

A Continuing Commitment to CHP

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What this presentation covers

- Federal Incentives for CHP:
 - The Investment Tax Credit (ITC) for CHP, Microturbines, Fuel Cells
 - The ARRA CASH GRANT in lieu of the ITC for projects commencing before 1/1/2012.
 - Accelerated Depreciation & Bonus Depreciation
- MA incentives



Federal Investment Tax Credit

- A 10% ITC is available for qualifying CHP systems, with a 30% ITC for fuel cells.
- The ARRA provides for a CASH GRANT in lieu of the ITC for projects commencing before 1/1/2012.
- If 5% of project cost are incurred before 1/1/2012, the project can qualify for a cash grant.



ITC for Non-Taxable Entities

- The value of an ITC can be passed to Non-Taxable entities via 3rd Party Arrangements and Leasing structure.
- Treasury Department Notice 2009-52 issued June 2009 provides some guidance on claiming a cash grant in lieu of the ITC.
- As noted, qualifying projects must commence before 1/1/2012 (incur 5% of project costs).



Qualifying Projects & Caps

- Microturbines up to 2 MW's in size are eligible for a 10% ITC, that is capped at \$200/kW.
- Fuel cell projects have are eligible for a 30% ITC with no maximum credit limit except that the payment shall not exceed \$3,000/kW
- Combined heat and power projects are eligible for a 10% ITC with no maximum credit limit. Eligible systems must exceed 60% total system efficiency. The efficiency requirement does not apply to CHP systems using 90% biomass. The ITC benefit is phased out at 50 MWs



Federal Incentives: MACRS

- The Modified Accelerated Cost Recovery System – MACRS provides favorable depreciation recovery for investments in eligible capital equipment.
- Combined Heat and Power, fuel cells, and microturbines are classified as 5 year property with most of the depreciation expense occurring in the first couple years.
- The Energy Improvement and Extension Act of 2008 added CHP to the list of eligible property codified in 26 USC § 48(a)(3)(A).
- Biomass property is typically classified as 7 year property and includes receiving, handling, and collecting equipment.



MACRS 100% Bonus Depreciation

- H.R. 4853 , The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (12/17/2010) provides for 100% first-year bonus depreciation for projects placed in service after 9/8/2010 and before 1/1/2012.
- 50% bonus depreciation is in effect for projects placed in service during 2012.
- Projects which incur 5% or more of total costs before the sunset date are eligible. (CHECK WITH ACCOUNTANT FOR VERIFICATION)
- Depreciation, as with the ITC feature, can be captured by non-taxpayers if an eligible third party has ownership.



Federal Incentives Update

- Federal Incentives for CHP:
 - A One-Year extension of the 1603 Treasury Program, cash grant in lieu of the ITC is said to be back under discussion
 - The Production Tax Credit (PTC) for qualifying renewable energy projects will have to be extended post 2012. Discussions providing for re-authorization are underway



MA Incentives: Utility Funding

- CHP projects are eligible for incentive funding through utilities.
- For projects rated 150 kW or less, the incentive is \$750/kW.
- The Program Administrator (utility) determines incentives for projects greater than 150 kW.
- Incentive capped at 50% of total installed cost.
 - Required 60% combined electric and thermal efficiency and overall building energy efficiency



MA Incentives: APS

- Alternative Energy Portfolio Standard (APS) requires Mass to meet 5% of its electricity load with alternative energy generating sources by 2020. Alternative sources include CHP.
- Utilities satisfy APS goals by purchasing alternative energy credits (AECs).
 - Acushnet Company (Titleist) – first approved CHP qualified APS company received \$300,000 in 2009 for AEC sales
 - UMASS – 14 MW CHP facility operates at nearly 75% efficiency and requires 18% less fuel than the energy source it replaced



CT Incentive Programs

- Certain Operating Cost reductions are provided to eligible projects including
 - Discounted gas rates for gas used in CHP systems,
 - An exemption of certain electric charges for backup service.
- Provides low interest financing for customer-side distributed generation.
 - Eligible projects must have a capacity between 50 kW and 65 MW.



NYSERDA/NY Incentive Programs

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