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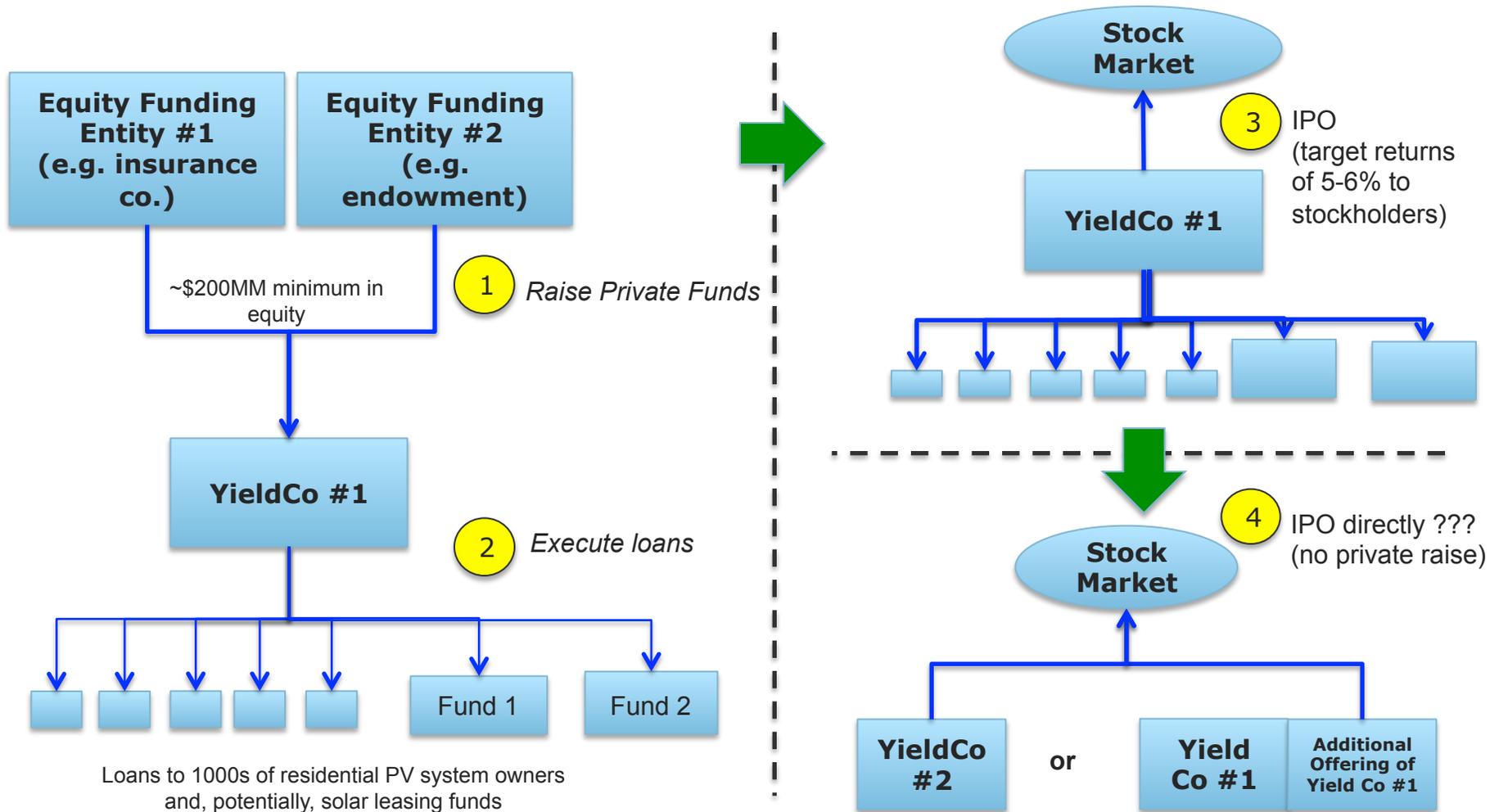
## RESIDENTIAL SOLAR “YIELDCO”

DOE SUNSHOT GRAND CHALLENGE SUMMIT 6/13-6/14

DAN SEIF, [DSEIF@RMI.ORG](mailto:DSEIF@RMI.ORG)

- **“YieldCo” is non-bank lending company** (Bloomberg NEF and Keybank Capital Markets term) that collects reliable dividends based on PV cash flows.
- In RMI’s vision, the YieldCo would be initially designed as a **debt-only long-term (~20-yr) finance provider**. If the YieldCo loans directly to homeowners, homeowners would monetize the ITC, though likely not MACRS. The YieldCo could possibly be set up as a Business Development Company (“BDC”) with Registered Investment Company (“RIC”) tax election for pass-through status (i.e. similar to MLP or REIT). Though BDC status would require 70% of funds to go to small businesses (perhaps small fundcos that could also tie in developer equity and tax equity).
- The **YieldCo would collateralize against individual PV systems and/or, for better rates, home equity** (secondary/subordinated lien on home).
- YieldCo would provide direct loans or solar leasing fund debt at a cost of capital above FHA-backed (90% loan guarantee) PowerSaver loans (~250 bps premium; so **7.5—9% interest rate**) but possibly still offer a lower LCOE compared to the equity/tax equity structures behind most existing solar lease products.
- **The intention would be to raise the fund privately but quickly IPO it** once nearly all loans are in service. As the business model is supported by prior YieldCo performance, it **may be possible to directly IPO YieldCos** without raising equity from private sources first.

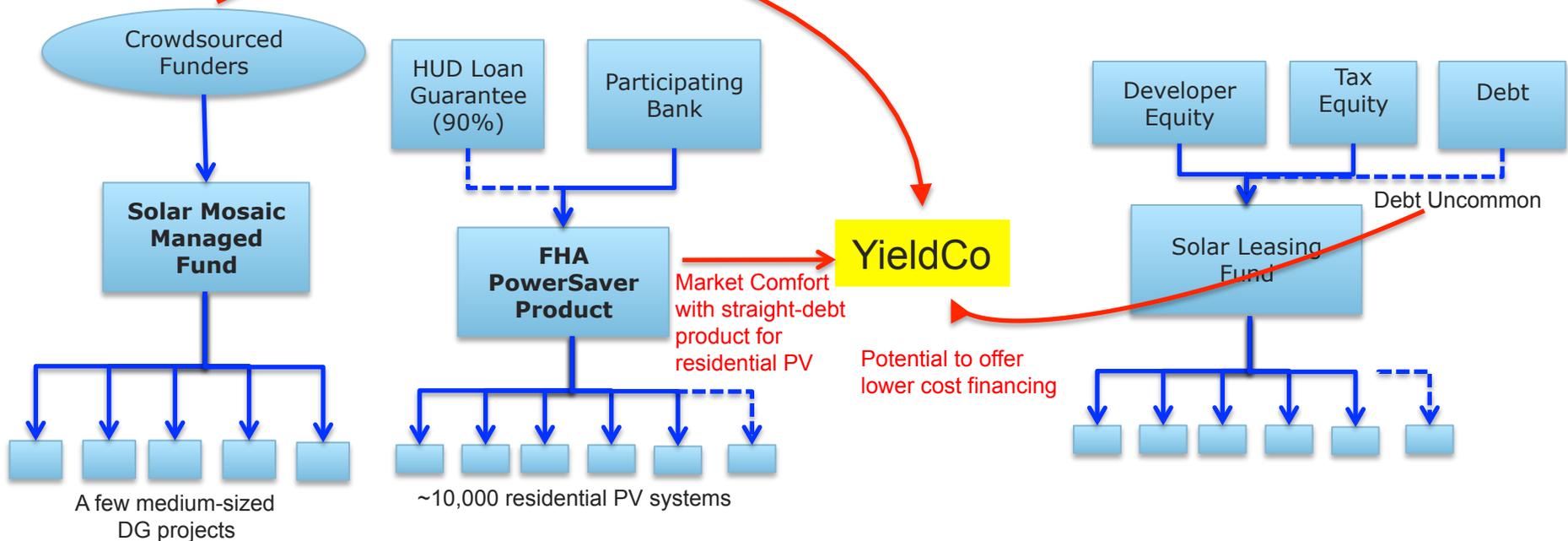
# Accessing Public Markets



# Feasibility

## Comparison Against Other Solar PV Products

TBD - Appetite for shareholder  
Investment in PV-dividend-earning  
Co. with real returns



Rate of Return for  
CS Funders = 0%  
RoR post-Jobs Act = 5-6%  
Project WACC = ?  
Capital = ~\$0.4MM

Rate of Return for Bank = <6%  
Project WACC = ~6%  
Capital = ~\$200MM  
(for solar PV; <50% of total)  
Note: 90% loan guarantee

Weighted Rate of Return = < 12 %  
Project WACC = ~12%  
Capital Deployed = ~\$5-\$10B

# ADDITIONAL OPPORTUNITY ITEMS

- May be a good fit for an existing, highly-subscribed solar leasing company. Raising private capital for YieldCo is likely to be the most challenging aspect of this model (proven lessors in solar PV may be the only ones capable).
- If BDC/RIC entity is pursued for YieldCo, may be able to put up to 50% debt into public YieldCo.
- Appraisal of PV systems in home values by banks and underwriters may eventually undercut YieldCo (lower cost of capital) and existing solar leasing products via home equity-oriented loans.
- Solar Mosaic's crowdsourced funding activities targetting 5-6% returns under JOBS Act may serve as an important public market investor appetite indicator for YieldCo.