

# Shared Savings – Getting started

## Application Process

Applying for the Shared Savings program is simple. We discuss your project ideas and gather information as needed. MGE does not require a formal application, and no exhaustive documentation or disclosures are required.

## Who do I contact?

MGE will assign an account manager to work with you. Call Bob Connor at 608-252-4702 or e-mail [talksbiz@mge.com](mailto:talksbiz@mge.com) to reach an MGE account manager. Your account manager will help you get started with the process.

## Qualifying Process

Qualifying requires both a technical and financial review. The technical aspect determines if your project is energy efficient<sup>1</sup>. The financial aspect determines whether your business is healthy enough to repay project funding. The process is relatively informal: MGE reviews your project concept, including prospective equipment and material choices. MGE also reviews your financials, typically consisting of a current balance sheet and income statement. If both aspects are found satisfactory, you will be offered terms for a Shared Savings agreement.

## Technical

### The sooner, the better

Don't wait too long to talk to MGE about your project. Shared Savings financing is intended to help motivate you to make good energy choices when upgrading or constructing new facilities. If the decisions have already been made and the project is in process or complete, it's difficult to justify using Shared Savings. You must contact MGE before the work commences or your project is likely not eligible for funding.

### Project concept

We want to learn about your project while it is still in the conceptual stage. Ideas may include improvements to your heating, ventilating and air-conditioning (HVAC) system, for example, or upgrades to lighting, building insulation, kitchen equipment or other building features that reduce your energy use. Discussing your idea gives us the opportunity to verify that it qualifies and to suggest other efficient options.

### Do I need blueprints or specifications?

No. A preliminary visit or discussion with MGE can be informal and may be done simply by phone or e-mail. Project schematics or plans are not necessary but can be useful. Our priority is to establish efficient project parameters early in the process so we don't miss the opportunity to finance your project.

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<sup>1</sup>An energy-efficient project is one that is reasonably and measurably more energy efficient than what is considered by MGE to be the common industry standard, minimum-accepted code requirement, or other governing practice at the time a project is undertaken. MGE may elect to establish reasonable improvement standards or hurdle measures for various technologies from time to time as appropriate. However, the standard for reasonable improvement in energy efficiency will more commonly be left for review and discussion on a project-by-project basis, to allow MGE and Shared Savings Program applicants to take into account rapidly changing technologies, equipment options, costs and industry practices.

## Next steps

If early discussions show potential for using Shared Savings, then ongoing communication with MGE will help manage your project scope so that it remains consistent with the qualifying efficiency intent or target. As the project concept moves from idea to reality, this communication assures that funding is secure when contractor proposals are accepted. And, although not essential to start, we eventually will need documentation in the form of construction drawings or specifications or similar details in order to verify exactly what the contractor is instructed to install.

## Financial

### What financial information is needed?

Sarbanes-Oxley rules dictate that MGE obtain basic financial information to support the Shared Savings due diligence process. A current balance and income statement usually satisfies our requirements. However, if these statements are not available or only give a partial financial picture, we may need additional information. Tax returns can help fill in the gaps if information is lacking.

### Business versus personal finances

Sometimes the line between the business and the individual is unclear. This is particularly true for small businesses that are closely held or are sole proprietorships. When it's difficult to make distinctions, we may request financials for both the business and the individual.

### Other criteria?

- If you're an existing MGE customer, we will review your utility account status. You must be in good standing with your MGE utility accounts in order to participate in the Shared Savings program.

- If you're making improvements to a space owned by a landlord, we'll require they provide a statement subordinating to MGE any interest they have in the improvements that we finance.
- First mortgage banks or other lenders that may have an interest in the property should be informed before improvements are made that MGE will take a first position interest in the project equipment and materials purchased and installed.

### What if I'm starting a new business?

If you don't have an established financial or utility history, we require that you provide a business plan. This plan should include financial projections that detail business start-up capital sources and uses, and financial projections that estimate expected sales revenue, expenses, etc. MGE reviews your business concept and financial projections for reasonableness. If needed, resources are available at the U.S. Small Business Administration (SBA) to assist in developing your plan. The SBA office serving our area can be reached at 608-441-5560 or found at [www.sba.gov/wi](http://www.sba.gov/wi).

### What happens after I qualify?

MGE prepares a draft loan agreement for you to review. It contains typical promissory language that says that you will repay MGE over time for the up-front funds we provide for your project. After you have an opportunity to look over the document and we've answered your questions, you would decide whether or not to sign the agreement. After the Shared Savings agreement is signed, funds are committed to the approved project. At that point, you're free to start your project. If the project gets completed under budget, you are not required to use all of the designated funds.