OBAMA-BIDEN TRANSITION PROJECT

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Renewable Integration Tax Credit Proposal

Adequate government incentives are critical to encouraging large-scale development of renewable energy resources. Current federal and state renewable energy policies do not sufficiently recognize the important role that utilities play as agents for the public in the acquisition and delivery of clean energy resources.

Federal renewable tax incentive policies should recognize that integrating a significant increase in renewable generation – in particular wind and solar power -- into the grid imposes significant burdens on the utilities that transmit and distribute the electricity from such resources to customers. Substantial expenditures are necessary to accommodate these resources while maintaining system reliability.

For example, because of the intermittent nature of wind and solar energy, utilities are often required to make investments in new quick-start natural gas generating facilities and supporting natural gas infrastructure and fuel. They also incur increased maintenance cost resulting from rapid changes in the operating rates of coal and gas plants used to balance renewable generation. It is also likely that utilities will have to expend increasing resources to develop and manage energy storage facilities. This translates into ongoing additional costs to utilities and increased utility bills for customers.

To account for these costs and properly encourage utilities to make necessary system upgrades and ongoing expenditures, Congress should enact a "Renewable Integration Credit" (RIC), which provides to utilities, as the entities that transmit, distribute and integrate renewable generation, a tax credit – in addition to any PTC or ITC available to the generator -- based on the kilowatt hours of "intermittent renewable electricity" purchased from third party generators or produced by the integrating utility themselves. .The amount of the renewable integration credit per kWh would be based on a sliding scale – up to a maximum of 0.75 cents per kWh of electricity integrated into the grid by the utility from PTC-qualifying renewable resources, depending on the percentage of the utility's intermittent renewable generation in its total portfolio.

PROPOSAL: A utility serving retail electrical customers that purchases or produces intermittent renewable electricity will receive a renewable integration credit (RIC) depending on the utility's total generation portfolio derived from intermittent renewable resources, as follows:

Less than 4% of portfolio from intermittent renewable electricity: No credit

More than 4% but less than or equal to 7% from intermittent renewable electricity: 0.25 cent / kWh

More than 7% but less than or equal to 15% from intermittent renewable electricity: 0.50 cent / kWh

More than 15% of portfolio from intermittent renewable electricity: 0.75 cent / kWh

Intermittent renewable electricity is electricity produced from a wind facility, as defined in Internal Revenue Code section 45, or a solar facility, as defined in Internal Revenue Code section 48.