
Bostonia Partners



How to Keep UESC Financing Costs Down Through Careful Contracting

FUPWG Seminar: Energy Lawyers and Contracting Officers Working Group

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Financier Risk Evaluation

- Financiers evaluate a Federal Energy Efficiency Project across three broad risk categories:
 - Contract Risk
 - Project Risk
 - Participant Risk
- Ultimately, pricing and terms are set by comparing a Project's overall risk and return to similar projects in the private sector.

Contract Risk

- How well/consistently documented is the Project and the arrangements with the Utility/ESCO versus FAR and the Utility Contract regulation?
 - Termination Risk
 - No Set-off
 - Multi-year Authority
 - Congressional Notification
 - Assignment to Lender
 - Absolute Certainty of Roles and Responsibilities

Project Risk

- Can the Project perform as projected over the term specified? Emphasis on:
 - Equipment Risk
 - Maintenance & Operation Risk
 - Measurement & Verification Risk
 - Useful Life versus Term Risk
 - Market/Inflation Risk

Participant Risk

- Utility/ESCO Risk
 - Experience of Utility/ESCO
 - Credit Strength of Utility/ESCO
 - Documentation
- Customer Risk
 - Closure or Termination Potential
 - Payment History
 - Acceptance Risk

Key Points to Remember

- Financier prices to “weakest non-mitigatable risk” assumed.
- Financier’s concern is repayment of their investment on-time. All actions/requests reflect increasing certainty of repayment.
- Most financiers make their return over time, not at funding.

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