



Renewable Energy Technology ***“After Tax Credit Cost”*** Evaluation for Utility Rebates

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- After working closely with the Governor's office and the Massachusetts DPU since April of '07 to establish an improved Commonwealth policy for renewable energy technology funding, A VERY FAVORABLE DECISION FROM THE MASSACHUSETTS DPU WAS ISSUED ON JANUARY 9, 2008 (see next slide):

DPU 07-49, 1/9/08

MDPU Order

~ That pursuant to the Guidelines established by D.T.E. 98-100, “***net cost of energy efficient equipment***” shall be deemed to include state and federal income tax credits.

Complete MDPU document:

<http://www.mass.gov/Eoca/docs/dte/gas/07-49/1908dpuord.pdf>

- The net result of this Massachusetts DPU ORDER is that renewable energy technologies can now receive a fair opportunity for proportional matching grants from utility rebate programs. Previously, renewable energy projects were rejected from funding from Utility rebate programs because the economic influence of State and Federal Energy Tax Credits were ignored.

- The economic rate of return for renewable projects is now greatly improved and renewable energy projects are now placed on a "***level playing field***" with other conventional energy conservation technologies when such projects are eligible for utility rebates.

Previous Cash Flow

Initial Cost (Sales Tax Exempt):	\$1000
~ 15% MA Tax Credit (max: \$1,000):	\$150
~ Utility Rebate ($\$1,000/\$100 = 10$ yr Payback)	<u>\$0</u>
~ Sub-Total:	\$850
• 30% Federal Tax Credit ($30\% \times \$850$):	<u>\$255</u>
• After Tax Credit Cost (Net Cost):	\$595
• Funding Incentive:	40.5%

“*After Tax Credit Cost*” Cash Flow

(Simple Payback: \$595/\$100 ~ 6 years)

Initial Cost (Sales Tax Exempt):	\$1000
~ 15% MA Tax Credit:	\$150
~ Utility Rebate (50% x \$595):	<u>\$298</u>
~ Sub-Total:	\$553
• 30% Federal Tax Credit (30% x \$553):	<u>\$166</u>
• New “Out of Pocket” Net Cost:	\$387
• Funding Incentive:	61.3%
• Funding Improvement: (\$595 - \$387 = \$208 or 20.8%)	