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## State of Play on Renewable Energy

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## How to "Go Solar"

- direct purchase
- third-party power purchase agreement (PPA)
- other more exotic structures for specialized situations, such as virtual PPAs
- community solar



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## Some examples of general pros and cons

- direct purchase – capital intensive up front, transaction costs, some degree of development risk, need the right tax appetite, but returns can be very healthy, long useful life after the breakeven point (i.e. many years of free power), SRECs (dollar value, and intangible “green-ness” value)
- PPAs – minimal upfront costs, savings can add up to be material, but typically no environmental attributes, long-term relationships (which may be assigned by the provider) can be tricky, certain contract terms may be hard for some operating businesses to accept, often tough negotiations over whether savings are guaranteed over the term



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## Sample Roadblocks to Going Solar

- site constraints – not enough land, no suitable rooftop
- approvals – for some residential accounts, HOAs may prohibit; local government may also restrict
- PPA economics – if public utility rates are low, and cost to install is high, economics may not work
- high land or labor costs – may prevent significant market entry of developers offering solar
- legal or regulatory uncertainty; change in law risk
- financial constraints



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## Community Solar

- Predominant model (general, national overview)
  - Developer-owned solar facility, partners with utility
  - Usually no on-site offtake; physical output fed into grid
  - Utility accounts – typically same utility territory, ISO zone or county (state specific) – “subscribe”
  - Residential and C&I accounts eligible – rules and regulations on subscription sizing
  - Generation by the solar facility creates net metering credits, allocated to each subscriber; subscribers purchase credits directly from solar facility owner
  - Per-credit price at a discount from the retail rate
  - Subscribers subject to credit approval; typically no required out-of-pocket costs to subscribe
  - Some markets translate a dollar amount onto the subscriber's bill (New York) while others put a kWh quantity offset on the subscriber's bill
  - MN, MA, CO are some examples of states where this model has flourished



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## Community Solar

- Other possible example structures, but highly atypical
  - Facility centrally located in community; community owned; owners are the offtakers
  - Community-owned facility; offtaker is public utility, or private where allowed; community shares revenues
- Hurdles to the above can include:
  - Legal and regulatory requirements
  - Transaction, and other up-front, costs
  - Availability of capital
  - Complexities of tax credit eligibility, and financial ability to monetize applicable tax credits



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## Community Solar

- Pennsylvania HB 531 – introduced February 2019
- Addresses maximum facility size, minimum number of subscribers, maximum share size, value of bill credits, location of systems, utility cost recovery, low- and moderate-income participation, consumer protections and oversight of program
- Final legislation, rules and regulations to change - huge surprises unlikely



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## Community Solar

- Consumer protection matters – some likely areas of focus:
  - upfront costs
  - upfront disclosures
  - breakage costs
  - decisions based on credit scores; reporting to credit agencies
- History of various state AGs taking interest and action



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Some Pennsylvania solar challenges generally

- relatively low power costs and relatively low SREC pricing
- land costs, particularly in some of the more populous areas

Some Pennsylvania solar advantages

- motivated state government, citizenry
- learning from others
- availability of land, and rooftops

Ultimate challenge – use declining per watt installed costs, and inventive structures (e.g. community solar; energy storage), with careful site and offtaker selection, and hopefully legislative and regulatory support, to create winning solar deals in PA.



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