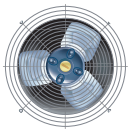


PREDOMINANT USE STUDIES

SALES TAX EXEMPTIONS HELP ETHANOL PLANT LOWER COSTS



Competitive companies continually look for ways to save money and lower costs. One way to do this is by conserving energy. Another is to take advantage of sales tax exemptions on energy used for processing or manufacturing purposes. Energy Insight, Inc. has the expertise to assist commercial and industrial customers with both.

“Energy Insight has done hundreds of sales tax exemption studies... We are very familiar with state rules and regulations—not only for sales and use tax exemptions, but also for associated refunds.”

**TANUJ GULATI, SENIOR ENERGY ENGINEER
ENERGY INSIGHT**

Deep in America’s heartland, an ethanol plant is enjoying the benefits of working with Energy Insight. This Iowa plant, which produces fuel-grade ethanol, has long been committed to resource efficiency. Very little goes to waste in its operations. Even the byproducts of ethanol production are recycled to create high-quality animal feed and corn oil. Company officials are very conscious of energy use and associated utility costs.

Like many industrial manufacturers, energy is a major operating cost for this mid-American company. Over the years, Energy Insight has performed predominant use studies to help plant officials better understand exactly how and where energy costs are incurred and to secure sales tax exemptions on energy used in the production of ethanol and other products.

Predominant use studies, also called sales tax exemption or utility studies, help qualified businesses reduce their tax liabilities. Numerous state and local governments allow sales tax exemptions on energy and water that is directly used for manufacturing processes. Typical businesses that qualify include manufacturers, agricultural and horticultural operations, mining companies, residential health care facilities, and golf courses, among others. The Iowa ethanol plant was a prime candidate for this cost-saving opportunity.

“High-efficiency, variable frequency drive pumps make up the bulk of our electricity use, about 80% to 90%,” said Richard, plant manager. “We also have some blowers, big fans for drawing air, gear boxes, and drags for grain handling.”

Plant officials first contacted Energy Insight after learning about potential sales tax exemptions from their electric and gas utility. Energy Insight Senior Energy Engineer Tanuj Gulati performed



Energy Insight, Inc. helps customers like this Iowa ethanol plant avoid paying thousands of dollars per year in state and local sales taxes by analyzing how energy is used and certifying tax-exempt purposes.

Energy Insight provides the following energy management services for commercial and industrial customers:

Predominant Use (Sales Tax Exemption) Studies

Facility Assessments

Energy Efficiency Project Identification

Utility Cost Analysis

Heat Loss Analysis

Energy Conservation Education and Training

Technology Evaluation

Financial Incentives Procurement

comprehensive data collection to determine how much electricity and gas being used at the plant qualified for sales tax exemptions.

“The process was pretty painless and straightforward,” Richard said. “We supplied data about our equipment, let Tanuj know exactly what we were manufacturing, and answered questions about how certain things were used. He led the way. Energy Insight did the calculations, sent everything in, and basically did all of the work for us at a very reasonable cost. It was just a good experience.”



The plant saves around \$28,000 per year through sales tax exemptions on energy that powers equipment used directly in ethanol production, such as these high-efficiency evaporator and condensate pumps.

“(Working with Energy Insight) has saved us a lot of money, and really it’s a no-brainer. Depending on how big a facility is and what kind of equipment is used, a company can save hundreds of thousands of dollars in taxes. The fee was minimal compared to the cost savings. As updates come along, I will go straight to Energy Insight”

RICHARD, ETHANOL PLANT MANAGER

“Energy Insight has done hundreds of sales tax exemption studies, and we are good at it,” Gulati said. “We are very familiar with state rules and regulations—not only for sales and use tax exemptions, but also for associated refunds. Depending upon the state, companies can recover two to three years of past utility sales taxes if they qualify for the exemptions.”

Most states require companies to conduct predominant use studies every three years to maintain their sales tax exempt status. Energy Insight contacts clients when studies are due and helps keep things on schedule. The company charges a flat fee for this service rather than a percentage of savings, which puts more money in customers’ pockets.

“This ethanol plant is a big energy user, and reducing its tax liability helps improve the company’s bottom line,” Gulati said. “States allow manufacturers to take advantage of sales and use tax exemptions. Why pay taxes when you don’t have to?”

Plant officials estimate that utility sales tax exemptions are saving the company around \$28,000 annually.

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