

Recoup investment faster as the cost of going solar tumbles

By JIM KURTZ

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Most Americans – as many as 89 percent – would like the U.S. to use more solar



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energy.

Yet, Pennsylvania businesspeople tend to have three unfounded biases about solar energy that lead many to believe it is not for them.

A look at these misconceptions:

Myth No. 1: Pennsylvania solar grants have gone away, so solar no longer “works” in the state.

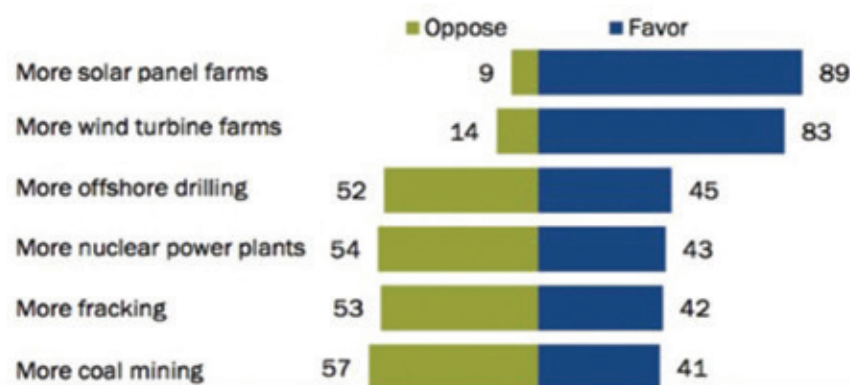
Actually, solar prices have fallen so much that solar works without state incentives. In fact, prices have dropped so dramatically in the past five years that all-in costs, net of incentives, are now significantly less than they were just a few years ago.

Specifically, system prices have dropped 70 percent since the Pennsylvania Sunshine Program was available for businesses, meaning the savings potential is higher today.

It can be argued that the program worked just as it should, as it was partially responsible for spurring the explosive growth that has led to these remarkable price drops.

Strong public support for expanding wind, solar power

% of U.S. adults who say they favor or oppose ...



Pew Research: 89% Support Expanding Solar

A new Pew Research poll shows continued bipartisan support to expand solar power!

Myth No. 2: Solar is good for the environment but not for the bottom line.

Actually, solar economics are good for business. Specifically:

Incentives still cover the majority of the costs today.

These include the Investment Tax Credit, which covers 30 percent of the project cost, and the Modified Accelerated Cost Recovery System, which allows for depreciation over five years (for an asset that should last more than 30 years) and

leads to another 30-40 percent of the project cost coming back in the form of reduced tax payments.

The value of the free fuel from the sun creates six to 10 times the return on net investment over the life of the array on the net cost after incentives.

This takes into account maintenance costs which have been extremely low for solar clients since solar involves no moving mechanical parts.

Solar arrays create energy at an effective

cost of about 3 to 4 cents per kilowatt-hour for the next 20 to 30 or more years.

Most businesses are paying 6 to 10 cents per kwh today depending on their location, and that will increase over time. Solar equipment effectively collects the free fuel from the sun and turns it into valuable energy at a very attractive net cost.

When structured correctly, in most cases solar projects are cash-flow positive in the first year.

Most businesses invest 20 percent of the cost of the project and borrow the rest of the required funds. They receive the 30 percent Investment Tax Credit and 20 percent of the depreciation value in the first year and are cash-flow positive within a few months and throughout the project, ultimately savings thousands of dollars.

Myth No. 3: With recent increases in the supplies of natural gas, there is less need to worry about future energy price increases.

Actually, the U.S. has started to export a significant amount of natural gas, and this is driving up domestic prices as they move toward higher international price levels.

While the recent fracking boom has led to an increase in natural gas availability — and a resulting downward pressure in

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SOLAR continued energy prices over the past 10 years — prices have started to move up in 2016. Experts are predicting continued increases in domestic prices because of a change in U.S. policy that permits domestic producers to export natural gas. This change, combined with improvements in liquefaction technology (which enables the gas to be transported

by cargo ship overseas), is leading energy watchers to predict meaningful ongoing increases in gas prices. The removal of a more than 40-year embargo on the export of petroleum products, coupled with new export facilities of liquefied natural gas in the U.S., will lead to the country in 2017 becoming a net exporter of natural gas for the first time in 60 years.

Overseas demand for natural gas — where prices can be 400 to 800 percent higher — can drive domestic U.S. energy prices higher for years to come. Businesses can use solar energy to lock in effective rates of 3 cents to 4 cents per kwh for the next 30-plus years. But most are not aware of the significant cost-effectiveness of solar energy. Anyone with an energy bill of more than \$500 a month should consider solar power.

Jim Kurtz is president of RER Energy Group in Reading and has developed more than 100 solar projects across the U.S. and Mexico for commercial, industrial, agricultural, municipal and nonprofit organizations. Projects include the largest school-district project in New York and the largest community solar project in Iowa, as well as working with more than 30 manufacturers in Pennsylvania. He can be reached at 610-332-7232, ext. 111 or jkurtz@rerenergygroup.com.