

US EPA Webinar

Solar Power Purchase Agreements

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Staples Inc.

- Staples is the world's largest reseller of office products
- Operations in 27 countries
- Business is comprised of Retail, Contract and International
- Real Estate portfolio consists of retail stores, distribution facilities and offices ranging in size from <3,000 sq ft.-1,000,000+ sq. ft.
- 98% of retail portfolio is leased not owned



Integrated Energy and Carbon Management Strategy

- US EPA Climate Leaders goal of a 7% absolute carbon reduction by 2010 on a 2001 base
- Green building design including LEED certified retail and distribution facilities
- Energy conservation
- Energy efficiency retrofits
- Renewable energy purchases
- Alternative drive train/ fuel vehicles
- On site distributed generation; wind, solar, fuel cells
- Credible, certified, additional carbon offsets i.e. RECs



Staples "Historic" View of Solar Energy

- Too expensive
- Too much financial risk on leased building portfolio
- Poor ROI
- Other technologies offered better energy management and carbon mitigation strategies offering higher return at lower risk



Staples Solar Services (SPPA) "Challenges"

- Solar Power Purchase Agreement was not well recognized or understood in 2004
- Educate internal stakeholders CEO, CFO, RE, Construction, Facilities and Energy departments
- Educate external stakeholders, LLs, Property Managers, Utilities and Government
- Roof responsibilities and warranties
- Length of term exceeding Staples initial standard lease term



Site Considerations

- State Renewable Portfolio Standards (RPS) and strong solar programs
- High cost of energy markets
- Age and type of roof
- Structural integrity of building to accommodate system and wind and snow loads
- Building orientation, shading, adjacent use
- Owned and leased buildings with significant remaining term
- Store performance and potential



Benefits of Solar Service Model (SPPAs) to Staples

- No capital investment
- No operating and maintenance expense
- Long term price certainty for load produced from the array
- Cost per kWh below bundled price of power off the utility grid
- Opportunity to shed peak load
- Hedge against prices associated with fuel and transmission and distribution charges
- Opportunity to integrate solar into the overall carbon and energy strategy at an affordable cost



SPPA Partner/ Contractor Considerations

- Financial stability
- Experience, how many MWs have they installed and where?
- How many commercial and utility scale versus residential installations have they performed?
- How many facets of the installation does the company control directly versus contract out?
- Are there hidden cost considerations i. e. inverter replacements not covered under SPPA?
- Monitoring and maintenance capabilities



Solar Trends

- SPPAs are well recognized and they far out pace the ownership model for development
- LLs and Property Management companies are more receptive with this model particularly in states such as NJ and CA
- Utility/ regulatory "friction is slowly disappearing
- Installed cost \$ per Watt is coming down
- More states adopting Renewable Portfolio Standards (RPS)



Long term Staples Solar Strategy

- Staples is committed to “farming” the rooftops of our extensive RE portfolio to maximize current and future solar hedge value
- Changes in standard lease language and prototypical building plans and specifications to more easily accommodate solar during the initial build out or when the economics allow for future installation
- Solar will continue to contribute a larger role in Staples overall carbon reduction and integrated energy management plan



Questions?

