A growing number of hospitals and healthcare organizations are going solar—and for good reason. Over the last few decades, innovations in technology have made solar much more efficient and affordable. Hospitals in particular value the resilience of onsite energy generation systems, and together with a battery storage solution, solar can often offset most if not all of a healthcare facility’s electricity demands.

**Solar Financing Options**

There are four main ways to finance your solar installation, compared below:

<table>
<thead>
<tr>
<th>Cash Purchase</th>
<th>PACE Financing</th>
<th>Power Purchase Agreement (PPA)</th>
<th>Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-time cost</td>
<td>No upfront cost</td>
<td>No upfront cost</td>
<td>Zero or low upfront cost</td>
</tr>
<tr>
<td>Own the system hardware</td>
<td>Own the system hardware</td>
<td>Hardware owned by third party; buyout option during and at end of term</td>
<td>Hardware owned by third party; buyout option at end of term</td>
</tr>
<tr>
<td>Payments are made during installation</td>
<td>Long-term, fixed-rate financing paid through property tax bill</td>
<td>Payments for solar-generated electricity at a predetermined rate per kWh consumed</td>
<td>Recurring payment for hardware lease + any remaining electricity costs</td>
</tr>
</tbody>
</table>
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 (see Leveraging Solar Incentives on page 4), as well as any state or local rebates. And just like medical equipment, solar systems are capital expenses with accelerated depreciation benefits. Cash purchases can also be financed with loans, and many hospitals can take advantage of low-interest financing.

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

PACE FINANCING

Strengths:
- No upfront costs with immediate positive cash flows
- Lowers utility bills immediately
- Tax benefits go directly to building owner

Considerations:
- Not available in all states

PACE Financing

An innovative option for financing solar is through Property Assessed Clean Energy (PACE) programs. Available in many states, PACE is a financing mechanism that enables low-cost, long-term funding for energy efficiency, renewable energy and water conservation projects. PACE financing is repaid as an assessment on the property’s tax bill. The payback term may extend up to 30 years in some states, which can save your business money by ensuring that annual utility bill savings from your energy improvements are greater than your PACE payment.
Power Purchase Agreements

Another option for a healthcare organization is to enter into a Power Purchase Agreement (PPA) with a third-party PPA provider. In essence, your facility can act as a “host” for the solar system, and you only pay 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. Once the PPA contract expires (typically 20–25 years) you can purchase the system at a reduced cost, initiate another PPA or have the solar installation removed. Some PPA’s also have a buyout option during the term. While the PPA financer is entitled to the solar tax credits and any rebates, they often pass it along to you through a lower electricity rate.

Solar Leases

A fourth option for solar financing is a lease. Like traditional medical equipment 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. Like a PPA, tax credits often get passed along to you in the form of lower lease payments.
Leveraging Solar Incentives

The federal tax credit for going solar is stepping down in value. If your organization is eligible for tax incentives, now is the time to act. The ITC is currently a 30% tax credit for solar systems on commercial properties. The ITC will decrease to 26% in 2020, and 22% in 2021. After 2021, the tax credit will drop to 10% for commercial entities.

In addition to the ITC, your organization may be eligible for incentives or rebates in your state or local community. For more information on renewable energy incentives and policies in your state, visit www.dsireusa.org.

Finding the Solution That’s Right for Your Organization

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 main 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 healthcare organization.

To find the right financial solution, contact us for a solar cost analysis.