



MANKATO AREA PUBLIC SCHOOLS

Minnesota Community Solar Garden Subscription Proposal



MN Community Solar Gardens
July 26th, 2016

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Mankato Public Schools
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Mankato, MN 56002-8741

SUBJECT: Revised and Final Minnesota Community Solar Garden (CSG) Subscription Proposal

Mr. Hogan and Mr. Kolander,

Thank you for taking the time to speak with me and for reviewing our proposal for the school district to participate in our two Mankato area Community Solar gardens. This proposal is based on annual Xcel electric spending of \$630,935 (and can be updated with more current information). We are uniquely positioned to help Mankato Area Public Schools derive the greatest long term value from the Minnesota Community Solar Gardens program because we have two fully developed projects in the area that are ready to begin construction.

Local Projects, Ready to Go

We have two projects that both have been fully permitted and are fully funded in the Xcel Interconnection process. Both projects are first in the substation queue meaning there are no issues with available capacity and, in fact, Xcel Energy has already begun procuring long lead items for their construction such as transformers and line reclosers. One of the projects will be a 5MWac project about 5 miles to the east in Eagle Lake and the other will be a 5MWac project about 15 miles to the west near Courtland.

Shorter Term, Fixed Rate Certainty

We have created a unique rate for the District. By offering a low fixed rate for 15yrs that will never change year to year, the District locks in a shorter term contract and pricing certainty. It also drives significant savings with projections to potential savings of more than \$2.4M in the first 15yrs. After that, the contract will automatically renew, but only if the Xcel Energy credit rate is above 12.5 cents at the beginning of the 16th year and above 13.5 cents at the beginning of the 21st year. This guarantees that the District's contract will only automatically renew if the District is saving money at the time of renewal. This combination of term and certainty provide the District with the safest path forward in the Minnesota Community Solar market.

Leading Choice of Minnesota Schools

We are one of the largest individual contributors to the Minnesota Community Solar program. SunEdison has **21 projects across 9 counties and in partnership with more than 30 subscribers**. Among these subscribers are other Minnesota K-12 Districts similar to Mankato such as Bloomington, Eden Prairie, Minnetonka, Foley, Spring Lake Park and others. In total **11 school districts**, as well as municipalities like **Blue Earth County**, City of St. Cloud and City of Hopkins are partnering with us as well.

We are confident that these two projects create an opportunity to create significant value from this new CSG opportunity for Mankato Area Public Schools, and we hope that the District finds our offer compelling. We look forward to the opportunity to partner with you.

Sincerely,



Pete Giese
Sr. Director, Community Solar
(650)575-9865

Program Summary:

SunEdison has acquired sites throughout Xcel's service territory that will allow us to build a significant number of Community Solar Gardens. These CSGs will deliver electricity to Xcel Energy and SunEdison will receive a bill credit in the amount of 11.74 cents per kWh. SunEdison then directs these bill credits to our CSG customer's Xcel electric bills. Our CSG partners then make a payment to SunEdison for the credits received on their Xcel electric bills.

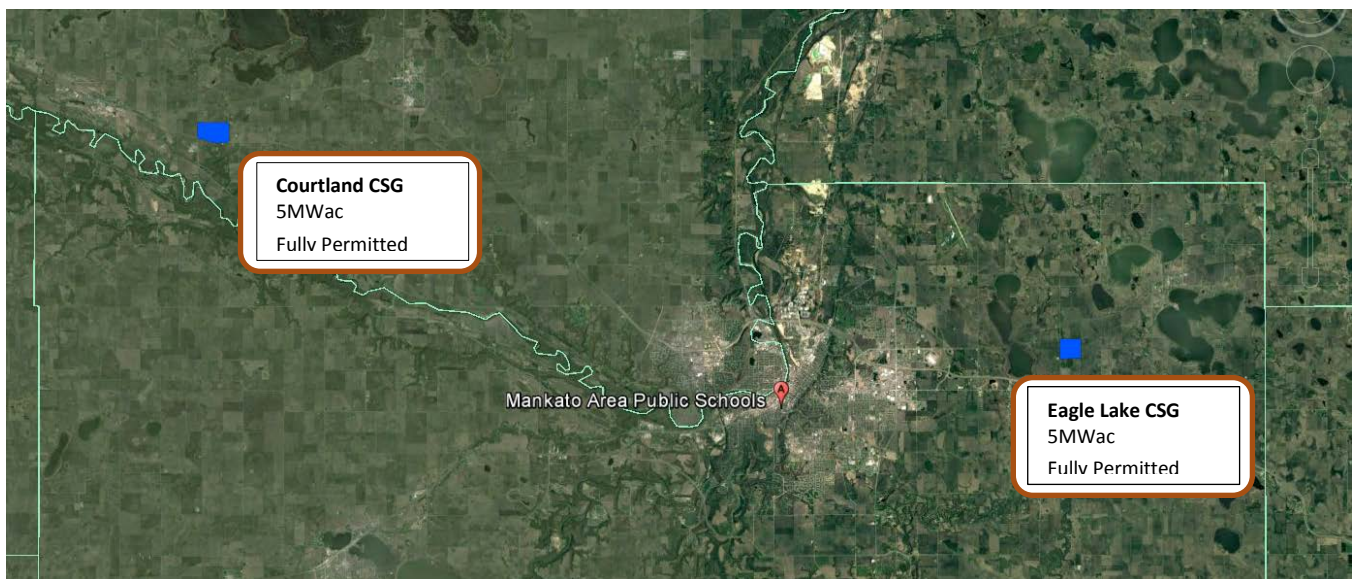
SunEdison partners that receive bill credits through the CSG program save money on their electric bills and benefit from:

- Immediate Savings Year One
- Long Term Predictability of Energy Cost
- No Upfront Capital Cost
- No Onsite Construction, Maintenance or Insurance Cost

Advanced CSG Projects:

Over the past three years, we have identified high quality land parcels for the Community Solar Garden program and specifically two such sites around Mankato. The main keys of development for solar projects are Site Control, Land Use Permitting, and Interconnection. Our Eagle Lake and Courtland projects have all three of these key features.

- **Site Control:** Long term leases with local landowners. Land lease revenue and property tax benefits stay local
- **Land Use Permitting:** Both projects are fully permitted for required land use
- **Interconnection:** Both projects are fully funded through interconnection with more than \$1.1M of Interconnection Upgrade deposits paid on the projects within the last 2 months.



Financial Benefits:

We are pleased to offer a fixed price subscription rate to Mankato Area Public Schools that is below current Xcel rates. Under the terms of this agreement Mankato Area Public Schools purchase credits equal to your subscription amount at a fixed \$/kWh rate. This rate remains constant over time (0% escalation). SunEdison will record this subscription with Xcel and Mankato Area Public Schools will begin receiving credits on its electric bills when the CSGs begin producing power.

In Minnesota, Xcel has rate cases pending that request significant rate increases for 2014 through 2018. The 2014 rate case has already started to impact customer bills in the form of an interim rate adjustment. Publicly available data from Xcel indicates that they are requesting annual rate increases of 4-6% through 2018, which will result in rate growth of 15-20% by 2018. Beyond the 2018 horizon, all indicators point toward additional rate increases as Xcel continues to modernize its electrical grid and electrical demand grows with Minnesota's growth.

Our offer is designed to save money today while protecting against long term energy price volatility and increases. By providing Mankato Area Public Schools with a flat rate for energy, the offer SunEdison has designed provides an extremely valuable hedge against Xcel rate increases. As Xcel rates rise over time this hedge will pay dividends creating a large and growing sum of savings that can be used to further the mission of Mankato Area Public Schools. In addition to savings, SunEdison's offer provides security and protection against volatility with a known, fixed rate for the life of the contract.

The core of this offer is savings today and protection against future rate increase. We have bolstered this by shortening the term to 15 years for the District. The contract will automatically renew if, at the beginning of the 16th year, the Xcel Bill Credit Rate is at least 1 cent higher than the District's 11.5c rate with us. Similarly, it will extend for an additional 5 years if, at the beginning of the 21st year, the Bill Credit is at least 2 cents higher than the District's 11.5 cent rate. Please see the following pages for several charts illustrating this structure:

Offering for Mankato Area Public Schools:

Shorter Term, Fixed Rate

SunEdison is pleased to offer Mankato Area Public Schools a unique Community Solar rate of **11.5 cents per kWh** for 15 years based on an electric spending of \$635,935 per year [based on previous information provided]. Included in this offering are two automatic renewals that only occur if the Xcel Bill credit rate is higher than the District's rate in the 16th and 21st year of the contract. Using conservative Xcel rate growth scenarios this pricing delivers:

- **1st Year Savings of \$34,000**
- **15 yr Savings of \$2,400,000**
- **25yr Potential Savings of \$6,380,000**

The chart below shows the District's rate in grey (fixed, flat and never changing over time) underneath the Xcel Bill Credit rate which fluctuates and generally is expected to rise over time in yellow. You'll further see two horizontal orange lines representing the two automatic renewals periods and you'll be able to see that those renewals cannot happen unless the District is still saving money at that point in time. This structure provides a terrific mix of term length, fixed price certainty and potential for savings growth over time.

Credit Value Over Time (in \$/kWh)

Credit Escalator (2016 - 2018)	4.00%
Credit Escalator (2019 - 2041)	2.75%

