



Obtaining Project-Based Finance for Solar Distributed Generation Projects

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Seminole Financial Services

Seminole Financial Services

- National “boutique” lender that provides financing for renewable energy projects from \$2 million to \$30 million
- SEC-registered Investment Advisor to Michigan-based public employee pension funds
- Funded over \$500 million worth of solar and wind transactions since 2009 (145 MW) throughout the continental US and Hawaii
- Underwriting and servicing team with more than 50 years of combined experience in financing debt and tax credit equity transactions
- Focused on financing renewable energy projects that supply electricity to utilities, municipalities, school districts and credit-worthy commercial off-takers through third-party power purchase agreements (“PPA”)



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How did we get our pension fund investors comfortable with renewable energy?

- You can't spell "RENEWABLE" without "new", but renewables are anything but
- Risk profiles and security
- Deal structure and track record in other asset classes
- Construction debt was a stepping stone to permanent debt



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“How do I secure financing for my solar project?”

Start.....TO.....Finish?



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Three Main Takeaways

1. Characteristics of a strong project team
2. Financial structure for an economically viable solar project
3. Key components of “financeable” project contracts



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Underwriting Considerations

Economic Viability/Financial Model:

- Sources & Uses
- Pro Forma
- Tax Credits/Grant

Developer:

- Track Record
- Resumé
- Credit/Risk Profile

Sponsor:

- Corporate Structure
- Track Record
- Credit/Risk Profile

Contracts:

- PPA/Lease
- Interconnection
- EPC Contract
- O&M Agreement

Construction:

- EPC Contractor
- Permitting/Zoning/Environmental Issues
- Interconnection

Production Resource:

- Location
- Data Verification (IE Report)
- Curtailment

Technology:

- Suppliers/Track Record
- Bankability
- Warranty/Guarantee
- Availability/Delivery Timing

Revenue:

- PPA Structure
- Solar Renewable Energy Certificates (SRECs), Grants, Rebates
- Project Appraisal/Cost Certification

Loan Security/Title:

- Collateral Assignments
- Ingress/Egress (Easements)
- ALTA Survey and Title Insurance

O&M/Asset Management:

- Contractor/Track Record
- Spare Parts
- Term and Cost



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Development Team/Sponsor

- Experienced team with a proven track record
- Creditworthy/financially viable
- Corporate structure
- Resumé
- References
- Guarantees



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Economically Viable Financial Structure

• Sources and Uses

• Sources

- Developer/Sponsor Equity
- Construction Loan
- Tax Equity
- Permanent Loan
- Other Grants/Rebates

• Uses

- Hard Costs (EPC Contract, Modules, Inverters, BOS, Interconnection)
- Soft Costs (Permitting, Zoning, Environmental Studies)
- Third-Parties (Attorneys, Accountants, Etc.)
- Closing Costs

• Pro Forma

• Revenue

- Sale of Power (PPA)
- State Renewable Energy Certificates (SRECs)
- Performance-Based Incentives (PBI)

• Expenses

- Lease Expense
- O&M Expense
- Property Taxes (Personal, Real)
- Insurance
- Asset Management
- Reserves (Debt Service, Major Equipment, Operating Expenses)



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Hypothetical Financing Assumptions

• Construction Loan

- Sizing: up to 90% Loan-to-Cost (LTC), subject to minimum
- Rates: 8% - 12%
- Origination Fee: 2-3 points
- Tenor: 12 months or less

• Permanent Loan

- Sizing: up to 80% Loan-to-Value (LTV) and 1.25x minimum Debt Service Coverage Ratio (DSCR)
- Rates: 6% - 10% plus amortization
- Origination Fee: 1-2 points
- Tenor: 6 - 15 years+ (depending on PPA term)

• Tax Equity

- Sizing: 30% of eligible project costs
- Structure: Partnership Flip, Inverted Lease or Sale-Leaseback
- Pricing: \$1.30 +/- per Investment Tax Credit (ITC)
- 2%+ priority return/10%+ after-tax hurdle
- Term: Buyout/Flip after recapture period



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PROJECT AGGREGATION STRUCTURE

Financing Smaller Transactions



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What Makes a Contract Financeable?

Power Purchase Agreement / Site Lease / EPC Contract / O&M Agreement

- Assignability
- Creditworthiness of Counterparty
- Reps and Warranties
- Cancellation?
- Cure and Step-In Rights?
- Guaranteed Maximum Price (GMP) for EPC Contract
- Term of PPA vs. Lease
- Security of Revenue Stream
 - Contracted revenues for sale of power (PPA)
 - Contracted revenues for sale of SRECs
- Non-Disturbance Agreement (Mortgagee on Real Property)
- Landlord Consent (Lease)



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Loan Security/Collateral

- Senior security interest/lien on all real and personal property associated with a project
- Assignment (including consent) of contracts and agreements
- Step-in rights permitting lender to take over the project upon default by borrower
- Pledge of managing member interests
- Mortgage/Deed of Trust of, and title insurance on, real property interest
- Assignment of equipment manufacturers' warranties



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Construction

- EPC Contractor
 - Guaranteed Maximum Price contract
 - Experience
 - Contingency
 - Bonding capacity (P&P Bonds)
- Permitting/Zoning
- Environmental
- Interconnection



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Technology

- Proven technology with a well established track record
- Financial condition/bankability of manufacturers
- Confidence that equipment will perform as promised
- History of manufacturer honoring warranty claims
- Insurance products as backstop



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Seminole - Closed Solar Transaction

FAA TRACON Solar (California)

- 1.15 MW ground-mounted and carport solar system in Sacramento, California
- \$4.3 million construction loan
- PPA – Federal Aviation Administration
- Developer – Enfinity America Corp.
- ITC – Sale-Leaseback takeout (PNC)



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Seminole - Closed Solar Transaction

Holmdel Township Solar (New Jersey)

- 899 kW rooftop solar system on four school sites in Holmdel, New Jersey
- \$5.3 million construction loan
- \$2.2 million permanent loan
- PPA – Holmdel Township Board of Education
- Developer – Hudson Energy Solar Corp.
- ITC – Syndication (US Bank)
- SRECs – Put Option Agreement with corporate parent



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Seminole - Closed Solar Transaction

Camilla Solar (Georgia)

- 20.25 MW ground-mounted solar system in Camilla, Georgia
- \$34.975 million construction loan
- PPA – Georgia Power
- Developer – Origis Energy
- ITC – Sale-Leaseback takeout (Bank of America)



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Seminole - Closed Solar Transaction

Konica-Minolta Solar (New Jersey)

- 840 kW carport solar system in Ramsey, New Jersey
- \$3.2 million construction loan
- \$2.15 million permanent loan
- PPA – Konica-Minolta
- Developer – Nautilus Solar Energy
- ITC – 1603 Grant
- SRECs – Contracted with utility



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Seminole - Closed Solar Transaction

Canton Landfill Solar (Massachusetts)

- 5.8 MW ground-mounted solar system in Canton, Massachusetts
- \$18 million construction loan
- \$12 million permanent loan
- PPA – Town of Canton
- Developer – Southern Sky Renewable Energy
- ITC – 1603 Grant/US Bank
- SRECs



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Questions

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