

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

***Consideration of a Contract with Zions Bancorporation, National Association, as
Trustee for the California Hub for Energy Efficiency Financing Programs
in an Amount Not to Exceed \$375,000***

Tuesday, November 17, 2020

Prepared by: *David Gibbs, Staff Services Manager I over the Development and Implementation of the California Hub for Energy Efficiency Financing Programs*

REQUEST

California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA”) staff (“Staff”) is requesting approval to enter into a contract (“Contract”) with Zions Bancorporation, National Association, (“Zions”) to provide assistance to CAEATFA with fund management administration for the several energy efficiency financing programs (“Programs”) authorized by the California Public Utilities Commission (“CPUC”), which are currently in various stages of implementation and development within the territories of the four California investor-owned utilities (collectively, the “IOUs”).

Contract Amount. Not to exceed a total aggregate of \$375,000 over the entire Contract term. Funds for the Contract are paid from a receivables contract between CAEATFA and the IOUs.

Term of Contract. The Contract term will be three years.

SUMMARY

Background. The California Hub for Energy Efficiency Financing (“CHEEF”) was first authorized by the California Public Utilities Commission in Decision (D.) 13-09-044 (September 2013), as later modified by D. 15-06-008, D. 15-12-002, and D. 17-03-026. The Programs were established to test new and innovative financing strategies with consumers, contractors, and lenders to help leverage ratepayer moneys and private financing to assist in achieving the State’s energy efficiency goals.¹ The Programs focus on attracting and leveraging private capital, given that California cannot meet its energy efficiency goals relying on traditional utility rebates and incentives, or on ratepayer or taxpayer dollars alone.

The design of the CHEEF creates a centralized and standardized platform to develop an open-market infrastructure to encourage private capital investment in energy efficiency, while lowering financing costs and expanding access to capital for California residents who live in the service areas of the IOUs. Lack of access to affordable financing is one of the hurdles to homeowners and business owners undertaking energy efficiency retrofit projects. The Programs offer credit enhancements that mitigate risk to for third-party finance companies, thereby attracting more private capital to energy efficiency finance offerings and expanding consumer access to enhanced financing terms. The four main goals that

¹ CPUC Decision 17-03-026, Issued March 29, 2017, page 2.

the CPUC seeks in evaluating these programs, according to CPUC Resolution E-4900 (December 2017), are that the financing:

- 1) is scalable, and can reach a significant number of Californians;
- 2) is leveraged by private capital;
- 3) reaches underserved Californians who would not otherwise have obtained financing for energy efficiency upgrades; and
- 4) produces energy savings.

The Programs encompass the single-family residential, affordable multifamily housing, and small business sectors. The CHEEF will establish the first-of-its-kind open market on-bill repayment functionality to test borrower participation. In April, the CPUC approved the transition of the residential pilot to a full-fledged program. CAEATFA is currently making modifications to the Program in order to allow it to scale in line with CPUC authorization. Even prior to these modifications, the residential program has grown significantly with loan enrollments increasing eightfold between the first and second contracts for trustee services.

The Contract will assist CAEATFA with fund management administration under the CHEEF. The scope of work has been developed to enable the Programs to scale, and provides the flexibility to expand to incorporate potential future financing approaches that encourage clean energy improvements statewide. This will be the third contract² executed for these services since the inception of the CHEEF in 2014 and is a continuation of existing services, albeit with a new vendor. In each instance CAEATFA issued a competitive Request for Proposals (“RFP”) and engaged in a robust outreach process.

Role of the Trustee. Under direction from the CAEATFA Executive Director and the management team of the CHEEF, the trustee will hold funds on behalf of CAEATFA, fund lenders’ loss reserve accounts, issue payment for claims, provide monthly account statements and other transactional reports, and provide on-demand electronic account viewing to CAEATFA and lenders participating in the Programs.

The trustee is critical to CAEATFA’s operation of the CHEEF Programs. The current contract is in its third year, optional one-year extension period, and expires on December 31, 2020.

Request for Proposal Process. On October 6, 2020, Staff advertised an RFP through the Department of General Services Contracts Register, as well as on the CAEATFA website. At the proposal deadline, October 27, 2020, 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 of 100 points, with a minimum of 85 points to be responsive. Zions’ proposal received a total score of 95 points from the evaluation committee.

- 1) Evaluation of the firm’s overall experience demonstrating its ability to successfully complete the Scope of Work defined in the RFP. (32/35 points)

² Contract #CAEATFA06-14 was a 3-year contract (including extensions) for a maximum of \$180,000
Contract #CAEATFA05-17 is a 3-year contract (including extensions) for a maximum of \$285,000;
Contract #CAEATFA03-20 is a 3-year contract for a maximum of \$375,000.

- 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. (28/30 points)
- 3) 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). For evaluation purposes, the Cost Proposal included a Scenario to establish reasonability of rates and project time allocations. (35/35 points)

Overview of Zions Bancorporation, National Association. Founded in 1873, Zions Bank is a division of Zions Bancorporation, National Association. Headquartered in Salt Lake City, Utah, Zions Bancorporation provides a full range of banking and related services through its locally managed divisions operating in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. Its customer base includes a variety of issuing entities, including state agencies, housing authorities, student loan authorities, governmental agencies, municipalities, hospitals, and corporations demonstrating the knowledge, experience, and ability to manage financings and programs accurately and efficiently. Zions has provided reliable and accessible trustee services for several current and past CAEATFA programs, as well as for other authorities of the State Treasurer's Office.

The Zions office through which the CHEEF's account will be primarily serviced is located in Los Angeles. Their Los Angeles office opened in 2013 and staff in this office have provided trustee services for CAEATFA's Property Assessed Clean Energy ("PACE") Loss Reserve Program since inception in 2014, and California Pollution Control Financing Authority's California Capital Access Program since their initial appointment in 2017.

CAEATFA's account will be managed by Jacqueline (Jacki) Nowak, Relationship Manager, and Dolly Skotnicki, Corporate Trust Administrator. Ms. Nowak and Ms. Skotnicki have each been in the corporate trust industry for 20 years or more and have recent experience with CAEATFA staff, demonstrating compliance with CAEATFA program requirements.

Contract Terms. The Contract term will be for three years. The compensation amount shall not exceed \$375,000 for the term of the Contract.

The Authority will compensate Zions 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 the execution of a contract with Zions Bancorporation, National Association, as trustee for the CHEEF Programs in an amount not to exceed \$375,000 over three years.

**RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED
TRANSPORTATION FINANCING AUTHORITY AUTHORIZING THE EXECUTION OF A
CONTRACT WITH ZIONS BANCORPORATION, NATIONAL ASSOCIATION, AS TRUSTEE
FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PROGRAMS**

November 17, 2020

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 trustee bank to continue to assist it with administration of the California Hub for Energy Efficiency Financing Programs currently in development and implementation within the service areas 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 trustee banking functions, with knowledge of and experience with trustee operations, practices, and requirements;

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 \$375,000 to retain Zions Bancorporation, National Association, to provide trustee services and other actions related thereto in connection with the California Hub for Energy Efficiency Financing programs.

Section 2. The term of the contract will commence upon execution and approval by the Department of General Services and will continue for three years, unless earlier terminated by the Authority.

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

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