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Much better than a Power Purchase Agreement - MassAmerican's nonprofit solar tax lease

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Numerous policies support the implementation of solar photovoltaic systems. Some are state-level like the Massachusetts Renewable Portfolio System and its Solar Renewable Energy Certificate (SREC) program that creates a managed-marketplace for the "attributes" of electricity generated from sunlight. Others are federal in nature and apply nationally such as the business energy investment tax credit (ITC) and tax accounting's accelerated depreciation rules (so-called MACRS depreciation) which shelter taxable income and lower the amount of tax that would otherwise be due and payable.

The nature of nonprofit organizations, however, means that they can't take advantage of such Federal tax incentives that support commercial solar development. Between the 30% ITC and the MACRS, these tax code-based incentives can be used to, in essence, reduce the installed system cost by approximately 58%; significantly increasing the rate of return on the capital invested into a solar system.

In order to avoid losing these benefits, the industry has developed a third-party financing model where a tax-paying company is set up to own the system and harness the tax benefits. This company then sells the power generated to the non-profit under a long-term arrangement called a Power Purchase Agreement (PPA). Under standard financing terms, electricity from the system is sold at a rate slightly less than what the nonprofit is currently paying to its utility with an annual rate of increase just below the utility average. The length of a typical PPA term ranges from 15-25 years. While the PPA has been effective at getting nonprofits to host solar systems (as a host, the nonprofit is often referred to as the electricity "off-taker") for no money out-of-pocket, there is a serious shortcoming in that the off-taker does not save much, if anything. In fact, the nonprofit retains only a small fraction of the total benefit with the third party owner taking the lion's share. The reason for this is that the third-party owners retain the States incentives - the SREC's - and SRECs represent around 60% of the revenue resulting from solar electricity production.

In order to bring greater value to customers, MassAmerican Energy has developed a special nonprofit financing model that combines the best aspects of an off-balance sheet operating lease with a PPA, called the MassAmerican Nonprofit Solar Tax Lease (STL). Under this program, nonprofits can host a solar array for no money down, reduce their electric utility bill, and retain the SREC benefits. In addition, the MassAmerican STL model features a much quicker path to ownership (10 years), and is worry-free as O&M is included. The net result, is a 400%! increase in the bottom-line value proposition to our nonprofit clients versus a traditional PPA. We have often found that this is a level of savings that can make a significant difference in the ability of our nonprofit clients to execute their mission.

MassAmerican is pleased to be attending the upcoming MED-Ed Facilities Conference and Trade

Show at Boston's Seaport World Trade Center on April 1-2. We will be available at booth 536 to fully demonstrate how our STL works and the substantial benefits it can bring to nonprofits interested in reclaiming dollars that would otherwise be directed to utility costs to mission implementation and constituent services.

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