

Energy Savings Performance Agreement (ESPA™) FAQ

1. What is the Energy Savings Performance Agreement?

The Energy Savings Performance Agreement (ESPA) is a service contract between The Atmospheric Fund (or its designee) and a building owner. The Atmospheric Fund (TAF) pays up to 100% of the costs of purchasing, installing, monitoring and providing warranty service for energy (gas and electricity) and water conservation equipment and measures. The building owner pays TAF a portion of the actual savings created by the energy conservation equipment for the term of the contract (up to 10 years). If there are no savings, the building owner does not pay anything. TAF owns the equipment until the ESPA ends, at which time it becomes the property of the building owner, and the building owner then keeps all the savings.

2. Why an ESPA...why not a bank loan or use reserves?

Because TAF pays up to 100% of the retrofit, the **building's capital is preserved** and can be used for other purposes. The ESPA is not considered debt, therefore, it does not create a balance sheet liability and a borrowing by-law is not required. ***Note that this conclusion is based on the advice received by TAF, and should be reviewed by your professional advisors.***

3. How does TAF determine if a retrofit qualifies for ESPA financing?

TAF requires an Energy Audit and retrofit plan before proceeding with ESPA financing. However, providing some basic building and energy usage data at the very beginning can help determine if proceeding with an energy audit makes sense. Start the process of exploring an ESPA financing opportunity by submitting an application form found at the following website: http://taf.ca/wp-content/uploads/bsk-pdf-manager/TAF-ESPA-PreliminaryApplication_1.pdf

There are two types of energy audit to be aware of.

ASHRAE Level II Audit: Energy Survey and Analysis.

This includes building survey and energy analysis. A breakdown of energy use in the building is provided. Level II analysis identifies and provides the savings and cost analysis of all practical measures that meet the owner's constraints and economic criteria, along with a discussion of any effect on operation and maintenance procedures. It also lists potential capital-intensive improvements that require more thorough data collection and analysis, along with an initial judgment of potential costs and savings.

ASHRAE Level III Audit: Investment Grade Energy Audit.

This audit focuses on capital-intensive projects identified as options during the ASHRAE Level II energy audit, involves more actual data-gathering and engineering analysis of the site, and provides detailed project cost and savings information with a level of confidence high enough for major capital investment decisions. The energy and water baselines established during the ASHRAE Level II energy audit are validated in the Investment Grade Energy Audit. The incentives available from the various levels of government and the utilities will be reviewed to ensure the building maximizes these financial benefits.

A detailed, stringent Investment Grade Energy Audit is needed before an ESPA contract can be developed. The building owner/Board will be presented with the retrofit plan and costs on a measure-by-measure basis along with the projected utility reductions and cost savings, the

available incentives, and business case as a basis for deciding whether to enter into an ESPA contract.

4. What does the building have to pay for?

In most cases, if the Property enters into an ESPA then the cost of an energy audit is covered. If the Property does not enter into an ESPA, then the Property must pay for the energy audit, less available incentives. Additionally, the property must pay for any professional fees incurred to enter into the agreement (eq. legal and accounting fees, etc.). The building continues to be responsible for regular maintenance costs, including replacement of basic parts and consumables. The building pays the agreed upon portion of the energy savings to TAF, plus HST.

5. How much does an energy audit cost?

The cost to complete an ASHRAE Level II Energy Survey and a Level III Investment Grade Audit varies depending on the building type. TAF has a pre-qualified list of engineering firms who can implement ESPA-financed retrofits who can be contracted to conduct audits; firms should be asked to provide a quote and to specify the approach and standards they will use.

Electrical utilities (eg: Toronto Hydro, Veridian, PowerStream) will cover up to 50% of the cost of an audit through the saveONenergy conservation incentive program, to a maximum of \$25,000. The Engineer that completes the audit is responsible for preparing the application for this incentive, and the building owner is entitled to retain any amount received.

As stated under question 4, in most cases the cost of the energy audit will be reimbursed should a property owner proceed with an ESPA.

6. Who does the work?

An engineering firm is a critical component of any retrofit and the ESPA. The project engineer will conduct the energy audit(s), procure the measures, manage construction, monitor and verify the energy savings, and guarantee the energy savings.

7. How is the project engineer selected?

The building selects the project engineer from a list of pre-qualified firms provided by TAF. If the engineer you hope to involve is not on the list, the firm can seek to be qualified, but the ESPA process will be delayed by approximately two months, and there is no guarantee they will be successful. The qualification of engineering firms is undertaken by a third party that assesses the firm's energy efficiency track record and team, since the engineering firm must be prepared to stand behind their work by providing an insured guarantee that the projected energy savings will be achieved. It is advisable for the building-owner to thoroughly evaluate potential engineering firms and document their selection process.

8. Who hires the project engineer?

TAF contracts and pays the engineering firm selected by the building-owner to procure and complete the installation of the energy conservation measures. The building is not a party to the agreement between TAF and the engineering firm. The agreement between TAF and the engineer is typically a standard form construction contract, Canadian Construction Documents Committee (CCDC-14) Design Build Stipulated Price Contract. If desired, the building-owner can review the agreement to confirm that the engineer will be required to adhere to an appropriate standard; TAF will provide a copy of the signed CCDC-14 contract to the building-owner on request.

9. How are savings generated?

Before the installation of any equipment, the engineer will review historical utility consumption for your property together with the associated weather data. The energy/water consumption baselines are established for the building, adjusting for weather (heating & cooling degree days) using specialized utility accounting software, which allows for on-going monitoring of the building's energy efficiency program. The baseline is the forecasted utility usage for the given billing period and weather conditions based upon historical energy performance and weather conditions. The baseline is adjusted to account for changes in the weather and changes in the length of the billing period, e.g. if the current billing period is longer and colder than the historical billing period, the forecasted energy consumption would be increased to predict the consumption more accurately.

10. What does the building pay if the energy savings are below projections?

The building only pays agreed percentage of savings. If there are no savings, there is no payment. You are never obligated to pay more than actual savings.

11. What happens if actual energy savings are higher than projected?

All savings are shared as spelled out in the ESPA contract – (Example: building keeps 10% and TAF keeps 90% as per agreed upon ESPA terms). When a retrofit's performance exceeds projections, the excess savings are shared in the same way that expected savings are shared. The benefit to you is that you save more money than projected!

12. Our Property consists of multiple buildings and would like to retrofit all/several. Is that possible?

Yes! An energy audit would be conducted for the property (regardless of building quantity) and ESPA financing can be based on the overall property savings.