PPESCO Risk Matrix – Entity

Risk to PPESCO Entity	Impact	Probability	Mitigation Strategies
Practices change in energy contracting and financing	High	High	• Build PPESCO on trust and performance, not lowest financing rates • Integrate new models into PPESCO as necessary
Operating costs for non-project-related activity (overhead) are not covered by mark-up	High	Low	• Design structures for cost controls, monitor costs monthly • Allocate all possible costs and funds to projects • Maintain thin overhead structure
Inability to obtain sufficient capital for projects	High	Low	• Integrate capital sourcing with project sourcing • Obtain commitments for capital well before it is needed • Build long-term relationships with mission-aligned capital sources
Changes in state or federal policy restrict use of energy performance contracts	High	Low	• Stay up to date on regulation in markets of interest • Require review of regulatory conditions and trends for new markets • Seek strategic relationship with industry, trade groups active in energy policy, regulations
Project timelines too long	Medium	High	• Create normative project schedules and budgets • Require reporting on deviations from norm, with remediation plans • All contracts must contain penalties for delays
Interest rates increase	Medium	High	• Secure best possible rate at deal close, though not at the expense of the term (higher importance to cash flow)
Low close rate on projects	Medium	Medium	• Create data system and reporting functions on close rates • Determine normative data for each market sector, and reasons for variances, remediate where possible • Eliminate unqualified project candidates early and at lowest cost

Risk to PPESCO Entity	Impact	Probability	Mitigation Strategies
Financial partners take over control of PPESCO	Medium	Low	• Put legal structure in place to protect mission • Solicit funding partners with similar missions • Include contract terms to keep executive control within PPESCO (e.g., investments remain as loans, not equity) • Design LLC governance structure to maintain control
Loss of parent organization's commitment to PPESCO	Medium	Low	• Establish and maintain strong leadership • Maintain interaction between PPESCO, parent organization
Project pipeline builds too quickly	Medium	Low	• Balance pipeline development with organizational growth goals • Design intake systems to triage projects quickly • Articulate decision criteria and schedule for projects under consideration • Manage prospective client recruitment and existing client expectations
High payouts on savings claims	Medium	Low	• Guide technical staff in understanding standards for estimating savings conservatively • Make clear to clients that monitoring and corrections are frequent in first 2 years after construction / installation • Monitor whole-building energy use at least monthly in first year, even if energy use is not from a metered source
Inability to obtain capital for loan loss reserve / credit enhancement	Medium	Low	• Build relationships with mission-aligned capital sources • Promote record of accuracy in predicting energy savings • Allocate more revenue to build own-source reserves
Project pipeline builds too slowly	Low	High	• Deploy trusted-partner networks to identify new projects • Use early success to obtain more projects, taking advantage of professional groups in markets of interest • Increase growth activities

Vermont Energy Investment Corporation