

Alternative Financing Option: PPA

Customers can implement solar with zero capital investment by structuring a project through third-party ownership, otherwise known as a Power Purchase Agreement (PPA). Rather than own the system outright, the customer (host) simply buys the energy from the system installed at their location, which is majority owned and financed by a separate capital partner (investor).

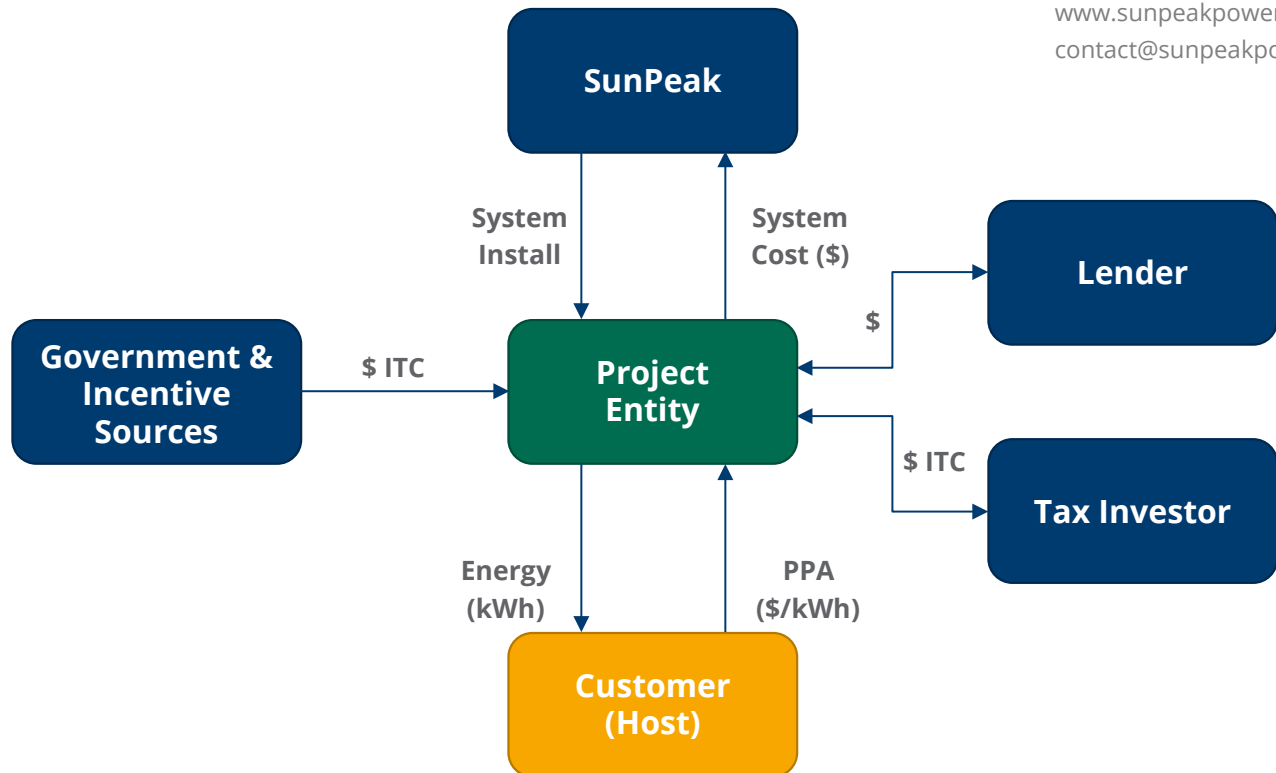
This structure is often appealing in the following situations:

1. **Non-profits.** If a customer cannot benefit from the Investment Tax Credit (ITC), this financing scheme allows the ITC to benefit the customer indirectly.
2. **Capital constraints.** If a customer does not want to take on additional on-balance-sheet debt or use its own cash, a PPA keeps the system off-balance-sheet. This can be applicable if existing lenders have loan covenants in place that prevent further borrowing.
3. **Capital priorities.** Some customers simply have higher priorities for their capital. A PPA can deliver an extremely high IRR (Internal Rate of Return) by eliminating the need for any upfront investment, while still offering energy cost savings and future ownership options.

The PPA option provides the following benefits:

1. **No initial capital investment.** The system is financed by outside investors and debt sources, which requires zero investment by the customer.
2. **Immediate energy cost savings.** The PPA energy rate is lower than the customer's existing blended energy rate being paid to the utility, leading to a reduction in utility expense.
3. **Future buyout price at discount to present cost.** The system can be purchased and owned out-right anytime after the 6th year at a steep discount to the initial cost.
4. **Predictable and known energy cost.** The PPA delivers a known schedule of energy rates over the term of the contract, unlike utility rates that can vary considerably over time.
5. **Extremely high internal rate of return (IRR).** The initial IRR is infinite, since there is no upfront investment. Post-buyout IRR is significantly enhanced because the purchase price is significantly lower, while preserving decades of solar energy production potential.

PPA Model



1. Project Entity is formed.
2. Lender and Tax Investor contribute capital to the project to finance construction of system.
3. SunPeak builds the system, commissions it and is paid by the Project Entity.
4. Project Entity attracts the federal Investment Tax Credit (ITC) and any other incentives, if applicable. ITC flows through to the Tax Investor as a portion of their return on investment.
5. Project Entity sells energy to the Customer (Host) over term of PPA.
6. Lender and Tax Investor are repaid by the Project Entity over PPA term using revenue from the Customer.
7. After tax credits and depreciation have been utilized over time (6 years minimum), the Customer can purchase the system from the Project Entity at a significant discount from its original cost.
8. Lender¹ and Tax Investor are paid by Project Entity after buyout occurs to achieve full debt repayment and a final return on investment for Tax Investor.
9. Customer owns system, which has a total useful life of 30 years. No energy payments are made to anyone once the system is owned outright.

The SunPeak team can help with questions about PPA structures and benefits. Call (844) NO-CARBON or visit www.sunpeakpower.com to schedule a consultation with a sales professional.

¹ Assuming loan balance has not already been paid off.