

FACT SHEET

Renewable Energy Financing Provisions

H.B. 145

Sponsors: Rep. Brad Last (R, District 71); Senator Steve Urquhart (R, District 29)

Why is this legislation needed?

- This legislation enables innovative financing for renewable energy technologies.
- Third-party financing arrangements represent an estimated 90% of the U.S. non-residential solar market, as of 2008 (up from 10% in 2006).¹ Utah is losing out on these private investment opportunities.
- This removes barriers to free-market enterprise and is a no-cost way for Utah to drive economic development, increase private capital investment, and attract new manufacturing opportunities.
- This helps businesses, local governments, and non-profits (schools, churches, etc) interested in installing on-site renewable energy generation to help meet their energy demand.
- Private sector investments in renewable energy generation can help meet Utah's rapidly growing energy demand, while helping to put a downward pressure on utility rates, while strengthening Utah's economic growth.
- Third-party businesses have indicated that they will not do business in Utah, unless Utah law clarifies that they will not be subject to regulation as a public utility. This legislation prevents unnecessary government regulation of private business.



What does this legislation do?

- This legislation clarifies that certain third-party financing arrangements are exempt from regulation by the Utah Public Service Commission. By nature, third-party providers are not public utilities, and these arrangements are permitted several other states across the country.
- This bill allows Utah businesses, schools, local governments, and other non-profit entities to access lower-cost renewable energy systems by contracting with third party financiers, who offer innovative financing mechanisms and are able to take advantage of available tax incentives.
- Utah's Public Service Commission has reviewed this issue with input from 45 stakeholders – one of the options outlined by the Commission was to have this statutory ambiguity resolved by the Legislature.

¹ Bolinger, Mark, "Financing Non-Residential Photovoltaic Projects: Options and Implications." Lawrence Berkeley National Laboratory. January 2009. LBNL-1410E, at p. 18.

What are the benefits of third-party financing arrangements?

- Third-party financing removes the upfront cost hurdles of capital intensive investments and offer an attractive bundle of services, including: design, installation, financing (including monetizing of tax benefits), permitting and interconnection, maintenance, etc.
- Third-party financing arrangements help mitigate risk and make renewable energy more economically viable for those interested.

What Constitutes a Third-Party Financing Arrangement for Renewable Energy Systems?

- Third-party financing contracts are much like a mortgage or an automobile lease insofar as the customer enjoys the use and benefits of the equipment without having to own the asset or provide 100% of the purchase price up front.
- A host (i.e. a municipal or school) and third-party financing entity (i.e. solar company) mutually agree to a financial arrangement and are contractually bound to each other under the terms of lease or a power purchase agreement (PPA).
- There are a number of third-party financing structures: some involve the creation of a separate corporate entity (typically a limited liability company) to finance each installation, other structures may include a bundling of multiple installations under ownership of a single corporate entity.



Is this policy aligned with Utah’s Energy Policy?

- YES! The Utah Legislature declared that it is the policy of the state to “promote the more rapid development of new sources of electrical energy, to maintain the economic vitality of the state through the continuing production of goods and the employment of its people, and to promote the efficient utilization and distribution of energy.”²
- Allowing third-party financing is consistent with Utah policy that states “it is desirable and necessary to encourage independent energy producers to competitively develop sources of electric energy not otherwise available to Utah businesses, residences, and industries...”³
- There is NO CORRELATION between PPAs and utility market restructuring or deregulation.

² U.C.A. § 54-12-1 (1).

³ *Id.*