

The Pennsylvania Sustainable Energy Financing (*PennSEF*) Program

8 Steps to Participate & Reap the Program's Benefits



PENNSYLVANIA
TREASURY
Earn. Learn. Invest.

FR
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Foundation for Renewable
Energy & Environment
<http://freefutures.org/>

Drinker Biddle



How to Become a Participant?

1. Sign a non-binding Letter of Interest and begin discussions with the FREE Team to identify your goals and concerns.

2. Attend the Education Day organized by FREE.

3. Provide the ESCO(s) with access to your site, facilities staff and energy and water bills.

4. Use a simplified procurement process to select an ESCO to perform a Pre-Contract Audit and present an initial proposal.

Your LOI will be shared with FREE's pre-qualified ESCO list.

The FREE Team will review in detail on Education Day how the financing works. You will also have an opportunity to meet ESCO representatives.

We work with electric, natural gas and water suppliers to help make access to bills from multiple sites a simple process.

The Pre-Contract Audit establishes a benchmark. Any resulting project must provide savings equal to at least 90% of the savings predicted by it.

How to Finance Your Investment from Guaranteed \$\$\$ Savings

5. Sign a Guaranteed Savings Agreement which includes an Investment Grade Audit - the ESCO will present a construction proposal and savings guarantee.

6. Accept the proposal, which spells out how the guarantee works and how savings are monitored and verified.

7. Retrofit work is completed by the ESCO, and all equipment is regularly checked to ensure performance specifications are met.

8. Your financial savings are verified over a minimum period of time needed to pay off all retrofit costs.

The Investment Grade Audit (IGA) is used by the ESCO to establish its dollar savings guarantee to you.

The FREE Team will provide comparative metrics so that you can compare your guarantee to ones provided to other Participants. This creates a competitive process in your favor!

You sign off on construction payments after you review and approve ESCO documentation.

The verification of savings is extremely important, and you will receive regular reports from ESCOs documenting them.

KEY PROGRAM FEATURES

- ✓ Prequalification of local and national energy service companies* through an RFQ process
- ✓ Standardized documentation that facilitates pooled financing – which lowers costs for *all* Participants
- ✓ Guaranteed Savings Agreement is a transparent construction contract with a strong guarantee and spells out a monitoring and verification (M&V) plan in detail
- ✓ Guarantee is based on energy and water savings alone – operational savings, deferred maintenance are a bonus
- ✓ FREE's Legal, Financial and Technical Experts assist throughout negotiations

* Sometimes abbreviated as ESCOs, it includes construction, engineering, energy service and other companies prepared to sign performance contracts in accordance with the PennSEF Program requirements.

FREE's Monitoring & Verification Approach

Fixed escalation of energy and water rates determined by the Program

Dollar savings are guaranteed as technical performance multiplied by escalated energy/water rates set by the Program

Only energy/water savings are counted, not operational savings or deferred maintenance

Companies* installing measures agree to use best efforts to attain dollar savings through additional work (payment to cure shortfall, if needed)

Internationally recognized Monitoring and Verification (M&V) protocols are used

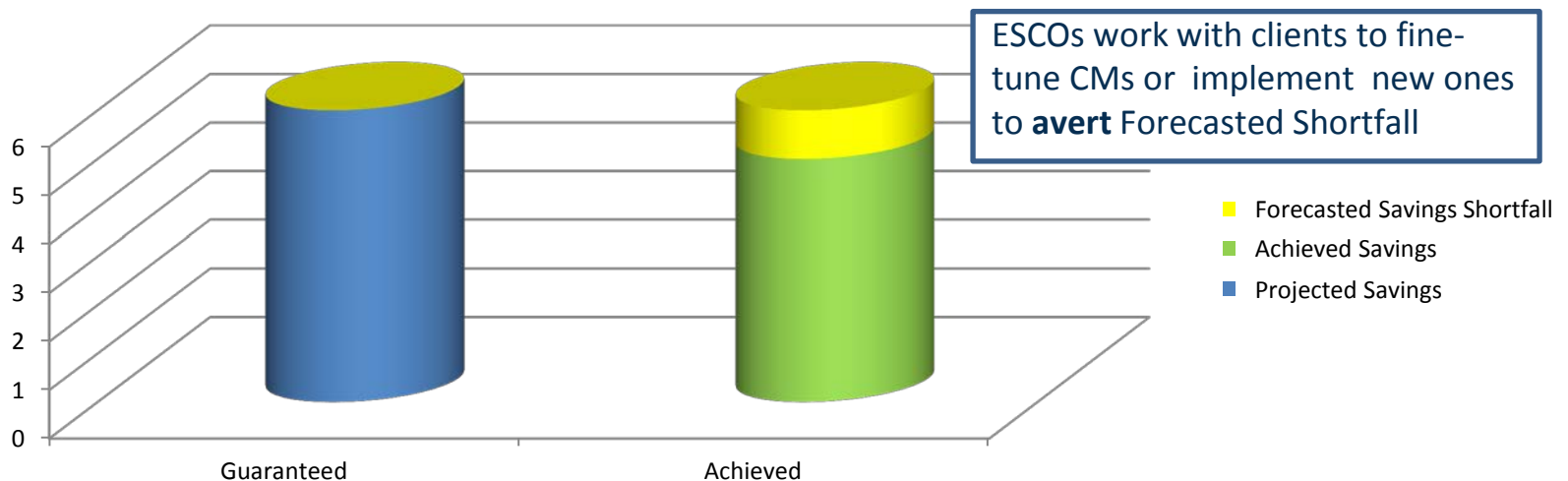
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FREE's IMPROVED M&V

Purpose

Diagnose Progress by Quarter – Will the Project annually meet its Guarantee? Contractual remedies implemented as necessary.

- ✓ Uses the same DOE Sponsored IPMVP
- ✓ Based on FEMP Guidelines: Measurement and Verification for Federal Energy Projects Version 3.0
 - Option A** – ISOLATE RETROFIT–MEASURE KEY PARAMETER
 - Option B** – ISOLATE RETROFIT–MEASURE ALL PARAMETERS
 - Option C** – WHOLE BUILDING DATA ANALYSIS
 - Option D** – CALIBRATED SIMULATION





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