



**METRUS
ENERGY**

SAVED IS
EARNED

EFFICIENCY SERVICES AGREEMENT

paying the way for efficiency upgrades
and facility improvement projects

Energy Efficiency – Portal to Profitability
Norwood, Massachusetts

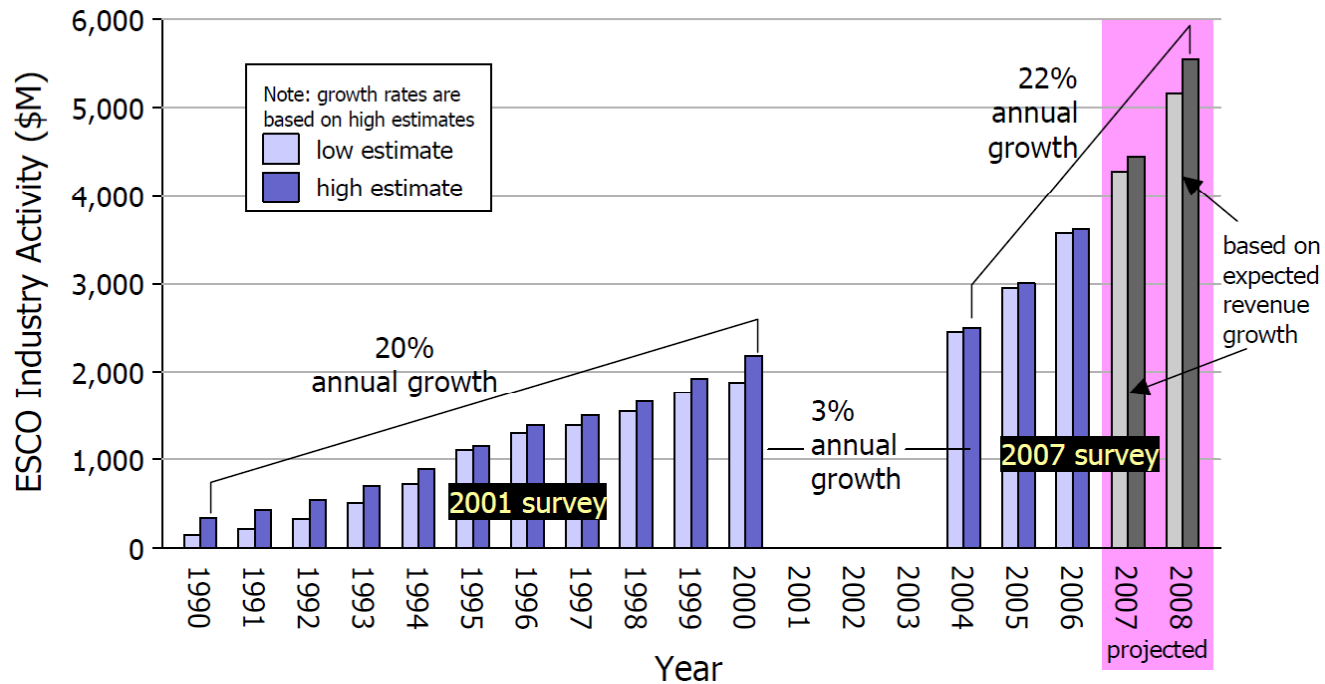
June 2010



Current Market: ESCO Activity 1990-2008

Estimated ESCO revenues in 2008 over \$5B

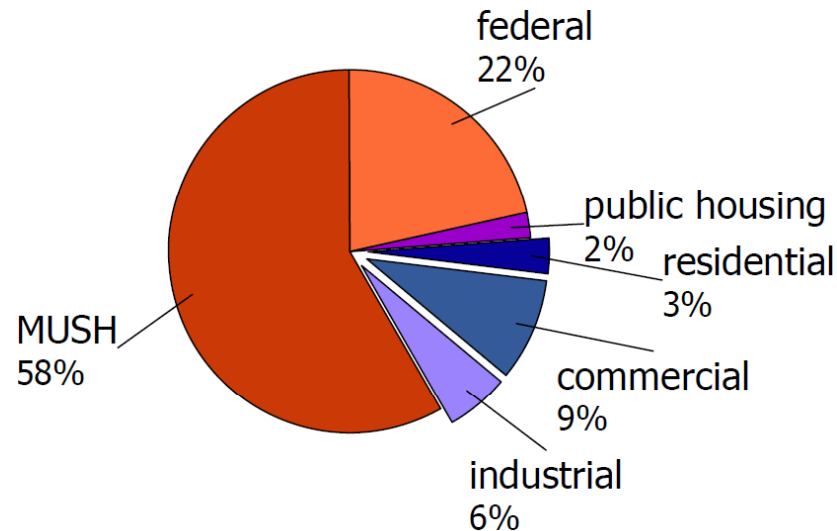
Source: Lawrence Berkeley National Labs (LBNL)/NAESCO Survey, published 2007





Current Market: Breakout of ESCO Activity

- 13 ESCOs account for over 90% of industry activity (source: EPA)
- Local or regional ESCOs account for less than 3% of industry revenues



- Breakout of ESCO activity shows a heavy emphasis on investment in the federal and MUSH (municipalities, universities, schools, and hospitals) markets

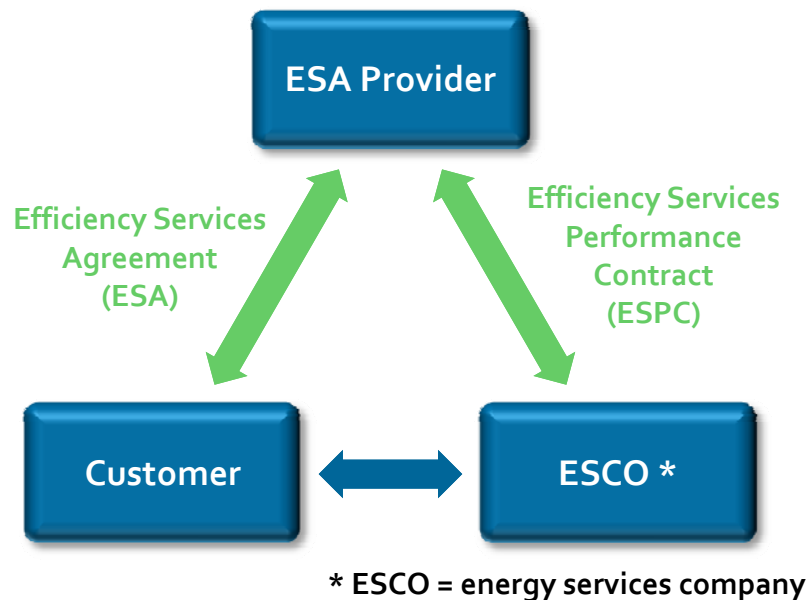


Market Potential: Private C&I Sector

- Underserved Market
 - Financing sources have been limited to funding ESCO projects in the federal and MUSH markets; primarily tax-exempt capital leases and municipal bonds
 - Lack of financing options that are customized for EE projects in the C&I sector
- Market Potential
 - \$18B annual market for EE investments at C&I facilities (*source: LBNL and U.S. EIA*)
 - \$250B investment market for efficiency retrofits over the next decade at private sector C&I facilities (*source: American Council for an Energy Efficient Economy*)
- Key Barriers
 - First cost hurdles are a critical roadblock to implementing projects
 - End-users lack funds to self finance projects and are reluctant to utilize outside financing sources that burden their borrowing ability



Efficiency Services Agreement: Overview



- ESA funds 100% of a project's cost and covers maintenance expenses
- Each project involves two key contracts: 1) ESA, and 2) ESPC
- Under this structure:
 - ESA provider finances, owns, and operates an efficiency project
 - Customer ESA payments based on realized savings (e.g., \$/avoided kWh)
 - ESCO designs, installs, and maintains a project
 - Customer allows access to their facility and makes service payments



Summary of Key Contracts

Efficiency Services Agreement

- ESA Provider Role
 - Fund installation of project
 - Take title to efficiency equipment
 - Pay for selected maintenance costs
- Customer Role
 - Make service charge payments based on project performance
- Typical contract duration = 5-10 years (with periodic termination and buyout)

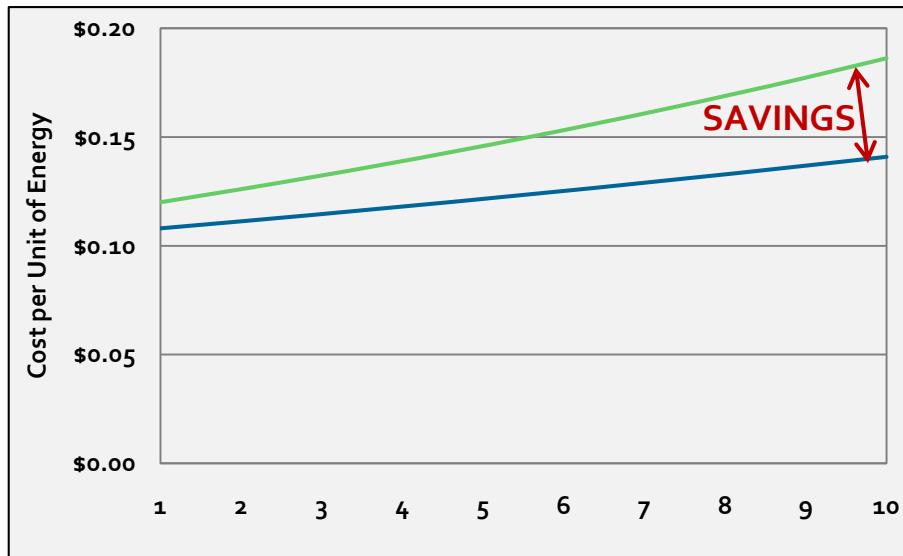
Efficiency Services Performance Contract

- ESA Provider Role
 - Pay ESCO for design, installation, and maintenance services
- ESCO Role
 - Design and install project
 - Provide maintenance services
 - Measure and verify project savings
- Contract duration and scope of ESCO services match the ESA term



ESA Service Charge

Service Charge = (physical units of savings) * (Service Rate, \$/unit) + Non-Energy Savings



Billing Period	Quarterly
Basis	Quantity of energy units saved (e.g., kWh of electricity)
Service Charge	\$ per unit of energy units saved
Non-Energy Savings	% of non-energy savings that are attributed to project operation
Annual Escalation	Service charge escalates at a fixed annual rate

Savings created by:

- (1) Year 1 service charge is \leq avoided utility cost
- (2) Fixed annual escalation is \leq expected utility rate increase



Measurement & Verification

- Service charge payments are based on actual project savings, as defined by measurement & verification (M&V) protocols
- At the end of each billing period, ESCO prepares an M&V report to quantify the project's performance and savings
- M&V protocols have been used in the efficiency industry for decades

Stipulated	Savings are defined by engineering analysis. All parties review and approve the analysis prior to executing contracts. The quantity of energy savings does not vary during the ESA term.
One-Time Measurement	Savings are defined by measurements taken before and after installation. After the measurements are completed, savings become stipulated and do not vary during the ESA term.
Ongoing Monitoring	Savings are defined by monitoring the actual performance of project equipment and systems during each billing period. Actual energy savings vary over time.



Customer Benefits

AVOID CAPITAL OUTLAY

ESA funds all project design and implementation costs, enabling customers to conserve scarce capital funds for investment in their core business

USE SAVINGS TO PAY FOR PROJECT

ESA service payments are based solely on the realized energy and operational savings created by the project

REDUCE OPERATING EXPENSES

ESA service payments are set below the current utility price, which immediately helps improve the customer's bottom line

ENHANCE RELIABILITY OF OPERATIONS

Under the terms of the ESA, the customer receives periodic maintenance services to ensure long-term reliability and performance of the project equipment

KEEP TRANSACTION OFF-BALANCE SHEET

The ESA is designed to be treated as an operating expense by customers

REDUCE EXPOSURE TO UTILITY PRICE UNCERTAINTY

During the term of the ESA, service payments escalate at a fixed annual rate that is below historical utility price increases



Project Scope of Work



PROJECTS CAN INCLUDE A WIDE RANGE OF ENERGY EFFICIENCY MEASURES

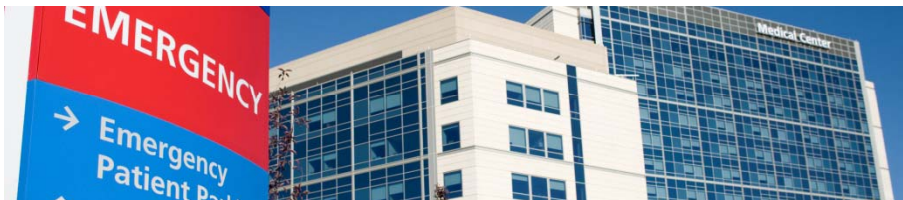
- Building automation & controls
- Lighting retrofits & controls
- Compressed air (leak detection & repair)
- Utility tariff rate optimization
- Heating, ventilation, & air conditioning (HVAC)
- Chiller replacement & system improvements
- Boiler replacement & system improvements
- Pumps, fans, motors, drives
- Cogeneration (onsite generation of electricity)

TYPICAL PROJECT PROFILE

- (1) Multiple energy efficiency measures are blended into single project scope of work
- (2) Total project size is typically >\$1 million
- (3) Average simple payback on a project <6 years



Target Customer

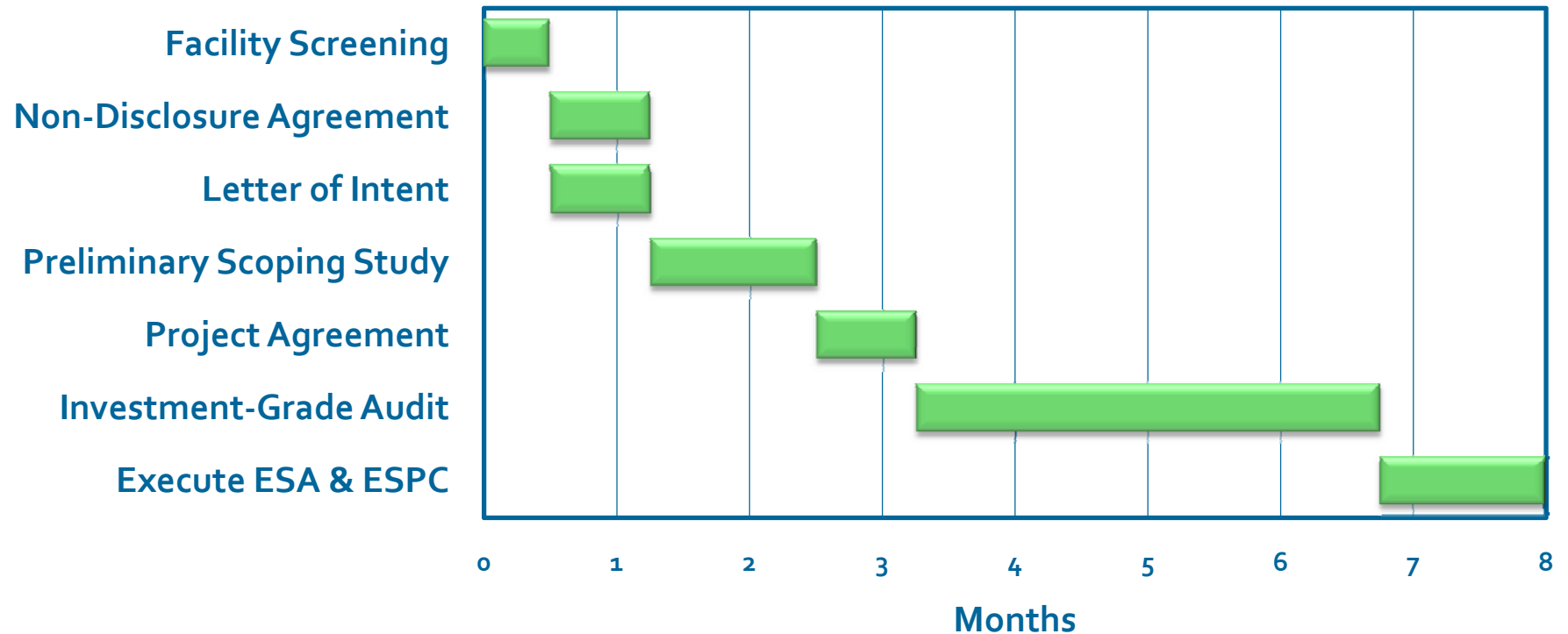


Type of Business	Industrial, commercial, private healthcare, and private higher education
Utility Bill	Customer typically has annual energy costs of more than \$1 million
Key Project Drivers	Facility improvements are needed, energy efficiency can be improved, or customer has corporate social responsibility targets
Accounting	Customer values an off-balance sheet solution to fund and implement efficiency improvements
Facility Ownership	(1) Customer facility is owner-occupied or (2) customer lease has 5+ remaining years and mortgagee waiver is possible



Phases & Milestones

A typical project requires 6-8 months to begin construction



**BAE SYSTEMS & SIEMENS**

Customer

- BAE Systems
- Industrial manufacturing, defense contractor

ESCO

- Siemens

Efficiency Services Agreement

- 10-year ESA term
- Service charge included both energy and non-energy savings
- Metrus pays for all maintenance and repair/replacement on selected equipment
- Customer has periodic buyout options

Project Scope (total size > \$1M)

- Lighting retrofit
- Kitchen equipment controls
- Demand control ventilation
- Air compressor replacement
- Energy policy for IT Department
- Transformer replacement

Project Performance (average)

- Annual Electricity Savings >1M kWh
- Annual Natural Gas Savings >30k therms
- Various Annual Non-Energy Savings
- Annual Emissions Reduction >400 tons of CO₂



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