

**SMALL BUSINESS ENERGY ADVANTAGE PROGRAM
ALTERNATIVE FINANCING SOLUTIONS**
Request for Proposals (“RFP”)

Proposals Due: Wednesday, May 23, 2018 by 5:00pm EDT

I. PURPOSE

The Connecticut Green Bank (“Green Bank”) and Electric Distribution Companies (“EDCs”) seek proposals from capital providers to purchase an existing portfolio of energy efficiency loans and provide capital to fund new energy efficiency loans as part of Connecticut’s Small Business Energy Advantage (“SBEA”) Program. The SBEA Program provides loans for energy efficiency upgrades to commercial and industrial - including municipal and state - customers of Connecticut’s two largest investor-owned utilities, Eversource and United Illuminating (“UI”) (the EDCs). The SBEA loans are repaid via the customers’ utility bills.

II. SBEA PROGRAM BACKGROUND

The SBEA Program commenced in 2000 and predominantly has been funded by capital provided by the EDCs. The goal of this RFP is to both sell the existing loan portfolios and obtain the lowest cost of capital possible from private capital sources to originate new loans while retaining similar origination and servicing processes for customer satisfaction. The SBEA Program post-recapitalization will continue to access the Connecticut Energy Efficiency Fund (“CEEF”), via the EDCs, which provides budgetary support for program operations managed by the EDCs, an interest rate buy-down and loan loss reimbursement for all loan losses.

The SBEA loans are:

- available to commercial and industrial, including municipal and state, customers with an average 12-month peak electricity demand between 10kW and 200kW located in Eversource and UI distribution territory;
- up to \$100,000 for commercial and industrial customers and up to \$500,000 for municipal customers:
 - UI allows municipal customers to take out up to \$500,000 in SBEA loans annually;
 - Eversource allows municipal customers to have up to \$500,000 in cumulative SBEA loans outstanding at any given time;
- 0% interest to the borrower;
- up to 48 months in tenor;
- repaid on the electric bill; and

- available for eligible efficiency improvements (both electric and gas measures) including lighting upgrades, HVAC, refrigeration, and gas-saving measures.¹

SBEA Loan Underwriting

	Eversource	UI
Bill Payment History	No more than 4 late payments in 12-month period, or 2 in 6-month period	No late payments in 6 months, or no more than 3 late payments in 12 months
Account History	Must have an electric account and been in business for at least 1 year	Must have an electric account and been in business for at least six months, though may require at least 1 year
Credit Check	N/A	Loans over \$45,000 require credit check; financing approved if credit deemed 'low risk'
Other	Must be current on electric bill and must not have any special payment arrangements	

Loan Collections Process

SBEA loans are repaid on the utility bill with loan payment included as a separate line item. In the event that the amount paid for a given utility bill does not fully cover both the electricity and the loan, then payment is applied to electricity first and then loan.

In the event of non-payment the collections process is as follows:

- Eversource:

Action	Timing
Customer receives phone call	60 days past due
Customer receives delinquency letter	90 days past due
Account details sent to collection agent	120 days past due
Loan is written off and losses recovered via CEEF	150 days past due

¹ A non-exhaustive list of eligible efficiency measures is available in Exhibit A.

- UI:

Action		Timing
Account receives shut-off notice		Utility bill 33 days past due
Account sent to UI commercial representative to follow-up.	If paid, no further action	60 days past due
	If unpaid after second follow-up attempt, the loan is removed and losses recovered via CEEF.	Any time after 60 days past due
If customer moves with unpaid balance greater than \$25, account sent to a third-party collection agency. The loan is included but if deemed uncollectible, it is removed and recovered through CEEF.		45 days after move out date

While non-payment of the loan will result in special collection measures, non-payment of the loan will not result in termination of electric service unless the borrower/customer, at the same time, does not make full payment for electric service. From the perspective of respondents to this RFP, such non-payment (following the write-off process noted above) ultimately results in full recovery of principal from the CEEF via the applicable EDC. It is important to note that recovery from the EDCs represent *limited recourse* obligations of each EDC, such that recourse is strictly limited to program funds made available to each EDC by the CEEF for the SBEA program.

III. THE CONNECTICUT ENERGY EFFICIENCY FUND

In 1998, the Connecticut General Assembly passed Public Act 98-28 which created the Connecticut Energy Efficiency Fund. Every three years the EDCs submit to the Department of Energy and Environmental Protection (DEEP) for approval and subsequently to the Public Utilities Regulatory Authority (“PURA”), for funding the Conservation and Load Management Plan (“C&LM Plan”) in accordance with Connecticut General Statutes §16-245m. The C&LM Plan outlines their implementation plan for cost-effective electric and natural gas energy-efficiency programs and market transformation initiatives using CEEF funds. The C&LM Plan and CEEF spending is reviewed before submittal to DEEP by the Energy Efficiency Board (“EEB”) which is an appointed group of 15 members from public and private entities.² EDCs are thus incented, via regulatory oversight, to optimize the deployment of energy efficiency measures in their given service territories.

The C&LM Plan provides, in part, for certain credit enhancements and support to the SBEA Program from CEEF funding. CEEF is funded by: (1) a 3 mill rate charge on electricity rate payers in Connecticut, (2) the Conservation Adjustment Mechanism (“CAM”, an additional charge from both electric and gas customers), (3) funds from the Regional Greenhouse Gas Initiative (“RGGI”), and (4) funds from the Independent System Operator New England’s (“ISO-NE”) forward capacity market. The estimated CEEF budget for 2018 through 2019 is illustrated in Figure 1 below.

² Details on the current EEB can be found here: <http://www.energizect.com/connecticut-energy-efficiency-board/about-energy-efficiency-board/meet-energy-efficiency-board>

Figure 1: Utility Program Funding Sources

C&LM Plan Table 1-4: Electric Program Funding Sources*

Funding Sources	2018			2019		
	2018 ES (CT) Electric Revenues	2018 UI Electric Revenues	2018 Combined Total	2019 ES (CT) Electric Revenues	2019 UI Electric Revenues	2019 Combined Total
Collections (Mill Rate)	\$63.2	\$14.9	\$78.1	\$62.2	\$14.7	\$76.9
ISO New England	\$33.4	\$8.5	\$41.9	\$29.7	\$8.1	\$37.8
RGGI	\$5.5	\$1.4	\$6.9	\$5.6	\$1.4	\$7.0
RGGI Diversion	(\$3.6)	(\$0.9)	(\$4.5)	(\$2.2)	(\$0.4)	(\$2.7)
CAM (net of gross receipts tax)	\$58.8	\$13.9	\$72.7	\$57.9	\$13.7	\$71.6
Prior Period Over/(Under) Collections	(\$10.1)	(\$2.7)	(\$12.8)			
Prior Period Over/(Under) Budget	\$5.4	(\$3.9)	\$1.5			
Estimated Interest Due to Company/Other Revenues	-	(\$0.1)				
Transfer to State General Fund	(\$50.8)	(\$12.7)	(\$63.5)	(\$25.4)	(\$6.4)	(\$31.8)
TOTAL (energy-efficiency revenues)	\$102.0	\$18.4	\$120.4	\$127.8	\$31.1	\$159.0

*In Millions

C&LM Plan Table 1-5: Natural Gas Program Funding Sources*

Natural Gas Energy Efficiency Revenues	2018 Conservation Adjustment Mechanism	2019 Conservation Adjustment Mechanism
Eversource (CT) Natural Gas Revenues	\$15.3	\$23.0
Connecticut Natural Gas Revenues	\$15.8	\$16.9
Southern Connecticut Gas Revenues	\$12.4	\$14.1
TOTAL: (energy-efficiency revenues)	\$43.5	\$54.0

*In Millions

Within the SBEA Program, CEEF funds are currently being used for:

- loan loss reimbursement of all losses incurred from SBEA loans;
- interest rate buy-down from EDC's cost of capital to 0% so SBEA customers face interest-free loans; and
- recovery of utility administrative expenses.

CEEF is a "virtual" fund which sits on the EDCs' balance sheets, allocated to specific programs as per the approved C&LM Plan.³ CEEF proceeds are identified as a separate account on the EDCs' balance sheets. While CEEF remains part of the EDCs' aggregate cash resource, robust accounting measures are in place to track CEEF revenues and expenditures by account, including accounting for SBEA Program elements.

From 2015 through 2017, the EDCs used an average of approximately \$178,000 per year of CEEF funds for reimbursement of loan losses. Over this time period they also received an average of \$2.8m per year for the interest rate buy-down. The CEEF funding used for the SBEA program is a small percentage of the overall size of CEEF which averaged approximately \$226 million per year over this same period from its funding sources.⁴

IV. THE FINANCING OPPORTUNITY

SBEA loans have historically been financed using EDC capital and beginning in 2011, Eversource originated a portion of its SBEA loans using its CEEF funds. The purpose of this RFP is to explore new options for funding the SBEA program with private capital, and in doing so, to source the lowest cost of capital funding possible to help meet the objectives of the C&LM Plan.

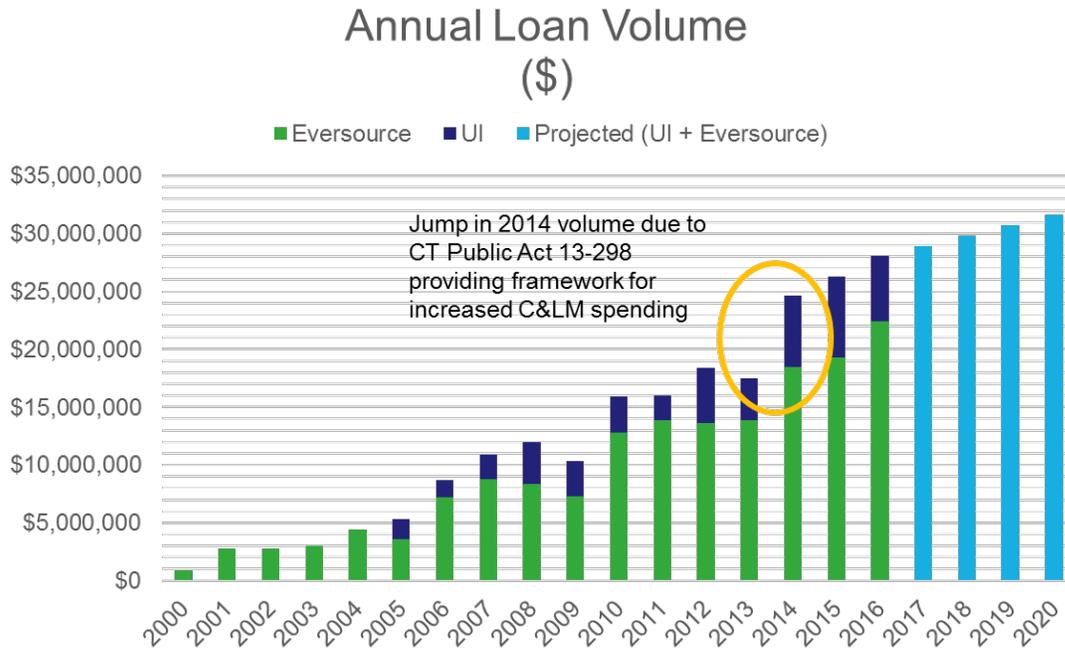
The EDCs have an existing loan portfolio of approximately \$42 million currently sitting on balance sheet, the refinancing of which should be considered in RFP responses.

The EDCs expect future loan volumes to be at least \$25 million per year, though with the potential to be higher. Annual loan volumes have averaged approximately \$25 million across the two EDCs from 2014 through 2016, and have reached a point of constraint in which capital allocated by the EDCs for the SBEA Program is not keeping pace with demand in the market for the loans. Figure 2 below shows historical and projected loan volumes out to 2020, assuming 3% year-on-year growth from 2017 to 2020.

³ The CEEF is a statutory and regulatory construct and does not constitute a legal entity.

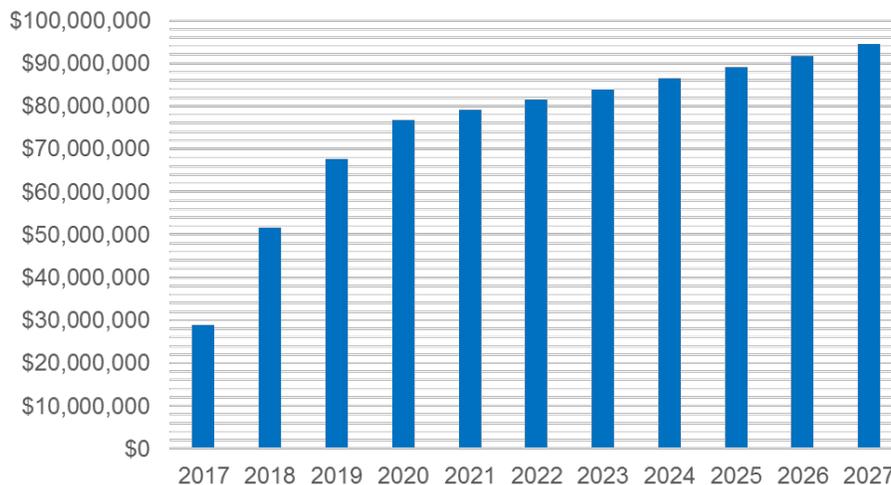
⁴ Source: 2013-2015 Conservation & Load Management Plan available at:
http://www.energizect.com/sites/default/files/2013_2015_CLM%20PLAN_11_01_12_FINAL.pdf

Figure 1: Annual Loan Volumes for both Utilities (\$)



In terms of sizing the total SBEA facility capital requirements, assuming 3% year-on-year growth and 4-year loan tenor for all newly originated loans, the SBEA loan facility could reach around \$75 million in average balances outstanding in 2020 and over \$80 million by 2022 (see Figure 3 below).

Figure 2: Estimated SBEA Loan Balances Outstanding (\$)



Additional detail on historical monthly and annual loan volume, annual CEEF loan loss reimbursement and interest rate buy-down amounts, and detail on loan term is available. Please email RFP@ctgreenbank.com to request the dataset in excel format.

Existing SBEA Loan Origination Procedures

The EDCs will continue to manage the programs and processes related to contractor recruitment and selection as well as review and approval of projects submitted by contractors to determine eligibility for utility incentives and financing through SBEA. The EDCs will also manage the customer on-bill repayment process for SBEA loans and serve as the conduit through which CEEF funding allocated to cover costs related to interest rate buy-downs and loan losses.

The key steps and role of involved parties for project origination, development, approval, funding and repayment in the proposed recapitalized SBEA program are summarized below

- 1) Contractor creates project lead and submits to EDC
- 2) EDC reviews the proposal, determines eligibility for financing, and notifies the contractor accordingly.
- 3) Following approval, contractor creates proposal for installation of energy efficiency measures
- 4) EDC reviews proposal, calculates incentives, and notifies the contractor (project is approved to share with customer)
- 5) Contractor shares approved project with customer for review
- 6) Contractor updates EDC tracking and reporting system to include all project information
- 7) Customer receives project information and financing agreement from contractor
- 8) Customer signs project proposal and financing agreement
- 9) Contractor again updates EDC tracking and reporting system to include details on project and approval
- 10) Contractor installs the project
- 11) EDC inspects the project
- 12) EDC processes the customer incentive payment and loan proceeds to be paid to Contractor
- 13) Contractor receives incentive payment and loan proceeds from EDC

- 14) EDC adds the loan on the customers' billing account as an additional line item
- 15) Customer remits monthly loan payment to EDC via the electric bill

Ideally the aforementioned process will remain unchanged, or with as little disturbance as possible, however the EDCs are open to further discussion in order to optimize the recapitalization solution. The EDCs acknowledge that the on-bill repayment mechanism is a key component of the SBEA Program and are open to RFP respondent suggestions or requirements as to how the on-bill SBEA loan proceeds are remitted to any third-party capital providers.

Green Bank Participation

The Green Bank has a successful record developing public and private financing partnerships to support clean energy deployment in Connecticut (see details in Section V) and seeks to leverage its resources in support of the SBEA recapitalization. Proposals may consider what, if any, role (e.g. aggregator or provider of credit enhancement) the Green Bank may play to support respondents in delivering a lower cost solution. For purposes of the RFP, Green Bank

participation should be limited to 10% of the capital requirement and will, for evaluating the RFP proposals, be priced at the same cost of capital as offered by the RFP respondent.

V. BACKGROUND OF KEY PLAYERS

Eversource

- New England's largest energy delivery company, with over 3.6m electric and natural gas customers in CT, MA, and NH. In CT it services more than 1.2m customers across 149 towns with electricity, and provides natural gas to approx. 200,000 customers in 71 towns.
- Formed in 1966 with the merger of Connecticut Light & Power (established 1917), Western Massachusetts Electric Company (formed 1886), and the Hartford Electric Light Company (formed 1878).
- Credit rating: A (S&P); Baa1 (Moody's)

United Illuminating (Avangrid, Inc.)

- The United Illuminating Company, established in 1899, is engaged in the purchase, transmission, distribution and sale of electricity and related services to approximately 328,000 residential, commercial and industrial customers in the greater New Haven and Bridgeport areas of Connecticut. UI is a subsidiary of Avangrid, Inc. (NYSE: AGR).
- UI's service territory includes 17 Connecticut towns and cities in an area totaling 335 square miles along or near the southeastern shoreline of Long Island Sound.
- Avangrid, Inc. is a diversified energy and utility company with more than \$30 billion in assets and operations in 25 states. The company operates regulated utilities and electricity generation through two primary lines of business. Avangrid Networks includes eight electric (including UI) and natural gas utilities, serving 3.1 million customers in New York and New England. Avangrid Renewables operates 6.3 gigawatts of electricity capacity, primarily through wind power, across the United States. Avangrid employs 7,000 people.
- Credit rating (Avangrid): BBB+ (S&P); Baa1 (Moody's)

Connecticut Green Bank

- Quasi-public organization – created by PA 11-80 and successor to the Connecticut Clean Energy Fund
- Focus – finance clean energy (i.e. renewable energy, energy efficiency, waste-to-energy, microgrids, and alternative fuel vehicles)
- Balance Sheet – \$177 million in assets (June 30, 2016 annual report)
- Support – supported by a \$0.001/kWh surcharge on electric ratepayer bills that provides approximately \$27-30 MM a year for investments, RGGI about \$5 MM a year, federal competitive solicitations (i.e. SunShot Initiative) and non-competitive resources (i.e. ARRA-SEP), private capital, etc., and portfolio income from loans and investments of \$2-3m a year.

The Green Bank has been actively involved in program design and management involving public and private capital since 2012.

Program	Green Bank Role	Experience & Capabilities
CT Solar Loan	<ul style="list-style-type: none"> • Loan loss reserve • Subordinate debt 	<ul style="list-style-type: none"> • Program structuring • SPE set-up and management • Attracting private capital • Contractor qualification
CT Solar Lease I CT Solar Lease II	<ul style="list-style-type: none"> • Construction capital • Sponsor equity • Subordinate debt • Loan loss reserve • Aggregator • Asset manager 	<ul style="list-style-type: none"> • Tax equity fund structure set-up • Managing an SPE & developer hold co • Attracting private capital • Contractor qualification • Developer services
Commercial Property Assessed Clean Energy (C-PACE)	<ul style="list-style-type: none"> • Underwriter • Subordinate debt • Aggregator 	<ul style="list-style-type: none"> • Statewide administrator of C-PACE • Set-up and administration of \$100m private capital warehouse facility • SPE set-up and management
Residential Solar Investment Program (RSIP)	<ul style="list-style-type: none"> • Statewide administrator and facilitator 	<ul style="list-style-type: none"> • Administering performance based incentives • Monetizing RECs • Coordinating financing

VI. REQUIREMENTS & SELECTION CRITERIA

The goal of this RFP is to facilitate a competitive selection process that satisfies the following criteria with respect to the SBEA financing facility:

Primary considerations for recapitalization of SBEA Program:

- **Cost of capital** – provide the lowest cost capital possible into the facility
- **Scalability** – response should provide sufficient capital to purchase existing loan portfolio and finance future loans without capital restriction as facility grows over time
- **Process** – response should allow SBEA Program to retain existing origination and servicing processes, including repayment of SBEA loan on-bill, however loan payments may, if desired, be made directly from the RFP respondent to the Contractors (as opposed to from the EDCs to the Contractors at present).

Secondary considerations:

- Efficient usage of CEEF capital to free up CEEF capital for usage in other EDC programs
- Efficient usage of EDC balance sheet and shareholder capital, as needed
- Maintain similar utility administration processes and contractor payment methods
- Facility tenor – EDCs would like to see solutions up to three years, with insight into pricing differences for one-, two-, or three-year options

Proposal Response

Respondents are to propose a solution that addresses the needs of this program as described above. To assist in evaluating proposals composed of potentially varying financing structures, include the following in your proposed solution:

- 1.) **Explanation of any demonstrated experience, expertise, and/or appetite for such a project**
- 2.) **Capital structure and flow diagram that clearly identifies which players are contemplated to play which roles in the structure (if flexibility in capital structure exists, multiple options may be presented)**
- 3.) **Written description of the role(s) the respondent is interested in providing, along with existing relationship with proposed third-party partners**
- 4.) **Total investment amount, broken out by type of investment if respondent is providing multiple types of capital**
- 5.) **Expected cost of capital, expressed as an absolute interest rate, range of interest rates, spread over an index, as well as confidence in attaining such costs of capital**
- 6.) **Any and all fees**

Submission Process

Each respondent shall carefully examine this RFP and any and all amendments, exhibits, revisions, and other data and materials provided with respect to this RFP process. Respondents should familiarize themselves with all proposal requirements prior to submitting their proposal. Should the respondent note any discrepancies, require clarifications or wish to request interpretations of any kind, the respondent shall submit a written request electronically to RFP@ctgreenbank.com. The Green Bank shall respond to such written requests in kind and may, if it so determines, disseminate such written responses to other prospective respondents.

The following requirements must be observed for all proposals:

- a. Proposals must be received no later than **5:00pm EDT on Wednesday, May 23, 2018**. Proposals received after the aforementioned date and time will not be considered.
- b. Proposals must be submitted electronically at the following email address: RFP@ctgreenbank.com. The subject line should be identified as: "Proposal for SBEA LLC Capitalization".

c. The Green Bank and EDCs reserve the right to request an interview, supplemental information, and/or clarification from respondents as deemed necessary.

d. Key Dates

i. RFP Release: Wednesday, May 2, 2018

ii. Respondent Q&A Session*: 11:00am EDT on Wednesday, May 9, 2018

**Register here:* [Q&A Webinar Registration Link](#)

iii. Q&A Summary Published: Monday, May 14, 2018

iv. RFP Submission Deadline: 5:00pm EDT on Wednesday, May 23, 2018

VII. GENERAL TERMS AND CONDITIONS

Submission of any proposal assumes the acceptance of the following understandings:

1. The purpose of this RFP is to solicit scalable and lower cost sources of capital to fund loans made through the Small Business Energy Advantage program run by the EDCs. Proposals are being solicited by the Green Bank to be evaluated together with the EDCs and the Energy Efficiency Board. As such, the Green Bank reserves the unconditional right to (i.) reject any or all of the proposals received in response to the RFP, and/or (ii.) waive any irregularities, cancel, or modify the RFP in any way, and at any time the Green Bank or EDCs choose, if (a) the proposed responses are determined to be not in the best interest of the Green Bank, the EDCs, or the CT Energy Efficiency Fund, or (b) the proposals are unlikely to obtain the requisite regulatory support or approvals necessary for implementation.
2. The Green Bank and EDCs further reserve the right to make awards under this RFP without discussion with the respondents of the proposals received. Proposals should be submitted on the most favorable terms with respect to the criteria stated in this RFP. The Green Bank and EDCs reserve the right not to accept the lowest priced proposal.
3. Proposals must be signed by an authorized officer of the respondent. Proposals must also provide name, title, address and telephone number for individuals with authority to negotiate and contractually bind respondent, and for those who may be contacted for the purpose of clarifying or supporting the information provided in the proposal.
4. The Green Bank and EDCs will not be responsible for any expenses incurred by any respondent in conjunction with the preparation, submission or presentation of any proposal with respect to this RFP.
5. The Green Bank and EDCs' selection of a proposal through this RFP is not a contractually binding offer to the selected respondent, and the Green Bank and EDCs reserve the right to continue negotiations with the selected respondent(s) until the parties reach a mutual agreement.

THE GREEN BANK IS SUBJECT TO THE REQUIREMENTS OUTLINED IN SECTION 16-245n OF THE CONNECTICUT GENERAL STATUTES. GREEN BANK SHALL HAVE NO LIABILITY OR OBLIGATION OF ANY SORT HEREUNDER, INCLUDING, WITHOUT LIMITATION, IF FOR ANY REASON OR NO REASON A BINDING AGREEMENT IS NOT ENTERED INTO WITH ANY PROPOSER. IN MAKING ITS SELECTION OF A SUCCESSFUL PROPOSAL, THE GREEN BANK MAY CONSIDER ANY AND ALL FACTORS AND CONSIDERATIONS WHICH GREEN BANK, IN ITS SOLE DISCRETION, DEEMS RELEVANT, THE RELATIVE IMPORTANCE OF WHICH SHALL BE IN THE SOLE DISCRETION OF THE GREEN BANK.

Exhibit A

Eligible Energy Efficiency/Energy-Saving Measures

(Non-exhaustive)

Lighting – interior/exterior

- High-performance lighting
- Induction and LED lighting
- Occupancy sensors
- Photocells

Heating/ventilation/air conditioning

- Energy-efficient equipment upgrades
- Programmable thermostats
- Energy management systems

Refrigeration

- Anti-condensation door heater controls
- Evaporator fan controls
- Night covers
- Electronically commutated motors
- Energy-efficient kitchen equipment

Natural gas-saving equipment

- Spray nozzles
- Showerheads
- Aerators
- Programmable thermostats
- Pipe and duct insulation
- Energy management systems
- Indoor boiler reset controls
- Heating equipment
- Water heating equipment
- Kitchen equipment
- Infrared space heaters
- Envelope measures

Other improvements

- Air compressors
- Variable frequency drives
- Premium-efficiency motors
- Custom measures