

Healthcare Renewable Energy Initiative

pilot partnership program
to promote & implement
renewable energy systems
for hospitals



PRACTICE
Greenhealth™



Healthcare Renewable Energy Initiative (HREI)

A partnership of Practice Greenhealth and Citi

Practice Greenhealth helps hospitals reduce energy consumption and become more energy efficient. Many health systems have an interest in both going green and saving money, but are faced with an array of options. Now, Practice Greenhealth, in partnership with Citi, is introducing the Healthcare Renewable Energy Initiative (HREI), an offering of transparent and flexible financing options for health systems planning to go green.

The HREI involves two phases:

- An independent engineering firm will conduct a thorough analysis of the potential feasibility of renewable energy alternatives for the health system, based on an analysis of the physical plant and existing energy use patterns.
- If the engineering assessment indicates potential feasibility, Citi will work with the hospital to assess, finance and implement the most cost-effective structure that enables the health system to purchase green energy. In most cases, the most cost-effective structure to achieve these goals is a Power Purchase Agreement (PPA).

This initiative will be piloted in New Jersey and Massachusetts, where current state subsidies enable hospitals to utilize solar power to save money, hedge energy costs, and reduce their carbon footprint. Scalability to other states will continue to be assessed.



Practice Greenhealth – the voice for sustainability in health care

Practice Greenhealth is the nation's leading membership and networking organization for healthcare institutions that are committed to implementing sustainable, eco-friendly practices.

Demonstrating the growing commitment among the health community to reduce its environmental impact, Practice Greenhealth membership continues to expand, now representing 1,000+ member hospitals nationwide – approximately 20% of the hospitals in the U.S.

Of the top 20 *U.S. News & World Report* listing of the best hospitals in the country, two-thirds are members of Practice Greenhealth. Practice Greenhealth is a learning community working toward the greening of healthcare offering the next generation of tools and services that can take organizations, wherever they are on the continuum, to the next level of sustainability excellence.

Beyond helping members establish goals and best practices, Practice Greenhealth is widely recognized for leadership in developing specific programs, tools and services – assistance in reaching those goals.

Citi – a leader in renewable energy

Citi is the #1 ranked underwriter to not-for-profit hospitals and health systems over the last 15 years. In addition, Citi has taken concrete steps to address and mitigate climate change by:

- **Targeting a \$50 billion investment over 10 years:** includes significant increases in investment and financing of renewable projects, clean technology, and other carbon-emission reduction activities
- **Creating Sustainable Development Investments** that make private equity investments in renewable energy and clean technologies
- **Providing lending and investing services** to clients for renewable energy development
- **Producing equity research related to climate issues** that helps to inform investors on associated risks and opportunities
- **Engaging with a broad range of stakeholders** on the issue of climate change to help advance understanding and solutions

The Banker Magazine has named Citi "Most Innovative Bank in Climate Change and Sustainability" for the second year in a row.

Citi was named "America's Greenest Bank" by *Bank Technology News*.

As proof of its commitment to sustainability, clean tech and reducing carbon emissions, Citi will share a portion of the financing amount of each green energy financing package with Practice Greenhealth.

Practice Greenhealth and Citi

believe that working to promote environmental and social sustainability is good business practice. As a global corporate citizen, Citi views sustainability issues from both a risk and an opportunity perspective. Citi looks for opportunities to make sustainable investments and develop products and services with positive environmental and social impact.

The HREI is a superior alternative for hospitals because it provides:

- Reliable execution
- Low-cost financing
- Transparency
- Flexibility on transaction structure and technology
- Two trusted partners in Practice Greenhealth and Citi, both with longstanding track records of serving the leading health systems, in both green initiatives and financing

Why Renewable Energy?

- Contributes to a clean and sustainable environment and is responsible citizenship
- Renewable energy cost may be lower than projected cost of electricity purchased off the grid
- Diversifies the hospital away from over-reliance on fossil-fuel based grid prices
- Hedges against future grid price increases and volatility
- Federal legislation is targeting mandated CO₂ reductions; there is considerable energy cost uncertainty resulting from meeting these reductions

The Healthcare Renewable Energy Initiative provides an executable and cost-effective financing program for renewable projects

- Combine tax credits, tax equity, and debt to result in the lowest overall cost of power
- Long-term cost savings and hedge against grid prices
- Access to Citi capital
- Standard documentation

Why structure with a PPA?

- Reduce the cost of power
- More flexible terms and conditions
- No upfront cost to hospital
- Hospital retains ownership option

Healthcare and Renewable Energy at Work

Kaiser Permanente closed a landmark transaction for a 15MW solar PV project on 15 sites. Citi served as structuring agent and also invested equity in three of the sites.

- Transaction structured as a Power Purchase Agreement (“PPA”)
 - No upfront capital expenditure
- Facilities are placed in holding companies, with Kaiser Permanente purchasing 100% of the energy generated on a take-and-pay basis
 - 15 sites throughout California; 3 sites in Northern California including Vallejo and Santa Clara Medical Centers; and 12 in the south including Fontana and San Diego Medical Centers
 - Master documentation provided for confirms for individual sites
 - Located in PG&E, SoCal Edison, San Diego G&E and Santa Clara service territories
- Through the transaction, Kaiser Permanente was able to:
 - Hedge future energy prices in a fixed-price 20-year contract (with buy-out rights @ 7 and 10 years)
 - Generate approximately 23 GWh of electricity annually, a substantial piece of Kaiser Permanente’s on-site renewable energy goals
- Citi worked carefully with Kaiser Permanente and Recurrent Energy to design a structure that had substantial benefits from both a cost and risk perspective



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