



CAC Meeting Public Facilities Solar+Storage Update

August 11, 2022

Program Overview

Summary: Accelerate local renewable energy deployment at local government facilities

Objectives

- Local solar and storage towards PCE's goal of 20 MW by 2025
- Reduce customer energy costs; insulate against rise in PG&E rates
- Help local governments achieve sustainability goals
- Develop a reproducible program and new service model

Initial Pilot

- 11 customers, 15 total sites
- 2MW solar / 1MWh storage

RFP Update

- RFP for construction services plus optional PPA
- Issued June 20, 2022
- Deadline for proposals was August 1
- Multiple bids received, under review

Financial Structure

Capital

- Installation can be financed, but with interest
- PCE capital may reduce cost of capital

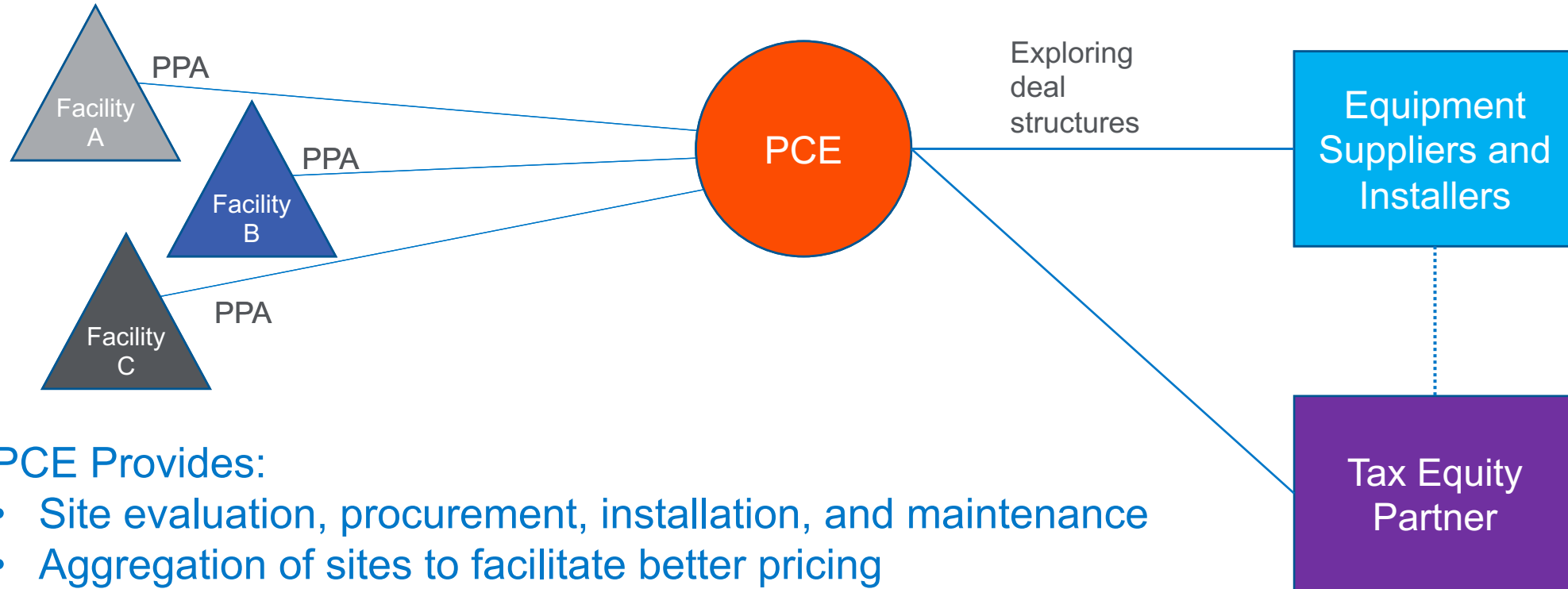
Tax Credit

- Federal Investment Tax Credit (ITC) + depreciation can reduce costs about one-third
- Currently requires tax liability to secure, however this is likely to change with “Direct Pay”
- PCE is tax-exempt so tax equity partnerships have been explored to capture share of tax benefits

Options being considered

1. Tax credit and finance secured together with a developer PPA (“all in” model)
2. PCE provides capital, secures tax credit with tax equity partner, contracts for install only
3. PCE provides capital, secures tax credit with federal “Direct Pay”, contracts for install only

Recap: General Deal Structure

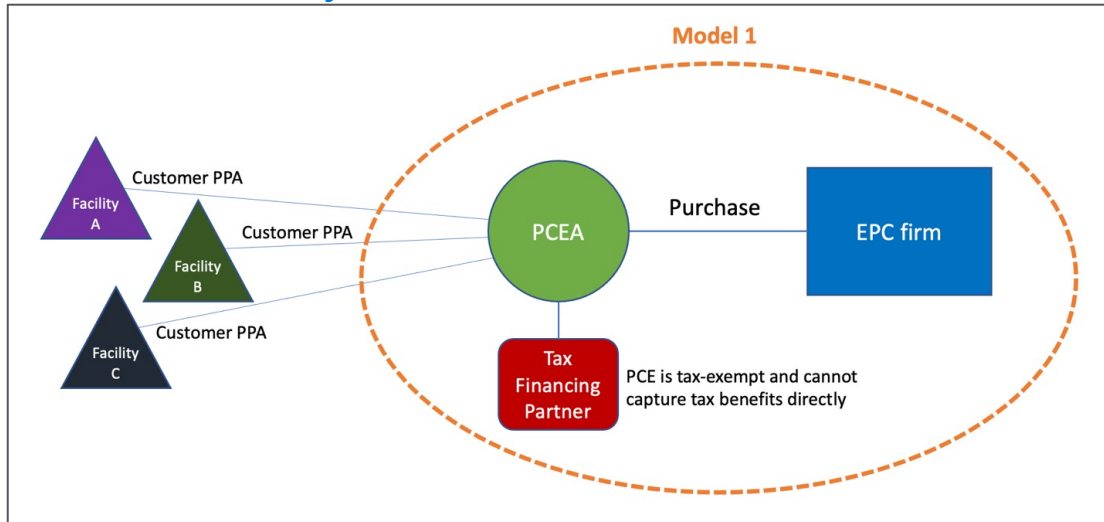


PCE Provides:

- Site evaluation, procurement, installation, and maintenance
- Aggregation of sites to facilitate better pricing
- Screen, select, and contract with reputable installers
- PPA to at a \$/kWh that is lower than utility rate

Recap: Model 1 vs Model 2

Model 1: PCE works with Tax Equity Partner (TEP) directly. Procures via EPC from RFP



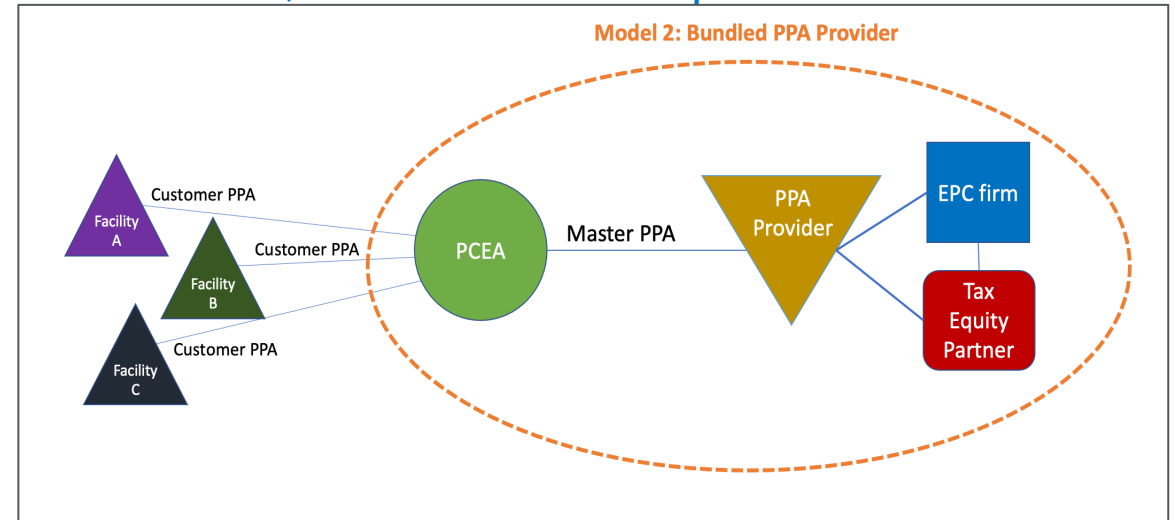
Advantages:

- Potentially better pricing
- Potentially wider vendor pool for installation contractors
- Utilize PCE's low-cost capital
- More control

Disadvantages

- Complex
- More liability management

Model 2: PCE procures via Master PPA from RFP, akin to wholesale procurements



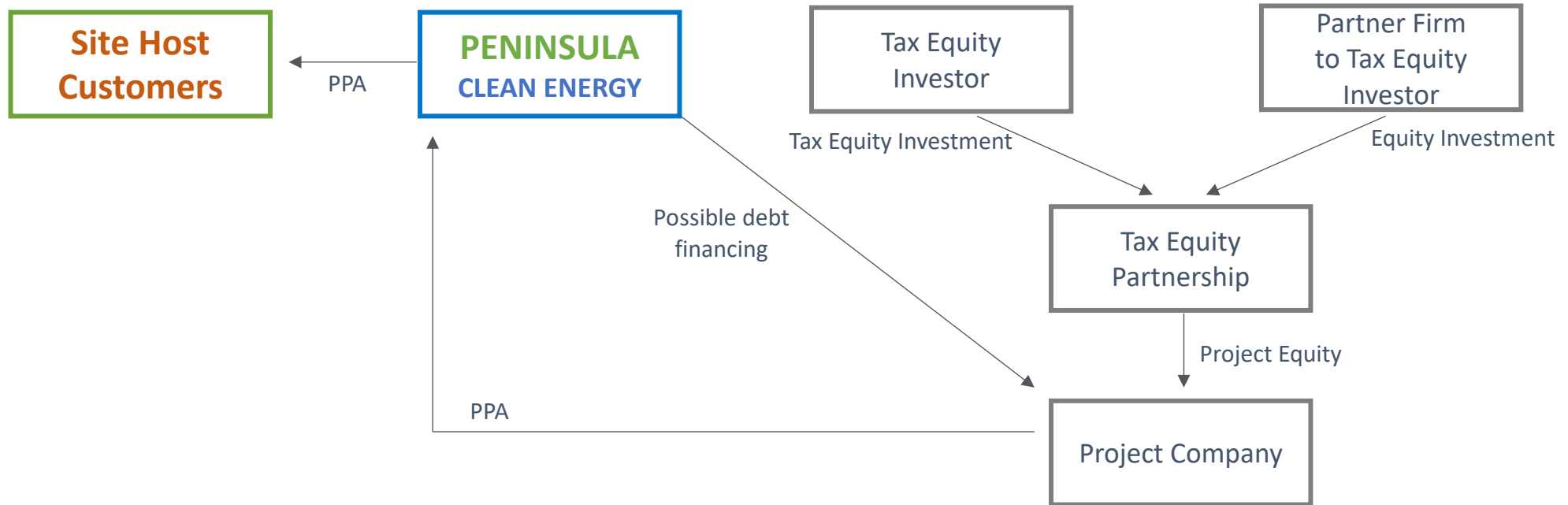
Advantages:

- Simpler for PCE
- Lower direct risk PCE

Disadvantages

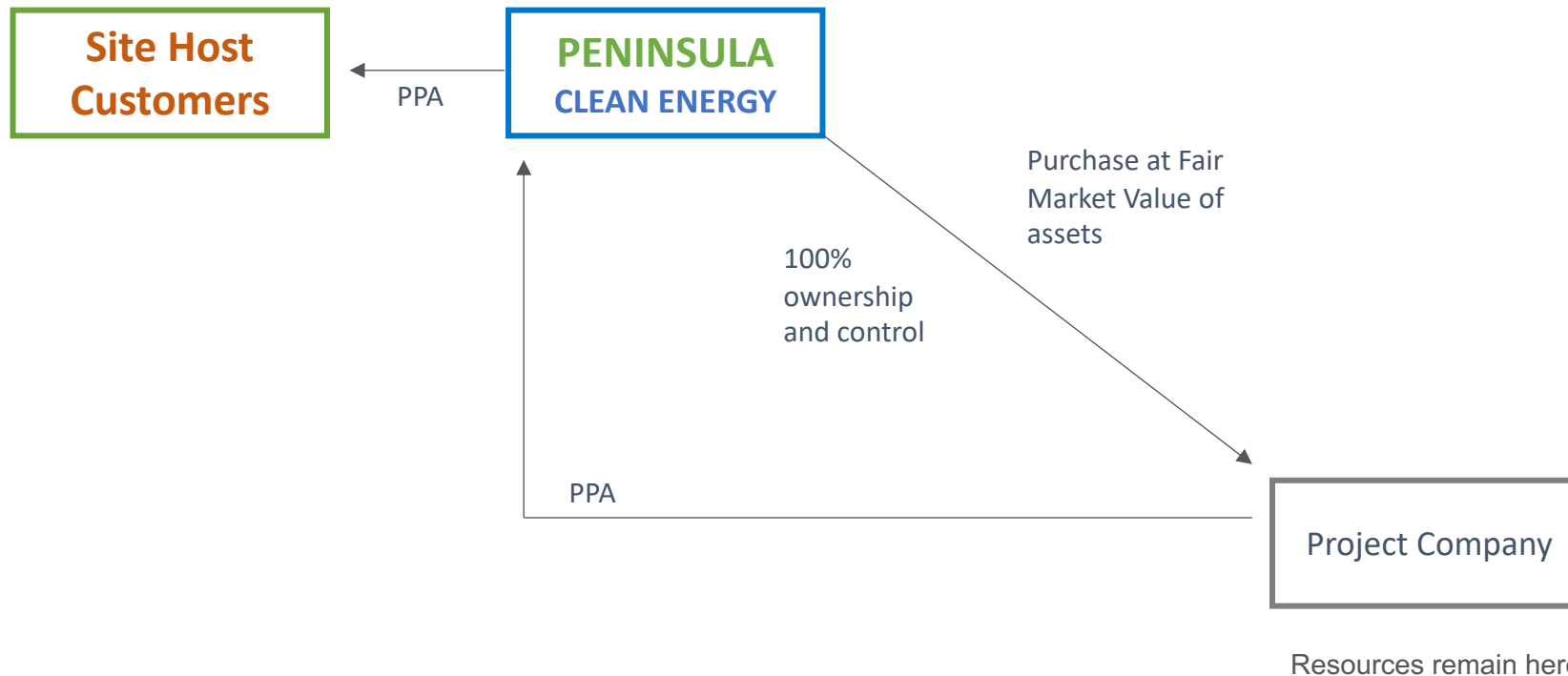
- Likely higher cost
- Probably doesn't fully leverage value of PCE's project development work
- Limits pool of potential bidders
- Less control – projects become a bit of a black box once we hand off to PPA provider

Partnership Flip Structure (Years 1 – 5)



Deal Structure Following Tax Equity Period (Years 6 – 20)

- After Tax Equity value captured (end of year 5), the other parties exit



Federal Policy: Status

- Inflation Reduction Act includes \$369 billion in clean energy & climate provisions
- Passed by the Senate Aug 7th
- Near-certain passage in the House, likely this week
- Significantly improves the financials and reduces complexity for government solar projects

Inflation Reduction Act: ITC & Direct Pay

- Increases Investment Tax Credit (ITC) to 30% (from 26%) for projects with prevailing wage
- Establishes “Direct Pay” ITC which allows government agencies to directly monetize credits without intermediaries
 - But does not include depreciation value
- Removes need for complex tax equity partnership structure
- PCE could directly own systems without project company
- Evaluation of implications is not complete

Next Steps

- **July-Aug.:** Receive city/county Customer PPA Terms (not pricing). Revise
- **Aug.-Sept.:** Determine PPA pricing for each facility in portfolio, send PPA with all items (including pricing) included; determine final portfolio.
- **Aug.-Sept.:** Begin submitting interconnection applications to secure NEM2 grandfathering
- **Aug.-Oct:** Negotiate on Customer PPA Terms, if necessary.
- **October:** Execute PPA contracts with final portfolio site owners.
- **November:** Execute EPC or Master PPA agreement
 - Need to expend 5% of contract value in 2022 to safe harbor 26% ITC
- **If Climate Bill passes,** the pressure to execute all contracts in 2022 will be reduced.