

May 20, 2010

BUSINESS ENERGY TAX CREDIT AVAILABLE

Swalley Irrigation District has completed a 5 mile pipeline and a .75 Megawatt in-conduit hydropower plant, which is certified operational as of April 2010. The piping of an open irrigation canal has resulted in 18 million gallons a day of conserved water placed permanently instream in the Deschutes River to enhance flows for fish and improve water quality. Clean, renewable energy is being provided to the equivalent of 375 homes through a consummated power purchase agreement with Pacificorp. In addition the project will provide better water management through metering, telemetry operations and other tools provided as part of this \$15 million project. As the project includes a renewable component, there is an opportunity for investors to secure a ***Business Energy Tax Credit (BETC)***.

An investor in the project using the BETC process has the opportunity to enhance their public image as a “green” business or supporter. The partner, as the result of their investment, promotes projects that produce clean, renewable energy, and provides an opportunity to help public entities in their community. This project has the added benefit of providing enhanced flows in the Deschutes River where a Habitat Conservation Plan to protect steelhead and bull trout is underway. This project directly aids that effort. This project results in the single largest contribution of conserved water (due to piping a leaky canal) to the Deschutes River, ever. This achievement has been done by a small irrigation district who also won its case in the federal court of appeals last year that decreed irrigation districts with a federal right of way under their canal have the right to pipe that leaking canal. This was a significant court case for the Northwest.

What is a BETC?

The Business Energy Tax Credit (BETC) program was set up in 1979 by the Oregon Legislature and has been a primary factor in increasing renewable energy in Oregon. Since that time more than \$1.6 billion in BETC credit investment has promoted renewable energy. The program is operated within the Oregon Department of Energy (ODOE).

The BETC may be offset against owed Oregon income and corporation excise taxes. Renewable energy facilities are eligible for a 50% tax credit. Swalley’s hydropower plant was qualified in May 2008 by the Oregon Department of Energy (ODOE) as an accepted renewable facility for purposes of the tax credit. ODOE approved a preliminary certificate for Swalley’s project for a qualified project cost of \$2,938,875. This figure includes the power facility and some portion of the pipeline based on an energy output formula ODOE uses to determine the BETC value. A tax credit of 50% applies toward that number.

What is a Pass-Through Partner?

Swalley Irrigation District is a local government and a special district under Oregon law. Local governments cannot avail themselves of tax credits. Any public entity that cannot use the BETC can provide the opportunity to use this qualified tax credit to private entities. All private entities except partnerships may be pass-through partners. (Partnerships were excluded by 2009 legislation.)

What does the Pass-Through Partner Receive?

The partner completes an agreement form confirming their request to partner and provides the form to the ODOE. Once the project is completed, the project owner (Swalley) submits final documents to the Oregon Department of Energy and ODOE issues the final certification for the project, approving the tax credit. The partner receives a tax credit of 50% of the \$2,938,875, or a credit of \$1,469,437. This amount can be credited to one partner or a series of partners. Upon ODOE certification, the partner must provide a lump-sum cash payment to Swalley. Once the ODOE certification occurs, it cannot be rescinded for any reason. The partner receives a certificate for the tax credit amount from ODOE and then files that document with their tax return.

The partner takes the credit over 5 years at a rate of 20% of the face value each year. If the allowed amount is not needed in a given year, the tax credit may be carried forward for up to eight years from each year of the five year tax credit. In 2009 legislation was enacted to allow the Director of ODOE to set the percent of lump-sum payments annually.

If you are interested in this opportunity please contact Suzanne Butterfield, General Manager, Swalley Irrigation District, Bend, OR at 541-388-0658.