Harnessing solar energy's power can help the environment and your wallet

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Most would find it hard these days to doubt that going green has become a phenomenon. All that one has to do is look to the television, the news, or the Internet to find example after example of how the green revolution has infiltrated our culture. Whether you believe that man is culpable in global warming or not, or whether you believe that global warming is even real or not, it is difficult to make the argument that mankind finding ways to be more gentle to our precious Mother Earth could be a bad thing.

The word "green" identifies this ideology of acting in a more responsible way towards the planet that we all count on for our very existence. It symbolizes the health and well being of the world around us: the plants, the trees, the animals, and all things natural. The word green also symbolizes something else, something that to some of us sounds arguably just as wonderful. It symbolizes money, greenbacks, cash, profit, health and well being of another kind... the financial kind.

Whichever end of the spectrum between those two mind sets you may hail from, it's all good. But, hey, why should you have to choose between the two? It sure would be nice to have both, wouldn't it? I'm here to tell you that you can... and you shall.

The sun has cast its rays on a new day for us. The way that commercial real estate owners view the energy that enters their buildings is undergoing change. Up until recently, many commercial entities were denied access to net metering. Net metering is the process by which energy that is produced via photovoltaic (solar electric) systems can potentially spin an electric meter backwards and then be credited against a customer's account at the utility company. It is what makes solar electric generation worthwhile in applications where the owner intends to maintain their building's connection to the electric grid. Without access to net metering, a building owner would have to make an additional (and quite sizeable) investment in an electricity storage medium (usually batteries), which have their own set of pitfalls and can become financially restrictive.

Some newly passed net-metering laws combined with utility company rebates, renewable energy grants and robust tax incentives have set the stage for players in commercial real estate to add investments in solar energy to their portfolio of income producing tangible assets.

Not only can owner occupied commercial investors now market their businesses as environmentally friendly, they can offset their ever increasing electric bills with a fixed payment for a solar energy system that will never see a rate increase. Best of all, unlike electric bills, which perpetuate on into eternity, the financing terms on a solar energy system come to an end at maturity, leaving the owner with virtually no energy expenses for that portion of electricity which the system provides. In perfect circumstances, that portion can equate to 100% of the owner's appetite for power.

Investors with tenant occupied properties, fret not. You have not been forgotten. Actually, quite the contrary. Although different arrangements in the way that your tenants are billed for electricity

require unique solutions in order for you, the system owner, to profit from solar power generation, there are solutions, and I provide them.

If you, as a landlord, are currently in an arrangement where you accept responsibility for the cost of electricity from the utility company and then pass this cost through to your tenants via their rents, a solar energy system will allow you to maximize the profit margin in your rents by using the same investment philosophy that real estate investors are already accustomed to.

Example: By keeping the cost of the energy that you purchase at a constant (the price of solar energy is a fixed cost) a landlord can profit from the almost universal certainty of utility rate increases (electricity rates increase an average of about 5% per year nationwide). Avoiding rate increases in the cost of your energy, while maintaining the price of the energy that you "sell" to your tenant equates to more black numbers on the bottom line of your balance sheet. We all like black numbers on balance sheets.

If you, as landlord, are currently in an arrangement where you lease space to your tenants, but they are directly billed by the utility company for their own electric meters, well, welcome to the alternative energy business. P2P Energy Systems has worked hand in hand with some of the most experienced legal professionals in the energy field to formulate a strategy by which the owner of a solar energy system can enter into a legal contract to lease their solar power generation to his or her tenant or tenants. We have dubbed this strategy the "Power 2 Profit" method (P2P).

Here's how it works: An Internet capable utility grade electric meter will be installed at the site of each of the landlord's solar energy systems. The system owner or his staff can then monitor the system's production from any Internet accessible computer and bill his tenants according to the terms of the negotiated PPA (Power Purchase Agreement) between the owner and the tenant. Using a method similar to the one that the investor used when he purchased a piece of real estate in order to collect rents which would in turn subsidize his investment in the property until a ROI (return on investment) was reached, the same principles can now be applied to the ownership of equipment which uses our most abundant resource, the sun, to create electricity. Green energy, green dollars, happy rays of sunshine, black numbers on balance sheets. Who says you can't do good for the world while doing well for yourself?

Okay, so you want to know just what kind of ROI does solar electric really have to offer? It varies greatly from application to application, depending on many factors. Knowing the right questions to ask, having knowledge of how to use that information to navigate the various incentive programs that are available to the prospective investor in his locality, and being able to meaningfully articulate that information to the investor is what separates the true alternative energy specialists from the cookie cutter contractors. Before deciding to invest in a solar energy system, I strongly suggest that one consult with an alternative energy professional that can confidently determine which incentives you might qualify for, then let him present his figures to your CPA, CFO, or accountant to verify that the numerical data will work for your unique financial situation. Since most of the investors reading this may be fortunate enough to own real estate in the greatest city on Earth, our beloved New York City, we will focus on what is fast poised to become one of the prominent hotbeds of alternative energy in the entire country.

If you have turned on a TV here in the greater N.Y. area anytime recently, then you have been privy to the ads that our honorable Mayor Bloomberg has been running regularly. He speaks of his initiative to bring all forms of renewable energy to the rooftops of NYC in the most aggressive way possible. Well, people, the man is serious, and he is putting his money where his mouth is. Best of

all, he has you in mind, Mr. or Mrs. Real Estate Investor.

The meat and potatoes of this NYC green initiative are composed of a real estate tax abatement which can be quite substantial. As it pertains to photovoltaics, system owners in the five boroughs can take a real estate tax abatement in the amount of the lesser of 35% of the cost of the solar energy system (8.75% per year for four years), $62,500 per year for four years (to a max of $250,000), or the full amount of the real estate tax bill for a period of four years.

Combine this energizing local incentive with generous utility company rebates, an energy grant from the federal government in the amount of a full 30% of system costs, and the ability to depreciate the cost of the system under the most aggressive depreciation schedule (MACRS: Modified Accelerated Cost Recovery System) of five years PLUS bonus depreciation of up to 50% in year one, and you have an incentive package that is truly greater than the sum of its parts. In many cases, a full ROI is reached before the investor even has collected the full value of the incentives, and the combined value of the incentives ends up eclipsing the cost of the system. It just doesn't get any better than that. Unless, of course, you could finance one of these systems in a way that allowed the collection of these incentives combined with the income from the power generated to subsidize every dime of the cost from day one, and enable you to maintain a positive cash flow while the system paid for itself. Now, that would really be special. Yeah, you guessed it. It can be done. Let Jason Kohl of the P2P Energy Systems finance department evaluate your overall situation and recommend the financing structure that works best for you.

For those commercial real estate owners not located within the five boroughs, there are other incentives that may be available to you. For instance, New Jersey has implemented a system that incentivizes solar investment through the granting of SRECs (Solar Renewable Energy Credits). For the first fifteen years of system ownership, for every mWh (Megawatt Hour = 1000kWh or Kilowatt Hours) of electricity that a photovoltaic system generates, the owner of that system will be issued an SREC. These SRECs can then be sold at auction, where utility companies that need to demonstrate that they are in compliance with statewide renewable energy mandates can purchase them. The power that the solar energy system generates combined with the value of the SRECs that it entitles the owner to make New Jersey another jewel for solar investors. Many other states and localities have their own set of incentives in place, or pending enactment.

So, the powers that be have granted us some pretty potent components to build an investment strategy out of. Some of us that have been paying close attention, have figured out how to piece them together in a way that turns green into green... if you know what I mean. Solar surfers, board up and ride the wave. This one is a solar tsunami.

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