

EVERGREEN STATE SOLAR PARTNERSHIP



Financing Resources for Rooftop Solar

BACKGROUND

While the cost of solar photovoltaics (PV) has fallen dramatically, the initial cost of a residential system (\$20,000 to \$30,000) remains a significant barrier for many. This fact sheet summarizes the latest incentives and financing available to Washington residents and provides examples of how utilities, local governments, and financial institutions are deploying programs to encourage investments in solar. We make the distinction between incentives, which make solar a more attractive investment, and financing, which makes that investment possible in the first place. Without financing options, only those with up-front resources will be able to take advantage of incentives, thus an equitable solar policy supports both.

INCENTIVES

Washington State Renewable Energy Production Incentive

- Provides PV system owners with a payment of \$0.15 to \$0.54 per kWh produced, with Washington-made equipment receiving a higher rate. Capped at \$5,000 per person per year.

Net Metering

- System owners receive credit for excess electricity produced by their system. Credits carry forward month to month for a year.

Renewable Portfolio Standard/ Utility Rebates

- Utilities serving more than 25,000 customers must acquire at least 15% of their electricity from renewable energy sources by the year 2020. Some utilities provide direct rebates to their ratepayers who install a solar PV system to help meet this mandate.

Federal Tax Credit

- A taxpayer may claim a one-time tax credit of 30% of qualified expenditures for a solar PV system on the taxpayer's residence.

State Sales Tax Exemption

- Solar PV systems of 10 kilowatts or less are exempt from sales tax and systems greater than 10 kilowatts are eligible for a 75% sales tax rebate for both labor and equipment. Expires June 30, 2013.

Modified Accelerated Cost Recovery System Depreciation

- Businesses can recover investments in solar PV equipment through depreciation deductions over a property life of five years.

FINANCING

Utility Loans

- Some utilities provide low-cost financing options to their customers for solar energy projects; consult your local utility.

Public-Private Co-Financing

- In public-private co-financing, the state or local government either provides a portion of the loan along with a private lender or provides funding for a credit enhancement strategy (e.g. loan loss reserve funds, subordinated debt, interest rate buy-down, or revolving loan funds) that subsidizes the private-lender loan.

City of Seattle

City of Bellevue

City of Ellensburg

City of Edmonds

Snohomish PUD

Seattle City Light

Ellensburg Utility

Puget Sound Energy

Northwest SEED

Washington State
Energy Office

Municipal Research
Service Center

Solar Washington

Sustainable
Connections



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Green Loans

- Some banks provide “green” loans targeted at renewable energy improvements, which often have lower interest rates and fees than other loan products. The lender assumes that the cost savings resulting from the energy improvement can be used to pay back the loan, thus reducing overall risk.

Property Assessed Clean Energy (PACE)

- By creating special tax assessment districts, state and local governments can provide homeowners with up front funds for approved home improvements in exchange for additional property tax payments. PACE programs are currently not available in Washington State.

Group Purchase Model

- Neighborhood group purchase campaigns, such as Solarize Washington, can help reduce the up front cost of solar PV by providing a concentrated and informed market, streamlining the development process, and collectively negotiating with a solar contractor.

Third-Party Ownership

- Under third party ownership, a solar finance company owns the solar system and the building occupant pays a monthly fee for the use of the solar energy produced, either as a solar lease payment or through a power purchase agreement. Currently, third-party ownership is limited to new construction in Washington State.

ADDITIONAL RESOURCES

Financing Resources For Solar PV In Washington State. Published by the ESSP, this report provides a brief summary of the financing options and incentives currently available in Washington State for solar photovoltaic (PV) systems. It is intended primarily for local governments, utilities, and other entities who wish to address the financial barriers of solar adoption. www.nwseed.org/ESSP.asp

Residential Solar Photovoltaics: Comparison of Financing Benefits, Innovations, and Options.

Published by the National Renewable Energy Laboratory, this report examines new and innovative financing methods for residential PV and compares them to traditional self-financing methods. It provides policy makers with an overview of advantages and challenges between various financing mechanisms. NREL/TP-6A20-51644, <https://financere.nrel.gov/finance/publications>

OPPORTUNITIES FOR FEEDBACK

We welcome comments, questions, and improvements to our reports and approach. Send to:

- ⚙ Linda Irvine, Northwest SEED | linda@nwseed.org
- ⚙ Tim Stearns, WA Department of Commerce | tim.stearns@commerce.wa.gov

ABOUT THE EVERGREEN STATE SOLAR PARTNERSHIP

The Evergreen State Solar Partnership is one of 22 teams working under the U.S. Department of Energy's Rooftop Solar Challenge program, a nationwide effort to reduce the soft costs associated with installing rooftop solar electricity. ESSP aims to make the process of going solar simpler, faster, and more cost effective by streamlining and standardizing permitting and interconnection, improving interconnection standards, promoting solar-friendly planning and zoning, and expanding financing options.

The U.S. has over 7,700 MW of installed solar electric capacity, enough to power more than 1.2 million American households.

The number of solar installations in Washington grew by 34% in 2012.

Washington has installed 2.5 watts of solar per capita compared to 399 in Germany.

The cost of installing solar in the U.S. is nearly double the cost in Germany, due mainly to the costs of permitting, interconnection and customer acquisition.

