

June 2013

Financing Combined Heat & Power

CHP Opportunities & Incentives in Massachusetts Conference

Municipal Alternative Energy Franchise

Citi's energy efficiency and renewable structuring expertise spans a variety of transaction structures, legislative parameters and sectors

Structures

- Citi will structure transactions as:
 - Power Purchase Agreements
 - Leases
 - Partnership Flips
 - Traditional Municipal Ownership

Citi Deal Experience



Equity & debt investor in UAMPS's 57MW wind farm



Equity investor in SMUD's 128MW CA wind farm



Equity investor in Nellis AFB's 14MW solar project



Structured/equity investor in LACCD's 7MW distributed solar project



Structuring advice / equity investor in Somerset NJ's 31 site solar project



Structuring advice / equity investor in Kaiser Permanente's 15MW distributed solar project



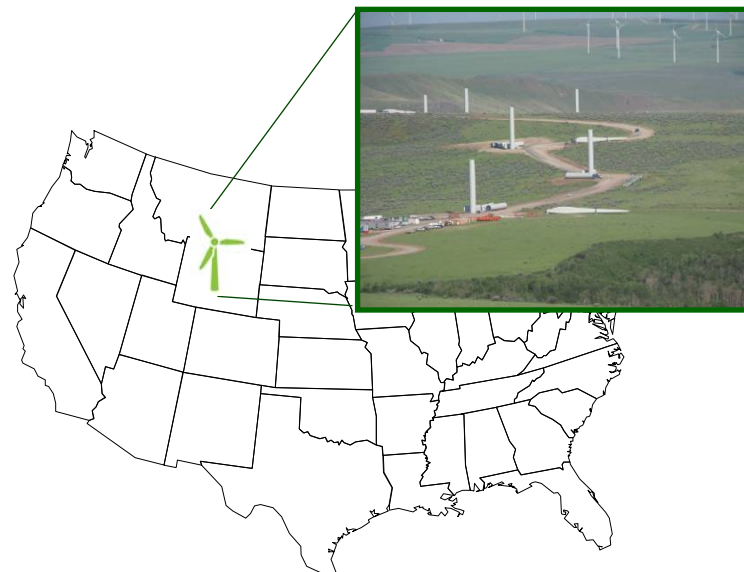
Priced and closed the SEU's inaugural \$67mm energy efficiency revenue bond

Citi Case Study: Utah Associated Municipal Power System

Off-Take:	UAMPS
MW Capacity:	57.6 MW
Structure:	Prepaid PPA
Technology	Utility Wind
Project Size:	32 Turbines


- UAMPS makes prepayment for 65% of the capital cost of the project by issuing tax-exempt bonds
- No upfront capital expenditure
- UAMPS will hedge future energy prices in a fixed 20-year contract with a fixed price purchase option at 6 and 10 years

- Facilities are owned by Citi, with 100% of off-take to UAMPS on a take-or-pay basis. Involvement of 25 cities




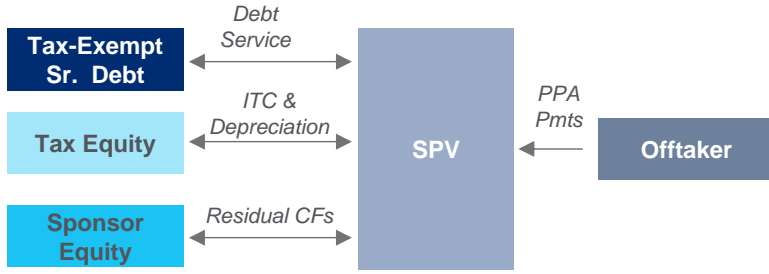
CHP Financing Structures

There are three basic financing structures that can be applied to CHP projects: (i) Municipal self-financed; (ii) Lease; and (iii) PPA. Each approach has pros and cons to consider

Description	Municipal Owned	Lease	PPA
Financing Structure	Tax-Exempt Debt 	Sponsor Equity  3rd Party Taxable Debt	Sponsor Equity  Tax Equity 3rd Party Debt / Municipal Prepayment
Leverage	No	Yes	Yes
Municipal Ownership	Yes	Subject to FMV buy-out option	Subject to FMV buy-out option
Municipal Financing	Yes	No	Potential, if prepayment
Municipal Control of Project	High	Medium	Low
Transparency	High	Medium	Low
Tax Benefit Monetization	No	Yes	Yes

Comparison of Financing Options

CHP projects have the option of accessing the tax-exempt or traditional taxable debt markets for financing with each structure having various benefits and considerations

	Non-Profit Tax-Exempt Financing	Traditional Taxable Financing
Description	<p>Project utilizing an administrative non-profit with tax-exempt debt</p>  <p>The diagram shows a central 'Non-Profit Entity' box. To its left are two stacked boxes: 'Tax-Exempt Sr. Debt' (dark blue) and 'Sub. Debt' (light blue). Double-headed arrows labeled 'Debt Service' connect the Non-Profit Entity to both debt boxes. To the right of the Non-Profit Entity is an 'Offtaker' box. A single-headed arrow labeled 'PPA Pmts' points from the Offtaker to the Non-Profit Entity.</p>	<p>Traditional project financing - long-term financing with taxable debt and equity</p>  <p>The diagram shows a central 'SPV' box. To its left are three stacked boxes: 'Tax-Exempt Sr. Debt' (dark blue), 'Tax Equity' (light blue), and 'Sponsor Equity' (medium blue). Double-headed arrows connect the SPV to each of these boxes. The top arrow is labeled 'Debt Service', the middle 'ITC & Depreciation', and the bottom 'Residual CFs'. To the right of the SPV is an 'Offtaker' box. A single-headed arrow labeled 'PPA Pmts' points from the Offtaker to the SPV.</p>
Benefits / Considerations	<ul style="list-style-type: none"> ▲ Lower permanent cost of capital ▲ Potential share of excess revenue ▼ Cannot monetize depreciation benefits and tax credits 	<ul style="list-style-type: none"> ▼ Higher permanent cost of capital ▼ Limited, if any, share of excess revenue ▲ Can monetize depreciation benefits and tax credits

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Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy and mitigation