

# ACEEE – Financing Small

May 21-22, 2018

**Lime Energy** 

Unlocking Energy's Business Potential



### **Dlime** What We Do?

Lime has created a unique market in between utilities and their commercial customers, with a single business model that simultaneous delivers high value to both sets of customers





#### **Utilities and Energy Retailers**

- Program Design & Administration
- Energy Efficiency Project Sales & Resource Delivery
- Consultation & Guidance
- Customer Marketing
- Customer Engagement
- Measure Management
- Digital Program Platform
- Big Data Analysis & Marketing

#### Lime's Value Proposition

Technology/data/people/processes to deliver cost-effective EE resources

Customer engagement and service to drive higher CSAT and JD Power rankings

DSM program design and administration expertise

#### **Energy Cost Reduction**

Ease of participation for facility upgrade and improvement projects

Financing, savings guarantees and costeffective solutions

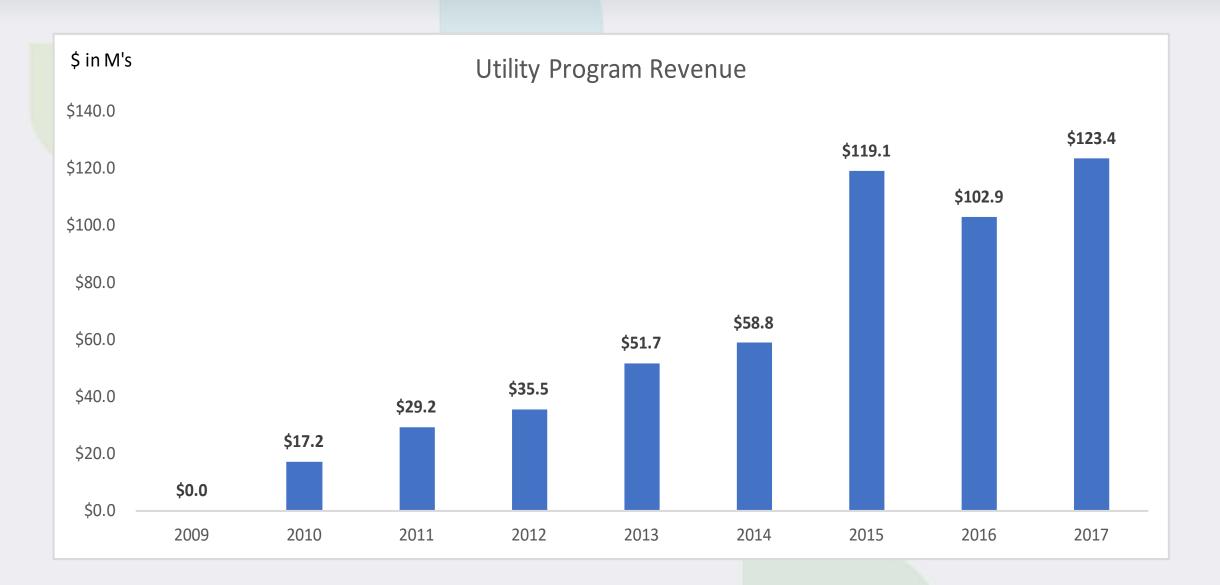
#### **Commercial Customers**

- Technology Assessment
- Facility Energy Assessments
- Equipment Procurement
- Installation Management
- Project Financing
- Savings Guarantee
- Measurement & Verification
- Access Utility Rebate Programs

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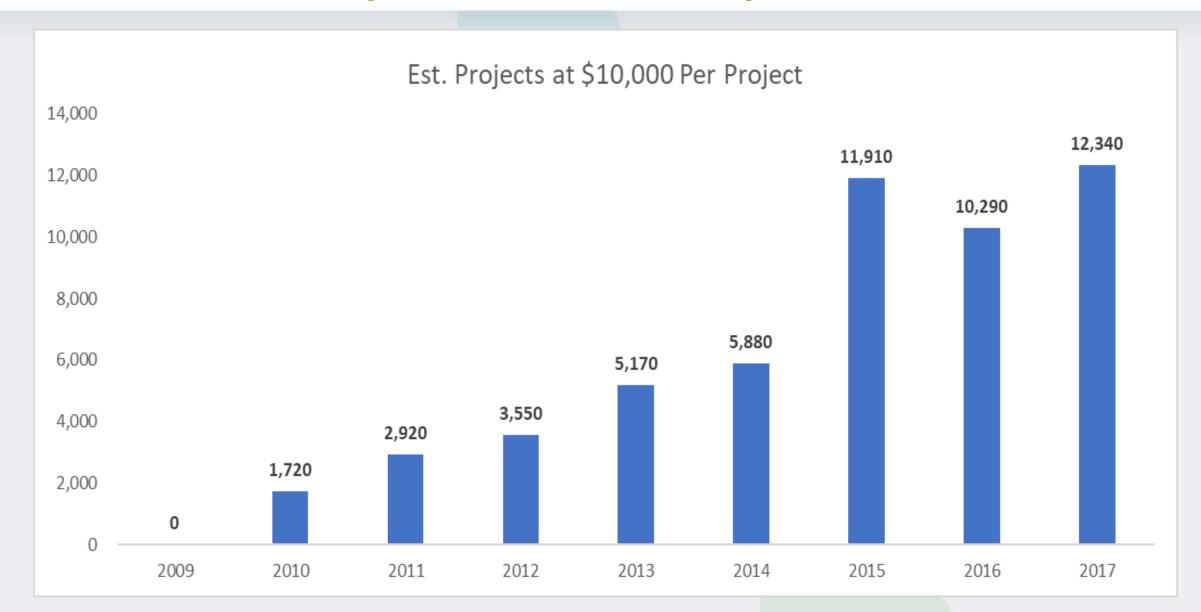


# **lime** 8-Year Track Record Delivering SBDI Utility Programs





## lime At \$10,000 Project Size, That's A Lot Of Projects

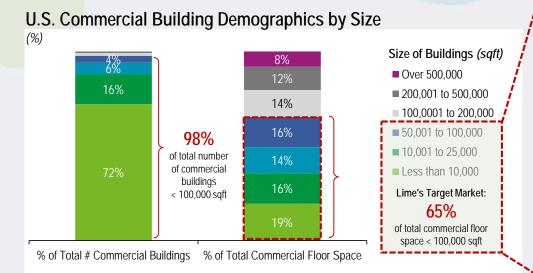




#### **Dlime** Observation from Last Year's ACEEE Finance Forum

- Where are the CFO's? This is a Finance Forum.
  - Lack of financial sophistication in the industry
- > Energy Efficiency Firms were very small or very large
  - Scale matters
- > Lenders were very eager to finance energy efficiency projects
  - Until I told them we needed to finance projects under \$10K



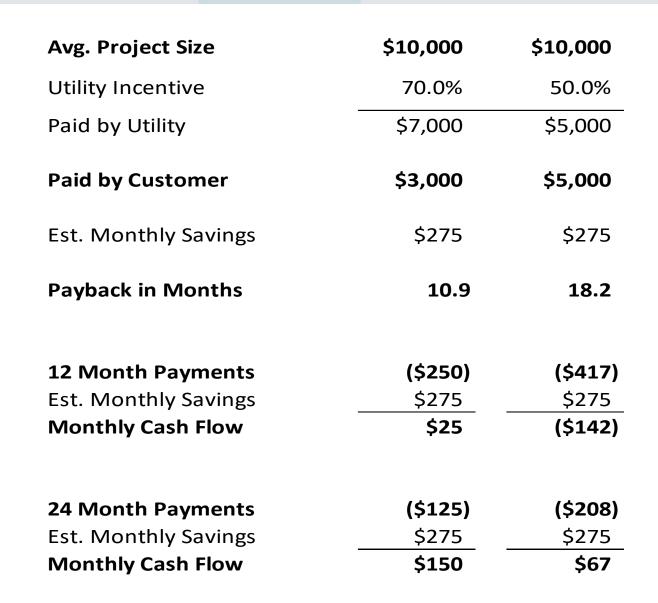


#### Lime's Target Market – Small & Medium Commercial Building DSM

- Commercial Direct Install (CDI) is an approach which has demonstrated unprecedented ability to deliver SMB EE
- CDI programs typically address commercial customers with peak demand of less than 300 kW who generally occupy buildings no larger than 100k square feet, representing 65% of total commercial floor space
- These customers represent more than 95% of commercial customers nationwide and ~2/3 of all commercial energy usage
- As energy services companies have historically focused on providing energy efficiency retrofits for larger buildings, the small and medium commercial market that CDI targets represent a massive and significantly underserved market opportunity



### **Dlime** Currently – Utilities Footing the Bill for Energy Efficiency



### lime Future - NY REV Wants More Private Capital To Foot Bill

Avg. Project Size	\$10,000	\$10,000
Utility Incentive	15.0%	25.0%
Paid by Utility	\$1,500	\$2,500
Paid by Customer	\$8,500	\$7,500
Est. Monthly Savings	\$275	\$275
Payback in Months	30.9	27.3
12 Month Payments	(\$708)	<del>(\$6</del> 25)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	(\$433)	(\$350)
24 Month Payments	(\$354)	(\$313)
Est. Monthly Savings	/\$275 /	\$275
Monthly Cash Flow	(\$79)	(\$38)
36 Month Payments	(\$236)	(\$208)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	\$39	\$67
48 Month Payments	(\$177)	(\$156)
Est. Monthly Savings	\$275	\$275
Monthly Cash Flow	<del></del> \$98	\$119

#### **Dlime** P4P is Here Now in New York

- LIME piloting "Pay for Performance" projects here in New York
- > Measuring the saving using proprietary equipment
- > Customer only pays a percentage of savings achieved
- > Extending terms to 3-5 years
- > Currently funding these projects with our current balance sheet

### **Dlime** Who's Interested In Funding EE Projects for Small Companies?

- ▶ Large Commercial Banks Not interested
- Large Regional Banks Haven't spoken with them
- > Credit Unions & Savings Banks Heard there is some interest but local
- ➤ Specialty Lenders (DLL, HBC) Really want to fund larger projects; willing to fund smaller projects
- ➤ Community Development Financial Institutions (CDFI's) Very interested;
  Have talked about different structures; Green Bank of NY; Reinvestment Fund (PA)
- > Private Equity/Capital Always interested at Mid-Teen Rates

### **Dlime** Challenges?

- > Scale
  - +\$10M to create a fund/loan worth talking about
- First Position in Rights to Receivables
  - Negotiate around current debt agreements
- > 3<sup>rd</sup> Party Collections
  - Expensive at low volumes; scaling issue
  - On-bill collections from utility would be preferred
- Credit for Small Business Customers
  - Performing credit checks
  - Default Rates
    - ✓ Lime's default rate Very low; 2-4% one-two year receivables
  - EE projects by their nature provide the positive cash flow to return the cash

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