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SMALL BUSINESS PARTICIPATION IN GEOThERMAL ENERGY DEVELOPMENT: RECOMMENDATIONS FOR THE GEOThERMAL OMNIBUS BILL


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ABSTRACT

Small business participants in geothermal development and commercialization in the Rocky Mountain Basin and Range Region (RMBRR) were interviewed for this study to determine small business requirements for legislative and programmatic actions. The focus of the interviews and the subsequent analysis of findings has been to generate recommendations for the Geothermal Omnibus Bill, which is being formulated by the Interagency Geothermal Coordinating Council for submission to the United States Congress in 1979. The identified problems and the recommended solutions are developed within four major categories: Federal land and resource policy; financial barriers and incentives; DOE and DOI programmatic; and legal and regulatory factors.

INTRODUCTION

This study is a preliminary examination of incentives and requirements needed by potential small business participants in geothermal energy development and commercialization. It has been conducted for EG&G Idaho, Inc., in support of the U.S. Department of Energy Institutional Barrier Panel of the Interagency Geothermal Coordinating Council. The purpose of the study is to determine how the Geothermal Omnibus Bill, currently in preparation by the Panel, can best address the institutional barriers facing small business with regard to geothermal energy development and commercialization. Results of this study include specific recommendations of provisions for the Geothermal Omnibus Bill.

In past legislation dealing with geothermal energy, the small business needs have not been adequately addressed; it was the two-fold objective of this study to 1) identify the disincentives and regulations which are presently barriers to the small business sector regarding geothermal energy development and use, and 2) elucidate specific incentives and programs which will match the requirements of small business.

The major findings of the interview study are cast in terms of problems currently faced and projected for the future by the geothermal small business sector of the RMBRR. The identified problems and the recommended solutions fall into the following four major subject categories:

FEDERAL LAND/RESOURCE POLICY

Problems

- The Federal minimum leasehold size of 640 acres is too large and too costly (rents and bonuses) for small business direct thermal applications.
- The time and costs associated with Federal lease applications are too great, considering the limited resources of individuals and small businesses.
- The competitive bidding required by Federal KGRA designations is not appropriate to small direct thermal applications and forces big and small businesses into unnecessary competitive positions.
- Existing KGRA designations preclude surface occupants from using the low temperature geothermal resources for their on-site domestic and business requirements.

Recommended Solutions

- The Federal leasing policy should be changed to allow smaller size leases (as small as 40 acres) for direct thermal applications and the leasing procedures should be streamlined to reduce the time and costs to small business.
- Non-competitive open bidding on a first-come, first-serve basis should be provided for small business direct thermal applications.
- Acreage rents and bonuses and production royalties should be eliminated, reduced, or delayed for direct thermal applications which satisfy certain criteria pertaining to small size.
- Federal lease sales should be designed and structured to prevent undesirable and unnecessary competition between large and small business, particularly within existing KGRAs, and to prevent the designation of
FINANCIAL BARRIERS AND INCENTIVES

Problems

- Small businesses participants are faced with a shortage of investment capital and high investment risks.
- Both conventional banking/institutional financing and venture capital are nearly impossible to obtain.
- The Geothermal Loan Guaranty Program (GLGP) is unknown to most small businesses and to local and state banks in the FBRR; the GLGP application and approval procedures are too costly, time-consuming, and complicated for the typical small business person.

Recommended Solutions

- The Geothermal Loan Guaranty Program (GLGP) should be revised and expanded to satisfy the financial needs and capabilities of small businesses; increase the Federal guaranty level to 90% of loan; reduce the time and costs of application and approval; decentralize the administration of the GLGP to local or state offices of the EDA, FmHA, and/or REA.
- The Federal government should establish a direct loan program with low interest rates to provide much needed capital to geothermal energy producers and users; administer the loan program through local or state offices of the EDA, FmHA, and/or REA.
- The investment tax credit should be increased for geothermal energy production and utilization equipment and facilities.
- The income tax should be reduced or delayed on revenues from geothermal energy produced for direct thermal applications for some initial period of time.

DOE AND DOI PROGRAMMATICS

Problems

- Vigorous and visible resource assessment programs (Federal) are lacking for low to moderate temperature geothermal resources.
- No cost-sharing drilling programs for direct thermal applications are available to the private sector except through the competitive DOE PON demonstration program.
- Resource assessment information and data are not readily available to prospective investors, developers, and users of geothermal energy.
- Technical engineering assistance and information services are not of a large enough scale to accommodate the needs of individuals, small businesses, and municipalities.
- Laboratory and field test facilities for new geothermal engineering equipment are lacking.
- The DOE PRDA program does not cover a broad enough array of economic assessments to be fully effective in screening the large number of resource sites and applications.
- The DOE PON program is inappropriately used by the private sector as a source of capital financing.

Recommended Solutions

- A more vigorous and visible resource assessment program should be implemented for low to moderate temperature geothermal resources; establish cost-sharing drilling programs for the small business sector.
- The DOE should establish an expanded Geothermal Technical Assistance and Information Service, utilizing DOE prime contractors, state energy offices, and the Energy Extension Services.
- The DOE should establish national, regional and/or state geothermal information centers, complete with toll-free numbers and computer data retrieval capabilities.
- The DOE should convert a significant portion of the PRDA and PON program funds to a continual, unsolicited proposal structure in order to stimulate more timely and higher quality geothermal development and demonstration projects; Congressional authorization should be obtained to carry-over unspent funds to successive years.

LEGAL AND REGULATORY FACTORS

Problems

- Existing regulatory procedures are designed primarily to control large scale energy developments and are too constraining and complicated for small business direct thermal applications.

Recommended Solutions

- Regulatory procedures need to be minimized and simplified for all small business applications of geothermal energy, including the transfer of administration to local offices.
The definition of low temperature geothermal resources/waters should be reserved to the individual states.

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