NY Green Bank
Pay-for-Performance (P4P)
Stakeholder Meeting
November 16, 2018 | Jessica Renny, Associate
Mission:
To accelerate clean energy deployment in NYS by working in collaboration with the private sector to transform financing markets

- **What:** A $1 billion project finance fund that is a division of NYSERDA
- **Why:** To overcome financing barriers in NYS’s clean energy markets and create a cleaner, more resilient, and affordable energy system
- **How:** By investing in clean energy projects to increase the availability of capital for clean energy and sustainable infrastructure projects
<table>
<thead>
<tr>
<th>Financing Barrier</th>
<th>NY Green Bank Solution</th>
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<tr>
<td>Minimal Standardization</td>
<td>Be solution-oriented in finding credit worthy approaches to financing EE projects with limited transactional precedent</td>
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<tr>
<td>Perceived Uncertainty of Revenue Streams</td>
<td>Consider all types of EE revenue contracts and incentive payments</td>
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<td>Limited Number of Financing Partners</td>
<td>Be a first-mover to build market scale and standardization attracting private capital to the sector</td>
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<td>Unfamiliarity with Asset Class</td>
<td>Build upon experience financing clean energy and EE projects and leverage expertise of NYSERDA colleagues</td>
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<td>Small Transaction Size</td>
<td>Participate in portfolios of small to mid-sized transactions</td>
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Pipeline & Portfolio Highlights

Technology Distribution of Active Pipeline ($542.2 MM)

- Multiple Technologies
- Sustainable Transportation
- Bioenergy
- Other
- Energy Efficiency
- Solar
- Multiple Technologies

Portfolio Highlights ($522.3 MM)

- **$522.3 MM** in overall investments to date
- Investments support clean energy projects with a total project cost of between **$1.46 and $1.70 B** in aggregate
- **$50+ MM** in EE financings benefiting NYS end-users including: Public Housing Authorities, Municipal, University, Schools & Hospitals (“MUSH”) entities, Commercial and/or Non-Profit entities, and Homeowners
- First EE transaction executed in December 2015
Investment Focus

Asset Financing Stage

R&D ➔ Prototype; Proof of Concept; Pilot; Demonstration ➔ Commercialization ➔ NY Green Bank Focus

- Proven Technology (Scalable Deployment)
- Proven Technology (Mature Deployment)
Investment Strategy & Criteria

Strategy:

- Execute structured, project finance transactions
- Due diligence process similar to a commercial bank
- Structure transactions on market terms to attract private capital investment

Primary Eligibility Criteria:

- Utilize proven, eligible technologies
- Demonstrate GHG reductions
- Demonstrate how the transaction contributes to market transformation
  - Mobilization of private capital as evidenced by a leverage ratio of private capital to NYGB investment
  - Additionality in proposed investments
- Be economically and technically feasible, and provide financial returns to NY Green Bank
NY Green Bank can invest at any level of the capital structure of a project.

Directly invests in projects and/or portfolios of clean energy assets rather than companies.

Potential Roles in Project Finance Transactions

- Capital
  - Debt
    - Long-term
      - Senior Secured Project-Level
      - Subordinated
      - Backleverage
  - Equity
    - Short-term
      - Construction
      - Warehouse / Aggregation
      - Bridge / Mezzanine
  - Credit Enhancement
    - Project-level Preferred
    - Project-level Common
Energy Efficiency Investment Approach

General Approach

- Apply structured finance (e.g., project finance, securitization, asset based) approaches to residential and C&I EE portfolios
  - Aggregation and warehousing credit facilities with a borrowing base methodology
  - Portfolio value based on expected cash flows from customer agreements for completed projects (including energy savings-related payments)
- NY Green Bank has implemented this approach with several P4P stakeholders to date

P4P Incentive Financing Approach

- NY Green Bank currently provides financing against NYSERDA performance-based payments for other asset classes by applying an advance rate to the incentive amount
  - Similar approach can be applied to P4P incentive payments
- Portfolio value based on expected cash flows from (i) customer agreements and (ii) P4P incentive payments
Indicative Financing Structure

- Sponsor originates customer contracts and installs projects
- Borrower acquires eligible projects and/or project-related revenues from Sponsor using NY Green Bank loan proceeds
- Project revenues, including customer and incentive payments, are used to pay debt service to NY Green Bank in accordance with a borrowing base
- If distribution requirements are satisfied, remaining cash is distributed to Sponsor
RFP 1: Clean Energy Financing Arrangements – NY Green Bank invites EE market participants to propose financial transactions to NY Green Bank through its open proposal process.

- Aggregators with financially viable projects/business models can apply to NY Green Bank prior to selection under P4P.

- RFP 1 Proposal Contents:
  - Proposed Financing Structure & Terms
  - Comparable Market Transactions
  - Technical Considerations
  - Market Barriers and NYGB Contribution to Financial Market Transformation
  - Expected Clean Energy Outcomes
  - Qualifications & Experience; Officers & Staffing
  - Other Financial Support, Incentives, & Sponsor Capital
Working with NY Green Bank

Approval Process*

**Scoring Committee**
- Screening Process
  - 1 – 2 weeks from proposal submission

**Greenlight Committee**
- Initial Diligence
  - 1 - 3 months from Scoring Committee

**Investment & Risk Committee**
- Final Approval
  - 1 - 3 months from Greenlight Committee

*Please note: estimated timing varies on counterparty readiness and project development (including availability of diligence materials listed on next slide)
### Working with NY Green Bank

#### Indicative list of NY Green Bank diligence requests for EE transactions:

1. Detailed pipeline and portfolio description
2. Financial model
3. Customer application and approval process, including underwriting criteria
4. Contracts
   - Customer agreement
   - Equipment supply contracts
   - O&M/subcontractor agreements
   - Third-party financial servicing agreements
   - Insurance policies
5. Technical details
   - Performance data for all completed projects to date
   - M&V protocol
   - List of equipment manufacturers, providers, installers
   - Equipment warranty information
6. Company information
   - Financial statements for last 3 years
   - Capitalization and capital raising plans
   - Organization chart
   - Customer acquisition & management strategy
Contact us at info@greenbank.ny.gov to discuss potential investment ideas