Direct Purchasing and PPAs 101

Stephen Abbott

Monday, October 19, 2015
Agenda

I. Motivations Behind PPAs

II. Generating Buy-In

III. Building a Team
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III. Building a Team
Corporate Procurement is Growing

Contracted capacity, GW

*As of October 6th, 2015

RMI transforms global energy use to create a clean, prosperous, and secure future.
Reason 1: Sustainability Commitments

Companies with 100% Renewable Energy Targets, by Date

<table>
<thead>
<tr>
<th>Today</th>
<th>2018</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>Long-Term</th>
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<td>RMI transforms global energy use to create a clean, prosperous, and secure future.</td>
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Reason 2: PPA Prices are Competitive

$/MWh

Average 2014 wind PPA price according to EERE 2014 Wind Technologies Market Report
Wind production weighted 2014 ERCOT Hub Average DA LMP
Wind production weighted 2014 PJM N Illinois Hub Average DA LMP

Solar PPA price for July 7, 2015 NV Energy PPA with First Solar Inc.—with a 3% escalation
Solar production weighted 2014 ERCOT Hub Average DA LMP
Solar production weighted 2014 CAISO SP15 Average DA LMP
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PPAs Deals Face Common Issues

- **Accounting Department**
  - Derivative Accounting
  - Lease Accounting
  - Consolidation

- **Finance Department**
  - Expected Returns
  - Market Exposure
  - Hedging

- **Procurement & Facilities**
  - Contract Duration
  - Reliability

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Additional Best Practices

1. Identify a high-level sponsor
2. Communicate persistently
3. Write an FAQ
4. Understand your company’s processes
5. Reframe PPAs as a strategic choice
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There are Several Steps

1. Set the Stage
2. Define a Strategy
3. Identify and Evaluate Opportunities
4. Negotiate Contract Terms
5. Secure Final Approval

RMI transforms global energy use to create a clean, prosperous, and secure future.
At Times, Companies Need External Help

RMI transforms global energy use to create a clean, prosperous, and secure future.

1. Company-Insider
2. Communications
3. Financial Analysis
4. Accounting
5. Contract Law & Negotiations
6. Industry
In Review

I. PPAs allow companies to meet sustainability targets without paying a premium.

II. Anticipating common obstacles is critical to successfully generating internal buy-in.

III. Deal teams will require a range of skills, some of which may need to come from outside the company.
Thank you

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