



Oregon

Theodore R. Kulongoski, Governor



OREGON
DEPARTMENT OF
ENERGY

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www.oregon.gov/energy

To: CPAs

From: Oregon Department of Energy

Date: May 2009

RE: Guidance for verifying Business Energy Tax Credit documentation

Your client (the energy project owner) has asked you to verify the costs and payments of an energy project that received a Preliminary Certificate for a Business Energy Tax Credit from the Oregon Department of Energy. You must be a Certified Public Accountant with a current license who is **not** an employee of the project owner.

You will need the following documents:

1. A copy of the applicant's Business Energy Tax Credit Preliminary Certificate. (A project must comply with conditions of the Preliminary Certificate.) OAR 330-090-0130(9)(c).
2. All paid receipts, paid invoices, cancelled checks (if necessary), and bank loan or promissory note documentation that pertain to this project.
3. A copy of the [Oregon Administrative Rule](#) OAR 330-090-0110 Section 19 (a) through (m) as it relates to Business Energy Tax Credit Eligible "Costs."
4. The Oregon Department of Energy guide on "[Documenting Project Costs and Payments for a Business Energy Tax Credit.](#)" (March 2009)

The Oregon Department of Energy needs you to verify and document the following:

1. The actual **total project costs** (regardless if the entire project is eligible for the Business Energy Tax Credit.) This is specified in statute (ORS 469.215 (3)(b)).
2. The total **project costs** that the project owner has proposed for the tax credit. These are the costs that concur with the "Project Description" on the Preliminary Certificate and are included in the list of eligible "Costs" in the Oregon Administrative Rules 330-090-0110 Section 19 (a) through (m).
3. The total amount of the payments made by the project owner for the entire project, the amount of financial incentives (utility, Energy Trust of Oregon incentive, federal tax credit, etc.) received by the contractor and/or project owner.
4. The **date** the project was completed. This is the date that:
 - The project was operational; and
 - The project was fully paid for and/or loan contracts were signed.

IMPORTANT: All invoices, payments, contracts, bank loans, etc. for this project must be dated on or after the **Eligible Cost Effective Date** printed on the Preliminary Certificate and before the Final Application is filed. (The only exceptions are for pre-application costs. See page 3 of Documenting Project Costs and Payments for Business Energy Tax Credit.) If there is no **Eligible Cost Effective Date** printed on the Preliminary Certificate, call the Oregon Department of Energy for this date. (Note: The Eligible Cost Effective Date is **not** the date the Preliminary Certificate was issued.)

Discrepancies:

Document any discrepancies in your verification letter. If there are costs that incurred prior to the Eligible Cost Effective Date, please note this in your verification letter. If the equipment installed was different than that described on the Preliminary Certificate (for example, a different number of solar PV arrays were installed), please note this in your verification letter. The project owner may contact the Oregon Department of Energy to discuss the discrepancies.

Call Jen Wetherbee if you have questions concerning the verification letter. The Oregon Department of Energy reserves the right to contact you to clarify any aspect of the verification letter or other written correspondence regarding the project.

CPA Verification Letter Sample

To: Applicant Name and Business

From: CPA name
Firm name
CPA address
City, state, zip
Phone and e-mail

Re: Business Energy Tax Credit [**application number**]

Date: Date

I have performed the procedures enumerated below, which were agreed to by [**Applicant Name and Business**], solely to assist the users in evaluating the final costs for the Business Energy Tax Credit Program. The subject of this work [**Brief Project Description**] concluded on [**Date Project Completed**]. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below for any other purpose.

- 1) I have read and reviewed the following documents:
 - Preliminary Certificate issued by the Oregon Department of Energy
 - Written documentation (e.g. invoices, checks, receipts, etc.) showing proof of project work performed and payments for project work completed.
- 2) I verify that the documentation supports the project description on the Preliminary Certificate.
- 3) I verify that the total project costs are [**Total project costs**]. If deemed necessary, sampling is permitted if in accordance with procedures in the Statement on Auditing Standards.
- 4) I verify a total of [**Total proposed project costs**] in costs were incurred on or after [**Eligible Cost Effective Date**] [except as noted]. Qualifying pre-application costs are noted. These costs are summarized in the table following.

Proposed Project Costs Incurred	
Pre-application costs incurred	\$
Engineering	\$
Materials	\$
Equipment	\$
Labor	\$
Other	\$
Total	\$

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5) I have reviewed payment documentation. I verify the payments made were on or after [**Eligible Cost Effective Date**] [except as noted] and prior to the date the Final Application was filed. I have reviewed loan or promissory note documentation and verify that such loans or notes were used to pay for costs incurred for this project. I verify that the project costs incurred have been paid in full prior to the date the Application for Final Certification is filed and there is no balance owed to contractors, vendors or others. These payments are summarized in the table following.

Project Payments Made/Incentives Received	
Total amount paid for project by project owner	\$
Date the final payment was made on this project (mm-dd-yyyy)	
Total amount of rebate that utility, Energy Trust of Oregon or other organization issued or is expected to issue to owner or contractor	\$
Federal tax credit received or expected to be received	\$
Balance owed on project, if any	\$

- Note: Pass-through payments are not authorized and made until **after** the project has been reviewed and approved for final certification. Pass-through payments can not be used as proof of payment.

[Signature of CPA]

[Date]

[Print Name]



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March 2009

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 (9) (c) (B) (i), (ii), and (iii) state:

(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 based on canceled checks, invoices, receipts, a binding contract or agreement, or other documentation as may be required by OAR 330-090-0110 (17) unless required by the Director to supply verification from a certified public accountant, who is not otherwise employed by the facility owner or pass-through partner; or

(ii) If the facility costs are \$50,000 or more, a certified public accountant, who is not otherwise employed by the facility owner or pass-through partner, must complete a written review and summary of costs paid based on canceled checks, invoices, or receipts, a binding contract or agreement, or other documentation as may be required by OAR 330-090-0110 (19); or

(iii) For a sustainable building facility, a copy of the facility U.S. Green Building Council (USGBC) Rating Certificate, USGBC Final LEED™ Review, Energy Performance Documentation, Narrative for Energy and Atmosphere Credit 1, Annual Solar Income as described in the BETC Technical Requirements and method of calculation will be accepted in lieu of facility cost receipts.

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 ...

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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.

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;

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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.

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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 \(19\)](#) at www.oregon.gov/ENERGY/CONS/BUS/docs/OAR_BETC_final.pdf 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.

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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

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><u>\$0.00</u></u>

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**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

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