



**PACE Financing for Commercial Solar Projects
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Financing leases & power purchase agreements since 2010

Owens 50 projects across 7 states

PPAs: Primary focus on non-profit customers:

- Homeowners Associations (HOAs) and AOAOS
- Houses of worship
- Healthcare

Tax leases for investment grade credits

PACE for commercial customers with tax liability



Selling Solar with PACE

Commercial customer requirements & challenges

California utility rate structures

- Time-of-use & reduced demand charge tariffs
- Complex analysis & presentation → Energy Toolbase; Genability

Tax liability → Ability to take tax benefits

- Business structure (C-corp vs pass-through); owner tax appetite
- Subsidiaries & regional divisions of parent corporations
- Tax & accounting gatekeepers

Access to capital

- **Credit; Cost; Term** + building ownership, accounting considerations, regulatory



Front-Loaded Cash Flows

US solar cash flows are massively front loaded:

- 30% ITC (year 1)
- Depreciation (3-5 years) & bonus depreciation (year 1)
- Upfront/EPBB rebates (year 1: LA, NY, HI)
- PBIs and SRECs (5+ years: CA legacy; NJ; MA)

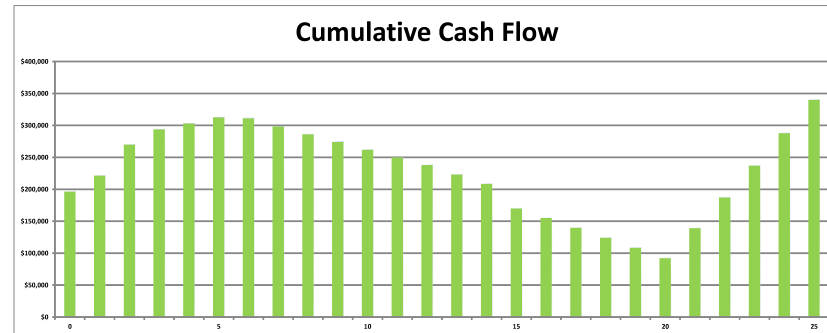
“What do I pay & what do I save?”

- Gross contract price vs net of ITC
 - Carrying cost of 6+% long term financing
 - Pre-tax vs after-tax
- Prepayment options & ITC financing solutions (AB811 → AB44; AB1883)

“What do I pay vs what do I save?”

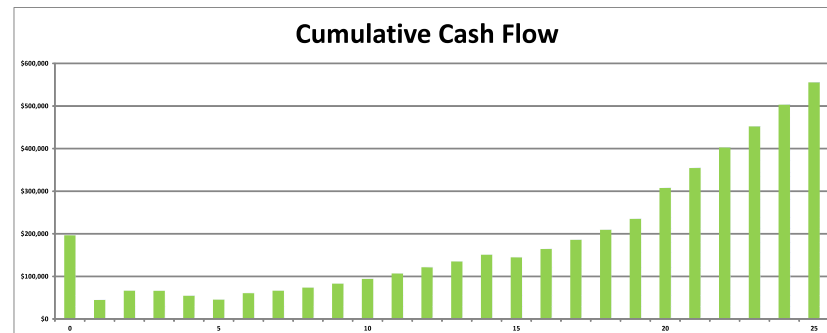
→ Customer tax benefit clarity

- ITC
- Depreciation
- “Taxable” utility savings
- Deductible interest



→ PACE prepayment option

- Apply ITC
- Reduce carrying cost
- Align annual cost / savings ratio (saving-investment ratio)



>2016

Projects must be *in service* by Dec 31, 2016 to get 30% ITC

Evolution required beyond 2016:

Regulatory costs

- LBNL Sept 2014 report on solar permitting & local regulatory costs

Labor costs

- ITC subsidizing prevailing wage, Davis Bacon, etc.

Taxes

- Sales tax exemption (CA); bonus depreciation renewal (HR 4); property tax exemption

→ With evolution away from ITC, PACE becomes more viable for solar

