Lyons Gray

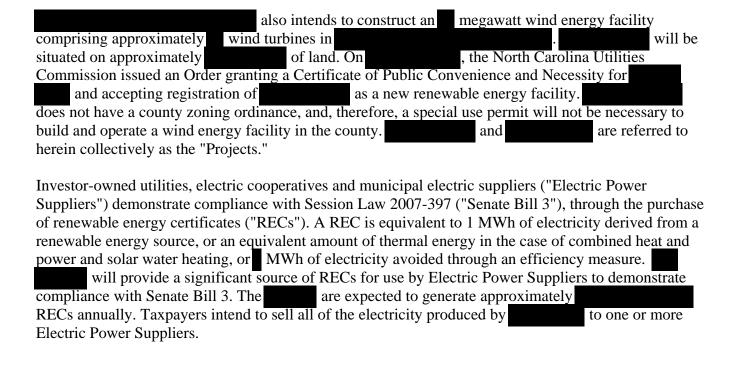


North Carolina Department of Revenue

Pat McCrory

Governor Secretary January 28, 2013 RE: Request for Private Letter Ruling Dear This letter is in response to your letter dated , wherein you requested a private letter ruling from the North Carolina Department of Revenue ("Department") on behalf of your clients, and ("Taxpayers"), addressing issues related to North Carolina's Renewable Energy Tax Credit under N.C. Gen. Stat. §105-129.16A(a). The statement of facts submitted for the Department's consideration of your request is summarized as follows: Taxpayers are both single member limited liability companies wholly-owned by is an affiliate of and its affiliates are limited liability companies. Taxpayers are taxed as a disregarded entity for U.S. federal income tax purposes under Treasury Regulation §301.7701-1(c). and its affiliated companies develop, own and operate large-scale wind energy, solar energy and natural gas-fueled electric generation assets in North America and Europe. megawatt wind energy facility comprising intends to construct a approximately wind turbines in and acres of land. The County Boards of Commissioners in both will be situated on approximately have adopted wind energy ordinances in anticipation of construction of and wind energy projects. anticipates filing applications in each county in for special use permits to build and operate with the North Carolina Utilities Commission for a Certificate of intends to file an application in Public Convenience and Necessity for and for registration of the facility as a new renewable energy facility.

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ISSUES:

- (i) Whether the costs to construct and install the components of the Projects in North Carolina will qualify for the State's Renewable Energy Tax Credit under N.C. Gen. Stat.§105-129.16A(a)?
- (ii) Whether each wind turbine generator in the Projects will constitute an "installation of renewable energy property" under N.C. Gen. Stat. §105-129.l6A(c)(l)?

Department's Response:

Based on our review of the facts and the information provided regarding we agree that the costs to construct and install the proposed wind energy facilities in North Carolina will qualify for the State's Renewable Energy Tax Credit under N.C. Gen. Stat. §105-129.16A(a) if are installed and fully functional. must also conform to all applicable state and local codes and to the requirements of all inspecting jurisdictions.

Under N.C. Gen. Stat. §105-129.16A(a), a taxpayer that constructs, purchases, or leases renewable energy property and places such renewable energy property in service in North Carolina during the taxable year is allowed a credit equal to thirty-five percent (35%) of the cost of the property. As described in your request, each component of the Projects, including the wind turbine's nacelle, rotor and blades, tower and foundation, and collector lines and substations, qualifies as "renewable energy property" for purposes of the Credit. Importantly, each of these components is either (i) a component of wind equipment required to capture and convert wind energy into electricity or mechanical power or (ii) a related device for converting, conditioning, and storing the electricity produced or relaying the electricity by cable from the turbine motor to the power grid.

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As to whether each wind turbine generator in will constitute an "installation of renewable energy property," N.C. Gen. Stat. § 105-129.15(4b) defines an "installation of renewable energy property" as "renewable energy property that, when standing alone or in combination with other machinery, equipment or real property, is able to produce usable energy on its own." As described in your request, usable energy can be generated by each wind turbine generator. The blades cause the rotors to spin, which generates an electrical current through electromagnetic induction. Electricity is produced in each nacelle's generator at approximately 600 volts and is routed to the generator step-up transformer, also located in the nacelle. The step-up transformer affixed to each wind turbine increases, or steps up, the voltage to 34.5 kV, readying the electricity for transmission through the collector lines to the collector substation, the step-up substation and eventually to an interconnect point to be transmitted to the power grid. Based on these facts, we agree that the installation of each wind turbine generator constitutes an "installation of renewable energy property" because it is able to produce usable energy on its own, as required by the aforementioned statute.

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. 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 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.

Very truly yours,

