72% of America’s building stock is >20 years old

77% of companies cite capital & financing constraints as obstacles to sustainability

20-40% annual energy savings achieved from retrofit projects

Which Financing Vehicle Gets you on the Road to Energy Efficiency?
The Road to Energy Efficiency Starts Here

Energy Efficiency Financing Vehicles

Self Service & Lower Energy Savings

SELF-FUND: Pay up-front with cash or credit

TAX EXEMPT BOND: Borrow for large-scale ($10 million+) retrofits at public sector facilities

LEASE: Rent-to-own for a fixed price

Traditional Service and Energy Savings

PACE (Property Assessed Clean Energy): Pay-to-own using a priority property tax lien

Full Service and Higher Energy Savings

MESA (Managed Energy Services Agreement): Pay-to-own using a fixed service charge set equal to historical costs by giving control of your utility bill to the MESA provider

ESA (Efficiency Services Agreement): Pay-to-own using a service charge set below historical utility costs that reduces operating expenses and mitigates performance risk
Can you achieve your energy efficiency goals and meet your internal investment requirements?

Do you have available cash?

Do you have access to tax exempt financing and have no balance sheet constraints?

Are there more strategic uses for your balance sheet than energy efficiency?

Is a services agreement that provides for third-party ownership of energy efficiency assets of interest?

Do you want to maintain control of your utility bill?

Is your facility located in a commercial PACE jurisdiction?
What’s Under the Hood?

**SELF-FUND**
- Pay for a project out of internal capital budget or by taking out corporate debt
- On-balance sheet
- Customer retains all savings but assumes project performance risk
- Capital budget constraints often lead to single measure, short-term projects that limit savings and don’t optimize total building performance

**TAX EXEMPT BOND**
- Up to 100% financing for 15 to 20-year terms
- On-balance sheet
- Low cost of capital (i.e., tax exempt financing rates)
- Limited to public sector customers with large-scale projects due to the high cost of bond issuance

**LEASES**
- Up to 100% financing via a capital or operating lease
- 5 to 10 year lease terms (longer terms, up to 15 years, are possible for tax exempt customers)
- On-balance sheet (upcoming accounting changes will likely eliminate the use of operating leases)
- Relatively flexible on credit quality
- Best for big ticket equipment
- Customer owns project performance risk due to fixed lease payments

**COMMERCIAL PACE**
- Up to 100% financing for 15 to 20 year terms
- Obligation is secured by priority lien on real property
- Customer payments are fixed
- PACE repayment is tied to property, not present owner
- Requires mortgage holder consent, which may be time consuming and tough to get
- Although 35+ states have PACE, many do not have active programs
- Emphasis on commercial real estate

**MESA**
- 100% financing
- Off-balance sheet
- Can fund long (5-10 year) payback period projects
- Cash flow positive pricing, payments set below current historical utility costs and based on per unit energy savings (i.e., a “negawatt” charge)
- Providers manage projects and costs, assume performance risk and give advice
- Ability to fund multi-facility projects
- Strong customer credit profile, emphasis on owner-occupied facilities

**ESA**
- 100% financing
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Before you get on the road, you should take advantage of all possible assistance

<table>
<thead>
<tr>
<th>INCENTIVES</th>
<th>FINANCING SUPPORT</th>
<th>PERFORMANCE GUARANTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Rebates:  Utility programs pay for a portion of total energy efficiency project costs or for discrete efficiency upgrades.</td>
<td>On-bill Repayment:  A customer’s regular utility bill would include an added line item for energy efficiency project payments. Some lenders view this as credit support given the historically low default rates on utility bill payments.</td>
<td>ESCO Performance Guaranty:  Guarantees issued by large ESCOs or contractors with a strong balance sheet that protect customers and financers from shortfalls in project performance.</td>
</tr>
<tr>
<td>Interest Rate Buy-downs:  Federal, state and utility programs lower the borrowing cost (i.e., interest rate) for energy efficiency projects.</td>
<td>Credit Enhancement:  Federal, state and local programs provide loan loss reserves, loan guarantees and other protections that provide credit support for energy efficiency.</td>
<td>Energy Savings Insurance:  Specialty insurance products backstop energy savings on projects to mitigate performance risk. Insurance products can be used in lieu of ESCO guarantees when a contractor is unable or unwilling to provide a financeable guarantee.</td>
</tr>
<tr>
<td>Tax Deductions:  Federal tax deductions for building owners who implement efficiency upgrades that meet pre-defined performance thresholds.</td>
<td>Free Energy Assessments:  No-cost technical services and engineering support that help identify and screen suitable energy efficiency projects.</td>
<td></td>
</tr>
</tbody>
</table>

**Self-Fund Tax Exempt Bond**
On-bill Repayment:
A customer's regular utility bill would include an added line item for energy efficiency project payments. Some lenders view this as credit support given the historically low default rates on utility bill payments.

Credit Enhancement:
Federal, state and local programs provide loan loss reserves, loan guarantees and other protections that provide credit support for energy efficiency.

Free Energy Assessments:
No-cost technical services and engineering support that help identify and screen suitable energy efficiency projects.

Pick the right financing vehicle and get on the road to achieving meaningful energy savings and making important building upgrades.
Metrus utilizes its fleet of no-first-cost efficiency financing vehicles to develop and fund projects at commercial, industrial and institutional facilities. To learn more, please visit MetrusEnergy.com  email: info@MetrusEnergy.com  call: 415.284.5000

Sources:
#1 EIA, CBECs 2003, Table B9
#2 Source: Pike Research and LBNL