

Driving on Sunshine: How to Finance Solar Projects



A growing number of auto dealerships are going solar, and for good reason. Energy is the third-highest overhead expenditure for U.S. dealerships, and auto dealers use on average 18 percent more energy than an average office building, according to the National Automobile Dealers Association (NADA).

Over the last few decades, innovations in technology have made solar much more efficient and affordable. While utility prices continue to increase, solar pricing has declined significantly, making it viable for auto dealerships to experience true energy independence and benefit from low energy costs for years to come.

And thanks to a range of financing options, solar is easier to finance than ever. But before you make the decision to go solar, it's important to understand the various financing approaches.

Solar Financing Options

There are three basic ways to finance your solar installation, compared below:

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 third party; buyout option at end of term	Hardware owned by third party; buyout option at end of term
Payments during installation	Payments for solar-generated electricity at a predetermined rate per kWh consumed	Recurring payment for hardware lease + any remaining electricity costs

CASH PURCHASE

Strengths:

- Lowest cost of electricity
- Direct tax and depreciation benefits
- Greatest energy independence

Considerations:

- Upfront capital investment
- System cleaning/maintenance is owner's responsibility



Cash Purchase

The simplest way to finance a solar project is to purchase the system outright. Paying for the system upfront means you own the system and can take direct advantage of federal tax credits available for 30 percent of the system's cost, as well as any state or local rebates. And just like real estate and capital equipment, solar systems are capital expenses with accelerated depreciation benefits. Cash purchases can also be financed with loans, and many businesses take advantage of low-interest financing available through their banks.

Once your system is up and running, you start saving on energy costs immediately. The more electricity your system generates, the less you have to rely on electricity from the grid—giving you energy independence and better control over your electricity costs for years to come.

POWER PURCHASE AGREEMENTS

Strengths:

- No upfront cost
- Long-term price stability
- No maintenance responsibility

Considerations:

- Requires detailed contract and thorough credit review
- Higher cost of energy than cash purchase
- No direct depreciation benefits



Power Purchase Agreements

Another option for auto dealerships is to enter into a Power Purchase Agreement (PPA) with a third-party PPA provider. In essence your dealership can act as a "host" for the solar system, and you pay only for the electricity the system generates at predetermined rates, lower than what you currently pay the utility. There are no upfront capital costs, and the PPA provider pays for the cost of installation and assumes all responsibility for ownership, operation and maintenance of the system.

A well-structured PPA lets you immediately reduce electricity costs and increase savings over time as grid electricity prices rise. A typical PPA agreement runs 20-25 years and may include a variety of purchase and renewal options.

SOLAR LEASES

Strengths:

- Little to no upfront costs
- Some protection against volatile electricity prices
- Immediate savings since reduction in grid electricity bill more than offsets monthly lease payments
- System maintenance included

Considerations:

- Requires detailed contract and thorough credit review
- Price of electricity is not “locked in”
- Higher cost of energy than cash purchase
- No direct federal tax or depreciation benefits



Solar Leases

A third option for solar financing is a lease. Like traditional auto leases, solar leases provide for immediate use of the solar equipment in exchange for a lease payment. The electricity your system generates offsets your electricity bill, lowering your utility payment.

The combination of lease payments and lower utility bills typically provides for an immediate reduction in electricity costs and increased savings over time as grid electricity rates rise. At the end of the lease agreement (10-20 years), you can purchase the system at a reduced cost, renew the lease or have the system removed.

Finding the Solution That's Right for Your Business

Every financial approach to solar has its pros and cons, and depending on your situation and tax appetite, one approach may be better than another. The real question is, how can you get the most clean energy for the least amount of money over time?

SunPower has long been recognized as the leading technology provider in solar. For more than 30 years, we've been breaking efficiency records and pioneering new approaches in solar financing. We can walk you through your options and provide a simple but thorough analysis for your business

To find the right financial solution for your business, [contact us](#) for a solar cost analysis.

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