

TRANSACTION PROFILE

December 2020

**Support of Energy Efficiency in New York State**

**RED-Rochester, LLC**

*In December 2020, NY Green Bank (“NYGB”) provided \$25 MM to participate in a syndicated loan facility to RED-Rochester, LLC (“RED” or the “Borrower”), a company sponsored by Ironclad Energy Partners LLC (“Ironclad”), a portfolio company of funds managed by Stonepeak Infrastructure Partners (“Stonepeak”). This transaction is part of a \$100 MM credit facility participated in by National Bank of Canada (“NBC”) and East West Bank (“EWB”); it demonstrates NYGB’s commitment to supporting energy efficiency projects and will mark NYGB’s first financing of a district energy system with a pipeline of industrial energy efficiency projects.*

**Transaction Description**

In December 2020, NYGB committed \$25 MM as part of a broader \$100 MM credit facility extended to RED. The Borrower owns and operates a lightly regulated district energy system that provides more than a dozen utility services to over 100 customers within Eastman Business Park in Rochester, NY (the “Park” or “EBP”). The Park is a 1,200-acre multi-tenant industrial park initially established by Eastman Kodak in the late 1800s and continuously operated since. The project is sponsored by Ironclad, a portfolio company of funds managed by New York-based infrastructure asset manager Stonepeak.

With its commitment to the Term Loan, NYGB supports continued investment in energy efficiency (“EE”) improvements in the Park by RED. This investment will provide liquidity to RED to invest in NYS projects that have the potential to reduce greenhouse gas (“GHG”) emissions. In conjunction with the receipt of this capital, RED has committed to investing \$25 MM in a large pipeline of EE improvement projects in the Park. RED will report progress to NYGB on certain EE and emissions reduction activities in the State. Through this transaction NYGB continues demonstrate the viability of industrial EE improvements in the State, draw new investors and financial institutions into the marketplace, and lower the cost of capital in this market sector. Increased EE deployment will continue to drive activity in the State, which will help NYS meet its clean energy targets by 2025.

This Transaction Profile is provided pursuant to the updated NY Green Bank – Metrics, Reporting & Evaluation Plan, Version 3.0 (the “Metrics Plan”) developed in collaboration with the NYS Department of Public Service and filed with the New York Public Service Commission (the “Commission”) on June 20, 2016.<sup>1</sup> This Transaction Profile contains specific information in connection with the December 2020 RED transaction as required by the Metrics Plan.

**Form of NYGB Investment**

| NYGB Product            | Product Sub-Type | Committed Capital |
|-------------------------|------------------|-------------------|
| Asset Loan & Investment | Term Loan        | \$25.0 million    |

**Location(s) of Underlying Project(s)**

Upstate. The Park is located in Rochester, NY.

<sup>1</sup> Case 13-M-0412.

## Types of Client & Counterparty Organizations that are Transaction Participants

|   | Name                         | Participant Type                                    |
|---|------------------------------|---|
| <b>Sponsor</b>  | Ironclad Energy Partners LLC | Indirect owner of RED                               |
| <b>Sole Book Runner and Co-Coordinating Lead Arranger</b> | National Bank of Canada      | International Commercial & Investment Bank          |
| <b>Co-Coordinating Lead Arranger and Depository Agent</b> | East West Bank               | International National Commercial & Investment Bank |

## Summary of Financing Market Objectives & Barriers Addressed

| Beneficiary                  | Market Barrier   | Financing Solution   |
|------------------------------|--|--|
| Long Term Asset Owners       | Energy efficiency improvements are sometimes an inefficient use of sponsor equity, limiting project deployment efforts and effectively restricting the amount of energy efficiency improvements deployed in NYS. | NYGB financing provides additional liquidity to incentivize sponsor equity investment in accretive and environmentally friendly energy efficiency projects. NYGB's role helps to enable greater deployment of energy efficiency improvements throughout the State. |
| Capital Markets Participants | It can be difficult to assess and price the value of underlying energy efficiency project investments.   | Projects supported by this transaction will generate project and performance data and will draw new investors and financial institutions into the marketplace by demonstrating the value of EE projects.   |

## Technologies Involved

| Technology        | Measures |
|-------------------|----------|
| Energy Efficiency | Various  |

## Metrics & Evaluation Plan

### Planned Energy & Environmental Metrics

NYGB's minimum investment criteria specifically require that transactions have the potential for energy savings and/or clean energy generation that will contribute to GHG emission reductions in support of New York's energy policies.<sup>2</sup> In addition, the Metrics Plan requires that the following energy and environmental measures, applicable to this transaction, be reported:<sup>3</sup>

- Estimated gross lifetime and annual electricity savings (MWh);
- Estimated gross lifetime and annual fuel savings (MMBtu);
- Estimated installed generation capacity (MW); and
- Estimated gross lifetime and annual GHG emission reductions (metric tons).

The estimated gross lifetime and annual energy and environmental impacts of the Term Loan are as follows:

| Energy/Environmental Impact | Lifetime Low Estimate | Lifetime High Estimate | Annual Low Estimate | Annual High Estimate |
|-----------------------------|-----------------------|------------------------|---------------------|----------------------|
|                             |                       |                        |                     |                      |

<sup>2</sup> Case 13-M-0412, "Order Establishing New York Green Bank and Providing Initial Capitalization" issued and effective December 19, 2013 of the Commission, Ordering Clause 6 at pages 24 – 25.

<sup>3</sup> See Metrics Plan, Section 2.0, pages 2 - 6.

|   |               |               |            |            |
|---|---------------|---------------|------------|------------|
| Estimated electricity savings (MWh)                 | 171,294.90    | 180,310.43    | 11,419.66  | 12,020.70  |
| Estimated fuel savings (MMBtu)                      | 11,759,359.33 | 12,378,272.98 | 783,957.29 | 825,218.20 |
| Estimated energy generation installed capacity (MW) | 0.52          | 0.54          | N/A        |            |
| Estimated GHG emission reductions (metric tons)     | 943,197.18    | 992,839.13    | 62,879.81  | 66,189.28  |

### Planned Market Characterization Baseline & Market Transformation Potential

The Metrics Plan requires that market evaluation occur when a critical mass of NYGB financing and investment arrangements are in place. Market evaluation activities commenced in 2018 in sectors that NYGB has supported since inception, consistent with the requirement for such assessments approximately three to five years following initial NYGB capital deployments.<sup>4</sup> NYSERDA collected baseline data for the solar sector in 2019 and will update the data to include indicators specific to this transaction. NYSERDA will use baseline data collected for indicators as a comparison point against which to assess market progress in later studies. Progress indicators are defined below for the short, medium and long terms.

NYGB expects that program tracking and/or future market evaluation will demonstrate progress across short-term indicators; including:

- Size (i.e., expected dollar value) and type of improvements spurred by the Term Loan;
- Aggregate expected energy savings for improvements spurred by the Term Loan; and
- The number of improvements completed.

NYGB expects that program tracking and/or future market evaluation will demonstrate progress across medium- and long-term indicators; including:

- Increase in market volume of industrial energy efficiency improvements;
- Increase in general understanding of energy efficiency benefits by financial community;
- Increased awareness and use of energy efficiency investment performance data by financing entities;
- Demonstration of competitive risk-return profiles for industrial energy efficiency;
- Decreased operating costs of improved industrial sites; and
- Increased number of new lending participants.

### Proposed Method of Outcome/Impact Evaluation (by NYSERDA) & Timeframe

NYSERDA will evaluate the impacts this transaction has had on the clean energy finance markets and the energy/environmental benefits it delivers.

**Market evaluation** will address the short, medium and long-term indicators identified above. Methods will include analysis of program data along with interviews and surveys of market participants (industrial service providers, financial community) to track information including but not limited to: participation rates, project scale information, and influence of NYGB's participation on financial markets. As noted, baseline data was collected on key indicators in the first phase evaluation during 2018 – 2019. Subsequent studies will assess progress against baseline levels for other market segments. The specific timing of these efforts will be determined (and may be revised) on an ongoing basis as NYGB's investment portfolio continues to grow and evolve.

**Impact evaluation** will assess the projects funded under the Term Loan, once completed, commissioned, and operational. In accordance with the Metrics Plan, NYGB will track RED projects that receive an incentive or funding from other entities (e.g., utility, other NYSERDA program) to minimize any double-counting activity on a consolidated basis. As set out in the Metrics Plan, evaluation sampling approaches will also be used as a mechanism to estimate overlap and minimize double counting. NYSERDA and NYGB will attempt to coordinate market and impact evaluation activities for projects that receive support from multiple sources in order to maximize the efficiency of data collection and avoid participant survey fatigue.

<sup>4</sup> See Metrics Plan, Section 3.3, page 7.