

Monterey Bay Community Power Authority Uninterruptable Power Supply Fund

REQUEST FOR PROPOSALS (RFP) FOR LOAN ADMINISTRATION SERVICES

Bids are due by 3:00 pm PT on February 18, 2020

INTRODUCTION

Monterey Bay Community Power Authority (“MBCP”) is a Community Choice Energy agency established by local communities to source carbon-neutral electricity for Monterey, San Benito, and Santa Cruz counties along with parts of San Luis Obispo County, while retaining PG&E’s traditional role of delivering power and maintaining electric infrastructure.

With the recent approval of a \$25 million Uninterruptable Power Supply Fund (“UPSF” or “the Fund”) to promote financing for critical infrastructure facility resiliency investments for public and private sector entities within the service area, MBCP is seeking proposals from qualified financial institutions to support this innovative funding tool.

The Fund will be used to support two distinct programs: Private Sector Guarantee and Public Sector Investment Programs. For the Private Sector Guarantee Program (“Program”), for which this RFP is associated, MBCP has allocated \$5 million to guarantee loans made to private entities (by the selected financial institution) which meet certain project and location requirements. The expectation is that the guarantee by MBCP will result in lower interest rates to borrowers than would be the case if they did not have the credit enhancement provided by MBCP backing their loans. MBCP will also consider proposals for an alternative Linked Deposit Program (“LDP”) as described below.

BACKGROUND

In spring 2019, PG&E announced that it would expand its Public Safety Power Shutoff (“PSPS”) program in order to mitigate wildfire risks. The expansion of this program can increase GHG emissions, threaten MBCP’s customer base, and disrupt operations throughout the Monterey Bay and Central Coast. PG&E initiated its first wide scale PSPS event on October 9, 2019 and cut power to over 738,000 customer accounts in California, representing approximately 2.7 million people and causing an estimated \$1 billion or more in economic losses. Furthermore, PG&E initiated two additional PSPS events between October 26 to October 30, 2019 with more than 800,000 customers impacted. These PSPS events heavily impacted MBCP’s service area, especially in Santa Cruz County where close to 35,000 customers lost power during the October 9th event and over 46,000 customers were impacted by the October 26th event.

With the recent PSPS events impacting more than 80,000 current MBCP customers and potentially more in communities that are joining the agency this year, MBCP is committed to supporting the investment in backup energy supply at critical facilities in its service area. As a result of recent events and a desire by MBCP to promote resiliency within the region, the MBCP Policy Board approved the establishment of a \$25 Million Fund to provide financing for critical infrastructure facility resiliency investments.

PRIVATE SECTOR GUARANTEE PROGRAM

The Program is being designed so that MBCP will use its own capital to guarantee loans made to private entities who are eligible MBCP customers in order to facilitate funding investments in uninterruptable power supply projects and promote resiliency; the guarantee will apply specifically

to costs associated with critical facility resilience¹ projects although there will be nothing precluding the capital provider from lending for additional projects. The expectation is that applications will be reviewed and the loan underwritten by the selected financial institution with a percentage (to be determined) of the loan principal guaranteed by MBCP in the event of a default. MBCP is open to allowing the selected firm to charge a reasonable application fee to help offset the costs of reviewing applications of interested borrowers. Any application fees will be paid for by the applicants, MBCP will not be liable for the fee.

This RFP is seeking proposals from firms that can commit to underwriting loans backed by a guarantee from MBCP. Any review of the credit quality of the borrower will be conducted by the selected firm and MBCP will not be involved in that process. Guarantees will be provided on a “first come first serve” basis until the full allocation for the Program is used. MBCP is not going to set a minimum or maximum. As loans are repaid and funds become available, new guarantees/loans will then be provided.

MBCP is not proposing any specific criteria with respect to structure or term of loan. The main eligibility requirements for borrowers from MBCP’s perspective are that they 1) must be MBCP customers in good standing, 2) must be a critical facility, and 3) must be borrowing for critical facility resilience project. All loan underwriting, project review, etc. is expected to be conducted by the selected financial institution in a manner that is legal and consistent with existing processes for similar publicly offered loan products. MBCP is not seeking to be a party to the loan underwriting process for the Program.

As currently envisioned, the guaranteed amount will be held in a separate account at the selected financial institution (or another entity agreed to by all parties) until the loan is paid or account fully drawn upon in the event of a default and loss of principal. The guarantee amount (%) will align with outstanding loan amount. Therefore, the dollar value of the guarantee will reduce as the loans amortize.

Loan guarantees will be documented with a Guarantee Agreement between MBCP and the selected firm and will include key terms and repayment schedule of underlying loan.

Alternative Linked Deposit Program

In addition to the Private Sector Guarantee Program, MBCP is open to hearing from financial institutions that would be interested in participating in a Linked Deposit Program (“LDP”) whereby MBCP would deposit up to \$5 million into an account at the selected financial institution with the understanding that the deposits would not earn interest for MBCP. In return for foregoing interest earnings on the deposited funds, the selected financial institution would agree to utilize those funds to provide loans to private entities for the specified projects at an established borrowing rate(s) that was below market rate(s). As loans are paid down overtime, that money would then be used to support additional loans as part of the LDP program.

Unlike the Private Sector Guarantee Program, MBCP would not be taking any risk on the deposited capital or loan. MBCP would simply forego any interest from the deposited capital, which would be used by the selected financial institution for loans made to private entities that met the customer and

¹ A *critical facility resilience project* is generally defined as the planning, design (engineering), permitting and installation of electrical generation systems that effectively provide electrical power to support critical facility operations during prolonged grid power outages such as Public Safety Power Shutoffs (PSPS) or other grid outages. Technologies may include fossil fuel generators, solar photovoltaics (PV), battery energy storage systems (BESS), combined heat and power (CHP), wind turbines, etc. Projects may serve all or part of the facilities load identified as “critical” to operations (aka critical load).

project parameters set forth by MBCP. Similar to the Private Sector Guarantee Program, the financial institution would be responsible for all underwriting of loans based on their own and existing practices.

SCOPE OF WORK

The following reflects the services that the selected financial institution (“Awardee”) will be expected to provide for the Program (or LDP if interested). MBCP may request services in addition to those listed as the Program is developed or based on feedback from responses and any additional requests will be communicated with Awardee as necessary.

- Drafting of agreement to establish relationship between MBCP and the Awardee
- Drafting of loan default agreement with process for how guarantee will be applied
- Review of Program application(s) for borrower
- Review of project eligibility and viability
- Loan underwriting, disbursement of borrower funds, and all other loan administration and maintenance normally associated with a loan being awarded to a borrower
- Incorporation of Loan Guarantee into loan documents
- Maintenance of amortization schedule(s) for each loan guaranteed by MBCP as well as the computation of outstanding loan and guarantee amounts
- Provision of monthly or quarterly status reports on guaranteed loans as well as pipeline reports for loans likely to be guaranteed by MBCP
- Regular reporting on interest rates provided to Program borrowers compared to market rates
- Consultations with MBCP, their legal counsel, financial advisor(s), and other interested parties as deemed necessary
- Marketing of Program

BID CONTENTS (maximum allowable page limit per section is listed in brackets)

1. ***Cover Letter [1 page]*** – Each respondent shall prepare a cover letter summarizing the principal points in the bid as well as why your firm should be selected. The cover letter must be signed by the representative who would serve as the lead manager for this engagement and include that person’s address, telephone number, and email address.
2. ***Experience [2 pages]*** – Describe your firm’s experience and capabilities as it relates to lending for similar projects or support of similar programs. Emphasis should be placed on knowledge and experience in lending for energy projects and/or loans provided within the MBCP service area.
3. ***Description of Capabilities [2 pages]*** – Provide details on your firms lending capacity and capability for the Program as currently envisioned. Additionally, describe how loan volume, loan details, and other relevant information would be provided to MBCP and what efforts your firm would take to ensure program guidelines are met and defaults limited. Please also address the expected loan approval timeline for your firm for the borrowers and projects that would participate in the Program.
4. ***Project Team [2 pages]*** – Identify the members of your firm that will participate in the completion of the proposed Scope of Work along with contact information including location of office.
5. ***Fee Structure [1 page]*** – Provide a detailed breakdown of all proposed fees to be charged to borrowers, if any, associated with the fulfillment of requested services for the Program.

Identify frequency of payment and whether fees will be held constant for a set amount of time.

6. **Interest Rates [1 page]** – Provide a breakout of market interest rates (index plus spread as applicable) as well as the rate a borrower with the following loan principal guarantees (%) would be eligible for under the proposed Program:
 - a. 10% MBCP Loan Principal Guarantee
 - b. 20% MBCP Loan Principal Guarantee
 - c. 25% MBCP Loan Principal Guarantee
 - d. 50% MBCP Loan Principal Guarantee
 - e. Other % Guarantee

7. **Scope Acknowledgement [2 pages]** – Acknowledge that your firm is capable of providing the services outlined in the Scope of Work section above. If you are not able to provide all services, please specify the services and explain why. Additionally, if there are other services your firm would provide, please discuss those services and why they would be beneficial to the Program.

8. **Linked Deposit Program [2 pages]** – If interested in the Linked Deposit Program, please state that in this section and indicate if there is a preference for participation in the LDP vs the Private Sector Guarantee Program and why. Also include information on what borrowing rate(s) your firm could commit to as part of this program along with any other relevant background or supporting information that highlights how your firm would ensure a successful program.

RFP SCHEDULE, PROPOSAL QUESTIONS, DUE DATE, AND CONTACT FOR INFORMATION

RFP Schedule

Release RFP	January 29, 2020
Deadline for Question Submittal	February 10, 2020
Posting of Responses to Questions	February 12, 2020
Proposals Due	February 18, 2020
Interviews and Contract Negotiations	February 20 - 24, 2020
Contract Awarding	February 25, 2020

Questions regarding this RFP may be directed to Eric Espino, Senior Managing Consultant, PFM, before 5:00 pm PT on February 10, 2020 via email (espinoe@pfm.com). The content of all questions shall become publicly available. All questions received will be responded to in writing and provided to all Proposers. Proposers may only rely on written responses provided through addendums to the RFP and no verbal responses shall be binding on MBCP.

Electronic copies of the respondent's bid should be submitted to espinoe@pfm.com and berwangerm@pfm.com. Please do not send hard copies. Bids are due by 3:00 pm PT on February 18, 2020.

Reservation of Rights

MBCP reserves the right to:

- Consider factors other than those specified above and to request additional information from any/all respondents as part of the selection process.
- Change the requirements and/or due dates as may be necessary.

- Reject all responses received in relation to this RFP.
- Negotiate with any bidder and to engage in simultaneous negotiations with multiple bidders.
- Make no commitment to any bidder and provides no guarantee that a contract will be awarded.
- Discontinue this RFP process at any time for any reason.

Confidential or Proprietary Content

MBCP is a public entity subject to the California Public Records Act. Any document submitted to MBCP may be a “public record” for purposes of the California Public Records Act. Any page of the proposal package that is deemed by Proposer to be a trade secret by the Proposer must be clearly marked “CONFIDENTIAL INFORMATION” at the top of the page.

Neither Monterey Bay Community Power Authority, nor PFM, nor any other affiliated party shall be liable for any expenses incurred by any respondent in preparing or presenting the proposal.