

**Boosting Energy  
Performance on Building  
Infrastructure *without*  
Internal Capital Expenditure**



June 2013



# SCLenergy Overview

- Leading **Energy Efficiency Capital and Software** solutions

- 11x winner of US EPA ENERGY STAR® Partner of the Year



- Only proven, scalable structure to provide Energy Efficiency-as-a-Service (EEaaS)

- Retrofit fund sponsored by Mitsui



- \$57mm invested capital to date from leading investors including DFJ, DFJ Growth, The Westly Group, Triangle Peak Partners and GE



## How Does SClenergy create value?

### Partners



#### Engineering / Retro-Commissioning (RCx) firm

- Differentiation / Margin
- Recurring Revenue

**iRCx™**



#### Engineering firm

- Audit and Design Fees

**MESA**



#### Mechanical/Electrical Contractors & Vendors

- Ability to sell an efficiency project
- Sale of equipment

**MESA**

### Customers

"... reported average savings of 11.8% for ... buildings which had undergone conventional commissioning. The average savings noted for ... buildings that had undergone Continuous Commissioning was 23.8%."

Turner, et al of Texas A&M University  
*"Is Commissioning Once Enough?"*

No first cost retrofit,  
energy savings ~30%,  
lower O&M, increased  
income production



## **MESA** – Managed Energy Services Agreement

*MESA is a capital efficiency solution for the privately owned real estate market*

*MESA leverages 3<sup>rd</sup> party capital to fund major infrastructure investments without increasing an owner's cost-basis*

*Existing \$50M Fund (Mitsui is Equity Partner) with Signed Term Sheet for follow-on \$500M vehicle with institutional bank*



## Barriers to Investing in Energy Efficiency

***Energy efficiency upgrades generate significant energy cost savings...but are generally financially irrational for building owners***

### Leverage Constraints

- Loan covenants preclude additional debt

### Split Incentive

- NNN Tenants benefit from reduced energy costs, NOT the owner

### Project Risk

- Skepticism of creation/persistence of energy savings and performance guarantee

### Capital Efficiency

- Income-generating investments produce higher return on capital



## MESA Overcomes These Barriers

### Leverage Constraints

#### MESA

- is NOT a debt and does NOT run afoul of loan covenants

### Split Incentive

#### MESA

- is a services contract that is a GAAP-auditable operating expense

### Project Risk

#### MESA

- assumes ALL performance risk
- is paid directly from energy savings, only if they are created
- is NOT paid upfront

### Capital Efficiency

#### MESA

- provides 100% of capital for basis-increasing infrastructure projects



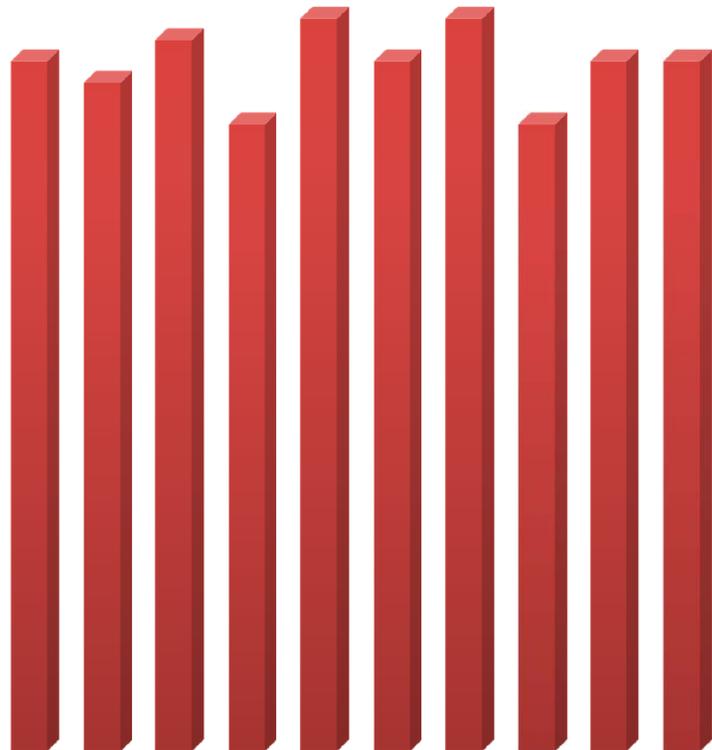
# MESA—How It Works



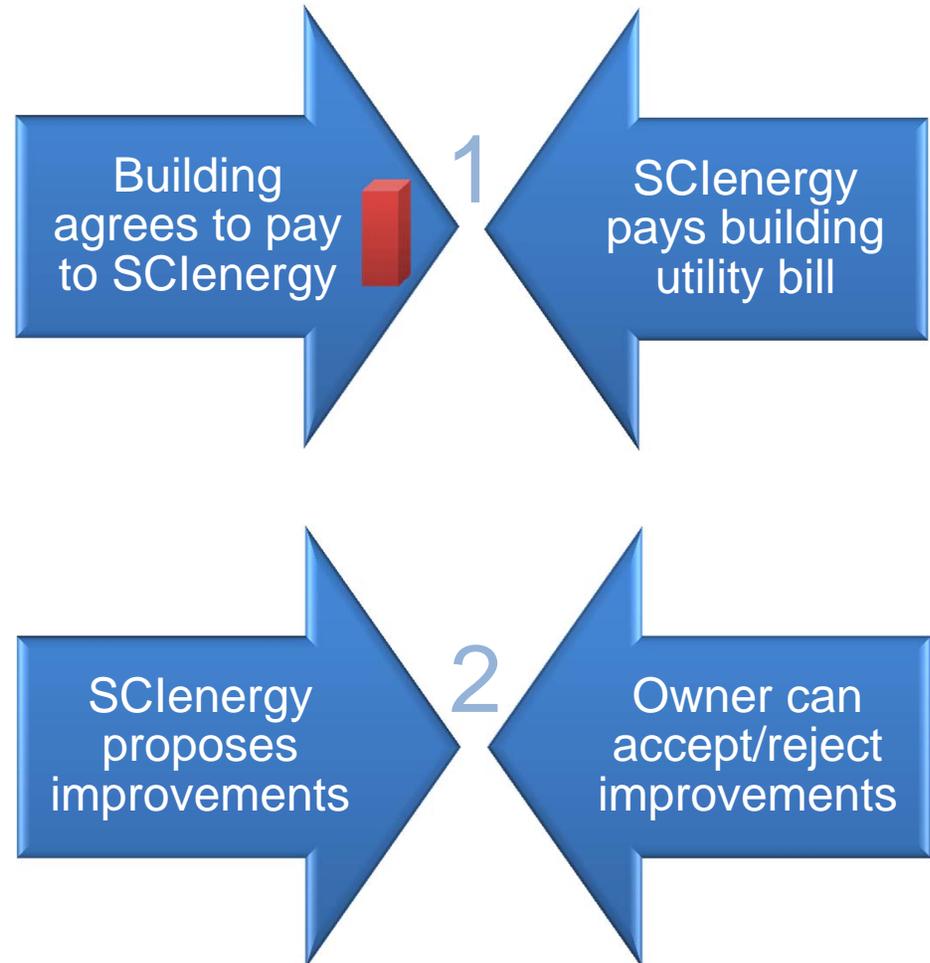
## Current energy usage

reflects changes in

- weather
- occupancy
- rates



1 2 3 4 5 6 7 8 9 10

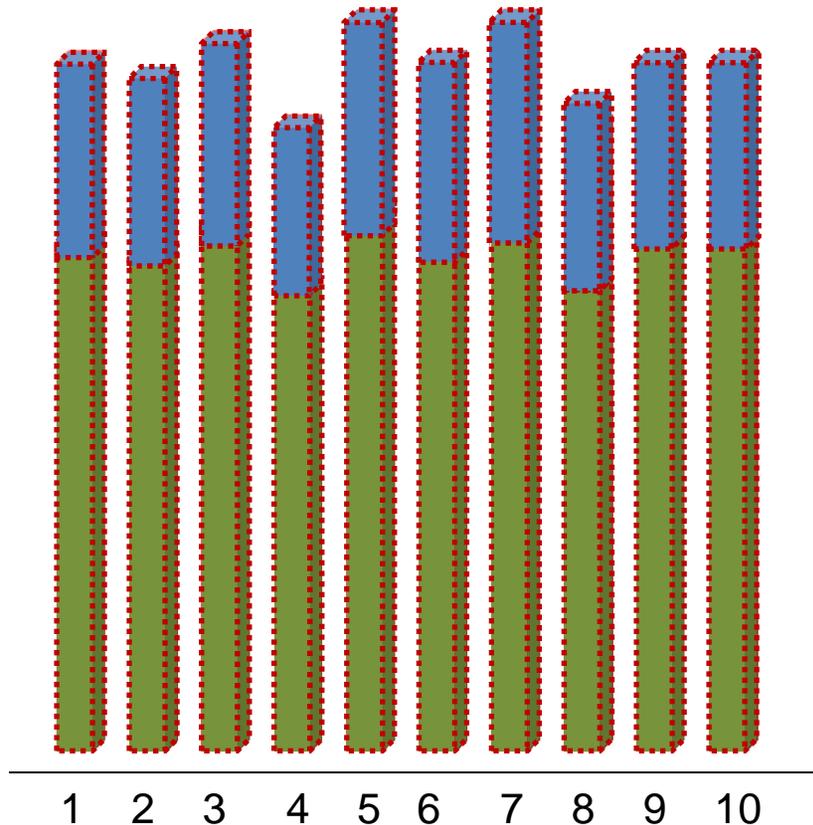


# MESA – Savings Model



## Current energy usage

reflects changes in  
• weather • occupancy • rates



Current energy spend. Landlord and tenants do the financial equivalent of...**Nothing!**



Upgraded Building operates more efficiently



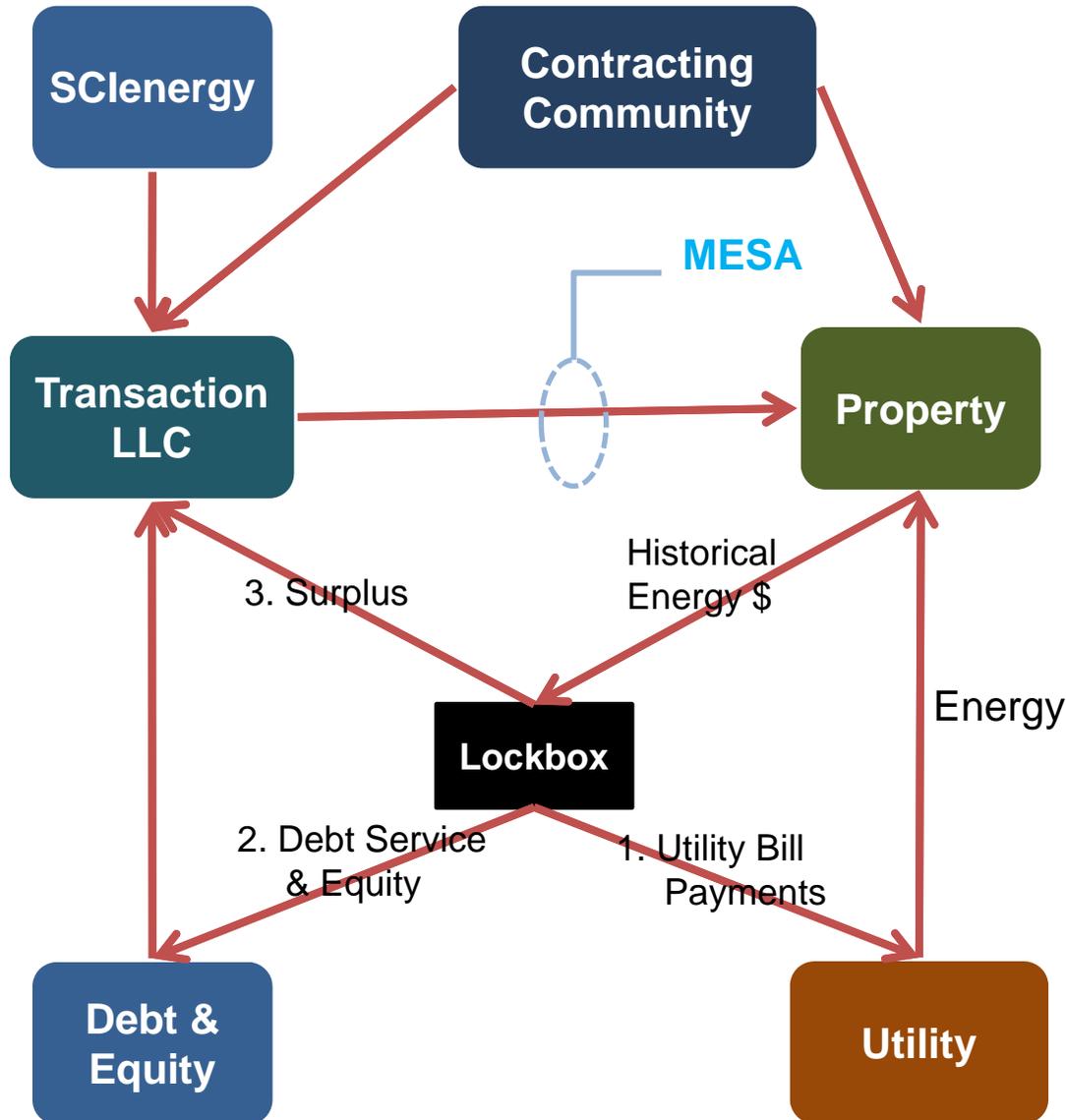
Monetized energy savings

SCI energy assumes 100% of risk in the production of 



Ensures savings persist year after year to lock in returns

# MESA Structure



Accounting & Legal Review by Signed Customers

Determined GAAP Valid by Price Waterhouse Coopers

Passed Full Sarbanes-Oxley Review by Price Waterhouse Coopers

Passed Scrutiny in Multiple Tenant Audits

## MESA Acts as Project Developer and Underwriter



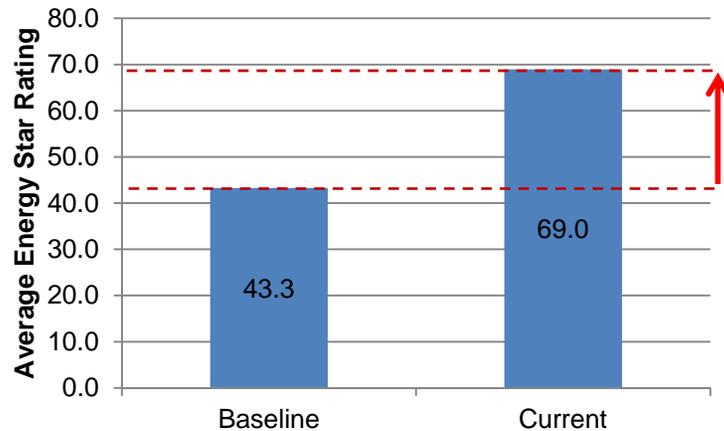
(product owned by client / bid to client's preferred contractors)

## MESA Case Study – Corporate Office Properties Trust



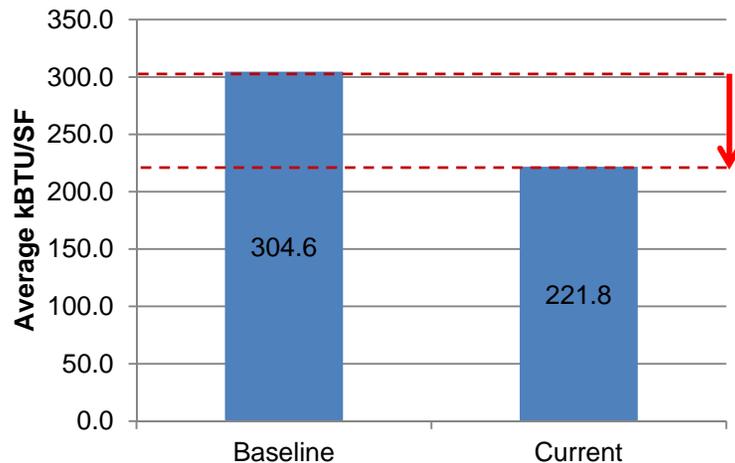
- Mid-Atlantic REIT (NYSE:OFC)
- 24 Properties ~ 3 MM square feet
- \$15 million in CapEx avoided through MESA
- Hot/Cold calls down 90%
- 25-30% reduction in energy
- 25% reduction in GHG
- Dividend increase of \$0.25 / share

## COPT Building Performance: Pre-MESA vs. Post-MESA



Avg. Energy Star score improved by 16

- 11 buildings eligible for LEED
- Only 1 prior to MESA



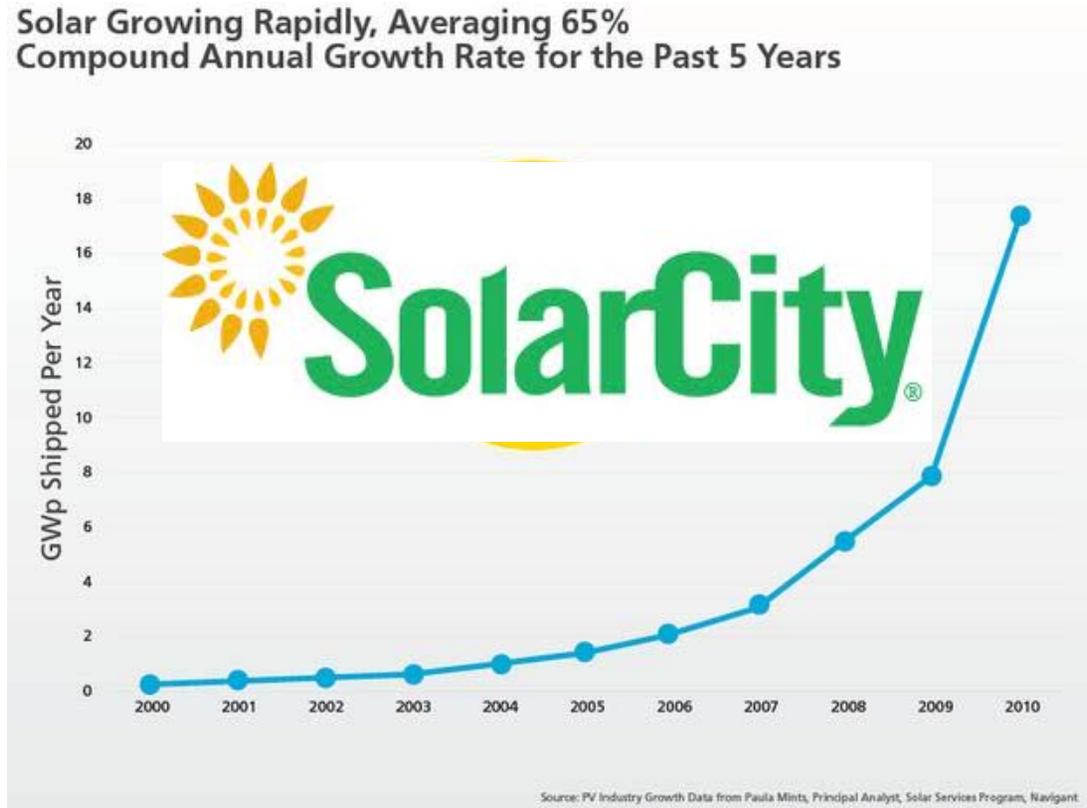
Avg. energy intensity reduction = 25%

Consistent savings improvement YoY



\*Excludes 2 buildings that changed building use/type (ex. converted office into laboratory)

## “Solar-as-a-Service” Inflection Point for Solar Industry



*We believe that the Energy Service Agreement structure [by SClenergy] offers significant near-term potential to scale quickly and meets the needs of both real estate owners and capital providers in the real estate sector. Deutsche Bank Climate Change Advisors 2012*



## Thank You

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