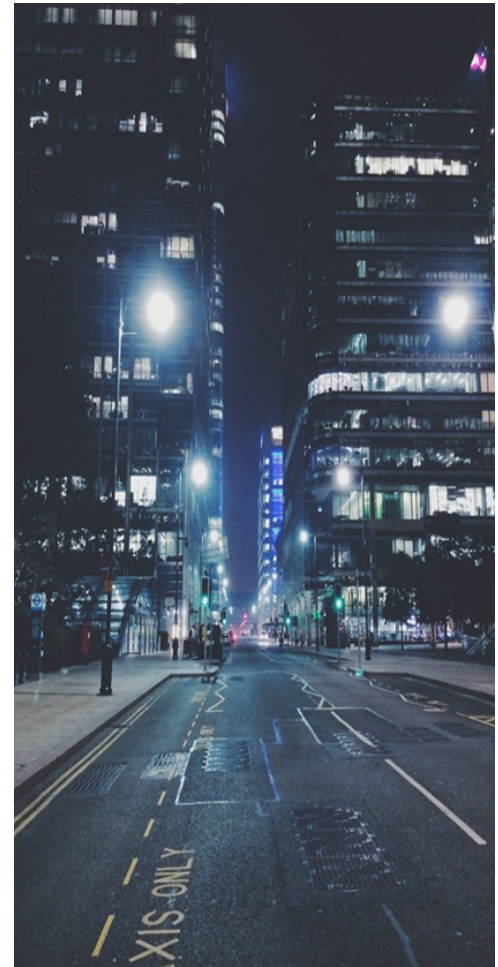


Pay for Performance

Put your building to work for you

Active energy management delivers to small- and mid-sized buildings the benefits of P4P, historically available to only larger facilities

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Background on the performance contracting model

- Service Offering
- No direct procurement – confirm underlying costs only (e.g. unit pricing)
- No direct capital outlay
- Active 3rd Party management, oversight, reporting
- No performance risk – covered by credit-worthy counterparty (e.g. insurance product, balance sheet)
- Installed equipment is serviced and guaranteed
- Multi-year relationship
- Transparent – downside protected, upside shared

Background on the performance contracting model

A proven model – now available to smaller sites

- Advances in technology have opened opportunity:
 - Costs have gone down, and capability has gone up.
 - Utility smart meters offer data availability.
 - Opens opportunity for smaller sites to take advantage of performance-based approaches
- At the same time, CA policy increasingly values comprehensive, managed solutions + measured performance

Control, measurement and communication technologies mitigate shortcomings of the ESCO model for smaller sites

Issue	Historical challenge	New Model	Implications
Transparency	Opaque performance measurement	Transparent 3 rd party M&V	Keeps all counterparties aligned around measured performance and risk mitigation.
Access to capital	ESCOs serving large customers support performance with their balance sheet or custom performance insurance.	Portfolio level performance insurance	<ul style="list-style-type: none">• Allows solutions that incorporate 3rd party capital into P4P models.• Custom performance underwriting is cost prohibitive for smaller sites

....and also opens small sites to advantages of P4P model

Issue	Historical challenge	New Model	Implications
Alignment	Most contractors serving small and mid-sized sites do not operate on a performance basis	P4P brings parties with energy and financial expertise standing behind performance	<ul style="list-style-type: none">• Accesses value - CA programs increasingly value control, automation and management• Shifts risk from site owner• Enables sites to participate in current and future benefits (PDP, EV Charging)

How P4P Can Work with City Requirements

- Utility On-bill-financing (0%) is offered with high limits and longer terms (e.g. 10 yrs).
- P4P will guarantee repayment of low/no-cost capital (e.g. OBF). Achieved savings guarantee repayment of capital and contribute to “green” reserves for future sustainability investments.
- Underlying equipment costs can be vetted by unit pricing to avoid cumbersome procurement processes thereby saving significant time.
- P4P model demands quality materials, installation and continuous commissioning to support savings delivery.

Pay for Performance

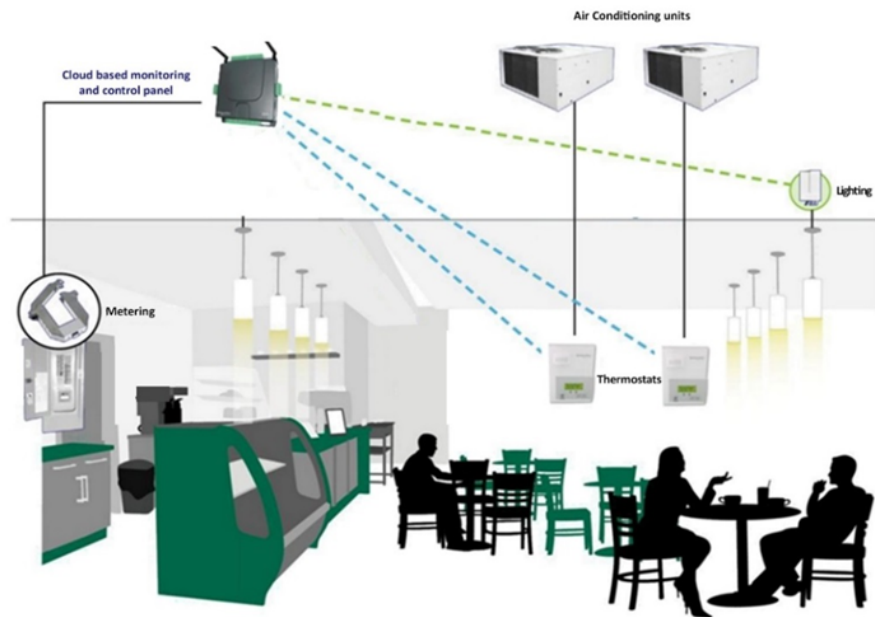
Put your building to work for you

Key Success Factors – what to look for:

- Transparency and focus on persistent savings/control/sharing of benefits.
- Look for consistency in technology applications across the portfolio. Gain familiarity with application, information and operations.
- Implies a strong long-term facilities oversight relationship with the ESCO – *all covered under savings*. This includes reports, data, expertise, training.
- Portfolio-based Performance insurance provides assured solution and cover for low-cost capital as part of a service offering.

Managed Energy Program

Big building solutions for smaller enterprises – a Pay-for-Performance model

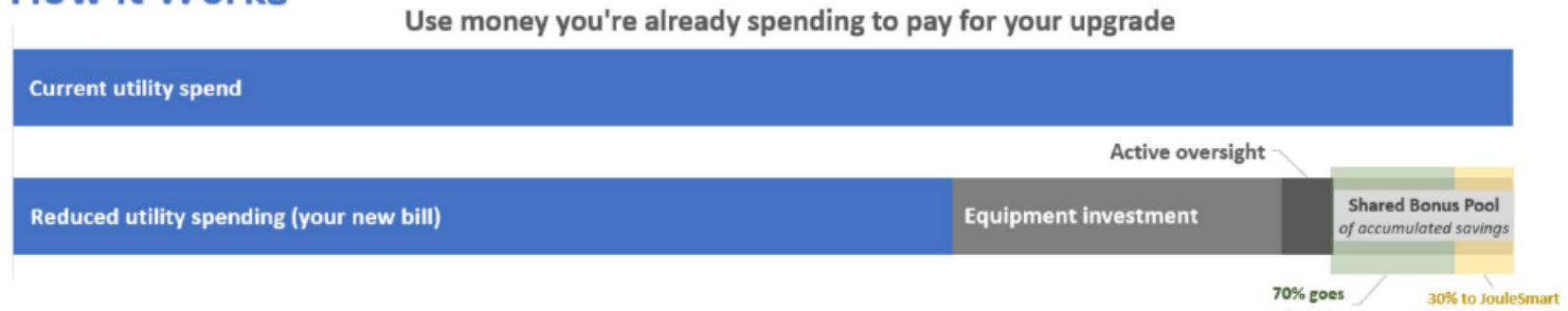


- *Building Management System*
- *HVAC fan and compressor retrofit*
- *LED lighting retrofit, if applicable*
- *Smart thermostats*
- *Sensor and control package*
 - *Real-time power meter*
 - *Occupancy and temperature sensors*
 - *Cellular gateway*
 - *Wireless network*
- *5-year continuous monitoring/oversight and demand response management*

P4P Agreement Types

Managed Energy Services Agreement

How It Works



Energy Services Agreement

- Customer continues to pay utility bill
- ESCO measures savings achieved each month/quarter and generates a report detailing the performance
- ESCO invoices customer monthly/quarterly for the share of savings (typically 85% of total measured savings)
- ESCO pays capital used for the investment from invoiced amount
- Invoiced amounts will vary measurably each month – thereby requiring customer to review and understand the methodology and calculations to ensure accuracy

Thank You

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City of Fresno
CVETU 3/7/2018



Central Valley
ENERGY
TUNE-UP

City and Community Efforts

- Sustainability goals – City has a commitment to measured GHG reduction as required by AB 32.
- Increase renewable energy utilization for municipal operations
- Reduce City peak load through EE, resource conservation and load shifting
- Future technologies (e.g. EV charging, storage) bring challenge/opportunity
- City has limited funds and staff available to advance increasingly complex programs

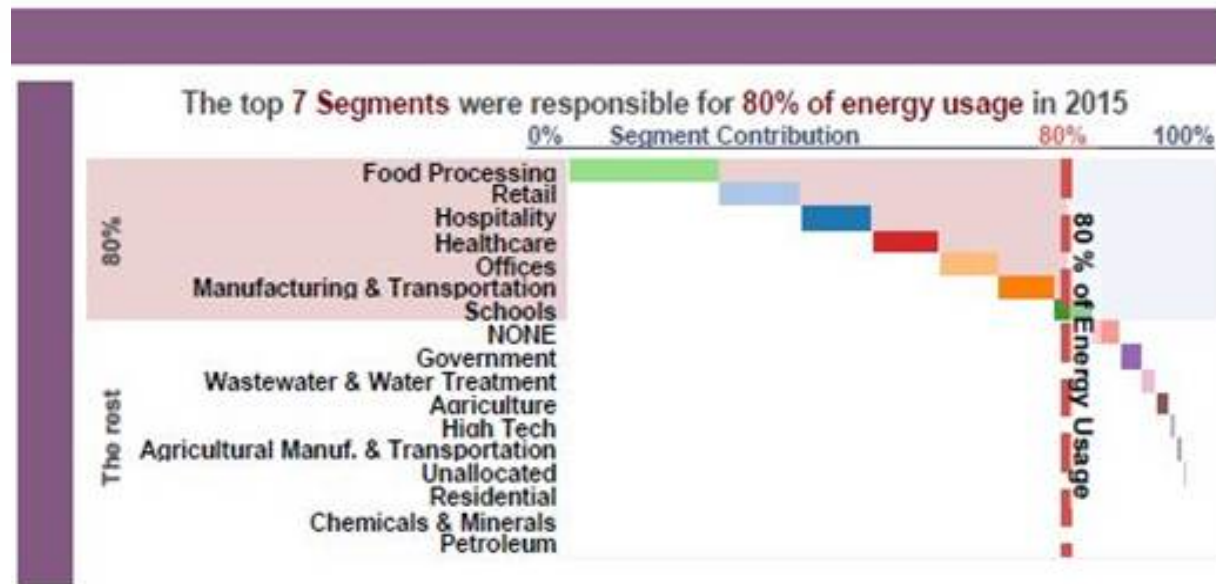
City of Fresno

Central Valley Energy Tune-Up (CVETU)

- Program initiated in July 2009, primarily focused in the City of Fresno
- By 2013 program expanded to 8 Central Valley Counties
- Home Energy Tune-Up 8 counties ~22,000
- Business Energy Tune-Up Fresno County ~400
 1. Reduce unexpected maintenance, equipment failure & associated costs
 2. Improve profit margin
 3. Increase building occupancy and marketability
 4. Reduce energy related risks
 5. Adapt to peak demand pricing and time variable pricing utility rate

Business Sectors

BETU has served the following Fresno County sectors: Food Processing, Retail, Manufacturing and Transportation, Schools, Municipal locations, Small Commercial Businesses, Water/Wastewater Treatment Facilities, and other commercial establishments.



Potential Benefits of Pay for Performance

- Current Opportunity Under Review:
 - Service structure
 - Overcomes budget constraints
 - Eases procurement requirements
- Long term contract with performance alignment
 - Increases capacity of Department/Business to move forward
 - Contractor standing behind work – balancing cost and performance
 - “Smart Buildings” are equipped to manage evolving cost/requirements of PDP
- Measured performance counts towards City goals

Thank you!