

## Business Energy Tax Credit for Manufacture of Renewable Resource Equipment (Manufacturing BETC)

**Program Sunset:** 1/1/2014

**History/Background:** Legislation in 2007 (HB 3201B) expanded the Business Energy Facilities tax credit (BETC) to allow renewable energy manufacturing facilities to qualify for a BETC tax credit. Subsequent legislation in 2011 (HB 2523) transferred the administration of the manufacturing portion of the BETC program from the Oregon Department of Energy to the Oregon Business Development Department (Business Oregon) and in the process making the manufacturing portion of the original BETC its own tax expenditure, the Renewable Resource Equipment Energy Manufacturing Facilities tax credit (Manufacturing BETC).

The application for the tax credit was subject to detailed technical and financial review of the project and third-party experts were consulted by Business Oregon during the application review process. The applicant's commitment to performance measures including job creation and retention requirements and operation of the facility for a minimum of 5 year were required under the terms of a performance agreement. The terms include penalty repayment up to the full amount of the tax credit issued if the facility owner default on the agreement.

**TAX CREDITS ISSUED.** Chart 1 shows facilities that received credits after signing a performance agreement and receiving final certification. There are performance agreements that remain open after the program's sunset and Business Oregon continues to monitor the facilities and administer these contracts. The term of the last agreement in good standing is scheduled to expire on December 30, 2016.

| APPLICATIONS<br>FINALED                        | Location    | Mfg BETC<br>App # | Project<br>Type | Application<br>for Final<br>Certification<br>Received | Final<br>Certification<br>Approved<br>(Cert Amnt<br>Letter<br>Issued) | Final Certified<br>Project Cost<br>Amount | Total Certified<br>Project Tax<br>Credit Issued | Performance<br>Agreement<br>(N/A=Not<br>required under<br>program at<br>time) | In Compliance<br>(2014 job data<br>not yet<br>available) | Jobs Required<br>(Includes<br>adjustment for<br>allowable job<br>ramp up) | 2013 Average<br>FTE OR<br>Final Average<br>FTE At Closure |
|--|-------------|-------------------|-----------------|---|---|---|---|---|--|---|---|
|  |             |                   |                 |   |   |   |   |   |  |   |   |
| Solaicx (MEMC)                                 | Portland    | 19186             | Solar           | 3/31/2008   | 3/14/2008   | \$18,071,442                              | \$9,035,721                                     | N/A   | N/A  | N/A   | N/A   |
| SolarWorld                                     | Hillsboro   | 18884             | Solar           | 11/17/2008  | 11/17/2008  | \$22,000,000                              | \$11,000,000                                    | N/A   | N/A  | N/A   | N/A   |
| SolarWorld                                     | Hillsboro   | 18887             | Solar           | 8/28/2009   | 7/29/2009   | \$21,924,686                              | \$10,962,343                                    | N/A   | N/A  | N/A   | N/A   |
| SANYO  | Salem       | 24787             | Solar           | 3/17/2010   | 1/14/2010   | \$40,000,000                              | \$20,000,000                                    | Expires<br>12/31/2015   | Exceeds/2013   | 100   | 104   |
| SANYO  | Salem       | 26091             | Solar           | 9/8/2010  | 9/22/2010   | \$40,000,000                              | \$20,000,000                                    | Expires<br>12/31/2015   | Exceeds/2013   | 100   | 104   |
| SolarWorld                                     | Hillsboro   | 26000             | Solar           | 6/1/2011  | 9/13/2011   | \$40,000,000                              | \$20,000,000                                    | CLOSED<br>10/22/2013<br>Exceeded<br>Requirements<br>for 100 MW<br>facility    | <b>YES/CLOSED</b>  | 440   | <b>804</b>  |
| SoloPower, Inc.                                | Portland    | 32786             | Solar           | 6/1/2012  | 8/29/2012   | \$40,000,000                              | \$20,000,000                                    | Revised Due to<br>Plant Closure   | NO/Conditional<br>Upon Sale                              | 140   | 19  |
| Wellons, Inc.                                  | Grants Pass | 22308             | Biomass         | 11/7/2012   | 11/9/2012   | \$2,000,000                               | \$1,000,000                                     | CLOSED<br>4/17/2014<br>Exceeded<br>Requirements                               | <b>YES/CLOSED</b>  | 19  | <b>20</b>   |
| Ulbrich  | Hillsboro   | 33263             | Solar           | 3/26/2013   | 5/6/2013  | \$4,916,006                               | \$2,458,003                                     | Expires<br>12/31/16   | Yes/2013   | 12  | 9   |
| <b>Final Applications -<br/>Credits Issued</b> |             |                   |                 |   | <b>FINAL</b>  | <b>\$228,912,134</b>                      | <b>\$114,456,067</b>                            |   |  | <b>811</b>  | <b>1060</b>   |

\*The Department measures job creation in accordance with a definition approved by the Oregon employment Department. One Full-time Equivalent (FTE) job is equal to 1820 hours worked annually. The hours do not include benefit time (vacation, sick leave, etc.). Hours worked that are reported by a firm are verified by the Department through an interagency agreement with OED.

#### Notable Projects:

SolarWorld - The company submitted 6 applications that received preliminary certification. The first 3 applications for the initial phase of the facility ramp-up (100 MW annual solar ingot/wafer production) received final certification and \$41,962,343 in tax credits were issued. The facility began operation in 2008 and continues to operate, having exceeded the requirements for 5-year operation of a 100 MW facility (2008-2012). Although the company made additional investment to increase capacity, a downturn in the solar market influenced the company's ability to meet performance measures for the final 3 applications

related to operation of the expanded 250-500 MW facility. Closeout of the remaining 3 applications was negotiated and the terms of the performance agreement were amended allowing the remaining \$54,400,000 in tax credits to be withdrawn without being issued.

SoloPower - The company received a Manufacturing BETC of \$20 Mil for a CIGS thin film production facility. The tax credit was passed through to a third party in December 2012 for a discounted cash payment. The company also received a \$10 Mil SELP loan from the Oregon Department of Energy. The facility was idled in Q3 2013 after less than a year of operation due to rapidly declining market conditions. In July 2013 the State entered into an Intercreditor Restructuring Support Agreement to provide the company with time to raise additional capital to reopen the facility.

The company is continuing to pursue acquisition of additional investment capital to reopen and operate the facility.

SANYO/Panasonic - The company received 2 BETCs totaling \$40 Mil for a solar ingot production facility that was constructed and expanded in 2 phases. The facility continues to operate and is meeting the requirements of the 6-year performance agreement that will expire in December 2015.

**APPLICATIONS THAT DID NOT RESULT IN TAX CREDITS.** Chart 2 shows facilities that applied for the program but were not successful in completing the process as proposed prior to the sunset of the program. Either the facility owner withdrew the application due to a change in plans or market conditions, or the Department determined that the facility could not be operated in accordance with the original plan submitted in the application. No tax credits have or will be issued for these applications.

| PRELIMINARY<br>APPLICATIONS<br>CLOSED      | Project Site<br>Address | Mfg BETC<br>App # | Project<br>Type | Preliminary             |                                      | Proposed<br>Eligible Project<br>Cost Amount | Estimated Tax<br>Credit | DATE CLOSED<br>No Final<br>Certification | Status                         |
|--|-------------------------|-------------------|-----------------|-------------------------|--------------------------------------|---|-------------------------|--|--------------------------------|
|  |                         |                   |                 | App<br>Received<br>Date | Preliminary<br>Certification<br>Date |   |                         |  |                                |
| XSUNX                                      | Wood Village            | 24066             | Solar           | 9/20/2007               | DENIED                               | \$40,000,000                                | \$20,000,000            | 2/25/2009                                | NO CREDIT ISSUED               |
| Spectrawatt                                | Hillsboro               | 21784             | Solar           | 12/20/2007              | 11/2/2008                            | \$40,000,000                                | \$20,000,000            | 3/19/2009                                | NO CREDIT ISSUED               |
| Volt Air                                   | Newberg                 | 26310             | Solar           | 11/1/2009               | DENIED                               | \$1,473,550                                 | \$736,775               | 2/23/2011                                | NO CREDIT ISSUED               |
| SolarWorld Industries<br>America Inc       | Hillsboro               | 27815             | Solar           | 7/9/2009                | 5/21/2010                            | \$40,000,000                                | \$20,000,000            | 10/22/2013                               | NO CREDIT ISSUED               |
| SolarWorld Industries<br>America, Inc.     | Hillsboro               | 31777             | Solar           | 7/14/2010               | 12/23/2010                           | \$40,000,000                                | \$20,000,000            | 10/22/2013                               | NO CREDIT ISSUED               |
| SolarWorld Industries<br>America, Inc.     | Hillsboro               | 31781             | Solar           | 7/14/2010               | 12/23/2010                           | \$28,800,000                                | \$14,400,000            | 10/22/2013                               | NO CREDIT ISSUED               |
| Solaicx (MEMC)                             | Portland                | 32007             | Solar           | 8/5/2010                | 2/8/2011                             | \$28,906,426                                | \$14,453,213            | 12/17/2013                               | NO CREDIT ISSUED               |
| AE Solar Energy Inc.<br>(PV Powered, Inc.) | Bend                    | 33433             | Solar           | 1/1/2011                | 6/30/2011                            | \$16,208,500                                | \$8,104,250             | 12/20/2013                               | NO CREDIT ISSUED               |
| Solaicx (MEMC)                             | Portland                | 34248             | Solar           | 3/29/2011               | WITHDRAWN                            | \$37,198,500                                | \$18,599,250            | 12/17/2013                               | NO CREDIT ISSUED               |
| PPG Industries, Inc.                       | Salem                   | 35043             | Solar           | 8/10/2011               | 2/13/2012                            | \$7,000,000                                 | \$3,500,000             | 12/17/2013                               | NO CREDIT ISSUED               |
| <b>Total Closed</b>                        |                         |                   |                 |                         |                                      |   |                         |  |                                |
| <b>No Credit Issued</b>                    |                         |                   |                 |                         |                                      | <b>\$279,586,976</b>                        | <b>\$139,793,488</b>    |  | <b>PROGRAM SUNSET 1/1/2014</b> |

**FORECASTING THE REDEMPTION OF TAX CREDITS.** Chart 3 shows the attrition rate (use of credit as allowed over five years). All of the credits that received final certification were passed through to third parties who provided the applicant with a cash payment discounted in accordance with Oregon statute. The credits may be taken over a five year term with allowances for carry over and the third party is not held responsible for performance of the facility owner. The Department of Revenue tracks the actual use of the credits. The chart below assumes full use of the credits issued.

| APPLICANT<br>BUSINESS NAME                            | Mfg<br>BETC<br>App # | Preliminary<br>Certification<br>Date | Amount<br>Credit                            |                                     | Date Tax<br>Certificate<br>Issued | 2008   | 2009                | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                | 2016                | 2017              | Program Total         |
|---|----------------------|--------------------------------------|---|-------------------------------------|-----------------------------------|--|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|-------------------|-----------------------|
|   |                      |                                      | Approved At<br>Preliminary<br>Certification | Final Tax Credit<br>Amount Approved |                                   |  |                     |                      |                      |                      |                      |                      |                     |                     |                   |                       |
| Solaicx   | 19186                | 12/31/2007                           | \$ 9,035,721                                | \$ 9,035,721                        | 3/31/2008                         | \$ 1,807,144                                 | \$ 1,807,144        | \$ 1,807,144         | \$ 1,807,144         | \$ 1,807,144         |                      |                      |                     |                     |                   | \$ 9,035,721          |
| Solar World AG  | 18884                | 12/31/2007                           | \$ 11,000,000                               | \$ 11,000,000                       | 11/17/2008                        | \$ 2,200,000                                 | \$ 2,200,000        | \$ 2,200,000         | \$ 2,200,000         | \$ 2,200,000         |                      |                      |                     |                     |                   | \$ 11,000,000         |
| Solar World AG  | 18887                | 11/20/2007                           | \$ 10,962,343                               | \$ 10,962,343                       | 8/28/2009                         |  | \$ 2,192,469        | \$ 2,192,469         | \$ 2,192,469         | \$ 2,192,469         | \$ 2,192,469         |                      |                     |                     |                   | \$ 10,962,343         |
| Sanyo Solar, LLC                                      | 24787                | 5/1/2009                             | \$ 20,000,000                               | \$ 1,416,123                        | 3/17/2010                         |  |                     | \$ 283,225           | \$ 283,225           | \$ 283,225           | \$ 283,225           | \$ 283,225           |                     |                     |                   | \$ 1,416,123          |
|   |                      |                                      |   | \$ 4,000,000                        | 2/9/2010                          |  |                     | \$ 800,000           | \$ 800,000           | \$ 800,000           | \$ 800,000           | \$ 800,000           |                     |                     |                   | \$ 4,000,000          |
|   |                      |                                      |   | \$ 1,000,000                        | 3/17/2010                         |  |                     | \$ 200,000           | \$ 200,000           | \$ 200,000           | \$ 200,000           | \$ 200,000           |                     |                     |                   | \$ 1,000,000          |
|   |                      |                                      |   | \$ 114,873                          | 3/17/2010                         |  |                     | \$ 22,975            | \$ 22,975            | \$ 22,975            | \$ 22,975            | \$ 22,975            |                     |                     |                   | \$ 114,873            |
|   |                      |                                      |   | \$ 7,439,061                        | 3/17/2010                         |  |                     | \$ 1,487,812         | \$ 1,487,812         | \$ 1,487,812         | \$ 1,487,812         | \$ 1,487,812         |                     |                     |                   | \$ 7,439,061          |
|   |                      |                                      |   | \$ 304,542                          | 3/17/2010                         |  |                     | \$ 60,908            | \$ 60,908            | \$ 60,908            | \$ 60,908            | \$ 60,908            |                     |                     |                   | \$ 304,542            |
|   |                      |                                      |   | \$ 60,911                           | 3/17/2010                         |  |                     | \$ 12,182            | \$ 12,182            | \$ 12,182            | \$ 12,182            | \$ 12,182            |                     |                     |                   | \$ 60,911             |
|   |                      |                                      |   | \$ 1,452,668                        | 3/17/2010                         |  |                     | \$ 290,534           | \$ 290,534           | \$ 290,534           | \$ 290,534           | \$ 290,534           |                     |                     |                   | \$ 1,452,668          |
|   |                      |                                      |   | \$ 1,306,488                        | 3/17/2010                         |  |                     | \$ 261,298           | \$ 261,298           | \$ 261,298           | \$ 261,298           | \$ 261,298           |                     |                     |                   | \$ 1,306,488          |
|   |                      |                                      |   | \$ 1,452,668                        | 3/17/2010                         |  |                     | \$ 290,534           | \$ 290,534           | \$ 290,534           | \$ 290,534           | \$ 290,534           |                     |                     |                   | \$ 1,452,668          |
|   |                      |                                      |   | \$ 1,452,668                        | 3/17/2010                         |  |                     | \$ 290,534           | \$ 290,534           | \$ 290,534           | \$ 290,534           | \$ 290,534           |                     |                     |                   | \$ 1,452,668          |
| SANYO Solar of Oregon                                 | 26091                | 5/1/2009                             | \$ 20,000,000                               | \$ 1,000,000                        | 12/20/2010                        |  |                     | \$ 200,000           | \$ 200,000           | \$ 200,000           | \$ 200,000           | \$ 200,000           |                     |                     |                   | \$ 1,000,000          |
|   |                      |                                      |   | \$ 5,000,000                        | 12/20/2010                        |  |                     | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000         |                     |                     |                   | \$ 5,000,000          |
|   |                      |                                      |   | \$ 540,000                          | 12/20/2010                        |  |                     | \$ 108,000           | \$ 108,000           | \$ 108,000           | \$ 108,000           | \$ 108,000           |                     |                     |                   | \$ 540,000            |
|   |                      |                                      |   | \$ 660,000                          | 12/10/2010                        |  |                     | \$ 132,000           | \$ 132,000           | \$ 132,000           | \$ 132,000           | \$ 132,000           |                     |                     |                   | \$ 660,000            |
|   |                      |                                      |   | \$ 5,000,000                        | 12/20/2010                        |  |                     | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000         |                     |                     |                   | \$ 5,000,000          |
|   |                      |                                      |   | \$ 7,800,000                        | 3/24/2010                         |  |                     | \$ 1,560,000         | \$ 1,560,000         | \$ 1,560,000         | \$ 1,560,000         | \$ 1,560,000         |                     |                     |                   | \$ 7,800,000          |
| SolarWorld Properties Inc.                            | 26000                | 12/31/2008                           | \$ 20,000,000                               | \$ 2,500,000                        | 4/30/2012                         |  |                     |                      |                      | \$ 500,000           | \$ 500,000           | \$ 500,000           | \$ 500,000          | \$ 500,000          |                   | \$ 2,500,000          |
|   |                      |                                      |   | \$ 5,000,000                        | 5/31/2012                         |  |                     |                      |                      | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000         | \$ 1,000,000        | \$ 1,000,000        |                   | \$ 5,000,000          |
|   |                      |                                      |   | \$ 3,000,000                        | 6/11/2012                         |  |                     |                      |                      | \$ 600,000           | \$ 600,000           | \$ 600,000           | \$ 600,000          | \$ 600,000          |                   | \$ 3,000,000          |
|   |                      |                                      |   | \$ 4,892,184                        | 6/15/2012                         |  |                     |                      |                      | \$ 978,437           | \$ 978,437           | \$ 978,437           | \$ 978,437          | \$ 978,437          |                   | \$ 4,892,184          |
|   |                      |                                      |   | \$ 4,607,816                        | 8/7/2012                          |  |                     |                      |                      | \$ 921,563           | \$ 921,563           | \$ 921,563           | \$ 921,563          | \$ 921,564          |                   | \$ 4,607,816          |
| SoloPower   | 32786                | 2/4/2011                             | \$ 20,000,000                               | \$ 20,000,000                       | 12/17/2012                        |  |                     |                      |                      | \$ 4,000,000         | \$ 4,000,000         | \$ 4,000,000         | \$ 4,000,000        | \$ 4,000,000        |                   | \$ 20,000,000         |
| Wellons Inc.  | 22308                | 1/1/2009                             | \$ 1,000,000                                | \$ 1,000,000                        | 12/14/2012                        |  |                     |                      |                      | \$ 200,000           | \$ 200,000           | \$ 200,000           | \$ 200,000          | \$ 200,000          |                   | \$ 1,000,000          |
| Ulbrich Stainless Steels & Special Metals, Inc        | 33263                | 6/30/2011                            | \$ 2,500,000                                | \$ 2,458,003                        | 6/7/2013                          |  |                     |                      |                      |                      | \$ 491,601           | \$ 491,601           | \$ 491,601          | \$ 491,601          | \$ 491,601        | \$ 2,458,005          |
| <b>Subtotal Projects With Tax Certificates Issued</b> |                      |                                      | <b>\$ 114,498,064</b>                       | <b>\$ 114,456,067</b>               |                                   | <b>\$ 4,007,144</b>                          | <b>\$ 6,199,613</b> | <b>\$ 14,199,613</b> | <b>\$ 14,199,613</b> | <b>\$ 22,399,613</b> | <b>\$ 18,884,069</b> | <b>\$ 16,691,601</b> | <b>\$ 8,691,601</b> | <b>\$ 8,691,602</b> | <b>\$ 491,601</b> | <b>\$ 114,456,069</b> |
|   |                      |                                      |   |                                     |                                   | <b>Actual Tax Claimed Through 2011 (DOR)</b> |                     | <b>\$ 38,605,983</b> |                      |                      |                      |                      |                     |                     |                   |                       |