



Existing and Proposed Federal Electricity Mandates

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Context: Recent Federal Legislation

- Reliability Standards
 - Mandatory standards with FERC oversight
- Backstop Siting Authority
 - Must first have NIETC designation
- Transmission Incentives
- Extensions of PTC/ITC
 - New ITC for clean coal technologies
- Loan Guarantees for Innovative Technologies
- Smart Grid

Support for Electricity in the Recovery Act

- Congress passed the American Recovery and Reinvestment Act (“Recovery Act”) on February 17, 2009
- Of the \$787 Billion in the bill, over \$40 billion is provided to support energy projects and energy efficiency
- Generally, the bill supports:
 - Transmission and smart grid
 - Renewable technologies
 - Energy efficiency
 - Clean coal technologies
- Many of the opportunities are already closed

Recovery Act: Transmission and Smart Grid

- \$4.5 provided to support transmission and smart grid technologies
 - \$3.4 billion for Smart Grid Investment Grant Program (closed 8/6/09)
 - \$614 million for Smart Grid Demonstrations (closed 8/26/09)
- Temporary Loan Guarantee
 - \$750 million to pay credit subsidy for transmission infrastructure investment projects
 - Due October 26, 2009
- Other transmission support
 - BPA/WAPA borrowing authority – an additional \$3.25 billion each.

Recovery Act: Renewable Technologies

- Temporary Loan Guarantee
 - Up to \$6 billion provided to credit support for conventional biofuel projects and renewable technologies.
 - Should be issuing announcement shortly.
- \$2.5 billion for applied research, development, demonstration and deployment activities
 - \$800 million for biomass projects -- closed
 - \$400 million for geothermal projects -- closed
 - \$1.25 billion for other research and development purposes – some funding may remain

Recovery Act: Energy Efficiency

- DOE
 - State Grants
 - \$3.2 billion for Block Grants – money released
 - \$3.1 billion for State Energy Program – money released
 - \$2.5 billion for EERE (see previous slide)
 - \$5 billion for Weatherization – money released
 - \$400 million for ARPA-E – closed
- Federal Buildings
 - Defense Department O&M
 - \$4.5 billion for GSA facilities
- Low Income Assistance
 - \$510 million for Native American Housing Block Grants
 - Low income housing: \$250 million for green retrofit assistance; \$1 billion for public housing capital fund; \$1 billion for community development fund.

Recovery Act: Clean Coal

- \$3.4 billion is provided to the Fossil Energy Program
 - \$1 billion to be used for fossil energy research and development programs – some funding may still be available.
 - \$800 million for additional CCPI Round III funding – closed
 - \$1.5 billion for competitive solicitation for industrial carbon capture and energy efficiency improvement projects – closed
 - \$50 million for competitive solicitation for site characterization activities for geologic formations – closed
 - \$20 million for geologic sequestration training and research grants – closed

Recovery Act: Tax Credits

- Renewable Energy Production Tax Credit
 - Income tax credit of 2.1 cents/kilowatt-hour is allowed for the production of electricity from wind, geothermal, and “closed-loop” biomass (which is powered by dedicated energy crops) for the first ten years of a renewable energy facility's operation. Other technologies, such as “open-loop” biomass, incremental hydropower, small irrigation systems, landfill gas, and municipal solid waste (MSW), receive a lesser value tax credit.
 - ARRA extended the placed-in service date for three years.
 - For wind facilities through 12/31/2012, and for certain other qualifying facilities: through 12/31/2013.
- Investment Tax Credit
 - 30% investment tax credit available for solar energy property.
 - Credit available until December 31, 2016.
- ITC in lieu of PTC
 - ARRA allows owners to elect to claim ITC instead of PTC.
 - Property eligible for the ITC is tangible personal and other tangible property (not including a building or its structural components), and with respect to which depreciation or amortization is allowable, but only if such property is used as an integral part of the qualified facility.

Tax Credits (con't)

- Grant instead of ITC or PTC
 - ARRA allows taxpayers to receive a grant from the Treasury Department in lieu of the PTC or the ITC
 - Intent is that grant mimic operation of the ITC.
 - Grant percentage generally is 30% of the cost of the renewable energy facility.
 - Qualifying property must be depreciable or amortizable to be eligible for a grant.
 - Treasury is to make the grant within 60 days of the facility being placed in service or, if later, within 60 days of receiving an application for such grant. Application must be received before 10/1/2011.
 - Grant provisions apply if property is placed in service during 2009 or 2010 or is placed in service after 2010 and before the credit termination date with respect to the property, but only if the construction of the property began in 2009 or 2010.
 - No grants to Federal, State or local governments, 501(c) tax-exempt.
 - The Treasury Department opened the application process for the 1603 program on July 31, 2009.

Tax Credits (con't)

- Clean Renewable Energy Bonds ("CREBs").
 - The bill authorizes an additional \$1.6 billion to finance facilities that generate electricity from the renewable resources.
 - This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives.
- Extension of Bonus Depreciation.
 - Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off 50 percent of the cost of depreciable property acquired in 2008 for use in the United States.
 - ARRA extends this temporary benefit for capital expenditures incurred in 2009 if the property is placed in service in 2009 (placed in service in 2010 in the case of certain longer-lived and transportation property).

Potential Federal Mandates in New Energy Bill

- Status of Bills
 - House passed its bill on June 26, 2009
 - Senate Energy Committee voted out bill on June 17, 2009, but no climate language.
 - Unclear when a bill will pass the Senate
- How comprehensive will the bill be?
 - Just energy?
 - Energy and climate?

Key Issues in an Energy Bill: Renewable Electricity Standard

- House Bill
 - Obligation begins at 6% in 2012, climbs to 20% for 2020, and continues through 2039
 - Base amount excludes hydropower, nuclear power in service after date of enactment, and electricity subject to CCS
 - Counts electricity savings, but no more than two fifths of obligation
 - Counts State renewable obligations
 - Capped at \$25/megawatt hour, with payments made to State in which retail electric supplier is located

Key Issues in an Energy Bill: Renewable Electricity Standard (con't)

- Senate Bill
 - Obligation rises to 15 percent by 2021
 - Energy efficiency credits can meet up to 26.67% of obligation
 - Base amount can be reduced for electricity from MSW, hydropower, electricity subject to CCS, and nuclear energy placed in service after date of enactment.
 - Credit for State RPS obligations
 - Utility can obtain waiver to limit rate impact to not more than 4% per retail customer in any year
 - Alternative compliance payment of 2.1 cents per kilowatt hour and paid directly to the State

Key Issues in an Energy Bill: Enhanced Transmission Authority

- House Bill
 - Directs development of regional plans
 - FERC given enhanced siting authority in Western Interconnection, where proposal included in regional plan, is multistate, and the state has denied application or failed to issue decision within a year
- Senate Bill
 - FERC shall issue planning principles for high-priority national transmission projects
 - FERC given siting authority where FERC finds proposed project a high-priority national transmission project and State has failed to approve project within a year or rejects project.
 - Costs may be allocated to region only if costs are reasonably proportionate to measurable economic and reliability benefits.
 - Authority applies to municipal utilities and cooperatives

Key Issues in an Energy Bill: Climate Changes

- House bill
 - Cap and trade program for industrial sources at least 25,000 tons and cover 85% of total emissions
 - 3% reduction below 2005 levels in 2012, 17% by 2020, and 83% by 2050
 - For electric utility sources, 43.75% of allowances would be allocated at no-cost in 2012 and 2013, declining over time to 7% in 2029
 - 25-30% of total allowance obligations can be met with offsets in the early years, with that percentage increasing over time
- Senate has yet to release a bill

Key Issues in an Energy Bill: Cyber Security

- House considerations
 - No language in the House bill
 - Various House committees are considering language
 - Barrow language supported by trade associations
 - Applies to users, owners and operators of the bulk power system.
 - The language provides FERC with limited authority to address the vulnerabilities identified in the Aurora Advisory, and such measures would remain in place only as long as necessary or until NERC develops a reliability standard.
 - The language also gives FERC authority to act on an emergency basis to address a cyber security threat.
 - The language further provides FERC with authority to protect cyber security information from disclosure.
- Senate language
 - Language gives FERC broad authority to issue rules and orders to protect system from cyber security vulnerabilities, and encompasses generation, transmission and distribution systems.
 - FERC can issue rules or orders without prior notice or hearing
 - DOE is provided separate authority to act on an emergency basis to protect system from a cyber security threat

Thank You

