



Financing through Contractor Networks

**Creating Integrated Solutions in SME Through
a Proven Contractor Business Model**

ACEEE Energy Efficiency Finance Forum 2015



Joule Assets enables the growth of the energy reduction industry by **providing funding** and **operational expertise** to contractors active in the energy efficiency, demand response and energy storage industries.

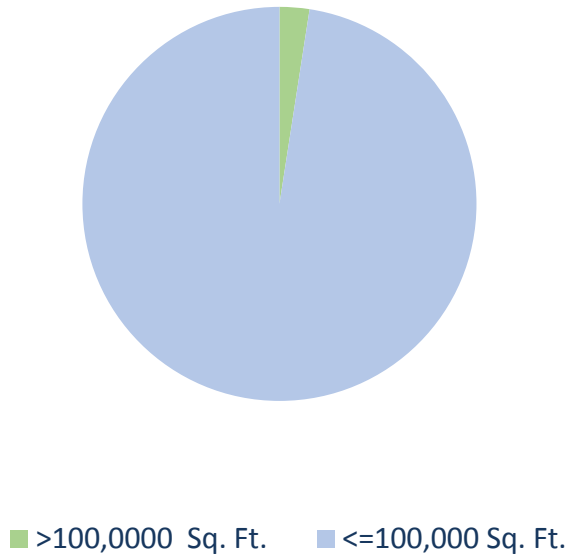
We deploy our project funding directly through contractors, **empowering them** to deliver capital for their customers' projects with streamlined underwriting.

Our success stems from our ability to support our contractor partners in shortening their sales cycle, closing more deals, and maximizing the value of each project through our energy reduction cash flow services.



Joule Assets provides funding through its **management of the Energy Reduction Asset (ERA) Fund.**

Makeup of US Commercial Building Stock



- The total investment opportunity across the Residential, Commercial and Institutional markets over the next 10 years is \$279 Billion in the US alone, which will result in more than \$1 Trillion in Energy Savings¹
- The EIA 2012 states that 97.5% of U.S Commercial Buildings are in the Small- Medium Sector (<100,000 sq. ft.)²
- ESCOs have successfully penetrated the MUSH market and to some extent the large commercial market, but not the SME sector which remains virtually untapped³

Joule's investment strategy focuses on scaleably accessing value in a large and untapped market

1. <http://www.eia.gov/consumption/commercial/reports/2012/preliminary/index.cfm>

2. [United States Building Energy Efficiency Retrofits, Deutsche Bank](#)

3. ESCO Industry Forecast LBL 2013

The Markets Offer Multiple Value Streams (EE, DR, rebates, incentives, carbon/ white credits)

- Customers generally do not understand them – not prepared to front the funds
- Oftentimes the contractor/integrator is not fully informed and undervalues an opportunity
- Incentives spur market introduction, but generally do not cover the entire amount - and are increasingly performance-based
- *Therefore, a financial and knowledge gap remains*

Technology and Communications options bring cost-efficient ECMs and M&V to the SME market

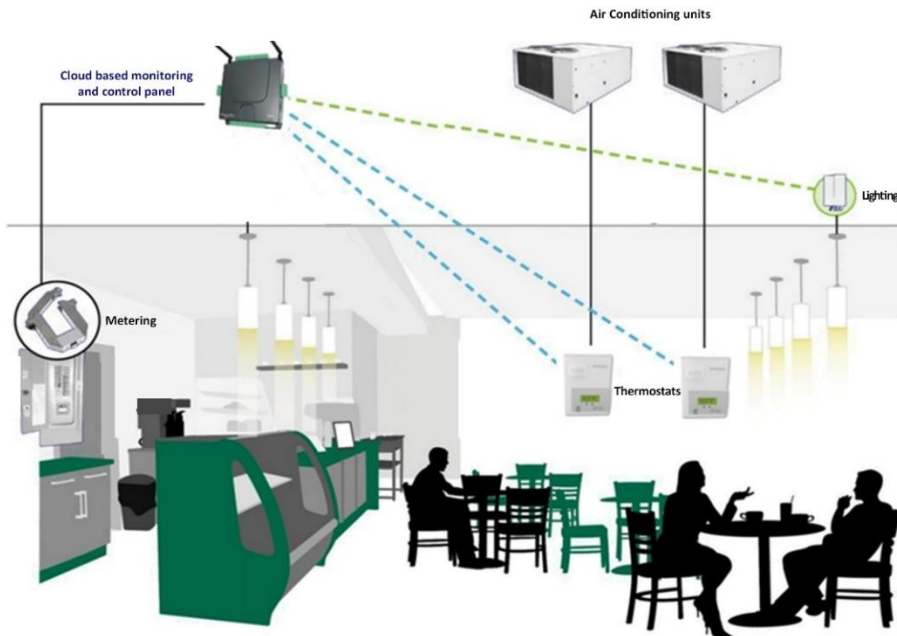
- Smaller customers (with energy spends under \$2k/mo.) can now realize the benefits of a financed EE solution that optimizes control for DR participation, without fatigue
- Solutions are not technology dependent – more high performing products can be incorporated
- Continuous commissioning can be a terrific value to SMEs who don't have time or expertise to manage on their own
- M&V opens the door for performance insurance – creating scale

Technology Service models allow for longer customer engagement

- Contractors can earn more by adjusting their business model to stay engaged.
- Customers benefit from informed oversight to capture all potential savings and revenue opportunities.
- Performance-based services model fits well with many customers.
- Agreement terms allow for thoughtful development of DR market participation

What is the investment...

Installation and Operation of Energy Efficiency Equipment



Host sites are offered:

- Energy saving equipment upgrades
- Guaranteed savings on energy costs
- Zero upfront costs
- Improved comfort and productivity

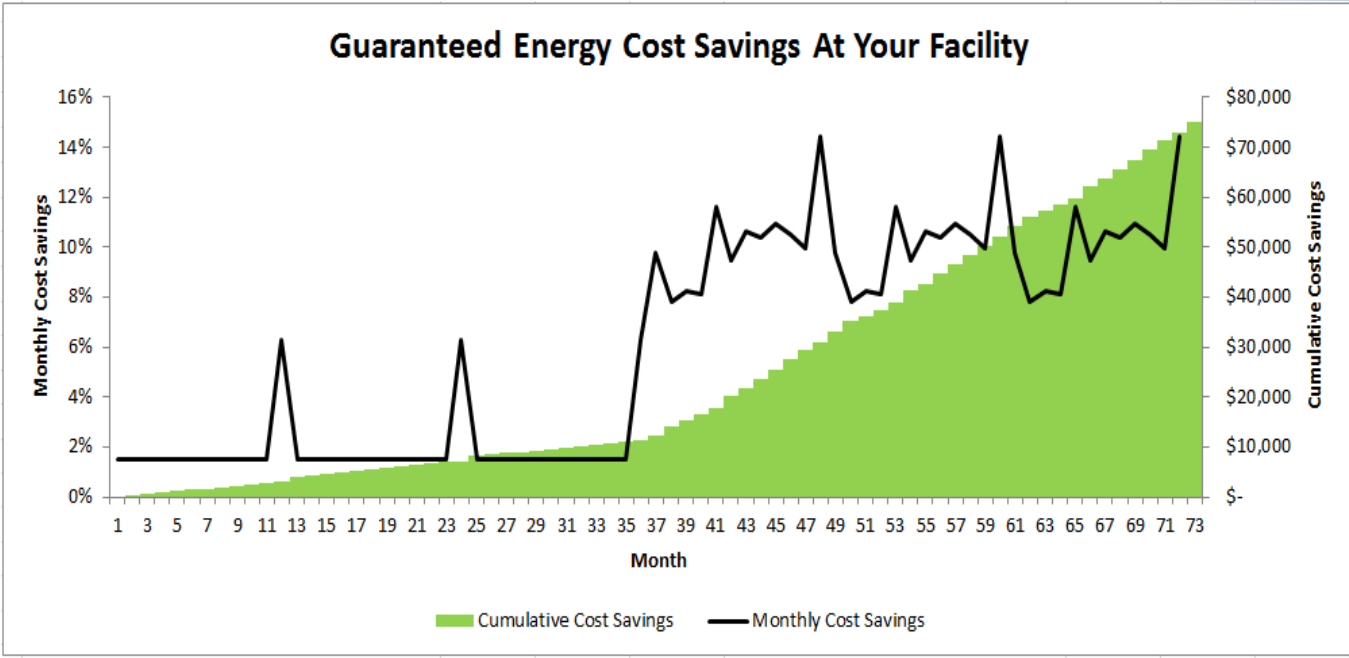
Contractor:

- Operates and maintains equipment throughout life of project
- Optimizes energy savings
- Provides monitoring and performance verification to host site

Contractor provides integrated Energy Management service to customer

Cash Flow Summary:

- Building Target Energy Savings is **12%**.
- DR Curtailment Available: **40 kW**
- Initial Term Estimated Savings (36-Months): **\$11,002**
- Renewal Term Estimated Savings: **\$76,391**



Examples of Financed SME Projects

Average Project Size = \$40,000 { Permanent Demand Reduction = 11 kW
Automated Demand Reduction = 6 kW

.....fast food restaurants, multi-use recreation, health clubs, auto dealers. Starting with owner-controlled facilities and solving the tenant-occupied challenge.

Scale: \$100m translates to ~50 MWs permanent reduction and ~30 MWs ADR

New Paths to Market - Accelerating Utility Finance Programs

- The Fund finances procurement and installation
- MESA structure – managed by the Fund
- Utility's program takes out Fund's capital – customer realizes increased incremental savings while maintaining managed service
- Services continue – Assured savings and DR participation
- Fund capital redeployed to initiate a new project
- Collaborating with PG&E to see how it works

Acceleration Model...

CONTRACTOR BENEFITS

- Procurement and installation financing (Fund financed rebates and Utility financing)
- Managed administration
- EE performance is insured through the Fund's 3rd Party insurer – providing comfort to customer and market differentiator
 - Superior performance means lower capital cost
- Recurring revenue through services and sharing

Acceleration Model...

CUSTOMER BENEFITS

- **Managed process includes capital provider**
- **Guaranteed savings combined with low/0% money**
- **Transparency**
- **Long term guarantee of equipment and performance with vetted contractor**
- **DR participation and value is managed by knowledgeable partner**
 - **Comprehensive assessment for PDR/ CPP tariff selection – the best informed choice for customer**

UTILITY BENEFITS

Acceleration Model...

- 3rd party with “skin in the game” overseeing performance
- Agnostic on technology deployments (Incentive-compliant ECMs)
- Performance-based incentives align with Fund’s M&V market approach
- Filling the void - Fund values real savings where incentives are limited (in California) to Title 24 as a threshold
- Cloud and controls-based EE solutions are more and more prevalent, are rich in information and well-suited to provide small bites of DR – Fund values integrated solutions.

Acceleration Model...

UTILITY BENEFITS (cont.)

- **Market model fits well with emerging distribution system platform provider (DSPP) utility model – in addition to integrated EE/ADR....applicable to:**
 - **Smart T-stat roll-outs**
 - **Storage and small DER**
 - **Micro-grids**
 - **Large customer ADR capital needs**

Bringing Performance Insurance to the SME Market — presenting a new partnership with Hartford Steam Boiler (HSB), a subsidiary of Munich RE

- HSB product provides scalable energy savings insurance solutions for Joule's network of contractors by underwriting at the portfolio level
- Adding an investment grade insurance partner to Joule's business model provides investors access to this market in a more secure and sophisticated way
- Benefits include:
 - Lower cost of capital
 - Reduced portfolio risk
 - Solid outperforming portfolio returns
- *More to come.....*



JOULE ASSETS

Thank you

Dennis Quinn
dquinn@jouleassets.com