

S-PACE

A California Commercial Financing program for storage manufacturers

from CleanFinancing.com with Energy-Outlet

The market challenge

California is home to generous SGIP incentives for commercial energy storage installations, and it represents a market ripe to leverage the regular technological strides that battery manufacturers and system control designers have made. These conditions together are undermined by the reticence of finance companies to introduce programs that will allow investments in the context of cashflow benefits. Only Commercial PACE programs have greenlighted financing through their property-assessment mechanism. But both the SGIP rebate program and PACE remain intimidating or unknown to the very market that could most benefit from them.

The program solution

S-PACE™ combines the resources of SGIP administrators, PACE funders and energy storage solutions providers to offer the commercial/industrial marketplace in California a coordinated, centrally-managed funding process. It delivers all the steps of program administration (from application to funding) for both SGIP and Commercial PACE through a single application. The S-PACE™ program facilitates commercial storage adoption by delivering cashflow savings to California businesses, often from the day their storage system is commissioned.

The storage industry role as S-PACE™ marketer and SGIP deposit funders

S-PACE™ is primarily promoted and marketed by individual storage solutions providers (manufacturers, integrated solutions providers, and large installers) opting into the program. An S-PACE™ program marketer contributes the SGIP deposits (after deductions for fees and cost of capital) once the PACE funding has been approved and the project is ready to fund. A Program Marketer credits the installation invoice with an amount offset by the anticipated SGIP-rebate (minus capital and program costs, at the discretion of the individual participating marketer). The PACE program funds the balance of the installation cost. For example, if an S-PACE™ program marketer is a provider of packaged solutions to a network of contractors, the invoice to the contractor receives an SGIP credit, and the remainder of the contractor's invoice is be paid via C-PACE funding.

S-PACE can be private-labeled by the marketer, though all fees due the program administrators continue to apply.

The C-PACE qualification process

Not all cities and counties in California have opted into PACE programs. While the vast majority of California is covered, a qualifying address is not automatically guaranteed an interested funder. Any application must be from the owner-on-title of the qualifying property. Thus, entities leasing commercial properties will not qualify as applicants for this program. Also, the Commercial PACE underwriting guidelines, while varying from funder to funder, have requirements relating to available equity, loan-to-value, and other criteria which may not make 100% of property owners eligible.

The application & administration mechanism

The program is made possible by the coordinated work of two specialists in each of the key funding sources for this program, SGIP and C-PACE.

From the time the S-PACE application agent receives an inquiry,

- requirements of both SGIP and PACE are incorporated into the pre-qualifying statement to the property owner;
- the address for the prospective project receives/fails “pre-approval” as a PACE eligible property with an approved funder;
- the contract amount needing financing are adjusted by the anticipated SGIP rebate amount for which the project will qualify. Variables such as whether ITC will be claimed are identified.
- a proposal is then returned (for presentation to the property owner) with annual payment amounts over a specific term (typically 10 or 15 years), based on the SGIP conditions. The sales engineer for the Program Marketer provides cashflow savings projections over the selected term, based on that net PACE assessment amount.

Upon acceptance of a proposal, a property owner will file a S-PACE funding application, which will trigger the filing of the SGIP reservation. It will also start the clock on a pre-specified delay by which the property owner (PO) and the PACE funder will have to complete the underwriting process. All four California IOU SGIP program managers are aware of the S-PACE program and have no issue with it.

The twin-track process of SGIP application and PACE application, which we call the ***non-committed phase***, is estimated to run between 8 and 12 weeks.

After a PACE term-sheet and funding document has been accepted by the property owner, the SGIP deposit will become non-refundable. From that point on, the funding for the PACE program will run independently from the SGIP program administration. The PACE funds will go directly to the property owner to pay the party responsible for the storage installation (net of the credited S-GIP amount), and the SGIP rebate, in time, gets forwarded to the S-PACE Program Marketer.

About Commercial PACE financing

California created PACE as a mechanism to attract private capital to invest in private property infrastructure efficiency upgrades. PACE, which stands for Property Assessed Clean Energy financing, allows residential and commercial building owners to easily obtain long-term financing for electricity, water and/or water-related building improvements. The process is overseen by Joint Powers Authorities, or districts, which counties and cities opt into. The district places the amortization schedule for the financed amount on the property's annual tax bill. Funders join one or more district(s) and take applications for projects that meet their financing guidelines, as well as the requirements of the corresponding district.

About CleanFinancing.com

Established in 2014 to bring capital to renewable energy projects, CleanFinancing.com has become a leading Commercial PACE agency in the US. The Los Angeles-based company represents numerous PACE funders in each of the main California PACE Joint Powers Authorities, as well as across 6 other states in the nation. Philippe Hartley is the principal of CleanFinancing.com. For more information, please email hello@cleanfinancing.com or reach them at 866.824.8442.

About Energy Outlet

Energy Outlet Inc was established in 2013 to maximize the benefit for all stakeholders involved in energy projects, specialized in the area of processing energy and utility incentive programs nationwide. Energy Outlet Inc., based in Riverside County, CA, provides a utility program administrative service for energy solutions; making it faster and simpler to process required paperwork, navigating rules and requirements to meet utility program guidelines. Amrit Peck is the principal of Energy outlet. Call them at 844.373.2283.

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