

GROWERTALKS

Features

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Found Money

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To find out more about energy grants and incentives, watch our webinar that's archived at www.ballpublishing.com/webinars.

Bitter cold and snow will be one of the things that many growers will remember from the winter of 2013-2014 as they prepare for the upcoming spring. While this weather certainly may not have been ideal, it did come with a positive side in that it has prompted many growers to evaluate their operations and look for areas where they can be more efficient. Let's face it—combine long spells of cold weather with rising fuel costs and profits can be hard to come by.

But as with most capital improvements, the question arises of where the money comes from. This is where incentives come in to play. An incentive, generally speaking, refers to grants, utility rebates and/or tax credits that are offered to help growers become more efficient or more sustainable in their operations.

Utility rebates

Many utility companies, both natural gas and electric, offer some form of assistance in the form of a rebate when new equipment is purchased that's more efficient (and usually more expensive). These rebates are offered as a means to incentivize growers to take action and make purchasing decisions above and beyond standard practice. There are typically two major types of rebates.

The first type of rebate is largely known as a prescriptive rebate. Simply put, these are check-the-box type of applications in which a grower is given a standard sum of money to purchase a particular piece of equipment. The amount of money provided for each piece of equipment is published and available directly from the utility company. In order to collect your rebate, a grower must simply show that it's been installed and paid for.

Usually, this is accomplished through a standardized form where a box is checked showing which piece of equipment has been purchased. Additional documentation in the form of an invoice showing that it's been paid for is often required. Given the ease of accessing this type of incentive, it's always recommended to contact your utility company to obtain a list of available equipment that can be prescriptively incentivized.

The second major type of rebate often deals with more complex systems or whole building retrofits and is

known as a custom rebate. These rebates will many times require the grower to document and show expected energy savings so that a calculated or negotiated rebate can be derived. While this extra work may seem cumbersome, the upside is that custom measures often provide a larger percentage of funding available to help pay for the equipment itself.

Grant programs

Grant programs are offered by local, state and federal governments and differ substantially from rebates. Grant programs are almost always competitive in nature and require the most amount of work to obtain when compared to the other incentives discussed. These programs typically have a firm deadline by which all applicants must apply and require that all applicants follow a very defined set of rules and requirements for their submission. In order to be competitive in the grant selection process, growers need to understand the rules of grant programs in great depth, including how their application will be scored.

For many grant programs, these submission requirements will include detailed background information about the applicant, as well as detailed information and a narrative explanation describing how the intended equipment will meet the requirements of the grant program. For example, if a grant program was aimed at promoting the reduction of natural gas consumption and a grower was planning to install a more efficient heating system, a common narrative would include information on where the equipment was coming from, timelines for the installation of the system and how it would ultimately reduce natural gas consumption.

Growers need to recognize that grant programs can be a time-consuming affair and that the value of receiving a potential grant needs to be weighed against the amount of time that may be spent simply preparing the application. Additionally, since most grant programs will provide a percentage of the project cost with the grower providing the rest, the utilization of grant programs might best be reserved for larger dollar value projects.

Tax credits

A less talked-about incentive that's often used in projects that deal with renewable energy (solar, wind, biomass) is tax credits. Tax credits are usually provided by state or federal governments, and typically offer a fixed percentage of the project cost as a tax credit against the grower's tax liability. These credits can be carried forward through multiple years until the full value of the credit has been realized. Since tax credits are garnered with very little effort—standardized forms submitted as part of annual tax preparation—they should always be evaluated when making purchasing decisions. Currently, federal guidelines offer a 30% tax credit for the purchase of renewable energy equipment, which can be applied against a grower's federal taxes. Additionally, in some states, further credits are available for renewable energy or energy efficiency improvements.

Eligible equipment

So now that we've distinguished between different types of incentives, it's important to understand what types of equipment are commonly incentivized. Greenhouses and controlled environment structures use energy in a unique way and have many options when it comes to reducing energy consumption. Here's a list of commonly employed grower centric technologies eligible for incentives:

- Condensing boilers
- Hot water distribution systems

- Energy/shade curtains
- Condensing unit heaters
- Variable speed drives
- Environmental control systems
- Renewable energy systems, including solar, wind and biomass
- LED lighting
- Re-glazing
- Natural ventilation structures

While this list is not comprehensive, it should provide a good place for many growers to start when considering how to become more efficient with their operations. In almost all cases, if you are making an investment in your energy future and are considering one of the above technologies, incentives will be available and should be explored.

Where to start?

Finding applicable incentives for your upcoming project is the first step in the process. A great resource, which breaks down available programs in all states, is located at www.dsireusa.org. Once the appropriate programs have been identified, growers should contact and reach out to program administrators to clarify any questions they may have about deadlines, program requirements and available funding. It's important to keep in mind that multiple incentives can be stacked on top of each other and, in most cases, there's nothing that prohibits a grower from utilizing multiple funding sources for the same project. Keeping the requirements and paperwork straight for different programs can be challenging, but it's manageable if started early enough in the decision-making process.

A final thought

Incentives can be tricky and the process can look intimidating at times. However, in many cases, the use of incentives is critical to the long-term sustainability of your operation. By purchasing equipment that's more efficient, growers will save money year after year. However, if the upfront costs are too much, growers won't make the initial investment. But this is where incentives come in. When considering your upcoming capital expenditure budget, evaluate all of your options and perform forward-looking calculations outlining how much money can be saved by using more efficient equipment in a five-to-seven-year timeline. Then factor in the upfront value of incentives. In many cases, you'll be happily surprised to find that the use of incentives will allow you to become more efficient now, while saving dollars years into the future. **GT**

Farm Bill Update

Earlier this month, the 2014 Farm Bill was signed providing five years of support to valuable programs that includes one major grant program that can specifically help growers become more efficient and sustainable. The Rural Energy for America Program (REAP) is a federally funded grant program administered by the USDA, which offers grants in the amount of 25% of total project costs for both energy efficiency and renewable energy projects. Details regarding final program rules and deadline won't be available until the official announcement of the program in the Federal Register. However, it's been widely reported that a mandatory \$50 million will be

available for this competitive program. Historically, this announcement has occurred in the late winter to early spring with a 60-day period of time before the deadline, so keep your eyes open for this important announcement.

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