



Michigan Saves Business Energy Financing

Guidelines for Authorized Contractors

August, 2015

Version 2.1



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Version No.	Date	Summary of Changes
V.1	May 24, 2012	N/A—original
V.1.1	October 31, 2012	Clarified treatment of energy savings from geothermal or solar thermal systems toward 20 percent savings calculation.
V.1.2	January 5, 2013	Changes to form submission process; expanded quality assurance section.
V.2.0	March 17, 2014	Changed lender references from Ervin Leasing to Ascentium Capital; eliminated special buydown incentive language
V2.1	August 1, 2015	Changed contractor fee; replaced “lessee” with “business owner”; replaced “lease” with “equipment finance agreement”; updated program efficiency requirements; replaced Attachment (Summary of À la Carte Eligible Measures for Retail Food Sector) with guideline variations for Michigan Saves Multifamily and Public Sector financing programs.



Overview

Michigan Saves has affordable financing available to businesses throughout Michigan for the installation of qualifying energy-saving improvements. Financing is available to all types of for profit and nonprofit entities, including manufacturing, food service, office, retail, and houses of worship. The financing is originated and serviced by an authorized lender. Michigan Saves provides default support on the financing to offset the financing risk and thereby make the financing more accessible and affordable. In addition, Michigan Saves authorizes a network of contractors, establishes program guidelines, provides customer support, and monitors and tracks the installations. Authorized contractors help promote the program and perform work for the customer, including energy audits and installation of energy-saving improvements, such as lighting, HVAC, refrigeration, insulation, and windows. Michigan Saves programs are designed to integrate with utility energy optimization programs, grant programs, federal tax credits, and other available incentives for energy efficiency.

Financing Product Details

Below are the details of the equipment finance agreement available through the Michigan Saves Business Energy Financing program¹:

Financing type	Equipment Finance Agreement
Financing amounts	Minimum: \$2,000 Maximum: \$250,000; larger amounts may be considered.
Term	24 to 60 months
Financing rates and fees	Below-market rates; rates vary based on borrower's credit, term, and market conditions. A contractor fee of 1.99 percent of the total amount financed. Other fees are limited to documentation fee of \$250 and any direct expenses incurred by lender to secure the transaction beyond general UCC-1 filings (such as fixture filings and outside legal expenses)
Eligible properties	Owners or occupants of commercial buildings (includes businesses and nonprofit organizations). New construction is not eligible.
Security	UCC-1, and as required, specific filings—including fixture filings.
Underwriting criteria	Minimum two years' time in business. 675+ personal FICO scores of principals / guarantors with 20% ownership or greater. SBSS score 190+ Minimum Paydex of 62 No history of bankruptcy, material liens or judgments.

Financing Process (Key Steps)

1. Commercial property owner or occupant (referred to as business owner) works with Michigan Saves authorized contractor (and energy auditor, as applicable) to identify eligible improvements

¹ Program variations for Public Sector and Multifamily Financing Programs are detailed in Attachment 1.

and prepare preliminary scope of work with cost estimate. For assistance finding a contractor or to learn more about the program, the business owner can contact Michigan Saves directly (go to www.michigansaves.org) or call (517) 484-6474.

2. Contractor (or in some cases, business owner) submits to authorized lender, Ascentium Capital, the signed credit application, available at <https://ascentiumcapital.com/applyonline/PrimaryApplication.aspx?cb=Y&icp=mis3886200286> (also included in quote tool provided by Ascentium Capital to authorized contractors).² The cost and preliminary scope of work (e.g., HVAC, refrigeration units) should be identified in the application. Application submitted to Ascentium Capital by any of the following methods:

Online Application: Complete and submit application online, through link above

E-mail: joshpatton@ascentiumcapital.com

Facsimile: (281) 921-3369

Mail: 23970 Hwy. 59, N. Kingwood, TX 77339

3. Ascentium Capital makes decision based on applications and, as applicable, additional financial documentation provided by the business owner as outlined below:
 - Applications \$75,000 and less: If approved, Ascentium Capital issues approval notice within eight hours or less; no documentation of company financials (e.g., tax returns) necessary as long as company information is available through public sources.
 - Applications over \$75,000: Ascentium Capital conducts initial review and, if preliminary approval is given, requests two years of financial statements (if financials not available, tax returns). Ascentium Capital issues approval notice within two business days of receiving required documentation. Ascentium Capital verbally notifies the contractor if the customer is not approved for financing and what would be needed in order to approve the application. The customer can be verbally notified at the contractor's request. A letter of decline is sent upon request.
4. Ascentium Capital prepares equipment finance agreement. Details on the project, including vendor sales quotes, are needed at this time. The agreement package is sent to the business owner (or contractor) for signature and returned to Ascentium Capital (instructions provided in package, usually sent via overnight mail). The business owner must sign and return the application package, with the \$250 documentation fee to Ascentium Capital.
5. Upon receipt of signed equipment finance agreement and documentation fee, Ascentium Capital issues a purchase order and the contractor begins installation of energy-efficiency improvements.
 - The purchase order is the trigger for contractor to begin work. The contractor should not begin work prior to receiving the purchase order. Ascentium Capital will not finance projects that are underway prior to the issuance of the purchase order.
 - If the contractor is approved for pre-funding, the initial payment would be made at this time (see step 7 and Payment and Fees, page 5).
6. When the work is finished, business owner and contractor sign the Ascentium Capital and Michigan Saves forms (see Forms and Quality Assurance section below for submittal instructions):

² As part of the Michigan Saves contractor application, contractors designate the contact preference (i.e., whether the contractor or the business owner will be the primary contact with the authorized lender for transmittal of documents). In most cases, the contractor is the contact. If there are multiple unaffiliated contractors working on the project, notice should be given at the time of the equipment finance application.

- Ascentium Capital's *Acknowledgement and Delivery Acceptance* receipt signed by business owner.
 - Michigan Saves *Certificate of Completion* form signed by business owner and contractor with the Michigan Saves *Specification Sheet* completed by contractor (note: Ascentium Capital will transmit the Certificate of Completion and Specification Sheet to the contractor when the purchase order is issued; forms also available at www.michigansaves.org).
7. Ascentium Capital will pay the contractor(s). Multiple draws can be issued if the job has more than one contractor. Regular monthly billing of the business owner commences when the contract is booked.
- On any deals that are prefunded, the contract starts immediately and the first payment will be due approximately 30 days after the contract is booked. A verbal confirmation of project completion and *Acknowledgement of Delivery and Acceptance* receipt is not required for Tier 1 vendors up to \$135,000 and Tier 2 vendors up to \$75,000.
 - For Tier 2 vendors with projects over \$75,000, 50 percent of the project can be prefunded. The contract starts immediately and the first payment will be due approximately 30 days after the contract starts. The remaining 50 percent is funded when the lender completes a verbal confirmation of project completion and receives an *Acknowledgement of Delivery and Acceptance* receipt from the contractor. Tier 1 vendors over \$135,000 are handled similarly.

Contractor Qualifications and Training

Michigan Saves maintains a list of authorized contractors that perform energy audits and install energy efficiency improvements under the Business Energy Financing program. Contractors submit an application to become a Michigan Saves authorized commercial contractor³ and attend an online training session on the financing process and program requirements. These contractors must meet minimum qualifications, including business and trade licenses, insurance, and third-party certification, as applicable. As part of the process, the contractor is also screened by Ascentium Capital. It is possible for a contractor to be approved by Michigan Saves for meeting the minimum program requirements, and be denied by Ascentium Capital for issues with business and financial stability. Both Michigan Saves and Ascentium Capital must approve a contractor application for that contractor to become a Michigan Saves authorized contractor. The application, agreement, and instructions are available on the 'Resources for Contractors' page at <http://michigansaves.org/contractors>. Once a contractor is approved and attends the online training session, a contractor ID number is assigned.

Eligible Properties and Improvements

Eligible properties are commercial buildings in the state of Michigan.

Projects should be designed to achieve energy savings using a whole-building approach, or measures should be pre-screened by Michigan Saves under the à la carte option (i.e., boiler, pumps, lighting, and refrigeration) as described further below.

Whole-Building Option

This option provides financing for work recommended in an audit conducted by a certified auditor that reduces the total energy consumption of the building.

³ Authorized commercial contractors may offer Michigan Saves Business Energy Financing, Public Sector Financing, or Multifamily Financing programs to their customers. See Attachment 2 for program variations.

Audits should closely follow Technical Energy Analysis Standards, as specified by the Rebuild Michigan program or American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Energy Survey and Analysis (Level 2) or equivalent. Refer to ASHRAE guidelines available at: <http://www.ashrae.org/standards-research--technology/standards--guidelines> or see Attachment 2, Summary of ASHRAE Level 2 – Energy Survey and Analysis for quick reference.

All measures recommended in an audit qualify as eligible measures.

À la Carte Option

This option will provide financing for a measure or combination of measures that are pre-screened by Michigan Saves. This includes, but may not be limited to:

- Any energy efficiency measure that qualifies for utility rebate; and/or
- Any energy efficiency measure that is included in the Michigan Energy Measures Database maintained by the Michigan Public Service Commission.

Special Considerations

“Soft” Costs

Soft costs are defined as labor, installation, shipping and handling, engineering, design, audit fees, non-energy building improvements, and preventative maintenance contracts. Soft costs are associated with the installation of eligible measures, but are not distinct equipment that could be physically removed from property. For all transactions, the soft costs are limited to 30% of the total cost.

Used Equipment

Used equipment is permitted as long as it meets minimum efficiency specifications in the Eligible Measures list and is in acceptable condition to meet Ascentium Capital’s guidelines.

Renewable Energy

Renewable energy installations—including geothermal, solar thermal, and solar PV—qualify for financing.

Remodeling or Other “Expansion” Projects

Installation of new equipment or other facilities to expand services or products offered by the business (such as new cooking equipment for prepared food station at a grocery store) may be permitted. Such projects are subject to review of the scope of work by Michigan Saves and Ascentium Capital. Contractors should contact Michigan Saves initially to discuss this option.

Payment and Fees

Payment

Payment is made to the contractor after the signed *Acknowledgement and Delivery Acceptance* receipt is received by Ascentium Capital and Ascentium Capital confirms with the business owner that the project is complete. Payment to the contractor(s) is via electronic funds transfer or check, as indicated by the contractor on the Michigan Saves contractor application.

Pre-funding

Contractors are qualified as either Tier 1 or Tier 2. For Tier 1 qualified contractors, 100% prefunding is available on all transactions. For Tier 2 contractors 100% prefunding is available for transactions up to \$75,000 and 50% prefunding on transactions over \$75,000. Once the customer has signed the financing documents the lender will pay out the prefunding via Automated Clearing House (ACH) or overnight check. If the project is over \$75,000, then the remaining 50% would be released once the work has been completed. Payments can be made to multiple contractors as necessary. Ascentium Capital determines

pre-funding qualification during their business and financial stability review. Contractors must have approved credit and sign the *Contractor Prefund Agreement* with Ascentium Capital to qualify.

Split payments

The preference is to issue payment to a single contractor for the whole job, with that contractor paying any subcontractors. However, for jobs involving multiple unaffiliated contractors, Ascentium Capital can issue individual checks to each contractor. **Notice of multiple contractors should be given at the time of the application.**

Michigan Saves contractor fee

Michigan Saves assesses participating contractors a fee of 1.99 percent of the amount financed on each transaction to sustain operations of Michigan Saves, including quality assurance functions. Ascentium Capital will remit the Michigan Saves fee from the contractor’s payment. If there is split funding with multiple contractors, the fee applies to each contractor’s portion of the job.

Forms and Quality Assurance

Upon completion of the work, the contractor will submit signed copies of forms as follows:

Form Name	Purpose and Required Signatures	Submittal Instructions
<i>Acknowledgement and Delivery Acceptance</i> receipt	Signed by the business owner (form included with original equipment financing documents)	Send to Ascentium Capital via (pick one): Facsimile: (281) 921-3369 E-mail: joshpatton@ascentiumcapital.com Mail: 23970 Hwy 59 N Kingwood TX 77339
Michigan Saves <i>Certificate of Completion</i> (COC)	Signed by the contractor and business owner (form is sent to contractor by Ascentium Capital when contractor application is initially approved and with each purchase order) Provides authorization by business owner and contractor that work is completed and allows Michigan Saves to receive certain information from other entities (contractor, lender, utilities) about work performed, utility consumption data, etc.	Upload to Michigan Saves via Online Contractor Portal 1. Go to www.michigansaves.org . 2. Click “Contractor Login” in lower left corner and enter user name and password. 3. Find project among list or create a new project by clicking “New Spec Sheet.” 4. Upload the signed COC under the Supporting Documents section. 5. Select “Submit” when specification sheet is complete and COC has been attached.
Michigan Saves <i>Specification Sheet</i>	Completed by contractor and referenced in COC to document installation of financed measures (form is sent to contractor by Ascentium Capital with the purchase order package) A utility rebate form can be used in lieu of the Specification Sheet, so long as all the required information is provided on the utility rebate form	Same as COC (see above)

Note:

The *Specification Sheet* and *Certificate of Completion* are sent to the contractor by Ascentium Capital at the time the contractor is initially approved and with each purchase order. After the project is completed,

the contractor completes the forms, obtains signatures on the *Certificate of Completion*, and uploads the completed forms directly to Michigan Saves through the Online Contractor Portal.

The *Certificate of Completion* must be signed by the customer and the contractor. If multiple, independent contractors are performing work as part of a larger project, each contractor may complete and submit its own form for the respective portion of the work once it is completed.

Information on these forms is considered sensitive information, and should be protected. Submit documents securely through the Michigan Saves Online Contractor Portal.

Quality Assurance Inspections

Contractors promoting Michigan Saves financing must provide high-quality work and comply with Michigan Saves requirements as outlined in this Implementation Guide. Michigan Saves will perform certain quality assurance (QA) functions to confirm that—on a consistent basis—the measures financed through Michigan Saves qualify under program guidelines and were installed in accordance with applicable program requirements and industry standards, ensuring that energy savings can reasonably be achieved.

The QA objectives are to:

- Verify that there are no fraudulent or misleading actions on the part of the contractor or auditor
- Confirm customer satisfaction with contractor's performance and quality of work
- Verify that contractors are meeting Business Energy Financing Program guidelines in performing the work and related paperwork requirements
- Clearly define and educate contractors on the program requirements to avoid problems and to proactively identify potential issues
- Provide a process for evaluation of contractor performance and workmanship and the resolution of identified problems

The QA process begins as soon as a contractor submits the Certificate of Completion and Specification Sheet for a project. Contractors should submit all project documentation promptly. Michigan Saves conducts periodic site inspections to verify installation of equipment and quality of work performed. Quality assurance also consists of technical review of each project's scope of work pre- and post-installation.

As appropriate, Michigan Saves issues corrective action requests to contractors based on the inspection findings and/or take other action to suspend or terminate contractor participation—depending on the severity and number of identified issues. The QA process is described below.

1. Contractor completes project, submits Certificate of Completion and Specification Sheet via Online Contractor Portal (OCP) to Michigan Saves.
2. Michigan Saves reviews forms for completeness, verifies eligibility of measures installed, and (if applicable) reviews diagnostic test results. In the case of missing or inaccurate information, Michigan Saves will return Specification Sheet to the contractor for revisions
3. Periodically, Michigan Saves selects projects for on-site inspection. During the site inspection, Michigan Saves verifies the information on the Specification Sheet. Projects are generally site inspected within 60 days of completion.
 - a. Each contractor's first project is site inspected. If necessary, Michigan Saves may site inspect a contractor's second project. Five percent of projects are site inspected thereafter.

4. After each site inspection is complete, Michigan Saves accesses the Online Contractor Portal and enters notes about the inspection
 - a. If program violations are found during site inspection, Michigan Saves will send the contractor a Corrective Action Request (CAR).
 - b. Contractor must remedy the issue identified in the CAR in the appropriate time frame.
5. On a monthly basis, Michigan Saves reviews the site inspection results and makes determinations about contractor status.

Contacts and More information

Michigan Saves

Go to www.michigansaves.org for all forms, procedures, and promotional materials.

Questions regarding these guidelines, including eligible improvements and contractor qualifications, should be directed to Todd O'Grady at togrady@michigansaves.org or 248-701-3058.

Questions about contractor applications and should be directed to Kait Wyckoff at kwyckoff@michigansaves.org or 517-484-6474

General questions about Michigan Saves can be sent to info@michigansaves.org.

Ascentium Capital

Primary Contact:

Josh Patton, Vice-President—Sales

Email: joshpatton@ascentiumcapital.com

Phone: (281) 902-1969

Main Office:

23970 Hwy. 59, N. Kingwood TX 77339

Phone: (281) 902-1969

Website

www.ascentiumcapital.com

Credit Applications:

Online Application:

<https://ascentiumcapital.com/applyonline/PrimaryApplication.aspx?cb=Y&icp=mis3886200286>

Paper Application: Use link above to print application and fax to (281) 921-3369

Quote Tools:

Standard Rate: <https://icalcpayment.com/Default.aspx?s=mis3886200286>

Buy-Down Rate (if applicable): <https://icalcpayment.com/Default.aspx?s=79575ea5-e20f-47ae-8877-e4c2c50dad77>

Attachment 1:

Variations for Public Sector and Multifamily Programs

Authorized Michigan Saves commercial contractors may utilize the Michigan Saves Public Sector Financing and Multifamily programs. Most processes are the same as the Business Energy Financing program, with variations noted below.

Public Sector Financing Program Details	
Financing type	Municipal Installment Purchase Agreement
Financing amounts	Minimum: \$5,000 Maximum: \$1,000,000 Expected range: \$50,000-\$300,000
Term	24 to 60 months fixed term (not to exceed the useful life of the equipment) Payments can be structured in advance or arrears mode and can be made monthly, quarterly, semi-annually, or annually as requested and with credit approval
Financing rates and fees	Rates based on transaction size, term, market conditions, equipment type, and credit Documentation fee of \$250 (customer responsible for its own legal fees)
Eligible obligors	Property owned by cities, townships, villages, school districts and counties in Michigan
Security	Limited tax general obligation
Underwriting criteria	Review of current budget and two-years of financial statements for applications greater than \$100,000 (application only for \$100,000 and less)

Multifamily Financing Program Details	
Financing type	Equipment Finance Agreement
Financing amounts	Minimum: \$2,000 Maximum: \$1,500,000
Term	Standard terms of 24—60 months, or up to 84 months for good credit
Financing rates and fees	Rates range from 6%—10% Documentation fee of \$250 (customer responsible for its own legal fees)
Eligible obligors	Multifamily property owners (at least 4 units)
Security	UCC-1, and as required, specific filings including fixture filings
Underwriting criteria	Minimum two years' time in business 675+ personal FICO scores of principals/guarantors with 20% ownership or greater SBSS score 190+ Minimum Paydex of 62 No history of bankruptcy, material liens, or judgments

Attachment 2:

Summary of ASHRAE Level 2—Energy Survey and Analysis

The American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Level 2 audit/assessment evaluates the building energy systems in detail to define a variety of potential energy efficiency improvements. This should include the building envelope, lighting, heating, ventilation, and air conditioning (HVAC), domestic hot water (DHW), plug loads, and compressed air and process uses (for manufacturing, service, or processing facilities). This study starts with a detailed analysis of energy consumption to quantify base loads, seasonal variation, and effective energy costs. From there, the study should include an evaluation of lighting, air quality, temperature, ventilation, humidity, and other conditions that may affect energy performance and occupant comfort. The process also includes detailed discussions with the building ownership, management, and occupants to explore potential problem areas, and clarify financial and non-financial goals of the program.

The Level 2 audit should result in a clear and concise report and briefing with the owner and management team describing a variety of energy efficiency measures (EEMs) including no- and low-cost measures, modifications to system controls and building automation, operational changes, and potential capital upgrades. The findings should include general costs and performance metrics, as well as a means for the owner to evaluate the EEMs and decide how to proceed with implementation.

Many of the EEMs revealed during the ASHRAE Level 2 audit can be implemented quickly with rapid or immediate financial payback for the owner. Other EEMs will require more detailed analysis of benefit and cost and the other goals that are important to the owner. The audit should define next steps to accomplish this analysis and decision making.

ASHRAE Level 2 – Energy Audit Requirements

As part of a Level 2 Energy Audit, contractor shall perform all the Energy Audit tasks specified below:

- Assess the facility's energy cost and efficiency through the analysis of energy bills and a survey of the facility; identify potential capital improvements that would result in energy savings and utility cost savings. Furthermore, the contractor shall include, as part of those tasks, a detailed breakdown of energy use within the facility.
- Make on-site facility visits to determine energy savings potential and identify energy-saving measures necessary to achieve such savings potential. Survey the facility with facility owner/manager, or assigned representatives. Review the facility's equipment/systems to evaluate and confirm equipment/system operating profiles, methods of control, quality of maintenance, and facility energy-consumption changes that have occurred or are anticipated.
- List and analyze potential capital-intensive improvements for energy efficiency measures identified and include an analysis of potential costs (accurate to + 30%) and savings associated with the capital-intensive improvements.
- Identify low-cost and no-cost energy efficiency improvement measures for the facility and a savings and cost analysis for implementation of those measures.
- Evaluate facility staff skills in terms of equipment/systems operations and maintenance. If staff lacks appropriate skills, define training that is needed, such as theory, installation, calibration, and operation of HVAC controls, refrigeration, boiler and/or steam traps.
- Identify low-cost or no-cost operation and maintenance energy-saving opportunities pertaining to equipment/systems and facilities structures. Explain in detail how to implement recommendations.

- Collect all necessary field data to complete a report that identifies cost-effective energy saving measures. The Contractor shall identify existing conditions, recommended changes, cost estimates, potential savings, and simple payback. All project cost analyses shall include cost of material, labor, engineering design, project management, and commissioning of measures.
- Submit a written report of the audit findings, including all information acquired, conclusions reached, and recommendations, observations, and evaluations. Contractor shall submit reports and proposals required in completing Level 2 Energy Audits to Michigan Saves upon completion.
- Report summary of proposed energy efficiency measures into a database. Alternatively, this information can be provided in a database compatible format such as Excel. Database fields include, but are not limited to:
 - Facility name
 - Energy efficiency measure recommendations for achieving energy efficiency for facility and facility's equipment/systems
 - Detailed description of energy efficiency measure recommendation implementation processes
 - System/equipment type
 - Energy and cost savings estimated to be realized for each energy efficiency measure recommended
 - Estimated installation and implementation costs for each energy efficiency measure recommended
 - Auditor firm and auditor name