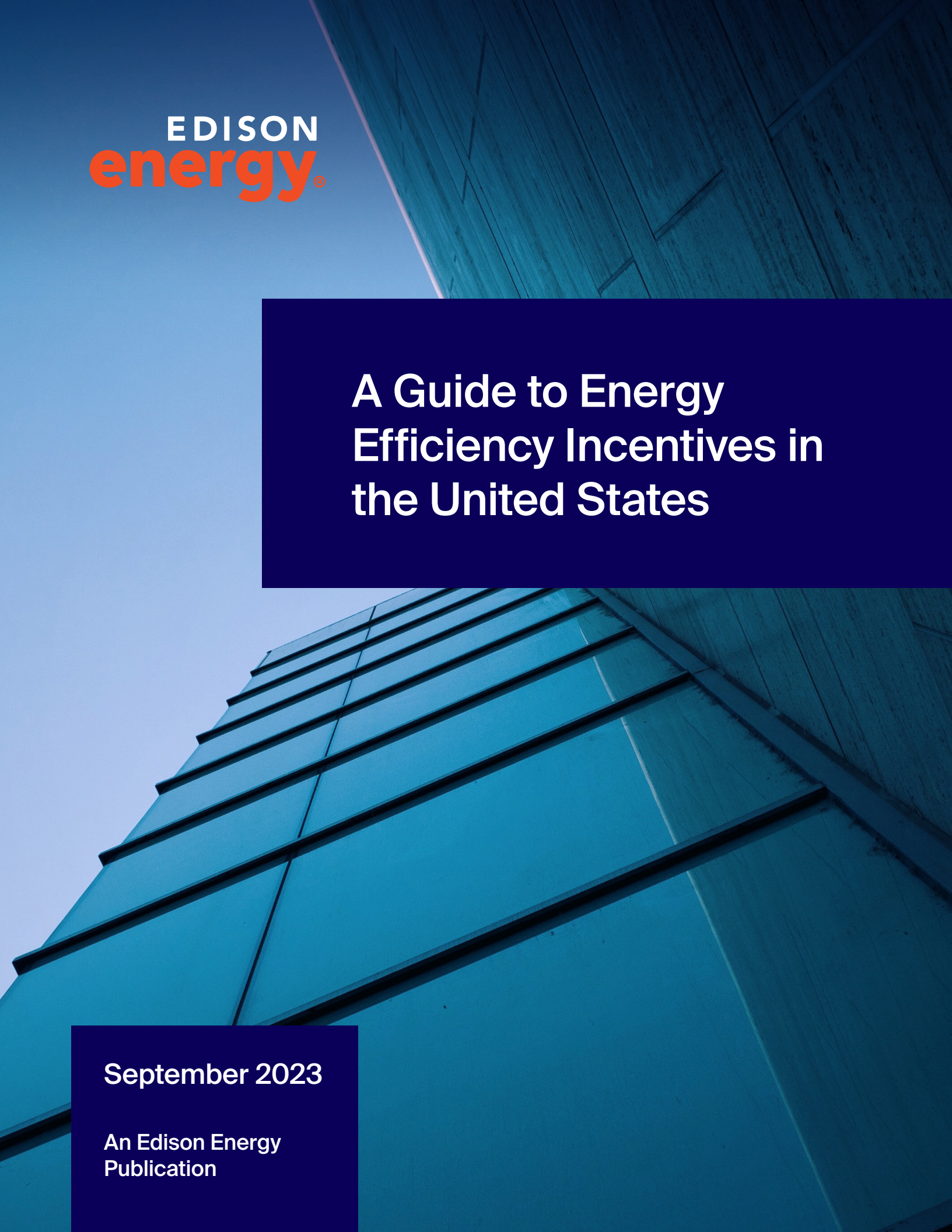

EDISON energy

A Guide to Energy Efficiency Incentives in the United States

September 2023

An Edison Energy Publication

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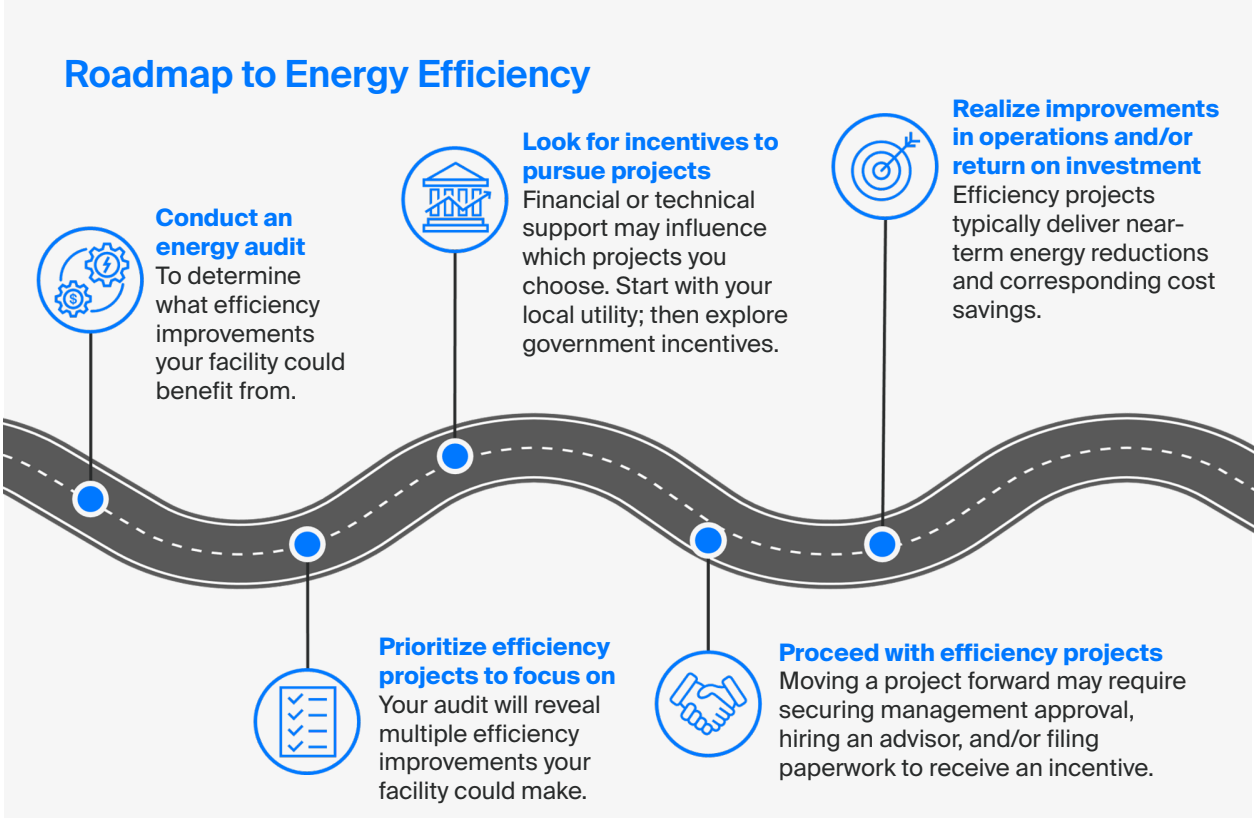
Introduction

Reducing on-site energy use is often recommended as the first step for commercial and industrial businesses looking to shrink their carbon footprint. Whether tackling “low-hanging fruit,” such as LED lighting retrofits, or addressing larger projects, like electrification or HVAC upgrades, investing in energy efficiency is the most direct way to reduce energy demand and, in turn, reduce greenhouse gas emissions.

While these projects can be expensive undertakings, incentives and other funding opportunities are often available to lower the cost burden on businesses. These incentives are offered in a variety of forms and by sources ranging from the federal and state governments to local electric utilities.

The diverse set of incentive programs and sources creates challenges in tracking available funding for energy efficiency projects, especially for geographically dispersed commercial and industrial businesses. This guide provides an overview of the type of incentives that may be available, as well as the best sources of information for exploring funding opportunities for your energy efficiency projects.



Getting Started

Before pursuing incentives, it's important to understand what your facility needs are and what energy conservation measures would be beneficial. Undergoing a facility energy assessment or audit is a necessary first step to identify and prioritize potential energy saving measures and their expected savings. Many of the resources listed in this report may also provide assistance with energy auditing services, either through financial incentives or technical support.

When pursuing a facility energy assessment, the right fit in an auditor may depend on the size of the facility, the facility's annual energy cost, and/or the type of processes that run at the facility. For small to medium-sized manufacturers that meet certain criteria, the Department of Energy Industrial Assessment Centers Program provides no-cost assessments that can be a great starting point. Larger facilities, those with more complex operations, or with multiple locations, may be better served by a third party like Edison Energy's Energy Optimization Team or another energy service provider.

Getting Started: Conducting an Energy Audit

Just starting out?
A **free option**, for qualifying facilities, is available through the US Department of Energy's Industrial Assessment Centers.

Have a budget?
Explore energy service providers who specialize in energy audits. Edison Energy's Energy Optimization Team offers this service for large industrial companies, typically with multiple sites and over a $1M annual energy spend per site.

Incentives may be available to subsidize or eliminate the cost of an audit.

Explore the possibilities with your local electric utility first; then look into government incentives.

Qualifications for a free energy audit from the US Department of Energy's Industrial Assessment Centers:

- US manufacturer – within Standard Industrial Code 20-39
- Gross annual sales below $250 million
- Yearly energy bills between $100k - $3.5M
- Fewer than 500 employees at the plant site
- Located within 150 miles of Industrial Assessment Center *(see map)*

To apply for an assessment, visit https://iac.university

Incentive and Funding Overview

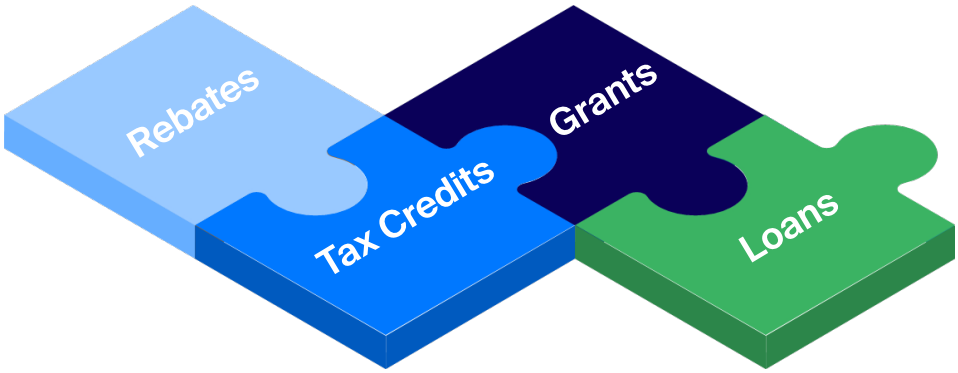
Energy efficiency incentives and funding opportunities range widely in the amounts offered, application processes, and methods of payment to energy users, but generally share a few common features. The funding is usually tied to either installing or replacing specific technologies in exchange for a set incentive amount, or calculated on a cost sharing basis, for instance an incentive may cover 30% of eligible project costs.

The total incentive amount available will be determined by measures, such as the type of technology being installed, anticipated energy reduction from the project, or more recently expected total emissions reduction. More complex funding opportunities, like state and federal grants, may also consider tangential components, like workforce development or environmental justice planning.

Projects may be able to qualify for multiple incentives from different resources, an approach known as stacking incentives. Applicants must thoroughly check program guidelines to determine if stacking is allowed or if there are any stipulations that preclude applying multiple incentives to a project.

- Rebates offer a reimbursement of a fixed value or a percentage of total project costs
- Rebates are received after project completion, following submission of an application

- Grants award an amount of funding to pursue a specific project
- Grants are received through a competitive process



- Tax credits usually offer a reimbursement of a percentage of total project costs, up to a capped amount
- Tax credits are received after project completion, through a credit on a tax return

- Loans offer money up-front to pursue a project, but must be paid back to the lender
- Loans are received through an application process

Note: Businesses may be able to "stack" project incentives, qualifying for multiple incentives from different resources for the same project. Careful review of program guidelines is required to determine if this is allowed in each circumstance.

Types of Incentives and Funding

Rebates

Rebates, the most common energy efficiency incentives, are offered from a variety of sources, in part due to the ease of application and administration compared to other options. Rebate values may be fixed based on the project type or be offered as a percentage of total project costs for more complex installations. The rebate is received after completion of the project, usually after completing an application and providing proof of payment. In some cases, the contractor completing the work may be able to complete the application and receive the rebate directly on behalf of the business owner, in order to reduce upfront costs for the consumer.

Rebate Examples:

Consumers Energy MI: The utility offers a suite of programs aimed at energy efficiency and cost savings, with rebates available for lighting, HVAC systems, insulation, and custom solutions for business customers.

Department of Energy: The Office of Manufacturing and Energy Supply Chains' Extended Product Systems Rebates program is offering up to $25,000 rebates towards the purchase and installation of motors, fans, pumps, air compressors and other qualifying equipment.

Tax Credits or Abatements

Tax credits for energy efficiency projects are most commonly offered by the federal government but may also be available from state governments. The value of the credit is usually a percentage of total project costs, up to a certain capped amount. While tax credits can provide high returns, they also have unique challenges that must be considered, such as longer timeline to receive funding, additional criteria to meet federal requirements, and ensuring the business has the appropriate tax appetite to take advantage of the credit.

Tax Credit Examples:

Internal Revenue Service: The Section 48 Investment Tax Credit (ITC) offers up to 30% of the installation cost for Combined Heat and Power Systems or Waste Heat Recovery projects as a tax credit, provided prevailing wage and apprenticeship requirements are satisfied.

State of Kentucky: The Sales and Use Tax Refund allows for refunds equal to "the amount of Kentucky sales or use tax paid on the purchase of new or replacement machinery or equipment for an energy efficiency project purchased on or after July 1, 2008."

Grants

Grants are commonly available from state and federal government agencies but may be offered from other sources. Grant programs, unlike other incentive programs, usually involve a competitive application process varying in complexity based on the source of funding. Some grant programs may offer simple applications, while others may involve energy modeling and long-term reporting requirements, but the large award amounts make the extra effort worthwhile.

Grant Example:

Wisconsin Office of Energy Innovation: The Energy Innovation Grant Program provides funding to a number of eligible entities to support energy efficiency, renewable energy, and energy storage, with $10 million in available funds for FY 2022 grantees.

Loans and Other Financing Options

There are numerous financing options available for energy efficiency projects, ranging from traditional options such as loans and equipment leases, to more specialized models such as Property Assessed Clean Energy (PACE) programs, performance contracting, and others.

The Department of Energy's Better Buildings Solutions Center provides an overview of financing options, as well as a financing navigator tool to help identify what model may work best for your situation.

Loan Examples:

Department of Energy: Having already reached $8 billion in project loans, the Advanced Technology Vehicles Manufacturing Loan Program provides financial support for manufacturing of eligible vehicles and qualifying components.

State of Ohio: The Energy Loan Fund offers low-interest loans, ranging from $250,000 to $2.5 million, for organizations seeking to implement energy efficiency projects that reduce energy usage by at least 15%, such as insulation, LED lighting, HVAC upgrades, and combined heat and power systems.

Where to Find Incentives and Funding Opportunities

Incentives, funding, and financing opportunities are offered from a wide variety of sources and will vary for each facility, which can make it difficult to track programs that are available. There are some common places to start your search, such as the Database of State Incentives for Renewables & Efficiency (DSIRE), managed by North Carolina State University. The database is searchable by state and can be filtered by incentive type.

Incentive programs are ever changing, making it difficult to have accurate information in one place. While most energy service providers will help identify potential incentives, it can still be helpful to go directly to the source of the funding to ensure you are reviewing the most up to date program details.

Electric utilities are often the best starting point when looking for energy efficiency incentives, with most large utilities offering programs. Incentives such as loans, grants, and tax credits can be found from government bodies, from state and federal agencies to local governments. The availability and type of incentive offered from the government may widely vary depending on location and project type.

The following pages will explore some common sources of funding to help start your search.

Approach to Finding Incentives and Funding for Efficiency Projects

When researching efficiency incentives, start with your local electric utility – this is the most commonly available source of incentives. Availability of government incentives will vary by location and project type.

Electric Utilities

Whether you are behind a large, investor-owned utility, municipal utility, or electric cooperative, your electric utility can be a great resource for your energy efficiency planning. Utilities may provide direct incentives, such as rebates, or have more robust programs that offer energy auditing or planning. Review your utility's website and contact your account representative to explore available programs.

ENERGYSTAR's utility genius tool highlights incentives available for commercial buildings but may not capture all the options available to industrial manufacturers.

Examples:

Duke Indiana: The utility offers Smart Saver Rebates and Incentives focused on energy efficiency and cost savings, with a robust list of eligible products and upgrades with the associated rebate available.

Georgia Power: The Commercial Energy Efficiency Program allows customers to apply for stackable rebates, ranging from $25,000 to $250,000 (capped at 50% of equipment cost) per building based on project type.

State Energy Offices

All fifty states and Washington DC have energy offices that help to promote energy efficiency projects to meet national and state energy goals. Each state office differs in the programs they offer but can provide a variety of services from technical assistance to funding opportunities. These agencies are often the conduit for federal energy funding to reach local projects, passing through monies via grants and rebates.

A list of state energy offices can be found here.

Federal Agencies

Unprecedented levels of federal funding for energy efficiency and clean energy has led to numerous new and expanded tax credits, as well as grant programs. As this funding from the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA) is dispersed, it will be important for businesses to monitor guidance and funding announcements from the federal government to determine how they can take advantage of these new incentives.

To date, much of the funding set aside for grants from IIJA and IRA has yet to be distributed to the federal agencies and state agencies responsible for administration. The White House has released the IRA guidebook, which lists all of the climate and energy related provisions, and the Internal Revenue Service developed a website to track IRA tax credit guidance as it is published. To stay informed of funding opportunities and program announcements, energy users subscribe to the Department of Energy's email listserv.

Existing federal resources can also assist with developing energy reduction plans. The Department of Energy's Better Plants program can provide technical assistance, trainings, and other resources for industrial energy managers looking to reduce their site energy intensity.

Local Governments

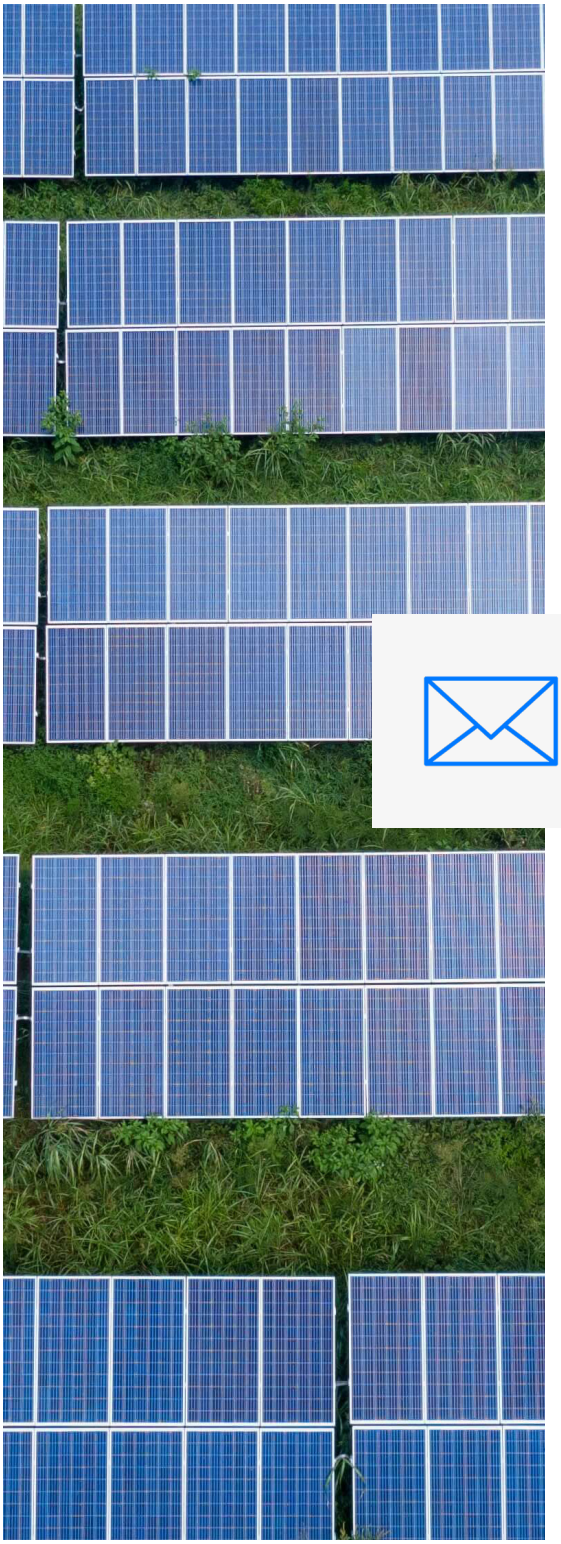
Municipal and county government can also be a source of energy efficiency incentives, financing, and other supporting programing. More populous cities and counties, or those that have set climate-related goals, may roll out incentive or financing programs to help support emissions reductions in the area. Local government programs are less common than some of the other sources but are likely to see an increase as federal funds from the IRA and IIJA flow from state energy offices to local units of government.

Examples:

City of Milwaukee: The PACE Financing Program has funded over $40.4 million in energy efficiency projects and can provide 100% project financing up to 20-30% of property value, with no upfront costs to the customer.

City of Louisville: The METCO Go Green Loan Program provides loans ranging from $15,000 to $200,000 or more, with a minimum 3% interest rate and 10-year repayment timeline, for businesses seeking energy efficiency upgrades or creating green products.

About Us



Edison Energy's dedicated Policy and Energy Optimization teams can help your company navigate this complex incentive landscape while developing and implementing your energy program. Edison Energy's Policy team works alongside our clients to support them in understanding the impacts of shifting policy and advise them on how to capture the greatest value of incentives available to make cost-effective decarbonization investments at their facilities. Edison Energy's Energy Optimization team supports clients in looking closely at supply, demand, operational and organization metrics, and develops a comprehensive energy management strategy for each client.

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