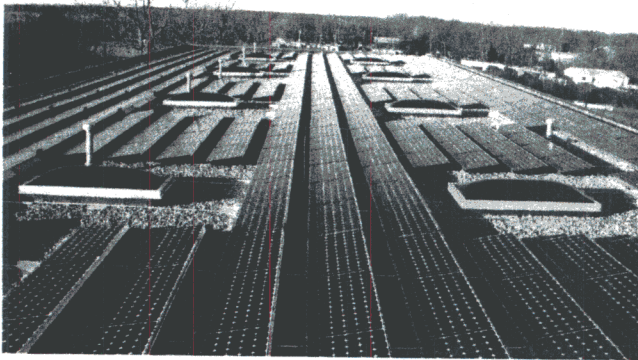


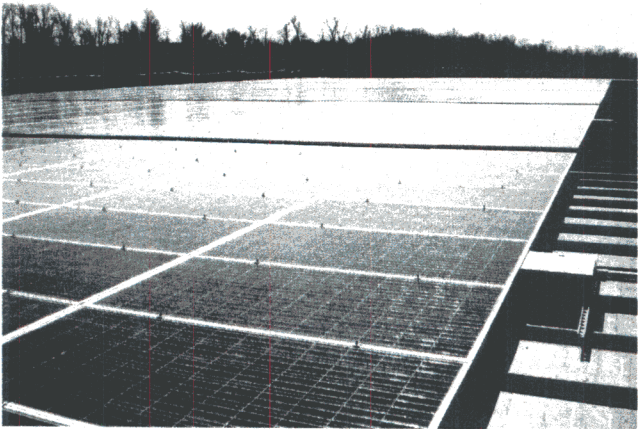
### Power Purchase Agreements Defined

A solar Power Purchase Agreement (“PPA”) is a contract between an electricity consumer, or host, and the owner of a solar panel system for the purchase of the solar system’s electrical output. The solar panel system is located on the host’s property and its output is sold to the host at a specified price over the length of the contract. The contract term is typically 20 years. The electricity initially is priced 5% -

10% lower than the host’s current average cost of grid-sourced electricity, with annual escalators less than the historical % increase in electricity prices.



A PPA was used to finance a 150-kW solar PV system atop the headquarters of Kelly & Sons Electrical Construction in Upper Marlboro, MD. It is owned by Washington Gas Energy Systems and was designed and installed by Standard Solar.



A PPA is being used for this 700 kW PV system for the Maryland Youth Hockey League at the ice rink complex in Rockville, Maryland. It is owned by The Maven Group in Maryland and was designed and installed by Standard Solar.

### What’s In It for the Host Company

The solar systems behind PPAs are financed and owned by a third party so the buyer has no capital outlay, or required investment. In addition to an initial lower cost for the solar electricity, the PPA offers a hedge against expected future cost increases in utility power and allows the host to demonstrate leadership in the purchase of carbon-free electricity.

### What’s In It for the Investor

PPAs match the investment appetite of investors who can use available federal and any state tax credits and accelerated depreciation to offset their income. Investors also earn income from the sale of the electricity generated and from Solar Renewable Energy Credits (SRECs) in many states, including Maryland and surrounding states except Virginia. Key requirements for the investor are hosts with good credit ratings and a contract to sell the SRECs that will be generated by the solar system.

### Who’s Using PPAs?

Many businesses such as department stores, office buildings and warehouses and public institutions and facilities such as government buildings, public schools, colleges, universities, water treatment plants and airports are using PPAs. Commercial banks, investment firms, energy services companies and

utilities are among the institutions that provide financing by connecting the host with their investors. In PPA transactions, the host organization may negotiate an option to purchase the solar system at certain times during the length of the contract.

### **What's In It for Maryland**

PPAs are a classic win-win-win value proposition for the state where the host is located because it helps relieve the political burden of rising electricity rates, reduces stress on the regional power grid, cuts carbon emissions and allows the state to lead by example in demonstrating the viability of solar photovoltaics (PV).

### ***What Type of Electricity User Is A Good Prospect For A Solar Power Purchase Agreement?***

- needs more than 300,000 kilowatt hours of electricity annually*
- controls their property for the term of the PPA*
- has an excellent credit rating*
- has a an aggregate of at least 20,000 square feet of un-shaded space for solar panels*
- is located in Maryland or another state with favorable incentives*

### **The Role of the Solar Developer / Integrator**

Solar developer / integrators, such as Standard Solar, Inc., perform several roles in the origination and completion of a Purchase Power Agreement. They conduct the electricity needs assessment, prospective system design, investor outreach, PPA negotiation and execution, SREC placement, system installation, operation, monitoring and maintenance of all the PV equipment.

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