C. Utility Rebates, Incentives and Grant Opportunities

As part of this Investment Grade Audit, Ameresco has investigated opportunities for rebates, incentives, and grants that apply to the proposed energy conservation measures (ECMs). Xcel Energy, as the primary energy utility, offers substantial energy efficiency rebates and solar PV incentives that will benefit a future Energy Service Performance Contract by reducing initial costs. In addition, the State of Colorado will begin soliciting grant applications for municipal facility improvements in communities that are impacted by energy development and mineral extraction through the Department of Local Affairs. The following section describes the available rebate / incentive programs and grants, as well as an explanation of how the estimated rebates were calculated within the pro forma. At this point, the business case for an Energy Savings Performance Contract includes an estimate of the energy efficiency and solar PV system renewable energy incentives. The Energy/Mineral Impact Assistance Fund grants are not included in the business case analysis, but would reduce initial implementation costs and further enhance the return on investment, if a grant was secured from the State of Colorado.

Xcel Energy – Energy Efficiency Rebates

Xcel Energy has a Standard Offer program for businesses and institutions that provides rebates for energy audits, new energy efficient equipment, and retro-commissioning improvements. By taking advantage of Xcel Energy's Standard Offer, City of Greeley will:

- Bundle energy savings measures to maximize the implementation rebate.
- Retain a 50% rebate on the cost of the energy audit that would be applied to reduce the project implementation costs.
- Receive an implementation rebate of $250/kilowatt (kW) reduced + $0.05/kilowatt-hour (kWh) conserved.

To be approved for the program, Xcel Energy will review the Investment Grade Audit for Greeley's facilities. Based on this review, Xcel Energy will approve a specific bundle of energy conservation measures and confirm that they are installed. Xcel Energy will also require measurement and verification of the savings after the project is completed. Savings must not vary more than 10% from the Investment Grade Audit calculations and projections. The rebate will be applied once the energy conservation measures are installed, but may refunded back to Xcel Energy, if the consumption savings are not realized. This is the benefit of Ameresco's Performance Guarantee. **Ameresco not only guarantees energy consumption savings, but also ensures City of Greeley receives the maximum rebate for your energy conservation projects.**

Ameresco has included a conservative estimate for anticipated Xcel Energy audit and implementation rebates for the City of Greeley within our pro forma. **Ameresco is estimating approximately 21% electricity and 10% natural gas consumption savings for the facilities included in the IGA as a result of our proposed energy conservation measures.**

Ameresco has taken a conservative approach and multiplied the calculated implementation rebates, based on the formula above, by **75%**, effectively reducing the rebate savings to a more realistic total. This accounts for the uncertainties related to Xcel Energy's approval of all bundled energy conservation measures. The implementation rebate could be as large as the total estimated energy savings calculated with the Xcel Energy formula. Ameresco will refund any additional rebate funds attained from Xcel Energy once they approve the completion of the energy conservation measures.

Xcel Energy – Solar PV Incentives

Xcel Energy offers a SolarRewards incentive program designed to motivate customers to invest in solar PV technology. Financial incentives are derived as Renewable Energy Credits (RECs) from the energy produced by the PV system. Xcel Energy purchases the RECs from the customer, based on the capacity and output of the customer's installed solar PV system. The program includes two tiers based on the size of the solar PV system. The medium tier program is for 10 kW to 500 kW sized system, while the large tier is for solar PV systems larger than 500 kW. The medium program applies to the proposed City of Greeley Solar PV array.

Timing will be critical as the medium tier's incentives are approved on a rolling basis with a limited offering. Xcel Energy issued their new SolarRewards program in July 2012. Since that time, customers have reserved 8.2 MW in solar PV projects at the 10 cents/kWh incentive level. The next level of incentives is set at 9 cents/kWh. At this point, 5.85 MW remain out of the 8.2 MW that were issued for this level. Once 8.2 MW are reserved at the second tier, the program will be closed.

For the medium tier program, there is a $1500 fee to reserve the SolarRewards incentive and initiate the solar PV system rebate process. The fee would be fully refunded, if the Solar PV project is completed within 1 year. Xcel Energy requires that the customer sign an interconnection agreement and a SolarRewards renewable energy credit contract, which are both available on the website for review. Ameresco would handle all the application information and project documentation within our scope of work for the Solar PV PPA. Additionally we would manage the required inspections, confirm insurance coverage, and execute start-up / commissioning and net metering installation per Xcel Energy's interconnection requirements.

Calculating Rebates & Incentives

Ameresco has estimated the value of rebates and incentives that could be expected with the implementation of the proposed project. Using the given Standard Offer formula and the proposed energy savings from the comprehensive list of ECMs, **Ameresco has calculated a rebate package of nearly $510,000 from the Standard Offer alone. The SolarRewards incentive of $0.09 / kWh offers an additional $16,700 / year for a term of 20 years** through the sales of RECs. It should be noted that the Standard Offer rebate amount

has been reduced by a factor of 25% in order to establish a more realistic estimate of the expected rebates. A summary of the rebates and incentives is provided in the table below.

Xcel Standard Offer Rebate Summary @ 75% Capture	
$250 per kW =	$458,711
$0.05 per kWh =	$51,163
Total =	$509,875
Xcel Solar Rewards Annual Incentive	
$0.09 per kWh =	$16,711

Colorado Energy/Mineral Impact Assistance Grants

The State of Colorado has issued a request for grant applications from the Energy and Mineral Impact Assistance Fund. Grant applications are due by December 3, 2012. Per the State, approximately $2 to $7 million dollars will be available to issue to impacted communities. Energy conservation upgrades at recreation centers, senior centers and other public facilities are considered approved improvement projects.

Tier 1 and Tier II grants are available during this application process. Tier 1 grants award up to $200,000 with a 25% match. The Tier II program offers grants from $200,000 to $1 million with a 25% match required. Tier I grants generally focus on planning and studies. Tier II grants target improvements for the community's quality of life. Several factors influence the approval process:

- Degree of energy development and mineral extraction impact
- Demonstration of need within the community
- **The project is ready to start within 6 months of grant approval**
- The availability of either municipal savings or debt financing to match the grant funds (in the case of ESPC, energy savings would fund debt financing)
- Financial stability of the municipality
- Alignment with community goals

Any funds expended toward the project before the grant is approved cannot be refunded by the grant. The Department of Local Affairs particularly prefers to grant funds to project that offer measureable benefits to the community and citizens. Ameresco would work with the City of Greeley to develop the grant proposal by the December 3, 2012 deadline based on the Investment Grade Audit scope of work. The grant funding would reduce the cost of the project and financed funds and/or allow energy savings to facilitate an even larger scope of improvements.

Summary

Rebates and grants reduce the cost of implementation and improve the overall return on investment for your energy efficiency and renewable energy project. Financial institutions also view these types of cash infusions into a project positively, similar to a down payment on a loan, and will reduce the interest rate or increase the term accordingly to maximize the scope of work or lower the financing costs. Ameresco offers the expertise to manage the incentive and grant process to secure maximum funds for your project to deliver optimal value.