Rethinking Traditional Finance: How Efficiency-as-a-Service Unlocks New Potential for Business

Thursday, August 23rd, 2018 from 4:00pm – 5:30pm
Panelists

Moderator
- **Holt Mountcastle**, RE Tech Advisors

Speakers
- **Alanna Gino**, Redaptive
- **Bob Hinkle**, Metrus Energy
- **Richard Braam**, Bristol Hospital
Alanna Gino
Redaptive
Scaling Energy Efficiency for C&I
Better Buildings Summit 2018
Redaptive Tackles Industry Challenges – Unlocks and Accelerates EE

- Address key barriers to portfolio-wide adoption
  - Cover all material, labor costs and project management of retrofits
  - Eliminate financing impact – off balance sheet
  - Full risk transfer (project performance, rebate allocation, cost overruns)
  - Verified equipment level savings and data analytics
How it EaaS Works – Simple Shared Savings Model

Redaptive provides unparalleled transparency into shared savings

Redaptive Service
- Audit
- Design
- Install
- Maintenance

Contracted Customer Payments

**Lighting Spend Today**
- 1,000,000 kWh Consumed / Year
- $100,000 Paid

**Redaptive Shared Savings During Contract**
- 500,000 kWh Saved
- $15,000 / Year Retained
- $35,000 / Year Paid
- 500,000 kWh Consumed
- $50,000 / Year Paid (Utility)
- $15,000 / Year Retained

**Customer Savings After Contract Term**
- Years 1-5
- $50,000 / Year Retained
- Years 5-10
- $50,000 / Year Paid (Utility)
Key EaaS Differentiators

Term Lengths
Contracts can be as short as 3-5 years vs 10-30 yr ESCO contract

Actual Validated Savings
Measure equipment level consumption and bill for *actual, measured* savings

Not a Lease
EaaS is treated as a service and is classified as an operating expense - swap part of OpEx Utility Bill for Redaptive Savings Bill

Customer Friendly
Flexible terms allow for early termination, transfer of contract ownership, and performance outs
Simple and Streamlined Contracting Speeds Deployments

Redaptive Master Agreement

- Off Balance Sheet “Service Agreement”
- Defines Key Program Parameters

Technology Solution Addenda
- Technology Partners
- Easily Add New Technologies

Site Specific SOWs

- Portfolio Management Approach
- Simple One-page Structure
Customer Rollouts Across a Variety of Sectors

- Hospitals, Manufacturing, Telecom, Industrial, Warehouses
- 1,120 Customer Sites installed or underway
- Nationwide and across 153 different utility regions

**Generated nearly 500 million kWh of energy reductions**

### Telecom

- Scope and Savings
  - 490 Sites
  - Annual Net Operating Savings: $22M
  - Projected 10-Yr Savings: $220M

### Industrial Laundry

- Scope and Savings
  - 253 Sites
  - Annual Net Operating Savings: $2.7M
  - Projected 10-Yr Savings: $31.6M
Thank You!

Alanna Gino
Director of Marketing

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REDAPTIVEINC.COM
Delivering Efficiency as a Service: The Metrus ESA

August 2018
Overview

- Metrus develops, finances, owns, and operates large-scale efficiency projects for Fortune 500 companies and major institutional customers.
- Metrus partners with leading ESCOs, contractors and lending partners to design, finance, construct and maintain projects.
- Metrus sells efficiency as a resource. We put our capital to work so our customers don’t have to.
- Metrus has operational energy and water efficiency projects in 20 different states, resulting in savings over 1.1 billion kWh.
### Metrus Sells Energy Efficiency

<table>
<thead>
<tr>
<th>Development</th>
<th>Financing</th>
<th>Operations</th>
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<tbody>
<tr>
<td>Identify efficiency upgrades</td>
<td>Fund 100% of project costs</td>
<td>Measure performance and savings</td>
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<tr>
<td>Design project scope</td>
<td>Own project assets</td>
<td>Cover ongoing maintenance costs</td>
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<tr>
<td>Structure financing solution</td>
<td>Monetize available incentives</td>
<td>Identify new savings opportunities</td>
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Origins of the Metrus ESA

Efficiency Services Agreement

- Funds 100% of total project costs
- Third-party ownership of energy and water efficiency assets
- Pay-for-performance structure
- Covers construction, O&M, M&V
- Off-balance sheet accounting

Power Purchase Agreement

Traditional Performance Contract
ESA
Metrus funds 100% of project cost, takes title to equipment, and pays for ongoing maintenance and monitoring. Customer pays service charge for realized savings.

ESPC
ESCO (contractor) designs project, installs efficiency equipment, and provides long-term maintenance and monitoring services.
Key Customer Benefits

**FINANCIAL**
- No capital outlay (cap-ex dollars can be invested in core business)
- Immediate positive cash flow through energy and water savings
- Pay-for-performance ESA removes risk
- Preservation of debt capacity

**OPERATIONAL**
- Key equipment upgrades that increase resiliency and reliability
- Improved efficiency of building operations and systems
- Ongoing maintenance and monitoring services
- Flexibility to add new upgrades
### Scope of Work

<table>
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<tr>
<th><strong>TYPICAL PROJECT PROFILE</strong></th>
<th><strong>TYPICAL EFFICIENCY MEASURES</strong></th>
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<tr>
<td>Integrated energy and water efficiency retrofits</td>
<td>Building automation and controls</td>
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<tr>
<td>Project size is generally $1-15 million</td>
<td>Lighting retrofits and controls</td>
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<tr>
<td>ESA (project) term is generally 5-15 years</td>
<td>Heating, ventilation and air conditioning (HVAC)</td>
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<td>Central plant systems</td>
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<td>Boiler replacement and system improvements</td>
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<td>Pumps, fans, motors, and drives</td>
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<td>Cogeneration (on-site electricity generation)</td>
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<td>Water efficiency measures</td>
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ESA – Service Charge

Service charge = (physical units of savings) x (service rate,$/unit) + operational savings

Savings created by:
1. Year 1 service charge is ≤ avoided utility cost
2. Fixed annual escalation is ≤ expected utility rate increase
Project Lifecycle

- Start: Preliminary assessment
- Project financial review
- Initial customer approval
- Project-level contracts
- Final project scope
- Detailed assessment
- Sign Letter of Intent
- Closing: Project construction
- Project operations; identification of new efficiency measures
- End of term: Ongoing savings
- Sign Project Contracts
CASE STUDY

Fortune 100 Technology
35 SITES • 12 STATES
• LED lighting upgrades
• Building management systems

Total investment: $53.6 Million
Total annual savings: $12.1 Million
Annual CO₂ savings: 95,277 Tons
BAE Systems

6 SITES • 3 STATES

- Lighting retrofits (interior & ext.)
- Building automation & controls
- Boiler and chiller replacement
- Transformer replacement
- Demand control ventilation
- Building envelope improvements

Total investment: $12 Million
Total annual savings: $4.1 Million
Annual CO₂ savings: 15,000 Tons
CASE STUDY

Fortune 500 Manufacturing

- LED lighting upgrades
- Variable frequency drives

Total investment: $4.2 Million
Total annual savings: $631,203
Annual CO₂ savings: 2,836 Tons
Bristol Hospital

- LED lighting retrofit
- Energy management system
- Power factor correction
- Steam trap replacements
- HVAC and AHU replacement
- Water efficiency

Total investment: $4.2 Million

Total annual savings: $525,000

Annual CO₂ savings: 1,320 Tons
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Energy Efficiency as a Service at
Bristol Hospital and Healthcare Group
Bristol Hospital & Healthcare Group - Background

- Located in Bristol, Connecticut
- Full continuum provider – EMS, Physician Group, Hospital, Skilled Nursing, Home Care, Hospice
- Limited borrowing capacity due to significant investment in physician practice ramp-up and State Provider Assessment (Hospital Tax)
Bristol Hospital & Healthcare Group - Background

- 369,216 square feet of aging facilities
- Significant deferred maintenance (approx. $60M)
- Air Handlers were in dire need of replacement (50 years old)
Bristol Hospital & Healthcare Group – ESA Project

• BHHCG introduced to Metrus Energy in 2015
• ESA provided an off balance sheet, no upfront capital outlay solution for AHU replacement
• Extensive project – in addition to HVAC, also addresses lighting, plumbing, etc. Scope of work is 17 pages long.
Bristol Hospital & Healthcare Group - Issues

- Lenders & Lawyers
- Metrus’ lender was seeking lien on AHUs
- BHHCG bond insurer would not permit such a lien
Bristol Hospital & Healthcare Group - Solution

• First and foremost – ditch the Lawyers
• Direct conversations between BHHCG CFO and Metrus CEO
• We were both motivated to get the deal done
• We were able to establish Metrus a position as a secured creditor
Bristol Hospital & Healthcare Group - Status

- Work is underway & progressing on schedule
- Virtually no disruption – critical for a hospital
- Great deal of flexibility shown by contractors
Questions?