



>> Introduction to Northern Power Systems and the Northwind 100

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June 34, 2010

30% Federal ITC and Section 1603 Grant Program

- ✦ The US Treasury 1603 Grant Program (converting the 30% ITC to a grant) is set to expire on December 31, 2010
- ✦ Must be a tax paying American business
- ✦ May reduce cost basis of some other types of grants
- ✦ Opting for the grant does reduce basis of which your depreciation is calculated
- ✦ In order to secure a Section 1603 Treasury Grant, your project must EITHER be:
 - Fully in service (commissioned) by the end of the 2010; or
 - Demonstrate construction on the renewable energy project has begun prior to year end.



What Constitutes “Under Construction”?

- ✦ • According to US Treasury Department Guidelines, for your project to be deemed “under construction” there are two options:
 - Begin physical work of a significant nature on the specified energy project prior to December 31, 2010 (and continue that work uninterrupted until its completion)
- OR
- Meet a 5% “safe harbor” by paying or incurring 5% or more of the total actual costs of the specified energy project prior to December 31, 2010.



ITC as a Tax Credit

- ✧ Legislated out to 2016
- ✧ Can be used by any tax paying entity, residential or commercial
- ✧ Can be taken 5 years back
- ✧ Can be taken in one year or rolled over up to a maximum of 20 years



Federally Approved Depreciation Schedules

✦ Bonus Depreciation

- High NPV, requires high tax liability upfront. Works well with many taxable grants received from your projects

✦ 179D

- Highest NPV, allows for full depreciation in one year. \$250,000 maximum per year.
- Check your local state laws to see if 179D can be leveraged at the state level

✦ MACRS (accelerated cost recovery)

- Inflated first and second year, reduced year over year for years 3-6

✦ Straight line, 10yr property

- Lowest NPV, most commonly used, easy to account for, equal portions depreciated over 10 years ($1/10^{\text{th}}$ taken per year)



Ownership Structures

✧ End user ownership (net metering or IPP)

- Most frequently used with smaller wind systems
- Allows for all tax benefits, and incentives to go directly to owner
- High risk for end user, requires their capital investment

✧ Third Party Lease Option

- Investor and land owner enter into a formal contract (PPA)
- Investor reaps all tax benefits and incentives
- End users get a reduced and/or stabilized utility rate
- Ownership flips, generally 5-7 years
- Lowers risk and capital requirements to end user



Ownership Structures, Choosing your Partners

- ✧ Look for strong JV's
- ✧ Must have a tax appetite (ITC expiration!)
- ✧ Should be local, vested in project success, and willing to provide guarantees
- ✧ Keep in mind lifetime cost of ownership
- ✧ Make sure you have representation



Information Sources:

- ✧ US Treasury Section 1603 Website:
<http://www.ustreas.gov/recovery/1603.shtml>
- ✧ Section 1603 Treasury Grant Sample Application:
www.ustreas.gov/recovery/docs/Application.pdf

US Treasury Guidelines on Meeting Dec 31, 2010 Deadline:
<http://www.ustreas.gov/recovery/docs/FAQs%20for%20Beginning%20of%20Construction.finalweb.doc>



The Right Fit

- ✦ The Right Design: Elegant, Sleek, Quiet and Gearless
- ✦ The Right Size for Community Applications such as schools, garden centers, grocery stores, wastewater treatment facilities and other small businesses
- ✦ The Right Options: Wind for Schools, PublicView, Northwind 100 Arctic

