



Financing and Funding Options

Energy Efficient Street Lighting Conference
Helsinki, Finland
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Overriding Principals to Effective Funding and Successful Programs

- Be Prepared
 - ▶ Know what you have
 - ▶ Determine what “you” want and what it may take to get there
 - ▶ Understand stakeholders fears and aspirations
- Establish clear goals and objectives
- Fully assess funding options
 - ▶ Major objectives
 - ▶ Budgetary constraints
 - ▶ Current regulatory / funding regime
- Be creative
- Establish measurements for evaluation and success (clear model)
 - ▶ Project Costs
 - ▶ Funding Costs
 - ▶ Energy Savings
 - ▶ Maintenance Savings/avoidance
 - ▶ Simple payback
 - ▶ Unlevered IRR
- Stage into process start with “Free Money” and go from there

Effective Positioning to Constituents

- Street Lights are generally not considered a high-priority item like schools, hospitals or infrastructure
- However a project that can do the following should be a “no-brainer”:
 - ▶ Reduce costs and taxes
 - ▶ Lower budgetary variance
 - ▶ Transfer risk
 - ▶ Improve health and safety
 - ▶ Spur economic development
 - ▶ Eliminate governmental waste
- Utilities may not have the same opinion of such projects
- “By taking action we are going to make money - What should we do with it?”



Certainty of Execution: De-risking the financing process is critical

- Internal Inventory
- Assessment of in-house expertise
- Energy Efficiency Study
- Investment Grade Audit
 - ▶ Best investment you can make
 - ▶ Leads to third-party financing
 - ▶ Lower cost funding
- Funding assessment
 - ▶ Internal funding and execution capacity
 - balance sheet and cash
 - level of financial sophistication
 - combined with operational expertise
 - ▶ Creditworthiness
 - ▶ Access to third-party financing



“We have budgetary constraints. Do I have to pay for this now?”

”How can I make money for my constituents with least risk?”

Funding Options

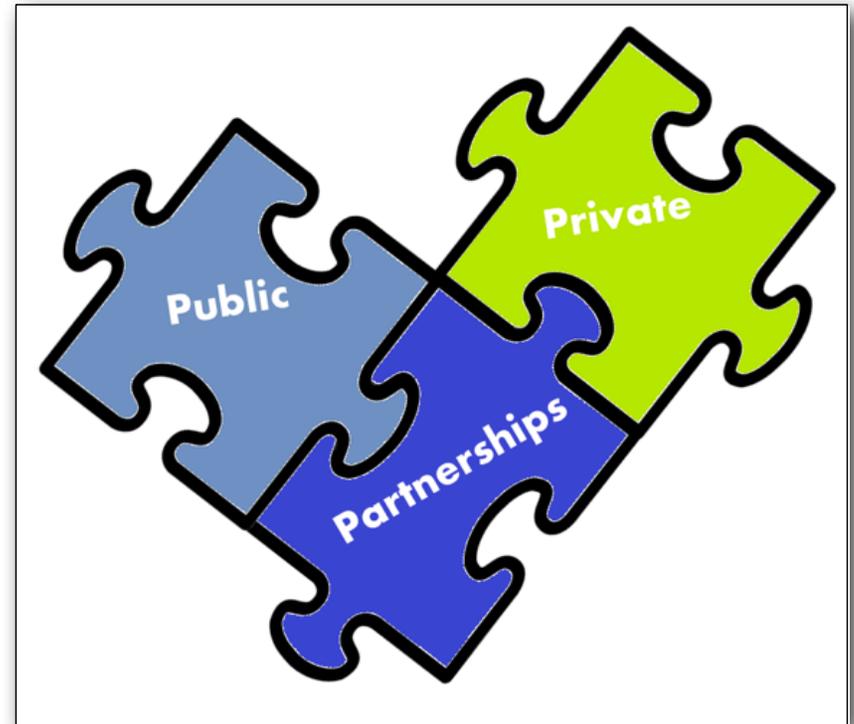
- “Free Money”
- Rebates from local utilities
- Federal and Provincial (State) Program
 - ▶ US Federal and State Government: block grants in the 2009 American Recovery and Reinvestment Act
 - ▶ Federal and State Matching (California Energy Comm.)
- Low Cost Loans
 - ▶ Export Credit Agencies (EXIM, OPIC, IFC)
 - ▶ Finvera or EU Banks
 - ▶ Other
- Equipment Financing
- Tax-incentives for investors
- Traditional Debt
 - ▶ Commercial Banks
 - ▶ Capital Markets
 - ▶ US municipal tax-exempt financing
 - General Obligation bonds
 - Off-balance sheet leases
 - Appropriation credits
 - Qualified Energy Conservation Bond



Alternative Funding Options and Risk Transfer

Public Private Partnership

- Successful model for street lighting and other assets in the US and UK
- Private sector participation, expertise and capital
- Long Term Contracts can provide customization
 - ▶ Typically 25 years
 - ▶ Risk Transfer
 - ▶ Output Specification with Performance Standards
 - ▶ Operations and Maintenance
 - ▶ Various funding alternatives
- Asset purchase of existing systems
 - ▶ Typically held at book (amortized value)
 - ▶ Physical assets can serve as collateral for upgrade costs
 - ▶ Essential governmental service provides credit support
- Third party revenue generation initiatives
 - ▶ Column advertising
 - ▶ WiFi on columns



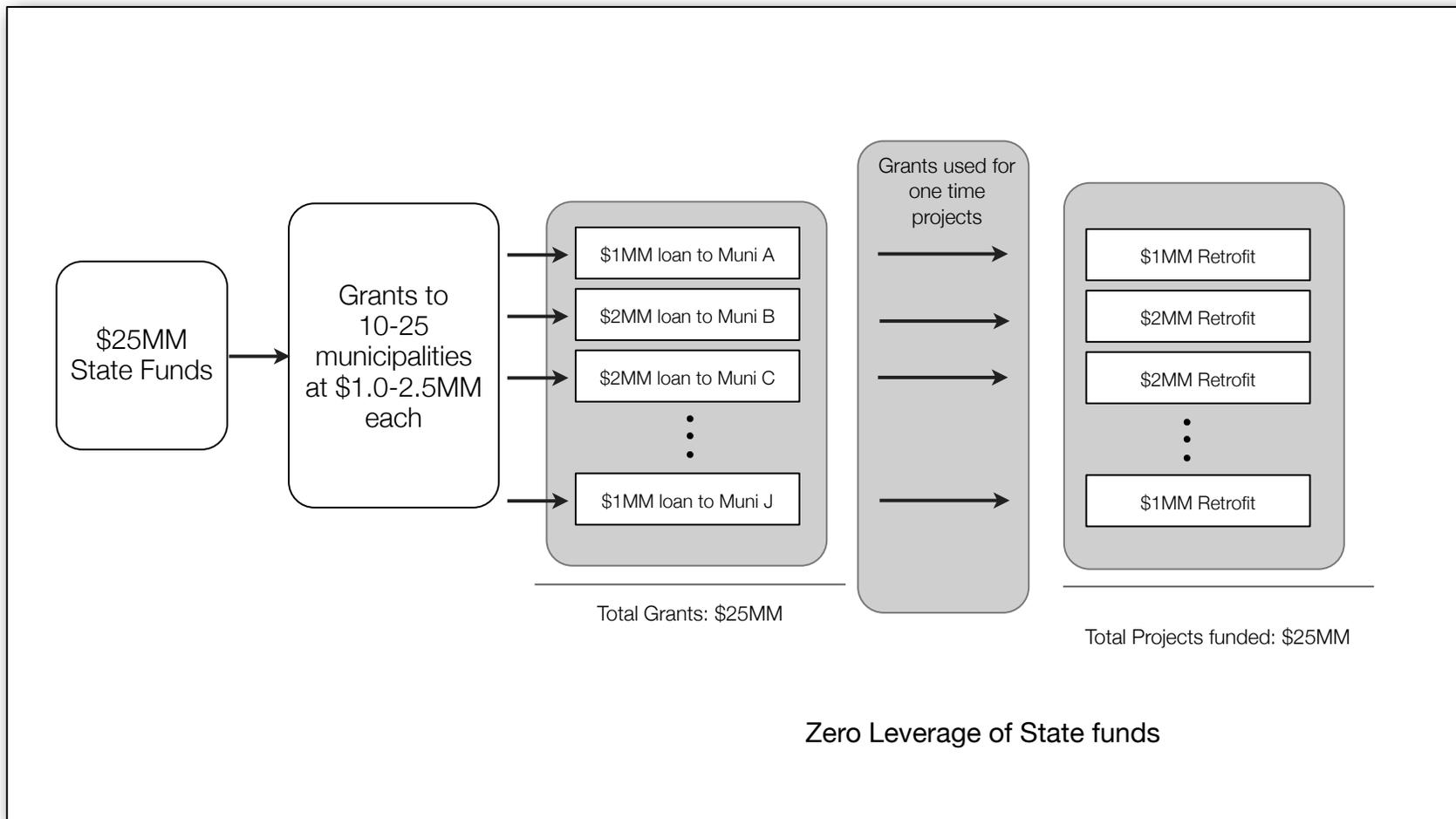
Alternative Funding Options and Risk Transfer

Contracting

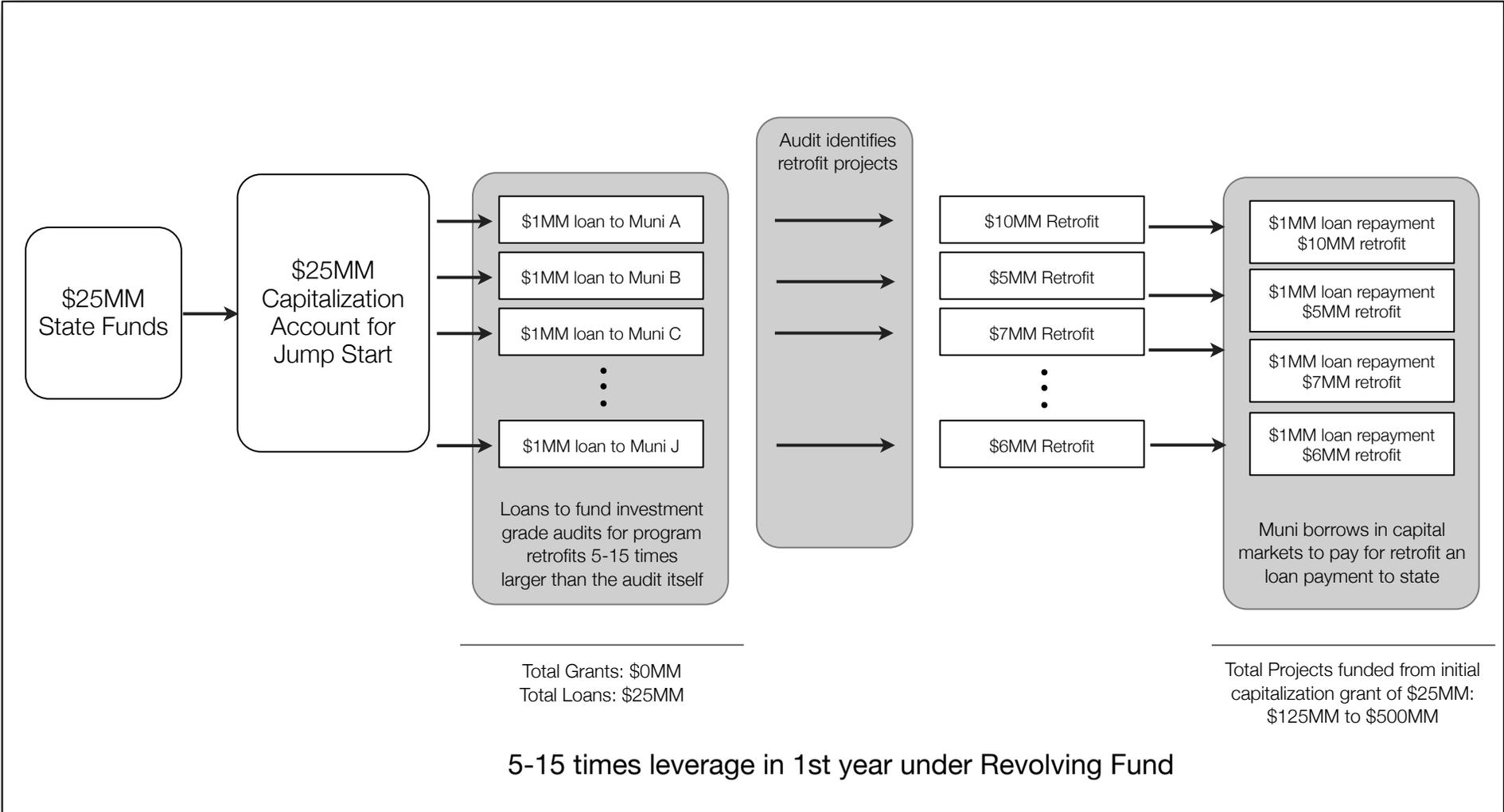
Energy Saving Contracts (ESCO's)

- ▶ Turnkey installation programs (design, engineering, purchase, install)
- ▶ Full financing of the project - repayment from energy and maintenance savings
- ▶ Good option for clients that desire:
 - ▶ project financing
 - ▶ off-load a range of project tasks
 - ▶ desire a fair amount of risk transfer (management, investment, efficiency)
 - ▶ comfortable entering into a relatively long-term agreement
 - ▶ customization of performance and quality guarantees

Traditional Energy Efficiency Grant Program



Energy Efficient “Jump Start” Program



Conclusions

- **Savings versus Making (Reframe)**
 - ▶ What are you going to do with the money you make
 - ▶ Lighting retrofits should move to the front of the line
 - ▶ The sooner you start the more you make
- **De-risking and Staging Process Facilitate Decisions**
 - ▶ Prepare
 - ▶ Utilize experts
 - ▶ One-step at a time - demonstrate success
- **Numerous Funding Options Available**
 - ▶ Start with “free money”
 - ▶ Know your risk profile and expertise
 - ▶ Customize our approach
 - ▶ Transfer risks and tasks you don't want
- **Be creative and make a difference**



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