Metered Energy Efficiency

A NEW PATH TO DEEP ENERGY RETROFITs

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ADDRESS SPLIT INCENTIVE

• Standard efficiency project cost benefits
  o 25% incentive / 75% avoided utility expenditures

• In many lease structures:
  o Investor/owner receives incentive
  o Tenant receives benefit of reduced bills

• If an owner pays the bills but sells before the end of measure life:
  o Benefit of reduced bills is “gifted” to new owner

• These are “split” incentives
MEETS is a **structure**, not an incentive

- Designed to use the *savings* value that is currently lost to tenants

- EE is metered against a **dynamic** baseline & sold to the *utility* under a long-term PPA
  - Meter was accurate = 0.8% during 1\(^{st}\) year

- Utility bills the building for the EE in energy units at retail rates
  - Eliminates the split incentive
### Why MEETS Matters

#### 50,000 Square Foot Bullitt Center with Retail Energy Price of 6 cents/kWh

<table>
<thead>
<tr>
<th></th>
<th>Traditional Incentive Structure</th>
<th>MEETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Dollar Value of Utility Payments for EE</td>
<td>$84,000 (incentive)</td>
<td>$1.22 million (PPA)</td>
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<tr>
<td>Total Utility Collections from Building for Saved Energy</td>
<td>$0</td>
<td>$1.25 million</td>
</tr>
<tr>
<td>Ratepayer Cost or (Benefit)</td>
<td>$84,000</td>
<td>($33,000)</td>
</tr>
<tr>
<td>NPV Dollar Value of Payments to Building (5% Discount Rate)</td>
<td>$84,000</td>
<td>$740,000</td>
</tr>
<tr>
<td>$NPV per Square Foot</td>
<td>$1.68</td>
<td>$14.80</td>
</tr>
<tr>
<td>Utility Payment per kWh</td>
<td>2.5 cents (deemed &amp; paid upfront)</td>
<td>8.41 cents with escalator, as delivered for 20 years</td>
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</tbody>
</table>
Why MEETS Matters

50,000 Square Foot of Office Building with Retail Energy Price of 15 cents/kWh

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<tr>
<td>Total Dollar Value of Utility</td>
<td>$84,000 (incentive)</td>
<td>$2.6 million (PPA)</td>
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<tr>
<td>Payments for MEETS Energy</td>
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<tr>
<td>Total Utility Collections from</td>
<td>$0</td>
<td>$3 million</td>
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<td>Building for Saved Energy</td>
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<tr>
<td>Ratepayer Cost or (Benefit)</td>
<td>$84,000</td>
<td>($353,000)</td>
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<tr>
<td>NPV Dollar Value of Payments</td>
<td>$84,000</td>
<td>$1.6 million</td>
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<td>to Building (5% Discount Rate)</td>
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<tr>
<td>$NPV per Square Foot</td>
<td>$1.68</td>
<td>$13.60</td>
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<tr>
<td>Utility Payment per kWh</td>
<td>2.5 cents (deemed &amp; paid upfront)</td>
<td>17.5 cents with escalator, as delivered for 20 years</td>
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</table>
How MEETS Works

INVESTOR
- Has stable, long-term investment
- Capital
- Pays Rent

ENERGY TENANT
- Has long-term rental agreement to harvest and sell metered energy efficiency
- Ongoing payments for 20+ years
- Pays for and maintains improvements

BUILDING OWNER
- Has more comfortable and valuable building
- Pay share of utility bills including metered energy efficiency

UTILITY
- Maintains unit sales and revenues
- Meters traditional energy and energy efficiency

DYNAMIC BASELINE METER
- Dynamic baseline

TENANTS
- Have more comfortable, highly productive building
- Pay share of utility bills including metered energy efficiency
Bullitt Center Projected 20-Year Cash Flows

SCL collects more from the sale of MEETS energy than it pays out under the MEETS PPA.

In addition, SCL did not pay out $84,000 in upfront incentives.

Chart provided by Seattle City Light. Margin comments added.
The Meter Calculates Normalized Metered Whole-Building Energy Consumption Based on Current Measurements

Baseline derived from prior use

Calibrate (normalize) and use it to calculate “native load

Efficiency is the difference between native load (normalized baseline), and supplied energy.

Slide courtesy of Equilibrium Capital Management
Problem: Traditional EE Is All Split Incentives
Contact Information

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