



## Which Financing Vehicle Gets you on the Road to Energy Efficiency?

72%

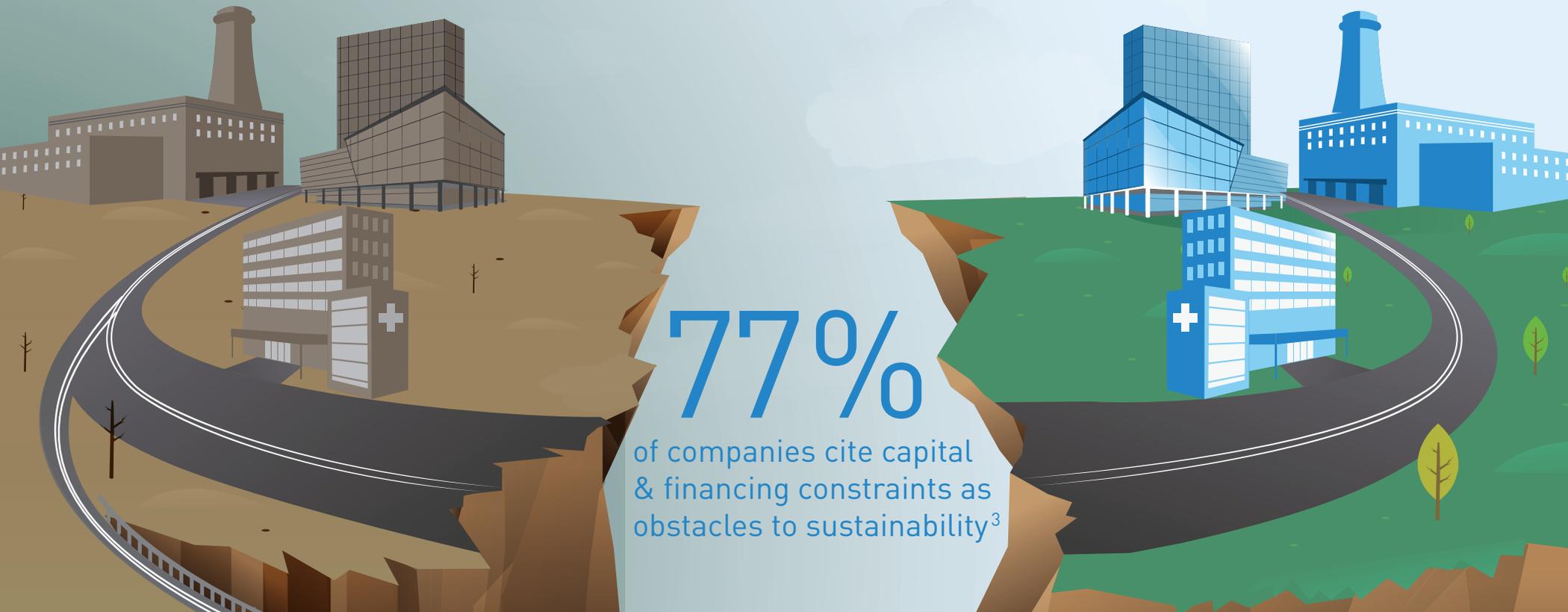
of America's building stock is >20 years old<sup>1</sup>

20-40%

annual energy savings achieved from retrofit projects<sup>2</sup>

77%

of companies cite capital & financing constraints as obstacles to sustainability<sup>3</sup>



The Road to Energy Efficiency Starts Here

# Energy Efficiency Financing Vehicles

SELF-FUND

TAX EXEMPT BOND

LEASE

PACE

MESA

ESA

Self Service & Lower Energy Savings

Traditional Service and Energy Savings

Full Service and Higher 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

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

**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?

Yes

No

Do you have available cash?

Yes

No



SELF-FUND

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

Yes

No

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

Yes

No



TAX EXEMPT BOND OR LEASE



LEASE

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

Yes

No

Do you want to maintain control of your utility bill?

Yes

No



ESA



MESA

Is your facility located in a commercial PACE jurisdiction?

Yes

No



PACE



LEASE

# What's Under the Hood?

SELF-FUND	TAX EXEMPT BOND	LEASES	COMMERCIAL PACE	MESA	ESA
<p>Pay for a project out of internal capital budget or by taking out corporate debt</p> <p>On-balance sheet</p> <p>Customer retains all savings but assumes project performance risk</p> <p>Capital budget constraints often lead to single measure, short-term projects that limit savings and don't optimize total building performance</p>	<p>Up to 100% financing for 15 to 20-year terms</p> <p>On-balance sheet</p> <p>Low cost of capital (i.e., tax exempt financing rates)</p> <p>Limited to public sector customers with large-scale projects due to the high cost of bond issuance</p>	<p>Up to 100% financing via a capital or operating lease</p> <p>5 to 10 year lease terms (longer terms, up to 15 years, are possible for tax exempt customers)</p> <p>On-balance sheet (upcoming accounting changes will likely eliminate the use of operating leases)</p> <p>Relatively flexible on credit quality</p> <p>Best for big ticket equipment</p> <p>Customer owns project performance risk due to fixed lease payments</p>	<p>Up to 100% financing for 15 to 20 year terms</p> <p>Obligation is secured by priority lien on real property</p> <p>Customer payments are fixed</p> <p>PACE repayment is tied to property, not present owner</p> <p>Requires mortgage holder consent, which may be time consuming and tough to get</p> <p>Although 35+ states have PACE, many do not have active programs</p> <p>Emphasis on commercial real estate</p>	<p>100% financing</p> <p>Off-balance sheet</p> <p>Can fund long (5-10 year) payback period projects</p> <p>Cash flow neutral pricing, payments set equal to historical utility costs</p> <p>Providers manage projects and costs, assume performance risk and give advice</p> <p>MESA provider takes control over customer-utility relationship (MESA provider pays customer utility bills)</p> <p>Strong customer credit profile, emphasis on commercial real estate</p>	<p>100% financing</p> <p>Off-balance sheet</p> <p>Can fund long (5-10 year) payback period projects</p> <p>Cash flow positive pricing, payments set below current historical utility costs and based on per unit energy savings (i.e., a "negawatt" charge)</p> <p>Providers manage projects and costs, assume performance risk and give advice</p> <p>Ability to fund multi-facility projects</p> <p>Strong customer credit profile, emphasis on owner-occupied facilities</p>

# Before you get on the road, you should take advantage of all possible assistance

## INCENTIVES



### Utility Rebates:

Utility programs pay for a portion of total energy efficiency project costs or for discrete efficiency upgrades.



### Interest Rate Buy-downs:

Federal, state and utility programs lower the borrowing cost (i.e., interest rate) for energy efficiency projects.



### Tax Deductions:

Federal tax deductions for building owners who implement efficiency upgrades that meet pre-defined performance thresholds.

## FINANCING SUPPORT



### 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.

## PERFORMANCE GUARANTY



### ESCO Performance Guaranty:

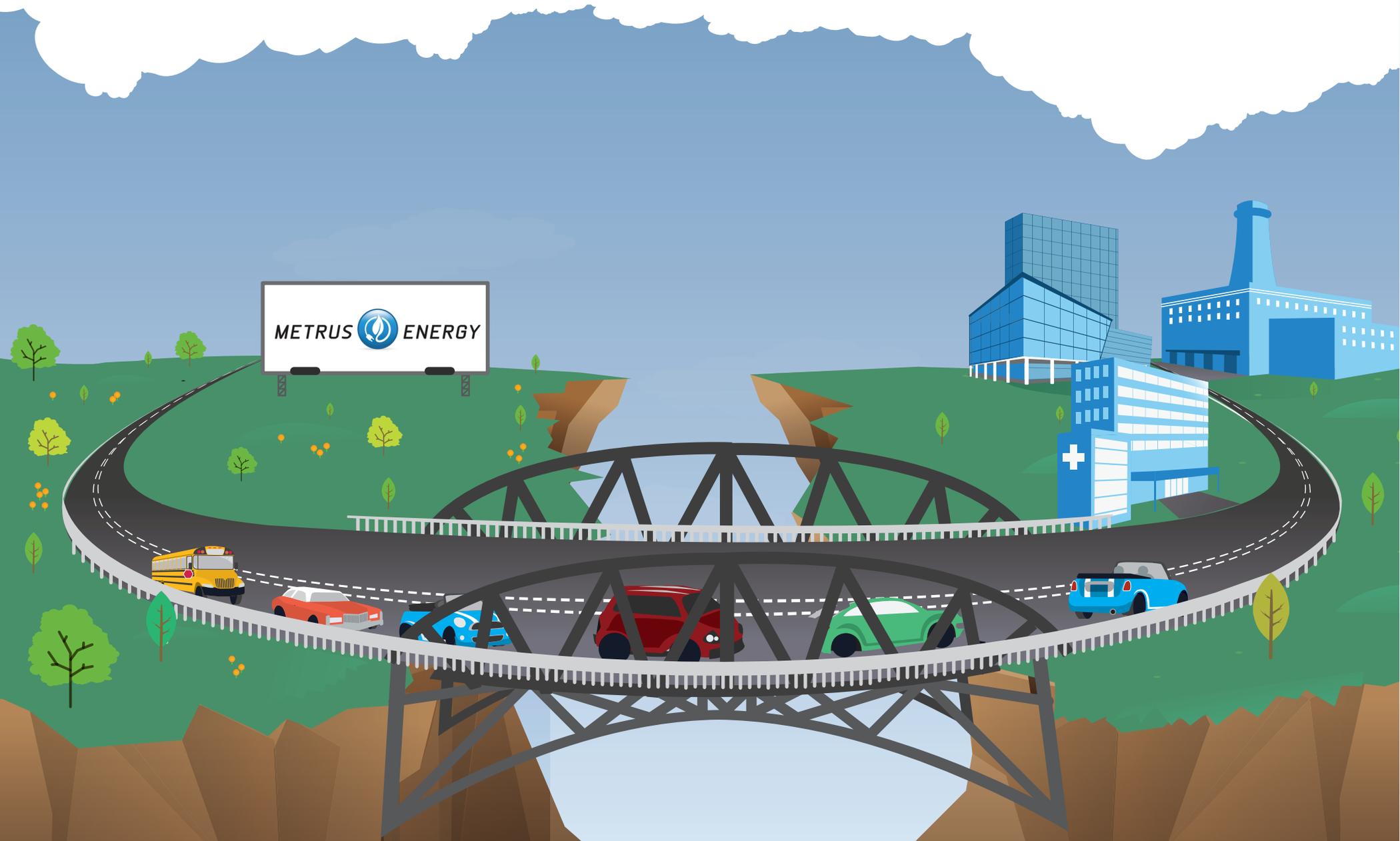
Guarantees issued by large ESCOs or contractors with a strong balance sheet that protect customers and financiers from shortfalls in project performance.



### 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.

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

#3 Source: McGraw Hill, Business Case for Green and Energy Efficiency Upgrades, pg. 32.