Solar Power Purchase Agreements: A Toolkit for Local Governments - Executive Summary

In an effort to reduce solar soft costs and assist local governments (and other public entities) seeking to install and finance a rooftop solar system, IREC is pleased to provide this comprehensive toolkit on retail solar power purchase agreements (PPAs), sometimes referred to as solar service agreements (SSAs) or just “PPAs.”

While PPAs are not the only financing option for local government solar projects, and in some cases are simply not an option, they have become an attractive way for local governments to pursue solar. Under a retail PPA, a third party owns a solar system located on the property of a host customer, such as a local government, and sells the electricity produced by the facility to the customer under a contract designed to provide long-term electricity cost savings. The model is particularly attractive to public entities, in large part because it promises long-term energy cost savings without requiring large up-front capital expenditures and allows them to indirectly benefit from tax incentives that cannot be accessed by tax-exempt entities.

However, the PPA trend has not been without bumps in the road. Procuring solar under a PPA model can be a complicated and time-consuming process, from the careful consideration needed to select a reliable provider, to the establishment of the terms of the contractual documents, which must accommodate the needs of both the provider and power purchaser, and assign rights and risks in a way that are mutually acceptable. Prolonged PPA negotiations with significant transaction costs can ultimately deplete the value of the project for all participants (i.e., death by negotiation). This can be particularly troublesome for projects that are relatively small or that are financially compelling only if transaction costs can be minimized. Many early adopters encountered PPA challenges that resulted in delayed, or even canceled, projects. These past experiences provide valuable insights that can help new adopters avoid common pitfalls, and help them navigate the myriad of contractual issues present in the arrangement.
While the obstacles for individual projects are at times somewhat case-specific, at a high level they frequently originate in the terms of the PPA itself. While each project is unique in both a technical and financial viability, all projects could benefit from streamlining and standardization. The old adage “A penny saved is a penny earned” applies as well to solar PPAs as it does many other situations.

IREC seeks to help overcome the common challenges and costs associated with PPAs by providing a full suite of legal resources and related documents in a highly user-friendly format. The Toolkit is intended to provide local governments with the information they need to accomplish their solar procurement goals in manner that suits their unique needs, and reduces the prospects for unpleasant surprises. Towards this end, the Toolkit includes:

- Background information on the PPA model and the associated contractual elements (Section 3)
- General guidance on procurement design and implementation, supplemented with numerous local examples (Section 4)
- Annotated model PPA and site right agreement documents, supplemented with numerous examples of how different provisions were addressed by individual local jurisdictions, and possible alternative language (Section 5)
- Summaries of the various existing resources, such as previously published reports and fact sheets, other model PPAs, and prior webinars (Section 6.1)
- Short case studies of the individual projects surveyed and links to project documents (Section 6.2)
- “Clean” templates of the same that may be customized for local use (Sections 7-10)

**About IREC**
IREC believes clean energy is critical to achieving a sustainable and economically strong future. To pave this clean energy path, IREC works to expand consumer access to clean energy; generates information and objective analysis grounded in best practices and standards; and leads programs to build a quality clean energy workforce, including a unique credentialing program for training programs and instructors. A not-for-profit organization since 1982, IREC’s programs and policies have benefitted energy consumers, policymakers, utilities and the clean energy industry. As of July 2013, IREC is an accredited American National Standards Developer. For more information, visit [http://www.irecusa.org](http://www.irecusa.org)

**About The Solar Outreach Partnership**
The Solar Outreach Partnership (SolarOPs) is designed to help accelerate solar energy adoption on the local level by providing timely and actionable information to local governments. Funded by the U.S. Department of Energy (DOE) SunShot Initiative, SolarOPs achieves its goals through a mix of educational workshops, peer-to-peer sharing opportunities, research-based reports, and online resources. The International City/County Management Association and ICLEI-Local Governments for Sustainability USA coordinates the work of Solar Outreach Partnership teams, including The Interstate Renewable Energy Council (IREC), Meister Consultants Group, the North Carolina Solar Center, the Solar Electric Power Association, and The Solar Foundation. [http://solaroutreach.org](http://solaroutreach.org)