



Dormitory Authority

Public Service Commission Working Group #1

DASNY Financing Proposal
October 2, 2007

DASNY Financing as Alternative to Ratepayer Charges

- 15x15 is a very aggressive goal and the Commission's Order directs the Administrative Law Judge and the parties to take a holistic approach to the development of an Energy Efficiency Portfolio Standard.
- Two principal ways in which DASNY believes that it can assist:
 - Providing a source of tax-exempt capital to fund energy-efficiency projects undertaken by hospitals, universities, schools and municipalities.
 - Focusing the attention of management of these organizations on the importance of incorporating best practice energy management techniques into their regular capital programs.
 - DASNY has \$16 billion of bonds outstanding for its many health care and higher education clients.
- Every dollar raised by DASNY will reduce the cost required to be borne by ratepayers.



DASNY Proposes to Partner with Utilities, ESCOs and Tax-Exempt Institutions

- DASNY proposes a partnership with utilities, ESCOs and tax-exempt institutions to finance projects that will help achieve the goals of the EPS.
- Under this partnership:
 - Projects are funded from private sources of capital in the tax-exempt capital markets.
 - The amounts borrowed are repaid by the end-user institution that benefits from the energy efficiency improvements.
 - The projects being financed should meet the objectives of the utility or ESCO for achieving demand side reduction.

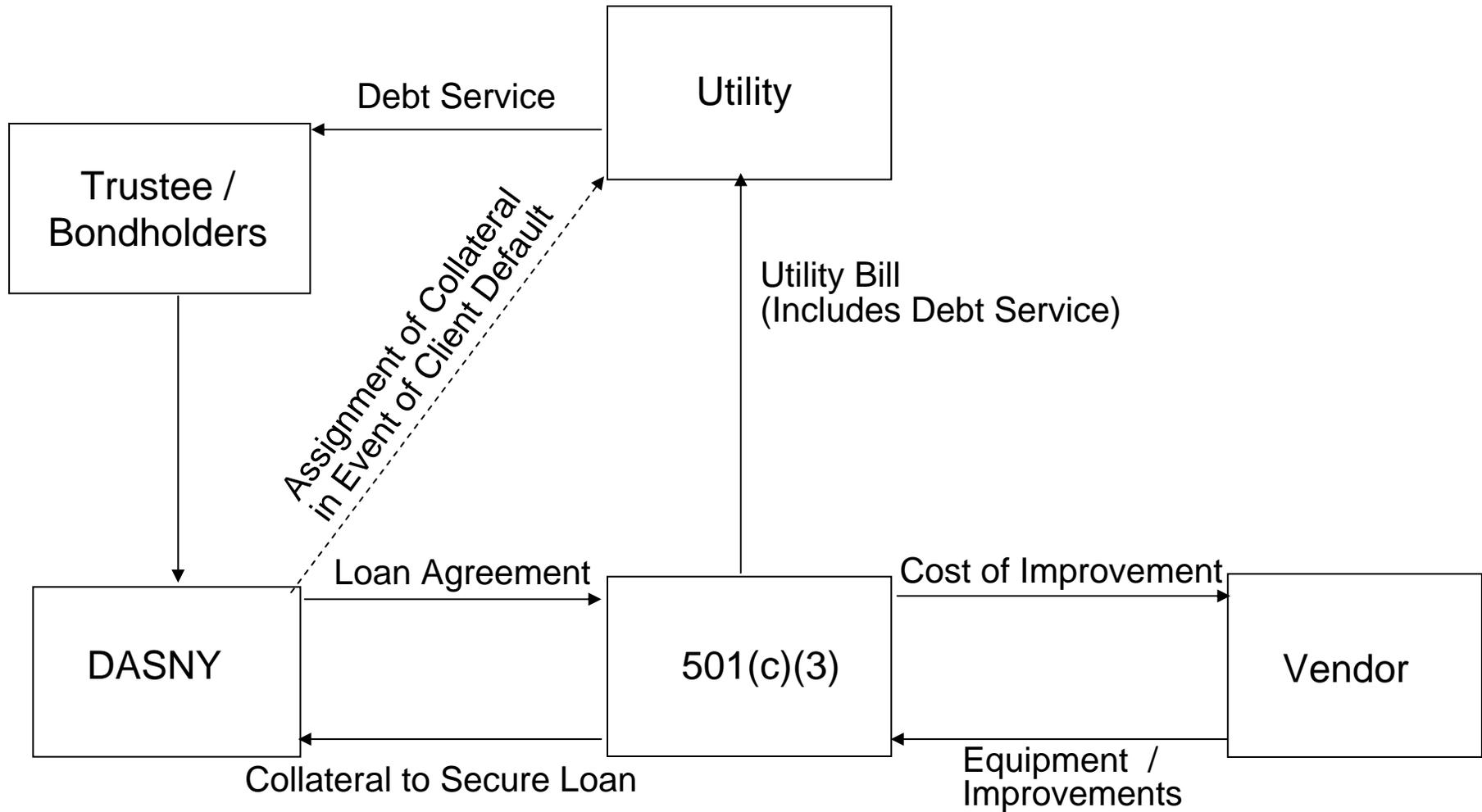


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- DASNY's clients will repay the cost of financing these projects through their utility bills.
- DASNY would work with all interested parties to establish financial criteria for participation in the program.
- Eligible hospitals, nursing homes, colleges, universities and school districts are unlikely to default on an obligation that would result in the loss of essential utility services.



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- DASNY is flexible and wants to work with utilities and ESCOs to design a program that meets the needs of each of the participants.
- The tax-exempt institutions will be responsible for payment in the first instance. In the event of bad debt, there are a number of program options:
 - Spread the cost among the entire rate base;
 - Spread the cost to a smaller class of rate payers;
 - Establish a special fund to absorb these limited costs.
- DASNY supports programs that provide financial incentives to utilities to achieve load reduction for DASNY-financed projects.



Benefits of DASNY Financing Proposal

- Many tax-exempt institutions are already eligible for tax-exempt financing from DASNY.
- “What’s in it for them?”
 - Lower utility bills;
 - Lower financing costs;
 - Financial incentives for energy efficiency projects;
 - Possible development of financing structures that may not be treated as debt on their balance sheet.
- Utilities and ESCOs would benefit from a new financing source that would help achieve the goals of the EPS and minimize the impact on the general ratepayer.

