

TEMPLATE

(Letter of Interest signed by FREE available on request. Please contact Pam Hague, Program Manager, at pam@freefutues.org)

_____, 2015

Foundation for Renewable Energy and the Environment

[address]

Re: Pennsylvania Sustainable Energy Finance Program

Dear _____,

The Foundation for Renewable Energy and Environment (**FREE**) is pleased that _____ (the [**Participant**]) has expressed an interest in participating in the Pennsylvania Sustainable Energy Finance Program (**PennSEF Program**). FREE has implemented the PennSEF Program in partnership with the Pennsylvania Treasury and with the support of the West Penn Power Sustainable Energy Fund to assist local governmental agencies and non-profit organizations in Pennsylvania with the purchase, installation and financing of eligible energy and water conservation measures (**Conservation Measures**). This letter outlines the steps for the [Participant] to become eligible for the PennSEF Program, and describes the operation of the PennSEF Program if you elect to participate.

After the [Participant] signs this Letter of Interest, we will assist the [Participant] in selecting an energy services company (the **ESCO**) that has been prequalified by the PennSEF Program to perform an initial pre-contract audit. For Pennsylvania Governmental Units, the ESCO must be selected through a procurement process that complies with the Pennsylvania Guaranteed Energy Savings Act. The PennSEF Program has developed a template RFP intended to assist program participants with this process. By responding to the RFP an ESCO agrees to do the pre-contract audit for free if selected by the [Participant]. The [Participant's] sole responsibility is to cooperate with its selected ESCO by providing data and information necessary to complete the audit.

The pre-contract audit allows the ESCO to identify a suite of energy and water conservation measures (the **Project**) that it expects will generate more in energy and water savings than the debt service cost of financing the Project through the PennSEF Program. If after reviewing the pre-contract audit, the [Participant] decides it wishes to proceed with the PennSEF Program, the [Participant] and the ESCO will sign a Guaranteed Savings Agreement (**GSA**) that commits the ESCO and [Participant] to the first of two steps, and outlines the conditions for the second. As the first step the ESCO will perform a more detailed Investment Grade Audit (**IGA**). If the IGA identifies a feasible project that the [Participant] wishes to implement, the [Participant] and the ESCO will finalize the documentation for the construction phase of the GSA. The [Participant's] only commitment at this stage is to pay an agreed portion of cost of the IGA if the IGA specifies self-funding Conservation Measures that achieve at least 90 percent of the savings estimated in the pre-contract audit and the [Participant] never-the-less elects not to proceed with construction.

The GSA will not only set out the terms under which the ESCO will construct the Project (including the specific measures to be installed and their price as determined in the IGA), but will also contain a guarantee by the ESCO that the Project will reduce the [Participant's] energy and water bills by a specific dollar amount. This means that the [Participant's] Conservation Measures will be paid for out of the dollar savings guaranteed by the ESCO based on conservative energy escalation rates specified by the PennSEF Program. If at any time during the term of the financing, the guaranteed savings are not realized, the ESCO must cover the difference through cash payments or by implementing, at its own expense, improved or additional Conservation Measures sufficient to raise the needed savings (so long as its use of the upgraded buildings is not materially changed). By accepting the terms proposed in the IGA as negotiated with the ESCO, the participant agrees to proceed with construction of the Project assuming that financing is completed.

If a sufficient number of ESCOs and Participants enter into GSAs, FREE intends to sponsor a pooled bond program or similar type of financing (the **Bonds**), in which bonds are issued on behalf of Participants and proceeds are made available to finance the costs of the Projects. The financing involves the following elements.

- The [Participant] will sign a financing lease, obligating the [Participant] to make lease payments to the Bond Trustee to pay the principal and interest expense on the total amount borrowed by the [Participant], as well as other program expenses.
- Title to the project will be held by the Trustee until the financing is retired, but the [Participant] retains all remedies against the ESCO for failure to complete the Project or to achieve the guaranteed dollar savings.
- At no time will a Participant pay more than the cost of its own Project. No Participant subsidizes or is responsible for the Project of another Participant in the financing pool.
- Proceeds from the issuance of bonds will be held by the Trustee in separate construction accounts for each project. The Trustee will advance the proceeds to the ESCO at the direction of the [Participant] upon the ESCO's successful completion of construction milestones for the Project.

- The [Participant] may elect to pay the cost of the IGA from its own funds, or have it financed as part of the cost of the Project (in which case the Installment Payments will include the cost of the IGA).

In order to obtain financing under the Bonds for a number of different agencies and projects in Pennsylvania, the terms of the underlying agreements must be the same for each agency. However, the specific conservation measures to be implemented, and the pricing and performance guarantees, may differ for each project. In fact, the PennSEF Program will customize the Conservation Measures and the financing schedule to meet the unique characteristics of the [Participant]'s Project.

If the [Participant] moves forward with a Project, the [Participant] will be required to provide financial statements and deliver an opinion of counsel, certificates, and other documentation customary in finance transactions. The PennSEF Program has prepared forms of the GSA, the Lease, and other documents described above, and participants in the PennSEF Program must all use those standard forms. The Issuer selected by the PennSEF Program will receive a customary issuer's fee at the time the Bonds are issued. A Program Administrative Fee will also be included to cover the expenses of FREE in setting up and carrying out the PennSEF Program. Both fees will be included the overall Program borrowing so the [Participant] will have no out of pocket costs for its participation in the PennSEF Program. These fees will be payable by all Program participants on a pro rata basis, based on their share of the capital costs of the pool of projects.

We look forward to working with you to achieve a successful Project. The PennSEF Program stands ready to help the [Participant] to qualify for the PennSEF Program and to provide a full array of services, including, among other things, procurement management, technical assistance, and organization of the financing, in order to ensure Project success. Please do not hesitate to contact the PennSEF Program for additional information. You may also access information about the PennSEF Program, including copies of all the program documents and a list of qualified ESCOs, on the program website: <http://freefutures.org/pennsef/about> .

Please sign in the space provided below to confirm the [Participant's] interest in participation in the PennSEF Program by selecting an ESCO and completing a pre-contract audit as described above.

Sincerely,

FOUNDATION FOR RENEWABLE
ENERGEY AND THE ENVIRONMENT

By: _____
Name:
Title:

[Participant] confirms its interest in participating
in the PennSEF Program as described above:

[PARTICIPANT]

By: _____
Name:
Title: