

Power Purchase Agreements (PPAs) are becoming the best solution for helping corporations, municipalities, school districts, non profits and government institutions to take advantage of incorporating clean renewable energy through solar and wind power. PPA contracts incorporate the best attributes of buying a renewable energy system without the financial burden or risk of operating a system.

FINANCING SOLAR & WIND

By utilizing a PPA contract you are obligating your organization to a long-term agreement to purchase power from a company that uses its own source of funds to build a renewable energy facility on the power user site and maintains and operates the facility for the term of the contract which is usually 20 years or longer. Customers maintain their focus on their businesses as usual, without any of the headaches or distractions of owning a power plant. PPA agreements remove the financial burden of paying up-front system costs or worrying about the long-term operation and maintenance. At the end of each billing cycle, you pay only for the kWh of energy produced on site and purchase the remaining energy you need from your utility.

At the end of the PPA agreement, there are usually several options to choose from in regards to the facility itself. It can be purchased at fair market value, it can be replaced with new equipment and a new agreement put in place, or the PPA can be renewed on favorable terms with the existing equipment. The PPA agreement enables customers to benefit from the use of renewable energy, while still receiving some of the benefits of ownership, including lower and/or "fixed hedged" electricity costs and a positive public image, and allows them to spend their capital budget on their most important asset, their core businesses. Customers typically enter into a twenty-five year plus contract arrangement with a PPA provider, paying energy rates that are equal to or below existing utility prices.

Escalation rates are fixed, providing you tremendous benefit in a climate of rising energy costs. Long term financial budgeting is able to be achieved by the fixed price agreement. Solar and wind energy costs nothing to acquire and is immune from the factors that contribute to rising costs of fuel such as supply shortages, processing requirements, or labor issues.

OTHER PURCHASING OPTIONS

Buying or lease-to-own financing structures are other options when considering ways to purchase solar and wind generated power. The most obvious reason of buying the system is that ownership is obtained by the energy user. But buying a system requires significant up-front financing and you must manage the builder and its materials. Builders sometimes do not take into consideration long term considerations as an owner would and strictly try and present the lowest cost solution to the buyer. In these situations, interests are not aligned when deciding on the best system for the end user. In addition, more of a hands approach is needed for monitoring the equipment and maintaining it over a long period of time.

Leasing-to-own a system have financial benefits in that it allows for a small or no down payment option. Essentially you are purchasing the system with fixed monthly payments over time. Leases doesn't take into consideration that you must maintain and operate the system and monthly payments are due no matter how much energy is produced, but the cost is more manageable.

Buying

Lease

PPA

Upfront Capital?	Yes	Little or None	None
Performance Risk?	Yes	Yes	None
System Expertise Required?	Yes	Yes	None
Maintenance Required?	Yes	Yes	None
Purchase Required?	Yes	Yes - with option to re-lease	None

DETERMINING IF YOU ARE THE RIGHT CANDIDATE FOR A PPA SOLUTION

Now that we have explained what PPAs can do for you and how they vary from other buying options, you need to understand whether you are able to enter into a PPA Agreement. Below are lists the general criteria for being a candidate for a PPA Agreement:

Electrical Consumption

A PPA will be most viable if you use a minimum kilowatt per hour annual consumption. A minimum allows a large enough facility size for the agreement to be economically viable for all parties.

Property Ownership/Control

Owning the facility or leasing the facility for a minimum of 20 years to support the solar or wind facility term.

Solar & Wind Supported Region

Certain areas of the country are located in areas that financial support solar and/or wind installations through additional tax incentives, tax abetments, or grant programs. If you are located in an area that has additional incentives and tax programs from state or local utilities, you will gain the most benefit from a solar or wind energy facility and a PPA. Excess energy production can be routed back on to the grid and consumed by neighboring buildings if your state allows for net metering from the additional energy that your system produces produce. However, it is important not to base your decision strictly on whether your state has implemented these net metering initiatives. The list of states and cities that believe in the future of renewable energy and PPAs structures are growing.

Utility Rates

If you are a large energy user and your utility rates are high then solar or wind energy is an excellent option to consider today. In addition, looming inflation is another consideration for locking into a low annual escalation solar or wind arrangement. The PPA can be a great decision in order to make renewable energy a reality today.

