



**The *SAVES* Green Community Program
for Energy Efficiency and Conservation
and
Qualified Energy Conservation Bonds**



WHO WE ARE



Energy Management
Technology

Abundant Power is an energy management services company focused on providing transformative financial and technology solutions for the built environment ecosystem.



Financial Solutions
and Underwriting

CleanSource Capital is an affiliate established to provide design and administration of proprietary funds dedicated to energy efficiency financing.



Building Science and
Engineering



EXPERIENCE WITH ENERGY EFFICIENCY PROGRAMS



AP designs and manages energy efficiency financing programs nationwide, enabling more than \$465 million in energy efficiency implementation.

ALABAMASAVES™
Sustainable and Verifiable Energy Savings

alabama wise™
Worthwhile Investments
Save Energy

ST. LOUIS COUNTY SAVES™
Sustainable and Verifiable Energy Savings

SOUTH CAROLINA SAVES™
Sustainable and Verifiable Energy Savings

VIRGINIASAVES™
Sustainable and Verifiable Energy Savings

MARYLAND SAVES™
Sustainable and Verifiable Energy Savings

DC
PACE COMMERCIAL
an energy finance solution

EPX™
ENERGY
PERFORMANCE
COMMISSIONING

Leveraged Revolving Loan Fund (RLF)

- **AlabamaSAVES™** – \$65MM Med/Large C&I, Non-profits
- **AlabamaWISE™** – Pilot program for residential retrofits

Qualified Energy Conservation Bonds (QECCB's)

- **St. Louis County SAVES™** – \$10.3MM Residential, C&I, Non-profits
- **South Carolina SAVES™** – \$13MM Government, C&I, Non-profits
- **NC Ag Finance Authority** - \$27MM Renewable Energy
- **Virginia SAVES™** – \$55MM Government, C&I, Non-profits
- **Maryland SAVES™** – \$48MM Government, C&I, Non-profits

Property Assessed Clean Energy (PACE)

- **DC Green Forward** – \$250MM C&I

Energy Management Services Agreements (EMSA)

- **EPX™** – 12 million SF Small/Med Commercial

CLEAN SOURCE

SAVES™ (Sustainable and Verifiable Energy Savings) is Abundant Power’s proprietary, core energy financing platform for designing and administering programs:

- Credit and financial underwriting standards incorporating multiple security instruments and repayment mechanisms.
- Established origination and servicing standards designed to create transparency and meet requirements of secondary markets.
- Energy underwriting protocols, including prescriptive and performance options to maximize energy savings and optimize cash flows.
- Energy measurement and verification, including QA/QC protocols, as well as contractor and auditor standards and monitoring and overall process management.

CleanSource is the affiliate Abundant has established to expand the SAVES program into other jurisdictions using Qualified Energy Conservation Bonds as the funding mechanism.

- Of the \$3.2B authorized nationally, \$2.0B estimated to remain unused nationally at both the state level and at the large local government (“LLG”) level in over 40 states.
- 8 states hold close to 50% of the unused allocations.

QUALIFIED ENERGY CONSERVATION BONDS



- **Congress authorized \$3.2B in Qualified Energy Conservations Bonds (“QECBs”) to use in subsidizing financing costs associated with “qualified conservation purposes” (“QCPs”)**
 - QCPs include energy efficiency measures, water conservation measures, and alternative transportation modalities and fuels and associated infrastructure.
 - QCPs also include “Green Community Programs” for in turn funding QCPs within a jurisdiction providing the QECB allocation for use in funding the GCP .
- **QECBs provide for a direct pay subsidy from Treasury to offset interest on financing QCPs**
 - Calculated at 70% of published qualified tax credit bond rate – currently around 3.3%.
 - Term of financing up to 29 years currently.
 - Payment subject to sequestration currently set at 6.8%, so effective subsidy is 3.1%.
- **QECBs allocated to States based on population and then to Cities/Counties >100,000 population (“Large Local Governments” or “LLGs”).**
 - Result is that allocations and sub-allocations are scattered across all 50 states and the LLGs in varying sizes from as little as \$1M at local level to \$30M at state level, making it difficult for use due to economies of scale.
- **Estimated that at least \$2B in QECBs remain outstanding at the State and LLG levels because of dispersed nature of allocations/suballocations and complexity of rules.**
- **Currently no sunset provision.**



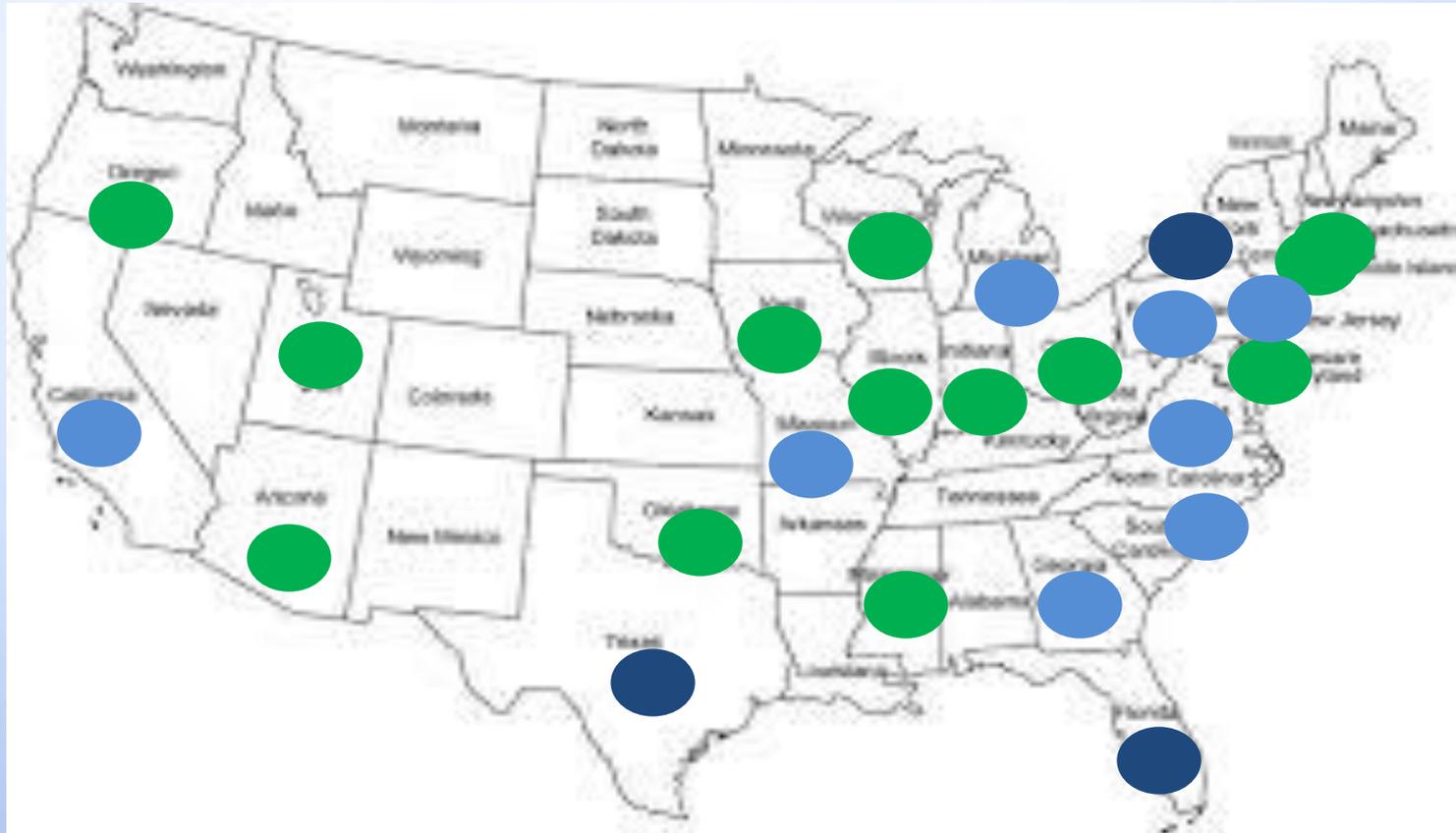
2012 Notice Interpretation broadens use of QECB allocations through GCPs

- **June 2012 IRS Notice clarified what constitutes a “green community program” (GCP) for purposes of funding through QECBs.**
- **GCPs can be set up at both the local government level and at the state level,**
 - The program’s purpose is tied to policy at the jurisdictional level – governmental or utility sponsored – that supports energy efficiency and energy savings.
 - The program benefits buildings generally available to the public (i.e. governmental and institutional) and/or is generally available to the public (individuals and business) within the program’s guidelines (i.e. credit underwriting standards).
 - QECBs are issued through a conduit issuer on behalf of the borrower.
- **Using a GCP to fund overcomes limitations otherwise present with QECBs.**
 - No private activity limitation – so QECBs funded through a GCP can be used for both public and private up to 100% (not subject to 30% PAB limit).
 - Funding of public buildings through a GCP removes the requirement of 20% energy savings test on public buildings when otherwise funded directly by the LLG issuer/borrower.

THE NATIONAL OPPORTUNITY



- **\$1B of the original \$3.2B allocated is known issued, leaving \$2B in remaining allocation - 13 states have at least \$20MM, 8 states have at least \$50MM and 3 states over \$100MM.**



THE SAVES GREEN COMMUNITY PROGRAM



- **The SAVES Green Community Program** (the “Program”) uses QECBs to fund loans to finance qualified projects in commercial, industrial, institutional and local government buildings within the jurisdiction which is providing the QECB allocation – State and/or LLG.

- A state-level GCP would be established tied into the energy efficiency, renewable energy and conservations policies of the state in which the project is located.

-**Re-allocation of QECBs** from State or LLGs to the Public Finance Authority (“PFA”) as conduit issuer for Program, with QECBs to be sold through private placement to fund Program.

- QECBs re-allocated to Program by State or LLG in which project is located.
- QECBs issued on a project-by-project basis so that each project is effectively underwritten and approved at time of funding by the third-party lender (would not be a “blind pool”) and not dependent on the state or the LLG’s credit unless borrower.

-**CleanSource serves as administrator** (the “Administrator”) of the Program.

-**Funding in the form of amortizing senior debt or leases** with durations of up to 29 yrs so ideally suited for renewable energy and energy service performance projects with qualified vendors.

- Targeted funding sizes of approximately \$3 million up to \$10 million, with a minimum of \$2 million and a maximum at the Program’s discretion based on available allocation.
- Taxable interest rates are negotiated with the private funding parties and then offset by the subsidy afforded under the QECBs.



THE SAVES GREEN COMMUNITY PROGRAM



- **Eligible Borrowers:**

- Institutional – Properties and fleets owned by universities, hospitals, non-profits.
- Commercial/Industrial – Private borrowers with acceptable credit.
- Local Government – Public properties and fleets of counties/municipalities/schools.

- **Eligible Measures:**

- Energy Efficiency and Water Conservation Measures: to expand or improve energy infrastructure in public and private buildings that meet the eligibility criteria (e.g.'s: lighting and control upgrades; HVAC maintenance/replacement; insulation; retro-commissioning; low flow fixtures).
- Distributed Energy Generation: systems using renewable sources of energy such as solar, wind, hydro, biomass, water and other alternative resources such as CHP.
- Alternative Fueling Measures for converting fleets and infrastructure as well as stationary power generation from diesel or gasoline to propane, natural gas or biofuels.

- **Eligibility Criteria:**

- Payback within the maximum term of amortization permissible under the QECB regulations, with exceptions for measures “above and beyond” code.
- Use of proven commercial technologies with strong vendor warranties.
- Qualified contractors and parties with credit worthy profiles and proven track records.



THE SAVES GREEN COMMUNITY PROGRAM



- **Eligible Service Providers:** Program works with contractors who have registered to become eligible service providers based on experience and qualifications for performing the work proposed on behalf of the Program.
- **Conduit Issuer:** Program has partnered with PFA to serve as the conduit issuer in those jurisdictions which have a QECB allocation available for a project.
 - CleanSource has specific relationships in certain jurisdictions where it has an established state-wide program which works with a specific conduit issuer authorized under the laws of that State for issuing the QECBs (e.g. South Carolina, Virginia, Maryland, Agricultural related projects in NC).
- **Davis Bacon Act Compliance:** Borrower responsible for ensuring compliance with DBA wages and reporting during implementation of Project being funded through Program.
- **On-Going Servicing of QECBs:** Borrower enters into administrative services agreement with Administrator to service the paperwork associated with receiving the subsidy under the QECBs over life of the loan under the Program.



As SAVES Program Designer and Administrator, CleanSource has established a role that includes:

- Platform design and implementation
- Marketing, pipeline development and project origination
- Qualifying and management of contractors and other service providers
- Credit and energy underwriting for all projects
- Loan fulfillment and funding
- Project monitoring and facilitation
- Stakeholder communications
- Loan Review and Governance Committee cadence
- Regulatory compliance and reporting
- Loan servicing and reporting

PROVEN PROCESS FOR SAVES UNDERWRITING



Process in place to stream line loans from origination, through underwriting, to closing and funding.



FINANCING PARTIES



SAVES has relationships with financing parties interested in funding energy efficiency loans.

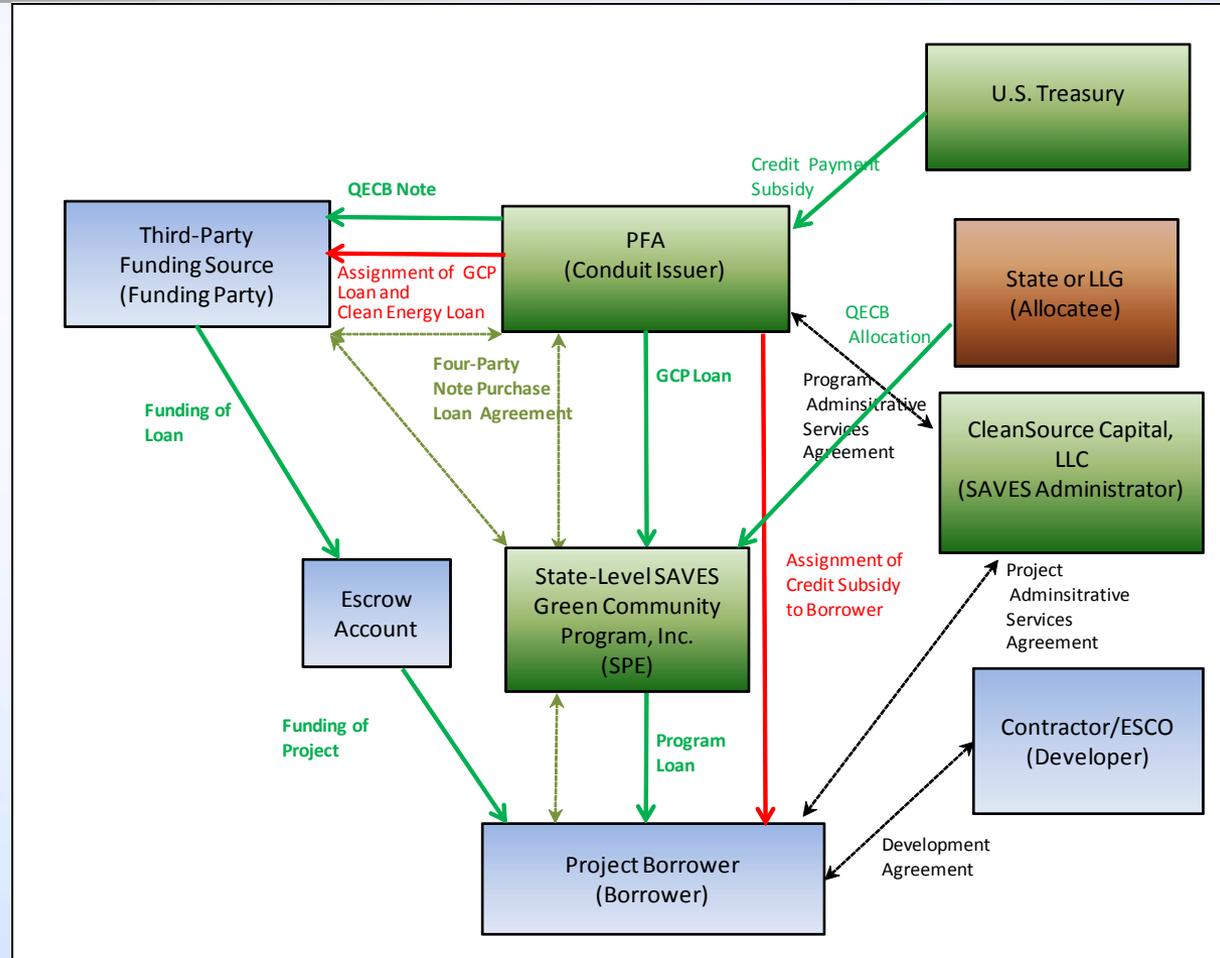


CONDUIT ISSUANCE – TWO TIER FUNDING



Key concepts:

- Lender funds transaction and assumes credit risk.
- Lender sets interest rate and terms that govern transaction.
- PFA as conduit issues QECB Note mirroring terms.
- PFA makes GCP Loan to GCP; GCP makes Program Loan to Borrower, both mirroring terms.
- GCP Loan and Program Loan assigned to Lender.
- PFA assigns QECB credit payment to Borrower to offset interest rate.
- Proceeds fund into escrow and disbursed to fund project.
- Borrower pays Lender directly and Lender services loan.
- Loan payments credited to payments owing under QECB Note.
- One additional document (four party agreement) to lender's standard loan docs
- Effective gross interest rate subsidy currently 3.3%, net 3.1% after sequestration.



PILOT PROJECT ECONOMICS

- Hypothetical \$3M commercial project located in LLG with allocation available
- Projected \$782k in subsidy available over 15 yrs
 - Subsidy calculated at 3.3% gross, 3.1% net
 - Payable on interest during construction
- Program Fee of 2.0% included in Project Costs
- Costs of Issuance from bond proceeds at 2.0%
 - Issuance costs in excess paid by borrower out of pocket

Net Subsidy Benefit to Borrower	
Loan Amount	\$ 3,000,000
Amortization	15 yrs
Credit Subsidy Benefit to Borrower	\$ 782,325
SAVES GCP Servicing Fee	\$ (62,890)
Net Savings from Credit Subsidy	\$ 719,435
Approx Credit Subsidy During Construction	\$ -
Approximate Total Subsidy	\$ 719,435
As a percentage of total Credit Subsidy	92%

Funding Proceeds - Sources and Uses		
Sources:		
QECB Conduit Loan	\$	3,000,000
Standard Loan	\$	-
Out of Pocket Expenses	\$	-
Total Sources:		<u>\$ 3,000,000</u>
Uses:		
Project Costs:		
Total Project Costs	\$	2,880,000
SAVES Program Fee (1)	\$	60,000
Subtotal Project Costs:		<u>\$ 2,940,000</u>
Costs of Issuance:		
Conduit Issuance Fee (2)	\$	15,000
SAVES Bond Counsel Fees	\$	25,000
Additional Costs of Issuance (3)	\$	20,000
Subtotal Costs of Issuance		<u>\$ 60,000</u>
Total Uses		<u><u>\$ 3,000,000</u></u>
(1) Calculated at		2.00%
(2) Conduit Issuance Fee set at minimum of \$15k or		0.20%
(3) Maximum amount of additional Costs of Issuance allowable not to exceed 2% or \$60,000	\$	20,000

Effective QECB Interest Rate to Conduit Issuer		
Funding Party's Interest Rate		5.00%
Tax Credit Rate as of 1/6/2016		4.72%
Calculated Credit Payment Subsidy at 70%		3.30%
Credit Payment Subsidy at (1)		-3.30%
Net Credit Payment Subsidy After Sequestration (2)		-3.08%
Effective Interest Rate after Subsidy		1.92%



THE SAVES GREEN COMMUNITY PROGRAM



- **CleanSource designs and administrates the SAVES Green Community Program to use QECBs to subsidize financing costs for qualifying projects in jurisdictions with available allocations.**
 - Marketing of Program and origination of projects nationwide.
 - Verification of proposed Qualified Conservation Purposes and energy savings.
 - Determination that QECBs are available for proposed project based on location and allocations remaining at state and/or LLG level and ability to transfer same.
 - Application made to PFA for financing using QECBs through its conduit.
 - Documentation and closing of the QECB transaction with customer's third-party financing source or CleanSource can arrange for third-party financing.
 - On-going servicing of QECBs and credit subsidy on behalf of GCP.
- **Design/Administrative Fees:**
 - Program fee of 2% of amount of QECB funding out of proceeds as funded.
 - On-going servicing fee of 25 bps of principal outstanding paid out of credit subsidy.



THE OPPORTUNITY



- **Continue funding projects in States with existing SAVES Programs - Virginia (\$55MM) and Maryland (\$48MM).**
- **Expand the SAVES Green Community Platform into six additional East Coast and Gulf Coast states with large QECB Allocations remaining to enable the deployment of these QECBs for use in funding projects – over \$800MM.**
 - Texas \$224MM
 - Florida \$190MM
 - New York \$175MM
 - New Jersey \$90MM
 - Pennsylvania \$87MM
 - North Carolina \$52MM
- **Three step process to determine if a project would qualify for funding:**
 - **Review gating items:** Qualifying project ready to go to financing with a funding need of at least \$1-2M
 - **QECB allocation available:** Project is in jurisdiction with SAVES program and available QECB allocation and net benefits are worth the costs
 - **Decision to proceed:** Project sponsor files project summary to confirm eligibility under SAVES program and then files formal application to engage CSC as administrator to start process for securing allocation





For more information on the CleanSource SAVES platform, please contact:

Greg Montgomery
CleanSource Capital
Managing Director
704.271.9889
gmontgomery@abundantpower.com