
Financing Energy Efficiency: Attracting Capital & Mitigating Risk

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About Energi & Energy Savings Program

- Insurance to energy industry
- Partially owned by Hannover RE
- **Energy Savings Warranty:** Insurance backstop to performance guarantee on EE retrofit project
- Represent Energi's interest in growing EE market



Energi Savings Warranty (ESW) Policy

- Named Insured: Contractor

Project A Endorsement #1

- Loss Payee: Project Owner
- Loss Payee: Bank

Project B Endorsement #2

- Los Payee: Project Owner
- Loss Payee: Bank

Project C Endorsement # 3

- Loss Payee: Project Owner
- Loss Payee: Bank

“Traditional” ESCO Financing Model

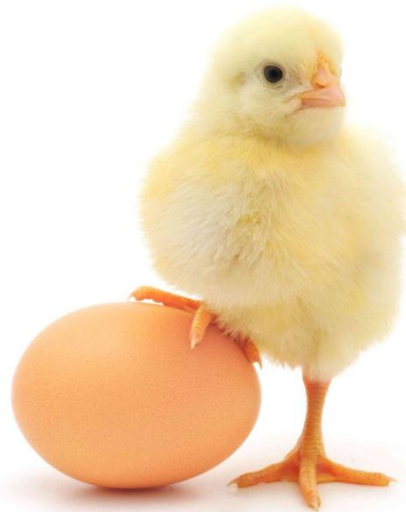
Loan or lease supported by savings guarantee contract

Contractor and Building Owner = High grade credit

Large project size, Federal & MUSH market

What about non-Federal, non-MUSH?

- 1. Building Owner Funded**
 - 2. Direct Bank Loan:**
 - Typically credit based underwriting, mainly considers owner credit
 - 3. Third-party Energy Services Agreement:**
 - Off-balance sheet financing tool, underwriting considers future cash flows
 - 4. Legislative-driven Structures**
 - PACE, On-bill, incentive money
-
- **But, factors dictating financing also dictate scope & sale of project**

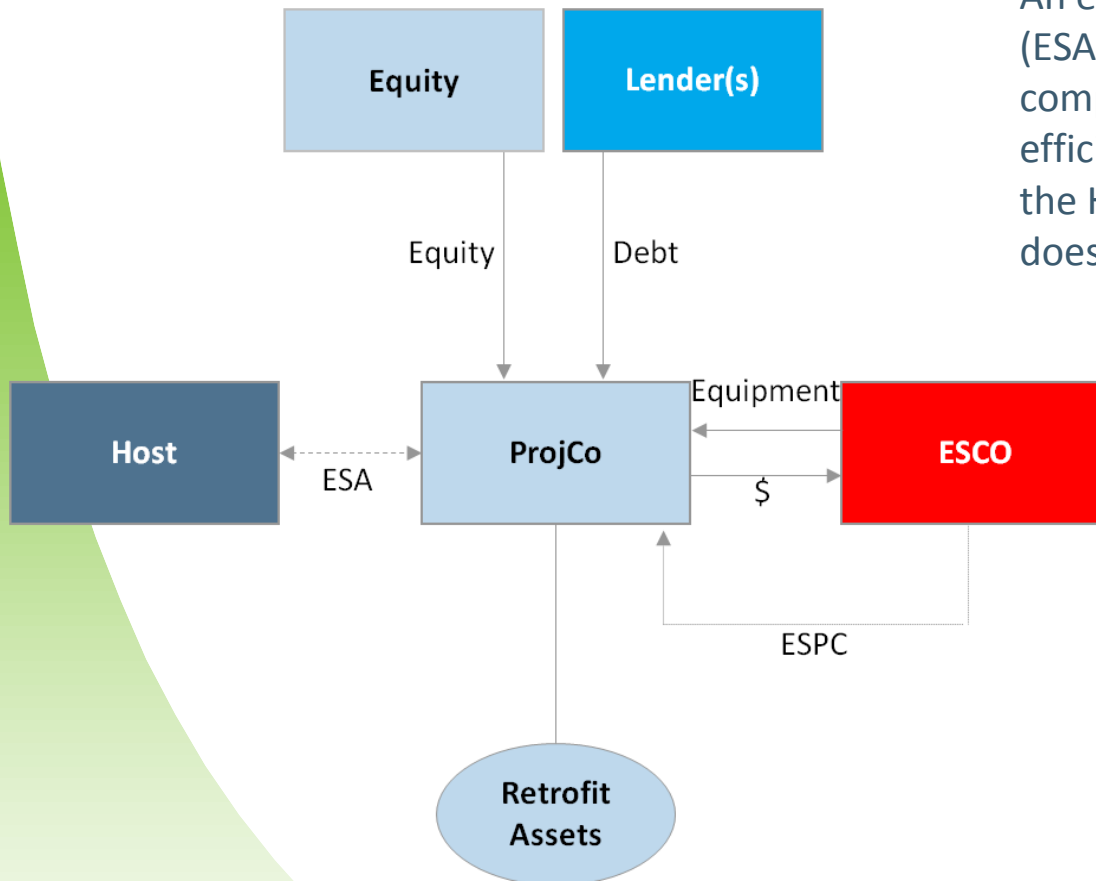


Contractors Integrating Financing

Examples

- Fuel Cell Energy project, owner required insurance
- Contractors using insurance to secure bank credit lines in order to fund efficiency projects
- Energy Services Agreement
 - Supported by niche Energy Efficiency ESA Company; or
 - Structured internally using own equity and outside financing (with insurance to attract)
- CA Prop 39: Grant money awarded to schools for retrofits, looking at integrated service-finance offering for schools

Illustrative Energy Service Agreement Structure Diagram

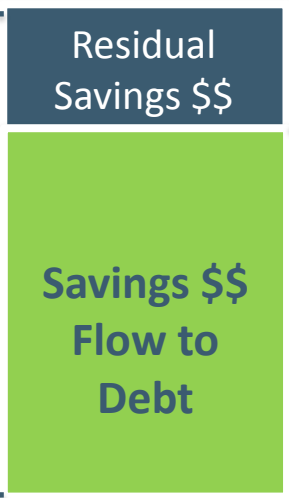


An energy service agreement structure (ESA) enables contractors/energy service companies (ESCOs) to offer Hosts energy efficiency services in a manner such that the Host pays only for savings and the ESCO does not have credit exposure to Host

 Assumed GAAP Consolidated Entities

Services Agreement Structure with Insurance

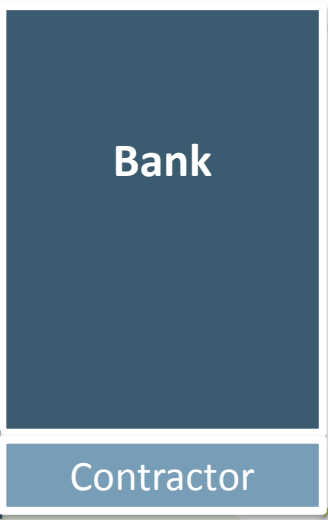
Total Project Savings



Contractor

Savings Guarantee

LLC Ownership Structure



Services Agreement



Host / Building Owner

Coalition for Banks in EE

- Goal = To support small/mid-size bank participation in energy efficiency financing
- Means = Providing banks **Resources, Access to Supporting Capital** (credit enhancement/co-participation) and **Service Provider Relationships**
- *Resources* include:
 - Underwriting guidelines
 - Standard documentation
 - Structuring support

Thanks!

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