

Encore Redevelopment Offers Cost-Effective Renewable Energy Ideas

By: Chad Farrell, Guest Columnist

The expanding clean energy economy provides a tremendous opportunity for Vermont businesses, communities, and non-profit organizations. Building on investment growth of 230 percent since 2005, this emerging sector is poised to expand significantly, driven by increasing consumer demand, infusions of venture capital, and federal and state policy reforms and incentives. As an example of its strength, the clean energy sector declined only 6.6 percent in 2009 despite the worst financial downturn in over half a century, and clean energy investments are forecast to grow by 25 percent to \$200 billion in 2010.

While there is significant opportunity for businesses who are actively participating in this market sector, there are also opportunities for cost savings and improved cash flows for communities, non-profits, investors, and other businesses not directly engaged in the clean energy economy. Encore Redevelopment, a Burlington-based company, specializing in investment, project management and consulting services, can assist interested groups with energy efficiency and renewable energy opportunities in Vermont.

How can Vermont businesses, investors, communities and non-profits benefit from the tidal wave of activity and incentives around the clean energy market? Here are some of the opportunities currently available.

Energy Demand: Efficiency First!

The greatest return on investment made with respect to energy is made on the energy use that is avoided in the first place. As such, investments in energy efficiency have become of paramount interest to businesses, communities and non-profits interested in deploying expenditures in the most effective ways possible. There are numerous programs that are available to assist and incentivize both public and private entities in capitalizing on and maximizing value related to these investments.

Performance Contracting

Private energy services companies (ESCOs) are becoming more and more prevalent in the marketplace to serve the needs of businesses, institutions, municipalities and private residents interested in improving the efficiency of their buildings. ESCOs provide turnkey financing packages and all of the equipment required to deliver these projects in a timely manner - at no up-front cost to the customer. ESCOs create pools of capital for owners to access through investment in a performance contract where the customer pays the ESCO back over time, as a percentage of their energy savings. The added benefit of performance contracts is the creation of demand for local contracting jobs and professional services required to implement and complete these projects.

Property Assessed Clean Energy Assessment Districts

With the enactment of the Vermont Energy Act of 2009, the creation of Clean Energy Assessment Districts (CEAD) was authorized. The recognizable and more popular title for such programs is Property Assessed Clean Energy (PACE). Modeled after early pioneering programs such as those developed by the city of Berkeley, California, PACE is a voluntary program for property owners who are interested in making energy efficiency and/or renewable energy improvements to their property, but do not have the upfront capital required for such endeavors. Similar to the performance contracting model, owners can finance their efficiency improvement projects by borrowing money from their municipal government, who can create a pool of funds through a bond offering. Building owners then subsequently pay back the municipality through an incremental expense (called a special assessment fee) on their property tax bill. There is no upfront cost for property owners and there is no penalty for property owners who choose to opt out of the program.

Smart Grid

In 2009, the U.S. Department of Energy awarded the State of Vermont a \$69 million federal grant to enable Vermont electric companies to upgrade to a smart grid system. Essentially, the smart grid system is a cutting-edge, automated metering system that will increase energy efficiency and save consumers money by providing information on their energy consumption in real time. The meters will disclose consumers' individual peak times and thus, when they are spending more money than is necessary. The automated metering system will mean lower utility bills for residential and commercial customers by providing information about when power is expensive and when their use is high, allowing users to make subsequent choices to save money.

Supply: Development of Local Sources of Clean Renewable Energy

There are also numerous incentives for businesses, communities and non-profit organizations to capitalize on the opportunities of the green energy economy. In addition to several federal incentives, thanks to the vision and hard work of our state legislative leaders, the past two years have provided an unprecedented number of state incentives to encourage investment in clean energy generation in the forms of solar, wind, biomass, farm and landfill methane, and hydropower in Vermont.

These incentives include investment tax credits and accelerated depreciation as well as streamlined permitting processes for investments made with respect to sources of clean renewable energy. For example, Vermont-based businesses that act quickly can take advantage of the Vermont Solar Business Tax Credit, which is set to be significantly reduced after December 31, 2010. . Additional incentives include a federal tax credit, federal grant programs, the ability to depreciate the asset over an accelerated five year period, and the ability to receive additional income through the sale of Renewable Energy Credits (RECs). Current investments in solar PV utilizing any of a number of these incentives will provide businesses with a constant, low-cost rate of electricity to serve as a hedge against future escalations in the market rate of electricity.

Though tax exempt, non-profits and municipalities can also benefit from these incentives through participation in a power purchase agreement (PPA). with a third party private ownership

group who can take advantage of these incentives. In this model, the community or non-profit can secure a source of clean renewable power at a certain percentage below market rates during the PPA term and then have the opportunity to purchase the system at a fraction of the installation cost after the incentives have been exhausted by the third party owner. This transaction allows the community or non-profit to have an opportunity to take full benefit of the value of the energy produced by the system for the remainder of its design life.

If you are interested in learning more about any of these opportunities, contact Chad Farrell at Encore Redevelopment at 802-233-3937, or chad@encoreredevelopment.com.