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## **By Warren Kirshenbaum - Solar power generation is currently supported by incentives, grants/credits that subsidize installation**

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Generating electrical power from natural resources is both desirable as a power source, and beneficial in protecting the environment and economy by shrinking our carbon footprint, and lessening our dependence on foreign sources of energy. Solar power generation is currently supported by incentives, grants, and credits that subsidize system installation. However the shelf-life of these incentives is limited, expiring as of December 31, 2011.

A solar system is comprised of (1) photovoltaic (PV) solar panels; (2) mounting infrastructure; (3) an inverter, which converts the variable direct current (DC) output of the PV panels into a utility frequency alternating current (AC) that can be fed into the commercial electrical grid; and (4) a battery or interconnection wiring.

Solar installations, which can be freestanding, mobile, or rooftop mounted systems on both commercial and residential property are subject to few, if any, permitting requirements than other renewable sources. Rooftop solar panel installations, in particular, have become viable as a renewable energy source.

Three important renewable energy incentives are (a) Federal Grant -- The Section 1603 Treasury Grant Program allows the Federal government to provide a grant of 30% of the cost of a solar installation if construction "commence[s]" by December 31, 2011. Commencement of construction requires payment of 5% of the cost of the project by December 31, 2011; (b) State Incentives -- In Massachusetts, an owner of solar equipment earns Solar Renewable Energy Credits (SREC's) for each megawatt-hour of electricity produced. In January 2010, the Commonwealth approved an SREC market and set a renewables portfolio standard requiring that, by December 2020, electricity suppliers that serve retail customers include 15% renewable energy in the electricity they sell. Electrical suppliers can provide renewable energy or buy SREC's to meet these standards. The market has established a price range of \$285-\$600 for each SREC; and (c) Depreciation -- the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 allows 100% depreciation in a single year for commercial solar installations, but this depreciation allowance expires on December 31, 2011.

These incentives, when structured correctly can offset almost 60% of the cost of installing a solar system. Additionally, the production of electricity provides revenue from the sale of the electricity produced and/or the reduction in electricity usage charges for power supplied to the grid.

Consequently, for owners of property looking to install a solar system, there are several options: (i) Self finance the installation of the system and capture the 1603 grant, SREC's, depreciation, and income/savings from the production of electricity to offset the capital investment; (ii) Contract with a company that will pay for the system and installation in return for the rights to the 1603 grant,

SREC's, depreciation, and income from the power generated by the system at a favorable cost; or (iii) Contract with a company that will pay for the system and installation, and then lease the system back from them. Rights to the 1603 grant, SREC's, depreciation, and income may be negotiable.

The cost of a solar system is driven primarily by the cost of the panels. Recently, a large California manufacturer of solar panels, Solyndra, filed for bankruptcy protection, potentially voiding panel warranties, and leaving consumers exposed to substantial repair and replacement costs over the life of the system. As this is a significant issue, the panels you purchase and the installer you hire require detailed due diligence and contractual focus.

As with any deal, the structure, agreements, and terms are paramount. However, current political support and incentives have made this an optimal time to be structuring, installing and financing solar installations.

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