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National
Association of
Regulatory
Utility
Commissioners

NARUC Partnership Program
Public Utilities Commission of Ohio
Ministry of Energy of Ghana
Energy Commission of Ghana
and
Public Utilities Regulatory Commission of Ghana
sponsored by

United States Agency for International Development

Ohio Power Siting Board
Siting Considerations

Kim Wissman
Executive Director
Ohio Power Siting Board
On behalf of NARUC



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Financial Considerations



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Incentives

- Ohio's leadership understands the significant and far-reaching benefits associated with the wise development of energy infrastructure within the state.
- To facilitate this objective, the state offers many incentives which could be applied to certain projects.



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Financial Data

Current and proposed ownership status of the proposed facility, including site(s), rights-of-way, structures, and equipment. Such information shall include type of ownership.

Capital and intangible costs:

- Estimates of applicable capital and intangible costs for the various alternatives. The data submitted should be in a consistent format (Uniform System of Accounts).
- Compare the total costs per kilowatt with similar facilities, and explain any substantial differences.
- Tabulate the present worth and annualized cost for capital costs and any additional cost details as required to compare capital cost of alternates (using the start of construction date as reference date), and describe techniques and all factors used in calculating present worth and annualized costs.



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Financial Data - Generation

Operation and maintenance expenses:

- Estimated annual operation and maintenance expenses for the first two years of commercial operation (uniform system of accounts)
- Compare the total operation and maintenance cost per kilowatt with similar facilities and explain any substantial differences
- Tabulate the present worth and annualized expenditures for operating and maintenance costs as well as any additional cost breakdowns as required to compare alternatives

Delays -- submit an estimate of the cost for a delay prorated to a monthly basis beyond the projected in-service date.



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Financial Data - Transmission

- Ownership -- state the current and proposed ownership status of the proposed facility, including sites, rights-of-way, structures, and equipment. The information should cover sole and combined ownerships, any leases, options to purchase, or franchises, and shall specify the extent, terms, and conditions of ownership, or other contracts or agreements.
- Capital Costs



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Electric Transmission Capital Costs

- Land and land rights
- Structures and improvements
- Substation equipment
- Poles and fixtures
- Towers and fixtures
- Overhead conductors
- Underground conductors and insulation
- Underground-to-overhead conversion equipment
- Right-of-way clearing and roads, trails, or other access



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Gas Transmission Capital Costs

- Land and land rights
- Structures and improvements
- Pipes
- Valves, meters, boosters, regulators, tanks, and other equipment
- Roads, trails, or other access



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Ohio Air Quality Development Authority

- The **Ohio Air Quality Development Authority** (OAQDA) is a non-regulatory, independent state agency that provides conduit financing and a range of tax incentives to both small and large business and industries that seek to install or implement air pollution control equipment, technologies, or processes to improve air quality and energy efficiency, including improved power generation efficiencies (for example IGCC). Ethanol and biofuel production facilities are also eligible.
- The **Clean Air Resource Center** (CARC) is the small business program of the OAQDA. Its purpose is to help Ohio's small businesses (fewer than 100 employees) understand what they need to do to meet EPA air quality regulations and to help them comply with these standards for the least possible cost.
CARC/OAQDA can offer tax incentives through conduit financing and small business grants to cover closing costs.



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OAQDA

- The **Ohio Coal Development Office (OCDO)**, within the OAQDA, co-funds the research, development, and implementation of technologies that can use Ohio's vast reserves of high sulfur coal to produce electric power in an economical, environmentally sound manner. OCDO can support projects ranging from applied research through the first-of-a-kind commercial demonstration. OCDO can offer loans, loan guarantees, and grants which can be done in conjunction with OAQDA conduit financing.



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Ohio Department of Development (ODOD)

Loans

166 Direct Loan

- The state of Ohio can provide below-market direct loans to qualifying businesses. Uses for the loan can include land and building acquisition, new construction, machinery and equipment (M&E) acquisition, and other project-related soft costs. Payment of state of Ohio prevailing wage is required for all project work completed with 166 Direct Loan funds. A private tender and owner equity of 10 percent are also required. The creation of jobs is also a requisite.
- Although the program's formal requirements limit the maximum loan amount to \$1 million or 30 percent of the project's eligible costs, the Director of Development can authorize changes in the loan amount, term, or rate. Typical rates for the 166 Direct Loan are between 4 and 5 percent, with preference for lower rates being given to companies locating their projects in designated Priority Investment Areas.
- Typical terms are up to 15 years for real estate and 10 years for M&E.



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ODOD

Grants

412 Business Development Account

- The state of Ohio can induce companies to locate a project in Ohio by offering grant dollars from the 412 Account. These funds can be used not only for the acquisition of machinery and equipment, but also for all necessary infrastructure improvements to be made at the project site, including water and sewer, roadwork, and rail development.
- Qualifying projects include manufacturing, research and development (R&D), distribution, and most other operations excluding retail.
- Projects must create new jobs and receive strong local support, and all work performed with 412 Account funds requires the payment of prevailing wages, as determined by the Ohio Bureau of Employment Services.



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ODOD

629 Roadwork Development Account

- The state of Ohio can assist companies with the costs of improving project site infrastructure. 629 Account funds can be used to reduce costs incurred by a company to construct or improve on-site public access roads.

Community Development Block Grant (CDBG)

- Using federal funds available to it, a local community can help reduce or offset infrastructure costs associated with a given project. Uses of these funds include sewer and water improvements and roadwork development.
- Eligibility criteria include a commitment to consider hiring 50 percent low- to moderate-income persons and the payment of federal prevailing wages for all work performed using CDBG funds.



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ODOD

Bonds

Ohio Enterprise Bond Fund

- Industrial projects can qualify for bond financing through the Ohio Enterprise Bond Fund. Eligible uses of funding include land and building acquisition, M&E purchases and project- related soft costs.
- Payment of state of Ohio prevailing wage is required for all project work completed with Ohio Enterprise Bond funds. The creation of jobs is also a requisite.
- Maximum terms for real estate financing and M&E financing are 20 years and 10 years, respectively. Bond rates are fixed at the time of sale of the bond. The program can provide a maximum financing amount of \$10 million.



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ODOD

Tax-Exempt Revenue Bond Financing

- Industrial projects located in the state of Ohio may be eligible for low-cost, tax-exempt revenue bond financing.
- Competition is significant for tax-exempt bonds, and restrictions are imposed on the eligibility of projects for such financing.

Buckeye Fund Loan Program

- By combining 166 Direct Loan funds with Ohio Enterprise Bond funds, the state of Ohio can facilitate below-market rate financing for qualifying businesses, which must be engaged in ongoing manufacturing operations. Land and building acquisition,
- M&E purchases and project-related soft costs are all eligible uses for the program.
- Payment of state of Ohio prevailing wage is required for all project work completed with program funds. The creation of jobs is also a requisite.



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Tax Incentives

Ohio Jobs Creation Tax Credit

- Companies engaging in manufacturing, distribution, and limited service operations in the state of Ohio, and subsequently creating new, full-time equivalent (FTE) jobs, are eligible.
- The *refundable* tax credit is applied towards the qualifying company's Ohio corporate franchise tax liability.

Manufacturer's M&E Investment Tax Credit

- Companies purchasing qualified machinery and equipment for use in the state of Ohio are eligible.
- Purchases made in designated areas are eligible for a 13.5 percent credit, while all other purchases are eligible for the standard 7.5 percent credit.
- The tax credit is *non-refundable*, and is applied to the company's Ohio corporate franchise tax liability over a period of seven years.



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Tax Incentives

Sales Tax Exemptions for Manufacturing M&E

- The state of Ohio exempts from state and local sales tax all machinery and equipment to be used in the manufacturing process.

Sales Tax Exemption for Warehousing M&E

- The state of Ohio exempts from state and local sales tax all machinery and equipment to be used in the warehousing and distribution process.

Sales Tax Exemption for R&D Equipment

- The State of Ohio exempts from state and local sales tax all equipment to be used in the R&D process.



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Tax Incentives

Foreign Trade Zones (FTZ)

- By locating in either a General Purpose FTZ or Foreign Trade Subzone, a company can defer or avoid payment of United States customs taxes.
- Deferral and exemption conditions include the entrance of production materials or finished goods into domestic commerce and whether or not the finished goods are exported.
- Additionally, inventory located in one of Ohio's seven General Purpose FTZs established prior to January 1992, is exempt from tangible personal property taxes.



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Tax Incentives

Warehouse Tax Exemption

- Goods shipped into the state of Ohio from an out-of-state source for storage only are exempt from tangible personal property taxes if they are ultimately shipped to out-of-state destinations.
- No value can be added to the goods while they are stored in Ohio.

Ohio Enterprise Zone Program

- By locating in a designated Enterprise Zone, companies can qualify for substantial abatements in real and/or personal property taxes.



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Tax Incentives

Community Reinvestment Areas

- By locating in a designated Community Reinvestment Area, companies can receive an abatement of up to 100 percent for 15 years on real property taxes.
- Eligibility criteria include making new real property investment and formalizing an agreement with the local community prior to going forward with the qualifying project.



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Tax Incentives

Tax Increment Financing

- Through the use of a negotiated Tax Increment Financing with the local community, a company can receive exemption on 75 percent of its real property taxes for up to 10 years. Instead, the company will direct "payments-in-lieu" (equal to the amount of real property taxes exempted) to the improvement of public infrastructure at the project site.
- The infrastructure improvements must also be declared to be of "public purpose." Additionally, the value of the exemption can be raised to 100 percent of real property taxes for 30 years, contingent upon local school board approval.



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Miscellaneous Incentives

Ohio Industrial Training

- Program Manufacturing and manufacturing-related projects that create jobs are eligible to receive funding through the Ohio Industrial Training Program.
- Up to 50 percent of eligible training-related costs incurred by the company are reimbursed by the program. Eligible costs include orientation, curriculum development, instructional materials, and instructor training ("train-the-trainer").



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Miscellaneous Incentives

Workforce Recruitment Services

- Utilizing the assistance of local offices of the Ohio Bureau of Employment Services (OBES), companies can minimize the resources they use for the recruitment of potential workers.

Workers Compensation Incentives

- The Ohio Bureau of Workers' Compensation has striven to increase the quality of its services while reducing the overall insurance costs incurred by Ohio employers.



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Ohio Department of Taxation

- There are potential tax provisions that may be relevant to energy infrastructure projects under both the Ohio Corporate Franchise Tax and the Sales and Use Tax programs.



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Corporate Franchise Tax

- Certified pollution control facilities - Property that has been certified as air, noise, or water pollution control property is not considered an asset of a corporation when computing the corporation's net worth for corporate franchise tax purposes.
- Certified energy and solid waste conversion facilities - Facilities certified under ORC as energy conversion, thermal efficiency improvement, or solid waste conversion facilities are excluded from the net worth of a corporation when computing the corporate franchise tax.
- Income from coal conversion facilities - Income and expenses arising from a conversion facility are not included in computing net income for the corporate franchise tax.
- Pollution control property and coal conversion facility excluded from property apportionment factors - The value of property that has been certified as air, water or noise pollution control property or the coal conversion property is excluded from both the numerator and the denominator of the property factor.
- Credit for electric plants using Ohio coal - A nonrefundable tax credit is allowed for Ohio coal used in coal-fired electric generating units, under certain conditions.



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Sales and Use Tax

- Tangible personal property used in industrial air, noise, or water pollution control facilities by holders of pollution control certificates is exempt from the sales and use tax.
- Tangible personal property used in energy conversion, solid waste conversion, or thermal efficiency improvement facilities by holders of energy conversion or thermal efficiency improvement certificates is exempt from the sales and use tax.



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“All regulation is incentive regulation.”



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“The Puritan hated bear-baiting, not because it gave pain to the bear, but because it gave pleasure to the spectators.” *Thomas Babington Macaulay, History of England*

“I’m not a vegetarian because I love animals; I’m a vegetarian because I hate plants.” *A. Whitney Brown*

“Today I will drink until I see double, not because I am addicted to alcohol, but because I want to recycle two bottles.” *B. Lagowski and R. Mumma, Daily Negations*