

REQUEST FOR PROPOSALS FOR SOLAR HOME RENEWABLE ENERGY CREDIT (SHREC) MONETIZATION

Proposals Due: August 5, 2019, 5:00 PM EST

I. PURPOSE

The Connecticut Green Bank (“Green Bank”) is seeking proposals from qualified partners (“Underwriter”) to provide a financing solution that will monetize residential Renewable Energy Credits (“RECs”) generated under the Green Bank’s Solar Home Renewable Energy Credit (“SHREC”) program.

Under a Master Purchase Agreement (together with any amendments “MPA”, Attachment 1) between the Green Bank and Connecticut’s two investor-owned utilities (Eversource and United Illuminating - a subsidiary of Avangrid since December 2015, collectively the “Utilities”), the Green Bank aggregates RECs generated from solar PV systems participating in its Residential Solar Incentive Program (“RSIP”) into annual tranches and sells those REC tranches to the Utilities at a fixed, predetermined price over a 15-year tranche lifetime. (To distinguish renewable energy credits generated under the RSIP from residential solar PV systems placed in service prior to January 1, 2015, renewable energy credits for qualifying residential PV systems placed in service on or after January 1, 2015 are referred to as “SHRECs.”) In December 2017, Green Bank issued a similar RFP for monetizing SHREC revenues, which resulted in an asset-backed securitization in April 2019 (see press release, Attachment 6). Following the success of that issuance, Green Bank is issuing this RFP to explore additional pathways to monetizing the stream of SHREC revenue under the MPA in its entirety or on a tranche by tranche basis.

SHREC revenues represent a secure, contracted 15-year stream of payments payable to the Green Bank from the Utilities, which are investment-grade counterparties. The securitization of SHRECs (either immediately or at pre-determined milestones) allows the Green Bank to fund the incentives offered under the RSIP and to recover RSIP program costs, thereby providing liquidity to permit the Green Bank to continue its mission to catalyze growth in Connecticut’s renewable energy industry.

As referenced above, in Q2 2019, the Green Bank securitized the SHREC revenues associated with the solar PV systems in 2017 and 2018 tranches, respectively “Tranche 1” and “Tranche 2.” The SHRECs were bundled into investment-grade asset-backed security (“ABS”) notes, representing a first-of-its-kind issuance that monetized

the SHRECs from 105 MW of cumulative production across more than 14,000 solar PV systems. After a competitive RFP process, an ABS structure was selected as the monetization route. Kroll Bond Rating Agency reviewed the two underlying ABS notes and assigned investment-grade ratings.

The timing of this tranche offering (“Tranche 3”) is expected to be H2 2019, and future tranches are expected to continue on an annual basis through 2022, depending on Green Bank liquidity needs.

II. GREEN BANK BACKGROUND

The Green Bank was established by Connecticut’s General Assembly on July 1, 2011 as a quasi-public agency that superseded the former Connecticut Clean Energy Fund. The Green Bank’s vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. The Green Bank’s mission is to support the Governor’s and Legislature’s energy strategy to achieve cleaner, cheaper, and more reliable sources of energy while creating jobs and supporting local economic development. As the nation’s first “green bank”, the Green Bank leverages public and private funds to drive investment and accelerate clean energy deployment in Connecticut. For more information about the Green Bank, please visit www.ctgreenbank.com.

To achieve its vision and mission, the Connecticut Green Bank has established the following three goals:

1. To leverage limited public resources to scale-up and mobilize private capital investment in the green economy of Connecticut.
2. To strengthen Connecticut’s communities by making the benefits of the green economy inclusive and accessible to all individuals, families, and businesses.
3. To pursue investment strategies that advance market transformation in green investing while supporting the organization’s pursuit of financial sustainability.

These goals support the implementation of Connecticut’s clean energy policies be they statutory (i.e., Public Act 11-80, Public Act 13-298, Public Act 19-35), planning (i.e., Comprehensive Energy Strategy, Integrated Resources Plan), or regulatory in nature.

Despite the benefits of “green” being well documented, the Green Bank wants to further demonstrate its leadership in promoting the protection of citizens’ health, safety and well-being. As part of the launch for “Green Bonds US,” a multimedia awareness campaign centered on how green activities power a community, the Green Bank hopes

to offer “mini” green bonds in denominations of \$1,000. In keeping with the organization’s drive to make “green” more accessible and affordable, the low denomination of the mini bonds presents a greater opportunity for citizens to participate in and benefit from the growing green economy.

III. PROGRAM BACKGROUND

a. Residential Solar Incentive Program (RSIP)

Connecticut’s Residential Solar Incentive Program is a declining block incentive designed by the Green Bank in 2011 to help meet the state’s Renewable Portfolio Standard goals, and with an original target to deploy 30 MW of new residential PV installation. The RSIP program was quickly oversubscribed, meeting the state’s 30 MW deployment target in 2014, eight years ahead of schedule. As a result, a new deployment target of 300 MW by 2022 was initiated (this goal was recently increased by the Legislature and the Governor to 350 MW by PA 19-35). The RSIP provides two types of incentives:

- Homeowners that own their own system are eligible for an Expected Performance Based Buydown (“EPBB”) incentive as a \$/W upfront cost reduction for system purchases;
- Third-party system owners (“TPOs”) may receive a Performance-Based Incentive (“PBI”) for systems leased to homeowners (or for PPA systems) consisting of quarterly payments for 6 years based on actual system performance.

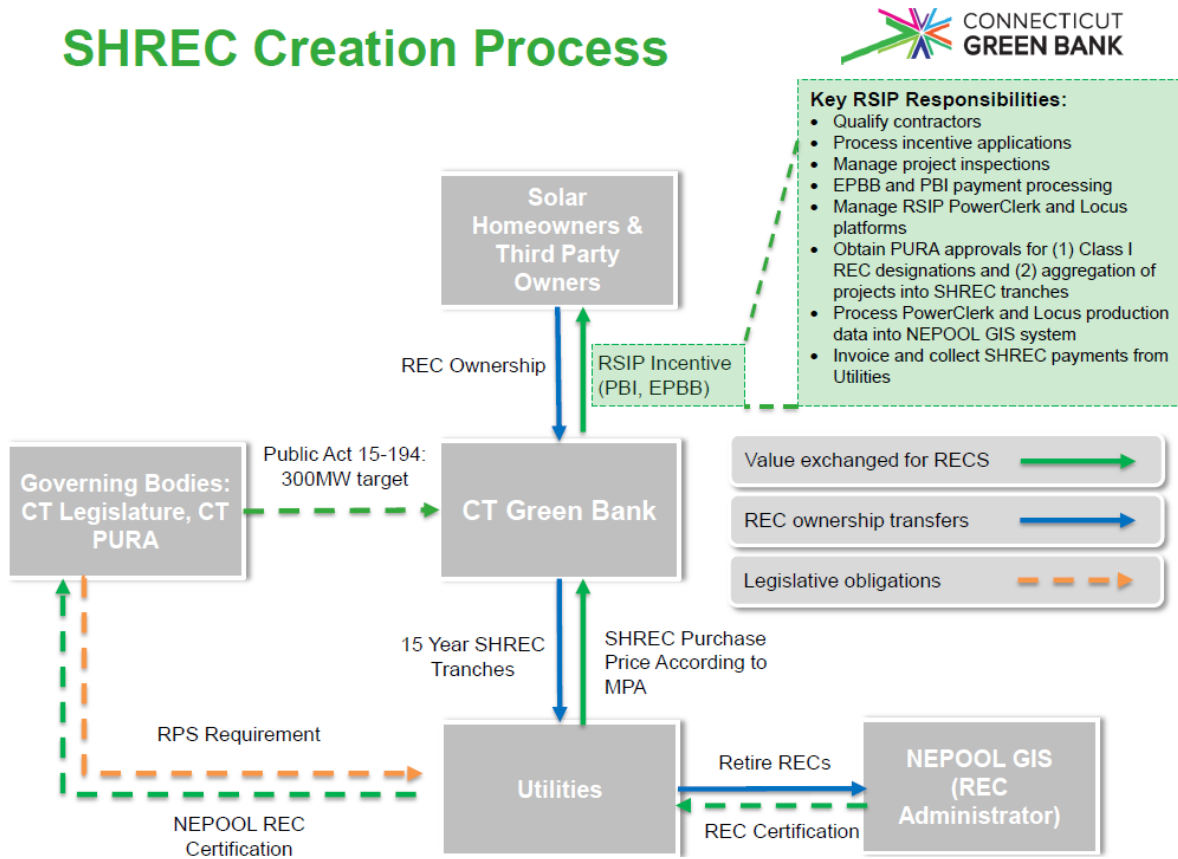
The Green Bank obtains all rights and title to generation from systems receiving an RSIP incentive for the purpose of creating Class I RECs and any other environmental attribute. To continue to meet the state’s demand for residential solar and funding the RSIP program, the Connecticut Legislature established the SHREC program to enable the Green Bank to easily and reliably monetize the stream of RECs generated from RSIP systems.

b. SHREC Program

Under the SHREC program, the Utilities enter into 15-year contracts with the Green Bank to purchase the SHRECs generated by solar PV systems receiving the RSIP incentive. The agreement is governed by a Master Purchase Agreement, which will be jointly filed with the CT Public Utilities Regulatory Authority (“CT PURA”) annually for each year’s newly operating systems (see appendix for a detailed contract summary of the MPA). Each year, the newly certified solar PV systems are aggregated into a new tranche of SHREC-generating systems. The utilities are obligated (by statute and the MPA) to purchase SHRECs from each new tranche for the 15-year term of the contract (an exhibit to the MPA), at a price fixed at the time the contract is entered into with the Utilities. Under Docket No. 16-05-07, CT PURA has guaranteed the utilities

cost recovery for the program via a statutorily-protected component of electric rates. A detailed explanation of the program structure is included below.

SHREC Creation Process



The SHREC/MPA model is illustrated as above. During installation of a residential solar PV system (“SHREC System”), qualified solar contractors or third-party owners, such as Tesla or SunRun, apply for the RSIP incentive via the Green Bank. Upon determining that the system meets eligibility criteria, the Green Bank grants either an EPBB or PBI incentive to the applicant. In exchange, the Green Bank receives title to the energy and environmental attributes of the solar project, including SHRECs. As further explained in the appended contract summary, the Green Bank will register SHRECs with NEPOOL GIS through their standard REC creation process, and once registered, these SHRECs will reside in the Green Bank’s NEPOOL GIS account. The Green Bank will then transfer SHRECs to the Utilities via NEPOOL’s Forward Certificate Transfer process at the price agreed upon in the MPA and its exhibits. The Utilities are then required to transfer payment electronically to the Green Bank by the

final business day of the month following the SHREC transfer (i.e., every quarter during the life of each Tranche as the RECs are produced by the associated solar PV systems). As SHREC generation will occur quarterly following the NEPOOL GIS REC creation process, detailed further in the MPA contract summary and included as Attachment 2, the stream of payments from the Utilities to the Green Bank will be received quarterly as well. This transaction will allow both the Green Bank and the Utilities to accomplish certain legislative goals – specifically, the Green Bank deployment of 350 MW of residential solar by 2022 and the Utilities’ compliance to Connecticut’s renewable portfolio standard (or “RPS”) target. Only residential solar PV systems with incentives from the Green Bank approved on or after January 1, 2015 are eligible for the SHREC; with approximately 56 MW of residential solar PV installed prior to January 1, 2015 under the RSIP, a maximum of approximately 294 MW of SHREC-eligible residential solar PV can be deployed through 2022. SHREC tranches thus far include approximately 146 MW¹ which would leave a maximum of approximately 148 MW of residential solar PV for future tranches.

The final element in the SHREC structure enables the Green Bank to monetize a Tranche with a Tranche Investor or financing counterparty. The MPA provides for collateral assignment of the revenue streams associated with SHREC generation to finance future revenue stream of the SHRECs without consent of the Utilities. The SHREC statute and MPA enacted and prescribed these features, specifically with the intent of allowing the Green Bank to monetize anticipated SHREC cash flow streams. The MPA requires the Green Bank to continue to execute all obligations to the Utilities as the seller of SHRECs in the event of such collateral assignment and will merely pass on the revenue streams associated with SHREC generation to the assignee.

The program automatically terminates at the earliest of 350 MW of CT residential solar PV deployment or December 31, 2022, resulting in at most six tranches of SHREC and no tranches containing RSIP projects approved in 2022 or later. However, each utility’s obligation to purchase SHRECs will continue until each and every Tranche under contract with the utilities has run its 15-year course.

c. Monetization of Tranche 3

The Green Bank would like a financing solution for Tranche 3, which has a Tranche Delivery Term Start Date of January 1, 2019, consists of 4,818 residential solar projects representing a total “nameplate” capacity of 39.275 MW, and is in process of being executed by the Green Bank and the Utilities with an effective date of June 28, 2019. Based on P50 estimates², these systems can be expected to generate roughly

¹ Tranche 1 was 47.2 MW, Tranche 2 was 59.8 MW, and Tranche 3 is 39.3 MW.

² An exceedance probability refers to the probability that a certain value of energy production will be exceeded. For example, a P50 exceedance probability value of 1,000 kWh for the annual output of a solar PV system means that there is a 50% likelihood that the system’s output will be greater than 1,000 kWh.

45,471 MWh of electricity in their first year of operation. Taking into effect an annual rate of degradation of one-half of one percent and a Tranche Purchase Price of \$48/MWh, the Green Bank projects' gross SHREC revenues of \$31.5 million over the 15-year tranche lifetime.³ Eight aggregations of SHREC-eligible projects that compose Tranche 3 were approved by CT PURA on April 17, 2019 as Class I renewable energy sources through eight PURA Docket Numbers.⁴ Tranche 3 projects qualify as Class I resources effective the later of January 1, 2019 or each project's commercial operation date. The Tranche 3 Transaction Confirmation for the Master Purchase Agreement between the Green Bank and the utilities for the purchase of SHRECs is effective as of June 28, 2019 and the Tranche Delivery Term Start Date from which SHREC generation can be captured for Tranche 3 projects is January 1, 2019.

Given the success of the Tranche 1 & Tranche 2 securitization, the Green Bank expects that a likely financing solution for Tranche 3 is also a securitization, either as an asset-backed, taxable municipal bond, or related financial product.

In conjunction with the rating agency rating, the Green Bank expects to engage an independent engineer to evaluate the integrity of the residential solar PV systems to validate the expected production of the portfolio and appoint an Agreed-Upon Procedures ("AUP") provider that will review and verify the details of a representative sample of solar PV systems within the portfolio. Furthermore, the Green Bank will work with verifiers to certify that the green bond issuance conforms with the Climate Bonds Standard.

IV. SCOPE OF SERVICES

Given the long-term, highly secure, predictable nature of SHREC revenue and success of earlier securitizations of tranches, the Green Bank is issuing this RFP to secure a financing solution with the goal of (a) meeting SHREC-related costs and obligations, including incentive payments and administrative overhead, and enhancing the Green Bank's mission to accelerate clean energy deployment in Connecticut. We are seeking a solution that may include a securitization or other structured finance products, including but not limited to asset-backed securities, green bonds, municipal bonds, or serial bonds. Since the Green Bank would like a portion of the SHREC securitization to go to retail investors in Connecticut given significant demand, a small offering of mini green bonds on the retail market is desirable. For any securitization and/or retail focused mini-bond offering, credit enhancement or production assurance (by the Green Bank or others) may be available.

The monetization is currently limited to Tranche 3, although the Green Bank is interested in a solution that could allow for the monetization of future tranches as needed. Given that one of the Green Bank's goals is to "develop and implement

³ These figures are estimates of production only and no guarantee of ultimate performance is offered, granted, suggested or implied.

⁴ PURA docket nos: 19-02-04, 19-02-05, 19-02-06, 19-02-07, 19-02-08, 19-02-09, 19-02-10, 19-02-11.

strategies that bring down the cost of clean energy in order to make it more accessible and affordable to consumers,” an important aspect of a competitive RFP will most likely include a cost-effective financing arrangement. Furthermore, the development of a financing arrangement that potentially could be deployed for future tranches while reducing recurring or ongoing advisory or transactional costs or services is also desirable.

Underwriting services shall include but may not be limited to the following:

- Capital markets advice, including prospective cost of capital, advance rate, and ratings strategy;
- Determination of cost-saving advantages of asset-backed versus taxable municipal bonds;
- Investor research and outreach;
- Guidance through the Rating Agency process;
- Support through a Green Bond Certification process;
- Engage other applicable third parties necessary for product development; and
- Placement of monetized SHREC product with both traditional and environmental, social, and governance-focused investors, including retail investors in \$1,000 denominations.

V. SUBMISSION CRITERIA & OTHER REQUIREMENTS

Respondent will be assessed based on address of the following items in their response. Evidence or description of ability to provide the following should be clearly addressed within the response to this RFP:

- Ability to perform the above scope of work;
- Economic profile of the structure (e.g., flow of funds, timing of structural elements (such as bridge financing, expected cost of capital to be realized, advance rate, etc.);
- Efficient structuring and transaction costs;
- Ability to source Connecticut-based retail investors interested in participating in the green economy at a lower entry point (i.e., \$1,000 denomination mini green bonds) as part of the Green Bank’s mission to increase access;
- Ability to meet Green Bank’s desired timeline of a realization of proceeds by 12/31/2019;
- Ability to optimize the above criteria based on the credit enhancements described below under Product Optimization. Specifically, respondents should provide estimates of the increased value the Green Bank might achieve via inclusion of any or all of the suggested enhancements; and
- Ability to coordinate with the bond verifier and facilitate the certification of the securitization as a green/climate/sustainability bond;
- Experience with clean energy securitizations and green or municipal bonds.

Work Experience & Capabilities

Respondent should also include information on the following to demonstrate applicable work experience:

- Number and size of similar products for which the respondent has provided underwriting services in the past;
- Length of time respondent has been providing underwriting services for ABS products;
- Location of offices that would be involved in partnership with the Green Bank;
- Resumes of key personnel anticipated to support SHREC underwriting; and
- Relevant ABS and/or municipal underwriting references for either firm or key personnel involved.

Product Optimization

The Green Bank's expertise includes the provision of various credit enhancements used to mitigate risk, decrease cost of capital, and generally enable novel financial structures for renewable energy investments. To that end, the Green Bank is open to exploring the following options for enhancing the credit of a SHREC monetization product:

- Maintenance of Reserve Accounts
- Subordination via class-based structuring of product
- Overcollateralization

In addition to the above credit enhancements, the Green Bank encourages respondents to include suggestions for additional forms of credit enhancement.

Flexibility with regards to timing of cash flows is an additional point of interest for the Green Bank. As a quasi-public entity, the Green Bank must align its cash management with that of the State. Therefore, the ability to flexibly draw upon the proceeds of a given tranche monetization or to hold the proceeds off the Green Bank's balance sheet in an escrow or other account until needed is attractive to the Green Bank. Please address respondent's ability to provide these services in your response.

VI. RFP MILESTONES AND TIMING

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 require clarifications or wish to request interpretations of any kind, the respondent shall submit a written request electronically to mike.yu@ctgreenbank.com by August 5, 2019. 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 Eastern Time on August 5, 2019**. Proposals received after the aforementioned date and time will not be considered.
- b. Proposals must be submitted electronically at the following email address: mike.yu@ctgreenbank.com. The subject line should be identified as: "SHREC RFP Response".
- c. The Green Bank reserves the right to request an interview, supplemental information, and/or clarification from respondents as deemed necessary.
- d. Key Dates (estimated):

Project Milestone	Estimated Date
RFP Released	June 28, 2019
Clarification Questions Due	July 19, 2019
Webinar Q&A Session	July 24, 2019
RFP Responses Due	August 5, 2019
Underwriter Award Notification	August 17, 2019

Proposal Format

The following format should be followed to allow Green Bank to better evaluate and compare one proposal to another. Each of the elements within this outline is expected to be addressed in any submitted proposal. However, additions may be made where necessary for purposes of clarification or amplification.

1. The response must contain a cover letter addressed to the Green Bank and signed by an officer of the firm or an individual authorized by the firm to commit the firm to the contents of the response. The cover letter should include the following information:
 - a. Respondent Information:
 - i. Name of Respondent
 - ii. Business address of headquarters and Connecticut office(s), if applicable
 - iii. Respondent's main contact name, title, telephone number and e-mail address

- iv. Acknowledge receipt, completion and submission of required Legal and Policy Attachments; and
 - v. A statement that the Respondent has thoroughly reviewed the RFQ and acknowledges compliance with the requirements of the RFQ and accepts all terms and conditions included in the RFQ.
2. Executive summary outlining the proposed structure
 - a. Include a capital flow chart
 - b. Include a proposed milestone table
3. Key structuring and economic terms including cost of capital, advance rate, use of credit enhancement, costs, etc.
4. Capital markets strategy including ratings approach, investor outreach, and placement strategy.
5. General background of your organization, including experience on analogous deals the firm has completed. Describe your firm's institutional and retail (for both individual and managed money) marketing capabilities, including number, location, and type of offices or facilities that your firm maintains nationally and in the State. Describe any specialized business segments that your firm can bring to the Green Bank's transaction.
6. Provide a summary of qualifications for each of the individuals in your firm who would be assigned to the deal.
7. Description of any litigation, pending judgments, etc., which could affect the proposer's ability to enter into an agreement with Green Bank. A description of the circumstances involved in any defaults by the proposer. If you have been subjected to any outside audits in the past three years, state by whom the audit was performed, for whom, the facility involved, and the results of the audit.
8. Discuss any strategic alliances, distribution agreements, and any financial arrangements your firm has with other financial companies for the selling and distribution of bonds, especially to retail investors.
9. Describe your firm's experience bringing a new issuer to the municipal market for an initial public sale. Discuss the challenges and opportunities of introducing a new credit to the market.
10. The Green Bank seeks to maximize the distribution of its bonds to Connecticut retail investors. What recommendations would you make to create an initial marketing campaign for the Green Bank? What resources would you employ to develop and implement a marketing strategy for a retail-focused sale?

11. Discuss your firm’s experience with Green Bonds. Discuss any recent developments in Green Bond financing that would be relevant for the Green Bank.

12. Discuss how the Green Bank can create strong demand and broad distribution for its bonds during a “retail-only” order period given the majority of retail demand is from managed money (Separately Management Accounts or SMAs) and not the traditional individual (“mom and pop”) investor. Discuss the pros and cons of using “mini” bonds. Discuss your firm’s experience and capabilities selling mini bonds.

13. Summarize your firm’s experience as a senior manager, co-senior manager, or co-manager of tax-exempt or taxable bond issues for environmental-type projects in the previous two full calendar years (2018 and 2017) and year-to-date (2019) by completing the chart below. Retail orders should be specified only if the issue had a retail order period or similar policy/procedure that recognized retail demand. Otherwise, mark the retail columns as N/A and include this information as member orders.

Name of Issuer	Par Amount (\$000)	Pricing Date (Mo/Year)	Your Firm’s Role SR/CS/CM	Your Firm’s Liability (\$000)	Orders (\$000)			
					Retail	Priority	Member	Total

14. Other: include in the proposal any other information you may deem relevant or helpful in Green Bank’s evaluation of the proposal.

VII. GENERAL TERMS AND CONDITIONS

If Underwriter elects to respond to this RFP, submission of your proposal assumes the acceptance of the following understandings:

1. The Green Bank reserves the right to reject any or all of the proposals received in response to the RFP, to waive irregularities or to cancel or modify the RFP in any way, and at any time the Green Bank chooses, in its sole discretion, if the Green Bank determines that it is in the interest of the Green Bank.

2. The Green Bank further reserves the right to make awards under this RFP without discussion of the proposals received. Proposals should be submitted on the most favorable terms from a technical, qualifications, and price standpoint. The Green Bank reserves the right not to accept the lowest priced proposal.

3. Proposals must be signed by an authorized officer of the Underwriter. Proposals must also provide name, title, address and telephone number for individuals with

authority to negotiate and contractually bind Underwriter, and for those who may be contacted to clarify or support the information provided in the proposal.

4. The Green Bank will not be responsible for any expenses incurred by any proposer in conjunction with the preparation or presentation of any proposal with respect to this RFP.

5. The Green Bank's selection of an Underwriter(s) through this RFP is not an offer and the Green Bank reserves the right to continue negotiations with the selected Underwriter(s) until the parties reach a mutual agreement.

6. Underwriter will execute a Professional Service Agreement (PSA) as set forth in the attached Exhibit A. If the Underwriter does not agree with any of the specific terms set forth in the PSA, the Underwriter must set forth such terms and rationale in your response to this RFP.

THE GREEN BANK IS SUBJECT TO THE REQUIREMENTS OUTLINED IN SECTIONS 16-245N OF THE CONNECTICUT GENERAL STATUTES. THE 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 BIDDER, 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.

VIII. ATTACHMENTS & APPENDICES

a. List of Attachments

1. Master Purchase Agreement and Amendments
2. NEPOOL GIS Operating Rules
3. Green Bank RSIP Terms and Conditions
4. Executed Transaction Confirmations for Tranche 3
5. Previous Three Years of CT Green Bank CAFRs
6. Press release - Asset-backed Securitization, April 2019