



# ***11<sup>th</sup> Annual Market Transformation Conference***

## **Leveraging Funding to Support Expanded ESPC Project Scopes**

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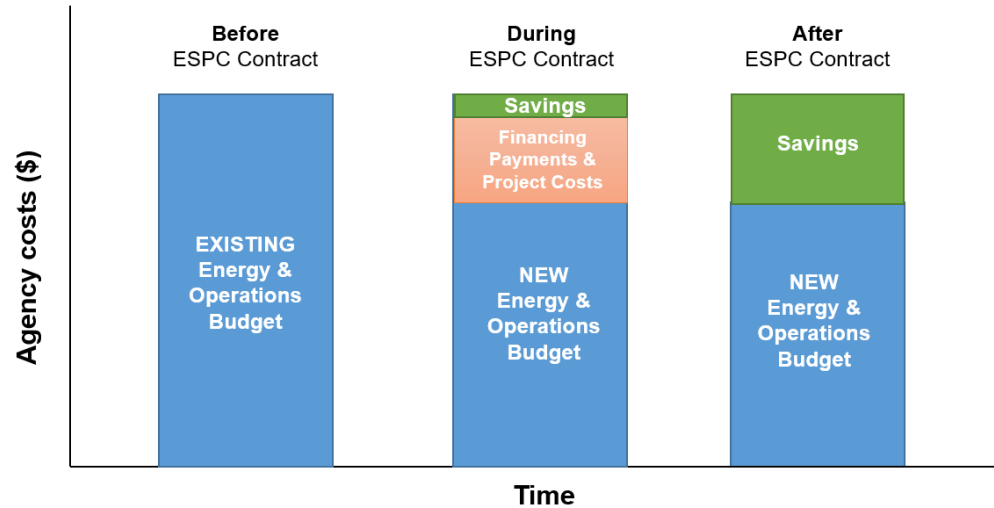
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# Introduction

- Why do Owners Pursue ESPCs?
- What are the funding constraints?
- How to maximize ESPC Funding?
- Use funds to supplement the financing, don't replace it!



Reduce Annual Debt Payments	
Total Project Price	\$10,000,000
Less Utility Rebates	(\$500,000)
Less Grants	(\$1,000,000)
Less Customer Contribution	(\$500,000)
<b><u>Net Financed Amount</u></b>	<b><u>\$8,000,000</u></b>



# ***Why is this relevant today?***

## **More programs & funds available today than in the history of this industry**

- ✓ Bipartisan Infrastructure Law (BIL) allocated over \$1 Billion for energy efficiency & renewable energy projects
- ✓ Inflation Reduction Act (IRA) over \$300 Billion for energy & resilience projects
- ✓ Investment Tax Credit – Elective or Direct Pay option
- ✓ Renew America's Schools Program
- ✓ Energy Efficiency Conservation Block Grants (EECBGs)



# ***Industry Impacts – Multiple Perspectives***

## **As an Owner...**

- More funds, but increased pressure to achieve goals

## **As an ESCO...**

- Pros: Larger projects, enhanced project economics, address more needs for customers
- Cons: Murky Guidance, Delays to closing projects
- Others?

## **As a Financier...**

- More projects
- Larger investments
- Others?



# ***Frequently Asked Questions***

## **From an Owner...**

- How to identify, pursue, and leverage these funds?

## **From an ESCO...**

- How do I balance costs, pressure to close, and pursuing every funding source for my customer?
- For Direct Pay, what scope is and is not eligible for reimbursement?

## **From a Financier...**

- What's the Net Financed Amount?
- How are you paying for the rest of the project sell price?
- When will it close? Rate locks?



# ***Best Practices – Leveraging Funds***

- Engage industry professionals early & be creative
- Identify the funding opportunities and the likelihood of securing those funds
- Answer key questions – How much? For what? When?
- Consider financing & repayment options: Any time prepayment versus scheduled prepayment
- Be deliberate in your directions to the ESCO to balance development costs
- Utilize Standardized Contracts



# ***Malpractice – Leveraging Funds***

- **Don't** use funds for one-off projects
- **Don't** use funds to **replace** financing
- **Don't** let it become paralysis by analysis
- **Don't** wait for crystal clear clarity before initiating projects
- Others?



# ***How to get started?***

## **Plan the Initiative**

- Identify your team, project champion, key stakeholders
- Consider your internal resources/expertise – 3<sup>rd</sup> Parties Exist

## **Procure ESCOs**

- Use ESC Model Documents – RFQ/P Approach
- Don't request site-specific audits; Select the partner, not the project

## **Initiate the Investment Grade Audit**

- Collaborate, Regular check-ins, Stakeholder Engagement

***Conservatively estimated to be 3-6 months for most public agencies***





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# ***Thank you!***

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