

# Is a Solar PPA Right For You?

Solar Power Purchase Agreements are becoming the new standard in helping corporations, municipalities, school districts, and government institutions to take advantage of incorporating clean energy through solar power. It's important to make an informed choice when pursuing a solar PPA for your organization; a solar PPA is a long-term solution that requires several careful considerations.



## FINANCING SOLAR

The solar PPA is a long-term agreement to buy power from a company that uses its own source of funds to build a solar energy facility on a customer's site, and maintains and operates the facility for 15 years or longer. Customers run their businesses as usual, without any of the headaches of owning a power plant. Solar PPAs remove the pain of paying up-front system costs or worrying about the long-term operation and maintenance. At the end of the month, you pay only for the solar energy produced on site and purchase the remaining energy you need from your utility.

At the end of the solar PPA term, the facility can be purchased at fair market value, or the sPPA can be renewed on favorable terms. The PPA enables customers (and our world) to benefit from the use of green energy, while still receiving some of the benefits of ownership, including lower and/or "hedged" electricity costs and a positive public image, and allows them to spend their capital budget on their core businesses. Customers typically enter into a fifteen or twenty-year contract with a solar PPA provider, paying energy rates that are equal to or below existing utility prices.

Escalation rates are fixed, which is an enormous benefit in a climate of rising energy costs. Solar energy costs nothing to acquire and is immune from the factors that contribute to rising costs of fuel such as supply shortages, processing requirements, or labor issues.

## OTHER SOLAR PURCHASING OPTIONS

Buying or leasing-to-own a system are other ways to purchase solar-generated power. The upshot of buying is, obviously, that you own your own system. But buying a system requires significant up-front financing and you must manage the builder and its materials. In addition, monitoring equipment and maintaining it over a long period of time is necessary.

Leasing-to-own a system allows a small or no down payment. Essentially you are purchasing the system with fixed monthly payments over time. Leases don't allow you to escape from the trap of having to maintain and operate the system and monthly payments are fixed no matter how much energy is produced, but the cost is more manageable.

	BUYING	LEASE	SOLAR PPA
Upfront capital?	Yes	Little or none	None
Performance risk?	Yes	Yes	None
System expertise required?	Yes	Yes	None
Maintenance required?	Yes	Yes	None
Purchase required?	Yes	Yes- with option to re-lease	None

## CONSIDERATIONS REGARDING SPPA PROVIDERS

The solar PPA, in comparison to the drawbacks of buying or leasing a system, sounds particularly attractive. There are certainly enormous cost and long-term management benefits to a solar PPA. The challenge to adopting an SPPA is that the system will not be owned or operated by you. In addition, you will need to work with a solar PPA provider that has a track record of successful projects, particularly with the type of system you require. You will need your provider to provide installation expertise and knowledge and be confident that every step of the process will be technologically the best possible. Finally, your provider will be working with you for fifteen



or more years. You need to be sure the provider is committed to you and your needs. Take into consideration whether or not the provider partners with top-tier banks and installation partners. A solid proposal and track record of completed projects will indicate a solid solar PPA provider.

## DETERMINING IF YOU ARE THE RIGHT CANDIDATE FOR AN SPPA

Now that you know what solar PPAs can do for you, what your other options are, and the challenges that can come with a solar PPA, you need to know whether you are the right candidate for a solar PPA.

Although circumstances vary from region to region, in general the following criteria make an excellent candidate for a solar PPA:

### ■ *Electrical Consumption*

A solar PPA will be most viable if you use a minimum kilowatt per hour annual consumption. A minimum allows a large enough facility size for the agreement to be economically viable for all parties.

### ■ **Property Ownership**

Controlling your property (owning your building) or lease for a minimum of 20 years to support the solar facility term.

### ■ **Solar-supported Region**

If you are located in a state that supports solar rebates and tax incentives from state or local utilities, you will gain the most benefit from a solar energy facility and a solar PPA. Because excess solar energy is routed back on to the grid and consumed by neighboring buildings, solarized facilities in these states receive a net metering benefit for any excess energy they produce. However, it is important not to dismiss solar as viable based on your location alone. The list of states favorable to solar PPAs is growing.

### ■ **Utility Rates**

If your utility rates are high and area rate inflation is high and/or volatile then locking into a low annual escalation is an excellent course.



Making the decision to use solar energy is one that requires careful consideration of all the facts. The end result can be a viable, responsible, and money-saving decision. The solar PPA can be a terrific way to leverage the economic and environmental benefits of solar energy in a way that requires no capital expenditure by the customer.



**SOLAR  
POWER  
PARTNERS**

©2008 Solar Power Partners, Inc.  
100 Shoreline Hwy, Suite 210 B  
Mill Valley, CA 94941  
415.389.8981 866.361.1439  
[www.solarpowerpartners.com](http://www.solarpowerpartners.com)