Driving Economic Development Through Industrial Energy Efficiency and Combined Heat and Power *(Third Party Financing)*

Presentation to:

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Third Party Financing

- What is It?

Financing arrangements between Customer and other entities to use sources of capital other than Customer's borrowing authority to fund new capital assets.

- Why is it important to Customers?
  1. Capital Preservation
  2. Accounting Treatment
  3. Transfer of Risks (Performance, Policy and Regulatory)
  4. Transfer of Costs (O&M, Fuel, and Project Development)

Third Party Financing Structures

	Power Purchase Agreement	Lease
Description	1.6 MW Biomass Cogeneration for Agricultural facility	1.46 MW Cogeneration project for Industrial facility
Project Costs	$6,000,000	$2,500,000
Project Incentives	$750,000 Grants and annual production payments	$500,000 grant
Projected Annual Savings	$1,000,000	$400,000
Primary Reason for Third Party Financing	Unable to Self-Finance	Capital Preservation
Comment	Financial Incentives key to project	Energy was the third highest operating expense

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Public Policy Impacts Project Economics

- Financial incentives can have varying impact on the upfront and ongoing performance of Industrial EE and CHP projects.

- Cash Grants
- Rebates
- Investment Tax Credits

- Interest Rate Subsidies
- Credit Enhancement

$$\frac{\text{Project Cost} + \text{Financing Cost}}{\text{Term of Financing}} = \text{Annual Project Cost}$$

- EERS Payments
- Demand Response
- Production Payments

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Opportunities to Expand Industrial EE and CHP

1. Regulatory compliance with Boiler MACT rule presents opportunity to address a time sensitive requirement
   - May require increased coordination to address permitting, approvals and other requirements
2. Provide ability for third party owners to sell on-site electricity and/or steam directly to the customers/host

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For More Information

If you have questions or need additional information, please contact:

Trenton Allen

allent@sustainablecapadvisors.com

O: 202.741.9391

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