State Energy Program
Utah Incentives for Geothermal
Utah Geothermal Working Group
Meeting
April 2008
Jason Berry, Manager
State Energy Program

- Renewable Energy Tax Credit-Production Tax Credit
- Renewable Energy Sales Tax Exemption
Utah Renewable Energy Tax Credits—Residential

• Residential Systems
  – 25% of reasonable costs of system up to $2,000
    • $2,000 cap is lifetime for residence
  – Eligible technologies (new in 2007 in red)
    • Active solar (thermal and PV)
    • Passive solar
    • Biomass (but not for heating; fuel or electricity only)
    • Direct-use geothermal
    • Geothermal heat-pump system
    • Wind
    • Hydro
Utah Renewable Energy Tax Credits—Commercial

• Commercial systems – Investment Credits
  – 10% of reasonable costs of system up to $50,000
    • $50,000 cap is lifetime for a single building, wind turbine, or agricultural water pump
  – Does not apply for wind, geothermal electricity, or biomass < 660 kW capacity
  – Eligible technologies (new in red)
    • Active solar (thermal & PV)
    • Passive solar
    • Geothermal electricity
    • Direct-use geothermal
    • Geothermal heat-pump
    • Wind
    • Hydro
    • Biomass (including landfill or sewer methane)
Commercial Renewable Energy Tax Credits

• Commercial Systems - Production Tax Credits
  – Wind, geothermal electricity and biomass systems producing electricity
  – Must be > 660 kW capacity
  – Credit = 0.35 cents / kWh produced
    • Electricity can be sold or used
  – Credit may be claimed for four years after beginning operation
Utah Renewable Energy Tax Credits

• Production tax credit benefit scenario: Wind
  – Assume 200 MW capacity, 30% capacity factor
    – 8,760 hrs x .30 x 200,000 x $0.0035 = $1,839,600 per year
    – Over four years, $7.36 million
Utah Renewable Energy Tax Credits

• Production tax credit benefit scenario: Geothermal
  – Assume 25 MW capacity, 90% capacity factor
  – 8,760 hrs x .90 x 25,000 x $0.0035 = $689,850 per year
  – Over four years, $2.76 million
UGS’ Role

• UGS is charged with certifying eligibility for tax credit applications
  – A role SEP has been fulfilling for years
• UGS explicitly given rulemaking authority for credits
  – Old Energy Office created rules for pre-2007 credits; set to expire October 2007
    • Rule overhaul in 2007; promulgation of new 2007 law-SB 223
• Tax credit rules rewritten in 2007
  – New language defines investment credits as percentage of “reasonable costs”
  – New PTC rules for certification
Renewable Energy Sale Tax Exemption

- Utah Code 59-12-104
- Requirements: 20kW nameplate for new build or =>1MW for expansions
- Expires 6/30/2009
Renewable Energy Sale Tax Exemption

• Exempts the purchase or lease of equipment used to generate electricity for the state sales tax

• All leases must be for at least seven years

• Eligible Equipment: generating equipment, monitoring systems, transmission, substation equipment, lighting, fencing, pipes, etc.
Renewable Energy Sale Tax Exemption

• Non-eligible equipment: tools and other equipment used in the construction of a new facility, contracted services for construction and maintenance and equipment utilized after construction

• Scheduled to be repealed on June 30, 2009
Questions / Comments on Renewable Energy Tax Credit or Sales Tax Exemption ????