



Financing & Project Economics

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Agenda

- ❖ Mass Save[®] & Custom Financing
- ❖ Financing & Project Economics
- ❖ Mass Save[®] Financing Process Flow
- ❖ Insider Insight on Financing

51% of the Global 500 have publicly declared GHG reduction goals; EE major priority

Why?

65% Estimated percentage of buildings that exist today that will still be in use in 2050

42% Worldwide, buildings consume 42% of all energy – more than any other asset

20% - 40% Energy savings available on existing buildings over 5 years old

16% Employee productivity increases up to 16% with improved indoor environment

6% Increase in effective rents commanded by energy efficient buildings



Product Matrix

Sector	Product	Min Loan Amt	Max Loan Amt	Max Term (mo)	Loan Interest Rate
Owner Occupied Residential (1-4 units)	Micro	\$500	\$2,000	24	0.00%
	Standard	\$2,001	\$15,000	84	0.00%
	Extended	\$15,001	\$25,000	84	0.00%
Non-Owner Occupied Residential (1-4 units)	Standard	\$5,000	\$25,000	84	0.00%
C&I, Multi-family (5+ units), Non-Profits	Standard	\$5,000	\$25,000	84	0.00%
	Large	\$25,001	\$100,000	84	0.00%
	Custom	\$100,001	No Max	Varies	Varies

Note:

1. Interest rate charged to customer will be 0.00% for Loan sizes under \$100,000. Utility to pre-pay interest expense when loan appropriated.



Custom Financing Options

- Customized financing can be attained for projects over \$250K
- Financing vehicle and parameters can be customized to meet customer or project needs
 - Financing Type: Loan/Lease/Bond/Performance Contract
 - Term
 - Capex vs. Opex
 - Stipulated vs. Realized Savings
 - Covenants
 - Interest Rate: varies depending on above factors & risk

Commercial & Industrial Financing (Incl. Multi-Family and Non-Profit)	Federal	State	MUSH*	Industrial/Large C&I	Commercial Properties	Small C&I
Loans						
Mass Save [®] Financing	○	◐	●	●	●	●
Commercial PACE/Equity Investment	○	○	◐	◐	◐	◐
Construction Loan	○	○	◐	●	●	◐
Commercial Loan/Line of Credit	○	○	◐	●	●	◐
Vendor Financing	○	○	◐	●	●	●
Consumer Lending (Personal loan, HELOC, etc.)	○	○	○	○	○	●
Energy Performance Contracts						
Energy Service Agreement	●	●	●	●	◐	◐
Shared Savings Agreement	●	●	●	●	◐	◐
Guaranteed Savings Agreement	●	●	●	●	◐	◐
Leases						
Capital/Operating/Seasonal/True Lease	○	○	◐	●	●	◐
Tax Exempt Lease-Purchase Agreement	○	●	◐	○	○	○
Commercial Equipment Lease	○	○	◐	●	●	◐
Federal Alternative Finance Contract	●	○	○	○	○	○
State Sponsored Financing for Private & Non-Profit Industry						
Boston Local Development Corporation (BLDC)	○	○	○	◐	◐	●
Boston Industrial Development Financing Authority (BIDFA)	○	○	◐	●	●	○
Massachusetts Development Corporation	○	○	◐	●	●	○

● Applicable ◐ Somewhat Applicable ○ Not Applicable

* Municipal, University, School, Hospital



Mass Save[®] Financing Example

Project: Retrofit of various process systems and new premium motors and Variable Speed Drives.

Total Project Cost:	\$ 145,000	kWh Savings:	300,000
PA Incentive:	<u>\$ 58,000</u>	Monthly Savings*:	\$ 3,750
Net Customer Cost:	\$ 87,000	Annual Savings*:	\$ 45,000

No Financing	
Customer Initial Outlay:	\$ 87,000
Monthly Savings:	\$ 3,750
Monthly Payments:	\$ 0
<ul style="list-style-type: none"> • Customer pays full customer contribution out of pocket • Customer experiences full savings from day 1 	

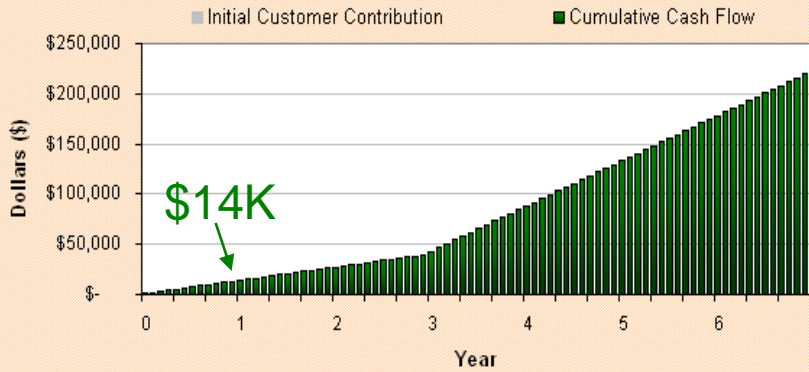
Financing – 36 months	
Customer Initial Outlay:	\$ 0
PA Loan Subsidy:	\$ 8,637
PA Incentive:	<u>\$ 49,363</u>
Total PA Incentive:	\$ 58,000
Net Customer Cost:	\$ 95,637
Monthly Savings:	\$ 3,750
Monthly Payments:	<u>\$ 2,657</u>
Financing Period Cash Flow:	\$ 1,093
<ul style="list-style-type: none"> • Customer finances customer contribution • Customer pays only principle amount • Energy savings pay for finance cost • No initial outlay required • No additional monthly outlay required 	

* Savings assumes all-in rate of \$0.15/kWh saved

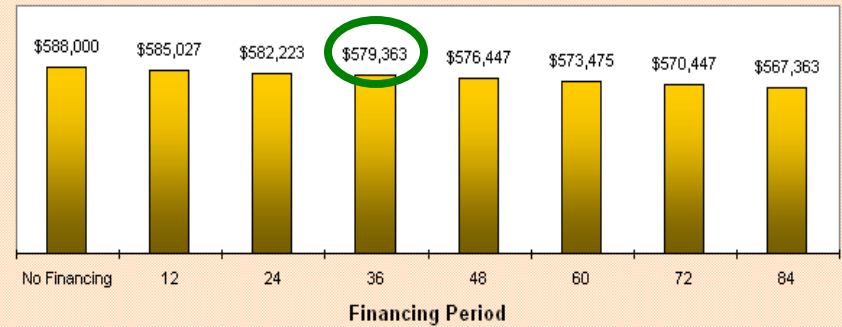
Mass Save[®] Project Economics

Cumulative Savings of Energy Efficiency Investment

Period: 84 Months

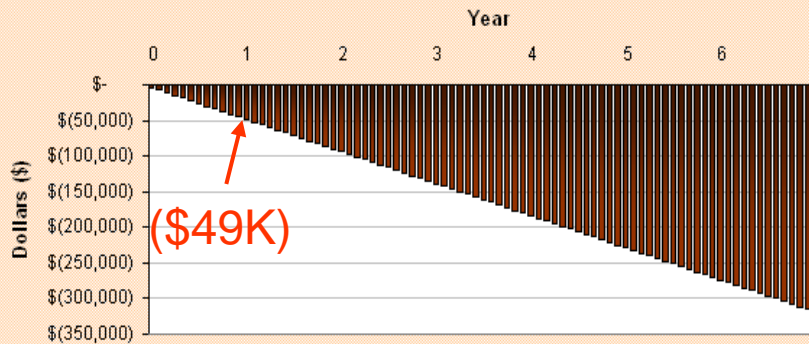


Simple Life Time Savings (less Initial Capital or Financing Requirement)

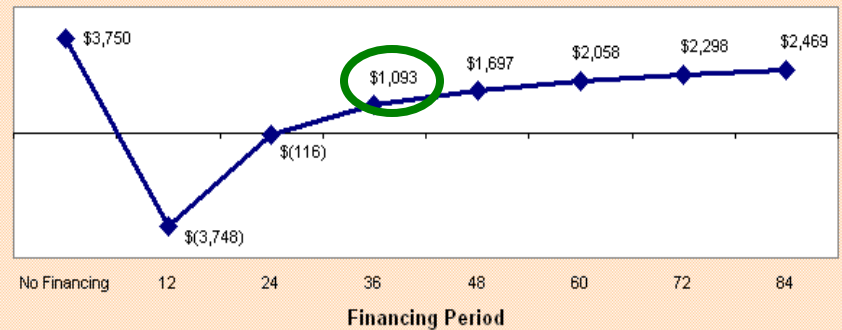


Cumulative Opportunity Cost of Business as Usual

Period: 84 Months



Monthly Cash Flow (during Financing Period)



Financing Process Flow

1

Customer submits **custom** EE application



PA accepts application and assess project; PA provides Customer with **C&I Loan Subsidy Authorization Form**



Customer seeks approval from Lender;
Lender notifies PA whether loan is approved



Assumes Lender approves loan

Project commences; post inspection is performed when project finishes



Assumes work qualifies

Customer submits final costs to Lender & PA.
PA notifies Lender post inspection approved.
Two-party check made in name of Contractor.



Lender gives check(s) to Customer*
Customer signs check over to Contractor



2

Utility pre-pays interest to Lender once loan appropriated; PA releases Incentive to Customer

* Two-party check requirement may be waived at PA's request.

Financing in Current Economy

- Banks have no shortage of capital
 - April 2010 Massachusetts Bankers Association report indicated C&I lending in MA continued to grow year over year during financial crisis
- Underwriting has become stricter
 - Tighter credit criteria
 - Lower credit limits
- Lenders prefer
 - Shorter terms
 - Tighter covenants
- Despite financial crisis, funding is available for good projects
 - Rates are still competitive
 - Large variety of financing mechanisms available
 - Federal, State, Municipal and Utility incentives continue to aid project economics
 - Tax benefits (accelerated depreciation, tax deductions, tax credits)
 - Federal Grant Programs & Federal Loan Programs and Guarantees
 - State & Municipal grants and loan programs
 - Utility/Energy Service Provider Incentives/rebates

Questions?

