



nerej

It's that time of year again to budget for 2016: Is it time to consider solar energy?

September 03, 2015 - Owners Developers & Managers

It's that time of year again. The kids are back to school, the days are getting a little bit shorter, Christmas decorations are already popping up in stores, and it's also the time when most businesses start to plan for the 2016 fiscal year.

Part of all 2016 planning will inevitably include looking at expenses and revenue, and what each of those categories will include. If you're like most businesses and property owners, budgeting for energy costs is a major part of that planning.

The harsh reality is that given the unpredictable weather conditions in New England it is very difficult for businesses and organizations to forecast how much electricity that a company or facility will consume, especially when it comes to heating and cooling costs. Electricity needs in this part of the country are volatile and electricity costs in New England are some of the highest in the country. Prices have been trimmed slightly over the past few months for some customers, but the same issues that have plagued New England in the past - lack of economical sources of energy can significantly drive up operating costs.

As a result, budgeting for operational expenditures such as electricity usage can be difficult. Even small fluctuations can cause big headaches.

The good news is that increasing access to viable and cost-effective renewable energy solutions can help bring budgeting for operational costs for businesses and organizations of all sizes back into line. When looking at solar, there are several things for a business owner to consider:

When investing in solar energy, what is the best way to incorporate the initial cost of the system into an operating budget? There are several models already established for this, such as loans or partnering with a third-party investment company to own the system on your behalf. An experienced solar developer can work with you to identify the financing option that would work best for your business.

How will solar impact energy costs both short term and long term? Solar adds predictability to a company's budget. Formulas for assessing annual solar output are now tried and true, so as part of your initial assessment, annual solar output based on your system size, location, annual and seasonal weather trends, shading and other influences are factored in. You know in advance how much electricity your system will generate, how that will offset your energy consumption, and the positive impact it will have on your bottom line.

What financial incentives are in place to make this a strong business decision? There are incentives in place, and state and federal policies are still highly favorable to businesses installing solar energy systems. The Investment Tax Credit (ITC) is a 30 percent federal tax credit for solar systems on residential and commercial properties that, under current law, remains in effect through December 31, 2016. The Massachusetts SREC (Solar Renewable Energy Certificate) program, which offers

financial incentives based on the amount of solar energy a system generates also remain strong. However, these favorable tax incentives are set to expire at the end of 2016, so installing a solar array while these programs are in place is strongly encouraged.

What is the overall ROI? Return on investment varies based on several factors, but many companies are seeing ROI on their systems within the first few years, allowing them to generate "free" electricity for the next two decades. Imagine significantly reducing or even eliminating your electricity bill from your annual budget - it can happen as many companies that have installed solar can attest to!

An experienced solar developer can walk you through all of the financial considerations of including solar in your 2016 budget. The time to start planning is now before we experience another difficult New England winter and while the favorable incentives and policies are still in place.

Craig Huntley is principal and chief development officer at Solect Energy Development, LLC, Hopkinton, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540