

April 15, 2013

The Honorable Dave Camp  
Chairman  
Committee on Ways and Means  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
1106 Longworth House Office Building  
Washington, DC 20515

The Honorable Kevin Brady  
United States House of Representatives  
301 Cannon House Office Building  
Washington, DC 20515

The Honorable Mike Thompson  
United States House of Representatives  
231 Cannon House Office Building  
Washington, DC 20515

**RE: Section 179D Federal Tax Deduction, Energy Efficient Commercial Buildings**

Dear Chairman Camp, Ranking Member Levin and Representatives Brady and Thompson:

On behalf of Ameresco, Inc., I appreciate the opportunity to provide comments to the House Committee on Ways and Means as you consider comprehensive tax reform. As part of that process, I strongly encourage the extension and expansion of the Section 179D tax deduction for energy efficient commercial buildings. Without Congressional action, this important deduction will expire on December 31, 2013.

Section 179D supports a key investment in the American economy: energy efficiency. Energy efficiency is a force-multiplying investment that saves energy, saves money, and sustains and creates American jobs. Comprehensive energy efficiency upgrades drastically improve the reliability and performance of the nation's building stock, while reducing demand on our energy and water supply.

This deduction enables commercial and multi-family sector building owners to receive a tax deduction up to a maximum of \$1.80 per square foot for eligible energy efficiency retrofits or new building designs. The deduction also allows for designers of energy efficiency projects (such as architects, engineers and Energy Service Companies like Ameresco) to be allocated the deduction for eligible retrofits installed within federal, state and local government buildings.

Since the 1980s, the energy services industry has been a prime mover in the delivery of energy efficiency solutions to the commercial and governmental sectors. Our company, headquartered in Framingham, Massachusetts, is a leading Energy Service Company (ESCO) in North America with a business model centered on the design and implementation of comprehensive energy efficiency and alternative energy solutions.



Founded in 2000, Ameresco has grown from three to over 900 employees in 13 years. Our significant growth is keenly representative of the demand, and potential, for energy efficiency throughout the United States.

Over the last two decades, the market for energy efficiency services has grown significantly, driven largely by rising and volatile energy prices and aging facility infrastructure. Most of our clients do not have the in-house expertise, or the budgetary means, to install such energy saving capital improvements on their own. Ameresco, and our ESCO industry counterparts, specialize in the delivery of performance-based projects for energy savings, providing the design, financing and implementation of comprehensive energy efficiency projects.

It is commonly accepted that the energy service market originated as a strategic response to the repeated energy crises of the 1970s. During this time, utilities and governmental entities realized the need for comprehensive energy conservation measures to reduce the overall demand on the electrical grid. Today, the ESCO market generates more than \$5 billion annually, and has been estimated to have a revenue potential of \$16.5 billion in 2020, according to a 2012 Pike Research report titled *The U.S. Energy Service Company Market*.

Our company is the largest independent ESCO in the country unaffiliated with a utility, parent company, or manufacturer of products. We are widely regarded as a pure-play Energy Service Company with a core business focused exclusively on the delivery of energy services. During fiscal year 2012, our revenues exceeded \$631 million and Ameresco had a net income of \$18.4 million.

The Section 179D deduction has significantly benefitted our company. The 179D deduction makes up a significant portion of our total energy efficiency tax benefits. In 2012, total energy efficiency tax benefits accounted for a \$7 million reduction in our taxes, providing a reduction of 28.6 percentage points in our effective tax rate. As a result of these energy efficiency tax benefits, including Section 179D, Ameresco recognized income taxes of \$6.2 million last year or 25.4 percent of the company's pretax income. Without the availability of the 179D deduction, our company's tax expense would have been significantly larger.

For our company, the deduction presents an immediate opportunity to reinvest critical capital into the growth of our energy efficiency enterprise. Ameresco directly employs and supports American jobs within the construction, engineering, design, manufacturing, and technology sectors. Collectively, our professionals have designed and implemented \$5 billion worth of energy solutions assisting public and private sector entities in meeting their energy needs.

Across the energy efficiency sector, Section 179D generates tremendous economic impact while accelerating energy efficient building design and the retrofit of inefficient aging buildings. This incentive increases the overall economic magnitude of energy savings projects and puts an emphasis on enhancing the quality of our nation's buildings. These types of projects significantly reduce energy-related costs for building owners and create and sustain millions of American jobs.

For these reasons, Ameresco recommends that the 179D deduction be extended beyond December 31, 2013. Extending the deduction by at least three years will help to enable businesses within our industry to appropriately plan and execute decisions which will support the energy efficiency market. Ameresco also recommends that the Committee consider a number of modest reforms to broaden the provision's impact and to support its increased use.



These recommendations include expanding the scope of eligible projects, providing greater flexibility in its qualifying parameters, utilizing the building's pre-upgrade energy consumption as the baseline for energy savings, increasing the total dollar amount of the deduction, and linking the deduction to a sliding scale. We believe these changes would provide additional flexibility to the provision and we join the National Association of Energy Service Companies (NAESCO) in asserting that such reforms will advance the country's pursuit of energy efficiency.

Such improvements to Section 179D were included in legislation introduced in the Senate during the 112<sup>th</sup> Congress (S. 3591) and have been broadly supported by a number of industry sectors. A 2011 analysis performed by the University of Massachusetts Amherst reported that these improvements to the Section 179D deduction would enhance its usefulness and lead to more than 77,000 new jobs created in the construction, manufacturing and energy services sectors.

Ameresco appreciates the Committee's initiative on examining tax reform and we are thankful for this opportunity to provide recommendations regarding Section 179D. We also appreciate the leadership and accessibility of the Committee's working group on energy. Ameresco would be happy to serve as a resource for the Committee as it continues its important work. Please feel free to contact me if I can provide additional information on the importance of Section 179D.

Respectfully,

A handwritten signature in black ink, appearing to read "George P. Sakellaris", with a long, sweeping underline.

George P. Sakellaris, P.E.  
President and Chief Executive Officer  
Chairman of the Board of Directors  
Ameresco, Inc.

