

Issue Brief

February 2010

WPUDA urges lifting cap on New Clean Renewable Energy Bonds

Enacted as part of the “Energy Policy Act of 2005,” the Clean Renewable Energy Bond program provides public power utilities with the ability to issue tax credit bonds to fund renewable energy projects.

Tax credit bonds provide a way for public power utilities to obtain low-interest financing for qualified projects for a limited term.

The CREB program was intended to provide consumer-owned utilities with an incentive comparable to the federal Production Tax Credit that is available to private developers and investor-owned utilities. Renewable energy projects that generally qualify for CREB financing include wind, biomass, geothermal, solar, landfill gas, and small irrigation and hydropower.

Since its inception, Congress has authorized, on three separate occasions, a total of \$3.6 billion with Treasury allocating bond authority to municipal and cooperative utilities, as well as “other governmental entities.”

In 2009, Congress made several technical changes to the program to help improve it. For example, to try to ensure that consumer-owned utilities received a meaningful share of the bonding authority, Congress also specifically designated one third to “public power providers,” one third to cooperatives and one third to other governmental entities.

WPUDA greatly appreciates Congress’ effort to extend the New CREB program and to ensure that public power utilities with an “obligation to serve” benefit receive a fair share of the available bonding authority.

The CREB program has helped municipal and cooperative utilities to develop a number of renewable projects, but improvements are still



needed. Given the country’s economic decline and resulting low demand for CREB bonds, combined with the limited bonding authority, the CREB program has not been as effective of a tool as Congress had intended.

With a national focus on obtaining more energy from renewable resources, WPUDA urges Congress to lift the arbitrary volume cap on the New Clean Renewable Energy Bond program.

WPUDA’s member utilities are committed to developing renewable energy generation at affordable rates for their consumers. They are also subject to a state mandate to obtain more energy from renewable resources and to reduce greenhouse gas emissions.

Lifting this arbitrary cap would help reduce the high cost of capital for renewable energy projects and provide incentives for consumer-owned utilities – which represent 25 percent of the utility industry nationwide – comparable to those available to private developers and investor-owned utilities.