Let’s face it. Going solar can be complicated. There are several ways to pay for a commercial solar energy system, each with its own advantages and disadvantages, so it’s sometimes difficult to know what’s right for your organization.

In this guide, we’ll look at the business case for going solar, discuss how SunPower financing services can support your organization, and help determine which financing option is right for you.

| THE BUSINESS CASE FOR SOLAR |
| FINANCING SOLAR WITH SUNPOWER |
| GETTING STARTED GUIDE |
The Business Case for Solar

Study after study shows that sustainability isn’t just good for the planet, it’s good for business.
In today’s market, businesses face fierce competition, and public organizations are always on the lookout for ways to lower costs. They all want to reduce risk while increasing value.

To stay competitive, organizations large and small across the nation are going solar. In fact, the number of corporate renewable energy contracts more than doubled in 2018.* That’s because, in addition to its clear environmental benefits, solar makes great business sense.

**Corporate renewable energy contracts more than doubled in 2018***

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Solar is good business

**Lower Energy Costs**

Energy costs businesses, on average, approximately 3–5% of revenue per year.¹ For most organizations, that’s a substantial dollar amount. Savings from solar depends on several variables, but when a company can save 10% or more on their electricity bills, solar is a logical choice.

**Create Customer Value**

A 2015 Nielson study on sustainability revealed that 66% of the people surveyed say they’re willing to pay more for goods and services offered by companies with visible green practices like solar.² So going solar isn’t just good for the environment, it’s good for your organization’s reputation as well.

**Reduce Risk**

Even in the best of times, energy prices are unpredictable. In addition to lowering energy costs today, some forms of solar financing allow organizations to lock in a long-term fixed energy price. Power Purchase Agreements (PPAs), for example, can have terms of 20 to 30 years.

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² Green Generation: Millennials Say Sustainability is a Shopping Priority, October 2015.
Solar is more accessible

For years, solar seemed out of reach for many businesses because of high initial cost, lack of capital or an inability to take advantage of solar tax benefits. But the steadily declining cost of solar equipment and installation, combined with favorable policies and new financing solutions, are accelerating solar and energy storage adoption for organizations of all kinds.

“Solar just makes good sense in today’s energy environment.”

Linda McGinty
VP of Real Estate
Luther Auto Group

Get the Luther Auto Group Case Study
Financing Solar with SunPower

The expertise, integrity and solid track record you need to get your solar project financed.
Alternative ways to pay for a commercial solar system, like power purchase agreements (PPAs), mean that solar financing is available to more types and sizes of organizations than ever before. However, solar and energy storage financing can still be complex and challenging.

While the development of different financial products have made solar energy more accessible, how do you determine which is best for you? Having a solar partner who understands how these models work can help you maximize the benefits of your solar investment over the long term.

That’s where SunPower’s unmatched experience in solar financing can help.
In your corner

Our financing team works as an independent facilitator to arrange financing on your behalf with our network of trusted third-party financiers and investors, so you get the most favorable financing terms and the best long-term return on your investment.

When you partner with SunPower to finance your solar project, you'll be able to benefit from:

- Attractive Rates
- Lower Risk
- More Choices
- Seamless Experience
- Long-Term Stability
- Scalable Solutions
Attractive rates

SunPower® solar projects are some of the most attractive to financial backers. Our track record of high-performance, combined with our proven and consistent approach to project execution, helps to lower the cost of capital provided by our network of investors and financiers.

In return, your organization gains access to more beneficial financing rates with lower execution risk and a faster and smoother process.
Lower risk

You want the best financial terms for your solar projects, but sometimes a solar proposal may seem too good to be true. Unfortunately, when a proposal doesn’t come from SunPower, it *is* often too good to be true, leading to delayed or failed projects because reputable financiers see the project as too risky.

SunPower’s in-house financing experts know how to structure a “financeable” arrangement with attractive terms for solar buyers and acceptable risk for financiers.

In fact, we have a proven success rate in obtaining financial backing by top-tier financiers, and are responsible for over $12.3 billion in project financing.

$12.3 Billion in project financing completed
More choices

Some solar companies prefer their in-house financing because they take an equity stake. In contrast, SunPower evaluates your energy and financial goals and recommends the best option—one tailored precisely for your organization’s needs—without bias to any financing approach.

Whether you need to buy solar energy from a third party through a PPA, or want to secure a loan to purchase and install your own customized system (including energy storage and more), we can model out a solution that’s the right fit for you.

Financing
Energy Storage

SunPower’s finance team arranges financing for energy storage-enhanced solar projects, giving you access to the best rates and tax incentives.
Seamless experience

There's a lot to know when it comes to solar financing. Less experienced finance teams leave you open to added costs and delays.

Our financial experts help you at every step, and we've streamlined the process with standardized documents and straightforward terms, so both energy buyers and financial investors know what to expect.

We pride ourselves on delivering the highest standards of service, which includes an unwavering commitment to transparency.
Long-term stability

It’s important to know that your financier will be around for as long as your solar project or purchase agreement, so SunPower only partners with trusted and stable financial institutions.

Prominent organizations like Wells Fargo, Bank of America and PNC view SunPower® solar projects as sound investments due to our proven performance, integrity and efficiency. In addition, our financial backing by Total S.A.—one of the largest public companies in the world—gives financial investors greater peace-of-mind.
Scalable solutions

We’ve helped secure financing for some of the world’s largest solar power plants, but we also help find innovative financing solutions for small family businesses, multisite commercial enterprises and public projects.

SunPower is experienced in financing smaller projects, an area that has historically been difficult to finance at rates that provide avoided cost savings due to outsized transaction expenses in relation to small project size.

Larger enterprise projects, including rooftop, carport and ground systems, whether for single or multiple sites, have access to a full range of financial products.
Experts in public financing

Public entities, including government agencies and educational institutions, can often pay for solar systems through numerous financing options not available to typical businesses, including government-subsidized bonds, block grants, tax-exempt leases and special incentives.

We closely monitor all public financing options and can help your public organization source the most attractive funds available to help get the highest returns from your solar project.
Working with SunPower, Princeton came up with a plan to lease the solar system, paying through a combination of reduced electricity expenses, a federal grant, and by selling the Solar Renewable Energy Credits (SRECs) Associated with the system.
Getting Started Guide

Expert advice for financing your next commercial solar project.
Commercial solar financing is a challenging process for most organizations to navigate on their own. We’re here to help you every step of the way. We’ll simplify the complex, keep you informed and streamline the process so you can be confident that you’re making educated choices and getting the right-fit financial solution for your needs.

We’ve pulled together some resources to help you get started. When you’re ready for the next step, SunPower’s experts will provide comprehensive solar financing services to structure and negotiate your solar project.
Should you own or finance?

Owning solar by paying cash or getting a loan typically offers the best long-term return on investment. This assumes you’re paying taxes and can take advantage of any available tax incentives. Leases or PPAs are good options if you cannot utilize these tax incentives, or don't have much or any upfront capital.

Here’s a simple rule: If the energy buyer’s tax bill exceeds half the solar project cost, they may benefit by owning the system and paying via cash or loan. But if the energy buyer is a non-profit, a government entity or a commercial enterprise that pays no or few taxes, a third-party owned system financed by lease or PPA may be a better fit.

<table>
<thead>
<tr>
<th></th>
<th>DirectOwnership</th>
<th>Third-Party Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner</strong></td>
<td>Customer</td>
<td>Investor or Financier</td>
</tr>
<tr>
<td><strong>Available Options</strong></td>
<td>Cash, Loan, PACE</td>
<td>PPA, Lease</td>
</tr>
<tr>
<td><strong>Impact on Energy Cost</strong></td>
<td>Depends on tax position and capital cost</td>
<td>PPA (Higher) Lease (Lower)</td>
</tr>
<tr>
<td><strong>Upfront Investment</strong></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Balance Sheet Impact</strong></td>
<td>Heavy</td>
<td>PPA (Light) Lease (Heavy)</td>
</tr>
<tr>
<td><strong>Customer Retains Tax Benefits</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Performance Risk</strong></td>
<td>Customer</td>
<td>PPA (Investor) Lease (Customer)</td>
</tr>
<tr>
<td><strong>Renewable Energy Credits</strong></td>
<td>Optional</td>
<td>Optional</td>
</tr>
</tbody>
</table>

*Not retaining ownership of your Renewable Energy Credits (RECs) can result in your inability to make environmental claims when advertising your solar project.
Which financing option is best?

Figuring out the best way to pay for solar can be one of the more challenging parts of the process for businesses and other organizations who want to go solar.

There are three main financial paths to solar—cash, lease or PPA—each with its own considerations. Our in-house finance experts will work with you to assess your situation and then build a custom financial package that best meets your needs.

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Cash</th>
<th>Lease</th>
<th>PPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>Direct ownership</td>
<td>Third-party owned</td>
<td>Third-party owned</td>
</tr>
<tr>
<td>Payment</td>
<td>Upfront (or over-time depending on how cash purchase is financed)</td>
<td>Periodic (monthly/quarterly) rental payments</td>
<td>Pay for kWh generated</td>
</tr>
<tr>
<td>Upfront Costs</td>
<td>One-time cost</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Accounting</td>
<td>On balance sheet</td>
<td>On balance sheet</td>
<td>Off balance sheet</td>
</tr>
<tr>
<td>Use of or output from solar asset</td>
<td>Lifetime of solar asset</td>
<td>5 to 15 years</td>
<td>20 to 30 years</td>
</tr>
</tbody>
</table>
Cash

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.\(^1\) If you have available capital and the tax appetite to absorb tax credits and accelerated depreciation, you may find a direct purchase via cash or loan to be the best option.

Benefits

- Greatest savings over time
- Takes direct advantage of eligible tax credits or other incentives
- Free generated electricity for the lifetime of the system

\(^1\) Incentives, rebates, and tax credits vary and are subject to change. SunPower does not warrant, guarantee or otherwise advise its customers about specific tax outcomes. Consult your tax advisor regarding the solar tax credit and how it applies to your specific circumstances. Please visit the dsireusa.org website for detailed solar policy information.

\(^2\) The sample above may not represent the average customer’s experience. Customer savings vary depending upon a number of factors including (but not limited to) the following: equipment used, system size, system orientation and shading, insulation available, applicability utility rates and rate structure, as well as customer's eligibility for rebates, incentives, and net-metering or similar programs (the availability of which may differ for each customer).
A solar power purchase agreement (PPA) is a financial agreement where a solar developer builds a solar project on your property or somewhere in your region (called offsite solar) and then sells the electricity to you at a pre-arranged fixed rate that is typically lower than the local utility’s retail rate. The rate your organization pays is generally “subsidized” by the tax incentives retained by the project owner.

The solar project owner (financier) assumes the risk because you, the energy buyer, only pay for kilowatt hours that are actually produced by the solar system. Additionally, since your organization does not own the solar project, it is not held on the balance sheet.

Benefits
• No upfront cost of capital
• Fixed energy costs
• Reduced energy costs
• Hedge against volatile electricity prices
• Project financier assumes power generation risk

Your organization gets access to attractive PPA rates with SunPower projects because our proven in-field performance lowers the financial investor’s risk and cost of capital.
Leasing

A lease allows an organization to rent a solar system in return for a regular fixed payment. 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 you have the option to purchase the system, renew the lease or have the system removed.

Organizations with long-term procurement strategies can see higher savings with a lease than a PPA because of process efficiencies gained from standardized contracts and lower cost capital. Also, the project operating risk resides with the lessee, but it can be mitigated through performance guarantees and O&M services.

Benefits

- Little to no upfront cost of capital
- Reduced energy costs
- On or off balance sheet options

Turnkey leases

SunPower can help you negotiate the terms of a solar lease with an expansive network of specialized leasing partners.
The YMCA did not have to invest any money upfront, but locked in low guaranteed electricity rates for the next 20 years.

Get the YMCA of San Diego County Case Study
Which should you choose?

Each model has its own benefits and drawbacks to consider. For example, when you purchase a system, you have control over the equipment, but you need to account for ongoing operations and maintenance. When you lease your system, someone else usually takes care of maintenance and repairs, but you must make the lease payment whether or not the equipment is optimally producing electricity.

With a PPA, you’re not renting equipment, you’re buying electricity. Instead of buying electricity from your utility, you are buying from the PPA financier. You get a locked-in price that protects you from volatile energy price changes, and if the system doesn’t produce energy, you don’t pay for it. But if the system doesn’t produce the expected output, you will have to purchase remaining electricity needs from the grid.

Cash
• Offers greatest savings over time
• Requires access to capital
• Takes advantage of available tax credits,1 local RECs2 and accelerated depreciation

PPA
• No upfront capital required—you pay only for the generated solar power that you use
• Lock in energy rates typically lower than utility
• Higher buyout fees than lease
• No direct ability to take advantage of tax and depreciation incentives

Lease
• No upfront capital required—you pay only for the generated solar power that you use
• Typically a savings over original electricity bill
• Lower buyout fees than PPA
• No direct ability to take advantage of tax and depreciation incentives

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1 Incentives, rebates, and tax credits vary and are subject to change. SunPower does not warrant, guarantee or otherwise advise its customers about specific tax outcomes. Consult your tax advisor regarding the solar tax credit and how it applies to your specific circumstances. Please visit the dsireusa.org website for detailed solar policy information.

2 Not retaining ownership of your Renewable Energy Credits (RECs) can result in your inability to make environmental claims when advertising your solar project.
For seamless execution, unparalleled value and a partnership that will last the life of your investment, choose SunPower. Only SunPower offers the expertise, integrity and solid track record you need to get your solar project financed with attractive rates and lower risk.

Contact Us
sunpower.com
1-800-SUNPOWER
1-844-289-7970