



REQUEST FOR PROPOSALS
ENERGY PREPAYMENT TRANSACTION

TO: All Prospective Proposers

SUBJECT: Request for Proposals: Energy Prepayment Transaction

DATE ISSUED: July 10, 2024

RESPONSES DUE: August 2, 2024, by 3:00PM PDT

1. ABOUT SONOMA CLEAN POWER

The Sonoma Clean Power Authority (“SCP”), established in 2012, is a governmental public power provider operating a Community Choice Aggregation (“CCA”) serving Sonoma and Mendocino counties. SCP provides electricity to over 230,000 residential and business accounts with about \$240 million in annual sales. SCP serves 86% of eligible electric customers in the cities of Cloverdale, Cotati, Fort Bragg, Rohnert Park, Petaluma, Point Arena, Santa Rosa, Sebastopol, Sonoma, Willits, the town of Windsor, and the unincorporated counties of Mendocino and Sonoma. Key objectives of SCP include cost-effective reduction of greenhouse gas emissions, rate stability, promoting development of local renewable energy resources that are reliable and sustainable, and investing in the local economy.

2. SCP FINANCIAL PERFORMANCE

In December 2021, SCP received an investment grade credit rating of ‘A’ from S&P Global. As of June 30, 2023, from its most recent audited financial statements, SCP had cash and investments of \$151 million, representing 265 days cash on hand. SCP has since surpassed its target reserve balance of 280 days cash on hand and maintains a minimum reserve balance of 180 days. SCP’s financial statements, including its fiscal year 2022-2023 audited financials, are available on its website at <https://sonomacleanpower.org/financials-and-key-documents>.

3. PROJECT SUMMARY

SCP is interested in exploring an energy prepayment transaction. The prepayment structure would target existing renewable power purchase agreements (“PPAs”). To help SCP’s evaluation efforts, we are distributing this request to address 1) firm qualifications and 2) core terms of your firm’s transaction structure.

We welcome your response if your firm is capable of providing a structure that addresses the primary desire of SCP to prepay existing PPAs. SCP intends to use this solicitation to establish a short list of firms to possibly invite for interviews. Proposals should be emailed with a single PDF attachment containing the full response and should thoroughly address the questions below.

4. RFP TIMELINE

EVENT	DATE
RFP Published	July 10, 2024
Deadline for questions to be submitted	July 19, 2024
Responses to questions to be posted on SCP website	July 25, 2024
Proposal packages due	August 2, 2024
RFP Submission review complete	August 9, 2024
Interviews (if needed)	Week of August 12, 2024
Award of Contract	August 16, 2024

5. SUPPLIER DIVERSITY

Public Utilities Code Section 366.2(m) requires certain CCAs, including SCP, to annually submit to the California Public Utility Commission (“CPUC”): (1) a detailed and verifiable plan for increasing procurement from small, local, and diverse business enterprises; and (2) a report regarding its procurement from women, minority, disabled veteran, persons with disabilities, and LGBT business enterprises.

General Order (GO) 156, adopted by the CPUC, requires certain California public utilities to engage in outreach activities and meet specific procurement goals from women, minority, disabled veteran, persons with disabilities, and LGBT business enterprises. Qualified businesses become GO 156 certified through the CPUC and are then added to the GO 156 Supplier Clearinghouse database.

Except as otherwise expressly provided under this Policy and/or required by applicable state or federal law or funding requirements (including, without limitation, any grant or loan conditions), SCP shall not use any demographic information received from potential vendors in any way as part of its decision-making or selection process. Rather, SCP will use such information solely for compliance with its reporting obligations to the CPUC and evaluation of SCP’s outreach and other activities consistent with applicable law. Pursuant to Article I, Section 31 of the California Constitution, SCP shall not discriminate against or give preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin except as otherwise allowed therein.

6. QUESTIONS REGARDING THE RFP; ADDENDA

For questions regarding this RFP, please email:

Sonoma Clean Power finance@sonomacleanpower.org

Mike Berwanger berwangerm@pfm.com

Jim Carbone carbonej@pfm.com

Faisal Alif aliff@pfm.com

The subject line should be marked “Energy Prepayment Transaction - RFP.” Questions must be received no later than the deadline set forth in section 4 of this RFP. SCP will not guarantee providing answers to questions submitted after the question deadline but will make reasonable efforts to do so. SCP will post and share responses to all questions submitted by the deadline established in this RFP publicly.

In the event it becomes necessary to revise any part of this RFP, SCP will issue written addenda. Any amendment to this RFP is only valid if it is in writing and issued by SCP. No oral interpretations or answers will bind SCP. All addenda issued by SCP will become part of this RFP.

7. RFP SUBMITTAL PROCESS

- 7.1. Submittal Deadline. The deadline for submittal of proposals is August 2, 2024, by 3:00PM PDT.
- 7.2. Place and Form of Submittal. Proposal should be emailed with a single PDF attachment containing the full response to:
Sonoma Clean Power finance@sonomacleanpower.org
Mike Berwanger berwangerm@pfm.com
Jim Carbone carbonej@pfm.com
Faisal Alif aliff@pfm.com
 - 7.2.1. Email submittals should be sent with the subject line marked “Energy Prepayment Transaction - RFP.”
- 7.3. Submission of a Proposal shall be deemed a representation that the Proposer:
 - 7.3.1. Has carefully read and fully understands the information provided by SCP as part of this RFP, including all Exhibits;
 - 7.3.2. Represents that all information submitted is true and correct;
 - 7.3.3. Did not, in any way, collude, conspire to agree, directly or indirectly, with any person, firm, corporation or other firm in regard to the amount, terms or conditions of its Proposal; and
 - 7.3.4. Acknowledges that SCP has the right to make any inquiry it deems appropriate to substantiate or supplement information as necessary.
- 7.4. No request for modification of a Proposal shall be considered after submission on the grounds that a Firm was not fully informed about any fact or condition.

8. PROPOSAL REQUIREMENTS

- 8.1. Firm(s)/Contacts
 - 8.1.1. Provide the name, address, and telephone number of the principal contact or contacts from your firm and any additional firms needed to complete the transaction. (Resumes can be included as an appendix.) List all members of the proposed team. Briefly describe their proposed role in meeting the requirements of this Request for Proposals (RFP) and briefly describe their relevant experience.

8.2. Underwriting Experience

- 8.2.1. Provide a list of all completed prepayment transactions (natural gas and/or electricity) for your proposed team in the last 5 years as well as one or two case study(s) that demonstrates your firm's ability to serve SCP in this capacity.
- 8.2.2. Please highlight any unsuccessful re-pricings resulting in terminations or commodity remarketing and successful re-pricing with a summary explanation of structures utilized to effect that success (including savings in the reset term as a percentage of fixed cashflows).
- 8.2.3. Please discuss your firm's specific experience with any aspect of energy prepayment transactions including acting in the role of commodity swap provider.
- 8.2.4. Describe your firm's CCA experience and/or familiarity working with CCAs.
- 8.2.5. Describe your firm's public power and gas utility finance presence both nationally and within California specifically.

8.3. Proposed Prepayment Structure

- 8.3.1. Describe your proposed structure for an energy prepayment program targeted at existing PPAs for SCP. Summarize why your structure is the best structure and optimal. Discuss considerations, including timing, structure, tax, and/or policy issues. Please discuss the risks inherent in your proposed structure of which SCP should be aware and how your structure mitigates such risk. Describe any features of your recommended structure that are yet untested from a legal, tax, or market perspective.
- 8.3.2. What is the assumed type of energy delivered if there are no PPAs assigned for any period of time including for the initial months post closing of the transaction? If it is not proposed as an EPS compliant product, please discuss your ability to do so.
- 8.3.3. Discuss your firm's willingness and experience working with other funding recipients (banks, insurance companies, etc.)? Will you be willing to solicitate funding costs from multiple recipients to allow the selection of the most cost effective (highest savings to SCP) recipient? Discuss current industry issues specific to a prepayment program (e.g., level of interest rates or energy prices) and how these issues have shaped your proposed approach. Note any market considerations that are specific to energy or existing PPAs.
- 8.3.4. Discuss what timing your firm thinks it can achieve for a transaction assuming you are hired August 16, 2024, and the balance of the team is in place promptly thereafter. Note any blackout periods, competing transactions, and other timing obstacles SCP should be aware of as it relates to a possible financing schedule.

- 8.3.5. What do you anticipate will be the important credit considerations related to your proposed structure? SCP desires to limit its credit exposure only to highly rated entities and/or structures. Are there any exposures beyond the supplier (and guarantor) and commodity swap provider? How does your approach impact SCP? How does your approach impact the credit rating process and credit spreads of the bonds sold to finance the prepayment?
- 8.3.6. Please discuss your assessment of the minimum, maximum, and optimal size of this potential prepayment transaction. Describe your approach to marketing the optimal size transaction through the California Community Choice Financing Authority (CCCFA). Do you see any unique challenges? Please discuss in the context of SCP's goal of achieving at least 10% savings.
- 8.3.7. Provide a discussion regarding the bond amortization structure required to meet the targeted savings level for the initial term. Additionally, please include further commentary regarding market assumptions, amortizations, and minimum savings targets for subsequent periods.
- 8.3.8. To the extent that your proposed structure includes interest rate swaps, and specifically interest rate swaps that may be terminated in the event the overall transaction terminates, provide a discussion on the pricing of the aforementioned interest rate swaps relative to any established market indices. Please itemize any interest rate swap fees and levels as of COB July 19, 2024, for 5-, 7- and 9-year terms.
- 8.3.9. Discuss your proposed structure's use of reserve accounts, funding agreements, receivables purchase agreements, or other forms of credit support. If the use of funding agreements or credit support is recommended to reduce the amount of required debt service or operating reserves, provide a discussion of the expected pricing of the credit support. Describe your approach to reinvestment of reserve accounts and debt service funds and provide a discussion of required ratings of any GIC or investment counterparties.
- 8.3.10. Assuming a transaction size of between \$500 million and \$1 billion for the contemplated transaction, which credit rating agencies do you expect to seek a credit rating from?
- 8.3.11. What other certifications or opinions may be required of SCP or its consultants related to the quantity of prepaid electricity, electricity prices, interest rates, future potential interest rates, future transaction economics, etc.?
- 8.3.12. Please provide your firm's discount rate as of COB July 19, 2024. Please quote as an absolute rate and spread to an Index (e.g., SOFR) for a 7-year term. Please detail how your rate was derived. What is the relationship between this rate and your firm's corporate bond secondary market trading levels? Please indicate whether your firm intends to earn a spread between

the funding rate and the market yield on its publicly traded debt. If your structure uses funding from another counterparty, please discuss the expected discount rate for that party or parties.

- 8.3.13. What would the initial period funding rate be as of COB July 19, 2024, for a 5-, 7- and 9-year initial placement?
 - 8.3.13.1. What portion of the upstream reservation fees, if any, are included in the prepay price?
 - 8.3.13.2. Please indicate if the reservation fees are fixed for the entire term of the prepayment.
 - 8.3.13.3. Please identify any third-party suppliers your firm expects to rely upon for delivery of prepaid electricity supply, including assumed costs (included in the reservation fee) and their qualifications.
- 8.3.14. Assuming a structure that is subject to repricing please discuss:
 - 8.3.14.1. Recommended initial term given market conditions as of COB July 19, 2024.
 - 8.3.14.2. Your firm's current position to "termining out" the transaction at the end of the initial period or any subsequent reset period, market conditions allowing.
 - 8.3.14.3. Required Minimum Discount (as a percent of fixed cashflows) for a reset.
 - 8.3.14.4. Characteristics of your structure that enhance the likelihood of a successful reset (if it is dependent on the prepaid agreement's assignment language, then please provide or summarize).
- 8.3.15. Discuss the role of the commodity swap (dormant/active, etc.) in your firm's structure in terms of risks/mitigators, pricing of the prepayment, and impact on savings.
- 8.3.16. Provide suggestions for potential commodity swap counterparties. Discuss how you would work with the swap counterparty to determine the forward fixed price of electricity to be used for the transaction, and whether SCP or other parties may be required to provide opinions or certifications relative to the forward curve.
- 8.3.17. Detail how your structure might address the possible risk of load loss in the future, with particular attention to remarketing and remediation, as well as other options should SCP not be able to use some or all of the prepaid electricity in the future, for either a limited or extended period of time.
- 8.3.18. Does an assignment of a PPA result in the PPA seller assuming the credit risk of the Prepaid Supplier and/or does the PPA seller retain credit risk to SCP? Assuming that certain quantities in excess of those required for the prepayment are delivered under a PPA, is the PPA seller required to generate

two invoices? If not, then how are invoicing and payments managed, especially in light of payment timing differentials?

8.3.19. What happens to the assigned PPAs if the Minimum Discount is not met at a re-pricing or upon a default by the Prepaid Supplier? Please describe how SCP is protected from paying twice for electricity deliveries where the Prepaid Supplier defaults in its obligation to pay under an assigned PPA and the prepay program terminates. What type of electricity is delivered if a PPA (with or without notice) fails?

8.3.20. Describe your approach to marketing your proposed structure's prepay bonds, including the ability to upsize or downsize the offering, green bond designation, and any considerations specific to your structure.

8.3.20.1. Where would you expect the prepay bonds to price relative to MMD, SIFMA, and/or 67% of SOFR as of COB July 19, 2024, for 5-, 7-, and 9-year terms?

8.3.20.2. Do you believe that the trading value of California tax-exempt bonds will produce higher savings levels for a SCP transaction than those completed outside of California? How does the transaction's size impact any California benefit? Provide an estimate of benefits taking into consideration various transaction sizes.

8.3.21. Please provide the requested set of bond and prepay numbers in the attached Appendix A, along with the additional outputs referenced in that section.

8.4. Supplier Experience

8.4.1. Describe your firm's experience and capabilities in the National, Western, and California energy markets with respect to energy supply and trading.

8.4.2. Detail the supplier's recent experience, if any, in supplying or trading energy with SCP.

8.5. Proposed Fees

8.5.1. Provide a summary table containing a complete list of all fees and expenses to be paid to the Proposer and/or its subcontractors, agents, advisers, or related parties by SCP or remitted from bond proceeds, the method of calculation that will be used to determine the final amount of each fee and/or expense (e.g., \$ per \$1000 of bond par value), and the payment timing and frequency of each fee and/or expense. Proposer is required to disclose all fees and expenses and may present the fees and expenses in the form of not-to-exceed (NTE) amounts. Please indicate any fees or charges that are subject to change at a repricing. Please indicate which fees or expenses, if any, would be payable by SCP or assumed by Proposer in the event market conditions prohibited a transaction from being finalized. The listed fees and expenses should include, but are not limited to, the following:

- 8.5.1.1. An NTE proposal for underwriters' spread for your proposed structure, specifying takedowns, management fees and a detailed breakdown of expenses (including the costs of underwriter's counsel and commodity supply counsel).
 - 8.5.1.2. Credit rating agency fees.
 - 8.5.1.3. Second party opinion provider fees, as applicable.
 - 8.5.1.4. Fees associated with the use of a third-party funding provider, as applicable.
 - 8.5.1.5. Electricity supplier fees (e.g., reservation charges/fees, energy supply fees, administration fees).
 - 8.5.1.6. Electricity remarketing fees, as applicable.
 - 8.5.1.7. Commodity swap fees.
 - 8.5.1.8. Interest rate swap fees, as applicable.
 - 8.5.1.9. Any other areas or forms of compensation payable to the Bond Underwriter, Prepaid Supplier, or subcontractors.
- 8.6. Conflicts/Disclosure
- 8.6.1. Indicate any conflicts or potentially conflicting situations your firm might have in serving as an underwriter or supplier for an energy prepayment program for SCP.
 - 8.6.2. Is your firm involved in any SEC or comparable investigation regarding sales methods, security dealings, underwritings, or other practices? Please disclose the status of such matters.
- 8.7. Executed Affirmation Regarding Compensation
- 8.7.1. Please provide a filled out and signed copy of the Affirmation Regarding Compensation form, which is provided at the end of this document.

9. GENERAL TERMS AND CONDITIONS

- 9.1. **California Public Records Act.** All proposals submitted in response to this request shall be subject to disclosure under the California Public Records Act. In the event that a Proposer desires to claim portions of its proposal exempt from disclosure, it is incumbent upon the Proposer to clearly identify those portions with the word "confidential" printed on the lower right-hand corner of the page. SCP will consider a Proposer's request for exemption from disclosure; however, SCP will make a decision based upon applicable laws. Assertions by a Proposer that the entire proposal or large portions are exempt from disclosure will not be honored. All responses to this Request for Proposals shall become the property of SCP and will be retained or disposed of accordingly.
- 9.2. SCP also reserves the right to negotiate any price or provisions and accept any part, or all parts of any or all submittals, whichever is in the best interest of SCP.

- 9.3. All proposals received by the specified deadline will be reviewed by SCP for content, including but not limited to fees, experience, and qualifications of the bidding Proposers.
- 9.4. During the evaluation process SCP may request from any Proposer additional information which SCP deems necessary to determine the Proposer's ability to perform the required services.
- 9.5. Respondents bear all costs associated with responding to this RFP, and SCP will provide no compensation for these costs.

10. RIGHTS OF SONOMA CLEAN POWER

- 10.1. This RFP does not commit SCP to enter into a contract, nor does it obligate SCP to pay for any costs incurred in the preparation and submission of a qualifications statement or in anticipation of a contract.
- 10.2. SCP reserves the right to:
 - 10.2.1. Make the selection based on its sole discretion;
 - 10.2.2. Reject any and all Statements of Proposals;
 - 10.2.3. Issue subsequent solicitations;
 - 10.2.4. Postpone any of the time periods set forth in this RFP, for its own convenience;
 - 10.2.5. Remedy technical errors in the RFP;
 - 10.2.6. Approve or disapprove the use of particular subconsultants;
 - 10.2.7. Negotiate with any, all, multiple or none of the Proposers that respond;
 - 10.2.8. Alter SCP's Standard Agreement to be inclusive of any unique, unanticipated legal concerns.
 - 10.2.9. Negotiate a final project scope that includes all, just a portion or related additional items relative to the Proposed Project Scope set forth in this RFP;
 - 10.2.10. Waive informalities and irregularities in the Proposal Statement;
 - 10.2.11. Utilize others to perform or supply work of the type contemplated by this RFP;
 - 10.2.12. Request proposals from others with or without requesting proposals from contractors for the work of the type contemplated by this RFP; and/or
 - 10.2.13. Enter into an agreement with another Firm or re-solicit the Project in the event the originally selected firm defaults or fails to execute an agreement with SCP.
- 10.3. SCP reserves the right not to contract with any Proposer.
- 10.4. An agreement is not binding or valid with SCP unless and until it is executed by authorized representatives of SCP and the Proposer selected.

- 10.5. Evaluation of a response does not constitute a commitment by SCP to acquire such services from any source. SCP is not obligated in any way to proceed with this RFP or consider or enter into any agreement or undertake any liability to any firm in connection with this RFQ and any and all responses, whether qualified or not, may be rejected without any liability whatsoever to any firm on the part of SCP. SCP shall not be responsible for any costs incurred by a firm to prepare, submit, negotiate, contract, or otherwise participate in this RFP process.

11. CONFLICTS OF INTEREST

SCP is subject to the Political Reform Act, Government Code Section 1090, Government Code Section 84308, and other requirements governing conflicts of interest, campaign contributions, and gifts. Firms are required to review and comply with all applicable conflict of interest laws. In addition, firms are advised to review all SCP policies, available at <https://sonomacleanpower.org/financials-and-key-documents>.

The firm may not contact or receive information from SCP, its Directors and staff outside of this RFP process. If it is discovered that the firm contacted and received information from SCP in a manner outside the process identified in this solicitation, SCP may, at its sole discretion, disqualify the proposal from further consideration.

All contact regarding this RFP or any matter relating thereto must be made in writing and emailed to Mike Berwanger berwangerm@pfm.com with a copy to finance@sonomacleanpower.org.

**AFFIRMATION REGARDING
COMPENSATION**

By signing this form, I affirm the following regarding any and all compensation to be paid to Consultant for the services set forth in the Request for Proposals for the Energy Prepayment Transaction and any subsequent agreement for the services made by the Parties:

1. Any and all compensation paid to Consultant for the Services shall be paid on a contingency basis, and no compensation shall be payable to Consultant until after the services are completed and proceeds from the bond issuance are disbursed.
2. SCP reserves the right to terminate the services prior to bond issuance. In the event that the services are terminated, Consultant may not be entitled to any compensation.
3. Consultant shall track any requested compensation with sufficient detail and in a manner that may be audited by SCP.
4. Any and all proceeds disbursed as a result of bond issuance resulting from the services, less any compensation paid to Consultant, are the sole property of SCP.

By signing this affirmation form, I attest that I am authorized to sign this form on behalf of

Firm Name

Representative Signature

Name

Date

Title

Appendix A

Please provide two scenarios of quantitative analysis:

- Level Cashflows:
 - Closing Date: 11/1/2024
 - Assume delivery of 85,000 MWh/month at an average contract price of \$45/MWh
 - Deliveries: 12/1/2024 through 12/1/2054 (30 Years)
 - Mandatory Put Date: 11/1/2031 (7-year term)
 - Monthly PPA/Swap Cashflows: Beginning 12/1/2024
 - Additional optional scenario(s): Provide alternative Put dates if your proposed structure provides better economics for a different Put date (e.g., 5-year or 9-year)

- Back-loaded Cashflows:
 - Closing Date: 11/1/2024
 - Assume delivery of 85,000 MWh/month at an average contract price of \$45/MWh
 - Deliveries: 12/1/2024 through 12/1/2054 (30 Years)
 - Mandatory Put Date: 11/1/2031 (7-year term)
 - Monthly PPA/Swap Cashflows: Beginning 12/1/2024
 - Escalate the assumed 85,000 MWh/month by 5% annually every five years thereafter, beginning 12/1/2029 through 12/1/2054
 - Additional optional scenario(s): Provide alternative Put dates if your proposed structure provides better economics for a different Put date (e.g., 5-year or 9-year)

- Assume the following inputs:
 - Costs of Issuance: \$1,500,000
 - Commodity Swap Fee: \$0.20/MWh dormant; \$0.40/MWh active, assuming 85,000 MWh/month
 - Ongoing issuer/administration-related expenses: \$75,000 per year
 - Your organization's fees, costs, and rates as of COB July 19, 2024, per your proposed structure

- Provide the following outputs:
 - Monthly and annual economics for the initial term

- Sources and Uses of Funds showing the prepaid price, capitalized interest, reserves, underwriting fee, and any other up-front use of funds
- Reservation or electricity supply fees and any other fees such as interest rate swap fees
- Calculation of the prepaid price indicating the Prepay Supplier Present Value (PV) rate for determining the prepay price and discount method (i.e., 30/360 or actual/365)
- Prepay Supplier's initial period funding rate
- Debt service schedule and bond pricing table showing coupons, yields, and prices
- Assumed investment return and type of agreement for debt service fund and any reserves