



Constellation Energy®

Federal Tax Credits
New Jersey Clean Energy Conference

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Topics Covered

- Clean Renewable Energy Bonds
- Renewable Energy Production Incentive
- Loan Guarantee Program
- Alternative Fuels
- Other Provisions

Clean Renewable Energy Bond

- Clean Renewable Energy Bond (CREB's) created under Section 1303 of EPACT 05
- Purpose to provide states, municipalities, Indian Tribes, and electric cooperatives access to interest free capital for qualifying renewable energy facilities.
- Borrowers receive capital at 0% interest
- Instead of receiving interest payments, buyers receive tax credits.
- Amends IRC 54 Sunsets at 12/31/07
- Concept based on Qualified Zone Academy Bonds

Clean Renewable Energy Bond

- Issuers must receive allocation from U.S. Treasury to be eligible to issue a CREB.
- \$800 Million maximum allocation (no more than \$500 M for governmental projects)
- Qualifying Renewable Energy Facilities under IRC 45(d)
- Rates and maximum terms are set by U.S. Treasury on a periodic basis and are linked to AA Corporate Bond rates. Recent quote: 5.63% for 10 year & 5.79% for 15 year
- To meet IRC 54, 95% of CREB proceeds must be spent on qualifying capital expenditures within 5 years and 10% must be spent within 6 months.

Clean Renewable Energy Bond



Applications require

- Project Description (Qualified Borrower, Qualified Project – signed by independent engineer as to qualification and technical feasibility, Location, Plan to Obtain Regulatory Approvals)
- Plan of financing
- Maximum term
- Amount of allocation

Applications for clean renewable bond allocations were due on April 26, 2006. The IRS received more than 700 applications. It plans to make awards by September starting with the project that asks for the smallest allocation and then working up by dollar amount of the request.

Renewable Energy Production Incentive (REPI)

- Designed to level the playing field with support for non-profit entities that could not take advantage of tax incentives for renewable projects.
- Created in EPACT 1992 Reauthorized until 9/30/2026
- Eligible entities expanded to include Indian tribes and Alaskan Native Corporations.
- Applies to solar, wind, certain geothermal, landfill-gas and biomass.
- Expanded to include ocean energy and livestock methane

Renewable Energy Production Incentive (REPI)



- Projects eligible for a 10-fiscal year period
- Qualified energy facilities are eligible if electricity is generated before 10/1/2016.
- Direct payments from DOE to publicly and cooperatively owned electric utilities at 1.5 cents/kWh (indexed for inflation).
- If shortfall in funding first 60% goes to solar, wind, ocean, geothermal and closed –loop biomass.
- DOE appropriation for 2006 for REPI was <\$5M. Backlog of requests is > \$80M.

Loan Guarantee Program



- Announced Aug. 8, 2006 - part of President's Advanced Energy Initiative under Title XVII EPACT 05 (Section 54 of IRC)
- Targeted at changing the way we:
 - 1) fuel our vehicles and
 - 2) power our businesses & homes.
- Promotes **early commercialization** projects
- Open to a broad range of entities – companies, joint ventures, partnerships, associations, state and local governments but not federal agencies

Loan Guarantee Program

- \$2 billion for 1st solicitation - Multi-year program expected
- 80% max of project cost eligible for guarantee
- Term - up to 30 years or 90% of useful life
- Lenders must be DOE approved – look to government for payment in the event of default.
- Cost of subsidy to be paid by borrower - DOE must consult with OMB and Treasury on the cost of the subsidy on a loan by loan basis.
- Applicants may submit more than one application, but only one will receive a loan guarantee
- Project must be in US

Loan Guarantee Program



Eligible Projects Categories from Sec. 1703

- | | |
|-------------------------------------|--|
| 1) Renewable Energy Systems | 2) Advanced Fossil Energy Technology |
| 3) Hydrogen fuel cell | 4) Advanced Nuclear |
| 5) Carbon Sequestration | 6) Electricity Transmission & Distribution |
| 7) Efficient end-use energy tech's. | 8) Alternative Fuel Vehicles |
| 9) Pollution Control Equipment | 10) Oil Refineries |

Process

- Pre-applications must be submitted by Nov. 6. 2006
- Within 90 days DOE will send invitation to submit an application
- Application approved by Credit Review Board
- Term Sheet Prepared (Approval of Dept. of Treasury)
- Conditional Loan Guarantee then Loan Guarantee Agreement

Alternative Fuels

Sections 701 through 797 of EPCACT 05 address Alternative Fuels and Vehicles:

701 Federal Fleet Requirements for Alternative Fuels

703 State and Alternative Fuel Provider Fleets

721 Advanced Vehicles Demonstration Program

742 Diesel Truck Retrofit & Fleet Modernization

743 Fuel Cell School Buses

757 Biodiesel Engine Testing

782 Federal Procurement of Fuel Cell Vehicles by 2010

Alternative Fuels



Section 1341 through 1348 of EPACT 05 addresses Tax Credits for Alternative Fuels

1341 Alternative Motor Vehicle Credit & Fuel Cell Motor Credit

1342 Alternative Fuel Infrastructure Tax Credit

1344 Biodiesel Excise Tax Credit

1345 Small Agribiodiesel Producer Credit

1346 Renewable Diesel Tax Credit

1347 Small Ethanol Producer Credit

1348 Clean Fuel Tax Deduction

Other Provisions



Title XII Electricity - Subtitle E Amendments to PURPA

Sec. 1251 - Net metering - amends PURPA to require utilities to allow customers to offset purchased power with self-generated power.

Sec. 1253 Cogeneration and small power production purchase - ends mandatory purchase of QF power sold to utilities where other outlets are available.

Sec. 1254 – Interconnection – requires utilities to make interconnection service available to on-site generators.

Other Provisions



Sec. 209 Rural & Remote Community Electrification

Grants — broad grant authority to DOE, USDA and DOI for renewable energy projects - \$20 M / yr authorized through 2012.

Sec. 211 Generation Capacity of Electricity From

Renewable Energy Resources on Public Land - Directs the Secretary of the Interior within 10 years to have approved non-hydro renewable energy projects located on public lands with a generation capacity of 10,000 megawatts of electricity.

R&D for renewable energy in the amount of \$2.2 B through 2009.

Conclusions



Questions ?