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 Kinley Deller at Kinley.Deller@kingcounty.gov or 206-296-4434. 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 grants and programs

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

Business Energy Management Grants - New Construction
PSE's financial incentives are offered for whole building and component approaches, using a custom or prescriptive approach and offering up to 70% of the incremental costs for many high-efficiency electric and natural gas applications. A PSE Energy Management Engineer (EME) can help you determine which of the following funding approaches is 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 Incentives	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. Buildings exceeding energy code by 11% to 29% will receive a prorated incentive. Projects using other natural gas providers are eligible for half the incentive and must improve electric and total building energy use above the 10% threshold.
	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, which are permitted under the 2006 Washington State Energy Code. 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.

	Funding Approach	Incentive Range	Other Information
Component Incentives	Component Custom Approach		Up to 70% 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.
	Component Prescriptive Approach		Standardized suite of rebates for common energy-efficient improvements, such as lighting, HVAC, equipment, appliances and other products. Over one hundred options available! An updated rebate list is available by calling a PSE Energy Advisor at 1-800-562-1482.
Commissioning Incentives	Energy-Efficiency Building Commissioning	$0.50 per square foot	Incentives for third-party building commissioning are up to $0.50 per square foot, Construction phase commissioning must be completed. Additional incentives are available for design review and post-occupancy optimization/operator training. The maximum incentive is up to 100% of the cost of the design and post-occupancy phase commissioning.

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. Customers who apply for a grant via the whole-building prescriptive approach must be served by PSE electricity and may not apply for component incentives. Component incentives, prescriptive rebates and custom approaches may be combined.

Project funding and grants process:

- Customer completes and submits a grant form application to PSE Energy Services
- Following PSE's review of the project and a pre-inspection site visit, energy savings estimates and installation bids are used to estimate PSE funding, and a Grant Agreement between PSE and the customer commits funding for the project. Customer selects contractor and installs measure(s) per agreed specifications, with a PSE inspection and verification to follow
- Customer provides copies of invoices or other supporting documentation.
- PSE pays grant to customer.

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.
- Daylighting 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/savingsandenergycenter/ForBusinesses/Pages/Custom-Grant-Programs.aspx?tab=1&chapter=3.

Resource Conservation Manager Program
Commercial customers with multiple facilities may be eligible to take part in the Resource Conservation Manager (RCM) program, which involves a menu of service features and incentives to help start and fund an RCM position and program. PSE offers initial cash incentives to help fund the first year of an RCM's salary, set up utility database and program organization, salary guarantees for the RCM position, and more. Typically, most organizations can reduce annual costs from 10-15% over a three-year period.

Typical program participants have at least one million square feet of conditioned space and an annual utility/resource budget of over two million dollars to support a full time RCM, though smaller organizations can also benefit from the program through part time positions.

More information, and rebate application forms are available on the PSE Commercial Energy Efficiency Programs and Rebates Web page: http://www.pse.com/savingsandenergycenter/ForBusinesses/Pages/Resource-Conservation-Manager.aspx.

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 90.1-2001 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; for systems placed in service from October 4, 2008 through December 31, 2016.

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. The tax credit becomes available the year the system is operational and only the original constructor or user of the CHP property may take the tax credit.

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.

Federal Tax Credits and Grants – Fuel Cells & Microturbines
For fuel cells, businesses are eligible for tax credits that cover 30% of the cost up to $3,000 per kW of power that can be produced. For microturbines, credits are for 10% of the cost, up to $200 per kW of power that can be produced. Credits are available for systems placed in service prior to December 31, 2016.

Eligibility Requirements

- Fuel Cells: Qualifying systems must have an efficiency of at least 30% and must have a capacity of at least 0.5kW.
- Microturbines: Systems must have an efficiency of at least 26% and a capacity of less than 2,000 kW.

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

In addition, Washington State sales tax does not apply to the sales of equipment used to generate electricity using fuel cells, wind, sun, biomass energy, tidal or wave energy, geothermal, anaerobic digestion or landfill gas. *Expires June 30, 2013*.

More information is available on the Database of State Incentives for Renewables and Efficiency (DSIRE) Web site: http://dsireusa.org/incentives/incentive.cfm?Incentive_Code=WA04F&State=federal&currentpageid=1&ee=1&re=1.