



FUNDING AND CONTRACTING OPTIONS FOR CAPITAL IMPROVEMENTS AND OPERATIONAL EFFICIENCIES

SEPTEMBER 8, 2022

NORESICO

Topics of Discussion

Challenges Facing Local Governments

Funding and Contracting Options

- Performance-Based Contract
- Public Private Partnership
- “as a Service”

Question and Answer



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Current Challenges

CA NetZero Challenge

- Retrofit 50% commercial buildings by 2030

Lack of Resources

- Money and labor

Unfunded mandates

Pressure to budget

- Utility cost escalation

Decarbonization, Electrification, and Resiliency



Performance-Based Contract

Guaranteed savings & cost to implement

Typically, but not always, a two-agreement structure

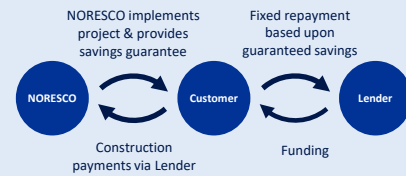
- One agreement with the NORESCO for the project
- A second finance agreement with the lender
- Structured so that savings are greater than payments

Lowest cost of energy project finance

Fixed payment obligation



Performance-Based Contract



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Public Private Partnership

Transfer of selected risks from customer to developer

Capital and operating budget predictability

Contracts are usually 20-50 years

Funded with 3rd party capital

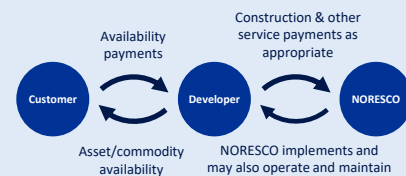
- Debt, equity, or combination

Availability payments with adjustments for Key Performance Indicators (KPIs)

Customer purchasing a business solution more so than a scope of work



P3



“as a Service”

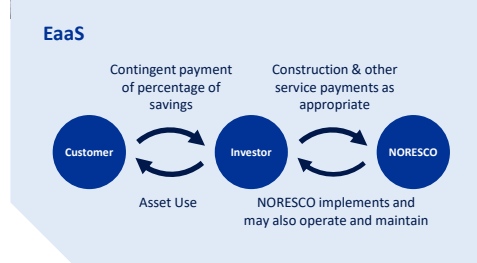
NORESKO partners with an investor to own project assets

- The customer has a single agreement with investor for project and finance
- Investor contracts with NORESKO to develop and implement the project
- Customer pledges a percentage of project savings
- Payments are contingent on verified project performance

Subject to service agreement accounting with potentially favorable debt treatment for the customer

End of term options for asset purchase by the customer at fair market value

Same structure is used for a Power Purchase Agreement (PPA), typically for renewables



Comparison of Funding and Contracting Options

	RISK TRANSFER				
	← Customer Assumes Risk				Contractor Assumes Risk →
	Design/Build	Performance-Based Contract	Contingent Payment Agreement (CPA)	Efficiency as a Service (EaaS)	Public Private Partnership (P3)
Counterparty with Customer	ESCO	ESCO	ESCO	Financier	Developer
Counterparty with Financier	Customer or Not Applicable	Customer or ESCO	ESCO	Not Applicable	Developer
ESCO Role	Prime Contractor	Prime Contractor	Prime Contractor	EPC Contractor and Guarantor	EPC and O&M Contractor
Payment Type	Fixed	Fixed	Performance Based	Performance Based	Fixed/Performance Based
Asset Ownership Transfer	At Acceptance	At Acceptance	At End of Term	Fair Market Value at End of Term	At End of Term
Accounting Treatment	Financing Dependent, if any	Lease/Debt	Lease/Debt	Service Agreement	Service Agreement
Credit Impact	Financing Dependent, if any	Negative to Neutral	Neutral	Neutral	Neutral to Positive
Other	ESCO obligations end after warranty, unless separate operating agreement is executed	Customer executes two contracts; one with NORESKO and one with Financier. Savings guarantee offsets fixed payments.	Variable payment based on measured savings	Variable payment based on measured savings. Can also be used for a renewable PPA.	Developer assessed penalties if key performance indices are not met



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COMPANY OVERVIEW

Who We Are



\$5+ Billion

GUARANTEED SAVINGS



10,000+

FACILITIES IN U.S. AND WORLDWIDE



28,300 GWh

ELECTRICITY SAVED / EFFICIENTLY PRODUCED



120 Trillion Btu

ON-SITE FUEL ENERGY SAVED



56 Billion Gallons

WATER SAVED



25 Million

METRIC TONS OF CO₂ REDUCED

NORESKO

38+ years of experience

Multi-disciplinary in-house team experienced in all aspects of project funding, development, engineering, construction, and operation

Variety of funding and contracting options

Vendor-neutral firm



Founded in 1915, independent company in 2020 (NYSE: CARR)

\$20.6B in Net Sales¹

Extensive global footprint

NORESKO is a Carrier company

¹2021 net sales