



NY Green Bank
A Division of NYSERDA

NY Green Bank

Pay-for-Performance (P4P)

Stakeholder Meeting

November 16, 2018 | Jessica Renny, Associate

New York, NY

NY Green Bank Accelerates Clean Energy Deployment in NYS

Mission:

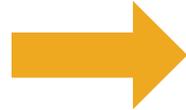
To accelerate clean energy deployment in NYS by working in collaboration with the private sector to transform financing markets

- **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

Role in Overcoming Energy Efficiency (EE) Financing Barriers

Financing Barrier

Minimal Standardization



Perceived Uncertainty of Revenue Streams



Limited Number of Financing Partners



Unfamiliarity with Asset Class



Small Transaction Size



NY Green Bank Solution

Be solution-oriented in finding credit worthy approaches to financing EE projects with limited transactional precedent

Consider all types of EE revenue contracts and incentive payments

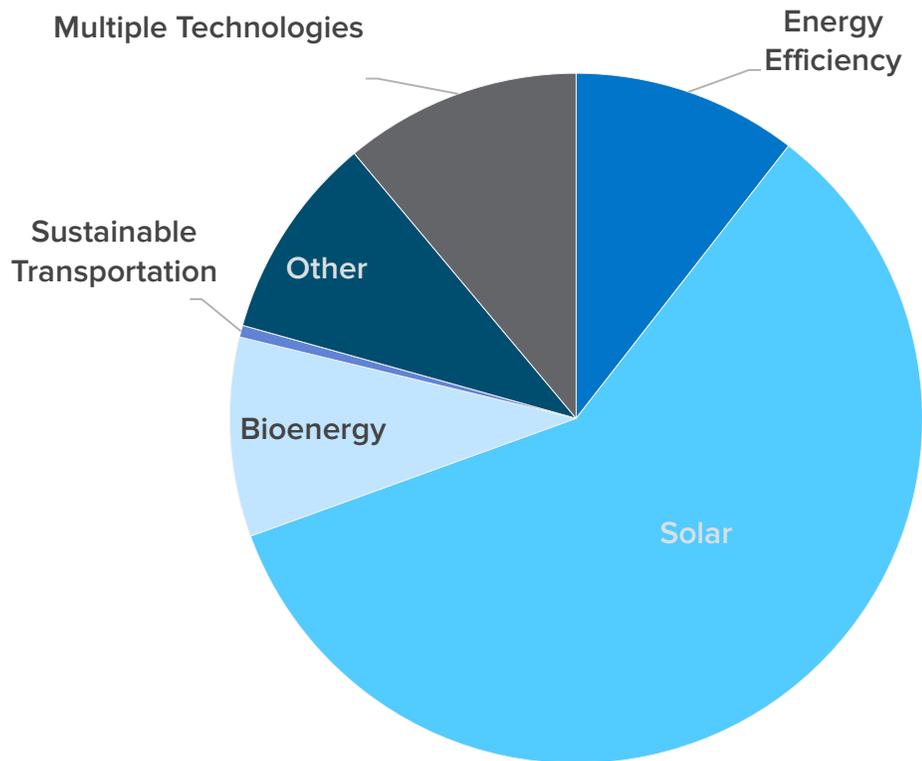
Be a first-mover to build market scale and standardization attracting private capital to the sector

Build upon experience financing clean energy and EE projects and leverage expertise of NYSERDA colleagues

Participate in portfolios of small to mid-sized transactions

Pipeline & Portfolio Highlights

Technology Distribution of Active Pipeline (\$542.2 MM)

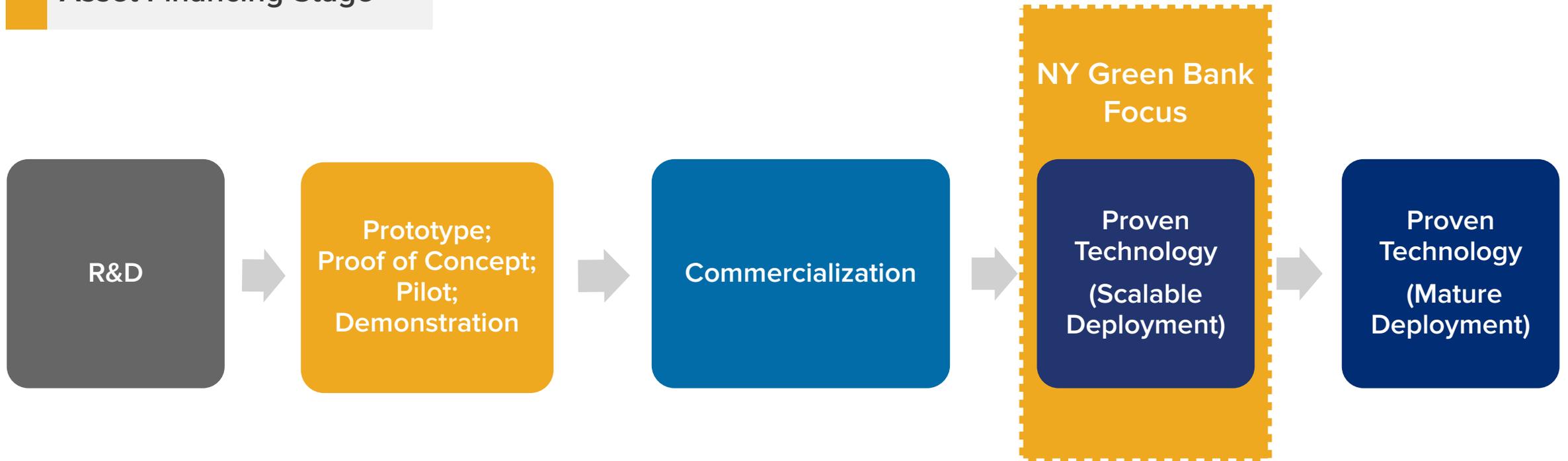


Portfolio Highlights (\$522.3 MM)

- **\$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



Investment Strategy & Criteria

Strategy:

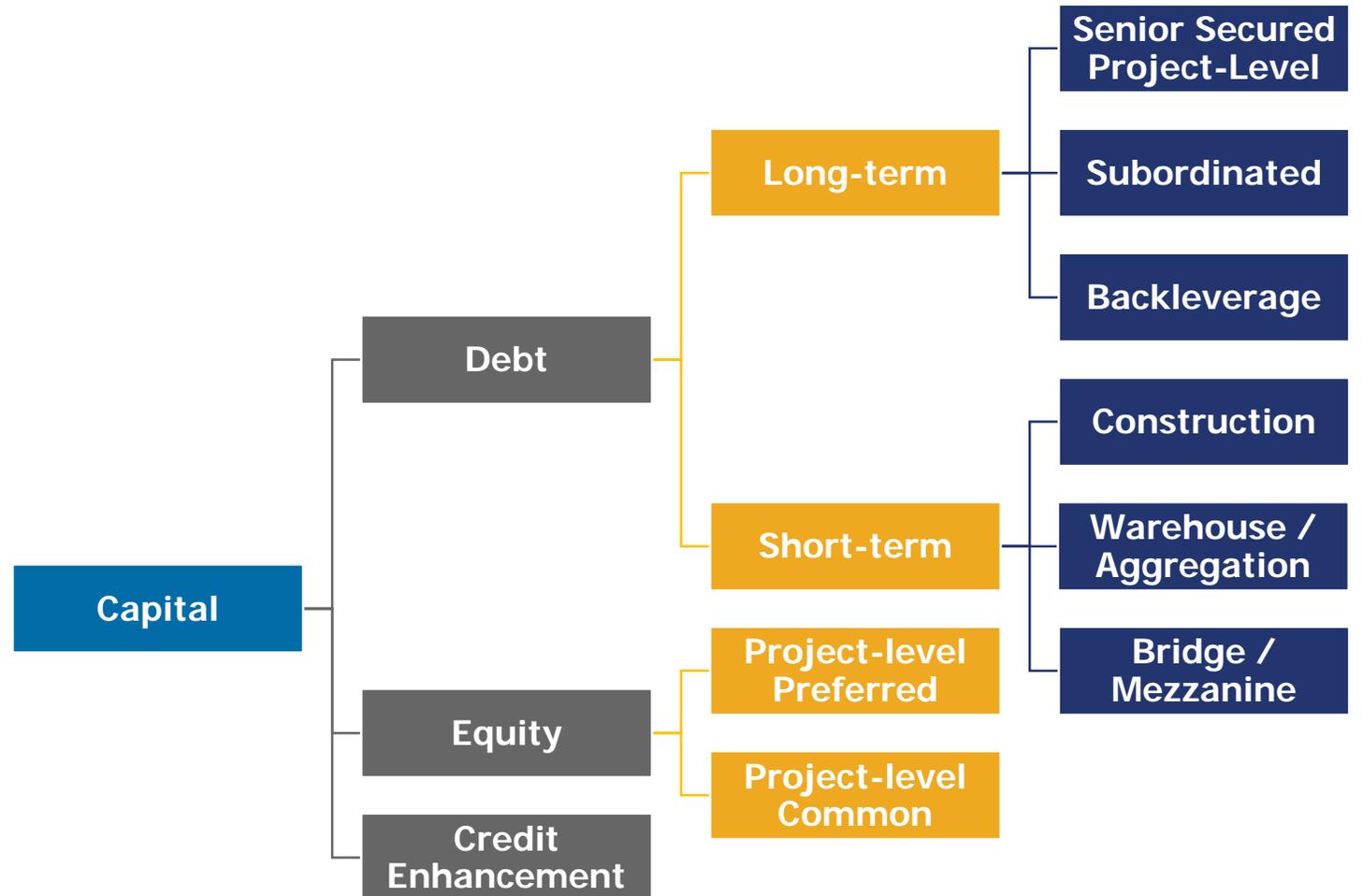
- ✓ Execute structured, project finance transactions
- ✓ Due diligence process similar to a commercial bank
- ✓ Structure transactions on market terms to attract private capital investment

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

Potential Roles in Project Finance Transactions

- 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



Energy Efficiency Investment Approach

General Approach

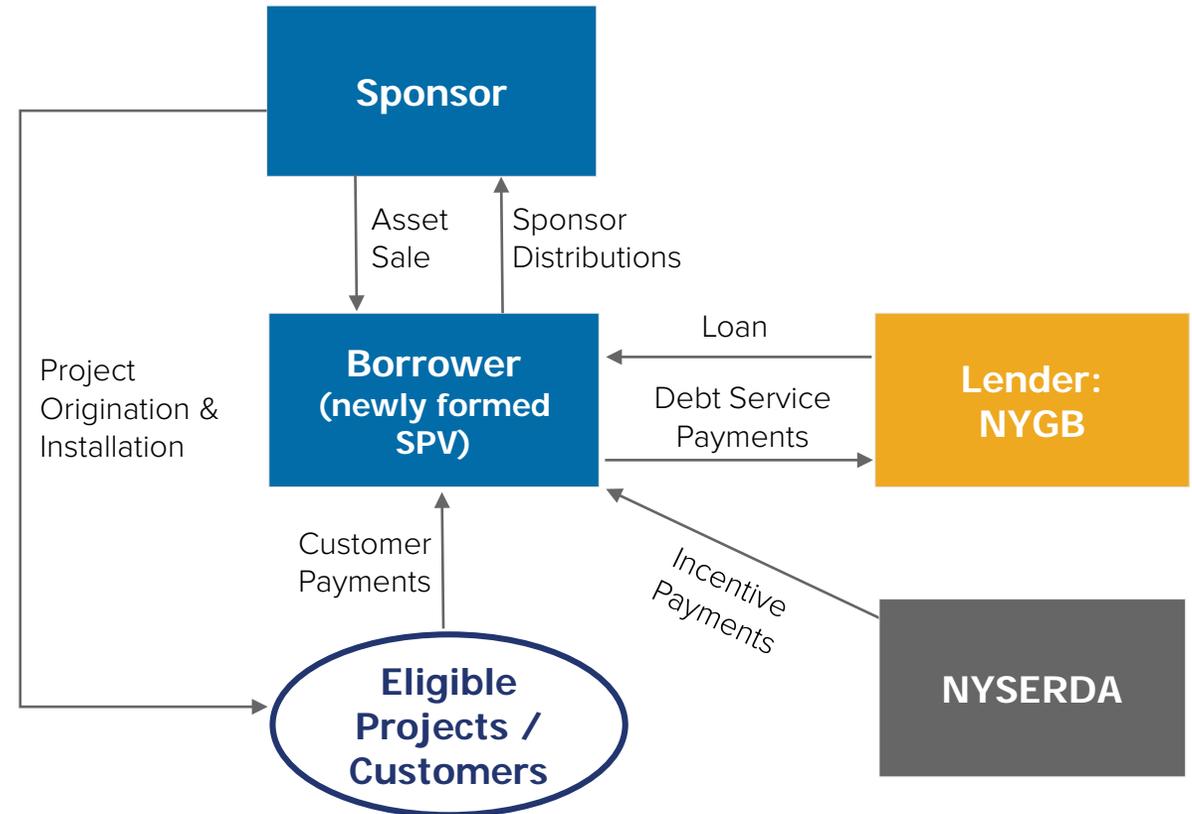
- Apply structured finance (e.g., project finance, securitization, asset based) approaches to residential and C&I EE portfolios
 - Aggregation and warehousing credit facilities with a borrowing base methodology
 - Portfolio value based on expected cash flows from customer agreements for completed projects (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

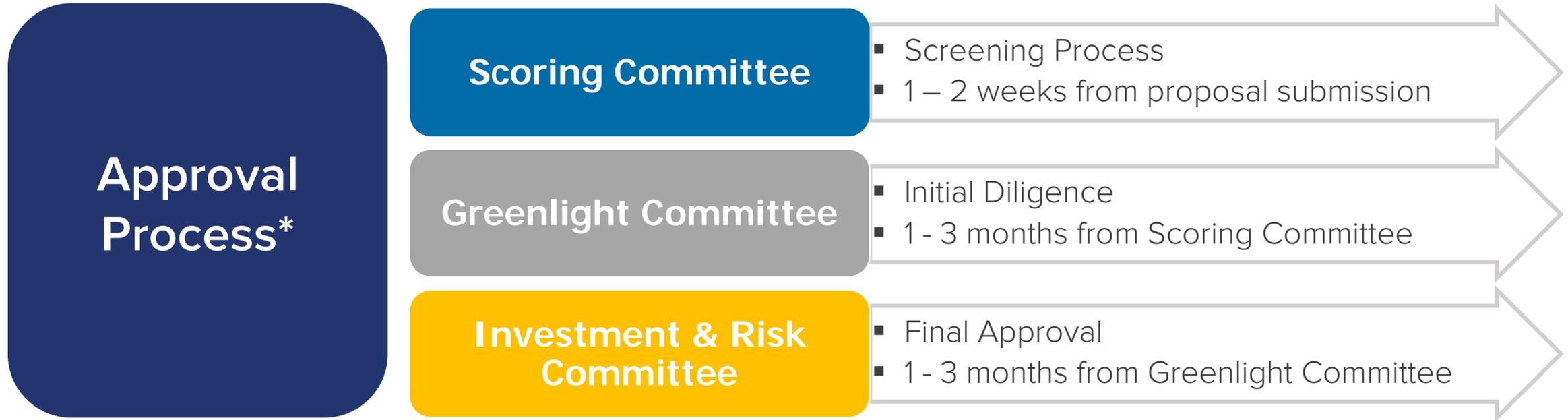


Working with NY Green Bank

RFP 1: Clean Energy Financing Arrangements – NY Green Bank invites EE market participants to propose financial transactions to NYGB 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



***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:

- Detailed pipeline and portfolio description
- Financial model
- Customer application and approval process, including underwriting criteria
- Contracts
 - Customer agreement
 - Equipment supply contracts
 - O&M/subcontractor agreements
 - Third-party financial servicing agreements
 - Insurance policies
- Technical details
 - Performance data for all completed projects to date
 - M&V protocol
 - List of equipment manufacturers, providers, installers
 - Equipment warranty information
- Company information
 - Financial statements for last 3 years
 - Capitalization and capital raising plans
 - Organization chart
 - Customer acquisition & management strategy

Select Counterparties to Date

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Contact us at info@greenbank.ny.gov
to discuss potential investment ideas



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