FINDING GOLD

Locating Funding For Energy Efficiency Projects Within Your Existing Budget

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What steps should be taken prior to researching an energy efficiency program?

All energy efficiency programs can bring value into your organization and your community. These simple steps will help you establish a good baseline for your expenses prior to researching the specific energy efficiency projects.

- Contract Analysis → Contract Analysis– Understanding your current contractual obligations.
- Invoice Analysis → Invoice Analysis– Are we paying what we are supposed to?
- Bid Development → Market analysis and Bid development
- Implementation → Vendor Selection and solution implementation

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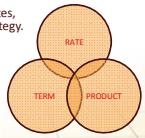
Contract Analysis

Knowledge is power, and understanding your current contracts, rates, and terms is the crucial first step in developing a procurement strategy.

Do we have a contract for our electricity and natural gas?

- **Do we have a copy of the agreement?**
  - Is there a penalty to exit?
    - What is it ?
- **When was it signed and how?**
  - Face to face or over the phone?
  - Do we have a specific contact with our energy supplier?
- **What is the contracted rate and product?**
    - Is it a Fixed rate or Variable rate?
    - Is there a "swing tolerance" or is it an "all in" agreement?
- **What is the term of the agreement?**
    - Why did we select this term?
    - Is there an automatic renewal?
    - Do we need to provide notice if we chose to exit?



Contractual Pitfalls

Top two issues to watch out for when researching your contracts

Non-contracted Rates can increase by 300% or more!

WHAT IS THE COST TO EXIT MY AGREEMENT?

All energy agreements are not created equal. Fees can range from ZERO to hundreds of thousands of dollars. A couple of the common agreements are:

- **Fixed Amount Agreements –** Some agreements have a preset amount to exit the agreement at any time. This fee can range from $25 - $3,000+ depending on the specific agreement.
- **Liquidated damages agreement-** In this agreement, a supplier will provide a customer with a fee to exit that is calculated based on the remaining term of the agreements and the costs related to selling off the commodity at the specific time, prior to the actual contract end date. This fee can include losses to profit and administration expenses as well.

WHAT HAPPENS WHEN THIS AGREEMENT EXPIRES?

All energy agreements have very specific language regarding what will happen to your rate and service, once the agreement is completed. Knowing this is important, as it eliminates the risk of falling onto a unfavorable rate or program that could cost you thousands of extra dollars.

- **Will we continue to be serviced or default back to the utility?**
- **Will the agreement auto renew upon completion?**
- **At what rate and for what term?**

Understanding your utility invoices

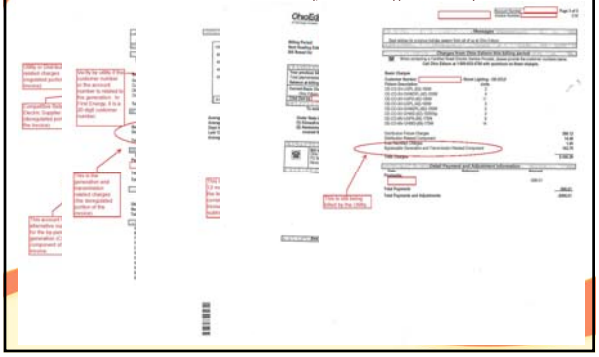
Now that we understand our contracts, we need to review our utility invoices to ensure the rates and services we contracted are being billed correctly.

Natural Gas Invoices – This section is designed to identify a few of the items you should look for, when doing a high level audit of your invoices.

- **How many invoice do I look for?** Natural gas invoices can have either both the transportation related components and the supply related components on one invoice or be broken apart into separate invoices from the utility and the NG supplier.
- **Should I be paying taxes?** In the State of Ohio, sales tax will appear on the supply portion of your NG invoice unless an Ohio sales tax exemption form is submitted to the supplier when signing up.
  - **Gross Receipts tax –** Most non-profits and government organization are still required to pay these charges. (specific exempt groups can be explained on a case by case basis.)
- Your annual usage should appear on every invoice and the unit of measure can vary by utility. (MCF, CCF, therms, dekatherm)
- Natural gas can be purchased either in a Choice agreement or a Transport agreement.
  - Transport Contracts – Typically for clients with usage >7,000 MCF. These agreements have lower transport costs, but higher monthly service fees from the utility. These agreements also have potentially lower supply costs.
  - Choice Contracts – Typically for clients with <7,000 MCF annually. They have higher transport costs and lower monthly service fees. Additionally, the supply costs are typically higher.

Understanding your utility invoices

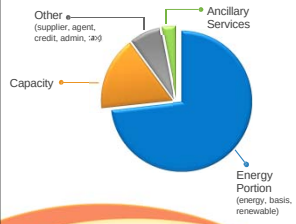
Electricity invoices – Although the format of electricity invoices can vary dramatically by utility. A few items do remain constant and should be reviewed on all invoice. Additionally, sales tax is not applied to electricity invoices in Ohio.



Invoice Analysis

Current State of the Market and your Invoice

Components of Your Energy Price



Capacity Costs Example

	Your Capacity Obligation	X	RPM Rate	X	Days	=	Capacity Cost (@95% load factor)
2013/2014	.638 MW	X	$28.37/MW/Day	X	365 Days	=	$6,607/yr or $2.36/mWh
2014/2015	.638 MW	X	$128.17/MW/Day	X	365 Days	=	$29,846/yr or $10.68/mWh
2015/2016	.638 MW	X	$294.03/MW/Day	X	365 Days	=	$68,471/yr or $24.50/mWh

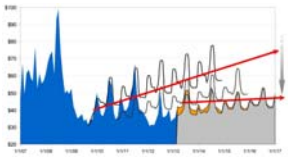
Bid Development

Market Analysis and Bid Development

Market Analysis

Risk Management
Implementing an energy risk management program can protect your company from the negative financial and operational impacts of exposure to the energy markets. Successful programs leverage forward-looking market analysis to tailor a risk strategy to each company's unique risk appetite.

TPI Efficiency will interpret current and relevant market intelligence and develop quantifiable risk management strategies for your business.



Bid Development

Market Analysis and Bid Development

Market Analysis

Market Intelligence
With the right resources, you can stay abreast of important developments in the energy industry. However, information is really only useful if it's actionable.

TPI Efficiency will translate data into information. We bring you market intelligence relevant to your organization and issue concise recommendations that enable you to act on opportunities.

Implementation

Vendor Selection and Solution Implementation

Vendor Selection

RFP Development	RFP Solicitation	Vendor Evaluation	Vendor Selection	Verification & Implementation
• RFPs are developed from the findings & Organizational needs determined in the Invoice Analysis	• TPI is constantly evaluating vendors for both price and product offerings. RFPs are distributed to those vendors that meet the TPI Standard	• Upon receipt of both pricing and product offerings, TPI independently and without bias, reviews each vendors proposal for the best possible offer for the organization	• Upon selection of the winning bidder, TPI works directly with the supplier on the proper contractual obligations, terms and agreement implementation	• Contract Implementation goes beyond the execution of a contract.

Implementation

Vendor Selection and Solution Implementation

Solution Implementation

Contract Implementation goes beyond the execution of a contract.

- Supplier Terms and conditions CAN BE negotiated. Make sure your organization has terms favorable to the way you operate.
- Contracts can be executed for whatever term is beneficial to your organization.
  - You do not have to choose 12, 24, or 36 month, if a 13 month agreement is what you need.

Common Contractual Pitfalls

- Don't fall back into the Utilities Programs
  - File for ongoing "Do Not Aggregate" status upon your execution of a new contract.
  - Verify if a agreement term is based upon signature, desired term, or a fixed date agreement. (example March 2014 – Feb 2015)

Ohio | Public Utilities Commission

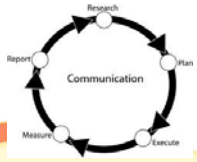
Electric "Do Not Aggregate" List

Implementation does not end with contract execution.

The majority of our clients have already produced and conducted complex RFP's and still needed our assistance following the bid development and vendor selection.

Top Implementation pitfalls:

1. **Failure to communicate internally:**
   - Often, the team developing RFP's are not the same group reviewing and ultimately paying the invoices.
     - Make sure all necessary internal parties (accounts payable, etc.) are informed of vendor changes, dates, and rates.
     - Accounts payable represents the "front line" for successful implementation.



2. **Poor baseline data or missing data:**
   - Do you have as many meters or accounts as you do building?
   - Did you include lighting or residentially metered building?
3. **Ongoing or scheduled reviews:**
   - Accounts do get "lost", new tax exemption letters are sometimes required mid term.
     - Ongoing management of your account will save you from future time consuming recovery projects.

What is the best way to take advantage of our utility efficiency programs?

MONEY NOW VERSUS OPERATIONAL SAVINGS LATER

Rebate$

PROs

- Funding NOW
- No ongoing filing needed
- Awards are guaranteed prior to installation.

CONs

- Rebate amounts are dramatically reduced versus 3 years ago.
- Preapproval filing can delay the implementation of a solution by 90 days or more.
- The value of rebates can be far less than the value of waivers.

Waiver to Riders

Pros

- Possibility for a long term reduction of distribution related expenses on your monthly electricity expense.
- The value of the rider increases every year through 2025.

CON's

- Increased capital outlay for the desired efficiency project.
- Lengthy and ongoing filings for continued waiver of the rider.
  - Waiver needs to be filed for every 2 years.
- This is a cost avoidance measure versus a