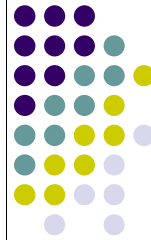


The 2005 Energy Policy Act

Monetization of Energy Efficient Commercial Building Property Deduction (179D) for Government Entities

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The Energy Policy Act of 2005

- One Year Accelerated Depreciation Deduction for Energy Efficient Building Property
- Applicable to both retrofit & new construction
- Includes the following Energy Efficient Systems
 - Interior Lighting System
 - HVAC & Hot Water System
 - Building Envelope
- 100% of Project Cost UP TO \$1.80/sq.ft.
 - \$.60/sq.ft. Per Energy Efficient System
 - Lighting, HVAC, Building Envelope



Special Rule for Government - Owned Buildings



- Assignable by Governmental Entity to Designer of Qualified Project
- Architect, Engineer, Contractor, Environmental Consultant or Energy Services provider who creates the technical specifications
- May allocate to multiple parties
- A person that merely installs, repairs, or maintains the property is not a designer.
- **3rd Party Validation & Valuation Required**



Energy Policy Act Requirements



- Specifies reduction of building energy use from 16 2/3% to 50% vs. industry standard depending on system and application
 - ANSI/ASHRAE/IESNA Standard 90.1-2001
- Partial deductions allowed
- Third-party inspection, testing and certification
- IRS NOTICES 2006-52 and 2008-40
 - www.irs.gov/irb/2008-14_IRB/ar12.html
- Effective & retroactively available to January 1, 2006
- Extended thru 2013
- Draft legislation increases to \$3+/sq.ft.



What is it worth?



- Building Size: 1,000,000sq.ft.
- X \$.60-\$1.80/sq.ft. = \$600,000 - \$1.8mm
- Tax Rate of Assignee: 35%
- Tax Benefit Value: \$210,000 - \$630,000



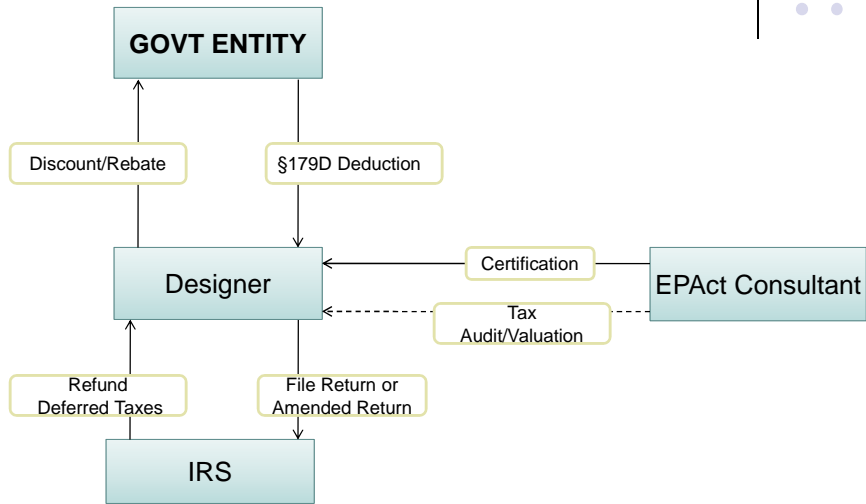
Valuation Process



1. Project Costing/Implementation
2. Project Completion
3. Certification to DOE Requirements
4. Tax Audit Valuation of Designer Recipient
5. Negotiated Discount / Rebate



Valuation Process



Issues...



- Education, Certification, Valuation
- Negotiation of Transfer
 - Relative Tax Benefit Value
 - NOL vs. 15-25-35% taxpayer
 - Relative Tax Appetite of Designer
- Negotiated Acceptance/Inducement
 - Profit Margin
 - Decrease in Basis
- Omission or Undervaluation



Efficiency Energy: The Most Qualified EAct Consultants



1. Efficiency Energy LLC – www.wesavegreen.com
 - EAct Qualifying Project Management Experience
 - Former SEC Forensic Auditor
 - Public Finance / Investment Banking Backgrounds
2. Kutak Rock LP – www.kutakrock.com
 - Federal tax law and public finance law experts
3. Engineered Tax Services Inc – www.engineeredtaxservices.com
 - Nationally-licensed engineering firm
 - Leader in EAct Certifications



EAct Benefit Certification



- BENEFIT MAXIMIZATION
= LEGISLATIVE AND ADMINISTRATION INTENT
- Enhanced/Hastened Return on Investment
- Additional Savings /Capital Budgeting Metric
- Increased cash flow from energy efficient projects
- Reduced appropriation/up-front cost/borrowing
- Quality Control Mechanism
 - Project Quality and Timing
 - IRS CERTIFICATION



Projects... that pay for themselves



- Tax Benefit Financing for Energy Efficiency and Renewable Projects
 - EPACT Financing
 - Qualified Energy Conservation Bonds
 - Utility Rebates
 - Federal, State, and Local Grants
- www.dsireusa.org



Bottom Line



- **Underutilized Tax Benefits to be Managed**
- Rebates & Reduced Upfront Cost on Energy Efficiency Lighting, HVAC and Envelope Projects



Thank You

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