

sparkfund

CASE STUDY

Lighting & HVAC Upgrade:

A creative approach to meet the needs of facility managers and keep costs low

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Case Study: Lighting & HVAC Upgrade at Two Facilities

As the energy transition accelerates, local plant managers are juggling the logistics of adopting new technologies. With the dawn of the internet of things and the kick-off of Industry 4.0, plant managers are faced with a growing list of demands and the continued expectation to keep costs low, be flexible in their approach, and above all, stay focused on core business deliverables.

Our customer, an S&P 500, leading manufacturer of consumer packaged goods, tackles the demands of adopting new technologies by empowering local plant managers to make energy solution decisions based on the needs of their plant. One way they do this is by implementing flexible bill structuring and turnkey energy solutions.

Plant managers are faced with a growing list of demands to keep up with the energy transition, and the continued expectation to keep costs low, be flexible in their approach, and above all, stay focused on core business deliverables.

AT-A-GLANCE

PLANT 1

NEED: 2,000-unit lighting retrofit & a flexible payment solution.

OUTCOME: Turnkey, quality-assured deal with 45% energy reduction & \$2,000 annual positive cash flow.

PLANT 2

NEED: Replace 37 non-compliant HVAC units & meet monthly payment targets.

OUTCOME: Turnkey project resulting in 22 new-units, a functional guarantee and a 5% reduction in the cost to meet monthly payment targets.

HOW DID THEY GET THERE?

The objective at both plants centered around turnkey energy savings delivered by trusted vendors, but the cost and a way to pay, were and always are top of mind. By teaming up Sparkfund and their vendors, they were able to offer their plant managers a creative twist on financing these essential services.



PLANT 1

Financial Flexibility, New Lights, and the Right Partners

At this location, plant managers needed a million dollars in LED retrofit lighting for over 2,000 various indoor, outdoor, and emergency units at the industrial plant. However, the plant managers had an even greater need for flexible payment options for the new lighting, while their preferred vendor was limited to a cash payment.

To unlock an otherwise blocked deal, the vendor was able to leverage Sparkfund's financing and subscription capabilities and took that proposal to the plant managers. To help close the deal, the proposal had a menu of options, including: cash, financing, a subscription model with pro formas, cash flow analysis, and functional guarantees. The 84-month subscription contract ultimately allowed the plant managers to use their preferred vendor, MC Power, who, in turn, received construction progress payments through the project to help with its cash position — a solid business win all around. But it didn't end there.

While primarily focused on lighting, MC Power's partnership with Sparkfund meant it could tap into their vast vendor network to offer additional technologies in the proposal and unlock \$6.7 million of future work.

While MC Power provided the procurement, Sparkfund's menu of payment options paved the way for a turnkey, quality-assured deal that resulted in a 45% energy reduction and a customer with nearly \$2,000 in positive annual cash flows.



After the success of the project, the customer decided to promote Sparkfund's subscription as a way to obtain lighting, heating and cooling, and other energy services. Ultimately, this led to contracting with additional plant managers for \$5 million of LEDs across four more locations, \$1.5 million of RTU upgrades and controls and \$222,000 of engineering services at two sites.

PLANT 2

Reaching the Right Monthly Payments

The promotion of the subscription option as a way to purchase heating and cooling systems meant plant managers had a viable way forward to sunset 37 HVAC units, totaling 358 tons, that were non compliant with the R22 refrigerant ban. To meet the upgrade demands of the very large facility with numerous scattered rooms — including the installation of remote monitoring — Sparkfund used various levers to reach the plant managers' target monthly payment, including financial structuring and lowering installation and OEM costs through RFPs.

From initial engagement to contract, the process took approximately 13 months, which included the installation of 18 replacement units. Throughout contract negotiations and installation, Sparkfund partnered with the plant managers to navigate each new challenge found in the industrial project plan, including access, operating heavy-duty switch gear, and arc flash safety training requirements for older units that were not separate from the relays.

Sparkfund also worked closely with plant managers to reach the right monthly payment, first by dispatching an in-house resource to perform an on-site audit and build the asset inventory. This was followed by launching an invitation-only RFP for turnkey services to identify a high-quality, low-cost provider, resulting in a **5% reduction in the cost of the project** using Trane RTUs and Entouch Controls. **Sparkfund then provided plant managers with three payment scenarios to consider, ultimately reaching an 84-month subscription plan with a monthly payment of \$18,658.43.**

With a menu of financial options available, the plant managers were able to strike a deal that achieved monthly heating and cooling payment targets, 22 new, more efficient units, remote performance monitoring of their RTUs, a monthly payment that includes fixed repair and replacements, a team of HVAC professionals, and proactive calls regarding performance maintenance from the Sparkfund team.

Below is the breakdown of how the team reached the right monthly payment for the plant managers and a visual representation of where the partnership success story lies.

The ultimate goal was to meet the needs of each plant while optimizing the investment and getting to a monthly payment model that everyone was comfortable with. By working closely with each stakeholder to achieve the right financial structuring, the project became possible.

This collaborative process allowed the manufacturing company to identify the best technologies and financing options for their situation so they could operate more efficiently and focus on other business activities. This led to the immediate delivery of energy technologies that supported their sustainability journey and energy efficiency objectives.

The manufacturing company also gained a repeatable solution for updating and maintaining their energy technologies and competitive cost of capital compared to traditional bank financing. With our expertise and great relationship they continue to expand their portfolios with projects at scale.



Proposal	Monthly Payment	The Project Journey: How Sparkfund Met Budget and Energy Targets Through Creative Financing and Technical Expertise
Original Proposal	\$24,024	<ul style="list-style-type: none"> • Upfront replacement of 25 units and tune up of all systems • Ongoing coverage/functional guarantee of all 40 units • Complete transfer of HVAC risk • Quarterly PM visits
Rescope 1	\$19,180	<ul style="list-style-type: none"> • Reduced replacements to 22 units • Reduced ongoing coverage/functional guarantee to 37 units • Monitoring and controls on all 37 units • Access to Customer Portal
Final Proposal	\$18,658	<ul style="list-style-type: none"> • All upfront engineering costs on 2 units was paid for by the customer, one-time, in a separate invoice (engineering required prior to start work on those units) • Functional guarantee on those units was limited to 12 months from subscription commencement (engineering study completed during this time frame) • Humidity control system on 1 unit is out of scope (as originally designed)

Contact us today to learn how we can guide your energy transition journey.

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