

Partnerships for Energy Renewal

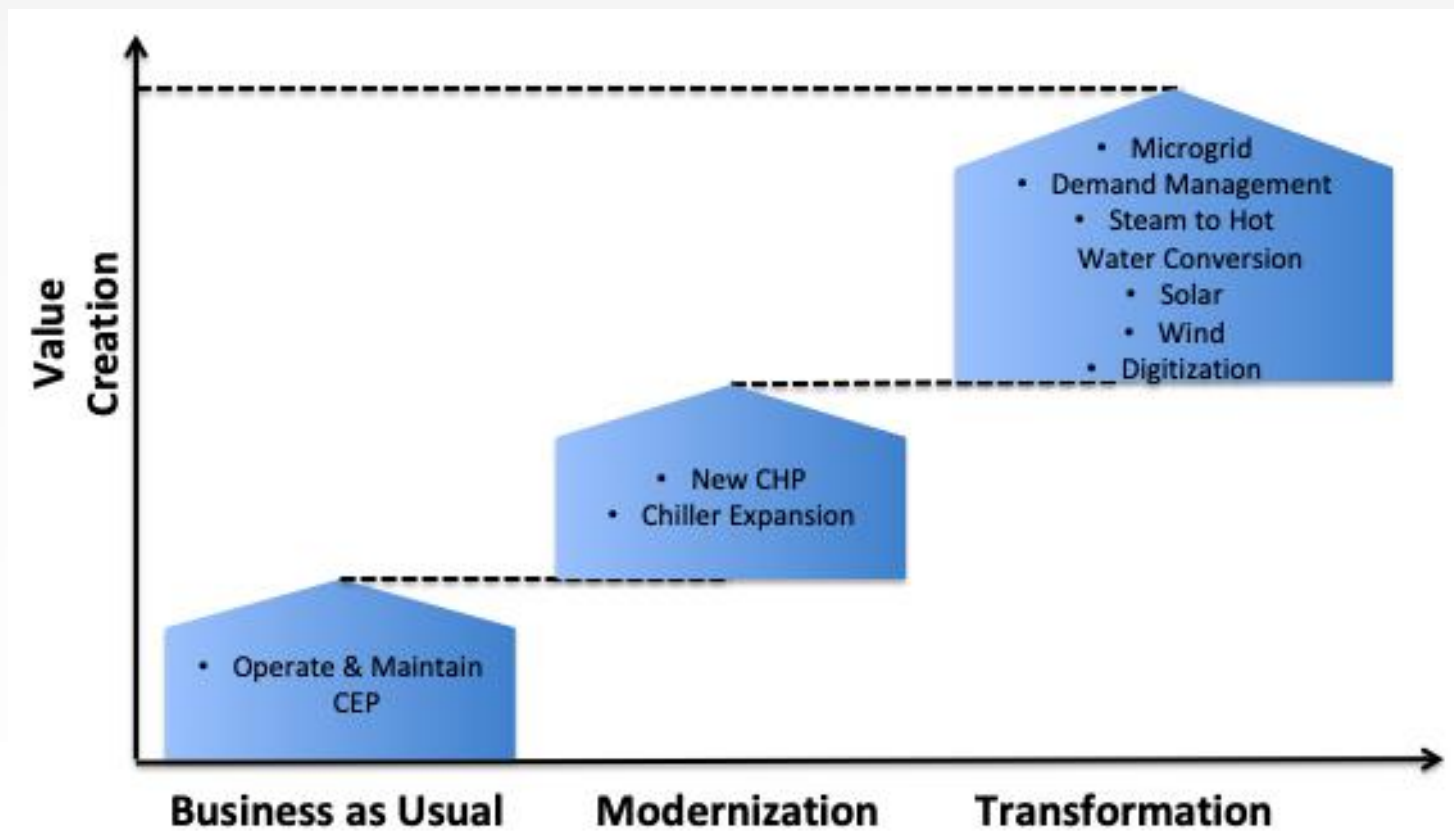
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Value Creation

- Third Party involvement can create value for the customer at different levels



Business Models

- Self Funding
 - Traditional model that relies on customer's balance sheet to fund investments
- Supply Contract
 - An agreement with a 3rd party to supply power, gas, steam, etc. at a specific price over a specific term
- Availability Payment
 - Fixed payment contract typically for a new capital project based on "Availability" as the performance metric
- ESCO
 - Typically a 3rd party providing performance/payback guarantees based on investments made by the customer on its balance sheet
- Public Private Partnership
 - A partnership model that allows for private capital to fund public capital projects

Business Models, illustrated

	Self Funding	Supply Contact	Availability Payment	ESCO	Public Private Partnership
Cost of Capital	●	●	●	●	●
Execution Risk	●	●	●	●	●
Debt Capacity Impact	●	●	●	●	●
Demand Management	●	●	●	●	●
Sustainability	●	●	●	●	●
Payment Predictability	●	●	●	●	●
Transactability	●	●	●	●	●
Value Creation	●	●	●	●	●

Case Study #1

Problem:	Customer with Aging Central Plant
Solution:	Internal development of new central energy plant
Pros:	Financing cost
Cons:	<ul style="list-style-type: none">• Erosion of debt capacity• Capital tied up in energy systems – not available for other core objectives

Case Study #2

Problem:	Customer Seeking Price Certainty for Energy Supply
Solution:	Guaranteed price PPA with commodity pass through
Pros:	Budget certainty
Cons:	Inconsistent with energy efficiency goals

Case Study #3

Problem:	Major, complex capital project
Solution:	Fixed payment for new central plant, hot water distribution and building conversions from steam
Pros:	Project delivery certainty
Cons:	<ul style="list-style-type: none">• Addressing uncertainty (particularly building conversions)• Inconsistent with energy efficiency goals

Case Study #4

Problem:	Aging steam system, deferred maintenance
Solution:	Public Private Partnership with performance incentives
Pros:	<ul style="list-style-type: none">• Alignment of incentives• Transparency
Cons:	<ul style="list-style-type: none">• Transactability

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