

Renewables Energy Tax Benefits Strategies and Transaction Structures



National City.
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NAESCO  National Association of
Energy Service Companies

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Available Tax Benefits

- Solar and Fuel Cells
 - 30% Sec. 48 ETC benefits available only to either user or constructor
 - 5 year MACRS depreciation
 - Basis reduced by 50% of ETC (85%)
- Qualified Energy Equipment
 - CHP, Landfill or Biomass
 - 5 year MACRS depreciation



Tax Benefit Use Issues

- Capital Budget Issues
- Moving Operating Expense to Capital Account
- AMT Issues
- Subsidiary/Division Performance Targets

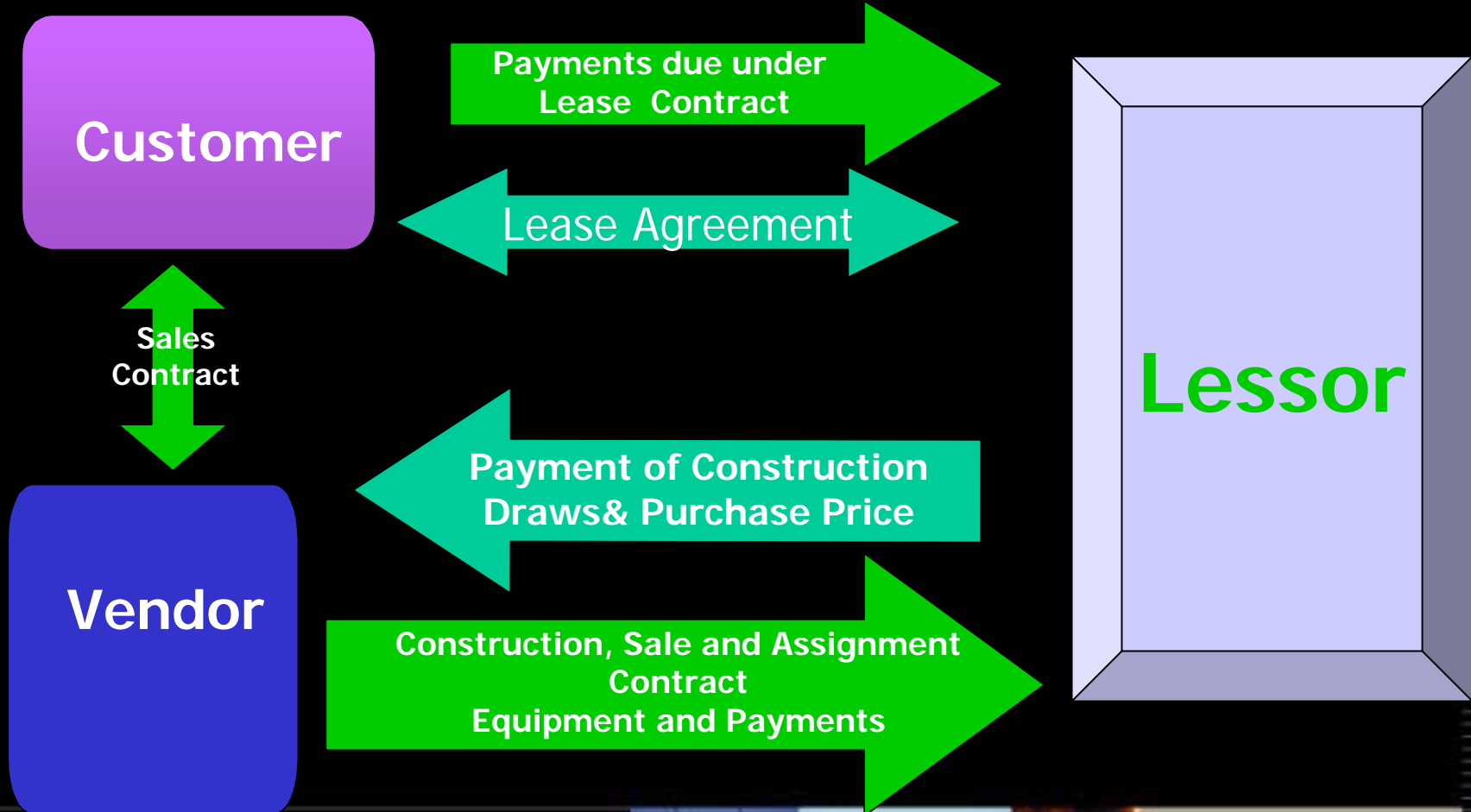


Tax Lease Transaction Parameters

- Tax structure features:
 - Rents must NPV at less than 90% of cost
 - Lessee may not have a bargain option to purchase
 - Term must not exceed 75% of useful life
 - Lessee may not have equity interest in the equipment



Typical Tax-Lease/Operating Lease Structure



Comparison

Cost: \$1MM, less \$500K rebate
Generates 150 kw/DC

Capital Lease

- 6.5% Implicit Rate
- 15% Residual
- Payments: \$4,050.00
- Term required to achieve B/E cash flow: 185 Months

Tax Lease

- 1% Implicit Rate*
- 15% residual
- Payments: \$ 4,050.00
- Term required to achieve B/E cash flow: 112 Months

* *Subject to credit strength and transaction timing*



National City Energy Capital

- Part of Fortune 50 and S&P 500 bank with over \$130 Billion in assets and lease portfolio of over \$3.5 Billion
- Funding commercial or industrial as well as institutional, municipal or federal transactions
- Vendor Sales Financing Specialists
- Large appetite for tax benefit transactions





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Thank You

**Presented by: William Garnett
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