

**CALIFORNIA ALTERNATIVE ENERGY AND  
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

***Consideration of Contract with Concord Servicing Corporation as  
Master Servicer for the California Hub for Energy Efficiency Financing (CHEEF)  
Pilot Programs in an Amount Not to Exceed \$5,500,000***

**Tuesday, June 16, 2020**

Prepared by: *David Gibbs, Staff Services Manger I over the Development and Implementation of the CA Hub for Energy Efficiency Financing.*

**REQUEST**

Staff is requesting approval to enter into a contract (“Contract”) with Concord Servicing Corporation (“Concord”, “Master Servicer”, or “Contractor”) to provide assistance to the Authority with the administration of the California Hub for Energy Efficiency Financing (“Hub” or “CHEEF”) Pilot Programs (the “Pilot Programs”), authorized by the California Public Utilities Commission (“CPUC”) under initial Decision 13-09-044, which are currently in various stages of implementation and development within the territories of the California investor-owned utilities (collectively, the “IOUs”). The contract would also enable potential future expansion of services to include additional program modifications, expansion of the types of eligible measures (including solar, storage and electric vehicle charging) and provide services statewide (outside of IOU territories).

**Contract Amount.** Not to exceed a total aggregate of \$5,500,000 over the entire Contract term. Funds for this contract are paid from a receivables contract between CAEATFA and the four IOUs (Agenda Item 4.A.).

**Term of Contract.** The initial Contract term will be two years, after which CAEATFA may choose to execute two (2) one-year extensions valued at \$1,000,000 each.

**SUMMARY**

**Background.** The California Hub for Energy Efficiency Financing was first authorized by the California Public Utilities Commission in Decision (D.) 13-09-044 (September 2013), as later modified by D. 15-06-008, D. 15-12-002, and D. 17-03-026. The financing pilots were established to “test new and innovative financing strategies ... to help leverage ratepayer and private financing to assist in achieving our aggressive energy efficiency goals, as later articulated by Senate Bill 350 (DeLéon, 2015) which calls for a doubling of energy efficiency in buildings by 2030.”<sup>1</sup> The Pilot Programs focus on attracting and leveraging private capital, given that the State cannot meet its energy efficiency goals by using traditional approaches of IOU rebates and incentives, nor on ratepayer or taxpayer dollars alone.

The design of the California Hub for Energy Efficiency Financing (“Hub or CHEEF”) creates a centralized and standardized platform to develop an open-market infrastructure to encourage additional private capital investment, while lowering financing costs and expanding access to capital for

---

<sup>1</sup> CPUC Decision 17-03-026, Issued March 29, 2017, page 2.

Californians. Lack of access to affordable financing is one of the hurdles to homeowners and business owners undertaking energy efficiency retrofit projects. Through these Pilot Programs, the CPUC seeks to develop “scalable and leveraged financing products to stimulate deeper [energy efficiency] projects than previously achieved through traditional program approaches.”<sup>2</sup> The pilots offer various forms of credit enhancements (“CEs”) which are expected to provide additional security to third-party finance companies, thereby attracting more private capital to efficiency finance offerings and expanded consumer access to enhanced financing terms. The four main goals that the CPUC seeks in evaluating these pilot programs are 1) the ability of the financing to get to scale, or to reach a significant number of Californians, 2) that the financing is leveraged by private capital, 3) that the financing reaches underserved Californians, and 4) that the financing produces energy savings<sup>3</sup>. The Pilot Programs encompass multiple energy efficiency retrofit market sectors: single-family residential, including low-and-moderate income incentives; affordable multifamily housing; small business; and establishes the first-of-its-kind open market on-bill repayment functionality to test borrower participation. Each Pilot Program is in various stages of program development and implementation.

The CPUC recently approved longer term funding for the Pilot Programs<sup>4</sup>, and CAEATFA anticipates legislative reimbursement and expenditure approval beyond its current FY 19-20 budget authority in the coming weeks. Among other things, CPUC Resolution E-5072:

- Approved the transition of the Residential Energy Efficiency Loan (“REEL”) assistance Program from a pilot into a full-scale program;
- Authorized additional funding in the amount of \$7.7 million for CAEATFA to continue to implement the Hub programs, and invest in planned infrastructure improvements to help REEL scale to broaden and deepen program impacts through fiscal year (“FY”) 2021-2022;
- Established that the CPUC would continue to explore broader approaches to financing to address comprehensive energy goals, including such efforts as decarbonization, solar photovoltaic, storage, and electric vehicle (“EV”) charging, as well as other financing approaches.

This contract will assist CAEATFA in implementing its services under the Hub; the scope of work has been developed to enable the programs to scale, and provides the flexibility to be expanded to incorporate potential future financing approaches to encourage clean energy improvements statewide. This will be the third contract<sup>5</sup> executed for these services since the inception of the CHEEF in 2014. In each instance CAEATFA issued a competitive Request for Proposal (RFP) and engaged in a robust outreach process. Concord Servicing Corporation has historically served as the CHEEF Master Servicer, and has demonstrated itself an effective partner in the pilots’ development and implementation.

**Role of the Master Servicer.** Under direction from the CAEATFA Executive Director and the senior management team of the Hub, the Scope of Work under the Contract will fall into three major areas:

- Receiving and enrolling financings (e.g. loans, leases, energy service agreements) from participating financial institutions (“PFIs” or “Lenders”); verifying borrower, project and financing eligibility;

---

<sup>2</sup> Page 3 of the Decision.

<sup>3</sup> CPUC Resolution E-4900, Issued December 18, 2017

<sup>4</sup> CPUC Resolution E-5072, Issued April 16, 2020.

<sup>5</sup> Contract #CAEATFA08-14 was a 3-year contract (including extensions) for a maximum of \$1.5 million; Contract #CAEATFA04-17 is a 3-year contract (including extensions) for a maximum of \$1.5 million; Contract #CAEATFA01-20 is a 4-year contract (including extensions) for a maximum of \$5.5 million.

collecting appropriate program data; and communicating loss reserves and credit enhancements based on Pilot Program regulations;

- On-bill repayment servicing:
  - Acquiring customer financing data (from enrolled financings) from PFIs, and providing such data to the IOUs for placement on the customer’s utility bill;
  - Receiving customer payment data and funds from IOUs and distributing to PFIs by establishing the accounts and processes to ensure a secure cash-flow. Notifying PFIs and IOUs, as appropriate, and managing the transfer of funds described in the Scope of Work; and
- Providing comprehensive program reporting to CAEATFA, and others, as further described in the Scope of Work.

The Master Servicer is critical to CAEATFA’s operation of the CHEEF programs and the operation of the on-bill repayment services. The current contract is in its third year, optional one-year extension period, expiring on December 31, 2020. CAEATFA anticipates that the funds under the existing contract will most likely be completely expended after September 2020.

Additionally, in its administration of the Hub CAEATFA has continued to evaluate the program structure to identify both cost and process efficiencies, and will continue to work with stakeholders – and Concord – to continue to identify efficiencies and cost savings in its future implementation. A summary of historic and projected costs associated with the Master Servicer services can be found in Attachment A.

**Request for Proposal Process.** On April 7, 2020, CAEATFA staff (“Staff”) advertised a Request for Proposal (“RFP”) through the Department of General Services Contracts Register, as well as on the CAEATFA website. At the proposal deadline, May 5, 2020, the Authority received one proposal which was considered responsive to the RFP.

Staff developed an evaluation process that included an evaluation committee consisting of CAEATFA staff and management. The proposal was evaluated based on the characteristics and point values outlined below, for a maximum possible of 100 points, with a minimum of 85 points to be responsive. Concord’s proposal received a total score of 90 points from the evaluation committee.

- 1) Evaluation of the firm’s overall experience demonstrating its ability to successfully complete the Scope of Work defined in the RFP, including Master Servicer experience. ~~(27.5/30 points)~~  
(25.5/30 points)
- 2) Evaluation of qualifications of the individuals to be assigned to the Contract on the basis of background and experience in related work as detailed in the RFP, including experience as a Master Servicer and with similar types of programs. ~~(8.5/10 points)~~  
(12.5/15 points)
- 3) Evaluation of the firm’s understanding of the Scope of Work, focusing on the firm’s proposed approach and tasks laid out to accomplish the Scope ~~(19/20 points)~~  
(17/20 points)

of Work.

- 4) Evaluation of the actual fees proposed, including the reasonableness of rates, estimated cost detail and effectiveness (given value of services to be obtained), and cost effectiveness (given the experience and qualifications of firm and its personnel). For evaluation purposes, the Cost Proposal included Sample Task Orders to establish reasonability of rates and project time allocations. (35/35 points)

**Overview of Concord Servicing Corporation.** Founded in 1988, Concord emphasizes the use of technology to efficiently, accurately, and flexibly respond to client needs in the receivables servicing industry. The company services over 2,100 portfolios and 1.7 million consumer obligations with a portfolio size of approximately \$4.8 billion for asset classes including unsecured consumer receivables in multiple sectors, and borrowers including individual consumers, multi-family building owners, small business and commercial entities. Since 2010, Concord has facilitated servicing for the growing energy financing marketplace, including on-bill financing, on-bill repayment, direct bill energy lending, multifamily lending and small commercial lending.

Concord is the current Master Servicer, having worked with CAEATFA since 2015 on the process, design, and implementation of the first Pilot Programs. Further, to the benefit of consistency inherent in its continuing work as Master Servicer, Concord brings strong outside knowledge and experience with account administration, energy efficiency financing, data management, and protection of personally identifiable information, working in a regulated environment, secure fund flows, reporting, and development and maintenance of financial product servicing data files to enable off-bill and on-bill repayment. Other engagements (as both master servicer and primary servicer) include managing the New York State Energy Research and Development Authority (NYSERDA) on-bill repayment energy loan portfolio, and the Association of Bay Area Governments (ABAG)'s Bay Area Regional Energy Network (BayREN) multifamily capital advance program. Concord operates automated clearing house ("ACH") activity in compliance with the National Automated Clearing House Association (NACHA) through established corporate banking relationships.

The Concord office through which CAEATFA's account will be primarily serviced is located (along with Concord's primary datacenter) in Scottsdale, Arizona. The facility is SSAE 18-certified and adheres to well-defined, documented and tested internal controls to properly safeguard the IT environment. Concord also maintains offices in Buffalo, NY; and Mexico City, Mexico.

CAEATFA's account will be managed by Concord's VP of Client Experience & Support, Vedran Veric and Director of Client Experience & Support, Carrie Jones. Both Mr. Veric and Ms. Jones have direct experience with program design and development work, as well as client relationships.

**Contract Terms.** The initial Contract term will be for two years, after which CAEATFA may choose to execute two (2) one-year extensions valued at \$1 million each, at the discretion of the Executive Director, for a total Contract term of up to four years. The compensation amount shall not exceed \$5,500,000 for the term of the Contract, including any extensions.

The maximum contract amount not to exceed \$5.5 million is larger than previous contracts. The larger contract amount, is by design, established to accommodate:

- a longer contract time period to better ensure consistency in implementation and return on infrastructure investment under the contract.
- a more significant infrastructure investment to improve and modernize the collection of information from users and better align with basic expectations of the private industry and end users. For example, the residential program has operated with lenders and contractors submitting forms and Excel spreadsheets during its pilot phase, rather than an automated user-friendly interface that would streamline the user experience and help to scale.
- a potential expansion of services to accommodate anticipated future pilot growth, to expand the scope of the contract beyond energy efficiency to include financing for solar photovoltaic and energy storage and to expand geographically beyond IOU territories and provide services statewide.
- further development and automation of the on-bill repayment functionality, including the potential development of a residential on-bill repayment program.
- expected increased activity – and corresponding services – under the CHEEF as the residential pilot transitions into a longer term program, as authorized by the CPUC in Resolution E-5072.

The Authority will compensate the Contractor for services satisfactorily rendered, and upon receipt and approval of invoices pursuant to the approved Fee Schedule. Invoices shall be provided to CAEATFA monthly and in arrears, and costs for specific deliverables will be controlled through task orders.

In addition, given the current economic uncertainty and recovery from COVID-19, CAEATFA, in alignment with all other state agencies, will make best efforts to reduce costs and identify efficiencies as the state works to stimulate and support increased economic activity and green infrastructure investment.

**Recommendation.** Staff recommends adoption of a resolution authorizing execution of a contract with Concord as Master Servicer for the California Hub for Energy Efficiency Financing (CHEEF) Pilot Programs in an amount not to exceed \$5,500,000 over four years.

**Attachments:**

Attachment A: Historic and Projected Master Servicer Costs under the Hub for Energy Efficiency Financing program lifetime

**RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING THE EXECUTION OF A CONTRACT WITH CONCORD SERVICING CORPORATION AS MASTER SERVICER FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING (CHEEF) PILOT PROGRAMS**

June 16, 2020

**WHEREAS**, the California Alternative Energy And Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Alternative Energy And Advanced Transportation Financing Authority Act (Division 16 (commencing with Section 26000) of the California Public Resources Code) (the “Act”);

**WHEREAS**, the Authority has determined it requires a Master Servicer to continue to assist it with administration of the California Hub for Energy Efficiency Financing Pilot Programs currently in development and implementation within the territories of the California investor-owned utilities and authorized by the California Public Utilities Commission;

**WHEREAS**, the Authority has undergone a competitive process to identify an appropriate contractor to perform Master Servicer functions, with knowledge of and experience with account administration; energy efficiency financing; data management and protection of personally identifiable information; working in a regulated environment; credit enhancement (“CE”) fund flows; reporting; and development and maintenance of financial product servicing data files;

**NOW, THEREFORE, BE IT RESOLVED** by the Authority, as follows:

**Section 1.** The Authority hereby authorizes the execution of a contract in an amount not to exceed \$5,500,000 to retain Concord Servicing Corporation to provide master servicing and other actions related thereto in connection with the California Hub for Energy Efficiency Financing Pilot Programs.

**Section 2.** The term of the contract will commence upon execution and will continue for two years with an option for the Authority to extend for two additional years, unless earlier terminated by the Authority.

**Section 3.** The Chair of the Authority and Executive Director are hereby authorized for and on behalf of the Authority to obtain master servicing, with the form and substance of said contracts to be reviewed and approved by legal counsel of the Authority.

**Section 4.** This resolution shall take effect immediately upon its approval.

Attachment A

Historic and Projected <sup>6</sup> Master Servicer Costs under the Hub for Energy Efficiency Financing							
FY 2014-15 (actual)	FY 2015-16 (actual)	FY 2016-17 (actual)	FY 2017-18 (actual)	FY 2018-19 (actual)	FY 2019-20 (estimated)	FY 2020-21 (projected)	FY 21-22 (projected)
\$ 22,333	\$ 274,721	\$ 683,820	\$ 459,544	\$ 642,778	\$ 685,095	\$ 1,301,365	\$ 2,500,612

<sup>6</sup> Projected expenditures are based on activity and growth assumptions developed by CAEATFA Staff in Q2/Q3 2019.