FINANCING ALTERNATIVES FOR ENERGY SAVINGS AND RENEWABLE ENERGY

Zero Net Energy Conference – Fresno, CA  11/2/17
Central Valley Chapter, US Green Building Council

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ZNE/Energy Self-Sufficiency
How Do We Get There?

2 Main Elements:

- **PRIORITY:** Use Less Energy = Energy Conservation = ENERGY EFFICIENT EQUIPMENT
- Acquiring Your Own Energy = RENEWABLE ENERGY = SOLAR
  - On Site Generation
  - Purchase RE from Third Party
  - Community Choice Program = Green Energy Option
Financing Energy Efficiency – Bldg Upgrades

Funding Options Readily Available

- On-Bill Financing – ZERO interest loan for existing properties; loan paid by energy savings – PG&E $80M Revolving Loan Fund
  - Up to $100K comml customers, up to $250K govt customers (up to $4M/customer)
  - Payback period – up to 60 mos (comml), up to 120 mos (govt)
  - Paid on utility bill; bill neutrality [www.pge.com/eef](http://www.pge.com/eef)
  - Measures installed: LED, controls, HVAC, Refrigeration, Pumps; Regular OBF Rebate and Loan
  - New OBF – No Incentive, energy savings equipment, but no rebates, loan finances project

- CA Treasurer Programs – Energy Efficiency Financing Pilots - $66M [WWW.treasurer.gov/caeatfa/cheef](http://WWW.treasurer.gov/caeatfa/cheef)

- SBA 7(a), 504 – Real Estate related

- PACE Financing – EE/RE and other improvements, private investment money

- Commercial Lenders – traditional financing, community banks, S&L, credit unions

Consider Hybrid/Mixed Funding Approach – Combining Financing Sources and Options
PACE – Property Assessed Clean Energy

- Equity based, qualifying for loan relatively easy; entirely Voluntary
- Qualifying improvements: energy efficiency, water reduction, solar, seismic, bldg envelope + soft costs
- Payments: placed on property tax bill (like school bonds); 20 year payback period
- Loan stays with property on sale (beware prior lien holders may object, require pay off)
- Consumer protections enhanced—residential PACE issue
- PACE providers—single provider, multiple providers (Open PACE)
- Residential PACE—over $1.5B, Commercial PACE over $400M
- www.pacenation.us
Financing Solar – Traditional

Buy It – Cash
- Tax Benefits – 30% Investment Tax Credit; Accelerated Depreciation
- Retain the Tax Benefits – visit with your tax advisor
- ITC allows 1 yr carry back, 20 yrs carry forward
- Immediate reduction in energy bill

Leasing
- 7 year lease for commercial solar
- Third party investor receives tax benefits as owner, and responsible for maintenance
- Tax benefits factored into lease rate
- Caution: ensure fixed lease payment less than energy bill
- Buy system (year 7) at FMV or extend lease

NOTE: 3 YEAR WINDOW, ITC AND DEPRECIATION SCHEDULE REDUCED SIGNIFICANTLY OVER NEXT 3 YEARS
Financing Solar – Tax Equity Investors
Supporting Tax Exempt Organizations, Non-Profits

- TEO/NP can NOT receive solar tax benefits per IRS regs
- Tax equity investors – businesses/individuals with tax liability can use tax benefits
- Supporters of TEO/NP (through LLC) owns, installs system, and sells power
- LLC owners/investors receive: tax benefits (ITC, depreciation), $ from selling power, interest, and 20% of cost when TEO/NP buys out the solar system
- Shorter term power purchase agreement (@10 years) reduces cost by 50%
- Estimated 60% of investment recovered in 2 years
- Estimated double digit return on investment (depending on tax situation)
- Advice from tax advisor/CPA required
Opportunities to Invest in Your Business, Your Community

 Businesses
- Conduct Energy Assessment – energy usage, inefficient equipment, solar opportunities
- Visit with contractor – identify options, get estimates
- Identify and arrange low/no cost financing alternatives
- ACT! Rebates and Financing Incentives are expiring

 Local Governments, Others
- Select EE/RE opportunities identified by staff, capital improvements list
- Visit with local utility reps
- Access low/no cost sources like On-Bill Financing
- Consider solar sponsored by tax equity investors

 Tax Exempt Organizations and Non-Profits
- Low/no cost financing options, like OBF are still available
- Explore EE upgrades and RE with contractor(s)
- Consider donor/supporter tax equity solar financing
THANK YOU
(but please take some action)

Questions, Concerns, Suggestions, Information:

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