ADDENDUM NOTICE NO. 1

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY (CAEATFA)
REQUEST FOR PROPOSAL-Secondary
CONTRACT NO. CAEATFA06-14
Trustee Services
for the California Public Utilities Commission Statewide Energy Efficiency Financing Pilot Programs

Notice to Prospective Proposers

December 17, 2014

The Key Action Dates regarding this RFP Number CAEATFA06-14 are hereby extended as follows. Revisions to the original RFP text and responses to questions will be provided in a separate addendum to be posted shortly.

Updated Schedule:

The Key Action Dates under Section **C. PROPOSAL REQUIREMENTS AND INFORMATION** *(page 10 of 18)* are modified to extend the deadline for submitting bid proposals.

1. **Key Action Dates**

   All firms are hereby advised of the following schedule and will be expected to adhere to the required dates and times. Note: dates may be subject to change due to administrative processing.

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 24, 2014</td>
<td>RFP Advertisement – California State Contracts Register (CSCR). RFP available to prospective Proposers.</td>
</tr>
<tr>
<td>December 8, 2014</td>
<td>Written questions must be received by CAEATFA by 12:00 noon. Responses will be posted within a couple of days on the DGS and CAEATFA websites.</td>
</tr>
<tr>
<td>December 29, 2014</td>
<td>Proposals are due and must be received at the CAEATFA office at 915 Capitol Mall, Room 457, Sacramento, CA 95814, by 4:00 p.m.</td>
</tr>
<tr>
<td>January 9, 2015</td>
<td>Notice of Intent to Award</td>
</tr>
</tbody>
</table>
If you have any questions regarding this addendum, or should you require any clarifying information, the contact person for this RFP is:

Jennifer Gill  
California Alternative Energy and Advanced Transportation Financing Authority  
915 Capitol Mall, Room 457  
Sacramento, CA 95814  
(916) 653-3033  
jgill@treasurer.ca.gov

Please note that no verbal information provided will be binding upon the State unless such information is issued in writing as an official addendum. Thank you.
ADDENDUM NOTICE NO. 2

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY (CAEATFA)
REQUEST FOR PROPOSAL-Secondary CONTRACT NO. CAEATFA06-14
for the California Public Utilities Commission Statewide Energy Efficiency Financing Pilot Programs

Notice to Prospective Proposers

December 17, 2014

Revised Text:
The paragraphs under Pilot Program Descriptions in Section A.3. Energy Efficiency Financing Pilot Programs Background and Overview (pages 3-4 of 18) in RFP Number CAEATFA06-14 are hereby renumbered to correctly reflect their hierarchical relationships:

- Single Family Loan Program (“SFLP”) (anticipated launch February 2015).
- Small Business Off-Bill Lease Program (anticipated launch April-May 2015).
- Small Business On-Bill Lease Program (anticipated launch Q3 2015).
- Small Business On-Bill Loan Program (anticipated launch Q3, 2015).

Responses to Questions:
The following information is provided in response to questions received by CAEATFA regarding RFP Number CAEATFA06-14, as shown below:

Question 1 on Overall Bid:
It would be extremely helpful if CAEATFA could provide a listing of the anticipated account names the Trustee is to open (44 accounts total, plus sub-accounts for the PFI’s).

Answer:
In the opinion of CAEATFA, this question is addressed by the correction above. Section A.4.a.ii. (page 6 of 18) of the RFP provides that, “At the initiation of the Contract, the Trustee will establish one holding account for each of the four IOUs. The trustee will also establish one IOU-program holding account for each IOU-program combination (20 total), and one IOU-program reservation account for each IOU-program combination (20 total).” The programs for which accounts are to be opened are those listed as a-e in the revised text above.
Question 2 on Overall Bid:
The requirement that all funds be placed in interest-bearing demand accounts seems impractical in that any one account only carries $250,000 of FDIC insurance (assuming each account has a unique Tax ID number). As such, the multitude of accounts that would be required by this engagement would be administratively infeasible. Would a money market mutual fund made up of only fixed income securities permissible under Government Code Section 16430 be allowed?

Answer:
The selected Trustee is expected to recommend deposit and investment options to CAEATFA’s Executive Director upon commencement of the Contract. In determining investment instructions, the Executive Director will consider the best interests of CAEATFA, the State of California and the investor-owned utilities in all transactions and proceedings concerning this Contract. The investment options are described in the RFP (on page 5 of 18).

Question 3 on Overall Bid:
The investment alternatives at the option of CAEATFA’s Executive Director, either (a) interest-bearing demand accounts, or (b) investment by the Trustee to achieve CAEATFA’s investment objectives, would result in very different fair and reasonable pricing on the part of the Trustee.

Answer:
CAEATFA is contractually obligated to ensure that the Trustee deposit funds in interest-bearing accounts. The investment options for fulfilling this obligation are set forth in the RFP (on page 5 of 18). CAEATFA expects that bidders will base their proposals on the investment information provided in the RFP.

Question 4 on Overall Bid:
RFP Section A.3 Energy Efficiency Financing Pilot Programs Background and Overview
– Pilot Program Descriptions (Page 4 of 18)
Will the Trustee have the opportunity to comment on any changes to the Standard Agreement, and any exhibits thereto, that may result from changes to the structure and regulation for the pilot programs that arise from the pending formal rulemaking process and public input received by CAEATFA?

Answer:
The formal rulemaking process is undertaken solely for the purpose of defining program parameters and processes, and cannot modify any existing Agreement or Contract. Any amendment to an Agreement must be agreed to by both parties, in writing.

Question 5 on Overall Bid:
Is the Trustee entering into a contract with the Master Servicer? Will the Master Servicer direct the request mentioned in this section to both CAEATFA and the Trustee? Will ultimate approval of the transfer of said funds be sent from CAEATFA to the Trustee?

Answer:
No, the Trustee is not required to enter into a contract with the Master Servicer. The Master Servicer’s process (according to the Master Servicer RFP) must include notification to CAEATFA each time it directs the Trustee in the manner set forth in the Trustee RFP regarding Operational Reserve Fund Payments. Upon subsequent receipt of funds from an IOU, the Master Servicer will be required to transmit such funds to the Trustee, along with directions to replenish the appropriate Operational Reserve Fund. The Master Servicer’s process must include notification to CAEATFA of such receipt and transfer.

Additional language has been included below to clarify that in the case of the Operational Reserve Fund, the Master Servicer may provide instruction to the Trustee.
Revised Text:

The following text under Section A.4, *Scope of Services* is revised to read as follows as it incorrectly reflected the process for transactions related to the Operational Reserve Fund:

Paragraph A.4.a.i.(e) under *Establish and Maintain Accounts* (page 6 of 18) is revised as follows:

(e) Each instruction from CAEATFA will be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of an instruction signed by CAEATFA, the Trustee shall disburse the amount set forth therein as directed by the terms thereof. **With regard to the Operational Reserve Fund described below, CAEATFA’s designee, the Master Servicer, will provide instructions to the Trustee, and the Trustee shall have no duty to confirm the accuracy of such direction.**

Paragraph A.4.b.i (page 6 of 18) is revised to include a clarifying footnote:

i. **Loss Reserve Funding Reservations.**¹

¹ For the purposes of this RFP, the term “reservation” includes funding reserved for a project pre-approval.

Paragraph A.4.b.ii (pages 6-7 of 18) is modified to read as follows:

ii. **Enrollment of Loans or Leases.** For each enrolled loan or lease, CAEATFA will instruct the Trustee to transfer a designated loss reserve contribution amount based on a percentage of the principal amount of the loan or lease being enrolled from the appropriate IOU-program holding account to the corresponding PFI program account.

(a) When a PFI enrolls its first loan(s) or lease(s) into a given program, CAEATFA will instruct the Trustee to transfer a specified pre-funding amount from the IOU-program holding account into the PFI’s program account. This pre-funding will exceed the contribution actually earned for the loan or lease enrolled to reduce the lender’s early risk exposure.

(b) Subsequent loans or leases enrolled by the PFI may not receive a loss reserve contribution until CAEATFA determines that the proper coverage ratio has been met; however, CAEATFA will notify the Trustee of these enrollments and the corresponding contributions earned. Unless otherwise directed by CAEATFA, the Trustee will not transfer funds for these enrollments, but will be required to record the contributions earned for each to be included in monthly reports as described below.

(c) Once the proper coverage ratio has been met, subsequent loans or leases will receive a loss reserve contribution based on a percentage of the principal amount of the loan or lease being enrolled. CAEATFA will instruct the Trustee to transfer this contribution amount from the IOU-program holding account to the corresponding PFI program account.

(a) Upon enrollment of a loan or lease with a reservation, CAEATFA will instruct the Trustee to transfer a designated amount from the appropriate IOU-program reservation account into the corresponding PFI program account. If that amount is less than the amount reserved for the loan or lease, CAEATFA will instruct the Trustee to transfer the remainder back to the IOU-program holding account. Alternatively, if the reservation is insufficient, CAEATFA may instruct the Trustee to transfer the remainder of the contribution from the IOU-program holding account to the PFI’s program account.

(b) Upon enrollment of a loan or lease that does not have a corresponding reservation, CAEATFA will instruct the Trustee to transfer a designated amount from the appropriate IOU-program holding account into the corresponding PFI program account.
Question 6 on Overall Bid:
Attachment 1 to Exhibit E – Third Party Agreement Provisions

Is the covenant language negotiable for the following?

- Section 3(a) – Any and all items related to the Provider’s (Trustee) SIRP reporting obligations
- Section 7 – Record Retention requirements for the Provider (Trustee)
- Any other section or covenant language at the sole discretion of the Provider (Trustee)

Answer:
Terms for the protection of the investor-owned utilities ("IOUs") are included as Attachment 1 to Exhibit E and made a part of the Agreement. These terms have been negotiated and agreed to by and between CAEATFA and the IOUs for inclusion in all CAEATFA contracts concerning the CHEEF programs, and CAEATFA cannot accept counter-proposals.

Revised Text:
The following text under Section A.4. Scope of Services, c. Reporting and Other Requirements. (pages 8-9 of 18) is modified to read as follows:

ii. Monthly Transaction Reports. The Trustee will provide a monthly report (by the 15th day of the following month) to CAEATFA for each IOU-program. CAEATFA will provide information with each instruction to inform the Trustee as to the program associated with the transaction, and other necessary information. For the purposes of these reports, the EFLIC sub-pilot should be reported as a separate program. These reports will include the following information for the month:

(a) Any PFI program accounts opened or closed;

(b) The number and amount of loss reserve contributions earned (as described in section 4.b.ii.(b)) for each PFI;

(b)(c) The number and amount of loss reserve contributions transferred to each PFI’s program account;

(c)(d) The amount of loss reserve account adjustments for each PFI;

(d)(e) The number and amount of loss reserve claims paid to each PFI;

(e)(f) The number and amount of loss reserve claim refunds paid by each PFI;

(f)(g) The total number and amount of operational reserve payments paid to each PFI;

(g)(h) The total number and amount of operational reserve reimbursements received, organized by corresponding to each PFI;

(h)(i) Each IOU-MMMFP report may also include:

- The total number and amount of debt service reserve payments paid to each PFI;
- The total number and amount of debt service reserve reimbursements received, organized by corresponding to each PFI;

Revised Text:
Paragraph B.3 under MINIMUM QUALIFICATIONS FOR PROPOSERS (page 10 of 18) is deleted in its entirety as it incorrectly characterizes a requirement set forth in Section 32 of Exhibit D:

3. Any Trustee appointed under the Agreement must not be a publicly traded corporation or subsidiary thereof that is incorporated offshore, even if the United States is the principal market for the public trading of the corporation's stock.
If you have any questions regarding this addendum, or should you require any clarifying information, the contact person for this RFP is:

Jennifer Gill  
California Alternative Energy and Advanced Transportation Financing Authority  
915 Capitol Mall, Room 457  
Sacramento, CA 95814  
(916) 653-3033  
jgill@treasurer.ca.gov

Please note that no verbal information provided will be binding upon the State unless such information is issued in writing as an official addendum. Thank you.