

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

***Consideration of Contract with Concord Servicing Corporation as
Master Servicer for the California Hub for Energy Efficiency Financing
Pilot Programs in an Amount Not to Exceed \$1,500,000***

Tuesday, January 20, 2015

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REQUEST

Staff are requesting approval to enter into a contract (“Contract”) with Concord Servicing Corporation (“Concord,” “Master Servicer” or “Contractor”) to provide assistance to the Authority with the administration of 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”).

Contract Amount. Not to exceed a total aggregate of \$1,500,000 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 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 CEs for residential and commercial sectors. The CEs are expected to provide additional security to third-party capital providers, thereby resulting in increased consumer access to more favorable loan or lease terms. The credit-enhanced loans and leases made under the Pilot Programs will be used to fund approved measures as described in the relevant Pilot Program regulations, and will be made by one or more PFIs enrolled in the Pilot Programs. Lenders will have the opportunity to enroll once CAEATFA promulgates its Pilot Program regulations.

In addition to CEs, other Pilot Program features will include an Energy Financing Line-Item Charge (“EFLIC”) on the utility bill for single family residential projects (in PG&E territory) and on-bill repayment (“OBR”) mechanisms for master-metered multifamily and non-residential properties (in all IOU service territories), which are intended to “test whether payment on the utility bill increases debt service performance across market sectors.”

CAEATFA’s Role

As the manager of the CHEEF, CAEATFA will facilitate interactions between multiple stakeholders, including the CPUC, the IOUs, PFIs, contractors and customers. CAEATFA is tasked with managing the flow of funds and data for the Pilot Programs, and providing a simple, streamlined structure through which those 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 transfer, and OBR and EFLIC 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 the services contemplated by this RFP. Other contractors will include the Data Manager, which will organize and publicly present certain data elements provided by the Master Servicer for the Pilot Programs and by other program administrators for additional energy efficiency financing programs in a way that ensures the security and legality of data sharing on a public portal; as well as the Pilot Programs’ trustee (“Trustee”), which will hold and transfer all CE funds between accounts, at the direction of CAEATFA, on behalf of the IOU ratepayers and the PFIs. CAEATFA may also enter into a contract with a Contractor Trainer/Manager that would assist with program-specific training and oversight of contractors participating in the Pilot Programs.

Request for Proposal Process. On October 22, 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, November 24, 2014, the Authority received one proposal, which was considered non-responsive to the minimum qualifications required by the RFP.

Staff prepared a new RFP, revised by modification of the minimum qualifications for proposers. Additional information was provided to clarify the scope of tasks inherent in the review of fund reservations, project pre-approval and loan/lease enrollment. The maximum cost was increased accordingly, and the timeline for proposals was accelerated in consideration of the previous posting and to accommodate deadlines for program administration.

On December 5, 2014, CAEATFA Staff advertised this new 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, legal counsel and management. The proposal was evaluated based on the characteristics and point values outlined below, for a maximum possible 100 points. Upon Concord's responses to questions clarifying details in their proposal and fee schedule, the proposal received a total score of 91 from the Evaluation Committee.

- 1) Overall experience demonstrating its ability to successfully complete the scope of services defined in the RFP, including master servicer 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 master servicer and with similar types of programs. (10 points)
- 3) Evaluation of the firm's understanding of the process flow and the Master Servicer's role in the Pilot Programs. (25 points)
- 4) Evaluation of the actual fees proposed, including the reasonableness of the composite rate, cost detail and effectiveness (given value of services to be obtained), and cost effectiveness (given experience and qualifications of firm and its personnel). (35 points)

Overview of Concord Servicing Corporation. Founded in 1988, Concord emphasizes the use of technology to efficiently, accurately and flexibly respond to client needs in the receivables servicing industry. The company services over 2,000 portfolios and 780,000 consumer obligations with a portfolio size of approximately \$3.0 billion for asset classes including unsecured consumer receivables in multiple sectors, and borrowers including individual consumers, multi-family building owners, small business and commercial entities. Since 2010, Concord has facilitated servicing for the growing energy financing marketplace, including on-bill financing, on-bill repayment, direct bill energy lending, multifamily lending and small commercial lending.

Concord brings strong experience with on-bill financing, serving large portfolios of loan obligations with a significant energy and renewable asset base in addition to its core lending portfolio, currently managing the largest on-bill repayment energy loan portfolio in the nation—the New York State Energy Research and Development Authority (NYSERDA)—as both master servicer and primary servicer, as well as Connecticut's Clean Energy Finance and Investment Authority (CEFIA), and the Association of Bay Area Governments (ABAG)'s Bay Area Regional Energy Network (BayREN) multifamily capital advance program. Concord operates ACH activity in compliance with the National Automated Clearing House Association (NACHA) through established corporate banking relationships.

The Concord office through which CAEATFA's account will be primarily serviced is located (along with Concord's primary datacenter) in north Scottsdale, Arizona. The facility is SSAE 16-certified and adheres to well-defined, documented and tested internal controls to properly safeguard the IT environment. Concord also maintains offices in Orlando, FL; Buffalo, NY; and Mexico City, Mexico.

CAEATFA's account will be managed by Concord's Director of Operations, Brandina Wade. As with all Concord relationships in the energy efficiency sector, Ms. Wade will oversee the servicing relationship to ensure accuracy in accordance with specific contractual obligations and legal requirements. Portfolio Manager Carrie Jones is the key contact for all Concord relationships in the energy efficiency sector, and will be directly responsible for day-to-day servicing functions. Both Ms. Wade and Ms. Jones have direct experience in developing, implementing and managing the on-bill repayment program for NYSERDA, as well as in program design for CEFIA.

Contract Terms. The initial Contract term will be through December 2015, after which CAEATFA may choose to execute up to two one-year extensions at the discretion of the Executive Director (upon receipt of the requisite legislative budget approval), for a total Contract term of under three years. The compensation amount shall not exceed \$1,500,000 for the term of the Contract, including any extensions.

The Authority will compensate the Contractor for services satisfactorily rendered, and upon receipt and approval of invoices pursuant to the approved Fee Schedule. Invoices shall be provided to CAEATFA monthly and in arrears.

Recommendation. Staff recommends adoption of a resolution authorizing execution of a contract with Concord as Master Servicer for the California Hub for Energy Efficiency Financing Pilot Programs authorized by the California Public Utilities Commission in an amount not to exceed \$1,500,000 over three years.

RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING THE EXECUTION OF A CONTRACT WITH CONCORD SERVICING CORPORATION AS MASTER SERVICER FOR THE 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 a master servicer to assist it with administration of 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 perform master servicer functions, with knowledge of and experience with account administration; energy efficiency financing; data management and protection of personally identifiable information; working in a regulated environment; credit enhancement (“CE”) fund flows; reporting; and development and maintenance of financial product servicing data files;

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 \$1,500,000 to retain Concord Servicing Corporation to provide master servicing 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 master servicing, 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.