





# The Lender's Perspective on Alternative Financing

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# For More Information

- Would you like to know more about this session?
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# Introduction

- Federal financing vehicles
  - UESC, ESPC, EUL, ESI (VA)
- Focus on financing challenges of ESPC and EUL



# About Bostonia

- Bostonia is an investment banking and financial services company that concentrates principally on structuring complex, innovative financing solutions for introduction into the capital markets and providing independent financial advisory services to both the public and private sectors. Bostonia also has a significant sales and trading operation through our broker/dealer.
- Focus on federal, municipal and commercial energy efficiency and renewable energy projects.
- Over \$2.5 billion in US government financings.



# Energy Savings Performance Contracts (ESPC)

- Pricing ESPCs
  - Term
  - Size
  - Risk Mitigation
  
- Price to weakest non-mitigated risk
  
- Same analysis -- \$100M or \$1M

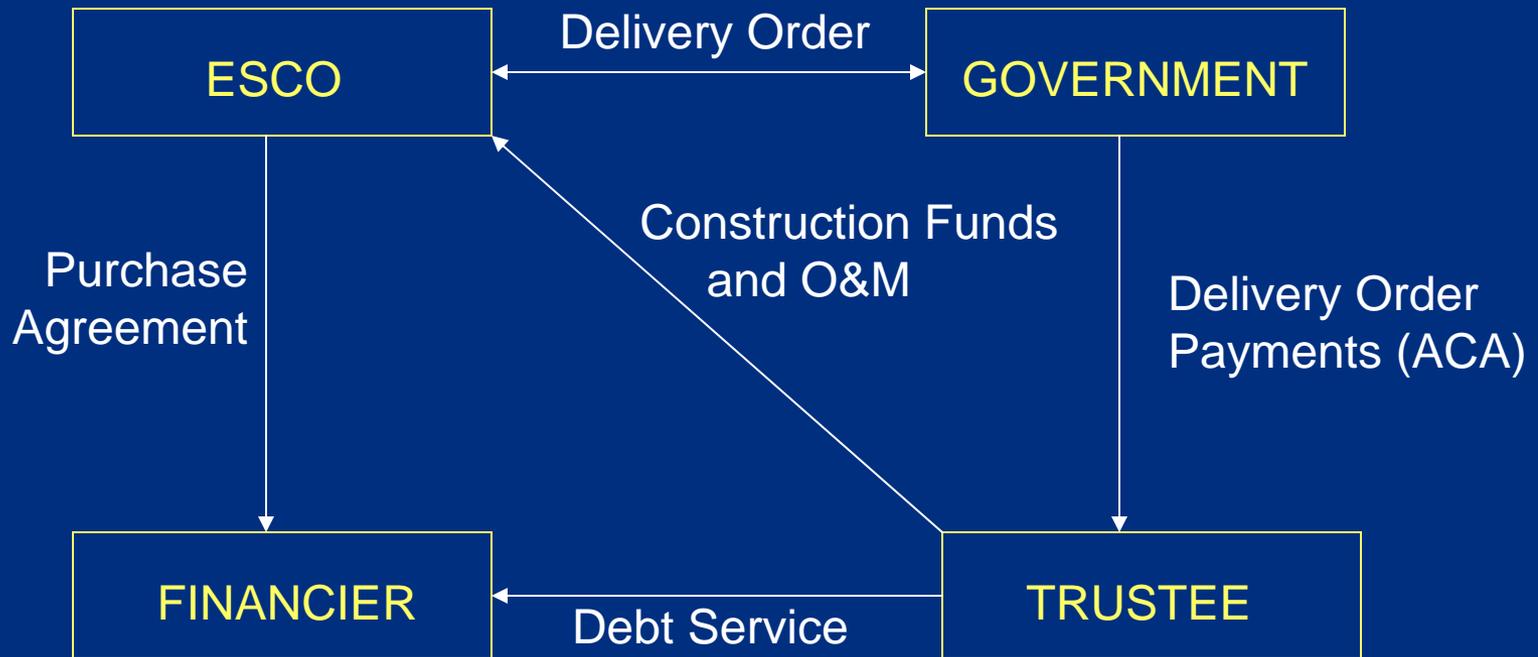


# ESPC Risk Analysis

- Contract Risk
  - Longer terms
  - Termination for Convenience
  - Debt Service offsets
- Contractor Risk
  - ESCOs have varying credits
  - Construction/acceptance risk
- Customer Risk
  - Closure/Realignment
  - History of payments/acceptance
- Project Risk
  - Equipment
  - Measurement and Verification; Operations and Maintenance



# Financing Structure





# ESPC Financing Issues

- ESPC is not a commodity
  - Complex projects (i.e. renewable projects)
- Aggregation
- Holding Interest Rates



# Enhance Use Leasing (EUL)

- Allows military installations to out-lease underutilized land and facilities through a public-private or public-public partnership and allow cash (50%) and in-kind (100%) proceeds to go directly to the installation
- May lease any property or facility under the control of the installation
- Cash and in-kind consideration may be used to acquire and/or construct new facilities, including historic preservation
- Leasing of property must promote the national defense or be in the public interest
- DoD must get Fair Market Value (FMV) in cash or in-kind



# EUL Financing Issues

- Financing Issues
  - Not typical project finance analysis
  - In-kind contribution to government major structuring component
  - No guaranty that the government is your off-take
  - Non-standard “exit strategy” analysis
  - Market analysis impacted by location on military installation
  - OMB scoring rules significant factor



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