

PAYMENTS FOR SPECIFIED ENERGY PROPERTY IN LIEU OF TAX CREDITS

INDEPENDENT ACCOUNTANT CERTIFICATION

Applicants requesting payments of **\$ 1 Million or more** for a specified property shall submit an independent accountant's certification attesting to the accuracy of all costs claimed as part of the basis of the property. The examination is to be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA).

Attachment A is the required certification format.

Applicants requesting payments of **less than \$ 1Million** and whose eligible cost basis is more than \$ 500,000 for a specified property shall submit, with their application, a report of Agreed-Upon Procedures (AUP) prepared by an independent accountant in accordance with attestation standards of the AICPA. The Department of the Treasury's objective in having the AUP performed is to obtain independent confirmation of the project costs and the eligibility of costs in accordance with the general rules for determining the basis of property for federal income taxes, as further described in Section V of the Program Guidance for the Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009. **Attachment B has the procedures and the sample format of the cover letter of the report.**

(ATTACHMENT A)

(Applicants requesting payments of \$ 1 Million or more)

(CPA Letterhead)

INDEPENDENT ACCOUNTANT CERTIFICATION

I/We have examined management's assertion that the eligible cost basis for the qualified property has been determined in accordance with the general rules for determining the basis of property for federal income taxes as further described in Section V of the Program Guidance for the Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009.

My/Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining evidence supporting management's assertion and performing such other procedures as I/we considered necessary in the circumstances. I/We believe that our examination provides a reasonable basis for our opinion.

(Opinion)

(Signature), CPA

License Number and State

Date

(ATTACHMENT B)

(Applicants requesting payments of less than \$ 1Million and whose eligible cost basis is more than \$ 500,000)

(CPA LETTERHEAD)

**Report of Independent Accountant on Applying the
Payments for Specified Energy Property in Lieu of Tax Credits
under the
American Recovery and Reinvestment Act of 2009
Agreed-Upon Procedures**

(Applicant Name) and United States Department of the Treasury

We have performed the procedures enumerated below which were agreed upon by (insert applicant name) and the United States Department of the Treasury to assist you in evaluating the specified property costs and the eligible cost basis for the payment requested under Section 1603, Division B, of the American Recovery and Reinvestment Act of 2009.

The management of (the applicant/company name) is responsible for the accuracy of the reported costs and determining the eligible basis for the property. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures, and the results of those procedures, follow this report.

We were not engaged to, and did not, conduct an examination or review of the specified property costs and the eligible cost basis, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. If we had performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended for the use of (Applicant name) and the United States Department of the Treasury, and should not be used by those who have not agreed to the procedures and taken the responsibility for the sufficiency of the procedures for their purposes.

(Signature) CPA

License number and State

Date

Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009

Agreed upon Procedures and Findings

Procedure 1: Attestation of Eligible Costs

The CPA will attest that the cost basis submitted by the applicant is eligible for the 1603 payment applied for and has been determined in accordance with the general rules for determining the basis of property for federal income purposes as further described in Section V of the Program Guidance for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009. The CPA will verify that all costs qualify as eligible in calculating the cost basis of the specified property. The CPA will note any items s/he is uncertain about being eligible, with the corresponding dollar amount, in this report.

Requirements:

- Costs are for placing one of the specified energy properties in service.
- Other federal grants, state grants, or rebates reduce the cost basis.
- The cost basis of property is its cost unreduced by any other adjustment to basis, such as that for depreciation, and includes all items properly included by the taxpayer in the depreciable basis of the property, such as installation and freight costs.
- Costs are for originally placing the property in service or for expanding/adding to a qualified facility placed in service before 2009. Only the cost basis of property placed in service after 2008 is eligible for a Section 1603 payment. Thus, if property is placed in service in 2009 at a qualified facility that was placed in service in an earlier year, only the basis of the property placed in service in 2009 is eligible for a Section 1603 payment.
- For used parts, there is a threshold since the original use of the property must begin with the applicant. If not more than 20 percent of the total costs (whether acquired or self-constructed) are used parts, the applicant is considered the original user of the property.
- Costs are for tangible property (not including a building) which is an integral part of the facility. Integral means that the tangible property is used directly in the qualified facility, is essential to the completeness of the activity performed in that facility, and is located at the site of the qualified facility. For example, roadways and paved parking areas located at the qualified facility and used for transport of material to be processed at the facility, or equipment to be used in maintaining and operating the facility are integral to the activity

performed there. On the other hand, roadways or paved parking areas that proved solely for employee and visitor vehicle traffic are not integral.

- Only the portion of the facility that is the specified energy property is taken into account in computing the cost basis. For example, in the case of a building with solar property on its roof, only the cost of the solar property (including the cost of mounting the solar property on the roof) qualifies; the building does not qualify. In the case of a truck on which solar power is mounted, the cost of the solar energy property and the cost of mounting the solar property is eligible; the truck is not eligible. In the case of a forklift powered by a fuel cell power plant, the fuel cell power plant is eligible; the forklift is not eligible.
- If the property is used at least 50% of the year inside the US, costs are eligible and need not be pro-rated.

Qualified property that generates electricity:

Qualified property includes storage devices, power conditioning equipment, transfer equipment, and parts related to the functioning of those items but does not include any electrical transmission equipment, such as transmission lines and towers, or any equipment beyond the electrical transmission stage, such as transformers and distribution lines.

Specific properties:

Open-loop biomass, closed-loop biomass, or municipal solid waste

An integral part of the qualified facility includes property used at the plant site for unloading, transfer, storage, reclaiming from storage, or preparation (shredding, chopping, pulverizing, or screening) of the material to be processed at the plant. However, similar equipment located away from the plant site is not an integral part of the qualified facility. Similarly, slurry pipelines, trucks, railroad cars, and barges that transport to the qualified facility open-loop biomass, closed-loop biomass, or municipal solid waste are not an integral part of a qualified facility.

Biomass facility that burns fuel other than open-loop biomass or closed-loop biomass

Eligible cost basis is the percentage of total eligible costs that is equal to the percentage of the heat of combustion of the total fuel burned that is attributable to the open-loop biomass and closed-loop biomass. The total fuel burned includes fossil fuel required for startup and flame stabilization. No payment is allowable for the percentage attributable to the fossil fuel burned.

Geothermal

Property that is integral to a geothermal facility includes equipment that transports geothermal steam or hot water from a geothermal deposit to the site of ultimate use. This includes components of a heating system, such as pipes and ductwork that distribute within a building the energy derived from the geothermal deposit and, if geothermal energy is used to generate electricity, includes equipment that transports hot water from the geothermal deposit to a power plant.

Qualified hydropower facility

Only property related to the turbines or other generating devices added to the facility to produce hydroelectric power can qualify as specified energy property that is eligible for a Section 1603 payment.

Qualified fuel cell property

After the eligible cost basis is determined, the application system makes another calculation. The calculation limits the amount requested to no more than \$1,500 for each 0.5 kilowatt of capacity.

Microturbine property

After the eligible cost basis is determined, the application system makes another calculation. The calculation limits the amount requested to no more than \$200 for each kilowatt of capacity.

Combined heat and power

CHP system property does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

Applicants Who Are Lessees

A lessee's cost is the amount equal to the independently assessed fair market value of the property on the date the property is transferred to the lessee.

Applicants Who Are Lessees in a Sale-Leaseback

A lessee's cost is the amount equal to the independently assessed fair market value of the property on the date the property is transferred to the lessee.

Findings:

Insert Procedure 1 findings

Procedure 2: Attestation of Costs

The CPA will attest that the costs submitted in the 1603 application were incurred for the specified property defined in the application. The CPA will provide independent confirmation that the costs that are submitted in the application were actually incurred costs for the specified property and that the property exists; that evidence such as invoices, contracts, proof of payment and other supporting documentation exists. The CPA will review a large enough sample of the documentation sufficient to ensure that the costs submitted in the application were incurred for the property.

Findings:

Insert Procedure 2 findings