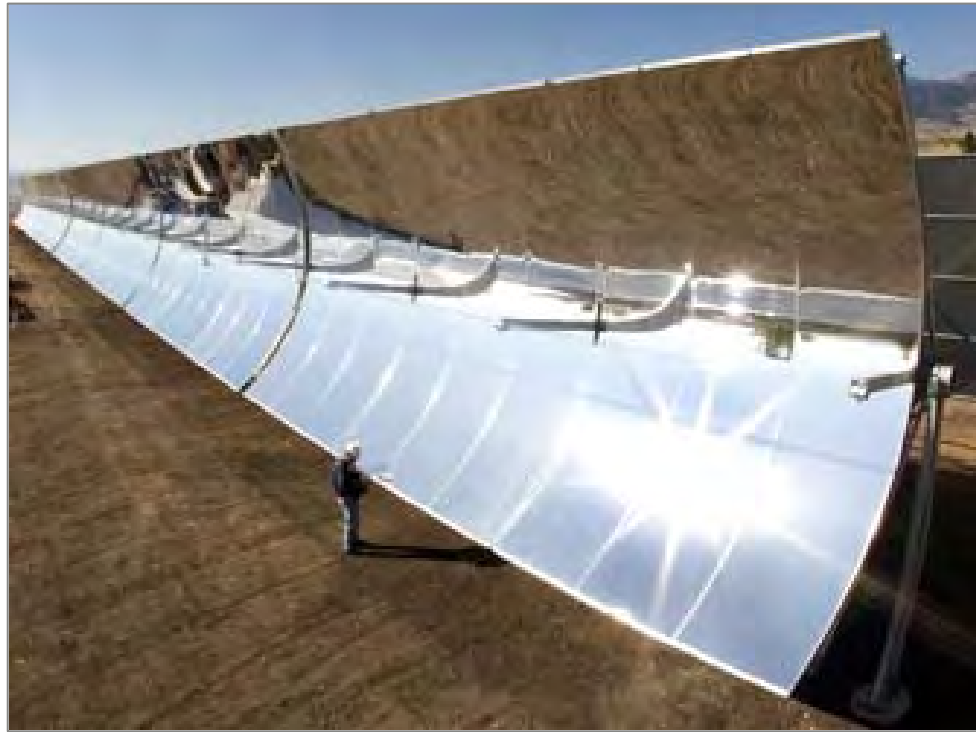


On-site Renewable Energy Projects and Energy Savings Performance Contracts

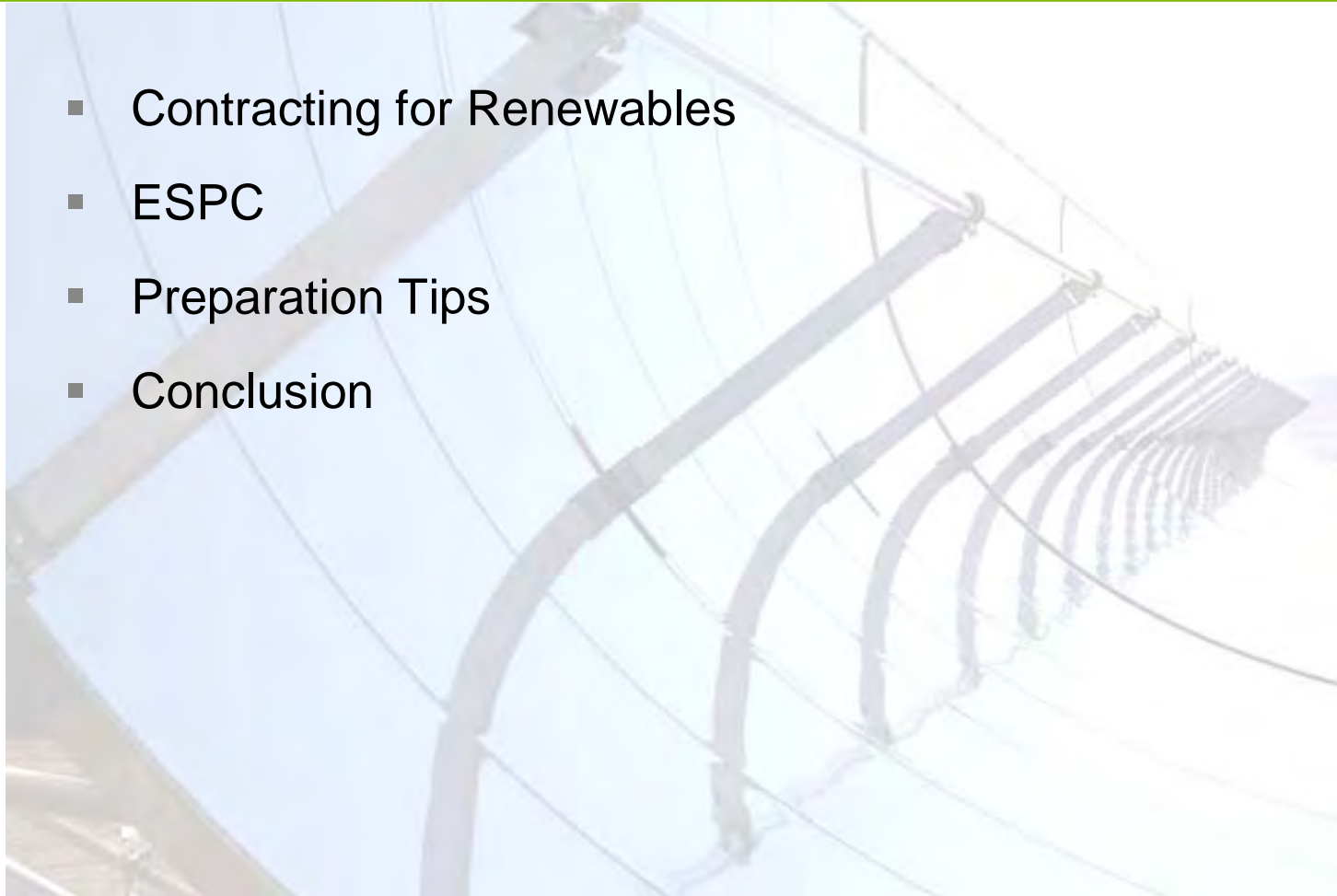
Jeff Dominick
Johnson Controls Account Executive



November 21, 2008

Agenda

- Contracting for Renewables
- ESPC
- Preparation Tips
- Conclusion



On-Site Renewable Energy Projects: Contracting

- Direct purchase or conventional ESPC are options
- Private development and ownership can reduce cost of energy
 - ❑ Tax-paying owner can leverage tax incentives (but also subject to taxes, insurance, etc)
 - ❑ Generally requires government to purchase output, rather than the plant itself
 - ❑ Requires a site lease, easement, or access agreement for private owner
- Purchasing Renewable Energy Output
 - ❑ Dictated by FAR 41, normally 10 yr PPA with some exceptions
 - ❑ Power Marketing Agencies might broker longer deals
 - ❑ DoD 30 yr authority (10 USC 2922a, Contracts for energy or fuel for military installations)
 - ❑ ESPC allows 25 year term
- Lease (competition handled under Energy Output contract)
 - ❑ DoD Enhanced Use Lease
 - ❑ Easement or rooftop access rights can be granted (many agencies have these authorities)

On-Site Renewable Energy Projects: ESPC

- ESPC allows private ownership, use of tax incentives (title can be retained by ESCO or its investor – see H.15 or H.2 & C.12.5)
- Savings is from avoided cost of displaced energy
- Terms in an Energy Services Agreement (ESA) within an ESPC
- Can bundle with energy efficiency (best practice)
- Johnson Controls employs a developer business model – identify, develop, finance, construct and operate (ownership by tax equity investor)
- Can be initiated by Energy Services Company (ESCO)

On-site Renewable Energy Projects: Preparation

- Development involves investment of time and dollars at risk
 - Gathering renewable resource data, load profile, and energy rate information
 - Investigating
 - Compatibility with mission
 - Legality of electricity sale in a State w/regulated electricity market (some exemptions)
 - Environmental (NEPA) implications
 - Lease/easement/access method consistent w/land ownership and technology
- ESPC allows Agency to share development risks with ESCO
 - Interpretation of new requirements (Sec 843, competition for task order contracts) will influence future use for project development

Conclusions

- Rigor during project development improves resulting contract
 - Don't forget the lease and the environmental aspects
- There are multiple ways to contract for an on-site energy project
- ESPC offers up to a 25 year term, plus efficiency bundling and development assistance options

