first half of 2011, indicating status toward annual goals.
- Current projects in the pipeline still eligible for and expected to receive a business energy tax credit this year.
- For the remainder of the current year, program reviews will encompass the following types of analyses:
 1. Identification of those efforts minimally impacted or not impacted at all by known tax credit changes and estimated correlation with savings/generation goals
 2. Identification of those efforts significantly impacted by known tax credit changes and estimated correlation with savings/generation goals, including an in-depth look at the current pipeline of projects, as follows:
 - An individual review of the known, large capital projects in the pipeline, individually identifying those likely to proceed
 - A sampling of existing lighting projects to identify the types likely to proceed. (Lighting is one of the largest sources of savings.)
 3. Attribution of historic and current year savings/generation projections by program sector and by utility to gauge impacts on individual utility IRP targets
- Budget analysis including:
 1. Revenue received and projected
 2. Identification of potential areas of current year budget savings
 3. Actions to mitigate potential lost projects and the estimated costs of doing so
- Regarding future impacts anticipated starting in 2012, the following topics will build upon the current year analysis and be explored as part of 2012-13 Budget and Action Plan preparation beginning this fall:
 1. Opportunities to grow efficiency savings from more operations and maintenance, behavior change and other potentially effective strategies which can be implemented independent of state tax credits

2. Assessing impacts and options for commercial and industrial/agriculture projects with less than 3-year paybacks
3. Collection of anecdotal and other feedback and indicators from the market to help measure response to tax credit changes

Next Steps

In the near term, staff will continue to refine our analysis. Preliminary conclusions are anticipated by early August. Staff will endeavor to share this information individually with each utility prior to CAC and RAC meetings now scheduled for August 10 and before the Utility Roundtable and board meeting on August 17. Information will include summary level conclusions by program and a discussion of different scenarios and trade-offs focused on achievement of annual 2011 goals.

Beyond August, discussions with the board, utilities, Oregon Public Utility Commission and other stakeholders will focus on monitoring marketplace changes in the absence of energy tax credits and the anticipated strategic, cost, revenue and other implications of meeting Energy Trust and utility IRP targets in 2012 and beyond.