

Business First of Louisville - May 25, 2009

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BUSINESS FIRST

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Louisville-area alternative-energy companies expect stimulus funds to be snapped up by big, out-of-state competitors

Business First of Louisville - by [Terry Boyd](#) Staff Writer

Money, and lots of it, from the American Recovery and Reinvestment Act of 2009 designated for alternative energy projects such as solar power will pour into Kentucky during the next few months. And that money could boost the Louisville area's embryonic solar/renewable energy sector.

At least \$76 million could flow from a variety of federal sources, including the **U.S. Department of Energy**, to state government, Louisville-Jefferson County Metro Government or directly to government entities such as school systems and the Transit Authority of River City.

The state of Kentucky will receive as much as \$52.5 million in part "to address energy priorities to adopt emerging renewable-energy and energy-efficient technologies," including installing "equipment and materials for renewable energy measures," according to federal guidelines.

So why aren't the owners of Louisville's half-dozen or so solar, geothermal and wind energy businesses more excited?

Because renewable-energy entrepreneurs see limited opportunity despite the prospect of big-dollar projects.

The stimulus money for alternative energy is the end of a long drought in federal money as past administrations and Congress typically chose symbolism over significant funding for new technology, said Dave Gabhart, who founded **Solar Designs Inc.** in 1980.

"The stimulus is the first time in a long time (the government) has not just done lip service so they could go home and tell constituents, 'We voted for the green stuff,'" said Gabhart, whose 15-employee firm has done some of the city's largest and most high-profile projects, including solar panels at the Green Building on East Market Street.

Jeremy Coxon, owner of 4-year-old **SunWind Power Systems Inc.**, based in Floyds Knobs, said he believes the stimulus money will result in a nice bump, "but will it actually result in long-term business?"

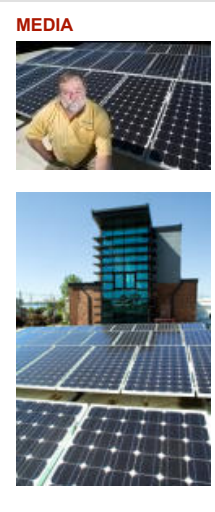
Competition is only one obstacle

The catch is, most of the solar/geothermal/wind installation companies in the Louisville area — there are no equipment manufacturers — are relatively small. So they will find it difficult to compete with larger, older, out-of-state companies for the millions in projects, Coxon and others said.

Coxon and others in the business say there might be too many obstacles for small, local businesses to land projects funded by stimulus money, including the comparative lack of local qualifications and expertise and the difficulty of negotiating government bureaucracies.

Not that Coxson's company hasn't been involved in big projects, he said.

Coxon, whose background is in managing petrochemical projects, has worked with large engineering firms as a subcontractor.



His experience includes working in California with **Pennsylvania Conenergy Group** to place solar arrays on a large distribution warehouse.

But the bulk of his renewable energy business comes from installing solar and wind power at high-end homes, Coxon said. His 10-employee business is capable of handling large stimulus-related projects and will pursue them. “But my gut feeling is, out-of-state, established providers will be there with lower bids,” he said.

Other states have an edge

Contractors here have a disadvantage in that Kentucky gives a relatively small tax break of \$500 to consumers who buy solar and other emerging energy technology.

Other states, such as Colorado, give individuals and businesses a tax rebate of 20 percent or more, based on the percentage of the expenditure amortized over the life of the equipment, usually 20 years.

So demand for wind, solar and geothermal energy sources in Kentucky is far behind other states such as California and Colorado, which offer rebates, loans and tax exemptions for photo-voltaic systems as well as for companies creating “green-collar” manufacturing and technology jobs.

Maria Koetter, president of **BGreen2** LLC, a 2-year-old sustainability consulting firm, said she would like to see local alternative-energy companies form consortiums that would give them the capacity and the qualifications to win larger projects, even if they haven’t done large projects.

The environmental firms where Koetter worked before starting BGreen2 would routinely find partners qualified to do work, such as asbestos abatement, that her firm lacked.

“This is a way we could get some of the local businesses involved to get a piece of the money, rather than seeing it go to out-of-state companies,” she said.

Solar in a coal state?

Kentucky Gov. Steve Beshear’s energy plan, unveiled last November, “gave a lot of lip service” to renewable energy, said Andy McDonald, director of the **Kentucky Solar Partnership**, a renewable energy advocacy group based in Frankfort.

Beshear has endorsed a plan to supply 25 percent of the state’s energy from renewable resources by 2025, McDonald said.

“The stimulus program gives (state officials) the chance to put their money where their mouth is,” he said.

But McDonald and others are skeptical that a coal state will use significant amounts of stimulus money for alternative energy.

On Thursday, Beshear announced initial plans to spend the \$52.5 million. But the plans focused on energy efficiency and had few proposals related to solar or other alternative energy.

The state of Kentucky’s focus will be on improving the energy efficiency of homes, buildings and farms, said John Davies, deputy commissioner of the state’s Department of Energy Development and Independence, which is part of the Energy and Environment Cabinet.

“We have to ask ourselves what gives us more bang for our buck — efficiency or renewable energy” technology, he said.

The answer, Davies said, is energy efficiency: “That’s where our real opportunity is.”

Because coal helps the state keep its electrical rates low, alternative energy is just emerging in Kentucky, said Jason Bailey, research and policy director for **Mountain Association for Community Economic Development**, an economic development agency based in Berea, Ky.

Kentucky is “definitely less prepared” than other states to take advantage of stimulus money intended for renewable energy, he said.

State officials only now are considering how to turn the stimulus money into a permanent economic

development effort for the renewable energy industry, Bailey said.

For his organization, the goal is job creation.

“Our opinion is that everything possible should be done to create (emerging energy) jobs in the state ... that would last past the stimulus package,” Bailey said. “The first step is (for officials) to state that as a value. I haven’t heard it yet.”

Tough to track

Without an extensive foundation in alternative energy, a catch-as-catch-can effort has begun, with stimulus funds appearing as fast as government officials can track.

“We just got a whole new competitive grant (solicitation) out for wind and solar from (the Energy Department),” said Bruce Traughber, executive director of **Louisville Metro Government’s** Economic Development Department. “Stuff is popping up all the time.”

Many alternative-energy contractors say they do not have the time or the resources to devote to tracking projects through the various state, city and federal agencies.

Remember, for example, that proposed TARC project that would put 200,000 square feet of solar panels on Union Station?

It’s predicated on TARC getting funding under a new stimulus program, the Transit Investments for Greenhouse Gas and Energy Reduction, or TIGGER, said Nina Walfoort, TARC director of marketing.

TARC officials are writing a grant proposal now, due toward the end of the month, she said.

But when TARC advertised for bids on a bigger job — a \$5.5 million TARC maintenance annex that would include alternative-energy technology — Coxon said, his company started getting calls from big companies based in Texas that were “chasing that job.”

“The huge irony is, we’ve been plugging away for months trying to educate public officials. Here come the jobs, and all we get to say is, ‘You’re welcome,’ ” he said.

Tracking all of the projects “is not an easy process because it’s not an easy bill,” Walfoort said.

But business owners spending an hour or two on the Internet should be able to find most of the projects in the area, she said.

Small businesses struggle to keep up

As a one-person shop, Dan Hofmann, owner of the two-month-old RegenEn Solar LLC in Louisville, said it’s unrealistic for him to spend hours on the Internet tracking projects.

Hofmann said he called state officials but didn’t get a lot of details.

“They told me a lot of (federal) money is coming” on projects to be let for competitive bids.

He also registered on Louisville Metro Government’s www.louisvilleky.gov bid site, but he saw no solar projects.

“I hope there will be smaller projects to help give startups some footing,” he said. “Right now, all we’re hoping for is low-hanging fruit.”

Solar Design owner Gabhart said his company and others in the renewable-energy niche depend on conventional contracting jobs related to solar technology — mechanical contracting, pipe work and duct work — to make ends meet. “If it were down to solar, they’d dry up and die.”

As of mid-May, he had four projects going, two conventional and two related to geothermal heat pumps, Gabhart said. He said his business is directly affected by the severe slowdown in the construction industry.

“We’re in a reactionary mode,” Gabhart said. “We react to the phone. We had 40 people, and now we have 15 people.

“I have a lot of overhead, so I’m beating the bushes to get (conventional projects) under contract,” he added.

SunWind Power founder Coxon said he tracks the city and state Web sites, looking for projects to bid on, “but it’s confusing, to say the least.”

How much the stimulus package will benefit small companies such as his is unclear, Coxon said. “We’ll believe the efforts were worthwhile when we see it in our bank accounts.”

Coxon added that he does believe the stimulus money will expand the industry here, lowering costs closer to those of coal-fired industries and making alternative energy more attractive to consumers.

“Anything we’re doing in regard to installing solar is good,” he said. “We’ll take whatever we can get at this point.”

Louisville Metro projects with alternative-energy components

Louisville-Jefferson County Metro Government also has proposed dozens of “shovel-ready” projects. If the city decides to pursue the projects, they might be funded with stimulus money or through bond issues.

City officials have until June 25 to submit block-grant applications for these projects.

Projects with alternative-energy components include:

Southwest Government Center geothermal HVAC project: This would replace an old heating and air conditioning system at the Dixie Highway center with a new geothermal heat pump system. Projected value: \$900,000.

Urban Government Center Geothermal HVAC project: This project would replace an old heating and air conditioning system at the Barrett Avenue building with a geothermal heat pump system. Projected value: \$800,000.

617 West Jefferson green plumbing project: This would replace a conventional water heater with a solar water heater, among other changes. Projected value: \$150,000

Newburg library branch project: This would add photo-voltaic solar panels as an electric power source. Project projected value: \$200,000.

Mary T. Meager Aquatic Facility retrofit project: This would include an energy-efficient HVAC and a solar water-heating system for the Crescent Hill facility. Project projected value: \$2.6 million.

Golf clubhouses retrofit project: This would retrofit clubhouses at seven Metro Parks golf courses to include solar water-heating systems, efficient lighting, geothermal HVAC and other changes. The courses are Shawnee, Seneca, Bobby Nichols, Cherokee, Crescent Hill, Sun Valley and Iroquois parks. Projected value: \$2.1 million.

Street lights: This project would replace some street lights with solar-powered lights. Projected value: \$2 million.

Metro Development Center Solar Panel System project: This would include solar panels for the building on Fifth Street, near Liberty Street, to produce hot water and electricity. Projected value: \$1 million.

TARC Projects with alternative-energy components

The following projects already have been approved for funds from the American Recovery and Reinvestment Act:

TARC Maintenance Annex: Projected value \$5.52 million, contracts to be awarded May 25.

The project includes construction of an annex at TARC’s Broadway headquarters. It will incorporate green and photo-voltaic electricity technology.

TARC officials have been “overwhelmed with interest,” with 51 people representing 45 contractors showing for a pre-bid conference earlier month, said Nina Walfoort, TARC director of marketing.

A total of seven firms, all local, bid on the work, Walfoort said.

Solar array on Union Station: Projected value \$2 million, contracts to be awarded May 25.

The project includes 200,000 square feet of photo-voltaic panels on TARC’s Union Station bus storage facility.

Contractors and subcontractors interested in bidding on these projects can contact TARC at (502) 213-3204.

Send comments to tboyd@bizjournals.com

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