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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CHALENGES FACING LOCAL GOVERNMENTS

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

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

Photo source: https://www.placentia.org/facilities/Facility/details/Placentia-Civic-Center-40
“as a Service”

NORESCO partners with an investor to own project assets
- The customer has a single agreement with investor for project and finance
- Investor contracts with NORESCO 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

<table>
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<tr>
<th>RISK TRANSFER</th>
<th>Customer Assumes Risk</th>
<th>Contractor Assumes Risk</th>
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<tr>
<td>Counterparty with Customer</td>
<td>ESCO</td>
<td>ESCO</td>
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<tr>
<td>Counterparty with Financier</td>
<td>Customer or Not Applicable</td>
<td>Customer or ESCO</td>
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<td>ESCO Role</td>
<td>Prime Contractor</td>
<td>Prime Contractor</td>
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<td>Payment Type</td>
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<td>Credit Impact</td>
<td>Financing Dependent, if any</td>
<td>Negative to Neutral</td>
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<td>Other</td>
<td>ESCO obligations end after warranty, unless separate operating agreement is executed</td>
<td>Customer executes two contracts; one with NORESCO and one with Financier. Savings guarantee offsets fixed payments.</td>
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</tbody>
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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

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

12021 net sales

NORESCO is a Carrier company

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

$20.6B in Net Sales¹
Extensive global footprint

¹2021 net sales