Request for Proposals:

2017 Bank Credit Facility for CleanPowerSF

Agreement No. PUC.PRO.0084

7/18/2017

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

525 Golden Gate Ave• San Francisco, CA 94102

Table of Contents

1. INTRODUCTION

The San Francisco Public Utilities Commission ("SFPUC") seeks proposals for bank credit facilities (the "Credit Facilities") in an amount of up to $150 million to provide for the issuance of one or more standby letters of credit to secure CleanPowerSF's obligations pursuant to Power Purchase Agreements ("PPAs") with one or more energy suppliers and to provide for other CleanPowerSF borrowings and drawdowns as described herein. The SFPUC's reimbursement obligation under the Credit Facility will be payable solely from revenues of CleanPowerSF, also as described herein.

1.1. The SFPUC

The SFPUC is a department of the City and County of San Francisco ("City") responsible for the maintenance, operation and development of three utility enterprises: the Water Enterprise, the Wastewater Enterprise and the Power Enterprise (which is a component of Hetch Hetchy Water and Power). The SFPUC's enterprises are operated and managed as separate financial entities with separate enterprise funds.

Water Enterprise.

Nearly 2.6 million people rely on water supplied by the SFPUC to meet their daily water needs through its Water Enterprise. The SFPUC serves as the retail water supplier for the City and is responsible for water deliveries to residents and institutions within the City limits, as well as to a number of retail accounts outside of the City limits ("Retail Customers"). In addition, the SFPUC sells water to 27 Wholesale Customer entities in San Mateo, Alameda and Santa Clara Counties under a Water Supply Agreement and related individual contractual agreements. Approximately 67% of the SFPUC's water supply is delivered to the Wholesale Customers and approximately 33% of the SFPUC's remaining water supply is delivered to its Retail Customers.

Wastewater Enterprise.

The Wastewater Enterprise's collection and treatment system consists of a combined sewer collection system conveying sewage (sanitary and stormwater flows) within the City to three water pollution control plants, also located within the City. Treated effluent flows are then discharged through deep-water outfalls into the San Francisco Bay and Pacific Ocean. The Wastewater Enterprise also currently provides sewage treatment service on Treasure Island pursuant to contract, and operates an onsite sewage and stormwater reclamation and treatment facility at the SFPUC headquarters at 525 Golden Gate Avenue.

Hetch Hetchy – Water and Power Operations.

Hetch Hetchy Water and Power operates the Hetch Hetchy Project, which provides water for distribution through the Water Enterprise and hydroelectric power to the Power Enterprise. The Power Enterprise, which is a component of the Hetch Hetchy Project, was created in February 2005 as a separate system within Hetch Hetchy Water and Power. The Power

Enterprise focuses on providing adequate and reliable supplies of electric power to meet the municipal requirements of the City, including power to operate municipal streetcars and electric buses, street and traffic lights, municipal buildings and other City facilities, including SFO. Additionally, the Power Enterprise provides power to the Modesto and Turlock Irrigation Districts, located in the central valley of California, and to other commercial customers consistent with prescribed contractual obligations and federal law.

The San Francisco Board of Supervisors adopted Ordinance 86-04 in 2004 authorizing the establishment of a Community Choice Aggregation ("CCA") program in San Francisco ("CleanPowerSF"). Pursuant to the San Francisco Charter, the SFPUC is responsible for the management of CleanPowerSF. As a division of the Power Enterprise, the CleanPowerSF program is under the direct administrative oversight of its Assistant General Manager, who in turn reports to the SFPUC General Manager. The program is funded by CleanPowerSF ratepayers. The goals of CleanPowerSF are to provide (1) affordable and reliable electricity services to San Francisco residents and businesses, (2) cleaner energy alternatives advancing the City's Greenhouse Gas reduction goals; (3) investment in local renewable energy projects and jobs; and (4) long-term rate and financial stability.

2. CLEANPOWERSF

The City, acting by and through the SFPUC, launched the first phase ("Phase One") of CleanPowerSF on May 1, 2016. Today, CleanPowerSF is serving approximately 76,000 accounts with an average energy demand of 61 MW. The program has maintained an opt-out rate of about 3.4%, and has attracted more than 1,700 pre-enrollments and 2,350 upgrades to CleanPowerSF's 100% renewable SuperGreen product.

CleanPowerSF purchased energy to support its Phase One launch principally through two power purchase agreements (the "Existing PPAs"), each in the form of a Master Power Purchase and Sale Agreement. The Existing PPAs provide for energy delivery through April 30, 2019 and May 31, 2021, respectively. Termination payments, if any, under the Existing PPAs are secured by standby letters of credit (the "Existing Standby LOCs") which are in turn secured by revenues of SFPUC's Power Enterprise. The Existing Standby LOCs were issued in an approximate aggregate initial amount of $17,000,000 which has decreased to approximately $14,000,000 as of the date of this RFP.

SFPUC's Power Enterprise additionally supported CleanPowerSF's Phase One launch through the provision of a loan (the "Power Enterprise Loan") to provide funds for working capital and start-up expenses. The Power Enterprise Loan is presently outstanding at $7,312,500 (May 31, 2017).

CleanPowerSF was reported as part of the Power Enterprise in the SFPUC's FY 2015-16 Comprehensive Annual Financial Report. The SFPUC has prepared unaudited financial statements for CleanPowerSF for the 9 months ended March 31, 2017 of FY 2015-16. These statements are attached hereto as Attachment A.

2.1. Pro Forma versus Actual Results to Date

CleanPowerSF supported its initial launch with a pro forma financial projection (the “Initial Projection”) of expected results from operations. The Initial Projection, developed in January 2016, reflected a set of assumptions including a conservative “opt-out” rate of 20%.

CleanPowerSF’s opt-out results were significantly lower than projected (3.4% of customers). Lower opt-out rates, higher-than-expected elective opt-ins from customers not specifically targeted for enrollment, and the SFPUC’s decision to upsize the Phase One launch, have all contributed to a larger number of customers than projected. The impact of a larger customer count on energy sales was offset to some extent by the lower average energy-use-per-customer of residential customers in the neighborhoods included in Phase One, in comparison to City-wide averages. On the expense side, CleanPowerSF’s actual operating expenses were significantly lower than projected, reflecting factors including lower marketing expenses and higher-than-expected staff vacancies.

In terms of net revenues, CleanPowerSF significantly outperformed its Initial Projection. For the 11-month period beginning upon initial launch on May 1, 2016 through the end of March 2017, CleanPowerSF generated approximately $5 million in net revenues, $1.4 million higher (40%) than the Initial Projection amount of $3.6 million. A comparison of the Initial Projection versus actual results through March 2017 is attached hereto as Attachment B. An Excel version of this comparison is included as Attachment D.

2.2. Program Expansion to City-Wide Service

On May 9, 2017, SFPUC staff provided the SFPUC Commission (the SFPUC’s governing board) with the CleanPowerSF Growth Plan (the “CleanPowerSF Growth”) which recommended completing City-wide enrollment by Fiscal Year End 2019. In Resolution No 17-0102, the Commission modified the CleanPowerSF Program to enroll 100% of eligible San Francisco customers by July 2019, or sooner if possible. This expansion is expected to result in approximately 360,000 active customers with approximately 420 MW of average demand.

The timing and process for implementing City-wide rollout will depend on multiple factors, including operational, cost, rate-setting and other considerations. CleanPowerSF has provided two illustrative pro forma financial projections for CleanPowerSF Growth, attached hereto as Attachment C. The first of these projections (the “Single Phase Rollout”) shows projected financial results assuming a single program expansion in the second quarter of calendar 2018. The second of these projections (the “Two Phase Rollout”) shows projected financial results assuming two expansion phases—one in the second quarter of calendar 2018 and another in the second quarter of calendar 2019.

These pro forma projections are provided for informational purposes only, and reflect illustrative projections of strategies under consideration. The SFPUC has not committed to a specific implementation plan or plans.

2.3. Upcoming Power Purchases

CleanPowerSF intends to support CleanPowerSF Growth through further power procurement activity. CleanPowerSF has issued a renewable energy request-for-offers (the "2017 Renewables RFO") seeking proposals for renewable energy supply to CleanPowerSF. The 2017 Renewables RFO proposes a power purchase agreement structure in which power suppliers look only to CleanPowerSF revenues as their source of payment and are not further secured by standby letters of credit.

CleanPowerSF intends to issue a second energy request-for-offers in the next few months (the "2017 Energy RFO") to acquire shaped energy to complement purchases made under the 2017 Renewables RFO and actual customer demand. CleanPowerSF expects to propose a credit structure in support of the 2017 Energy RFO in which power suppliers may be secured by standby letters of credit. The primary purpose of this RFP is to secure a credit commitment that will maximize CleanPowerSF's power contracting flexibility.

2.4. CleanPowerSF Payment Obligations

CleanPowerSF's payment obligations are special limited obligations of CleanPowerSF, payable solely from the revenues of CleanPowerSF. CleanPowerSF's payment obligations are not a charge upon the revenues of the SFPUC (and its Power Enterprise) or the general fund of the City and County of San Francisco or upon any non-CleanPowerSF moneys or other property of the SFPUC or the City. CleanPowerSF faces ongoing risks including the risk of customer opt-out. There is no guarantee that CleanPowerSF revenues shall be sufficient to cover its costs of operations at all times.

The SFPUC has not implemented a third-party financial lock-box to manage CleanPowerSF's financial operations, and does not at this time expect to implement such a security feature in support of CleanPowerSF Growth. Rather, the SFPUC expects to continue to self-administer CleanPowerSF's financial operations, as it self-administers the financial operations of its Water Enterprise, Wastewater Enterprise, and Power Enterprise.

2.5. CleanPowerSF Business Practices

CleanPowerSF has established rate-setting, phasing, and reserves policies as set forth in its Business Practice Policies document, summarized below.

Rate Setting Policy

As established in Ordinance 146-07, management and control of the CleanPowerSF program is being undertaken by the SFPUC pursuant to its responsibilities and authority under the City Charter. As such, CleanPowerSF rates are set by the SFPUC Commission pursuant to the authority and provisions set forth by the City Charter (Section 8B.125). Among other things, the Charter requires the SFPUC to set rates, after one or more public hearings, based on the cost of service, and at levels sufficient to provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise.

The Commission will adopt budgets and establish cost-based retail rates for CleanPowerSF that provide sufficient revenue for the continued financial health of CleanPowerSF. Program rates will be adequate to support program operations, including maintaining revenues necessary to pay CleanPowerSF's obligations under its power supply and other contracts, and future projects, taking into consideration program goals.

CleanPowerSF rates shall be adopted in a manner that is consistent with the SFPUC's Rates Policy principles, balancing affordability, compliance, sufficiency, and transparency. All CleanPowerSF budgets, rates, fees, and charges presented by SFPUC staff to the Commission will conform to the SFPUC Rates Policy. Any proposed deviations from this policy will be reported to the Commission along with any resulting impact to CleanPowerSF ratepayers.

In adopting rates for CleanPowerSF, the SFPUC will endeavor to minimize rate volatility. CleanPowerSF rates will be reviewed annually for the upcoming fiscal year and adjusted, as needed, to ensure sufficient revenue to meet its contractual, legal and regulatory obligations, while providing for program affordability.

Phasing Policy

It is the policy of the SFPUC that the CleanPowerSF program will be phased-in throughout San Francisco in a manner that is financially prudent and operationally feasible.

Initial and subsequent CleanPowerSF customer enrollments shall be conditional upon:

- Program rates being sufficient to cover program costs;
- Rates for a subsequent phase are projected to be at or below PG&E rates at the launch of each phase;
- Program supply commitments are sufficient to meet new projected customer demand;
- Staff and systems and/or qualified third party service providers can handle additional energy sales and customer account volumes;
- Sufficient and reasonably priced credit, collateral and working capital support is available; and

- All rate, contracts and financial support approvals have been obtained.

Reserves Policy

The SFPUC will prudently manage CleanPowerSF operations in a manner that supports its long-term financial independence and stability, provides sufficient financial capacity to bridge shortfalls in cash flow and covers unanticipated expenditures, while at the same time reduces susceptibility to emergency rate increases due to revenue shortfalls and considers ratepayer impact and fairness.

Consistent with this policy and with the City Charter, the SFPUC will adopt budgets and establish rates for CleanPowerSF that provide for adequate ratepayer protection in the form of an Operating Reserve Fund and a Contingency/Rate Stabilization Reserve Fund.

These Funds will be established at the following funding levels to mitigate short-term, unanticipated loss of revenues or increase in expenses; stabilize rates; and support the growth of the program:

- Operating Reserve Fund: equal to 90 days of operating expenditures; and
- Contingency/Rate Stabilization Reserve Fund: equal to 15% of projected annual revenues.

The SFPUC will adopt budgets and establish rates for CleanPowerSF with the goal of building up to the above target reserves funding levels within three years of program launch.

2.6. Credit Provisions set Forth in Pro Forma PPAs

CleanPowerSF has prepared pro forma power purchase agreements (the "Pro Forma PPAs") as part of its power supply solicitation. These Pro Forma PPAs set forth certain credit provisions regarding auto-appropriation, limited obligation, Controller certification, and the biannual budget process, that CleanPowerSF included in the Existing PPAs and anticipates implementing in support of its power procurement activities. The following summarizes these key PPA credit provisions.

Auto-Appropriating Designated Fund

Buyer's (CleanPowerSF's) payment obligations under this Agreement (the Pro Forma PPA) shall be paid from an SFPUC designated fund that will automatically appropriate CleanPowerSF revenues on an annual basis without further Buyer action and which shall be used solely for CleanPowerSF costs and expenses, including the obligations under this Agreement. Buyer agrees to set CleanPowerSF rates and charges that are sufficient to maintain revenues necessary to pay its obligations under this Agreement and all of Buyer's payment obligations under its other contracts for the purchase of energy for CleanPowerSF. Buyer shall provide Seller (Provider) with reasonable access to account balance information with respect to the SFPUC designated fund at all times during the Delivery Term.

Limited Obligations

Buyer's payment obligations are special limited obligations of the Buyer payable solely from the revenues of CleanPowerSF. Buyer's payment obligations under this Agreement are not a charge upon the revenues of the SFPUC (and its Power Enterprise) or the general fund of the City and County of San Francisco or upon any non-CleanPowerSF moneys or other property of the SFPUC or the City.

Controller Certification.

The Buyer's obligations hereunder shall not at any time exceed the amount certified by the Controller for the purpose and period stated in such certification. Except as may be provided by laws governing emergency procedures, officers and employees of Buyer are not authorized to request, and Buyer is not required to reimburse Seller for, commodities or services beyond the agreed upon Agreement scope unless the changed scope is authorized by amendment and approved as required by law. Officers and employees of Buyer are not authorized to offer or promise, nor is Buyer required to honor, any offered or promised additional funding in excess of the maximum amount of funding for which the contract is certified without certification of the additional amount by the Controller. The Controller is not authorized to make payments on any contract for which funds have not been certified as available in the budget or by supplemental appropriation.

Biannual Budget Process.

For each City biannual budget cycle during the term of this Agreement, Buyer agrees to take all necessary action to include the maximum amount of the Buyer's payment obligations under this Agreement in its budget submitted to the Board of Supervisors for that budget cycle.

2.7. Ongoing CleanPowerSF Financial Reporting

CleanPowerSF was reported as part of the Power Enterprise for the period ending June 30, 2016. Starting with FY 2016-17, CleanPowerSF will be presented as a major fund of Hetch Hetchy Water and Power.

In addition, CleanPowerSF intends to provide a monthly statement (the "Monthly Statement") to the provider of the Credit Facility in the format attached hereto as Attachment E.

2.8. Links to Additional Background Information

The following links to the SFPUC's official website provide an overview of the SFPUC and CleanPowerSF:

www.sfwater.org – Official SFPUC website

www.cleanpowersf.org – Official CleanPowerSF website

3. BANK CREDIT FACILITY

The SFPUC seeks a Credit Facility of up to $150 million. The Credit Facility may be applied for the following purposes:

1. To provide standby letters of credit ("New Standby LOCs") to secure New PPAs supporting Program expansion;
2. To replace the Existing Standby LOCs supporting Existing PPAs;
3. To replace the Power Enterprise Loan; and/or
4. To provide CleanPowerSF working capital.

4. ESTIMATED TRANSACTION SCHEDULE

Activity	Date
Bidder's Conference	Friday, July 28, 10:00 AM PDT
Deadline to submit questions or information requests	Tuesday, August 1, 12:00 PM PDT
Proposals due	Tuesday, August 15, 2017, 5:00 PM PDT
Notification of selected bank	Week of August 21st
Negotiate credit terms & finalize agreements (allow 2 – 3 months)	By mid-November 2017
Commission approval (Credit Facility & PPAs)	December 12, 2017
Board of Supervisors approval of PPAs	January 2018
Closing (Credit Facility & PPAs)	Week of February 5, 2018
Launch Phase 2	May 1, 2018

Per the above, it is estimated that the SFPUC Commission will approve the Credit Facility documents at its December 12, 2017 meeting. As such, all Bank documents must be prepared and distributed in near final draft form by early November. **Each Proposer must commit to meeting this schedule, and must confirm it as part of its response to this RFP.**

5. CHAPTERS 12B AND 12C REQUIREMENTS (EQUAL BENEFITS)

Effective June 1, 1997, Chapter 12B of the San Francisco Administrative Code was amended to prohibit the City from entering into contracts or leases with any entity that discriminates in the provision of benefits between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of employees. All proposing firms should be in the process of becoming compliant with Chapter 12B if not already compliant. The Contract Monitoring Division (CMD) has developed rules of procedure and various resource materials explaining the equal benefits program. These materials are available by calling the CMD Equal Benefits Section at (415) 581-2310 or by visiting the CMD website at www.sfgov.org/cmd.

6. PROPOSAL SUBMISSION

6.1. Questions for Respondents

Please provide short, concise responses to the following questions. See Submittal Requirements, below.

1) Contact Information

Provide the name, address, phone number and e-mail address of the contact person(s) authorized to answer questions and negotiate final terms and conditions on behalf of Respondent. Please also set forth any other members of your Bank who will be involved in the day-to-day negotiations and discussions with the SFPUC and its team.

2) Firm Overview / Qualifications

a. Briefly describe the structure of your firm. What is the business unit within your firm that will book the Credit Facility you propose? Describe the credit approval process for that entity.

b. What is your firm's total capital? What is your firm's net assets?

c. Please provide your firm's short-term and long-term ratings from Moody's, Standard & Poor's and Fitch dating back to January 1, 2012. Please comment on any relevant events that may cause or that recently have caused any of the rating agencies to place these ratings under review. Please provide each rating agency's current outlook on your firm.

3) Experience

a. What is your firm's experience with the SFPUC?

b. What is your firm's experience in the CCA sector? Which CCA entities have you transacted with?

c. What is your firm's experience, and the experience of the business unit within your firm that will book the Credit Facility you propose, in extending credit to non-rated entities?

d. Briefly describe other relevant experience of your firm to the extent it is not captured in questions 3(a), (b), and (c).

4) Proposed Terms

Provide a detailed description, in term sheet format, of the Credit Facility you propose. If you are proposing multiple structures that would be more clearly conveyed in multiple term sheets, then you may submit more than one term sheet. Please include the following information:

a. Facility Type(s)
b. Obligor
c. Commitment Size
d. Tenor(s)
e. Security
f. Facility purpose
g. Term-out provisions for reimbursement obligations under Standby LOCs (i.e. length of term-out, amortization requirements, interest rate or formula, and any conditions on availability)
h. Renewal provisions
i. Termination provisions
j. CleanPowerSF Covenants (including CleanPowerSF financial reporting requirements)
k. Any other relevant terms (e.g. increased cost, Most Favored Nation)

5) Exceptions to RFP

Identify any exceptions and/or modifications to the information provided in this RFP that your firm requires or proposes. For example, if your firm requires a third-party lock-box to support CleanPowerSF, state that as your requirement. As a second example, if your firm recommends (but does not require) a third-party lock-box, state that in your response, together with a short explanation of the benefit of your recommendation to CleanPowerSF and/or the SFPUC. As a third example, if your firm recommends a specific payment lien position as security for your proposed Credit Facility, then provide a description of that lien position along with your proposed pricing benefit.

6) Pricing

Provide a detailed description, as part of your term sheet, of the cost structure and fees for the Credit Facility you propose. Please include the following information:

a. Commitment Fee. Please propose a schedule of commitment fees for commitment tenors of various lengths (i.e. two years, three years, four years, five years, etc.). Please indicate whether commitment fees will vary depending upon the commitment amount. Please also provide any other fees and charges associated with your proposed Credit Facility.
b. Expenses. The SFPUC desires to set a limit on legal and out-of-pocket expenses incurred by the Credit Facility provider. Indicate: (i) a cap on the legal fees and expenses of counsel to your firm; and (ii) a cap on any other expenses to be incurred
c. Interest rate on loans
d. Amendment fees
e. Any other fees

7) Legal Counsel

Indicate the law firm and the lead attorney that will represent the Bank in this transaction. If foreign counsel is also required, please indicate the law firm and lead attorney. Please specify the proposed average hourly rate for which legal counsel will be compensated for representation of your firm.

6.2. Submittal Requirements

The main body of your proposal must be limited to 15 pages, exclusive of a transmittal letter (limited to two pages) and any accompanying appendices. Proposers bear all costs associated with the preparation and submission of their proposal.

All proposals must be submitted online via the SFBid website (www.sfbid.sfwater.org). Detailed proposal response requirements are listed on the online response form within SFBid ("Proposal Response Form"). Please refer to the SFBid website and click the "Submit Proposal" button to view and complete the full Proposal Response Form.

Proposals must be submitted no later than **5:00 PM Pacific Daylight Time, Tuesday, August 15, 2017**.

For technical or procedural questions regarding the online submittal, please contact sfbid@sfwater.org.

After reviewing the responses to this RFP, the SFPUC will notify respondents shortly thereafter, per the schedule set forth in Section 4 herein.

7. EVALUATION PROCESS

The SFPUC will evaluate proposals based on the following criteria:

Respondent Qualifications	10%
Experience	15%
Proposed Credit Terms & Provisions	35%
Fees and Pricing	40%

The SFPUC reserves the right to consider other factors than those specified above and to request additional information from Respondents as needed. The SFPUC reserves the right to cancel this solicitation without liability to the banks responding. The SFPUC does not anticipate conducting oral interviews for this RFP. However, the SFPUC reserves the right to contact any bidder for additional information or clarification of the terms of the proposal. The SFPUC has engaged Clean Energy Capital Securities LLC ("Clean Energy Capital") as its independent financial advisor with respect to CleanPowerSF's procurement of credit and power supply.

8. BIDDERS' CONFERENCE

A bidders' conference will be held on Friday, **July 28th from 10:00 am to 12:00 PM Pacific Daylight Time**. It will be conducted at the SFPUC's headquarters in San Francisco (525 Golden Gate Avenue, 3rd Floor Tuolumne Conference Room). Arrangements will be provided for telephonic participation in this conference. Questions regarding the RFP will be addressed at this conference and any new information will be provided at that time. While SFPUC staff and/or Clean Energy Capital may provide oral clarifications, explanations, or responses to any inquiries, the SFPUC is not bound by any oral representation. If any new and/or substantive information is provided in response to questions raised at the bidders' conference, such information will be memorialized in a written addendum to this RFP.

All questions and/or requests for information concerning the RFP, whether submitted before or after the bidders' conference, must be in writing and submitted via the SFBid website (https://sfbid.sfwater.org/). Substantive replies will be memorialized in written addenda to be made part of this RFP. All addenda will be posted on the SFBid website. No questions or requests for information will be accepted after **August 1, 2017**.

9. LIST OF ATTACHMENTS

A. CleanPowerSF unaudited financial statements for the 9 months ended March 31, 2017.

B. Pro forma comparison: Initial Projection versus actual results through March 2017.

C. Pro forma projections for City-Wide Rollout.

D. Excel version of CleanPowerSF pro forma.

E. Form of Monthly Statement for ongoing reporting of CleanPowerSF customers and revenues.