

FINANCING ALTERNATIVES FOR ENERGY SAVINGS AND RENEWABLE ENERGY

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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
 - ❑ 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
- ❑ 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

Financing Energy Efficiency – Upgrades (cont.)

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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