

How do we own and pay for it?

Options for Solar Project Ownership and Financing



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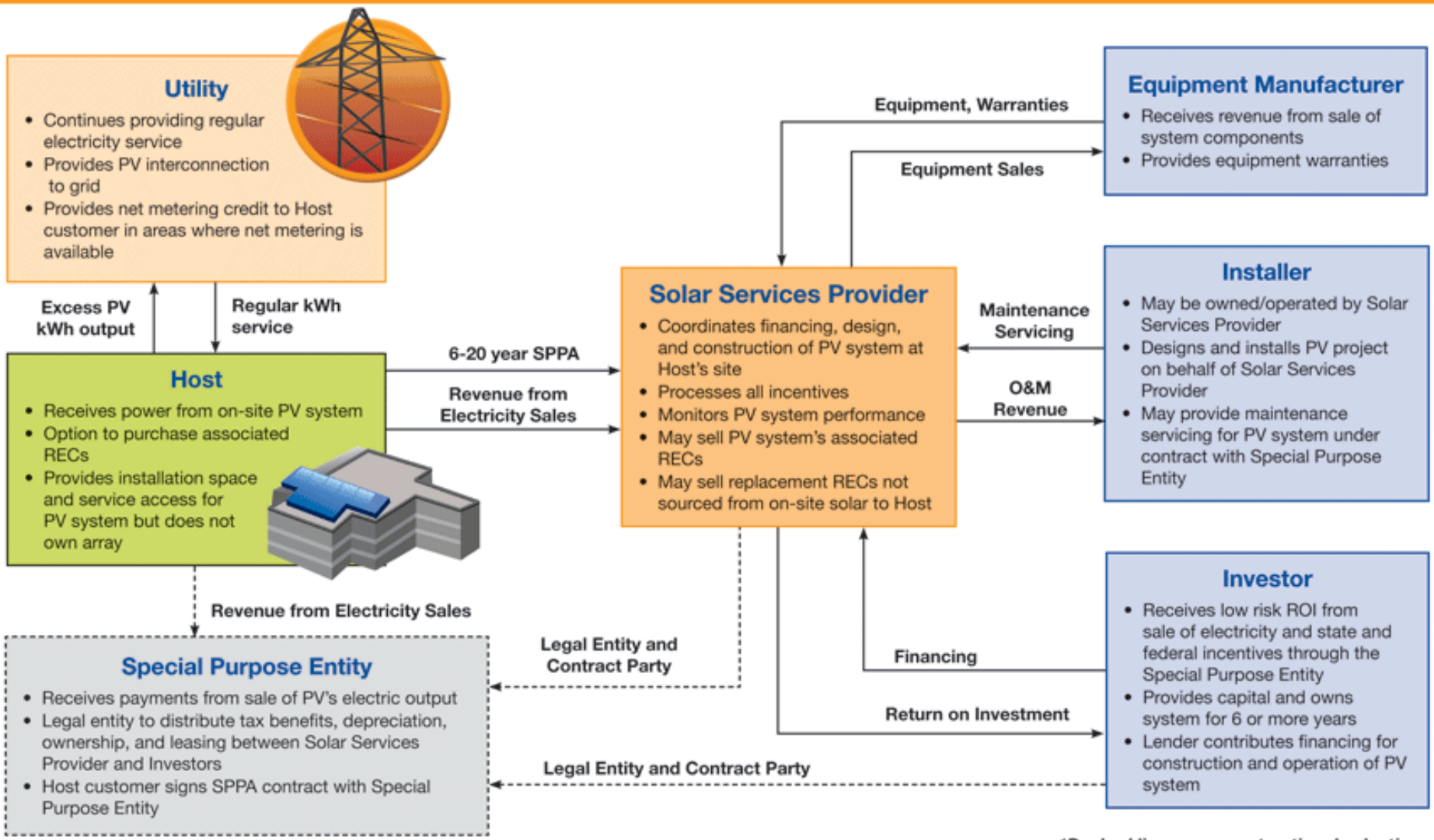
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Energy Council*

Roles of SPPA Participants



**Dashed lines represent optional selections*

- **Advantages**

- i. Turnkey, private solar developer
- ii. Includes financing and O&M
- iii. Developer tax incentives embedded in PPA price

- **Disadvantages**

- i. PPA pricing sub-optimal (most financial benefits to developer)
- ii. Potential Risks in PPA (due to govt. action/inaction)
- iii. FMV purchase at end of term, if term < useful life (not nominal)

- **Risks**

- i. Downtime (lost PPA price + SRECs + Profit, regardless of fault)
- ii. Security obligation on government
- iii. Performance guaranty from solar developer?
- iv. Higher rated government payment guaranty?
- v. Limitation on real property options (mortgaging, lease, disposition)
- vi. Early termination penalties (benefit of bargain)

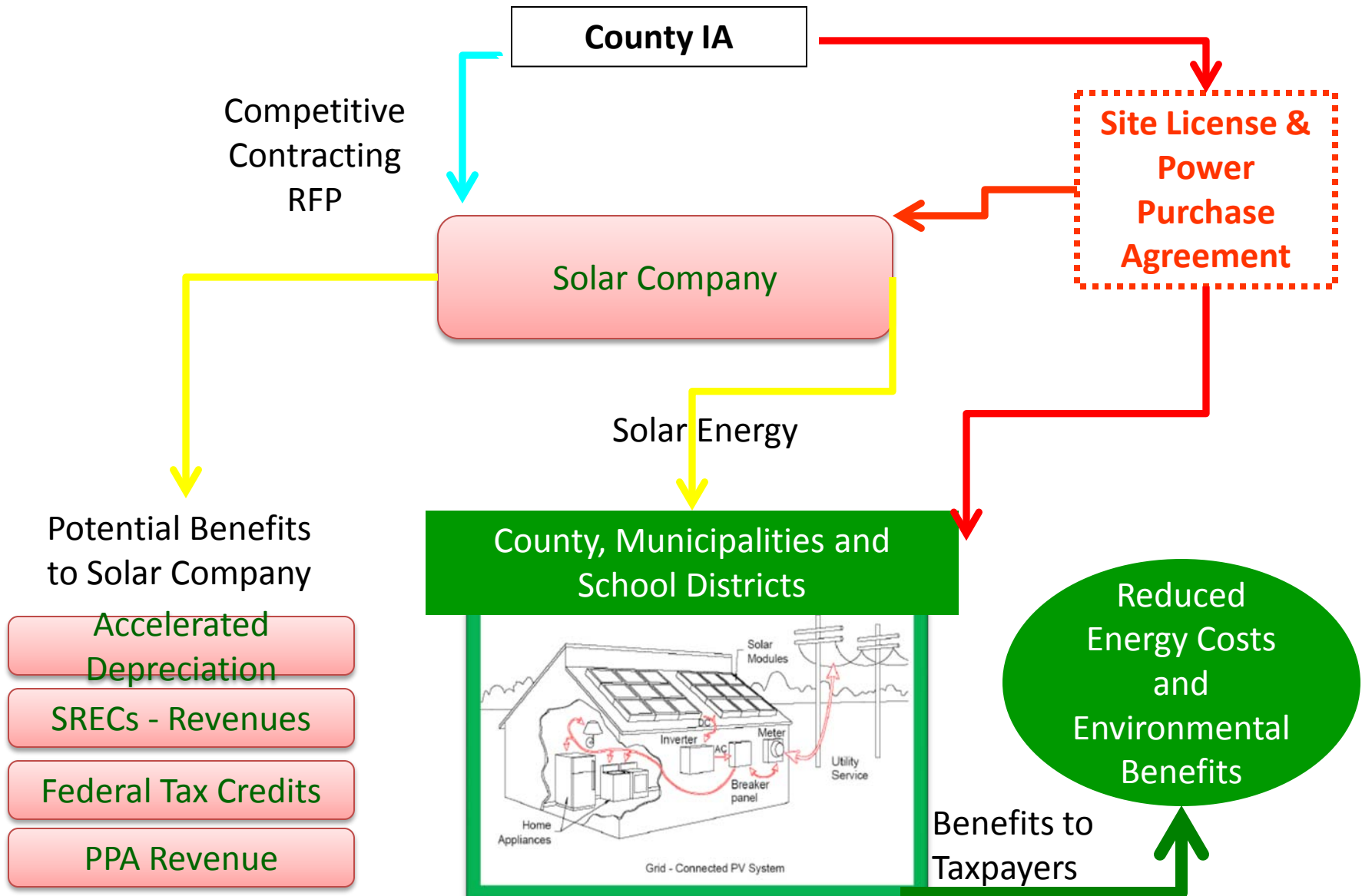
- **Electricity and Renewable Energy Certificate Ownership:** Who owns the energy and non-energy attributes (renewable energy certificates or RECs) generated by the project?
- **Virtual Net-Metering:** How do participants get credited for the electricity produced by the project? Do they receive a credit on their utility bill for a calculated percentage of the project's actual metered production, or a percentage of expected production, or other? Are the participants credited at the full retail rate for the power?
- **Financial Incentives:** Do participants qualify for the tax credits or production incentives currently available for single-owner installations? Is participation tax deductible?
- **Financing:** Is the system financed privately or uses public mechanisms?
- **Participation Fees:** Do participants submit one payment, or do they pay over time?
- **Enrollment:** Will the project accept additional participants after completion of construction, or do participants have just a single opportunity to enroll? Does pre-construction enrollment determine the project size, or can the project be built to meet future demand?

Solar Developer Procurement Criteria

- PPA Price – economic benefit
- Developer approach to comply with RFP requirements, including technical specs
- Developer ability to deliver turnkey project, including O&M
- Experience – contracts of similar size and scope
- Management – key personnel and knowledge of applicable laws/regs
- Logistics of implementing plan (1 year construction – multiple sites)
- Financial strength (single purpose entity – guarantor)
- Construction security (amount and strength)
- Funding of deficiency (developer default, left w/ PPA and SREC – amount and strength)
- Material changes to posted documents proposed?
- Other economic benefits proposed?
- Restoration security included? (option to guaranty roofs restored at end)

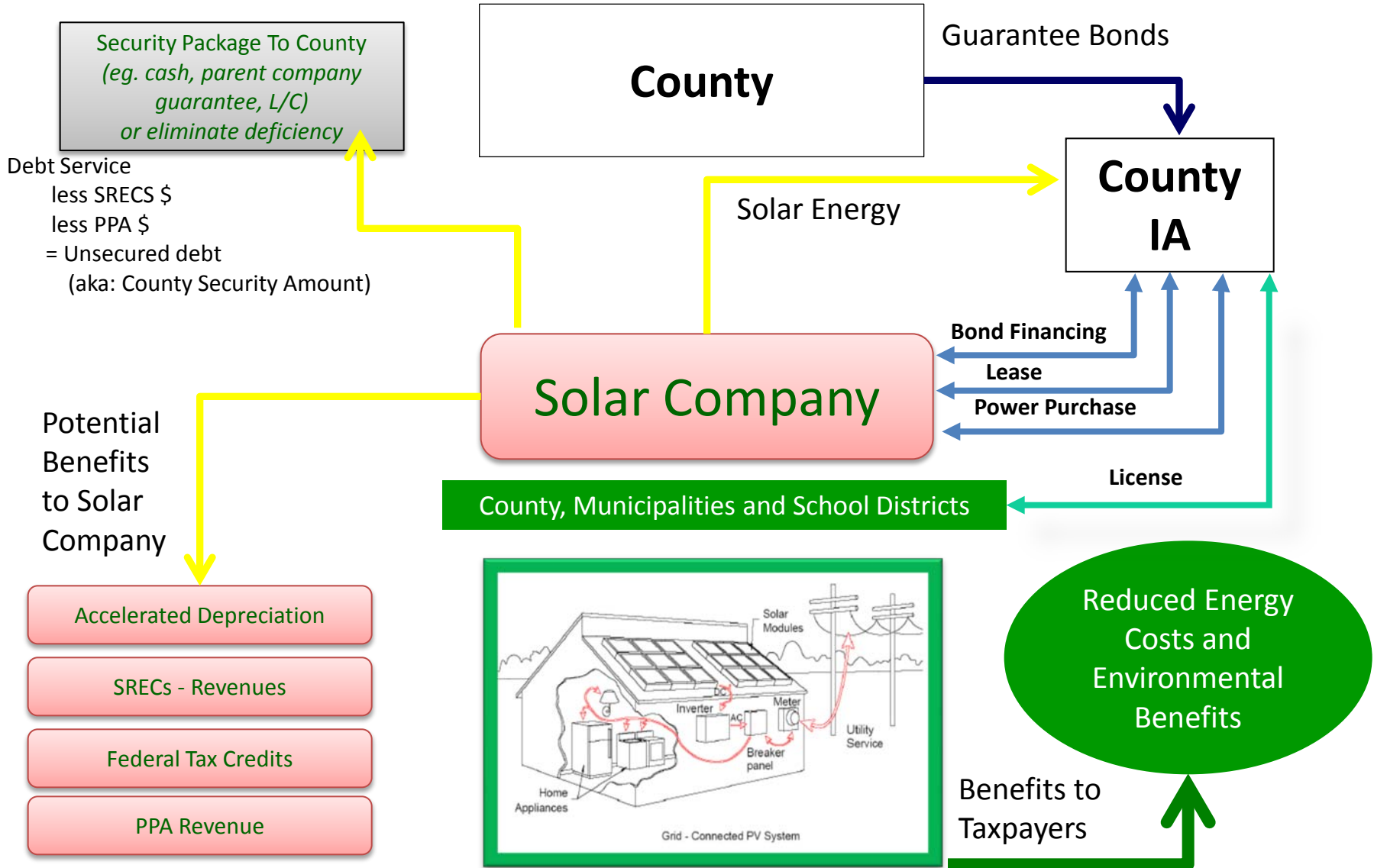
New Jersey Hybrid Model: How Does the Program Work ?

Option 1-Renewable Energy Program Company Financing



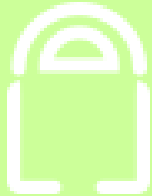
New Jersey Model: How Does the Program Work ?

Options 2 and 3-Renewable Energy Program - Partial Authority/Authority Financing Structures (70 / 30% and 100%)



Property Assessed Clean Energy (PACE)

City creates type of land-secured financing district or similar legal mechanism (a special assessment district)



Property owners voluntarily sign-up for financing and make energy improvements



Proceeds from revenue bond or other financing provided to property owner to pay for energy project



Property owner pays assessment through property tax bill (up to 20 years)

