

## Soltage: 'It feels like a golden time in solar right now'



A Soltage project in Massachusetts

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5 Minutes with Jesse Grossman, co-founder and chief executive of Soltage

A decade ago, a group of students at the Yale School of Management hammered out an idea for a company that would develop, finance and own PV systems on commercial and industrial (C&I) buildings, selling the power to the occupants while taking advantage of any relevant incentives.

Upon leaving school, two of those students seized the idea and launched **Soltage**.

The company grew steadily in its early years, weathered the financial crisis and in recent years has accelerated its expansion up and down the US East Coast.

Yet perhaps the biggest moment in Soltage's history came in spring this year, when **Tenaska**, the large US independent power producer, [acquired a controlling interest](#) (having first invested in the company in 2008). With Tenaska behind it, Soltage intends to deploy at least \$250m this year and next, targeting the C&I and small utility-scale solar sectors. The company owns 80MW today but has much bigger ambitions.



**Jesse Grossman**

**Of all the US solar markets, why C&I?**

Because we saw a real gap in the market. With the market for utility-scale projects, it seemed to us that there were going to be a few big players who would be the winners, and it would be hard to compete. And on the residential side, it's just a real volume business. It involves lots of trucks and boots and people knocking on doors and call centres... all for individual projects that are 1-3kW. The C&I market seemed underserved, complex, fractured. And in that complexity we saw opportunity.

**The C&I market may have been underserved a decade ago. But these days it's attracting a lot of attention and investment. Residential specialists, like SolarCity, as well as utilities, like Duke Energy, are moving in. How does the competitive landscape look today?**

It's different than if we were operating in a fully mature, saturated market. We're in an environment where not only is there a really large addressable universe of potential clients that haven't ever been touched [by solar companies]... but that universe is also expanding constantly. Solar is still at less than 1% of penetration in the US energy mix. So it really feels like a golden time in solar right now, where we're expanding very quickly from a small base.

Is there competitive pressure? Yes. But do we feel that retards or slows our growth? Or is it reflective of this market being viable and alive? I think

it's more on the latter side. If we're in front of a client and two competitors are also there, we see that as a good thing, as opposed to us being the only solar company that's ever knocked on their door, and they're asking us questions like, "Does solar really work?"

**What does Tenaska's acquisition mean for Soltage?**

It was a transformational investment for us. In taking a majority position, they not only give us resources at the corporate level, but they've also made a significant commitment at the portfolio level.

**Meaning that as quickly as you can find and build projects, they're ready to invest in them?**

Exactly.

**That must be nice.**

It's great. [Laughs.] It's the holy grail in terms of what we were seeking in an investment partner.

**So with Tenaska now fully behind you, what sort of growth are you targeting?**

If we're doing anywhere between 50MW and 100MW a year for the next couple of years, that's going to lead us in three or four years to being a company with 300-500MW under management. Which is significant by the standards of any energy company.

**Soltage is an East Coast company. When you launched the business nearly a decade ago, why New Jersey as opposed to California?**

At the time we made the decision of where to locate – around 2005-06 – there were two active solar markets in the US: New Jersey and California. We were coming from Connecticut, so we had connections on the East Coast. But another factor

was that by being in New Jersey, there were literally five states we could drive to within a day that either had a renewables portfolio standard programme in place or were set to enact one.

What we've typically seen with statewide solar markets in the US is they'll have a ramp-up period, then there will be a really good time to invest and build, and then the market will cycle down again until a new programme comes along. We'd like them to be more stable, but the reality is we've had to be policy takers rather than policy makers. So being on the East Coast, with access to a number of markets as they went through their incentive cycles, has been important for us.

### **What does your geographic footprint look like today?**

Our initial concentration was Connecticut and New Jersey, and we've moved on to New York, Massachusetts, Vermont, Rhode Island, Delaware, and then down to North Carolina. Just this quarter we hired the first Soltage employee west of the Mississippi [in Colorado]. And soon we'll hire someone in the Southeast, either in Georgia or North Carolina.

### **What will happen to the US solar market if the investment tax credit (ITC) falls to 10% at the end of 2016?**

In the markets where we play – C&I and small utility-scale – our belief is that on 1 January 2017 we'll have a more vibrant solar market in this country than we did in 2016. There are a few things that will contribute to that.

The first is falling costs. The cost of capital has come down dramatically in the past few years, and that will continue throughout 2015 and 2016, even in an environment where interest rates are going up. And then you have equipment costs. When we started out, we were investing in solar at \$5-6 per watt. Now in some parts of the US it's \$1.20-1.25. We've seen dramatic cost declines, and there's a clear road map to further reductions based on [lower project costs] in Europe and Latin America.

I think you can also argue that in some US markets the ITC is a little more than what's needed. Lately we've seen developers proposing projects with power-purchase agreements [PPAs] of \$0.04/kWh, even down to \$0.03/kWh. When you think about the rational value of a kilowatt of solar energy, you'd have to say it's more than 3 cents a kWh. So if the ITC goes down to 10% in 2017, I think you'd see some rationalisation on PPA prices, which would help to offset [the lower incentive].

*Note: This interview has been edited and condensed for clarity.*