

With the potential to save homes and businesses huge sums of money annually, commercial solar power has grown in popularity, with more homes and businesses switching to solar power. However, so many business owners have failed to comprehensively study the financial and operational benefits of solar power, with most of them seeing solar power as a mere “green” project. To solve this problem, here are 5 solid reasons why it is needful for businesses to switch to solar power

1. Attractive incentives, high depreciation rate and lease options

Incentives by the Government

To make solar power attractive, the government, both at federal and state levels offer mouthwatering incentives to individuals and businesses. One of such incentives is the federal tax credit which awards businesses that run on solar power a tax cut of 30%. Good enough, there is no limit to the amount you can install –it doesn’t matter if your system costs \$100,000 or \$1m. Also, your company is permitted to claim as much credit as it deems fit. Furthermore, you are free to roll your unused ITC into the next tax year. As if this isn’t enough, all states are mandated to have a rebate system aimed at further axing down the cost incurred when installing solar systems. As a rule of thumb, the bigger the amount invested in solar power, the bigger the rebate. As an added measure, most states have a metering policy which ensures you only pay for what you use. These metering system puts solar powered businesses at vantage point because it permits them “bank” on the excess electricity produced by their solar systems, allowing them receive credit as much as 100% of their utility bill which they can use at later time to offset their total utility bill. As an added measure, most states have gone a step further by excluding the cost of renewable energy from taxes paid on buildings. This means businesses won’t have to pay extra taxes even when the value of their building increases due to increased installation of solar energy.

Accelerated Depreciation

This is another incentive by the government which allows business owners take 5 year depreciation on the amount they invested in solar system based on what is known as Modified Accelerated Cost-Recovery System’s (MARCS). What this means is that while the cash flow generated by solar power systems can run for as long as 20 to 25 years, the upfront cost of the system will be removed from the company’s gross income after 5 years as stipulated by MACRS, eventually leading to lowered tax liability 5 years later after the installation of the system.

Lease Options/Power Purchase Agreements

To make things easy for business that can’t afford the upfront payment of solar power system, many states have made it possible for companies to lease solar systems of a period of 15 to 20 years. However, this option excludes the business from federal and state incentives because such businesses do not own the system. Rather, they are paying a fixed rate for using the solar system, while still affording them the benefit of cheap and reliable power supply.

Furthermore, another alternative to this leasing model is Power Purchase Agreement (PPA). PPA allows businesses to source funds for their solar system which they intend installing in their building, after which the solar provider will have to monitor and maintain the energy produced by their solar systems. Under PPA, installation and maintenance is absolutely free. The solar provider is then free to sell energy produced by the installed system to owner of the building at a fixed rate as outlined by the terms of contract. To state it simply, what you will be basically doing is paying for the energy installed in your building at a cheap rate. Under this model, business owners pay 20% less than what they would have paid if they were connected to utility grid, thus saving them considerable amount of money annually, with their savings increasing as electricity rate increases. Business can run on PPA for a period of 5 to 25 years. Some renewable energy contracts give the host the option of buying the entire solar system from the solar provider when the PPA contract expires, or they can have it removed.

2. Significant Operating

There are lots of operational benefits that come with switching to solar power. Below are some of them

Lowered operational cost of your building

Solar systems can significantly lower the operational cost of your building, which will in turn affect your company's finances in a positive way. The utility cost incurred by your building will definitely fall when you install solar systems, whether you are buying or leasing. In fact, there will be a point where your savings will eventually offset the upfront cost of your solar system. An environmental report published in 2003 revealed that the ROI on renewable energy system such as solar is as much as 1000%. Lawrence Berkeley Laboratory partnered with several agencies and consultants like Capital E group, based in California in conducting the report. The report which had over 100 green buildings surveyed revealed that the operational cost of such buildings were lower than that of other conventional buildings, with their maintenance cost standing at \$50 and \$70 per sq feet, which is about 10 times that of other green buildings. The savings you benefit by investing in solar systems can significantly affect your business, but this will depend on the nature of your business. As an example, if you own a commercial building with tenants in it, there are two ways by which you can handle high cost of utility: a) handle the cost yourself b) get your tenants to pay some or all of it. These two options come with two consequences: a) paying all the energy cost your self will reduce the profit margin of your building b) passing the energy cost to your tenants may scare them away due to increased tenement rate. The result of this is more vacant rooms, leading to revenue loss. Reduced operational cost, achieved by installing solar systems saves homes owners the stress of battling with Catch-22 and also i) keeps tenement rate favorable, thus attracting more tenants ii) ensures the building stays at 100% occupancy iii) keeps the profit margin of the building high.

Hedge Against Rising Utility Rates

Aside reducing your operational cost, solar systems shields your business from the volatility of power market. Considering the fact that electricity utility swings with the season (peaking during winter and summer months), history has shown that electricity rates have been increasing at an average rate of 5.5% every year. With power market in the Middle East becoming more volatile, coupled with the ever declining resources, consumers have been left with no choice but to seek better energy alternatives.

Solar power helps insulate businesses from undue increases because it affords them cheap electricity. With stable electricity rate, businesses can take advantage of the variable nature of their utility costs, categorizing them as fixed cost. This helps them maintain a stable and predictable balance sheet.

3. Reduced cost of Maintenance and high reliability

When installed by a trusted solar energy provider, solar energy system requires zero maintenance and doesn't not produce any sort of single noise. It is quite easy to access them considering that most buildings have simple roof structure. Though being very fragile, solar cells are often encased in protective glass cases that have been tempered with non corrosive aluminum. To protect them from the elements, solar panels are designed to withstand the rain even in torrents. Furthermore, the photovoltaic cell which comes with the panel barely breaks due to its sturdy design. Interestingly, most solar panel manufacturers offer warranty running to 25 years over their product. This guarantees you of uninterrupted power supply for a period of 25 years –something conventional electricity utility won't give you.

4. Marketing Advantages

There are lots of marketing advantages that come with investing in solar power.

High level of quality

There is no doubt that installing solar power on your building demands some amount of diligence to ensure your investment pays off. But benefits such as high operational efficiency and quality which comes with investing in solar power makes it worth the efforts. Tenants are often attracted to commercial buildings that are committed to quality and conservation of the environment.

Attention of the media

Though many building owners are beginning to appreciate the benefits of investing in solar energy, only a tiny minority have taken appropriate steps. Letting the world know about the green nature of your building raises the chances of the media putting their search light on your building. The good thing is that media attention most times comes at zero cost, and it helps increase your building's awareness.

Investment Advantages

Another benefit that comes with investing in solar is that it increases the possibility of your building being acquired. As have we have demonstrated, solar power can increase the value of your building, thus improving vacancy rate and at the same time reducing operational cost. Real estate investors searching for investments with high cash flow are often attracted to green buildings. Marketing your green building not only raises the economic value of your building, it also increases the chances of your building being spotted by high profile investors.

5. Most commercial buildings and businesses are ideal for Solar Power

Owners of commercial building find it pretty easy to install solar power on their buildings considering the fact that such type of building can handle solar systems of large size, affording them the benefit of lowered kilowatt rate. Furthermore, businesses unlike home owners tend to stay longer in a building, thus enabling them enjoy the benefit of solar power the most.

It is a pity that so many businesses are yet to realize that solar power can save them considerable amount of money. They have a distorted perception of solar power, seeing it as being only beneficial to hi tech business, or won't be of any help to them if they operate mostly at nights. On the contrary, solar power offers lots of benefits to business owners irrespective of the industry they operate in, or the nature of their business. However, there are some important factors which must be considered when determining if solar power will be ideal for your business. They are:

1. High utility rate resulting from a heavy machine or water heater
2. Uninterrupted operation
3. Energy fluctuation which can occur at any time of the month

If you run a data center, a Laundromat or a production outfit and suffer any of the above, then it is clear that the time has come for you to switch to solar power.

If you own a Laundromat which requires consistent heating of water, a solar thermal will be ideal for your business considering the fact that it can heat you water at very low cost. Furthermore, solar energy has the capacity to considerably reduce the electricity utility of your building by supplying electric power to your building during the day when utility rate is at its peak, after which you can switch back to electric grid during the evening when it utility rate is at its lowest. Also, solar systems have batteries where excess electric power is stored during the day, and this stored energy can then be used at night. Buildings with substantial storage space for solar panels can conveniently operate their business irrespective of the nature of operation.

Conclusion

Investing in solar energy can sometimes be scary, and that's understandable. If you have been fondling with the idea of investing in solar power but unsure of how to go about determining if such investment will work for your business, don't be bothered about this because there are lots of

places where you can find helpful answers. For instance, sites like the [Solar Energy Industries Association](#) and like the [U.S. Department of Energy](#) are excellent places to do a little research.

If you have finally decided to invest in solar, but having a hard time finding the best hand to help with your installation, Kosmos Solar will be of great help as we will save you the headache of doing guesswork. The good thing is that we do not charge a fee for a consultation. Good enough, you supply relevant personal information such as your location and nature of project. Within minutes (or days in some instance), we will contact you to consult you. There is no doubt we save you the headache of dealing with quack installers. You can call Kosmos Solar at 214-699-7644.

Written by Kosmos Solar, 12/28/16