



Financing Options for Commercial Solar Projects

EXECUTIVE SUMMARY

Thanks to a range of innovative financing options, transitioning to solar energy has never been more affordable for businesses and public entities. By combining Federal, state, and local incentives with one of the financing structures discussed in this white paper, you can begin generating clean energy from the sun and start reducing your energy costs immediately.

This white paper covers three of the most popular solar financing structures available, explaining how each option works, their respective benefits, and what you should consider before moving forward with a solar project. Figure 1 below offers a simple breakdown of these three solar financing options:

Solar Financing Options

CASH PURCHASE	POWER PURCHASE AGREEMENT (PPA)	LEASE
One-time cost	No upfront capital cost	Zero or low upfront cost
Own the system hardware	Hardware owned by 3rd party	Hardware owned by 3rd party
Progress payments during construction	Payment per kWh consumed	Recurring payment for hardware lease

Figure 1 - Three Most Popular Solar Financing Options

There is also a fourth section that talks specifically about financing options exclusive to public agencies.

- Section
- 1

Cash Purchases
- 2

Power Purchase Agreements (PPAs)
- 3

Solar Leases
- 4

Public Financing Options
- 5

SunPower Financing Capabilities

CASH PURCHASES

SECTION 1

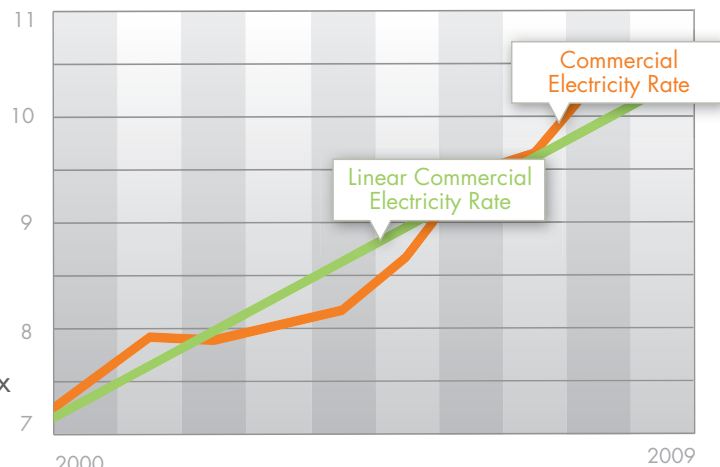
How Cash Purchases Work

The simplest path to financing a solar project is to purchase the system directly. You buy and operate the solar installation which allows you to directly benefit from any available federal, state and local solar incentives. If you have available capital and tax appetite to absorb tax credits and accelerated depreciation, you may find cash purchases to be the best option.

Benefits Of Cash Purchases

- Faster and more streamlined processing reduces the total time required for a solar installation, allowing you to begin benefiting from clean, solar electricity as quickly as possible
- Greater potential savings since you avoid third party expenses and interest rates
- Protection against rising utility rates
- Access to 100% of available solar incentives. As the system owner, you qualify for a Federal investment tax credit worth 30% of the system's value. When you combine this with additional state and local rebates, you can offset the cost of a solar project by 50% or more.

Figure 2 - Average Retail Price of Commercial Electricity



Source: U.S. Department of Energy May 14, 2010

Key Cash Purchase Considerations

Although cash purchases transfer the entire solar installation and all associated benefits directly to you, they also transfer the added responsibility of system operation and maintenance. If total savings are your main concern, it is worth exploring cash purchases as a financing option. However, if you prefer not to devote capital to installing, operating, and maintaining a solar project, consider a PPA or solar lease instead.

SunPower Cash Purchases

SunPower has combined the most experienced team of installation experts on the planet with record-breaking solar panel technology to offer comprehensive solutions with one goal in mind - delivering the most solar energy possible. SunPower installations use the most powerful panels on the planet so you realize the greatest total savings on energy costs. In other words, a straightforward cash purchase of a SunPower system typically offers the maximum return on a solar investment.

POWER PURCHASE AGREEMENTS (PPAs)

SECTION 2

How PPAs Work

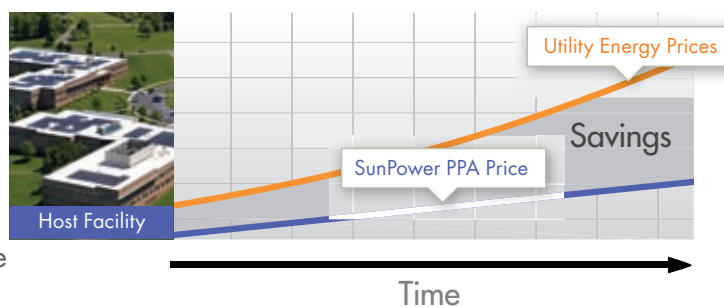
A Power Purchase Agreement (PPA) is a financing arrangement that allows businesses or government agencies to purchase solar electricity with no upfront capital cost. To achieve this, a “host” organization provides unused rooftop, land, or parking lot space as a location for a solar installation. A third party PPA provider pays for the cost of the solar installation and assumes all responsibility for ownership, operation, and maintenance once the solar project is complete. As the host organization, you enter into an agreement to purchase the electricity produced by the system owned by the PPA provider at a predetermined rate per kilowatt-hour, the same unit of measurement on your standard utility bill.

A well-structured PPA allows you to reduce electricity costs immediately and realize increased savings over time as grid electricity prices rise. Once the PPA contract period expires (typically 15 - 20 years), you can purchase the system at a reduced price, initiate another PPA, or have the solar installation removed.

Benefits of PPAs

- No initial capital investment since you only pay for the solar electricity that is produced
- Fixed energy rates. A PPA provides a powerful hedge against volatile electricity prices
- No responsibility for system operation or maintenance
- Benefit from solar tax credits, even if your organization has no tax liability to offset. The PPA financier is able to monetize available tax incentives and pass these savings on to you in the form of a lower PPA rate

Figure 3 - Savings Over Time with PPAs



Key PPA Considerations

PPAs provide access to solar electricity without the burden of owning or operating solar equipment by transferring the initial project cost to a PPA provider. Entering into a PPA requires a detailed contract and thorough credit review. As a result, choosing a PPA will typically extend a project’s timeline relative to other financing options.

SunPower PPAs

As the pioneer of the solar PPA, SunPower has installed more megawatts of solar than any other PPA provider. Our market tested process is designed to be streamlined and easy to implement. SunPower partners with top tier PPA financiers such as Wells Fargo, GE Energy and Morgan Stanley and we will work with you to design the best PPA to meet your organization’s energy needs.

SOLAR LEASES

SECTION 3

How Solar Leases Work

A solar lease is a financing option that allows businesses to generate solar electricity with little to no upfront capital investment. Like traditional equipment leases, solar leases provide use of the solar equipment itself in exchange for a monthly lease payment. You benefit from the clean electricity generated from the rented solar installation.

The combination of known lease payments and lower utility bills typically leads to an immediate reduction in electricity costs and provides increased savings over time. At the end of the lease agreement (typically 15 - 20 years), you have the option to purchase the system at a reduced cost, renew the lease, or have the system removed.

Benefits of Solar Leases

- Little to no initial capital investment
- Protection against volatile electricity prices
- Immediate savings on electricity costs since the reduction in grid electricity bills more than offsets your monthly lease payments for the installation. Figure 4 illustrates the potential savings available under a standard SunPower solar lease agreement.
- Allows you to work with your existing equipment lease financial partners.

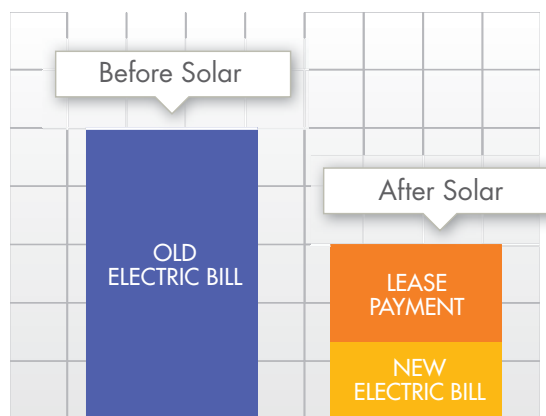


Figure 4 - Benefits of Solar Leases

Key Solar Lease Considerations

Similar to a PPA, solar leases requires a detailed contract and thorough credit review. As a result, choosing a lease may extend a project's timeline relative to other financing options. While there are many similarities between solar leases and PPAs, it may be worth exploring both options individually - the total financial benefit of each option can vary based on the needs of your facility and the specific details of your solar project.

SunPower Solar Leases

Whether you want to work with your preferred financial institution or you want to explore alternatives, SunPower can help you negotiate the terms of a solar lease. With an expansive network of specialized leasing partners, SunPower knows how to accurately forecast energy output, secure favorable lease terms, and streamline the negotiation process to help you minimize your financial commitment while maximizing the return on your solar investment.

PUBLIC FINANCING OPTIONS

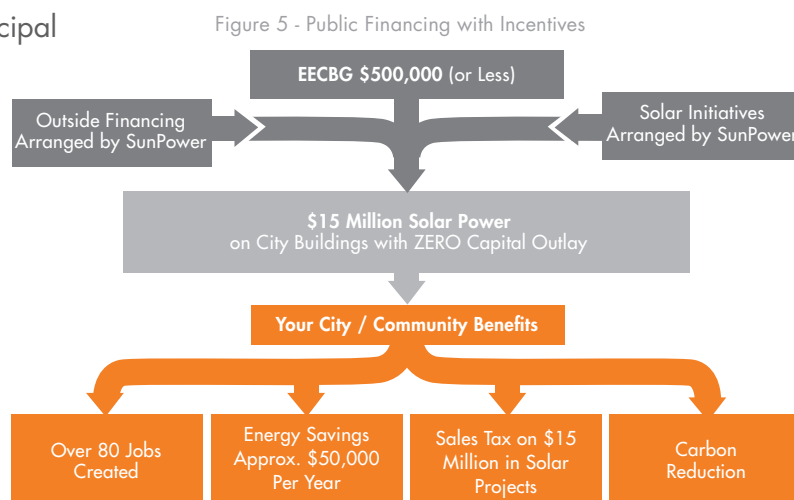
SECTION 4

How Public Financing Options Work

Public entities are able to take advantage of numerous financing options not available to corporate entities, including special incentives, tax-exempt leases, and exclusive government subsidized bonds.. Done correctly, modest funding combined with low-interest debt is sufficient to finance public solar projects.

Benefits of Public Financing Options

- Access to a range of incentives not available to the average consumer. When combined with standard rebates, exclusive bonds and grants such as American Recovery and Reinvestment Act (ARRA) subsidies, Energy Efficiency and Conservation Block Grants (EECBGs), and Clean Renewable Energy Bonds (CREBs) allow public entities to dramatically reduce the cost of new solar installations. Figure 5 shows a hypothetical public financing arrangement that uses a few different incentives.
- Ability to take advantage of Tax Exempt Municipal Leases (TEMLs), which allow public entities to finance projects by entering into lease agreements with traditional lenders. Offering full ownership and access to lower costs of debt, TEMLs can make your solar installation extremely affordable.
- Collective ownership of our energy future. Developing solar power within the public sphere helps to build a more sustainable tomorrow.



Key Public Financing Option Considerations

Because public financing options typically require additional preparation, be sure to familiarize yourself with any relevant deadlines and processes to ensure that you make optimal use of all available sources of public financing. It is worth investing this time since public agencies are often able to realize the greatest returns on solar projects.

SunPower Public Financing

With over two decades of experience in solar project financing, designing, and development within the public sphere, SunPower has the expertise to help you and your facility source the most attractive funds for your upcoming solar installation. Although government incentives and other public monies continuously evolve over time, SunPower regularly monitors these changes to ensure that public financing procurement for your project remains simple and streamlined.

SUNPOWER FINANCING CAPABILITIES

SECTION 5



Turnkey Solutions

Responsible for over \$500 million in project financing in just the past five years, SunPower possesses unmatched in-house finance structuring and pricing expertise to help commercial customers realize the greatest returns on their solar projects. Over the past 25 years, we have streamlined the financing process to provide turnkey solutions that offer convenience, savings, and affordability. Working with our experienced team, you not only have access to the best financing options and incentives available, but you also benefit from the most powerful solar panels on the planet.

Unrivaled Experience

SunPower's financing and solar development track records are unsurpassed within the solar industry. Below are just a few highlights from our 25 years of experience helping corporate and public clients develop, install, and finance solar installations:

- Over \$500 million (100+ MWs) in project financing over the last five years
- \$100 million PPA credit facility with Wells Fargo Bank
- Industry-leading relationships with multiple top-tier financiers
- SunPower clients include Johnson & Johnson, Wal-Mart, AT&T, Harvard University, Nellis Air Force Base, and the Los Angeles Unified School District

The Next Step to a Solar-Powered Future

By partnering with SunPower, you are choosing the number one developer of commercial solar projects in North America. With more design, installation, and maintenance experience than any other provider in the country, SunPower offers unrivaled forecasting and consultation expertise. We will arm you with every tool you need to successfully lead your organization towards a solar future, including financial analysis, site evaluations, financing options, and a host of other resources to help you implement your solar project.



CONTACT US TODAY TO REQUEST A FREE SOLAR CONSULTATION
AND BEGIN TAKING CONTROL OF YOUR ENERGY FUTURE.

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