



## PROVIDENCE CAPITAL RESOURCES

Customer Focused ♦ Performance Driven

### The Role of Lease-Financing within Energy Projects:

#### Module D: Applications within Master Energy Plans

In many instances, individual energy projects will be part of a Master Energy Plan that involves many departments, and includes equipment and machinery with different dollar thresholds, and different acquisition and implementation dates.

Rather than entering into a new lease agreement every time an asset is acquired, an organization can consolidate the financing of all equipment acquisitions under a single, comprehensive arrangement. This arrangement, a Master Lease Agreement, establishes the principal terms and conditions that will apply to all financed acquisitions, yet allow for new equipment or groups of assets to be added to the agreement via lease schedules which pertain to the specific assets being financed. (Periodic payments under each lease schedule are structured in a manner that reflects the useful life of the asset, as in the case of a capital lease that is employed within a capital acquisitions program that extends over a multi-year period, or an asset's intended service period, as in the case of an operating lease that is employed as a means for acquiring equipment that is to be upgraded or replaced at a pre-determined time in the future.)

The full utility of a Master Lease Agreement is twofold. One, it has the functional ability to capitalize an energy project and coordinate the procurement of several assets from numerous vendors at varying frequencies through a centralized process. Two, individual disbursements can be implemented through lease schedules; each with a unique identification number which enhances the timely collection of a project's recurring spend data – whether it be relative to an asset procured for a single user agency, or an open-ended funding vehicle that can track the aggregate spend for equipment acquisitions by multiple departments.

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Commentary within Modules is intended to communicate the basic concepts behind the use of an alternative form of capital to fund energy projects and the acquisition of energy-efficient equipment only. It is not intended to be a substitute for consultation with a professional.

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