



CLEANENERGYADVOCATES



FINANCING ENERGY EFFICIENCY & RENEWABLE ENERGY PROJECTS

CALIFORNIA GREEN SCHOOLS SUMMIT- 2009

HISTORICAL ELECTRICITY COSTS

Average electricity price increase for commercial users*

- ✓ 25-year average annualized rate increase 3.3%

* California Energy Commission.

OWNERSHIP / FINANCING OPTIONS

	PPA	Lease	Direct Purchase
Owned/Maintained by District		*	✓
Owned/Maintained by 3 rd Party	✓	*	
Tax Benefits “purchased” by 3 rd Party	✓	*	
California Solar Initiative maximized			✓
Required to purchase all output, regardless of consumption	✓		
Financing Available	✓	✓	✓

* Lease structures vary and should be evaluated on specific terms available.

POWER PURCHASE AGREEMENTS

PPA -- Power Purchase Agreement

District contracts with one company to design and build the Photovoltaic system. Third-party owns the system and sells the system's power that back to the district for a predetermined price/kWh.

Advantages to the District:

- ✓ Third-party is responsible for system maintenance and operation
- ✓ Electric costs are predetermined, thus easy to budget and no exposure to market increases

Disadvantages to the District:

- ✓ District does not own system, but usually can buy the system at the end of agreement for fair market value (typically 20 years).

SOLAR LEASES

Leases – Capital or Operating

District contracts with one company to design and build the Photovoltaic system. Ownership may reside with District (capital lease) or lessor (operating lease).

Advantages to the District:

- ✓ Generally provide lease end buyout
- ✓ Pre-determined payment amounts assure budgeting consistency
- ✓ May allow reduced price if tax benefits derived by lessor

Disadvantages to the District:

- ✓ Limited terms available (starting to see longer terms)
- ✓ District assumes performance risk

DIRECT PURCHASE

Direct Purchase

District contracts with one company to design and build the Photovoltaic system

Advantages to the District:

- ✓ District owns the system
- ✓ ARRA authorized additional low cost financing options:
 - Clean Renewable Energy Bonds (CREBs)
 - Qualified School Construction Bonds (QSCBs)
 - Qualified Zone Academy Bonds (QZABs)

Disadvantages to the District:

- ✓ District continues to pay market price for electricity
- ✓ District cannot directly benefit from Federal Investment Tax Credits because it is tax exempt.

FUNDING OPTIONS

- ✓ Energy Savings / Utility Rebates
- ✓ Any Unrestricted District Funding
- ✓ Developers Fees
- ✓ Deferred Maintenance
- ✓ California Energy Commission Loans
- ✓ General Obligation Bonds
- ✓ QZABs – Free and Reduced Academic program
- ✓ QSCBs – Federal Stimulus Program
- ✓ CREBs – Clean Renewable Energy Bonds
- ✓ Lease Purchase Financing / COPs

CALIFORNIA GOVERNMENT CODE 4217

Definition: The implementation of **energy conservation projects** to develop energy conservation, cogenerate energy, or be an alternative energy supply source. The statute “shall be construed **to provide the greatest possible flexibility to public entities in structuring agreements**” utilizing the procurement guidelines of California Government Code 4217.10 – 4217.18

Any California school district, County Office of Education, or municipality may jointly develop an energy conservation program with a licensed contractor and fund the work through energy savings, municipal financing, deferred maintenance, utility rebates, repair cost avoidance, any unrestricted district funds or other financing means.

VALUE OF 4217

California Government Code 4217 is the most effective equipment procurement process because it provides:

- ✓ Flexibility to customize a program to fit the District's specific needs
- ✓ Fixed-price contract / No change orders
- ✓ Turn-Key solution provides the most expeditious process
- ✓ One contractor completes drawings and takes project through DSA process
- ✓ One contractor is the single point of contact and provides complete project oversight

CONTACT INFORMATION

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