

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

***Consideration of Contract with U.S. Bank Global Corporate Trust Services
as Trustee for the California Hub for Energy Efficiency Financing
Pilot Programs in an Amount Not to Exceed \$300,000***

Tuesday, January 20, 2015

Prepared by: *Jennifer Gill*

REQUEST

Staff are requesting approval to enter into a contract (“Contract”) for trustee services with U.S. Bank Global Corporate Trust Services (“U.S. Bank,” “Trustee” or “Contractor”) to manage credit enhancement funds for the California Hub for Energy Efficiency Financing (“CHEEF”) Pilot Programs (the “Pilot Programs”) currently in development within the territories of the California investor-owned utilities: Pacific Gas and Electric Company (“PG&E”), San Diego Gas & Electric Company (“SDG&E”), Southern California Edison Company (“SCE”), and Southern California Gas Company (“SCG”) (each an “IOU,” and collectively, the “IOUs”), and authorized by the California Public Utilities Commission (“CPUC”). The Trustee will hold and disburse funds as directed by CAEATFA and provide monthly account statements and transaction history as well as monthly reports.

Contract Amount. Not to exceed a total aggregate of \$300,000 over the entire Contract term.

Term of Contract. CAEATFA intends that this Contract will be for a multi-year term, subject to CAEATFA’s receipt of legislative budget approvals for future fiscal years. The initial Contract term will be through December 2015, after which CAEATFA may choose to execute up to two one-year extensions.

SUMMARY

Background. On September 19, 2013, the CPUC approved the Decision Implementing 2013-14 Energy Efficiency Financing Pilot Programs (the “Decision”). In the Decision, the CPUC directs the IOUs to allocate \$65.9 million in ratepayer funds for use in the Pilot Programs.

Through the Pilot Programs, the CPUC seeks the development of new, scalable, and leveraged financing products to offer consumers to help them produce deeper energy efficiency projects than previously achieved through traditional program approaches. The Pilot Programs will include various forms of credit enhancements (“CEs”) for the residential and commercial sectors. The CEs are expected to provide additional security to third-party financial institutions, resulting in increased consumer access to more favorable loan or lease terms. The credit-enhanced loans and leases under these Pilot Programs will be made by participating financial institutions (“PFIs”) and will be used to fund energy efficiency and demand response projects for IOU customers. In addition to CEs, some Pilot Programs will include on-bill repayment (“OBR”)

mechanisms for master-metered multifamily and non-residential properties, which are intended to test the hypothesis that payment on the utility bill will increase debt service performance across market sectors. The OBR mechanism will include an operational reserve fund component to cover delays in remitting payments to the Master Servicer by the IOU.

CAEATFA's Role

As the manager of the CHEEF, CAEATFA will facilitate interactions between multiple stakeholders, including the CPUC, the IOUs, PFIs, contractors, and borrowers. CAEATFA is tasked with managing the flow of funds and data for the Pilot Programs, and providing a streamlined structure through which stakeholders can participate in a standardized “open market” that facilitates financing of energy efficiency projects in California. On July 18, 2014, CAEATFA entered into a Memorandum of Agreement (“MOA”) with the CPUC to set forth the goals and joint and separate responsibilities of both state agencies in the implementation of the Pilot Programs. This no-cost MOA was the precursor to a receivable contract between CAEATFA and the IOUs to define the terms of Pilot Programs administration by CAEATFA. The CHEEF Implementation Agreement (“IOU Agreement”), effective September 12, 2014, established procedures for the primary CHEEF functions of fund management, financial product and borrower data management, and OBR billing and collections oversight. CAEATFA has begun to promulgate regulations through a public rulemaking process, and is developing pro forma program documentation for use by PFIs.

In addition, CAEATFA will enter into contracts for services necessary to implement the Pilot Programs, including Trustee services as contemplated by this RFP. The Trustee will hold all funds related to the credit enhancements and operational reserves for the Pilot Programs, at the direction of CAEATFA, on behalf of the IOU ratepayers and PFIs. Other contractors will include the Master Servicer and the Data Manager. As it relates to the Trustee services, the Master Servicer, at CAEATFA's direction, will work closely with the Trustee to administer the flow of operational reserve payments using credit enhancement funds. The Data Manager will receive data on the financial and energy characteristics of enrolled loans and leases from the Master Servicer and publish it on a publicly available website.

Request for Proposal Process. On November 24, 2014, CAEATFA Staff advertised a Request for Proposal (“RFP”) through the Department of General Services Contracts Register, as well as on the CAEATFA website. At the proposal deadline, December 29, 2014, the Authority received one proposal, which was considered responsive to the RFP.

Staff developed an evaluation process that included an Evaluation Committee consisting of CAEATFA staff and management. The proposal was evaluated based on the characteristics and point values outlined below, for a maximum possible 100 points. U.S. Bank proposed a flat rate of \$60,000 annually, for an anticipated cost over the Contract term of \$180,000. Upon U.S. Bank's responses to questions clarifying details in the fee schedule, the proposal received a total score of 91 points from the Evaluation Committee.

- 1) Overall experience demonstrating its ability to successfully complete the scope of services defined in the RFP, including trustee depository experience. (30 points)

- 2) Evaluation of qualifications of the individuals to be assigned to the Contract on the basis of background and experience in related work as detailed in the RFP, including experience as a trustee and with similar types of programs. (15 points)
- 3) Evaluation of the firm’s understanding of the process flow and the Trustee’s role in the transfer of credit enhancements under the Pilot Programs (demonstrated in the model flowcharts submitted by the firm) illustrating establishment of the IOU holding account, IOU-Pilot Program holding accounts, IOU-Pilot Program reservation accounts, and various related PFI Pilot Program accounts, funding of loan/lease contributions, processing of a claim or reserve fund transaction, and the Trustee’s role in maintenance and monitoring of the accounts. (20 points)
- 4) Evaluation of the actual fees proposed, including the reasonableness of rates, estimated cost detail and effectiveness (given value of services to be obtained), and cost effectiveness (given the experience and qualifications of firm and its personnel). (35 points)

Overview of U.S. Bank. U.S. Bank National Association, a subsidiary of Minneapolis-based U.S. Bancorp (NYSE: USB), ranks among the largest commercial national banks in the nation. A well-diversified revenue stream, conservative management principles and over \$2.5 billion in strategic acquisitions over the last 20 years have resulted in high ratings for the bank overall, and since 2012 have made U.S. Bank the lead provider of trustee services in public finance in California and nationally. Their public finance trustee services are specifically designed to serve mid-market portfolios (typically between \$2 million and \$2 billion), accommodating the Pilot Programs’ funding allocation.

U.S. Bank’s Global Corporate Trust Services division is comprised of 1,886 professionals, serving clients through 49 offices from 35 states, as well as three offices overseas. Our primary contact on the corporate trust team in San Francisco will be Serena Gutierrez, with oversight by Account Manager John Collins and supported by other members of U.S. Bank staff. In addition to their experience in trust and escrow administration, reporting and complex bond issue cash flows, this team has provided trustee services for the California Capital Access Program under a contract with CPCFA, and comes highly recommended by CalCAP staff.

The same lead personnel from the currently contemplated U.S. Bank project team provided responsive and professional services to CAEATFA as trustee for the CEPPI program, taking over in the final months of that contract term upon U.S. Bank’s acquisition of Deutsche Bank’s municipal business in 2013. Mr. Collins and Ms. Gutierrez were instrumental in effecting a smooth transition to the current trustee for that program.

Recommendation. Staff recommends adoption of a resolution authorizing execution of a contract with U.S. Bank to provide trustee services for the California Hub for Energy Efficiency Financing Pilot Programs authorized by the California Public Utilities Commission in an amount not to exceed \$300,000 over three years.

RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING THE EXECUTION OF A CONTRACT WITH U.S. BANK GLOBAL CORPORATE TRUST SERVICES AS TRUSTEE FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PILOT PROGRAMS

January 20, 2015

WHEREAS, the California Alternative Energy And Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Alternative Energy And Advanced Transportation Financing Authority Act (Division 16 (commencing with Section 26000) of the California Public Resources Code) (the “Act”);

WHEREAS, the Authority has determined it requires trustee services to assist it in the management of credit enhancement funds for the California Hub for Energy Efficiency Financing Pilot Programs currently in development within the territories of the California investor-owned utilities and authorized by the California Public Utilities Commission;

WHEREAS, the Authority has undergone a competitive process to identify an appropriate contractor to provide trustee services, with knowledge of and experience with account administration, establishment and investment of account funds and flexible reporting options;

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows:

Section 1. The Authority hereby authorizes the execution of a contract in an amount not to exceed \$300,000 to retain U.S. Bank to provide trustee services and other actions related thereto in connection with the California Hub for Energy Efficiency Financing Pilot Programs.

Section 2. The term of the contract will commence upon execution and will continue through December 31, 2015 with an option for the Authority to extend (upon receipt of the requisite legislative budget approval) for two periods, each of up to one additional year, unless earlier terminated by the Authority.

Section 3. The Chair of the Authority, Executive Director and Deputy Executive Director are hereby authorized for and on behalf of the Authority to obtain trustee services, with the form and substance of said contracts to be reviewed and approved by legal counsel of the Authority.

Section 4. This resolution shall take effect immediately upon its approval.