

Distributed C&I PPAs: Overview and Trends

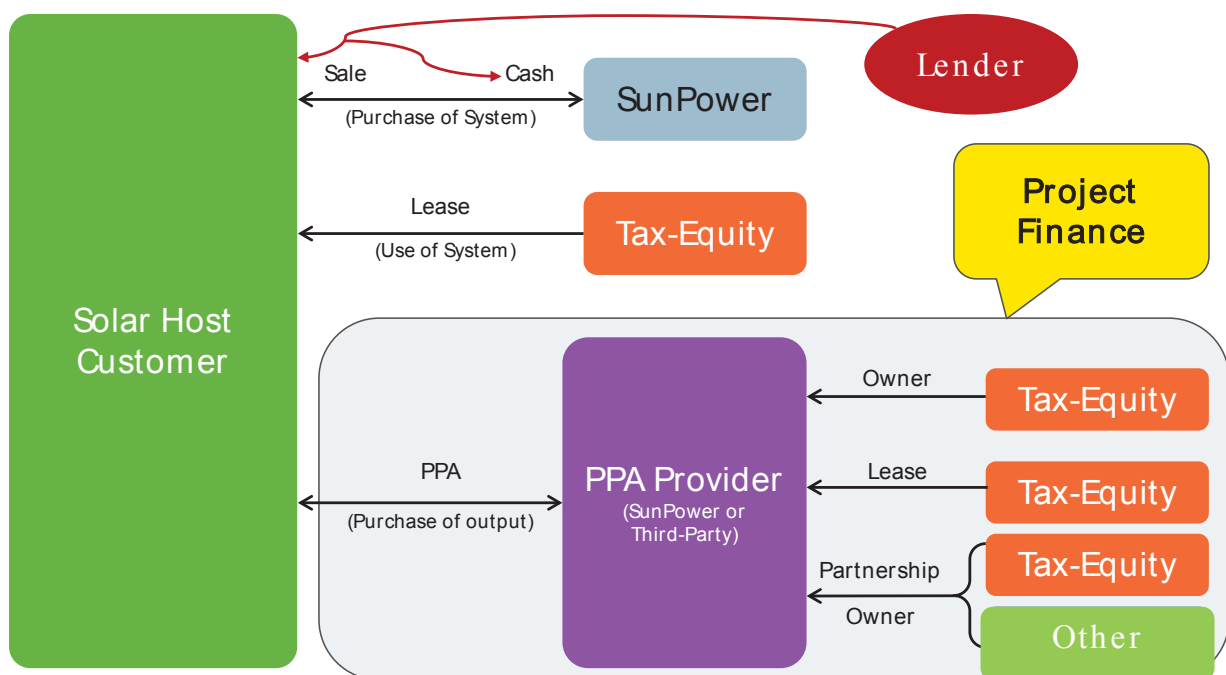
Sam Porter | January 29, 2018

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Agenda

- What is a distributed C&I behind-the-meter PPA
- What distinguishes cash from PPA transactions
- What is non-recourse project finance
- Key elements of a distributed behind-the-meter PPA
- Risks and nuances
- Contract and deal execution – practice tips
- Trends (storage, tax law, trade law, standardization)

Methods of Solar Acquisition



What is a Distributed C&I Behind-the-Meter PPA

- Distributed – on the distribution network. Urban or suburban. Space constrained.
- C&I – host / offtaker is commercial or industrial (including governmental and non-profit organizations)
- Behind-the-meter – serving on-site load primarily, and if non-export, exclusively
- PPA – power purchase agreement. A contract between an SPV and a commercial customer for the purchase and sale of electricity generated by a PV installation

Cash Transaction vs PPA Transaction

Cash = simple

- Two parties
- EPC agreement, maybe O&M and a PeGu

PPA = complex

- Third-party owned financing
- Looks like a straightforward bilateral negotiation between SPWR and Customer, but the empty chair of the financier changes everything
- Sales team simultaneously selling two products: PV and a financial contract
- An overly Customer-friendly PPA will not be financeable, but an overly Prover-friendly PPA may not meet Customer requirements
- Requires significant deal execution skill and attention to detail

The PPA Lexicon

AHJ	A uthority H aving J urisdiction. Any governmental agency with approval rights.
COD	C ommercial O peration D ate. Loosely means start of energy sales.
CPs	C onditions P recedent. The CPs are tested prior to commencement of construction.
EOD	E vent of D efault. Failure to perform obligations under the PPA.
IA	I nterconnection A greement. Can be net-metered or non-export.
ITC	I nterconnection T ax C redit. 30% below-the-line federal tax credit available to owners of PV assets.
MACRS	M odified A ccelerated C ost R ecovery S ystem. Accelerated above-the-line fed tax depreciation.
NTP	N otice to P roceed. Loosely means satisfaction/waiver of CPs at commencement of construction.
PeGu	P erformance G uaranty. A guaranty of a certain energy output.
PTO	P ermission to O perate. Notice from the AHJ that the system is ready to operate.
SPE/ SPV	S pecial P urpose E ntity / S pecial P urpose V ehicle. Used synonymously. Will be a Delaware limited liability company owned by SunPower during construction and then either owned, controlled or limited by a financier at the take-out.
Take-out	The “take-out financing” which occurs at COD. The tax equity financier “takes out” the construction financing by repaying it in full
TforC	T ermination f or C onvenience. A right to break a contract at will.
TV	T ermination V alue (aka Early Termination Fee). Offtaker’s penalty for breach and not letting the PPA stay effective for its full term.

Parties:

Customer = Host = Offtaker = Purchaser

Provider = Seller = SPE = SPV = Licensee

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