Long-Term Fixed Rate Solar PV Bond Financing for Municipal Projects

Solar Power and Light and Public Finance and Energy Advisors are pleased to announce an innovative program for funding municipal based solar projects in Ohio.

Solar energy is an increasingly affordable way for Municipal Entities (cities, counties, school districts and universities, MEs) to increase their use of clean energy, lower their electric bills, decrease pollution and generate good-paying local jobs. With 20 to 25 year term financing, matching the useful life of the equipment, Power Purchase Agreements (PPAs) can be utilized and priced below the cost of power provided by most utilities in Ohio.

Public Finance and Energy Advisors (PFEA), a SEC/MSRB registered Municipal Advisory firm, can assist municipal entities that seek to take advantage of the benefits of solar energy by financing solar PV systems on their property that decrease their energy bills and harness the other benefits of clean power.

Solar Power & Light LLC (SP&L) Miamisburg, OH founded in 2010, is an integrated energy company with specialization in solar project finance, development, construction and asset management. SP&L works with schools, colleges, and municipalities assisting them in cutting costs, hedging risk, and meeting their sustainability goals. SP&L currently has 10MW of distributed solar under management including 500kW for the city of Cincinnati, 488kW at Ansonia School District, and over 6MW across 16 Wal-Mart stores in Ohio.

The PFEA Municipal Solar PV Finance Program offers long-term (15-25 year) fixed rate taxable municipal bond financing of PPAs. This structure allows developers and system owners to utilize bond funding tax incentives and pass the savings onto the municipal customer. Because municipalities do not pay taxes, they cannot take advantage of federal and state tax incentives themselves. All PPAs will be structured so that the amount of money saved annually by the municipality by using the PV system, including the cost of financing, is greater than the annual cost of the PPA.

How the Financing Works

The bonds will be authorized and issued through an Ohio Governmental Bond Issuer (state, city, county or port authority) which will provide debt financing for Solar Projects. The bonds are repaid over a number of years and supported by PPA payments from the Municipal Entity.

- In a PPA, an Municipal Entity contracts with a third-party owner/Solar Developer (System Owner) to install solar panels on their buildings or property that will receive the solar power. The ME then pays the System Owner for the power generated by the solar panels.
- PPAs allow the ME to obtain solar power with little to no upfront cost. Additionally, the System Owner is responsible for design, install, and maintenance of the PV system, further simplifying the process for the ME.
- The System Owner will finance the project by pledging the stream of PPA payments from the ME to a bond issue.
- The System Owner will also receive tax benefits through solar investment tax credits and depreciation. The tax benefits will be used to reduce the cost of the system to the ME.
- Solar Projects can receive 100% exemption from real estate taxes and assessments and sales and use tax.
- SP&L can provide project support as the Solar Engineering Procurement Construction contractor (EPC) for the Solar Developer and/or System Owners. SP&L can also provide long-term operations and maintenance.

Pooled Financing for Smaller Projects

Because PPAs provide predictable solar generation revenue streams, small and large transactions can be bundled together and finance through the Governmental Issuer. This type of pooled financing can help to increase investment in renewable energy projects on a broader scale, which can help to decrease the cost of capital for Municipal Entity solar projects.