



## A New Approach to Solar

Please allow me to express my appreciation to you for taking the time to read these two short pages, I appreciate it. What follows is a brief summary of a very different way to sell an incredible amount of solar power in a very short period of time.

### **The World as we know it.**

Historically, a solar company aligns with a number of quality suppliers, installers, hires a sales team, gathers all of the proper documentation, insurance, advertising budget and marketing plan, they hit the streets, looking for their customers.

Armed with the knowledge that solar power projects have the clear advantage of seemingly limitless, free fuel and quantifiable, warranted performance, it seems like a reasonable proposition for a home owner to invest in a power source that will pay-off, given enough time and power consumption.

We do things differently. We know who our customer is and how much they will pay for every kilowatt we produce for the next 20 years – we will sell all of our kilowatts directly to the utility.

Selective Inc has created a simple and effective business model that:

- Provides a quick and efficient location for a number of significant solar opportunities,
- Provides a solid, easily permitted, installation and operation, and
- Provides stable, long-term, predictable outcomes.

The Selective Inc plan is the result of analyzing a number of identified sales objections and barriers from buyers, sellers and finance specialists involved in the placement and finance of solar projects.

Using a long-term lease, Selective Inc will contract with the property owner in a straight-forward tenant/landlord relationship, specifically renting their roof space. This arrangement creates a new product value-add for Selective Inc and new income diversity for our landlord-partner. Our plan creates:

- A quality, secure solar installation, and a
- Convenient, existing interconnection point, and
- A potential future transfer of a credible, valuable asset.

By focusing on commercial and industrial clients, we have large spaces and large electrical potential onsite, by default. No long runs, no easements to buy.

This approach, exclusive to California, offers a Power Purchase Agreement that can close in 30 days and is very favorable to power producers, especially those solar applications. The combination of the ARRA ITC-Grant program and the California Feed-in-Tariff (FIT) create a



# Selective Inc.

Environmental Solutions

situation that comes with guaranteed, positive cash-flow in year one. The financing challenge is simply the construction-finance package, leading to the permanent take-out finance.

## Typical Finance Pro-forma

The cost of the installed system is reflected in commercial bids of \$6.50 per installed watt or \$6.50 million for a one-megawatt system. (A small residential system of several kilowatts may cost more than \$9.00) After applying the Federal ITC/Grant of 30% to this all-in finance package, the financed amount is reduced to \$4,550,000. At 6% interest for a term of 20-years, the annual amortized payment is \$391,170. Over the term, the balance can be refinanced a number of positive ways, such as new grants, industrial bonds, lower rates, declining debt, etc.

Additionally, we must pay the lease for the roof space (approximately 72,000 square feet) in the amount of 10-cents per square foot or \$7,200 per year, resulting in a first year payout of \$409,336. We anticipate our volume will reduce the suggested price of \$6.50/watt to as low as \$6.00/watt. At this price point, all expenses will be less than \$380,000, beginning Year One.

According to the National Renewable Energy Laboratory (NREL), a single megawatt of install capacity in the interior area of the California San Joaquin Valley has the documented potential of 1,600,000 kilowatt hours of clean, quiet, marketable electrical production per year.

At the average first year payment of 25 cents per kilowatt hour, the system generates \$400,000 in Year One. The contract escalated the scheduled payment more than 20 percent to \$480,000 in ten years. This revenue does not include potential carbon credits, renewable energy credits, capacity payments, or any other inducements, finance enhancements or refinance advantages.<sup>1</sup>

All of these numbers, rates and returns are warranted, guaranteed and under contract. The only piece that is not guaranteed in writing is whether or not the sun will rise tomorrow. This innovative plan deserves serious attention and just a bit of help to create incentives sufficient to provoke the release of local funds into our local economies.

## Market Review

After two days of deciding exactly who to approach and at what rate, we made face-to-face presentations with a single dairyman and a single trucking company. These two representatives are not examples of desperate operations ... the dairyman is building two new dairies at a cost of \$200 million and the trucking company is hiring drivers, buying trucks and expanding routes. The two representative landlords signed letters of intent for a total of 2,060,600 square feet of roofing space for the installation of 27 megawatts of clean, quiet, renewable, sustainable electrical power.

Best regards,

Selective-Inc

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<sup>1</sup> The original contract transfers the RECs to the utility. The potential sale to the landlord changes that.