# Finance and Funding
# *Show Me the Money*

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# Evaluating Federal Energy Projects

- Lenders evaluate Federal energy efficiency projects across three broad risk categories
  - Contract risk
  - Project risk
  - Participant risk
- Ultimately, pricing and terms are set by comparing a project's overall risk and return to similar projects in the private sector

# Contract Risk

- How well/consistently documented is the project and the arrangements with the ESCO versus FAR and the ESPC/Utility Contract regulation
  - Termination risk
  - No set-off
  - Multi-year authority
  - Congressional notification
  - Assignment to lender
  - Absolute certainty of roles and responsibilities

# Project Risk

- Can the project perform as projected over the term specified. Emphasis on:
  - – Technology/Equipment risk
  - – Maintenance and operation risk
  - – Measurement and verification risk
  - – Useful life vs. term risk

# Participant Risk

- ESCO Risk
  - Experience of the ESCO
  - Credit strength of ESCO

- Customer Risk
  - Closure or termination potential
  - Payment history
  - Acceptance risk

# Key Points to Remember

- Lender prices to "weakest non-mitigatable risk" assumed.
- Lender's concern is repayment of their investment on-time.  All actions/requests reflect increasing certainty of repayment.
- Most lenders make their return over time, not at funding.

# Would you like to know more about this session?

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