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Utility Economic Development Incentives

Many States offer incentives to attract new businesses or for expansion of existing facilities within their borders. Did you know Utility Company's also offer?

Utility companies have equipment installed at existing buildings with capacity sitting idle because the previous company relocated or closed leaving that installed capacity idle. In the utility industry that equipment is referred to as a stranded asset.

Most electric utility companies offer incentives and some gas only utility companies also offer incentives.

Utility Incentives

Most electric utility companies offer incentives and some gas only utility companies also offer incentives. In States with multiple utility companies not each utility in that state may offer incentives for locating to or expanding within their service territory.

Incentives offered by utility companies vary widely with most having terms ranging from 2 - 5 years, with a few incentives lasting more than 5-years. Most rate discounts depreciate over their term and most have minimum kW or kWh requirements determined by new load or incremental load increases over the prior year. The kW demand requirements can range as low as 10 - 25 kW while the majority of the utilities require a total demand of 200 kW or more to qualify with some requiring as much as 1,000 kW.

In the case of facility expansions, an increase over the prior year's use, known as incremental load, must meet a minimum increase over the prior year which is the basis of the credit. In some rare cases utilities are permitted to negotiate "Off Tariff" rates with customers.

Many utility economic development riders are linked to the creation of new full time jobs or the approval of State or local economic development incentives to receive the discounted rate.

Example

In Rochester New York, for instance, a company locating there can apply for a 20-year tax abatement and if approved be exempt from any taxes for the first 10-years then the tax rate ramps up over the next 10 years.

In addition the local utility, Rochester Gas and Electric (RGE) offers a Capital Investment Incentive Program which provides grants for electric infrastructure improvements required for major capital investment in plant or equipment. There is a minimum incremental demand threshold of 100kW and a minimum capital investment $1 million.

When energy efficiency upgrades are designed into the project, additional incentives may be provided through the Business Energy Efficiency Assistance incentive program offered by State of New York and NYSEG. This program is similar to a number of state and utility energy efficiency programs.

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New York also offers a reduced electric commodity incentive for capital intensive and job creating projects by allocating a traunche of electricity from New York Power Authority hydro power if the facility is located in the Empire Zone Incentive area. This results in further reductions from the standard tariff rate on businesses' kWh and Therm usage for the new load.

A Utility Companies requirements to qualify for their economic development rates vary significantly in the how and to what extent the discount is applied, the term of the discount, and its' value to the business. The characteristics of each program also vary significantly and must be considered along with the more typical state and local economic development incentive programs.

Many utilities offer Economic Development Incentive rates for selected communities. The rates are designed to encourage occupancy and expansion and sometimes overlooked.

Sample of Utility Economic Development Incentives

Al – **Alabama Power**– 15% discount	ME – **Central Maine Power** - kWh credit up to 1.5 cents, 3 years	NY – **O&R Utilities** - up to 20% on delivery, 5 years
FL – **FP&L** – up to 25% Credit	MD – **BG&E** – up to 15% on delivery, 5 years	NC - **Duke Energy** – up to 20%, 4 years
FL – **Gulf Power**– vacant building tariff	MI – **AEP** – demand 17.5% , 3 years	NC - **Progress Energy** – up to 50% total bill, 5 years
IA – **Alliant Energy** – manufacturing targeted sectors	MI - **Detroit Edison** – large customers – up to 30% base rates	ND – **Montana Dakota Utilities** – up to 50% demand, 5 years
IN – **AEP** – Targeted, 3 year 15% discount, sunset	Mn – **Minnesota Power** - City/region specific – up to 20% of demand	OH – **Duke Energy** – Targeted – up to 50% delivery
IN – **NIPSCO** – Targeted, up to 50% credit, 5 years	MO – **KCP&L** – up to 30%, 5 years	Ok - **PSC(AEP)** – negotiated down to marginal cost, 10 years
KS – **KCP&L** – up to 30%, 5 years	MT – **Montana Dakota Utilities** – negotiated rate	PA – PECO – Industry & Brownfield targeted – Up to 15% on delivery
KY – **LG&E and KU** – Brownfields – up to 50% on demand, years	NJ – **O & R Utilities** – up to 20% on delivery, 5 years	SC - **Duke Energy** - up to 20%, 4 years
La - **SWEPCO (AEP)** - up to 50% on demand, years	NJ – **PSE&G** – Targeted cities, up to $2.88 / kW demand credit, 7 years	Va – **Dominion Power** – up to 25% on demand

Does not include all companies - 3/2013 *Conditions & Threshold apply to all tariffs*

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About Our Team

Sugarloaf Associates LLC is an affiliate of Biggins Lacy Shapiro & Co., headed by Tim Comerford. As the energy consulting practice of BLS, Sugarloaf provides comprehensive energy services and procurement strategies, including utility relocation, energy procurement, utility rate tariff and billing issues, green building requirements associated with economic development incentive awards, renewable energy installations, and electric and gas infrastructure assessments with a specialized capability in mission-critical facilities. Sugarloaf advises on local utility infrastructure in support of a range of project types, including optimizing utility service design to minimize project cost, determining tariff issues that affect annual operating costs, minimizing utility relocation expenses and ensuring cost effective operations.

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