

The University of Texas at Austin secures nearly \$1.4 million from 179D tax deduction allocations

Energy efficient buildings bring new source for savings

August 6, 2015

Austin, TX - The University of Texas at Austin announced today that it has received \$1,377,682 from Affiliated Engineers, Inc. (AEI) related to an allocation of federal tax deductions derived from construction of the university's energy efficient Thermal Energy Storage system. Efficiency Energy, LLC, assisted with obtaining the deduction and allocation. Juan Ontiveros, associate vice president of Utilities and Energy Management at the university, said, "We build and renovate our facilities to save energy, and we can reinvest these dollars in those efforts."

The 2005 Energy Policy Act created the 179D Deduction of up to \$1.80 per square foot from qualifying building retrofits and new construction projects placed in service between January 1, 2006, and December 31, 2014. While government entities do not pay taxes, under the 179D Special Rule for Government-Owned Buildings, they may allocate the benefit to a tax-paying designer, architect, engineer or contractor, and receive savings in return for the allocation. The entity that is allocated the deduction realizes increased profits on a project that it did not anticipate during the bidding process and could not otherwise obtain if the owner were a private (non-governmental) entity. The governmental entity may apply the savings to new energy efficiency projects.

"AEI is thrilled to be a partner with the university in this endeavor. We share common goals of improving efficiencies and minimizing operating costs for the systems we use to cool, heat and power the buildings on campus," stated Jerry Schuett, principal and energy and utility market leader for AEI. "We know the university will use its allocation to foster improved efficiencies and reduce energy costs."

The 179D allocation process involved input, documentation and verification activities from facilities, sustainability, legal, accounting, finance, and engineering resources within the university. The university recognized the need for and benefits of establishing and implementing a 179D allocation process and engaged Efficiency Energy, LLC, a Denver, CO, and Washington, DC, based consulting firm specializing in the program. As 179D Energy Policy Act Coordinator for the university, Efficiency Energy, LLC, coordinated these efforts to secure resources from recent construction and renovations on campus.

Efficiency Energy, LLC, President William Volker said, "Having a 179D process such as that implemented by the university results in an open book method that properly accounts for and negotiates value, and serves public interest and oversight needs. It also incentivizes more effective investment in energy efficient buildings."

The university's 179D process is serving as a model of 179D savings and has been emulated by other government agencies in the state for its efficient monitoring and documenting of the

allocation process. “The university had experienced attempts by third parties to solicit waivers and take the deduction without proper verification or documentation,” said Ontiveros. “We centralized the task to prevent potential duplication or unauthorized allocations.”

On July 21, 2015, the Senate Finance Committee passed an extension of the Energy Policy Act through 2016. “With the extension of the program, our university will have the structure in place to continue incorporating 179D savings in its construction and renovation efforts in order to reduce costs to the university and our eligible partners,” Ontiveros said.

For more information, contact:

William J. Volker, Energy Efficiency, LLC, tel 202-776-7709

Laurie Lentz, University Operations Communications, The University of Texas at Austin,
tel 512-471-2273