



Efficiency Services Agreements (ESA) for Large-scale EE Retrofit Projects

ACEEE Energy Efficiency Finance Forum
April 2009

ESA Emergence Coincides with National EE Push

National Recognition of Vast Market Potential and Benefits of EE

- EE is the most cost effective and quickest route to meeting energy demand and reducing GHG emissions
- Adverse economic conditions and competitive pressures increase the need to reduce operating expenses
- Growing level of utility, state, and federal financial incentives for EE



ESA can help address a large – but highly underserved – market for EE

- EE potential in the private, commercial & industrial market > \$250B
- Focus of large ESCOs has been on federal/municipal/public sector facilities
- Lack of financing options compound first cost barriers to EE for end-users
- High volume of unmet demand for projects with paybacks of two to six years

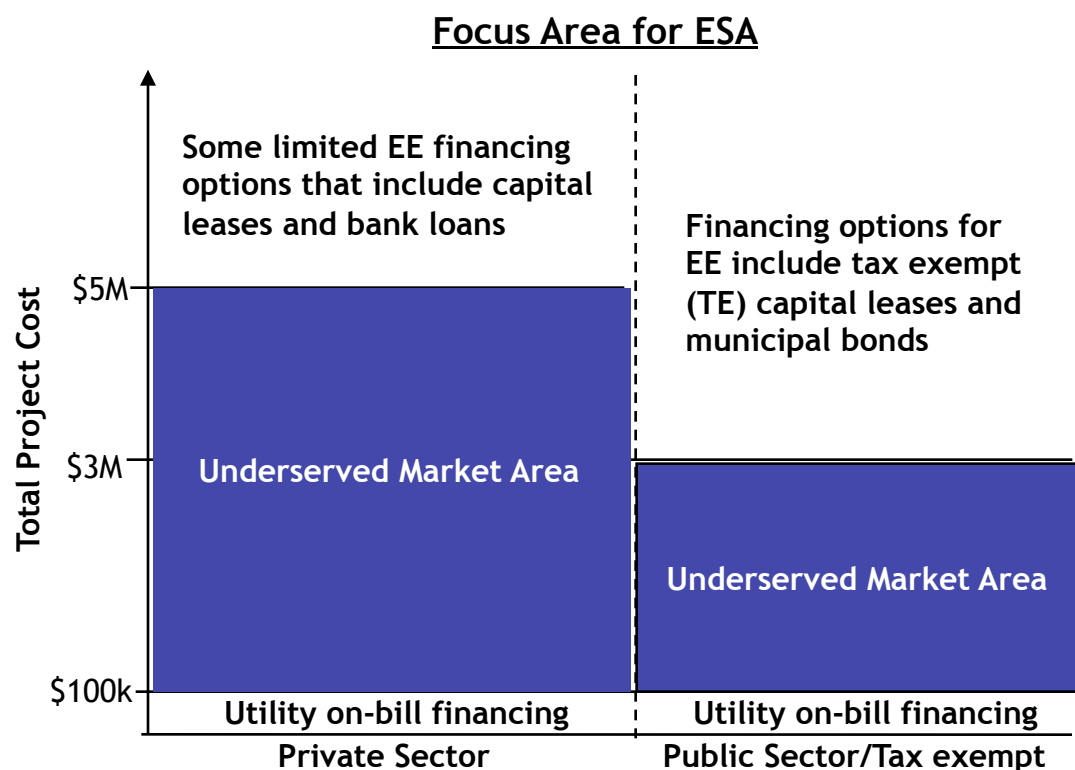
Overview of the Efficiency Services Agreement

The ESA is an innovative financing solution that fills a major void for implementing large-scale EE retrofit projects

- Front-end Cost: No capital outlay by customers to implement EE measures
- Operating Costs: ESA charge is inclusive of maintenance, measurement & verification, and repair/replacement of selected EE assets
- Property Ownership: ESA provider takes title to project-related assets; Customer has periodic buyout options
- ESA Charge: Cost per avoided energy unit with a fixed escalation rate
- Contract Duration: Typical length of five to 10 years
- Project Size: Average transaction of \$1-5M with ability for larger deals
- Replication Potential: ESA structure lends itself to implementing EE projects at multiple customer facility sites

ESA Addresses a Large Underserved Market for EE

The ESA can be utilized to target an underserved portion of the EE marketplace that represents a significant amount of energy savings



Target End-user Segments

- Food & beverage
- Heavy industry & manufacturing
- Chemicals and pharmaceuticals
- Private healthcare
- Lodging & hospitality
- Private higher education
- Office buildings
- Retail stores
- Data centers



Start-up company that delivers energy efficiency services through ESAs to large commercial, industrial, manufacturing, and institutional customers

- Finance and own EE projects by making cash equity investments and securing debt facilities to fund large portfolios of individual EE projects
- Partner with ESCOs and energy service providers (ESPs) that can install and maintain project-related EE assets
- Utilize ESAs to capture added economic benefits from EE, including:
 - Environmental credits (reduced GHG emissions) from EE projects
 - Avoided capacity payments for demand reduction resulting from EE
- Provide asset management, monitoring, and billing services for operational EE projects

ESA Structure Mitigates Key Project Risks

EE projects are based on two contracts: 1) ESAs with customers, and 2) EPC-E with ESCOs/ESPs – Contracts are designed to mitigate key risks



Efficiency Services Agreement (ESA)

Ways risks are mitigated in the ESA:

- Customer pays for realized savings
- Customer-Metrus Energy agree on M&V protocols prior to ESA signing
- ESA services charge (and escalation rate) is fixed for contract duration
- ESA contains buyout options and provisions for early termination
- Metrus Energy receives license to access a facility to ensure proper O&M of EE assets

EPC- Efficiency (EPC-E) Contract

Ways key project risks are mitigated:

- Metrus Energy enters into a fixed price, turn-key EPC contract
- Performance guarantee from savings during ESA term. ESCO/ESP pays Metrus Energy for any shortfall
- Maintenance and any M&V service expense is fixed for entire ESA term
- ESCO/ESP responsible for repair & replacement of selected EE assets that fail outside of warranty

**Note: Engineering, procurement, and construction (EPC)*

Key Benefits to Customers

The ESA structure provides customers with numerous financial and operational benefits, including:

- Funding comprehensive facility upgrades without capital outlay
- Enhancing the reliability of key energy-consuming equipment
- Limiting exposure to project performance and energy price risks
- Preserving scarce capital resources for investment in core business areas
- Lowering operating expenses and providing immediate cash savings
- Enabling off-balance sheet accounting treatment for EE assets
- Receiving asset management services that can include valuable information on key aspects of EE asset and overall facility performance

Future Growth of the ESA

The demand for ESAs will rapidly increase and serve as a catalyst for the aggregation of EE projects and deployment of new technologies

- ESA is an aggregation vehicle to develop large portfolios of EE assets that encompass avoided carbon emissions and capacity reductions
- Potential to integrate ESA structure within utility level EE programs
- Natural extension to deploying monitoring technologies and systems that:
 - Increase accuracy and lower cost of measuring energy savings
 - Provide customers with valuable source of data on the efficiency of key energy-consuming equipment and overall facility performance
- ESA benefits could be enhanced by providing EE assets with the same tax benefits and depreciation treatment afforded to renewable energy



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