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Establishing a Community Tax Equity Investment Company to Invest in Renewable Energy Projects

A joint statement from Gerald Vap, a 25x25 executive committee member, chairman of the Nebraska Public Service Commission and chairman of the 25x25 Energy for Economic Growth initiative; and Jim Spiers, NRECA vice-president of business and technology strategies, and chairman of the EEG's Tax Equity Finance Model team, upon the release of ["Establishing a Community Tax Equity Investment Company to Invest in Renewable Energy Projects"](#).

One of the lessons learned from our work is that rural communities often face special barriers and challenges in developing energy. EEG and its project partners feel that rural communities need to be given the same chance in participating in our nation's new energy future as non-rural communities, and to do so they need support that recognizes and overcomes the particular barriers presented by their rural status.

While several offerings by cooperative lenders including the National Rural Utilities Cooperative Finance Corporation (CFC) and the National Renewables Cooperative Organization (NRCO) are available to support cooperatives in developing renewable development projects, not all cooperatives can take advantage of those tools. Accordingly, 25x25 and NRECA set out to determine whether other options exist for tax equity participation, utilizing local tax equity investors to support local energy projects.

While we successfully attracted a group of rural electric cooperatives that were ready to develop renewable energy generation projects in partnership with their members, a major barrier that arose for many of them was the lack of business models and financing mechanisms that would work for them and their local investors. The guide, which is both a business model and investment guide, was designed to overcome this major obstacle for some cooperatives.

We recognize that responsible investing is not a one-size-fit- all approach. This paper presents one concept of how a cooperative could utilize a for-profit subsidiary to set up a limited partnership, sell interests in the limited partnership to raise equity, and allow the investors in the limited partnership to take advantage of the Investment Tax Credit. Our next step is to socialize the tool with other co-ops and to begin pilot testing with the co-op partners we have recruited.

About Energy for Economic Growth (EEG)

Through this initiative, the 25x25 Alliance, in collaboration with the National Rural Electric Cooperative Association, is assisting a group of rural electric utilities in developing and piloting renewable energy for economic growth business and community engagement models. The goal of the project is to demonstrate how distributed renewable energy generation can be a new vehicle for powering communities and empowering cooperative members to improve the quality of their members' lives.

EEG Project Leaders can be found [here](#).