



# Financing & Project Economics

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# Agenda

- ❖ Mass Save<sup>®</sup> & Custom Financing
- ❖ Financing & Project Economics
- ❖ Mass Save<sup>®</sup> 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
<b>Loans</b>						
Mass Save <sup>®</sup> Financing	○	●	●	●	●	●
Commercial PACE/Equity Investment	○	○	●	●	●	●
Construction Loan	○	○	●	●	●	●
Commercial Loan/Line of Credit	○	○	●	●	●	●
Vendor Financing	○	○	●	●	●	●
Consumer Lending (Personal loan, HELOC, etc.)	○	○	○	○	○	●
<b>Energy Performance Contracts</b>						
Energy Service Agreement	●	●	●	●	●	●
Shared Savings Agreement	●	●	●	●	●	●
Guaranteed Savings Agreement	●	●	●	●	●	●
<b>Leases</b>						
Capital/Operating/Seasonal/True Lease	○	○	●	●	●	●
Tax Exempt Lease-Purchase Agreement	○	●	●	○	○	○
Commercial Equipment Lease	○	○	●	●	●	●
Federal Alternative Finance Contract	●	○	○	○	○	○
<b>State Sponsored Financing for Private &amp; Non-Profit Industry</b>						
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<sup>®</sup> Financing Example

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

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

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

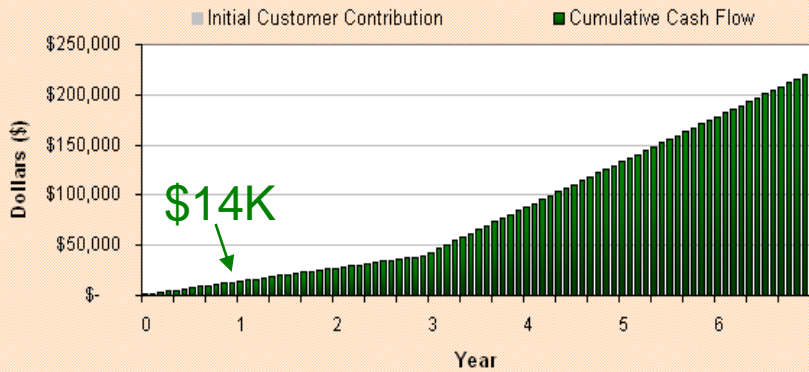
<b>Financing – 36 months</b>	
<b>Customer Initial Outlay:</b>	<b>\$ 0</b>
PA Loan Subsidy:	\$ 8,637
PA Incentive:	<u>\$ 49,363</u>
<b>Total PA Incentive:</b>	<b>\$ 58,000</b>
<b>Net Customer Cost:</b>	<b>\$ 95,637</b>
Monthly Savings:	\$ 3,750
Monthly Payments:	<u>\$ 2,657</u>
<b>Financing Period Cash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

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

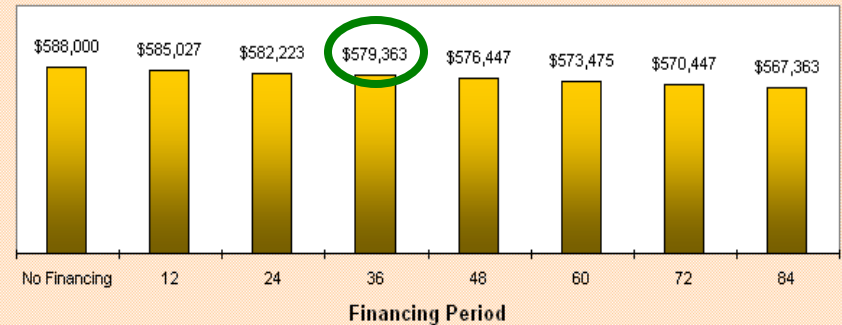
# Mass Save<sup>®</sup> Project Economics

### Cumulative Savings of Energy Efficiency Investment

Period: 84 Months

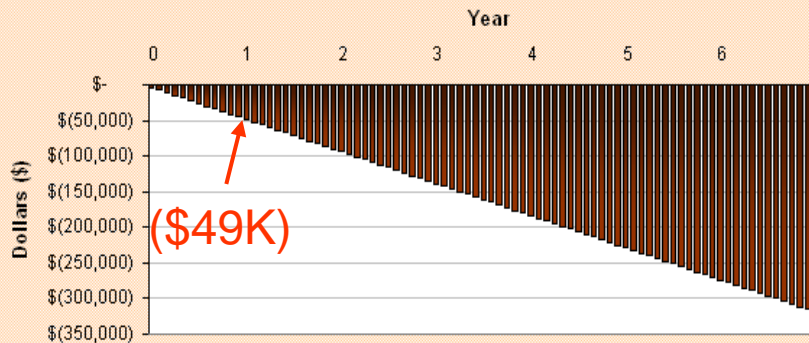


### Simple Life Time Savings (less Initial Capital or Financing Requirement)

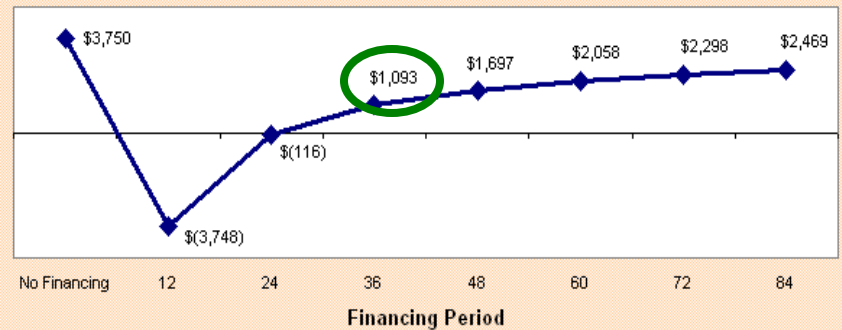


### Cumulative Opportunity Cost of Business as Usual

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?

