



North Carolina Department of Revenue

Beverly Eaves Perdue
GovernorDavid W. Hoyle
Secretary

June 12, 2012

[REDACTED]

Re: [REDACTED] - Request for Letter Ruling
Renewable Energy Credit - Separate Installations

Dear [REDACTED]:

This letter is in response to your letter dated [REDACTED], wherein you requested that the North Carolina Department of Revenue ("Department") issue a ruling advising whether each set of solar arrays [REDACTED] installed in [REDACTED] will be treated as a separate "installation" for purposes of the renewable energy credit under N.C. Gen. Stat. §105-129.16A.

The statement of facts submitted for the Department's consideration is as follows:

[REDACTED] proposes to install a series of [REDACTED] stand-alone solar photovoltaic installations on its property in [REDACTED]. All electricity produced will be sold to the local utility, [REDACTED]. Each distinct installation will produce energy independent of the others, and each will be separately metered and interconnected to [REDACTED] at the substation located at the [REDACTED]. In addition, each installation will have its own Purchased Power Agreement ("PPA") with [REDACTED].

The technology for each installation is similar, though the installations may vary slightly in their individual power generation capacity. In addition to the utility meter and interconnect, each individual installation will include several "ground mounted" photovoltaic arrays (composed of PV solar panels and racking and mounting systems set into the ground to support the panels and maintain them at the appropriate solar orientation), as well as system monitoring equipment and a variety of electrical components necessary to deliver AC electricity to the point of interconnection. These include, as examples, electrical distribution wiring, combiner boxes (photovoltaic string combiner switchboards), inverters to convert DC power to AC power, and transformers.

June 12, 2012

Page 2 of 3

The site-wide project costs will be proportionately allocated to each installation so that the investment amount for each installation includes all of the components necessary to create it. Proper and appropriate records will be kept which detail all costs and the allocation method. The [REDACTED] switchgear will be the demarcation point between equipment owned by [REDACTED] and the utility grid. Each installation will be separately connected into the [REDACTED] switchgear and separately metered. The [REDACTED] switchgear will provide the transmission capacity necessary for the renewable power to feed into the [REDACTED] grid.

ISSUE:

Whether each set of solar arrays [REDACTED] installed in [REDACTED] will be treated as a separate "installation" for purposes of the renewable energy credit under N.C. Gen. Stat. §105-129.16A?

Department's Response: Yes, N.C.G.S § 105-129.15(4b) defines "Installation of renewable energy property" as "Renewable energy property that standing alone or in combination with other machinery, equipment, or real property is able to produce usable energy on its own." It is our understanding based on our review of information provided that each individual installation will include several "ground mounted" photovoltaic arrays, as well as system monitoring equipment and a variety of electrical components necessary to deliver AC electricity to the point of interconnection. Furthermore, each installation of photovoltaic arrays will be separately connected into the [REDACTED] switchgear, which will provide the transmission capacity necessary for the renewable power to feed into the [REDACTED] grid. In the event any one or more of the installations of photovoltaic arrays is turned off, any of the other installed arrays "standing alone" can continue to generate usable energy independently of the other installations and feed it into the grid. For these reasons, each separate installation of photovoltaic arrays qualifies as an "Installation of renewable energy property." Therefore, the Department will treat each installation of photovoltaic arrays as a separate installation for purposes of the \$2.5M ceiling on the amount of the renewable energy credit under N.C.G.S. § 105-129.16A(c)(1). Please note, however, that the site-wide project costs allocated to each installation and the cost of any equipment, such as ground mounting systems, wiring, and disconnect switches, must be necessary and integral to collecting, storing, exchanging and converting solar energy to electrical power in order to qualify for the credit. Upon audit, the taxpayer must furnish records for inspection that provide the costs and purpose of any equipment included in the costs of the renewable property for which the credit is claimed.

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. Your statement of facts and our findings are subject to audit verification. If the facts and circumstances given are not accurate, or if there are other facts that were not disclosed that might cause the Department to reach a different conclusion, then the taxpayer requesting this ruling may not rely on it. A letter ruling is not equivalent to a Technical Advice Directive that generally affects a large number of taxpayers. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is

[REDACTED]
June 12, 2012

Page 3 of 3

different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

Should you have any questions, please contact me.

Very truly yours,

[REDACTED]