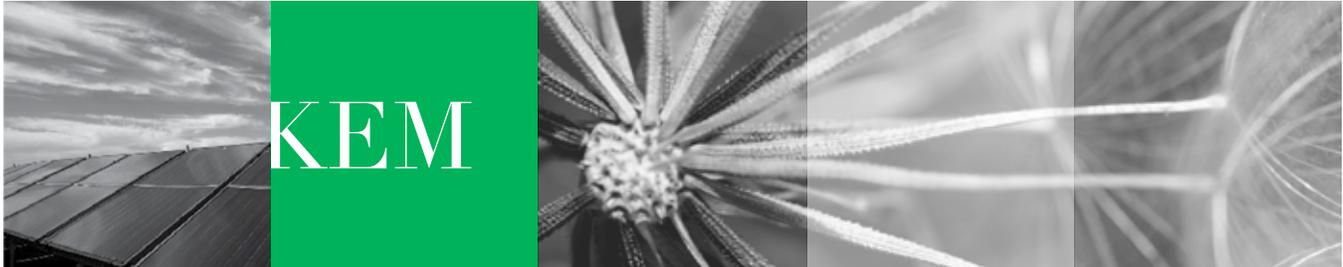


PRIVATE INVESTMENT FIRM

Renewable Energy Project Evaluation



**KEATING
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Client

Alara Capital

Project Location

King of Prussia, PA

Elements of the Projects

- Analysis of Federal and State Renewable Energy Regulations and Incentives
- Renewable Energy Project-level Financial Modeling
- Investment Due Diligence
- Renewable Energy Credits
- Power Purchasing Agreements

KEM was retained by a venture capital/private equity investment firm to evaluate the capital requirements, regulatory frameworks, ownership structures, and financial returns of a variety of renewable energy projects. Focusing primarily on photovoltaic solar systems, **KEM built a completely dynamic model** demonstrating potential returns for all participants (e.g. system host, operational entity and project-level investors).

KEM evaluated the system host's ability to offset current electricity needs, potential cost savings based on varying future energy prices, and the reduction in their carbon footprint. From the project level investors viewpoint, **KEM** modeled internal rates of return based on cost of capital, future value of renewable energy credits, and their ability to reduce tax liability through the utilization of investment tax credits, depreciation, and passive losses.



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System hosts and/or owners range from large corporations and realty trusts to non-taxable entities such as local municipalities and schools. This diversity of hosts requires a detailed understanding of the appropriate ownership structure required to maximize the financial and environmental benefits of each individual project. KEM evaluated long-term Power Purchasing Agreements, partnership flips, buy-leasebacks, and other hybrid ownership structures that would be required to fit the needs of any potential system host and owner combination.

In addition to state-by-state differences in Renewal Portfolio Standards, regional differences in the cost of electricity, and an unknown federal landscape beyond 2016, rates of return can be impacted by a large number of factors. For this reason, **KEM evaluated the sensitivity of the rates of return and payback periods** to varying equipment costs, renewable energy credit prices, system performance, regulatory changes, and electricity prices among other factors.



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