



# Financing Green Energy

**Developing Tribal Energy Resources and Economies**

**Sandia Resort and Casino Hotel**

**Albuquerque, New Mexico**

**June 11, 2013**

# Gaining Energy Independence

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- Potential goals:
  - Reducing short-term and long-term energy costs.
  - Obtaining long-term energy independence.
  - Significantly reducing tribal and tribal housing environmental footprint.
  - Limiting tribal/housing capital expenses.
- Potential strategy:
  - Use tribal/housing energy consumption and energy efficiency opportunities as marketable assets.
- Case studies:
  - Tribal housing load.
  - Casino/hotel load.

# Overview

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- Stimulus is over, but still numerous incentives for renewable energy and energy efficiency projects.
- Key issues: maximizing combined value from various overlapping incentives.
- Strategies to utilize tribal and tribal housing energy consumption and efficiency opportunities as marketable assets.
  - Obtaining proposals for developer-financed renewable energy and energy efficiency projects.
  - Goal of reducing energy costs and obtaining long-term energy independence.

# Types of Incentives

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- Federal, state, and utility grants.
- Renewable energy credits/carbon offsets.
- Tax credits.
- Bond financing opportunities.
- Loan programs.

# Federal Grants

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- HUD Indian Housing Block Grant and Indian Community Development Block Grant.
- DOE competitive grants.
- USDA grants, including Rural Energy for America Program.
- U.S. EPA grants, including brownfield, climate showcase community, and others.
- DOI grants, including Indian Energy and Economic Development Program.
- BIA road, water, and wastewater grants.

# IHBG – Energy Projects

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- Eligible affordable housing activities include:
  - Development of utilities.
  - Necessary infrastructure.
  - Utility services.
  - Improvement to achieve greater energy efficiency.
- Activities must be to develop, operate, maintain, or support affordable housing.

# State and Utility Grants and Tariffs

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- State programs and electric/natural gas utilities may provide grants for renewable energy and energy efficiency projects.
- May also provide special buy-back tariffs for renewable energy production.

# RECs and Offsets

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- RECs are the green attributes of renewable energy.
- Can be separately sold from “brown” energy.
- Carbon offsets also can provide value for green projects.



# Tax Credits and Deductions

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- The tax code has many incentives for renewable energy and, to a somewhat lesser degree, energy efficiency projects.
- Tribes and tribal housing authorities do not pay federal income taxes.
- A key challenge is structuring the development to transfer the tax incentives to those who can use them, while obtaining benefits for the tribe/housing authority in return.
- Partnership/LLC structures are similar to structures used for low income housing tax credits.

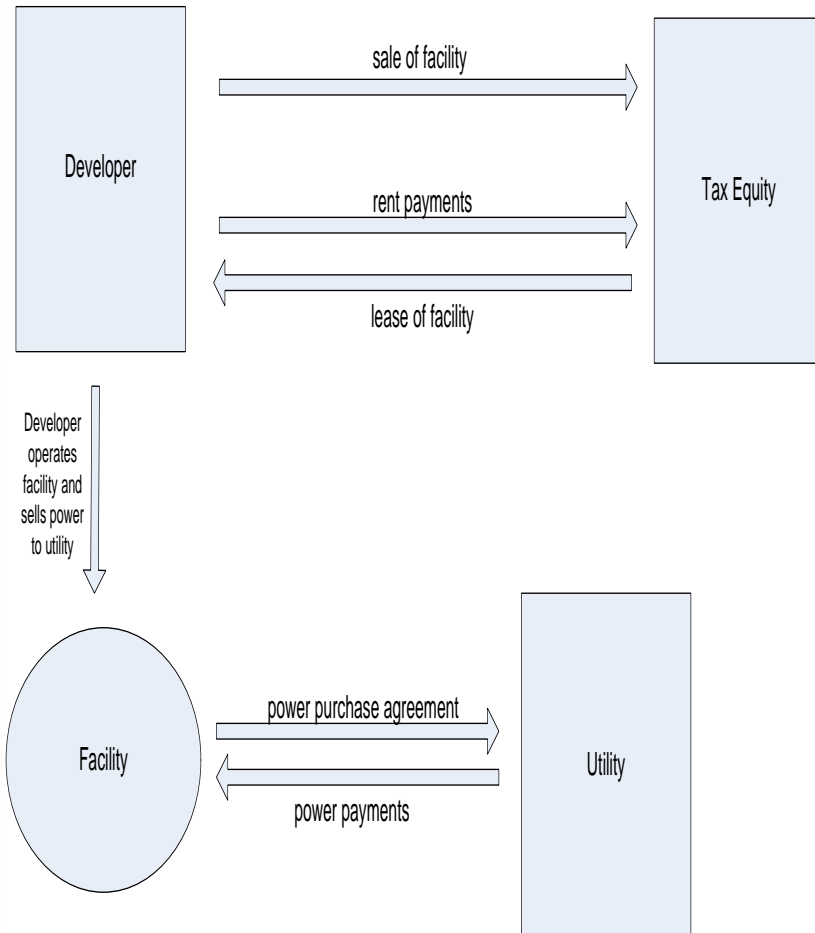
# Energy Credits from Renewable Sources

Energy Source	Credit	When is Credit Claimed?	Expiration	30% ITC Election in Lieu of PTC?	Grant in lieu of PTC or ITC -Placed in service 2009 or 2010 or begin construction by 12/31/11 and in service by:
Wind - PTC	2.2 cents per kwh*	10 years	Begin construction by 12/31/2013	Yes	1/1/2013
Closed-loop biomass – PTC	2.2 cents per kwh*	10 years	Begin construction by 12/31/2013	Yes	1/1/2014
Geothermal – PTC	2.2 cents per kwh*	10 years	Begin construction by 12/31/2013	Yes	1/1/2014
Open-loop biomass – PTC	1.1 cent per kwh*	10 years	Begin construction by 12/31/2013	Yes	1/1/2014
Landfill gas / trash – PTC	1.1 cent per kwh*	10 years	Begin construction by 12/31/2013	Yes	1/1/2014
Qualified hydropower – PTC	1.1 cent per kwh*	10 years	Begin construction by 12/31/2013	Yes	1/1/2014
Marine and hydrokinetic – PTC	1.1 cent per kwh*	10 years	Begin construction by 12/31/2013	Yes	1/1/2014
Solar, fuel cell, small wind - ITC	30%	Placed in service	12/31/2016	N/A	1/1/2017
Geothermal, gas microturbine, cogeneration - ITC	10%	Placed in service	12/31/2016	N/A	1/1/2017

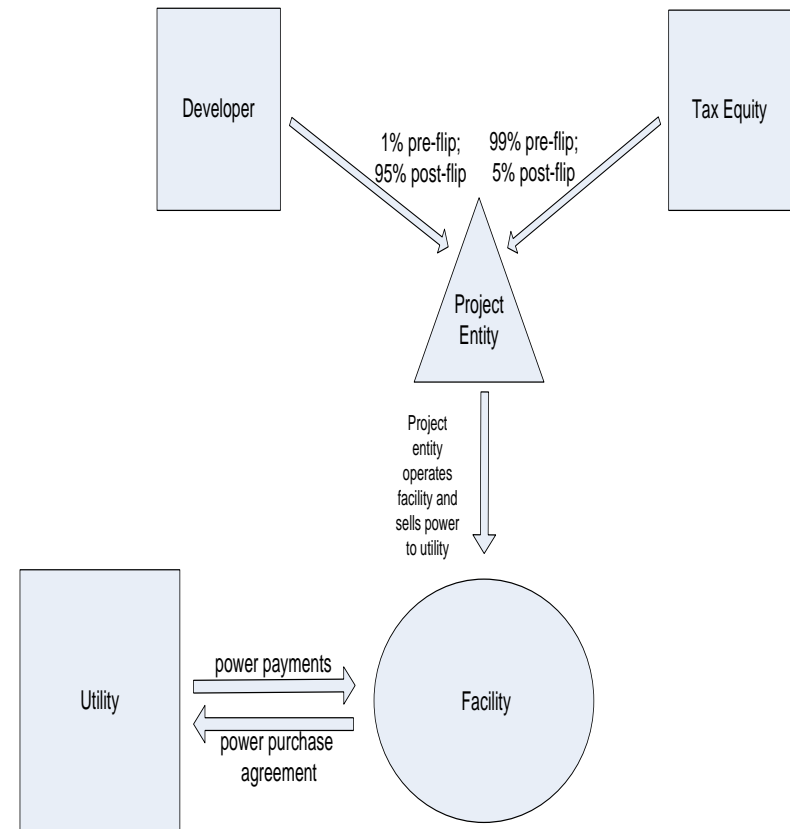
\*Indexed for inflation

# Monetization Strategies

## Sale/Leaseback



## Partnership Flip



# Potawatomi Private Letter Ruling

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- Ability of tribes to transfer tax credits to investors via a lease.
- Lease must last six years, but tribes can receive upfront lease payment based on value of tax credit.
- Option **not** available to federal, state and local governments and tax exempt entities.

# New Market Tax Credit

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- Less “traditional” credit for renewable energy projects.
- Project must be in qualified low-income community or hire lower income workers.
- Below-market financing from CDE or essentially free equity for project.
- Investors in CDE get 39% credit.

# Loan Guarantees

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- DOE, USDA, BIA, and other agencies provide loan guarantees for certain green energy and other projects.
- DOE provides largest potential guarantees, but other programs may be more simple to use.

# Energy Usage as an Asset

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- High and increasing retail energy costs, even for flat loads.
- Low wholesale price of energy/general lack of feed-in tariffs.
- Opportunity for energy usage (especially larger, flat loads) to be used as a marketable asset.
- Potential RFI/RFP strategy to lower energy costs/price increases while obtaining energy independence and reducing environmental impacts.
- Use of tax structures to maximize tax, grant, and other incentives.

## Opportunities for Developer-Financed Energy Efficiency and Renewable Energy Projects

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- Increasing cost-effective renewable energy opportunities.
  - Solar facilities.
  - Biogas and other waste-to-energy facilities.
- Relatively quick payback of many energy efficiency projects.
- Willingness of developers to finance facilities.
- Developers need for a good power purchase agreement price.



## Partnering with a Developer to Take Advantage of Tax Incentives

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- Tribal/Housing Authority challenge: Pay high *retail* price for energy and costs are increasing.
- Developer challenges: Desire to market energy efficiency improvements and renewable energy systems; fact that utilities pay low *wholesale* price to developers for renewable energy they produce.
- Market conditions create opportunity for tribes/housing authorities to market their energy usage to energy efficiency and renewable energy developers.

# Leasing Issues

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- Monetizing tax credits requires leases to establish Taxable Entity's control
- BIA's December 2012 Leasing Regulations
  - Include provisions for expediting approvals
  - Include Special Provisions for Wind and Solar Resource Leases
- HEARTH Act of 2012
  - Permits tribes to avoid future BIA lease approval by adopting a BIA-approved leasing ordinance
  - Includes Tribal Environmental Review Procedures

# Housing Example

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- Use of more expensive peak energy/net metering opportunities.
  - Good opportunity for solar.
- Potential grant opportunities.
  - Indian Housing Block Grant.
  - DOE Grants.
  - Utility incentives.
- Energy efficiency opportunities.

# Housing Solar Illustration

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- Project: Solar facilities to generate 1000kW electricity to power 500 homes.
- Cost: \$2.7 million.
- Sources:
  - \$900,000 investment tax credit.
  - \$500,000 federal and potentially state and/or utility grants.
  - \$1.6 million developer financed.

\* For illustration purposes only. Each project will have a different financing structure.

# Casino/Hotel Example

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- Large, relatively flat energy load.
  - 24/7 operation.
- Pays retail rates for energy.
- Ability to use waste heat.
- Likely has available capital-intensive energy efficiency opportunities.
- Potential feedstock sources (waste streams in area, natural gas, etc).
- May have siting space for energy facility.

# Identifying Your Energy Assets

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- Tribal load profile/energy costs.
  - “Benefit” of larger, relatively flat load.
  - “Benefit” of higher utility rates.
- Identification of opportunity to utilize waste steam/hot water from generation projects.
- Identification of locations to site renewable energy facilities.
- Information regarding available feedstocks.
- Information regarding potential capital-intensive, energy efficiency projects.

# Use of RFI/RFP Strategy to Obtain Competitive Proposals

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- Environmental and other attributes of renewable energy/energy efficiency technologies.
- Ability to:
  - Provide reduction from present retail energy costs.
  - Limit and define price increases.
- Willingness to:
  - Provide RECs/carbon credits.
  - Provide low-cost steam.
  - Share value of tax credits, depreciation, grants, etc.
  - Make reduced-price sale of renewable energy/energy efficiency facilities (e.g., partnership flip).

# Thank You.

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