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Integrating Renewables into Your Corporate Energy Strategy

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With demands for electric power increasing and concerns for the environment growing, large and small organizations are realizing significant business value by cutting emissions and using renewable forms of energy.

In a business environment keenly focused on reducing operating expenses, these new renewable opportunities give organizations a practical way to address volatile energy costs.

In this white paper, we'll explore benefits renewables offer to organizations as well as pitfalls to avoid when introducing a renewable strategy.

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Renewables: A Brief Overview

Renewable energy refers to electricity supplied from naturally replenished and virtually inexhaustible sources like wind, solar, geothermal, hydro and biomass. These sustainable choices are being used to power businesses of all sizes. While geothermal, hydro and biomass continue to be reliable sources for renewable energy, wind and solar are driving the growth in green energy.

Ways to Purchase Renewable Energy

When looking to incorporate renewables into your energy strategy, there are several ways to accomplish this including: onsite generation, Renewable Energy Credits (RECs) and community/remote net metering. In addition, Power Purchase Agreements (PPAs) provide a way to implement renewables without owning and operating a facility.

Onsite Generation

Onsite renewables can keep electricity costs stable and promote your facility's energy independence. Some renewable installations, like solar, offer the potential to feed excess, unused energy that is generated onsite back into the grid for credit, through net metering or feed through tariffs.

When considering onsite generation, you should ask yourself these key questions:

- What are the corporate sustainability goals?
- What are the economics and incentives?
- How will this installation affect any existing or future supply contract terms?
- What kind of space is available?
- Who is responsible for maintenance?
- What is the long-term commitment?

A popular form of onsite renewable generation is solar. Solar equipment can typically be installed on any available space—building roof, land or parking lot (canopy installation). It directly offsets energy flowing through a utility meter and may be the best way to manage energy usage at key locations. These installations can also offer net-metering opportunities, adding a potential source of income that improves the overall economics. There are federal and state incentives available that may reduce the initial capital cost and ongoing costs of power.

Onsite generation is one of the most powerful solutions to help organizations reduce electricity costs and meet sustainability goals.

Power Purchase Agreements

Organizations can save on energy costs on day one with zero capital outlay through a Power Purchase Agreement (PPA). PPAs allow organizations to contract directly from third-party developers that own and operate the system and provide the power to you, usually at a fixed price for a defined period.

Renewable Energy Credits

Renewable Energy Credits (RECs) allow utilities and end-users to buy and track electricity from renewable sources from the grid. RECs are certificates issued when one megawatt-hour (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy resource. RECs act like renewable energy currency and can be either bought or sold.

Selling RECs

Building and installing an onsite generation facility, like a wind or solar farm, is costly and often exceeds the price of energy in the marketplace. To incentivize green energy, some states have created a way to help subsidize renewable energy installations by allowing organizations to sell the environmental attributes (REC certificates) associated with clean energy. The value of RECs varies based on state incentives.

Buying RECs

Purchasing RECs is a way to offset the electric portion of your carbon footprint without building/owning an onsite generation facility. An organization can purchase RECs without altering their existing business power contract to obtain green power. RECs are not limited by geographic boundaries or transmission restraints: they can be purchased in both deregulated and regulated states.

For companies with facilities in multiple states or affected by multiple energy grids, a consolidated REC procurement strategy can be an ideal option to help reduce emissions, meet compliance requirements, support sustainability goals and demonstrate environmental leadership.

Community Solar

Community renewable or remote net metering projects are becoming more common among townships that want to share a renewable facility or for organizations that cannot install renewable generation on site. Through state programs, end users can enter into remote net metering arrangements and receive credits.

RECs represent the attribute of energy produced from a renewable energy facility and are used like a “green” currency in the marketplace.

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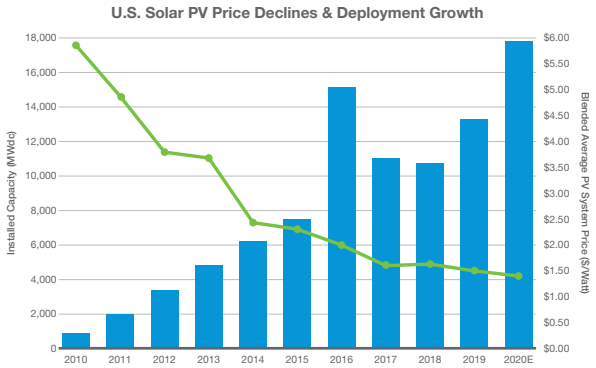
Adding Renewables to Your Energy Portfolio Makes Good Corporate Sense

Renewables Can Help Reduce Energy Costs

The *U.S. Solar Market Insight* (2020) report by Solar Energy Industries Association (SEIA) and Wood Mackenzie Power and Renewables states that the cost to install solar photovoltaic technology (PV) has dropped by more than 70 percent over the last decade, allowing corporate customers to increase the size of their solar PV systems and power larger shares of their operations. Additionally, federal and local governments recognize the benefits of adopting more renewable energy sources by offering tax credits and incentives to improve payback. Because onsite renewable power reduces the amount of energy you buy through the local utility, a clean energy installation can lower the delivery costs on your utility bill.



Sustainability Efforts Can Boost the Bottom Line

By leveraging renewable energy, commercial and industrial entities of all sizes can lock in favorable electricity prices and reduce their reliance on a volatile market. But there are other, extremely significant benefits that may be less obvious. In today's business climate, sustainability and competitive advantage are very closely linked. According to a report released by the U.S. Business Roundtable in August 2019, investors and executives agree that paying attention to Environmental, Social, and Governance (ESG) concerns is good for business performance and strong ESG propositions relate to higher financial returns and lower downside risk.

In a world where environmental, social, and governmental concerns are becoming more urgent than ever, understanding those ties is essential to making sound decisions about how to allocate capital and other resources. In its report, *Five Ways that ESG Creates Value* (2019), McKinsey & Company states that "upwards of 70 percent of consumers surveyed on purchases in multiple industries, including the automotive, building, electronics, and packaging categories, said they would pay an additional 5 percent for a green product if it met the same performance standards as a non-green alternative."

Environmental Stewardship Helps Retain Top Talent

For companies that take environmental stewardship seriously, it's good for their own internal employees to know they have a sustainability plan they're taking seriously and executing. Employees recognize it and approve of it. And, studies have found that employee retention, productivity and overall engagement all go up when corporate sustainability efforts increase.

Graph source: SEIA/Wood Mackenzie Power & Renewables U.S. Solar Market Insight 2020 Q2

Investors and customers alike are putting increased value on companies with strong ESG rankings.

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Avoid These Pitfalls When Incorporating Renewables

Now that we understand that incorporating renewable energy is important to your energy strategy, there are a few pitfalls to watch out for when considering renewable energy options.

Excess Net Metering Credits Result in Large Balance Due

When your organization participates in a remote net metering purchase deal, it is important to understand how net metering credits are applied to avoid a large credit on your utility bill and an unexpected balance due on your supply bill. Contracting for too much energy or not understanding the specific remote net metering rules can result in excess credits on your utility bill.

Misunderstanding the Intricacies of Your PPA Results in Additional Costs

Within a PPA there are certain terms you will need to negotiate. For the cost of energy, your rate will be structured in one of two ways: it will either remain the same for the duration of the contract, or it will escalate at specific times by a set percentage over the contract term.

You also need to consider the RECs generated from the system. Typically, the RECs are owned by the developer. It's important for you to clearly understand who owns and has the right to sell the RECs generated and the possible trade-offs with respect to your PPA price.

It is also important to know who is responsible for maintaining and monitoring the system. Maintenance timing and resources should be considered and defined in the PPA.

Be sure to review the PPA buyout provisions and renewal terms and what factors are driving the price points.

Misunderstanding Your Current Supply Contract Results in Large Penalties

When considering incorporating renewables into your energy strategy, you must be sure your contract is structured to account for future renewable projects.

Consider this scenario:

Your company is interested in installing a solar array, but you're at the tail end of a long-term energy supply contract and it's time to renew. Don't just automatically renew your existing deal. Instead, contact your supplier and make sure they are aware you will be installing a solar array and let them know how much energy you anticipate producing. The supplier will then model their load for the renewed contract based on your new numbers, and you will avoid potential future penalties.

Maintenance responsibilities, timing and resources should be considered to avoid additional PPA costs.

Best Practices for Incorporating Renewables

To help ensure you're choosing the best procurement strategy, getting the best contract terms and avoiding penalties and pitfalls, consider the following before you invest in green energy.

- **Review the terms of your supply contract** to find out if introducing renewables into your energy strategy will impact your existing deal.
- **Be transparent with your energy supplier.** If you know you want to install a solar array, for example, have the discussion up-front and structure your contract in such a way that allows for that.
- **Understand the terms of your PPA.** There are a lot of different factors you'll need to consider and negotiate. For example, what's the price for power and how does it escalate?
- **Understand your renewable project economics.** Think about economic feasibility scenarios and what the market could do under a high-case scenario, flat-case scenario and low-case scenario. Consider how state and federal incentives will impact your unit cost.
- **Measure and monitor your project for ESG reporting.** Consider how you will collect the data needed for ESG disclosures. Organize your metrics and implement controls to ensure accuracy and transparency.

With insight and expertise you can unlock the maximum benefit renewable energy can offer your organization.

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Conclusion

Incorporating renewables into your energy strategy can be a worthwhile investment for an organization. When you take time to study your current contract, research viable options and communicate your intentions, you set yourself up for the advantages of investing in renewable energy and reduce the possibility of unwanted surprises.

About NextEra Energy Services

NextEra Energy Services is a wholly-owned subsidiary of NextEra Energy Resources, the world's largest generator of renewable energy from the wind and sun, and part of NextEra Energy, Inc., a Fortune 200 energy company with roughly 45,900 megawatts of generating capacity.

For decades our team has helped customers create specific strategies to better manage their energy requirements. We develop customized energy solutions for more than one million consumers, businesses, institutions and municipalities across the U.S. Our proven processes enable us to successfully deploy renewable energy projects while mitigating risk, which we consider an integral metric in achieving "best value." NextEra utilizes a robust communication, command, and control system established to forecast, minimize, and mitigate risk, which has been continually refined over more than 20 years. Accordingly, our approach to mitigating project risk comes from an unparalleled depth of experience throughout our organization and leadership.

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