Sustainability as a Service™
Answers to Frequently Asked Questions

• **Question**: We do not have capital budget to upgrade infrastructure to operate more sustainably. How can we access these kinds of upgrades without taking on debt?

**Answer**: Engaging Sustainability Partners to provide Sustainability as a Service™ (SaaS™) will enable the College to use savings on utility bills to pay for infrastructure improvements over time with no upfront capital outlay. Sustainability Partners will fund, procure, install, own, operate and maintain the infrastructure to deliver increased sustainability in exchange for a share of the energy savings generated from the improvements. Obtaining sustainability improvements under a service contract model gives the College flexibility to terminate the arrangement on thirty days’ notice with the option of returning the infrastructure upgrade or paying a buyout fee set based on straight-line depreciation of the infrastructure upgrade.

• **Question**: We have some capital in our budget. Why should we not just invest that capital in infrastructure upgrades to increase the sustainability of our facilities and operations?

**Answer**: If such a capital investment will yield a higher return with a shorter payback than other investments, sound financial management may weigh in favor of deploying your capital to fund sustainability infrastructure upgrades. However, if you have limited capital and needs more closely aligned to the core educational mission of the school, SaaS™ can free your capital for those higher priority investments without taking on debt, altering credit rating or raising costs to students. Going the SaaS™ route saves money and increases sustainability while shifting financial and technology risk to Sustainability Partners. If technology advances offer even greater savings and better performance, Sustainability Partners will welcome the opportunity to start the SaaS™ process all over again to deploy the new technology with no upfront cost to the College and get paid out of the savings generated from the new infrastructure.

• **Question**: Sustainability Partners proposes to provide sustainability upgrades as a service paid for with energy savings over a long period time. What makes this Sustainability as a Service™ offering any different than a traditional debt obligation? Aren’t we really taking on the debt that we will have to record on our books as a long-term obligation?

**Answer**: The option to terminate the SaaS™ arrangement on thirty days’ notice renders the offering a “service contract” within the meaning of the Internal Revenue Code and generally accepted accounting rules. Therefore, the College can account for SaaS™ payments as operating expenses and will not have to record the contract as “debt” or as another long-term obligation that would affect credit rating.
• **Question:** Energy services companies have offered shared savings programs for years. What makes this any different?

**Answer:** SaaS™ differs from ESCO shared savings contracts in three primary ways. First, ESCOs typically take a “pay me now, save later” approach, deferring customer savings until the ESCO has recovered its investment. SaaS™ get savings from day one with the percentage of savings increasing each year. Second, ESCO contracts set payments based on stipulated savings as projected in advance of implementation. If the projected savings do not materialize, the Customer still must pay the ESCO. Under SaaS™, the Customer only pays with actual realized savings. If the SaaS™ solution does not generate savings, the Customer owes Sustainability Partners nothing. Third, perhaps the biggest difference lies in the requirement ESCOs impose for a long-term contract. While Sustainability Partners wants to provide service forever once engaged, the Customer may terminate the SaaS™ arrangement on thirty days’ notice for any reason. At the bottom line, ESCO contracts are financing arrangements while SaaS™ is service a contract.

• **Question:** Won’t having a third party own components of campus infrastructure essential to operations require the College to give up control and take on more risk?

**Answer:** While the College will not own the infrastructure upgrades, the SaaS™ offering reduces the risks with funding and operating infrastructure upgrades without tapping limited capital budgets, taking on debt, seeking appropriations or raising student costs. Sustainability Partners takes on the financial risk associated with non-performance and maintaining the infrastructure upgrade as well as the risk technology obsolescence. On the other hand, if the College buys and owns the infrastructure upgrade, the school’s capital is tied up in that investment and the school also must bear the cost of operating and maintaining the upgrade. Since Sustainability Partners only gets paid based on energy savings, the Company has a keen interest in ensuring the upgrades perform as promised to deliver the projected savings in perfect alignment with the College’s interest in smooth operation, increased sustainability and savings on utility bills. The SaaS™ also does not differ from the provision of traditional energy or water services where the utilities own key components of the infrastructure (e.g., transformers, substations, meters, pumps, etc.) used to deliver those services which one would categorize as essential to campus operations. SaaS™ invests in campus infrastructure in a Public Private Partnership that always allows the College an advantageous option to buy out the agreement if it wants to take on ownership of energy efficiency assets with all that entails.
• **Question:** Resource conservation measures that will have the most appeal for the SaaS™ model typically will have a high ROIC that also make them attractive for the College to invest in those upgrades directly (e.g., LED lighting retrofits.) What about deeper infrastructure upgrades (e.g., boilers, chillers, etc.) that require larger upfront investment with a longer payback and lower return on investment?

**Answer:** Sustainability Partners wants to put its money to work. While investments with shorter payback and high return no doubt have appeal, larger investments with longer paybacks also will appeal with steady returns over time. Under Sustainability Partners’ unique business model, the firm has targeted the same operating margin for all projects whether an LED retrofit or a 2500-ton chiller. While financing costs may differ, Sustainability Partners interest extends to a wide range of infrastructure projects. Moreover, SaaS™ yields benefits for Colleges beyond just energy savings such as freeing College facilities staff to tend to other maintenance priorities, increased occupant comfort, improved operational performance and more budget flexibility. Each College will have to make determinations on how to allocate limited capital budgets based on their own financial, sustainability and educational priorities.

• **Question:** How will Sustainability Partners measure and verify energy and/or water cost savings from the conservation measures implemented under the SaaS™ model where Colleges have very few sub-meters in place without sophisticated energy management systems?

**Answer:** As part of every Project, Sustainability Partners will deploy sensors, sub-meters and other equipment necessary to monitor energy usage along with the analytics to attribute savings to the measures implemented as SaaS™ solutions. Sustainability Partners follows a very rigorous protocol in establishing baseline usage against which to measure savings from the SaaS™. That process goes beyond just measuring usage to identifying and defining the impact of factors that influence that baseline usage. Subsequent calculations then can take into account any changed circumstances to accurately reflect the savings impact of SaaS™ solutions.

• **Question:** What impact would SaaS™ have on a College’s ability to secure utility rebates or government grants for energy improvements?

**Answer:** Sustainability Partners factors in utility rebates, tax benefits, grants and any other incentives for which it will qualify in the underwriting process, which drives the savings allocation and buyout schedule. A College’s eligibility for grants or other incentives targeted only to Colleges, educational institutions or public sector organizations would involve a case-by-case evaluation based on the specific terms in the program. And, where such programs would substantially reduce or cover all of the costs of a particular infrastructure upgrade, it may make more sense for the College to fund the upgrade as a direct capital investment.
**Question:** Will pursuing the SaaS™ approach restrict a College’s options to use a preferred technology or contract to install and/or maintain it?

**Answer:** While Colleges get SaaS™ solutions on a turnkey basis, Sustainability Partners takes an agnostic approach to the technology deployed as well as the contractors installing and/or maintaining it. The Company will work with you to select the technology and contractors to implement the SaaS™ solutions. The only constraint come in a strict mandate that SaaS™ solution implementation involve proven, top tier technology and contractors to meet underwriting requirements. The solution must work as promised to deliver the savings to Sustainability Partners and College.

**Question:** What savings will the College realize from the SaaS™ model?

**Answer:** The College will realize a share of the savings from reduced energy consumption from the SaaS™ solution from the first month after commissioning. That share will increase over time as Sustainability Partners recovers the initial capital investment in the SaaS™ solution. In addition, the College will retain 100% of any savings in the form of reduced labor and other costs of maintaining campus infrastructure as a result of implementing the SaaS™ solution as well as savings from reduced debt service, deferred capital investment and other capital costs.

**Question:** Have other Colleges and Universities used this model to upgrade infrastructure that will enable more sustainable operations?

**Answer:** Yes. Point Loma Nazarene University in CA has implemented SaaS™ solutions with Sustainability Partners. Maricopa County Community Colleges in AZ have approved moving forward with a Master Sustainability as a Service™ agreement with Sustainability and plan to move forward to execute individual projects shortly. Many more colleges and universities have expressed interest and have audits underway to identify appropriate projects for SaaS™ solutions.

**Question:** How can I contract for SaaS™?

**Answer:** Sustainability Partners provides SaaS™ in a simple two-step contracting process. First, the College, or in this case IGEN, signs a 3-page Master SaaS™ Agreement that includes the General Terms and Conditions under which Sustainability Partners will provide all SaaS™ solution. IGEN Member Colleges and Sustainability Partners then will document specific terms (i.e., solution, execution timeline, savings allocation, buyout schedule) for individual projects to upgrade campus infrastructure in separate addenda that incorporate the terms and conditions from the Master Agreement, yet represent standalone agreements. Agreeing on the basic framework of General Terms and Condition facilitates completion of projects of all sizes, accelerates the contracting process for individual projects and greatly reduces transaction costs for both Sustainability Partners and the IGEN Member Colleges. Either IGEN or the individual member Colleges can sign on directly with Sustainability Partners. Or, either can become members of the Purchasing Cooperative of America (PCA) for free and adopt the
contract that PCA awarded competitively to Sustainability Partners on behalf of public sector and non-profit entities across the country.

- **Question**: Where does Sustainability Partners get the funding to pay for the infrastructure upgrades needed to deliver SaaS™ solutions?

**Answer**: Sustainability Partners goes to the capital markets to secure financing to pay for the design, procurement, installation, operation and maintenance of SaaS™ solutions. Sustainability Partners taps many sources of funds to provide robust financing capabilities for SaaS™ solution offerings. Among them, Black Rock Private Markets invests in Sustainability Partners on behalf of its clients. Black Rock is one of the world’s largest asset managers with $4.77 trillion under management.