



Oregon

Theodore R. Kulongoski, Governor



OREGON
DEPARTMENT OF
ENERGY

625 Marion St. NE
Salem, OR 97301-3742
Phone: (503) 378-4040
Toll Free: 1-800-221-8035
FAX: (503) 373-7806
<http://Oregon.gov/ENERGY>

June 2010

Documenting Project Costs and Payments for a Business Energy Tax Credit

Requirement to document costs:

The Business Energy Tax Credit Program (BETC) managed by the Oregon Department of Energy requires a project owner to provide an account of project costs. The Oregon Administrative Rules OAR 330-090-0130 (11) (B) (i), and (ii):

- (B) An account of the facility costs, including prorated costs.
 - (i) If facility costs are less than \$50,000, the account may be records of facility costs paid or incurred based on canceled checks, invoices, receipts, a binding contract or agreement, or other documentation as may be required under these rules unless required by the Director to supply verification from a certified public accountant, who is not otherwise permanently employed by the facility owner or pass-through partner. If an applicant has an outstanding binding contract or loan agreement, the account shall demonstrate that payments on contract or loan are not in default; or
 - (ii) If the facility costs are \$50,000 or more, a certified public accountant, who is not otherwise permanently employed by the facility owner or pass-through partner, must complete a written review and summary of costs paid or incurred based on canceled checks, invoices, or receipts, a binding contract or agreement, or other documentation as may be required under these rules. If an applicant has an outstanding binding contract or loan agreement, the certified public accountant shall include sufficient information to demonstrate that accounts directly related to the facility are not in default;

Requirement to document payments:

The BETC program also requires a project owner to demonstrate that the project is fully paid for. The Oregon Administrative Rule OAR 330-090-0110 (17) states:

(17) "Completed Facility": A facility for which all costs have been paid or committed by a binding contract or agreement and that is installed and operating ...

Paid project costs

There are two key aspects: 1) Itemized costs that match the project description; and
2) Proof that these costs have been paid in full.

June 2010

1) Itemized costs - A project owner must provide the Oregon Department of Energy written itemized costs for the project—equipment, permits, installation, labor, design, etc. A detailed list of all eligible costs can be found in OAR 330-090-0110 (19) (“Cost”). A project owner should ask the vendors or contractors associated with the project to provide written and detailed itemized costs incurred on an invoice or a final bill. The description of itemized costs must match the project description that the owner submitted in the Application for Preliminary Certification and that are summarized on the Preliminary Certificate.

2) Paid in full – A project owner must also show a vendor or contractor’s final invoice or billing that includes dates and amounts of payments made and a \$0 balance due or show copies of the front and back of canceled checks to the vendor or contractor that add up to the amount on the invoice. It is important that the date of payment must be clearly visible on the receipt, paid invoice or copy of the canceled check. Only **PAID** expenses will be considered as eligible costs. If there is a balance due on a final bill and no proof of payment (for example, there is no copy of a canceled check), the Oregon Department of Energy will consider the expense associated with the balance due as an ineligible cost for purposes of the Business Energy Tax Credit.

Eligible Cost Effective Date

Only costs and payments incurred **on or after** the Eligible Cost Effective Date on the Preliminary Certificate are recognized. The Eligible Cost Effective Date is the date the Application for Preliminary Certification was received by the Oregon Department of Energy. (It can also be an earlier date approved by the Oregon Department of Energy.) If there is no Eligible Cost Effective Date listed on the Preliminary Certificate, call the Oregon Department of Energy for the date. (The Eligible Cost Effective Date is **not** the date the Preliminary Certificate was signed.) Costs incurred prior to the Eligible Cost Effective Date will not be recognized as eligible expenses (unless they are pre-application costs—see page 3). Costs or payments incurred prior to the Eligible Cost Effective Date will disqualify the **entire** project as they indicate the project was started prior to the date the Oregon Department of Energy received the Application for Preliminary Certification from the project owner.

The Oregon Revised Statutes (law) clearly state that an application must be received by the Oregon Department of Energy “**Prior** to erection, construction, installation or **acquisition** of a proposed facility.” ORS 469.205 The statute goes on to state that an applicant of an eligible project: Plans to acquire, construct or install a facility that will use a renewable energy resource or solid waste instead of electricity, petroleum or natural gas; Plans to use a renewable energy resource in the generation of electricity for sale or to replace an existing or proposed use of an existing source of electricity; Plans to acquire, construct or install a facility that substantially reduces the consumption of purchased energy;

By using language that the applicant “plans” to do the project, it is clear that the applicant has not implemented the project. An applicant who has incurred costs by ordering equipment, making a down-payment, or signing a contract has gone beyond the “planning” stage and has implemented the project. If an applicant has ordered equipment, made a down-payment, or signed a contract, they are obligated to do the project. The Business Energy Tax Credit is an incentive program and not a reward program for implementing projects. When an applicant goes

beyond the “planning” stage, they have demonstrated that they can do the project without the tax credit incentive.

Therefore, **all** eligible project costs (other than qualifying pre-application costs) and all project payments (other than those paid for qualifying pre-application costs) must be dated on or after the Eligible Cost Effective Date printed on the Preliminary Certificate.

Pre-application costs

Certain types of projects require a contractor to perform engineering, design work, or energy studies in order to define the scope of the project, calculate the energy savings, and/or accurately estimate the cost of the project. These services inevitably occur prior to the application being submitted to the Oregon Department of Energy and, consequently, prior to the Eligible Cost Effective Date printed on the Preliminary Certificate.

The Oregon Department of Energy recognizes the cost of these pre-application services (pre-engineering, necessary design work and energy studies) as eligible project costs. However, these pre-application costs must be listed on the contractor’s invoice and must meet the following requirements. The pre-application costs must be:

- Accurately, clearly and fully identified as to the services rendered (itemized)
- Reasonable (can include time expended, rate of pay as proof of cost)
- Dated
- Billable to the customer regardless if the project proceeds or not

Important: Pre-application costs are **NOT:**

- For services rendered in providing a basic bid (such as a walk-through audit of lighting fixtures)
- To include non-refundable down-payments or deposits for the project
- To include permit, license or other necessary project fees
- To include any “hard” costs for material, supplies or equipment for the project. (Pre-application costs may include necessary hard costs to do an energy study. For example, the cost of an anemometer to capture the wind speed for a potential wind project.)

It is the project owner’s responsibility to ensure that pre-application costs are fully disclosed as stated above. The Oregon Department of Energy reserves the right to ask for additional documentation for pre-application costs. **The entire project will be denied, if project proof of payment includes pre-application costs that do not qualify as pre-application costs or do not meet the burden of proof.**

Federal grants

Project owners must deduct federal grants (including 2009 stimulus package funds) they receive or expect to receive for the project from the eligible project costs. The state tax credit is then calculated on the remaining eligible costs.

Utility, ETO incentives and federal, state tax credits

Project owners may receive a utility or Energy Trust of Oregon (ETO) financial incentive for the energy project. The incentive may go to a project owner or be assigned to directly pay the contractor or vendor of the project. If the utility or ETO incentive goes directly to the vendor or

contractor, the proof of payment provided by the vendor or contractor must show the amount of the payment, the organization that made the payment, and the date the payment was made. (See example at end.) All incentives and tax credits paid for the project (or expected to be paid) must be disclosed on the final application. Oregon Administrative Rules state that the sum of all the incentives and the Business Energy Tax Credit may not exceed 100 percent of eligible project costs. The Business Energy Tax Credit will be pro-rated to not exceed the 100 percent cap.

Projects paid with financing or loans

Project owners who pay for a project with financing or bank loans should provide a copy of the financing or loan contract. Vendor or contractor billings or invoices should document that the itemized project costs were paid in full with the loan funds, and the date the payment was made.

Pass-through payment

Under no circumstances can a pass-through payment be considered as proof of project payment. Vendor or contractor statements, receipts or paid invoices that show a pass-through payment made are considered **fraudulent**. Pass-through payments must be authorized by the Oregon Department of Energy and do not take place until **after** the final application has been approved.

Donated material and volunteer labor

Donated materials and volunteer labor are **not** considered incurred costs and are not eligible costs. Receipts or proof of payments that are produced to show otherwise would be considered **fraudulent**.

Further information

More specific information on eligible project costs, please refer to OAR330-090-0110 (20) available on the Business Energy Tax Credit homepage. For more information or to request application forms, call the Oregon Department of Energy at 1-800-221-8035 or (503) 378-4040 in Salem.

EXAMPLES BELOW

Example of proof of payment for project under \$50,000

Lighting Company 555 SW Robin Lane Tigard, OR 97223			
BILL TO:	XYZ Company 4000 Beaverton-Hillsdale Hwy. Portland, OR 97225	DATE 10/30/2009	INVOICE 454569
<hr/>			
DESCRIPTION			AMOUNT
Lighting installed at 4000 SW Beaverton-Hillsdale Hwy. Portland on 9-10-09			
34 each T-8 lamps w/electronic ballasts			\$1,575.00
Labor for lighting replacement project			\$1,405.00
	Total project costs:		<u>\$2,980.00</u>
Paid 10-12-09 Utility payment			<\$500.00>
Paid 10-21-08 XYZ Company check #445			<\$2,480.00>
	Total payments:		<u><\$2,980.00></u>
	Balance Due:		<u>\$0.00</u>

Example of itemized paid invoice to show CPA for project of \$50,000 or more

Solar System Company 123 Commercial St. Salem, OR 97302		Invoice #: 882 Date: 10/24/2009
Bill to:	Ship to:	
ABC Company 200 Main St. Silverton, OR 97381	ABC Company 200 Main St. Silverton, OR 97381	
Item	Amount	Balance
Solar PV system installed at 200 Main St. Silverton on 9-10-2009		
Equipment:		
42 - 200 Watts DEC at STC modules		
1 SMA 2-S15048U inverter		
Total Equipment:	\$66,544.00	\$66,544.00
Labor: Total electrical and solar installation	\$11,340.00	\$77,884.00
Engineering for structure and mounting:	\$2,345.00	\$80,229.00
Paid 10-12-2009 Utility or ETO payment	<\$12,500.00>	\$67,729.00
Paid 10-22-2009 Bank loan paid by First Bank	<\$50,000.00>	\$17,729.00
Paid 10-24-2009 Project owner check #4565	<\$17,729.00>	\$0.00
	Total Charges	\$80,229.00
	Total Payments	<\$80,229.00>
	Balance	\$0.00