

Transaction Profile

Financing in action

SUNRUN INC.

Revolver loan to fund the purchase of materials and installation of residential solar projects in New York State



Sunrun refinanced its original \$250 million facility, under which NY Green Bank had a \$25 million commitment. NY Green Bank's participation in this new facility alongside various lenders will provide \$600 million in total to support Sunrun's solar portfolio for New York homeowners.

Market Barriers and Solutions

Capital market participants actively financing residential solar projects are not common. NY Green Bank's participation in financing development-stage projects enables the facility to achieve substantial scale, resulting in broader market penetration and enhanced liquidity.

Solar project developers face difficulties securing sufficient financing to meet customer demand, hampering their ability to achieve economies of scale. NY Green Bank's participation enables Sunrun to better meet residential demand in New York State. This type of financing can also be replicated with other developers seeking to secure similar capital access.

Some **homeowners** do not perceive "going solar" as being practical or affordable. NY Green Bank's participation better enables homeowners to contract for solar and realize immediate reductions on their energy bill. Greater scale and broader financing markets will lead to more compelling offerings for homeowners and circulate more information about the benefits of solar.

greenbank.ny.gov

Transaction amount: **\$40 million**

Counterparties:

(Project Sponsor & Borrower)
Sunrun Inc.

Product: **Construction revolver loan**

Date closed: **March 2022**

Estimated lifetime metric tons

CO₂e reduced: **1,781,950**

Technologies: **Solar**

Location: **Statewide**

End-use segment: **Residential**



"We are pleased to continue building our partnership with NY Green Bank. The new recourse lending facility will support our goals of innovation and the expansion of our solar service offering."

*Tom vonReichbauer, Sunrun's
Chief Financial Officer*



NY Green Bank
A Division of NYSERDA



Increasing Opportunities for NY Residents to Go Solar, Expanding Market Liquidity

Sunrun Inc.

NY Green Bank (“NYGB”) has entered into five transactions to accelerate the deployment of more than 14,500 solar projects at homes across New York State (“NYS”) by Sunrun, Inc. (“Sunrun”). Sunrun is a national solar provider that markets and develops residential solar energy systems. The five transactions complement each other – three provide financing to fund the purchase of materials and installation of the solar projects and two provide post-construction financing. One of the post-construction financings was arranged by Investec Bank PLC (“Investec”), an international specialty bank and asset manager, and the second post-construction financing was arranged by SunTrust Robinson Humphrey Inc. (“SunTrust”) and ING Capital LLC (“ING”). The equipment financing facility was jointly arranged by KeyBank N.A. (“Key”) and ING, respectively.

Transaction Descriptions

Construction Loan Facility

On June 16, 2016, NYGB committed \$25.0 million which, along with financing from other lenders, allows Sunrun to increase its existing revolver from \$205.0 million to \$250.0 million. The revolver (“**Construction Loan Facility**” or “**CLF**”) will be used by Sunrun to fund customer acquisition, purchase of materials, and construction and installation of the systems, and will ultimately be refinanced through Credit Facilities (such as described below) and tax equity commitments arranged by Sunrun. On February 23, 2018, NYGB and the lender group consented to extend the maturity of the CLF by two years in support of Sunrun’s consistent and growing deployment rate in NYS and nationally. Sunrun then refinanced the \$250.0 million CLF with a new \$600.0 million facility – on March 8, 2022, NYGB committed an additional \$15.0 million to this new facility, for a total commitment of \$40.0 million. NYGB’s continued participation in this consortium of capital providers broadens the availability of construction financing for distributed energy projects for homeowners across NYS.

Investec Credit Facilities

On May 13, 2016, NYGB closed a \$25.0 million commitment to participate in a transaction consisting of two credit facilities – a loan aggregation revolving facility and a term loan (together the “NYGB Loan Products”), which are expected to accelerate the deployment of over 5,000 solar projects at homes across NYS. The transaction was part of a broader \$340.0 million financing (the “Post-Construction Aggregation Facilities”) arranged by Investec that provides Sunrun with a larger financing to expand its business in NYS and elsewhere. The \$340.0 million Post-Construction Aggregation Facilities (which include the NYGB Loan Products) represent one of the largest aggregation financings for a residential solar developer at the time of closing. On March 27, 2018, NYGB and the lender group consented to extend the deployment period and the maturity of the Post-Construction Aggregation Facilities by over two years based on Sunrun’s demonstrated ability to continually deploy solar PV projects in NYS and nationally. On April 20, 2018, NYGB and the lender group consented to expand the Post-Construction Aggregation Facilities up to \$595.0 million to further support Sunrun’s continued growth. NYGB’s share of this increase is \$10.0 million, bringing NYGB’s overall commitment to the Post-Construction Aggregation Facilities to \$35.0 million.

SunTrust/ING Credit Facilities

On May 9, 2017, NYGB closed a \$15.0 million commitment to participate in an aggregation-to-term loan facility. The transaction was part of a \$202.0 million financing (the “**SunTrust/ING Credit Facilities**”) arranged by SunTrust and ING that provides Sunrun with a larger financing to expand its business in NYS and elsewhere. The \$202.0 million SunTrust/ING Credit Facilities support a \$100.0 million equity partnership with National Grid plc, an international utility with a sizeable NYS presence. Through increased scale, the aggregation-to-term transactions are expected post-aggregation to draw new investors and financial institutions into the marketplace, decreasing the cost of capital for solar developers and installers, and in turn, the cost of solar power equipment sold or leased to homeowners.

Equipment Financing / Safe Harbor Facility

On February 5, 2020, NYGB closed a \$10.0 million commitment to participate in a transaction facilitating the purchase of and directly secured by solar materials (panels and inverters). This transaction was part an \$84.0 million financing arrangement by Key and ING (the “**Safe Harbor Facility**” or “**SHF**”). This facility allows Sunrun to take advantage of the IRS’s safe harbor program with respect to the 2019 commercial investment tax credit (“**ITC**”), and ultimately, supports Sunrun’s continued growth in NYS and nationally and its continued ability to deliver attractive economics to residential homeowners.

Overall Context

Sunrun sought NYGB’s participation in the CLF, SHF, SunTrust/ING Credit Facilities and Investec Credit Facilities to provide further liquidity to support Sunrun’s capital needs in growing its business. With both construction and longer-term financing in place, Sunrun is well positioned to meet the growing demand from homeowners and expand its ability to finance the installation of solar projects throughout NYS.

These complementary transactions will result in the aggregation of bundled pools of residential solar systems that will ultimately be refinanced through one or more longer-term take-out financings. Such refinancings may include a securitization – the sale of underlying cash flows resulting from residential leases or power purchase agreements (“**PPAs**”) to third party investors – providing additional avenues to develop and scale the emerging residential solar asset class, both for Sunrun and other market participants. Given that the bank market for such credit facilities remains limited, NYGB’s participation enables larger aggregation facilities than would otherwise be available, resulting in longer term takeout refinancings at a scale greater than might otherwise be achieved. Greater scale means greater investor interest, which will ultimately result in more attractive debt pricing that will benefit New Yorkers via more attractively priced contracts under which power is purchased.

This Transaction Profile is provided pursuant to the updated NY Green Bank – Metrics, Reporting & Evaluation Plan, Version 3.1 (the “**Metrics Plan**”) developed in collaboration with the NYS Department of Public Service and filed with the NYS Public Service Commission (the “**Commission**”) on May 2, 2022.¹ This Transaction Profile contains specific information in connection with the Investec Credit Facilities (entered into on May 13, 2016), the ING/SunTrust Credit Facilities (entered into on May 9, 2017), CLF (entered into on June 16, 2016 and commitment increased on March 8, 2022), and the SHF (entered into on February 5, 2020) as required by the Metrics Plan.²

¹ Case 13-M-0412.

² See Section 4.0 at pages 8 - 9 and Schedule 3.

Form of NYGB Investment

NYGB Product	Product Sub-Type	Committed Capital
Warehousing/Aggregation	Senior Secured Revolver and Subordinated Term Loan	\$35.0 million
Warehousing/Aggregation	Senior Secured Aggregation-to-Term Loan	\$15.0 million
Asset Loan & Investment	Construction Financing Revolver	\$25.0 million
Warehousing/Aggregation	Equipment-Backed Revolver	\$10.0 million
Asset Loan & Investment	Construction Financing Revolver	\$15.0 million

Location(s) of Underlying Project(s)

Statewide.³ Sunrun’s solar power generation systems will be offered to homeowners through PPA structures in regions across NYS.

Types of Organizations that are Transaction Participants

	Name	Participant Type
Clients	Investec	Global Corporate & Investment Bank
	SunTrust	Global Corporate & Investment Bank
	ING	Global Corporate & Investment Bank
	KeyBank	National Corporate & Investment Bank
Key Counterparties	Sunrun	Solar Energy Project Developer
	National Grid	International Utility & Equity Co-Sponsor
Financiers (current)	Various tax equity providers and commercial banks	Global Corporate & Investment Banks, Commercial/Regional Banks
Financiers (future)	To be identified	Institutional Investors(s)

Summary of Financing Market Objectives & Barriers Addressed

Beneficiary	Market Barrier	Financing Solution
Capital Market Participants	Capital market participants actively financing residential solar projects are not common.	NYGB’s participation in financing development-stage projects enables the facility to achieve substantial scale, resulting in broader market penetration and enhanced liquidity.
Solar Project Developers	Solar project developers face difficulties securing sufficient financing to meet customer demand, hampering their ability to achieve economies of scale.	NYGB’s participation enables Sunrun to better meet residential demand in NYS. This type of financing can also be replicated with other developers seeking to secure similar capital access.
Homeowners	Some homeowners do not perceive “going solar” as being practical or affordable.	NYGB’s participation better enables homeowners to contract for solar and realize immediate reductions on their energy bill. Greater scale and broader financing markets will lead to more compelling offerings for homeowners and circulate more information about the benefits of solar.

³ Defined as projects located in four or more regions of the State.

Technologies Involved

Technology	Measures
Renewable Energy	Solar photovoltaic (“PV”) systems

Metrics & Evaluation Plan

Planned Energy & Environmental Metrics

NYGB’s minimum investment criteria specifically require that “transactions will have the potential for energy savings and/or clean energy generation that will contribute to greenhouse gas (“GHG”) reductions in support of New York’s energy policies”.⁴ In addition, the Metrics Plan requires that the following energy and environmental measures, applicable to this transaction be reported:⁵

- Estimated distributed solar capacity (MW)

The estimated gross lifetime and annual energy and environmental impacts of Sunrun’s development in NYS, facilitated by NYGB’s participation in the Investec Credit Facilities, the CLF and the Sun Trust/ING Credit Facilities, are as follows:

Energy/Environmental Impact	Lifetime Low Estimate	Lifetime High Estimate	Annual Low Estimate	Annual High Estimate
Estimated distributed solar capacity (MW) ⁶	122	152	Not Applicable	
Estimated gross GHG emission reductions (metric tons)	1,429,944	1,781,950	57,198	71,278

Planned Market Characterization Baseline & Market Transformation Potential

The Metrics Plan requires that market evaluation will occur when a critical mass of NYGB financing and investment arrangements are in place. Market evaluation activities commenced in 2018 on sectors that NYGB has supported since inception, consistent with the requirement for such assessments approximately three to five years following initial NYGB capital deployments.⁷ NYSERDA collected baseline data for the NYGB portfolio in 2019 and will update the data to include indicators specific to this transaction. NYSERDA will use baseline data collected for indicators as a comparison point against which to assess market progress in later studies. Progress indicators are defined below for the short, medium and long terms.

NYGB expects that program and/or future market evaluation will demonstrate progress across short-term indicators, including:

- Number and location of projects (by zip code);
- Size (generation capacity and dollar value) of projects;
- Market volume of projects increases; and
- Favorable financial and technology performance data.

NYGB expects that program tracking and/or future market evaluation will demonstrate progress across medium- and long-term indicators, including:

- Increased awareness of clean energy benefits amongst financing entities as a result of favorable technology performance data;

⁴ Case 13-M-0412, “Order Establishing New York Green Bank and Providing Initial Capitalization” issued and effective December 19, 2013 of the Commission, Ordering Clause 6 at pages 24 – 25.

⁵ See Metrics Plan, Section 2.0 at pages 2 – 6.

⁶ Built clean energy generation capacity at full deployment of funds is the same for first-year and lifetime duration.

⁷ See Metrics Plan, Section 3.3 at page 7 - 8.

- Investment risk/default rates become increasingly attractive to investors, as a result of positive financial performance data;
- Increased number of financial participants providing similar capital structures;
- Replication of finance model by other developers;
- Decreased project technology costs;
- Increased number of clean energy financings;
- Emergence of secondary markets for clean energy asset classes; and
- Reduced time to execute clean energy financing.

Proposed Method of Outcome/Impact Evaluation (by NYSERDA) & Timeframe

NYSERDA will evaluate the impact this transaction has had on the clean energy finance markets and the energy/environmental benefits it delivers.

Market evaluation will address the short, medium and long-term indicators identified above. Methods will include analysis of program data along with interviews and surveys of market participants (e.g., homeowners, financial community) to track information including but not limited to: participation rates, project scale information, interest in solar financing (generally and with regard to residential specifically), and influence of NYGB's participation on financial markets. As noted, NYSERDA collected baseline data on key indicators in its first phase evaluation during 2018 – 19. Later follow-up studies will assess progress against baseline levels for other market segments as those evolve. The specific timing of these efforts may be revised based on experience or other factors as NYGB's investment portfolio further develops and evolves.

Impact evaluation will be based on the size of the systems installed and the projected clean energy generation.

As with all NYGB investments, Sunrun projects that receive an incentive or funding from other entities (e.g., utility, other NYSERDA program) will, in accordance with the Metrics Plan, ideally be tracked in order to minimize any double-counting activity on a consolidated basis. As set out in the Metrics Plan, evaluation sampling approaches will also be used as a mechanism to estimate overlap and minimize double counting. NYSERDA and NYGB will attempt to coordinate market and impact evaluation activities for projects that receive support from multiple sources in order to maximize the efficiency of data collection and avoid participant survey fatigue.