Puget Sound Energy, State and Federal Energy-Efficiency Incentives: Commercial New Construction

King County Department of Development and Environmental Services (DDES) and the Department of Natural Resources and Parks (DNRP) Solid Waste Division GreenTools program have developed this tool to help facilitate and encourage your participation in Puget Sound Energy (PSE), state and federal incentive programs that promote energy efficiency and conservation in commercial new construction.

The following incentives for Commercial New Construction are covered in this document:

1. PSE energy-efficiency grant incentives
2. Federal tax deductions and credits
3. State solar incentive

In addition, many local jurisdictions offer incentives, grants, and rebates. These financial incentives can be code or tax-based, or come in the form of cash paid for energy and conservation measures. Contact your local jurisdiction to find out about available resources in your area.

For questions, please contact Cynthia Moffitt at cynthia.moffitt@kingcounty.gov or 206-296-6792. For more about DDES green building programs, see www.kingcounty.gov/greenpermits or DDES Information Bulletin 55, Green Building and Low Impact Development.

1. Commercial New Construction – PSE energy-efficiency grant incentives

PSE offers customized energy efficiency grant incentives for new commercial and industrial facilities, additions or major remodels.

Integrated Building Incentives
PSE's financial incentives are offered for both whole building or component approaches. A PSE Energy Management Engineer (EME) can help you determine which of the following funding approaches is the best suited to your project. Contacting a PSE EME early in the design phase will maximize your opportunity for incentives.

Funding Approach	Incentive Range	Other Information
Whole-Building Custom Approach	$0.60 to $1.80 per square foot	For large, complex buildings that achieve10% to 30% energy-efficiency improvements compared to the energy code. Utilizes energy-simulation tools to evaluate the energy performance of the proposed building compared to the energy code. Incentives also available for projects using other natural gas providers. Buildings exceeding energy code by 11% to 29% will receive a prorated incentive.
Whole-Building Prescriptive Approach	$0.50 - $2.60 per square foot	A set of energy efficient measures for retail, office or schools up to 100,000 square feet. PSE pays up to 100% of the incremental cost of the package of measures. Project must be located in PSE's electric service area. If heated by gas, must be provided by PSE.
Component Prescriptive Approach		Standardized suite of rebates for lighting, HVAC, equipment and other products.
Component Custom Approach		Up to 100% of the incremental cost for improvements in energy efficiency for individual measures. The grant is determined using energy savings estimates and incremental measure cost data.
Energy-Efficiency Building Commissioning	$0.32 per square foot	Additional incentives are available if the third party commissioning agent completes a design review. The maximum incentive is up to 50% of the commissioning agent's fee as it relates to energy efficiency.

Grant Eligibility Requirements

PSE must be involved early in the design process, and projects qualify for grant incentives when the equipment and design achieves energy savings at least 10% beyond the applicable code requirement for electricity and exceeds code for natural gas measures.

Project funding and grants process:

- Using project scope, energy savings projections and cost estimates, a PSE EME will provide an energy efficiency funding estimate.
- Actual funding is determined after final project analysis and approval by the EME.
- Copies of approved invoices are required.
- Some of the funding approaches may be combined.

Projects qualify when they use:

- Innovative HVAC systems or system components, including evaporative assist cooling and heat recovery.
- Control systems to optimize savings of new efficient technologies.
- ENERGY STAR® TP-1 Transformers.
- Day lighting to allow for high quality, energy-efficient lighting and improved productivity in the space.
- Building thermal improvements such as class 35 glazing.

More information is available on the PSE Energy Efficiency Web site: http://www.pse.com/solutions/forbusiness/pages/customGrants.aspx?tab=1&chapter=3

2. Commercial New Construction – Federal tax deductions and credits

Federal Tax Deductions – Heating and Cooling

These federal tax deductions and credits are available for systems placed in service from January 1, 2006 through December 31, 2013.

Eligibility Requirements

Owners or designers of new or existing commercial buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1 are eligible for a tax deduction of up to $1.80 per square foot.

Partial deductions of up to $0.60 per square foot are available for measures affecting any one of three building systems:

- Building envelope
- Lighting
- Heating and cooling systems

More information is available on the Energy Star Federal Tax Credits Web site: www.energystar.gov/index.cfm?c=tax_credits.tx_comm_buildings

Federal Tax Investment Credits – Combined Heat and Power

A 10% investment tax credit (ITC) is available for owners of combined heat and power (CHP) systems, applicable to only first 15 megawatts (MW) of CHP property.

Eligibility Requirements

To qualify, CHP system must be 60% efficient; produce at least 20% of its useful energy as electricity and at least another 20% as useful thermal energy; be smaller than 50MW; be constructed by taxpayer or have original use of equipment begin with taxpayer; be placed in service after October 3, 2008 and before January 1, 2017. The tax credit becomes available the year the system is operational.

More information is available on the Tax Incentives Assistance Project (TIAP) Web site: http://energytaxincentives.org/business/chp.php

Federal Tax Credits and Grants – Renewable Energy Systems

Businesses are eligible for tax credits that cover 30% of the installed cost of approved solar water heating and photovoltaic systems, solar lighting, and small wind systems. Solar and wind systems must be placed in service between January 1, 2006 and December 31, 2016.

For geothermal heat pumps, businesses are eligible for either an investment tax credit of 10% of the installed cost (through 2016) or a grant worth 10% of the installed cost (for equipment placed in service between 2009 and 2010).

Eligibility Requirements

- Qualifying solar energy equipment must be used to generate electricity, to heat or cool or provide hot water to a structure, or to illuminate the inside of a building.
- Qualifying small wind systems must not have more than 100 kW of capacity.
- Qualifying geothermal heat pump units must meet the requirements of the Energy Star program at the time the heat pump is purchased.

More information is available on the Tax Incentives Assistance Project (TIAP) Web site: http://energytaxincentives.org/business/renewables.php

3. Commercial New Construction – State solar incentive

Washington State offers an adjusting scale production incentive to businesses that produce electricity using solar thermal, photovoltaics, wind or anaerobic digestion to produce power between July 1, 2005 and June 30, 2020. The incentive amount paid to the producer starts at a base rate of $0.12/kWh and goes up to $1.08/kWh, depending on project type, technology type, and where the equipment was manufactured. The incentive is capped at $5,000 per year. More information is available on the Database of State Incentives for Renewables and Efficiency (DSIRE) Web site: http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=WA27F&state=WA&CurrentPageID=1&RE=1&EE=0