Alternative Energy Tax Incentives

Under statutory authority, the Governor's Office of Energy Development (OED) administers a number of state alternative energy tax incentive programs, including the Advanced Energy Development Incentive (AEDI), the Production Tax Credit (PTC), and the Renewable Energy Systems Tax Credit (RESTC).

Based on market-based principles, incentives can be a useful tool in driving investment in innovation and infrastructure that support the overall economy. It is always appropriate to discuss the value of incentives in driving desired outcomes. This is especially important in the energy sector, which is currently going through a period of substantial, rapid, and complex changes.

The AEDI tax incentive is available to nuclear, oil shale, oil sands and some advanced coal production technologies, as well as renewable energy technologies. The state also has put in place legislation that allows for direct investment and incentives for infrastructure that can support the cost-effective delivery of Utah coal and other commodities to domestic and global markets.

Advanced Energy Development Incentive (AEDI)

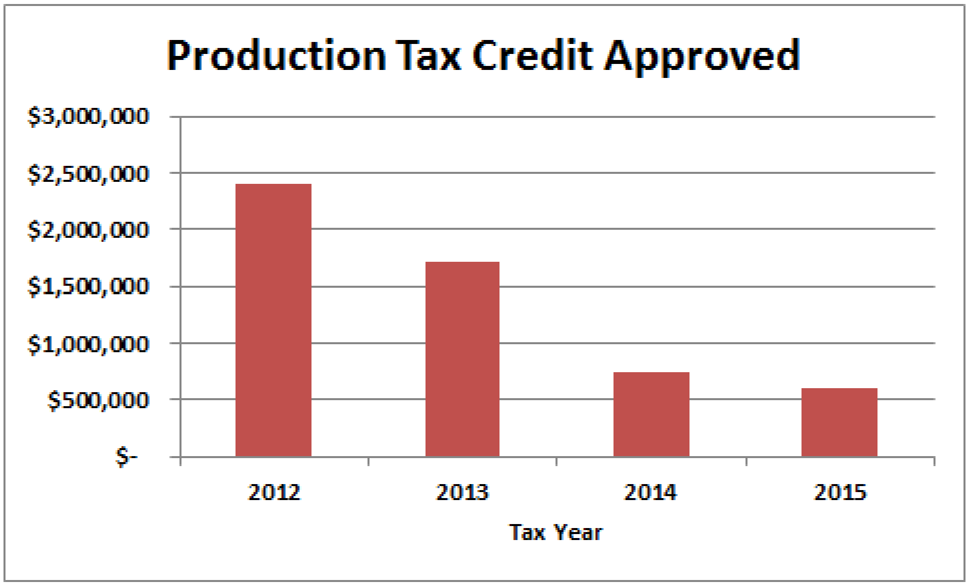
Enacted in the 2012 Utah General Legislative Session, the Alternative Energy Development Incentive (AEDI) is a post-performance credit for the construction of electricity generation facilities of 2 megawatts or greater that utilize hydroelectric, nuclear, solar, biomass, geothermal, wind, and waste-heat. It also applies to liquid fuels production of 1000 barrels/day or more derived from coal, oil sands, oil shale, or petroleum coke.

While three projects have been qualified to receive tax credits, none have advanced to the contract stage. Therefore, to date no state tax credits have been certified or issued under the AEDI tax incentive program.

These 3 large scale power projects: 300 MW Solar, 50 MW Solar, & 25 MW Geothermal, could produce an estimated $50 million dollars of new state tax revenue, of which, 75% would be returned to the projects as a state tax credit under the AEDI program.

Production Tax Credit (PTC)

The Production Tax Credit (PTC) incentive is available for large scale projects that are 660 kilowatts or greater (solar photovoltaic systems 660 KW to 2 MW may choose between the ITC & PTC). The PTC is calculated as $.0035 (.35¢) per kilowatt hour of produced electricity during the project's first 48 months. The credit applies to solar photovoltaic, wind, geothermal and biomass. The below graph shows the amount of tax credit approved from 2012 – 2015, totaling over $6 million. It is estimated that $2.7 million in production tax credit will be approved in 2016.



Renewable Energy Systems Tax Credit (RESTC)

The Renewable Energy Systems Investment Tax Credit (RESTC) can be applied to both residential and commercial installations utilizing solar photovoltaic, solar thermal, wind, geothermal, hydro, and biomass technologies.

The Residential Tax Credit is non-refundable and is calculated as 25% of the eligible system cost or $2,000, whichever is less. The Commercial Tax Credit is calculated as 10% of the eligible system cost or $50,000, whichever is less. The Commercial Tax Credit is refundable, but can only be claimed by business, corporation, or LLC entities.

The below graphs show the tax credits approved by OED from 2012 – 2015, totaling roughly $14 million. In 2016, we are anticipating over 9000 applications based on Rocky Mountain Power projections of interconnection agreements. Because of a delay in completing these interconnection agreements, the vast majority of these potential applications have yet to reach OED; however, as the below graph indicates, based on these projections, OED could approve over $20 million of RESTC tax credits in 2016.