BetterBuildings GRANT PROGRAM

REQUEST FOR PROPOSALS:
APPLICATIONS FOR RESIDENTIAL ENERGY EFFICIENCY LOAN FACILITIES

All applications are due by 5 PM CT, December 21st, 2010

Wisconsin Energy Conservation Corporation
Attn. Sue Hanson
431 Charmany Drive
Madison, WI 53719

REQUEST FOR PROPOSALS (RFP)
WISCONSIN ENERGY CONSERVATION CORPORATION

Residential Energy Efficiency Retrofit Financing Program in the City of Milwaukee, Wisconsin

Date: 11/23/2010
RFP Response Due Date: 12/21/2010

1. Request for Proposals

Based on a grant from the U.S. Department of Energy (DOE) to the Wisconsin Energy Conservation Corporation (WECC), the City of Milwaukee (the City) and WECC are seeking a financial institution (FI) partner[1] to participate in its city-wide Residential Energy Efficiency Retrofit Financing Program (the Program). WECC is requesting proposals from FIs to provide the following services:

- Assist in final structuring of the energy efficiency loan program, in collaboration with the City and WECC;
- Originate and provide energy efficiency loans (Loans) to residential energy users (and, possibly in the future, commercial and light industrial energy users);
- Manage a loan loss reserve fund (LRF), or other credit enhancement mechanism (see Section 5), funding for which shall be provided by WECC to enhance the credit structure of the Loan portfolio;
- Provide related Loan administration services, e.g., billing and collections; and
- Provide reports on the Loan portfolio and LRF.

This RFP provides:

- Program background (Section 2);
- Proposed structure and terms of the proposed Loans (Section 3);
- Proposed structure of the LRF (Section 4);
- Prescribed format and content for FI proposals in response to this RFP (Section 5); and
- Description of the RFP process that will lead to selection of FI partner and execution of implementing agreements for the LRF and for operating and marketing the Loan facilities (Section 6).

The proposer is asked to discuss all financial variables in its response to this RFP; and, for instance, where this document sets out an example percentage, ratio, or dollar figure, the proposer is asked to select an appropriate figure in its response. The bulk of these issues are addressed in Section 5.4.3 and discussed in greater detail in Sections 2, 3, and 4. The proposer may also choose to submit multiple options to reconcile trade-offs in its final response to the RFP. Selection of the FI will be a selection for negotiation—that is, the City, WECC, and the FI

[1] WECC reserves the right to select more than one FI if it determines that an additional FI(s) is needed for the best interest of the Program. WECC will also consider proposals from a team of responders—e.g. a lender FI teaming with another to cover the loan administration functions.

will further refine the elements of the proposal to arrive at final agreements.

The RFP process will identify the FI that can offer the lowest rates, longest tenors, broadest access to finance, the greatest marketing and geographical capacity, as well as the FI with sufficient assets to meet the lending demand created by the City marketing and campaign efforts. The lender(s) will be selected for negotiations, at which time the final structure of the loan loss reserve fund and, if applicable, other credit enhancements will be solidified. The terms of the Loans and credit enhancement budgets will be laid out in a Loan Loss Reserve Agreement between WECC and the FI.

The LRF will be expected to have the following impact on loan underwriting guidelines:

- *Reduce interest rate for unsecured loans.* The credit enhancements are expected to allow lower interest rates for unsecured loans than would otherwise be the case without such enhancements.

- *Increase size of unsecured loans*. Unsecured Loan sizes between $1,200 to $15,000 are expected, potentially utilizing a fixture filing (UCC-1) on installed equipment that will assure the lender's claim will be settled on a property sale, transfer, or refinancing event. Proposer may also submit an additional section on a secured option, with higher minimum and maximum loan sizes, longer loan tenors, and lower interest rates.

- *Extend tenors*. Loan tenors are expected to be extended. For example, a Loan tenor of 3 to 4 years could be extended to 6 to 10 years, allowing for the monthly Loan payment to closely match the energy savings.

- *Lower minimum credit score*. Credit score requirements could be as low as 600 to 650 or have no minimum, just adjusted rates. Alternative and holistic approaches to credit will be encouraged by FIs including to broaden access to people with limited credit history. The assumption here is that although the potential borrower may have less-than-ideal credit history, the willingness to improve their homes demonstrates willingness to pay and a higher personal investment in the project and the Loan.

NOTE: WECC and the City seek submission of proposals from qualified FIs that may form the basis for negotiation of a professional service contract. *This RFP is not an offer to contract* Specific terms and requirements in this RFP may be waived or modified by WECC as it deems necessary or appropriate. WECC and the City of Milwaukee have no liability for any costs incurred by a prospective provider for the preparation and production of a proposal or for any work performed prior to the issuance of a contract. Minority and women-owned businesses are encouraged to apply.

WECC reserves the right to reject any or all proposals and to solicit additional proposals if determined to be in the best interests of the program.

2. Program Background

WECC, a national leader in the design and implementation of energy efficiency and renewable energy programs, on behalf of the Cities of Milwaukee, Madison, and Racine, Wisconsin, filed an application for and received a grant for $20 million from the DOE in Funding Opportunity Announcement Number DE-FOA-0000148 Recovery Act: Energy Efficiency and Conservation Block Grant, Competitive Solicitation: Retrofit Ramp-up and General Innovation Fund Programs currently called the "BetterBuildings" program.[2] The City will receive approximately $12 million of these grant funds for a three year period to conduct its "Me^2 Energy Efficiency Retrofit Program" (Me^2) within the City.[3] Approximately $1,500,000 of this award will be used to create a LRF for Me^2 residential Loans (additional funding may also be added). At the end of the three-year grant period, the City will evaluate the success of the Me^2 Program, with the intent that funds be used to establish an on-going and sustainable fund to support the City's commitment to energy efficiency well into the future.

The goals established for the BetterBuildings grant are to increase energy efficiency, preserve and create jobs, and promote economic recovery. The DOE is encouraging cities to use their BetterBuildings funding not only to support current energy efficiency projects, but also to establish sustainable programs and put in place long-term financing mechanisms that will provide lasting benefits and lead to long-term market transformation. The Me^2 Program intends to serve these goals by providing low interest rate Loans for the installation and the implementation of energy efficiency measures for existing single-family residences and owner-occupied multi-family residences up to three units. It also hopes to provide access to low-cost capital for borrowers who might not have other available resources.

The LRF structure takes a "portfolio approach" to the credit structure of the energy efficiency Loan program. The FI will be making a large number of relatively small energy efficiency Loans. The LRF will support the whole energy efficiency Loan portfolio and can be sized at a margin higher than the portfolio's estimated Loan losses.

2.1 Program Principles

The following are core principles developed by DOE for guidance during the program and project planning process:

- Prioritize energy efficiency and conservation first as the cheapest, cleanest, and fastest ways to meet energy demand.
- Maximize benefits over the longest possible terms. Programs should look for ways to link their energy efficiency efforts to long-term priorities (especially community economic development, community stabilization and poverty reduction efforts).
- Invest funds in programs and projects that create and/or retain jobs and stimulate the economy while meeting long-term energy goals.

---

[2] Information about WECC is available at www.weccusa.org. Information about the BetterBuildings grant is available at http:/www1.eere.energy.gov/wip/eecbg.html

[3] Information about the Me^2 program can be found in Appendix D and at http:/www.city.milwaukee.gov/greenteam/MilwaukeeEnergy EfficiencyMe2.html.

- Target programs and projects that will provide substantial, sustainable, and measurable energy savings, job creation, and economic stimulus effects.
- Give priority to programs and projects that leverage federal funds with other public and private resources, including coordinated efforts involving other Federal programs targeting community development funded through the Recovery Act such as the Community Development Block Grant program, Community Reinvestment Act, (12 U.S.C. 2901), implemented by Regulations 12 CFR parts 25, 228, 345, and 563e, and job training programs.
- Develop, to the extent possible, programs and strategies that will continue beyond the funding period.
- Ensure oversight, transparency, and accountability for all program activities.
- Enact policies that transform markets, increase investments, and support program goals.
- Develop comprehensive plans that benchmark current performance and set aggressive goals.

With this RFP and the partnership that we anticipate forming with a winning FI, WECC and the City believe they will meet and further these guiding principles. We look forward to working with an FI that will also go the extra mile to embody these principles in an exemplary program.

2.2 Target Markets and Projects

The target audience for the Loans will be moderate income homeowners, 1-3 unit owner-occupied buildings, and the intent is to help them overcome the first cost barrier when implementing cost-saving but sometimes costly energy efficiency measures.

Target buildings will be identified by energy efficiency audits coordinated by WECC and conducted in conjunction with Focus on Energy private market consultants, contractors, and other selected partners. Marketing efforts for the Program will be led by the City, with partnerships being established with community groups, equipment vendors, installers, project developers, and contractors. The Program will generate a flow of energy efficiency projects and market the selected FIs' financial products to customers.

2.3 Energy Efficiency Equipment

Allowable expenditures for Loan funds will include equipment, equipment installation, labor costs for energy-efficient fixtures, and retrofits installed on property owned or leased by the Loan applicant.

Typical residential energy efficiency measures include but are not limited to:

- Air sealing
- Insulation of varying types
- Lighting
- Hot water heater
- New central heating and/or air conditioning systems
- Double-paned windows

A complete definition of “eligible energy efficiency projects” will be developed based on energy savings and other qualitative and economic criteria developed by the City in consultation with Focus on Energy, equipment suppliers, consulting engineers, and utilities. Technical evaluations confirming that projects meet these criteria will be provided to the partner FI as part of Loan origination and appraisal.

Me^2 will require pre- and post-completion comprehensive energy assessments by independent energy consultants holding Business Performance Institute (BPI) and RESNET certifications to determine the scope of work. The work will be performed by approved contractors and will be completed in a manner consistent with the consultant recommendations. The program will conform to the requirements of Focus on Energy's Home Performance with ENERGY STAR® Program so that customers will be able to receive Cash-Back Rewards for measures offered through this program.[4] Appendix D provides a more detailed description of the Home Performance with ENERGY STAR Program that will provide the core of the Me^2 implementation framework.

In some cases, homeowners will need to make non-energy efficiency related repairs on their home in order to facilitate installation of the energy efficiency measures. For example, before attic insulation can be installed, it may be necessary to repair a faulty roof. Non-energy efficiency related projects necessary to facilitate energy efficiency measures can be included in the Loans, up to a maximum percentage of 20%, at the discretion of the City.

WECC will make the final determination on project eligibility.

2.4 Target Lending Amounts

The typical sizes of single-family residential energy efficiency projects are expected to be in the range of $1,200 to $15,000, with an average Loan size of $6,600 estimated (after rebates and incentives). Actual projects will vary significantly in cost. Average rebates and incentives are estimated at 20% of the total project cost. A 50% rate of Loan uptake versus self-finance is anticipated.

The Program lending target will be geared to use a loan loss reserve fund of 5%, with the aim of achieving a lending amount of approximately $30 million over the initial three years of the project.

2.5 Roles of the Program Partners

Main and suggested roles of the several Program partners are described below. Proposer is free to suggest other/additional roles as appropriate.

WECC will provide:

- *Program Coordination*. Lead role to coordinate project implementation among partners and

[4] For more information on the Focus on Energy Home Performance with ENERGY STAR Program go to www.focusonenergy.com/residential/home-improvement/

parties.

- *Credit Enhancement Funding*. In this initial phase of the Program, up to $1,500,000 will be used for credit enhancement for energy efficiency Loans underwritten by the partner FI. The credit enhancement will be in the form of a LRF, according to a formula to be negotiated, and/or other credit enhancements, to support energy efficiency financing. Based on a 5% leverage percentage, this LRF is expected to finance approximately $30,000,000 in energy efficiency Loans.
- *Program Design*. Lead Program design and assist with initial financial structuring.
- *Reporting and Monitoring*. Contract with FI to collect, prepare, and submit Program reports to the DOE and the City per ARRA requirements and other reporting for DOE grant.
- *Project Vetting*. WECC will verify that projects meet energy efficiency and other germane standards before Loans can be approved.
- *Project Engineering & Development*. Coordinate delivery of engineering and project development services to interested customers. Develop and implement residential sector projects, organize audits, and evaluate and work with approved contractors to implement projects.
- *Quality Assurance:* WECC will provide quality assurance on financed projects through a sampling of completed jobs.

The City will provide:

- *Project oversight.* The City will approve the final program structure and contractual arrangement with the FI.
- *Marketing*. Organize and conduct marketing campaign in coordination with WECC for all sectors.
- *Workforce Training*. Develop and implement the workforce training program in coordination with WECC and local training institutions and organizations.

The FI will provide:

- *Loans*. Based on the LRF, interest rates will be lower than existing private unsecured loans and allow the broadest number of homeowners the opportunity to participate in the programs.
- Provide funding for the financing programs that allow unsecured Loan terms up to at least 10 years for residential Loans.
- *Leverage*. Provide sufficient funds to allow Me^2 to leverage the loan loss reserves to achieve an overall financing capability of approximately $30,000,000 over the Program grant period.
- *Creative Collaboration in Program Design*. Develop creative options to enhance and improve the Program. Assist WECC and the City in developing specific goals and objectives for the Me^2 Loan product(s) in accordance with the BetterBuildings grant requirements and guidance.
- *Loan Processing*. Be responsible for the development of forms for use in the Loan application process, Loan disbursement and reporting, and will work with WECC and the City to develop the Loan application and define a matrix for project selection.
- *Reporting*. The FI will track and monitor progress toward program goals, offer assistance to borrowers, and be responsible for communicating the success of the program. The FI will be required to provide on-going monitoring and reporting on success of Loans, collections activity in default situations, and other matters, subject to customer privacy policies. (See

Appendix B for more details).

- *Marketing*. Originate Loans and service the Program in cooperation with other Program partners. Marketing can be done through multiple channels (e.g., mailers to current mortgage holders and personal account holders, FI webpage features, as well as point of purchase signage).
- *Loan collections and administration*. Collect Loan payments and develop agreement to repossess energy efficiency equipment in event of Loan default, subject to Loan agreement terms with customers. Banks must follow their normal collection procedures and must outline these in their response to this RFP.

Utilities will provide:

- *Marketing/Information*. Coordinated with City marketing efforts, some marketing and education to customer base, along with providing customer and utility data to aid the project in identifying and assuring customer savings and to help target Program efforts.

The statewide Wisconsin Focus on Energy Program will provide:

- Cash-Back Reward to customers for eligible equipment and services.
- Training to increase approved contractors and consultants.

2.6 Program Implementing Agreements

The selected FI would undertake two key agreements to implement this Program. First is a Loan Loss Reserve Agreement (LRF Agreement) between the FI and WECC. Expected terms for the LRF Agreement are discussed in Section 4.3, below. The term of the resulting LRF Agreement will run commensurate with the grant term that is the funding source for this project, which ends May 31, 2013. As a result, all Program activities must be complete and reporting information needed to WECC by that date. However, it is the intent of WECC and the City, once this initial three year period is over, to extend this Program beyond the end of the grant period and to build a sustainable energy efficiency retrofit program. Based on success of the pilot program, WECC and the City will give first preference in a subsequent program to the FI selected for this pilot and would not be required to go out for a subsequent FI RFP.

Second, an Energy Efficiency Loan Program Agreement between the FI and WECC will be executed to define the respective roles of the parties in Program marketing and delivery, loan origination, and reporting.

FIs will use their own form Loan agreements with borrowers, which form shall be subject to review by WECC and the City.

2.7 Loan Marketing

A common challenge to implementing energy efficiency measures is lack of financing, so the availability of the Loan can help overcome this barrier and motivate participation. Further, the FI should have a goal to structure projects so that the dollar amounts of the estimated energy cost savings offset the amount of the monthly Loan payments to generate immediate positive cash flow. Thus, the Loan offer is integral to marketing.

Loan marketing will be integrated with the overall marketing of the Program. In addition, the following Loan marketing strategies and alliances are recommended and should be further explored and developed:

- *FI's Existing Customers*. The selected FI will market the Program to its existing portfolio of residential customers. The FI will identify customers, make contact, present the Program and bring them to the project for development services.

- *Mortgage Refinancing*. There is an opportunity to piggyback Energy efficiency investments with mortgage refinancing and incorporate the energy efficiency project investment into the new first mortgage principal, provided the project can be developed within the refinancing time frame.

- *Other Market Aggregators*. The Program and Loan offers can be marketed to entities that reach and manage multiple properties and property owners. These deserve special sales initiative and offer the opportunity for one high-level sale to result in an aggregated set of projects.

3. Energy Efficiency Loans

The goal of the Program is to offer energy efficiency Loans on attractive terms and longer tenors and broaden access to financing for energy efficiency projects in the City. Only owner-occupied, residential Loans will be offered in the first phase of the Program (WECC and the City are developing a commercial and light industrial program, as well). While it is anticipated that unsecured Loans will be the primary form, more than one financial product may be offered for residential customers, including a secured (second or third mortgage lien) Loan product. The following list summarizes typical terms of the Loan products. These details will be finalized with the selected partner FI. Preliminary Loan product term sheets should be included in the RFP response.

- *Eligible borrowers*. Residential homeowners will be eligible to borrow under the Program. Financial institutions should consider setting specific lending criteria that broaden access to credit for energy efficiency projects, based upon the credit enhancement provided by the LRF.

- *Eligible Projects*. WECC will be responsible for applying federal and project standards to determine whether a residential energy efficiency project located in the City and energy efficiency equipment (see table in section 2.3 above) are eligible. Home repairs that enable energy efficiency investments will also be considered and can equate to 20% of the overall Loan. The Loan proceeds may only be used for qualified energy efficiency improvements with no cash-out option.

- *Loan application*. Standard Loan application materials will be provided by the FI. WECC and other partners will collect information from homeowners in the application process, coordinating with the FI. The Loan application will include an energy efficiency project investment plan and list of recommendations specifying the intended measures to be implemented, their costs, estimated energy and cost savings, and sources of financing..

- *Loan terms*. For residential projects, 7 to 15 year terms are planned, with 8 years being typical.

- *Interest rate*. Our starting assumption is that interest rates will be below the standard market base for the type of loan product, factoring in the extra security offered by the loan loss reserve. Rates will be fixed for each Loan at the time of Loan application approval. FI will be asked to provide a published interest rate index as a benchmark for Loan pricing.

- *Payment schedule*. Monthly payments in arrears are anticipated, with Loans amortized "mortgage style"—that is, level payments of interest and principal, with no prepayment penalty. Option to prepay the outstanding Loans in whole without penalty will be sought. Partial prepayment option is not anticipated.

- *Loan size: minimum and maximum*. The actual parameters for the minimum and maximum Loan size should be proposed by the FI in its application and will be determined in the LRF Agreement among WECC, the City, and the FI partner. A $1,200 minimum Loan size is anticipated and a maximum of $15,000. The average project cost is expected to be approximately $8,000, including an average of $1,400 of which is expected to be paid through Cash-Back Rewards and other incentives, giving an average Loan amount of $6,600.

- *Loan underwriting guidelines and security*. To be proposed by FI. No initial cash payment by a customer will be required to receive financing. Borrower contribution, if needed, can be paid by personal contribution or other rebates. A prudent portion of estimated energy cost savings could also be included in this calculation. The FI can also file a UCC-1 on the installed equipment.

- *Participation fee*. The Me^2 program may also charge 1% of a Loan amount to approved contractors as a participation fee for the ability to use the Loan. This fee will be disclosed to customers. The proposer is asked to consider and propose, and WECC may negotiate with the selected FI to determine, ways to develop other sources of Program income to sustain the fund in the event of defaults and sustain the Program administratively.

- *Loan disbursement and flow of funds during project construction*. To be developed with FI. Simplest method is a single Loan disbursement to contractor(s), authorized by borrower, following completion and acceptance of the project. Methods for construction advances for larger projects may be investigated. Multiple projects may be grouped for implementation.

Renewable Energy Loans

Secondarily, the City received $150,000 of grant funds from WE Energies for purposes of loaning funds to the same target borrowers for installation of solar measures. Project costs are between $5,000 and $15,000. These measures require longer pay-back periods than energy efficiency measures, approximately 10 to 15 years. Therefore, appropriate length tenors are needed and we are seeking a leverage ratio of at least 10:1. We are seeking bidders to propose lending parameters for such a program in addition to the $1,500,000 in energy efficiency LLR program.

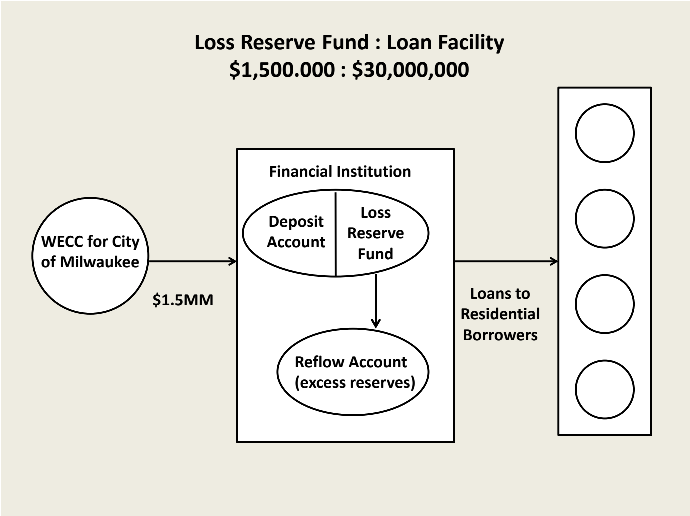
4. Use of DOE Grant Funds

4.1 Loan Loss Reserve Fund

WECC and the City will devote an estimated $1,500,000 of the BetterBuildings grant funds to support the partner FI to make energy efficiency project Loans in the City. The LRF is intended to enable the FI to offer longer terms, lower interest rates, and broader access to finance. With $1,500,000 in LRF funds, we anticipate that the FI will to be able to lend up to $30 million, based on leverage ratios of 20:1. This leverage ratio may be higher or lower, depending on the risk assessment by the FI respondent to this RFP. The LRF will support the whole energy efficiency Loan portfolio and is intended to be sized at a margin higher than the portfolio's estimated Loan losses.

Grant monies will be deposited with the partner FI pursuant to an LRF Agreement between the WECC and the FI. The LRF Agreement will create three accounts: an escrow account (Escrow Account), a reserve account (Reserve Account), and an account to house funds that are retired from the Reserve Account after a Loan has been fully paid (Reflow Account), all specifically defined in the LRF Agreement. Monies ($1,500,000) will first be placed in the Escrow Account at the participant FI. Then, for example, on a quarterly basis (the timing of the transfer is another variable that should be determined by proposer), as the FI makes eligible energy efficiency Loans, the agreed amount of funds for the LRF will be transferred from the Escrow Account to the Reserve Account. Once funds are transferred to the Reserve Account, they are available for the FI to draw on in the defined event of loss. The LRF structure takes a “portfolio approach” to the credit structure of the energy efficiency Loan program. The FI will be making a large number (up to 4,500 in the next few years, if the initial pilot phase proves successful) of relatively small energy efficiency Loans. The goal of the credit enhancement is to create sufficient loss reserves—from LRF funds and the FI’s own loss provisioning—to cover the estimated level of losses. With such reserves in place, in the event of a Loan default the lender will remain whole, at least to recover principal, at loss levels at or below the planned level. Prior experience with loan defaults in the United States with similar programs indicates that loan defaults have not exceeded 1.5% of the total loan amounts financed.

The structure of the LRF is illustrated below:



4.2 Risk-Sharing Formula

The risk-sharing formula will have two main parameters:

The first parameter is the ratio of the LRF funds to the total original principal amount of Loans in the energy efficiency Loan portfolio. Presently, we are thinking this will be 5%, which is the same as a leverage ratio of 20:1.

- *Trade-offs among the leverage ratio, Loan security, and access to finance*. A lower leverage ratio means less lending per a given amount of LRF funds. This implies greater risk protection for the lender, which can result in relatively relaxed underwriting requirements and approval of more Loans. Thus, there is a trade-off between the public goal of high leverage ratio versus the equally, or perhaps even more, important goal of creating broad access to finance. These trade-offs should be evaluated by the proposer and reflected in its final proposal. Proposals could offer up to three options on this point (e.g., one that maximizes interest rate and Loan tenor, one that maximizes access to finance, and one that balances the two).

The second parameter in the risk-sharing formula is the share of losses that the LRF will pay. We anticipate this will be 80%-90% of first losses to be paid from the Reserve Account, which implies that a portion of the loss will be borne by the FI and covered from its normal loss-provisioning. Because all losses after the LRF is exhausted will be borne by the FI, FI incentives for good Loan origination, administration, and recoveries will be maintained. Both of these parameters are to be proposed by the FI and will be defined in the final agreements among WECC, the FI, and the City.

4.3 LRF Agreement

To implement the finance program with the selected FI, a LRF Agreement will be executed by and among the FI and WECC. Key terms of the LRF Agreement include the following:

- *Definition of the Escrow Account*. The "Escrow Account" will house the original DOE grant monies deposited by WECC with the partner FI. Funds in this account, and their transfer into the Reserve Account, will be controlled by an Escrow Agreement executed by and between the FI and WECC.

- *Definition of the Reserve Account*. The "Reserve Account" is available to the FI to cover legitimate principal losses due to default that are otherwise unrecoverable using the FI's standard default recovery mechanism (see next bullet).

- *Definition of Loss and Event of Loss*. "Loss" will be defined as principal only on the Loan. "Event of Loss" will be tied to the definition of Loan default and acceleration under the FI's Loan Agreement with its borrower and will occur when the FI gives its acceleration notice to its defaulted borrower, demanding all payments due under the Loan Agreement between FI and borrowers. A certain number of days after this event, e.g., 5 to 10 days, then the FI can disburse funds from the Reserve Account to cover the agreed loss share, without obtaining further approval from WECC or the City. Any Reserve Account monies paid back to the FI to cover Loan losses may be audited by a third party at the request and expense of the City or WECC.

- *Interest on Accounts*. Interest shall accrue to WECC on all accounts. Federal regulations state that all interest accrued must be used for eligible ARRA program purposes.

- *Responsibility for and Distribution of Recoveries*. The FI will be responsible for recovery actions on defaulted Loans. Recovered monies, net of reasonable collections costs, will be distributed back to the Reserve Account in proportion to the FI's share of losses.

- *Underwriting criteria*. The parties will agree in advance on underwriting guidelines for the Loans. FI will be able to protect Loans through the Reserve Account that meet the underwriting criteria. Underwriting criteria can be adjusted during the course of the Program as a mutually re-negotiated and written amendment to the LRF Agreement. The terms of the Loans will be enumerated, including eligible borrowers, eligible projects, minimum and maximum Loan size, Loan tenors, etc.

- *Reporting and Monitoring*. The FI will provide regular monthly reports on the energy efficiency Loan portfolio according to DOE requirements, including the number and amount of outstanding Loans, payment performance, and collections, on all activities on the Escrow, Reserve, and Reflow Accounts. In each monthly report, the FI will also indicate any inchoate losses or acceleration notices.

- *Availability Period*. The timeframe for adding Loans to the portfolio and shifting funds from the Escrow Account to the Reserve Account will be defined and tied to any DOE grant requirements.

- *Disposition of Loan Loss Reserve Funds at end of Loan Period*. Funds will remain in the Reserve Account, the amount of which, in a fully subscribed portfolio, will be equal to the leverage ratio percentage times the amount of outstanding Loans. When the amount of the

Loans in the Reserve Account drops below that reserve percentage, the amount in excess will be transferred to the Reflow Account for additional eligible uses under the DOE requirements. At this time, it is anticipated that funds transferred to the Reflow Account will be designated to support further energy efficiency lending or otherwise enhance credit for energy efficiency Loans, unless otherwise determined by WECC per the LRF Agreement (see bullet below on Reprogramming Funds in the Escrow Account). Distribution of funds from the Reserve Account to the Reflow Account will occur on the same schedule as funds are transferred under the availability period determined under the above bullet (presumptively monthly or quarterly—FIs should make a recommendation on this point in their response). When the energy efficiency Loan portfolio is fully retired (the conditions for this eventuality will also be spelled out in the LRF Agreement), all re-flow Reserve Account funds will be transferred back to the Reflow Account, and, from there the future use of the funds can be redirected by WECC in accordance with federal DOE requirements. But at this time, the City and WECC anticipate that the monies in this Reflow Account will be used for continued support of energy efficiency energy projects. Please consider whether, upon a lower-than-expected rate of default on the portfolio, the ratios in the LRF could be reduced further at a future evaluation date.

- *Program Fees*. Under the Program, the partner FI may pay a percentage fee of the principal amount of all Loans added to the Loan portfolio. These fees can be added to the Loan, paid by the borrower, and will be used by the City to pay Program development/operations costs or "top-off" the LRF to offset any default payments. These fees represent another source of income that can make the Program sustainable and scale-able—that is, fees not used directly to cover development and operations costs will be added to the principle in the Reflow Account to increase the amount of LRF funds available to cover future energy efficiency lending.

- *Reprogramming Funds in the Escrow Account and the Reflow Account*. Funds in the Escrow Account and the Reflow Account belong to WECC in its role as the prime DOE grantee for this project. As part of the negotiating process between WECC and the FI, reasonable lending targets will be established. WECC will have the option to re-allocate the funds in the Escrow Account, if the targets are not met, to a different credit enhancement. The Agreement will indicate the ability of WECC to re-program uses of these funds, as needed, to adapt to Program operating experience. Funds could be used for other incentives to generate adoption of energy efficiency measures. FIs are asked to give other creative ideas on how to use DOE grant monies in ways that will support financing and Program goals. Please discuss these options, along with figures on the cost of buying down interest rates, if applicable.

- *Accommodating the portfolio "ramp-up" period*. Before the portfolio builds up, a single Loan loss can be a large percentage of the outstanding total Loan principal. Thus, in the beginning, a larger contribution to the Reserve Account corresponding to each Loan may be negotiated to give the FI the necessary level of risk-sharing during the portfolio ramp-up period. The FI is asked to consider this in its response.

- ***The LRF mechanism is not a loan guarantee***; it uses the DOE grant funds to mobilize commercial lending by sharing risk with the partner FI, but it does not eliminate risk for the lender. There is no guarantor in this mechanism. **The liability of the City and WECC is limited to only the DOE grant funding provided**. The FI is at risk for the repayment of all Loan amounts in the energy efficiency Loan portfolio in excess of the loan loss reserves provided. Therefore, prudent lending origination and administration must be maintained. The Reserve Account must and will stay in place until the Loan portfolio is retired, at which point any remaining funds will be designated to support further energy efficiency lending or another use determined by WECC consistent with the terms of the DOE grant.

- *Number of Participating FIs*. We expect to select one financial institution to serve the City's Program. WECC reserves the right to select more than one FI if it determines that an additional FI(s) is needed for the best interest of the Program. WECC will also consider proposals from a team of responders—e.g. a lender FI teaming

- *Alternative Uses of Funds – Interest Rate Buy-Downs*. In addition to the LRF, interest rate buy-downs have the ability to further reduce interest rates, improving the implementation of energy efficiency projects and the uptake of energy efficiency Loans. This strategy may be necessary to improve the value proposition to the borrowers in this economic climate, ensuring that the EECBG grant supported Loan facility is fully subscribed. The City and WECC aim to leverage the grant funds to the greatest extent possible, recognizing that interest rate buy-downs result in one-off spending of ARRA funds. However, if the Program customers do not respond to the terms and rates offered by the selected FI, then a portion of the funds may be used as interest rate buy-downs or other credit enhancements, to ensure that projects are implemented.

- *Flexibility to Reprogram Funds*. WECC and the City maintain the flexibility to re-program all funds in order to further the program goals and to enable more energy efficiency projects. The City and WECC will continuously evaluate the Program's success, gauging the effectiveness of the initial designated uses of funds. WECC will retain the ability to shift funds from one designated use to another (e.g. LRF to interest rate buy-down or vice versa) or from one FI to another, provided the funds have not been tied directly to a Loan that supports an energy efficiency project. The LRF Agreements will include a provision that will allow WECC to retain this control over all funds (the Escrow Account and Reflow Account funds and any interest rate buy-down funds). Until funds are moved from the Escrow Account to the Reserve Account, funds in the Escrow Account can be reprogrammed by WECC, if certain parameters are not met.

5. RFP Process

5.1 RFP Schedule

WECC will manage this process. Key steps and schedule for the RFP process are as follows:

RFP issued by WECC	Tuesday, Nov. 23, 2010
Submission date for written questions regarding the RFP	Friday, Dec. 3, 2010, 5 PM CT

Pre-bid conference among financial institutions, representatives from the City, WECC, the financial advisor, and the various other partners in the Program. This meeting is optional.	Tuesday, Dec. 7, 2010
Notification of intent to bid due to WECC. This notice is mandatory.	Tuesday, Dec. 14, 2010, 5 PM CT
Proposals due	Tuesday, Dec. 21, 2010 5 PM CT
FI(s) selected by the City and WECC for negotiations	On or about Tuesday, Jan. 4, 2011
Target date to complete LRF Agreement and Program Agreement	On or about Tuesday, February 1, 2011
Kick-off date	On or about Tuesday, March 1, 2011

These dates are subject to change by WECC. WECC will notify all FIs that have submitted a notice of intent to propose of any changes.

5.2 Question and Answer Procedures and Addenda

Questions and answers will generally be handled in writing and distributed to the responders. Any written questions shall be submitted to WECC at the address specified for the receipt of proposals or to the following email: sueh@weccusa.org. Faxed questions or inquiries will be accepted. WECC may modify this RFP prior to the date fixed for submission of proposal by issuance of an addendum to all proposers. Addenda will be numbered consecutively, the first being A-1.

5.3 Proposal Submission

Quantities: Four copies

Due Date: Proposals will be due no later than Tuesday, December 21, 2010.

Time: 5:00 PM Central Time (CT)

Please submit applications to Sue Hanson at WECC via email, hard copy mail, or in-person delivery (include 4 copies of the application for all hard-copy submissions).

Mailed proposals shall be addressed and delivered to:
WECC
Attn. Sue Hanson
431 Charmany Drive
Madison, Wisconsin 53719

E-mailed proposals shall be addressed to: sueh@weccusa.org

Note: Dates are preliminary and subject to change.

WECC and the City are not responsible for lost or misdirected proposals.

Verbal communications with WECC are encouraged but shall not be binding on WECC or the City and shall in no way modify this RFP or excuse proposers from the requirements set forth in the RFP. Such modifications shall only be made in writing through RFP addenda as indicated above.

An optional “pre-bid” conference will be held at 12-7-10 in Milwaukee City Hall, Room #603, 200 E. Wells St., Milwaukee, WI. This conference is an opportunity for proposers to learn more about the Program and ask questions. WECC, WECC’s financial advisor, the City and other relevant Program Partners will be in attendance.

5.4 Submittal Requirements

5.4.1 *Instructions and Proposal Outline.* These instructions prescribe the formal and general content for proposals. Each proposal submitted must contain one (1) original and three (3) copies of the following documents:

a) Letter of Transmittal. The cover letter transmitting the proposal must be executed by an officer or manager of the FI who is authorized to bind the offer presented in the letter and the accompanying proposal.

b) Cover Page. Name of proposer’s organization, local address, telephone number, email address, name of contact person(s), and date submitted.

c) Proposal Narrative. Address energy efficiency Loan terms, LRF terms, credit underwriting, Loan marketing and FI staffing according to the Proposal Outline described below. The proposal narrative should outline a solid strategy for development and implementation of the energy efficiency financing programs. Include a detailed statement of the methodology to be utilized to carry out each task.

d) Term Sheets for Loan Products. See Attachment A for sample template. Please submit separate term sheets for energy efficiency loans and solar loans.

WECC and the City seek to reduce waste in all our activities, and as such responders are encouraged to make submittals as PDF attachments to emails.

5.4.2 *Cover Letter*. The cover letter transmitting the proposal must be executed by a responsible, authorized official of the FI.

5.4.3 *Proposal Narrative Outline*. Proposals must address the following points:

Note: This is a competitive process. Proposers are asked to be creative in their proposals, addressing and suggesting trade-offs, submitting multiple options where reasonable, suggesting ranges, etc.—all aimed at achieving the fundamental goals of the Program and the DOE: to reduce energy usage through energy efficiency measures, to create green jobs, and to get FIs lending again, by offering the best loan terms (e.g., where possible the monthly loan payment amounts are offset by the energy cost savings) and broader access to loans (as practical, lowering barriers to lending so that more borrowers can utilize this Program).

a) *Loan Terms*. Please provide a summary description of energy efficiency Loan terms the FI can offer. If appropriate, we are interested to see the FI's ability and willingness to provide two types of loans: secured and unsecured. We are also interested to see the FI's willingness to consider different interest rates for different size loans in each of the sectors. For example, perhaps the FI would consider a lower interest rate for a larger loan. Please provide Loan Term Sheet(s) for this purpose. (See Annex 1 for example Loan Term Sheet).

   NOTE: Per Milwaukee Common Council Resolution, the lending rate to the consumer must be within 500 basis points of the current Wall Street Journal Prime Rate.

b) *LRF Terms*. Please respond to the proposed LRF structure and terms, including FI's proposed LRF risk-sharing formula. Please identify and discuss briefly the FI's position on key points in the LRF Agreement, working off the terms described in Section 4.3, above, including:
   - Parameters of the risk-sharing formula
   - Separation and definitions of the Escrow and Reserve Accounts
   - Definition of Loss and Event of Loss
   - Disposition of funds at the end of the Loan period
   - Program fees
   - Portfolio ramp-up period
   - Reprogramming of funds in the Escrow Account and ideas for alternative uses of these funds to promote the Loans

c) *Approach to Credit and Underwriting Guidelines*. Please provide a summary description of the FI's approach to: 1) credit analysis of borrowers; 2) underwriting guidelines and criteria for the energy efficiency Loan program, distinguished by customer market segment; and 3) credit screening. Please address the Program goal of broadening access to finance and how the LRF can support this goal.

d) *Loan process*. Discuss proposed details for each step of the Loan process including the Loan application, the application review, Loan closing procedures, project construction and completion, Loan repayment, and tracking and monitoring of Loans. The Me^2 program has a strong preference for a customer to be able to find out whether their Loan application meets the customer and program eligibility requirements as soon as possible (e.g. within minutes).

e) *Coordination with WECC and the Me^2 Program.* Please discuss plans to coordinate with WECC and the City throughout the development, implementation, and maintenance of the energy efficiency financing products.

The FI will need to obtain necessary information to determine that a borrower is eligible for a Loan, disburse funds only to eligible borrowers upon approval by the Me^2 program, and collect such payments, including when payments are past due in a manner that protects the interests and sustainability of the LRF. Appropriate credit underwriting procedures shall be developed with WECC and the City and utilized to ensure the credit-worthiness of Loan applicants

f) *Loan marketing, origination, and administration*. Please provide description of the FI's approach to Loan marketing, working jointly with WECC and the City. Describe the preferred roles of the FI in Loan marketing and origination. Further, please provide: 1) a form Loan Application; 2) a Loan origination procedures checklist; and 3) a draft form Equipment/Energy Efficiency Project Loan Agreement.

The FI will be expected to market the energy efficiency Loan product(s) to City residents in cooperation with other Me^2 marketing activities and should develop a plan to reach the target audience of moderate income homeowners. The FI will be expected to include the Me^2 program name, along with their own name and brand in all communications related to the Loan product(s). The relationship between the FI and the City will be expressed as a public-private partnership. FI will be required to add federal funding acknowledgement and disclaimer language as a requirement for any publications, as required by the BetterBuildings grant.

Proposals that provide a fast turnaround time between the filing of a completed application by a customer and a decision as to customer loan eligibility will be scored higher.

NOTE: Some of these Loans may be the result of a sale solicited at a home and therefore are subject to appropriate Wisconsin Statutes.

g) *Monitoring, Verification, and Reporting*. The FI will be responsible for the development of forms for use in the loan application process, loan disbursement and reporting, and will work with WECC and the City to develop the loan application and define a matrix for project selection. The FI will track and monitor progress toward program goals, offer assistance to borrowers, and be responsible for communicating the success of the program. On-going monitoring and reporting will be a requirement of the program. Along with a narrative discussion of monthly financing program activity, the DOE requires that on a quarterly basis the FI shall assess, verify, and report residential loans. A more detailed list of reporting requirements is listed in Attachment B.

h) *Qualifications, Experience, Officers, and Staffing*. Please provide acceptable evidence of your institution's organization, experience, qualifications, skills, and capabilities to undertake this Program, including current client base (market share) that can be targeted for marketing purposes. Please indicate names and contact information of officers who will play the following roles:

- Program Manager, headquarters, lead loan officer responsible for this Program who will provide the lead and primary point of contact for Loan origination;
- Senior FI Officer(s), who will negotiate and execute documents on behalf of the FI, be available if and as needed to discuss policy matters, and provide program leadership;
- Other staff, e.g., legal counsel, risk manager, assistants to the Program Manager within headquarters; and
- Indicate the number of branch officers who will be responsible for local Loan origination.

Please provide brief resumes and statements of qualifications for key staff assigned to this project. Identify the role of each in regard to the energy efficiency product(s) being proposed. Include contact information for the individual who will serve as the Program Manager. Describe the experience of the organization and personnel, especially in regard to the implementation of loan programs, energy related programs, and/or federal or state grant programs. Overall, please describe the level of effort and services the FI will devote and the general management approach the FI will take to make this Program succeed.

Please describe work that will be needed and qualification requirements for subcontractors, if it is anticipated that any will be needed. Persons who are not full time employees of the proposer shall be considered subcontractors.

i) *Financial Capability*. Please provide your entity's overall capitalization and its long term credit rating by Moody's Standard & Poors and Fitch as well as whether your entity is under a credit watch, review, or negative outlook by any rating agency or regulatory institution. If the FI is not rated by these agencies please include a copy of your most recent annual report and/or audit. State the total amount of Loan funding that the FI would be capable of providing for the energy efficiency Loan Program.

j) *Technical Assistance and Training Needs*. Please describe the FI's ideas, needs, and priorities for technical assistance and training. These needs can be discussed with the City and WECC for possible technical assistance supported by the US Department of Energy..

k) *Program goals*. Discuss proposed criteria for screening and ranking Loan applications in order to maintain the financial security of the program and to accomplish the objectives of the BetterBuildings grant for maximizing benefits in terms of jobs created/retained, energy saved, renewable energy generated, and greenhouse gas emissions reduced.

l) *Monitoring and Verification*. Please outline proposed methods for data collection and monthly reporting of product metrics.

m) *Additional Statements and Materials*. Please feel free to add additional statements, ideas, and materials that demonstrate the FI's understanding of the Program goals and how the FI could implement the Program.

Please describe any standard contractual or other requirements that would be required of WECC to enter into an agreement with the FI.

n) *Additional Requirements*:

i. *Insurance*. The FI will be required to carry errors and omissions insurance covering negligent acts or omissions that will cover the FI's actions under the contract with WECC.

ii. *Compliance*. The FI shall comply with the requirements of all applicable Federal, State, and local laws, codes, regulations, DOE policy and guidance, and instructions in this RFP, unless relief has been granted by the DOE and the City. The FI shall ensure flow down of the requirements of applicable Federal, State, and local laws, regulations, DOE policy, and guidance and instructions in this RFP to sub-recipients at any tier to the extent necessary to ensure the FI's compliance with the requirements, attached in Appendix E, "Special Terms and Conditions."

iii. *Site visits*. WECC or the City of Milwaukee authorized representatives shall have the right to make site visits at reasonable times to review project accomplishments and management control systems and to provide technical assistance, if required. The FI must provide, and must require Loan applicants to provide, access to facilities with reasonable notice. All site visits and evaluations must be performed in a manner that does not unduly interfere with or delay the work.

Proposal preparation costs are not reimbursable.

5.4.4 Selection Process and Steps to Complete Agreements

A two-step process will be used to select the successful contractor. WECC will select an applicant(s) to interview based on the quality and experience presented in the proposals. During the interview, the applicant will be evaluated on the quality and experience presented in the proposal and the ability to coordinate and complete the project.

Upon review and evaluation of all proposals, WECC will make a recommendation to the City regarding its choice of FI to best meet the needs of the City. Upon selection of the FI, WECC will initiate negotiations for contract terms and conditions.

Evaluation Criteria. Proposals will be evaluated qualitatively according to the following criteria (a scoring sheet is provided in Attachment C):

- Attractiveness of the proposed Loan terms, including pricing, tenor, security requirements, prepayment options, etc.

- Response to proposed loan loss reserve terms and ability to utilize this to meet the Program objectives and the objectives of the City and the DOE.
- Clarity and suitability of proposed Loan underwriting criteria and ability to meet the Program goal to broaden access to credit.
- Simplicity and ease of administration of underwriting criteria and Loan origination procedures and coordination with Program partners.
- Skills of staff, services, and level of effort the FI will provide to make this Program successful.
- Willingness and ability to coordinate with WECC, the City, and the Me^2 program.
- Proposed methods for data collection and monthly reporting of program metrics.
- Proposed plan to disburse Loan funds in a timely manner. Detailed description of deliverables and timelines for task completion.
- Proposed plan for marketing Loan product(s).
- Numbers of current bank customers, current numbers of mortgages and home improvement loans, and financial capability of the FI.
- Additional statements, ideas and materials that demonstrate the FI's understanding of the Program goals and how the FI could implement the Program.
- Compliance with solicitation requirements.

NOTE: Selection of the FIs will be a selection for negotiation—that is, WECC, the City, and the FI will further refine the elements of the proposal to arrive at final agreements. If WECC is unable to reach an agreement with the FI originally selected, it will select the next highest-ranking respondent from the original list, without the need to go out for another RFP.

5.4.5 Steps to Complete the LRF Agreement

Following selection of the FI with which to negotiate, WECC will proceed to negotiate the LRF Agreement. A form of this agreement will be provided. Annexes to the LRF Agreement will include: (a) Loan Application Form; (b) Loan Origination Procedures Checklist, and (c) form Loan Agreement, among others. All terms of the term sheets and proposed agreements are subject to negotiation and change.

5.4.6 Steps to Complete the FI/the City Program Agreement

Following selection of the FI with which to negotiate, WECC will also prepare a draft Program Agreement for review and discussion with FI.

6. Terms and Conditions

6.1 General

a) WECC reserves the right to reject any and all submittals, to waive minor irregularities in any submittal, to issue additional RFP's, and to either substantially modify or terminate the Project at any time prior to final execution of a contract.
b) Neither WECC nor the City shall be responsible for any costs incurred by the respondent(s) in preparing, submitting, or presenting its response to the RFP or to the interview process.
c) Nothing contained herein shall require WECC or the City to enter into exclusive

negotiations and WECC reserves the right to amend, alter and revise its own criteria in the selection of a respondent without notice.

d) WECC reserves the right to request clarification of information submitted and to request additional information from a respondent.

e) WECC will not accept submittals after the time and date specified on the RFP.

f) The qualifications of each member of the team are important criteria in the selection process. The selected FI will not be allowed to substitute any members without prior approval by WECC. WECC, at its sole discretion, reserves the right to accept or reject proposed changes to the team. Team members may participate in multiple team submittals.

WECC and the City encourage submittals from firms that demonstrate a commitment to equal employment opportunity. Minority and women owned businesses are encouraged to apply.

6.2 Proprietary Information

a) The information contained in the proposals will be public information unless a specific request is made to keep specific information confidential. If a proposal contains any information that the Offeror does not wish to have disclosed to the public or used by WECC or the City for any purpose other than evaluation of the offer, each sheet of such information must be clearly marked "proprietary." This information will be kept confidential, subject to applicable local, state and federal laws. Each page should be clearly identified included each line or paragraph thereof containing the data to be protected and the cover sheet of the proposal should be marked with the following Notice as well as referring to the Notice on each page to which the Notice applies.

b) Notice of Restriction on Disclosure and Use of Data. The data contained in pages of this proposal have been submitted in confidence and contain trade secrets or proprietary information, and such data shall be used or disclosed only for evaluation purposes, provided that if this Offeror receives an award as a result of or in connection with the submission of this proposal, WECC and the City shall have the right to use or disclose the data here to the extent provided in the award. This restriction does not limit the City's right to use or disclose data obtained without restriction from any source, including the applicant.

c) Proposals and supporting materials submitted shall become the property of WECC.

Attachment A –Draft Term Sheet for Energy Efficiency Loans, Residential

Attachment B – Special Terms and Conditions

Attachment C – Proposal Evaluation Scoring Sheet

Attachment D – Information on the Focus on Energy Program

ATTACHMENT A

Draft Term Sheet for Energy Efficiency Loans, Residential

Borrowers: Eligible borrowers include owners of single-family residences, or owner-occupied multi-family residences up to three units, in the City of Milwaukee, Wisconsin.

Lender: FI, after having entered into LRF and Program Agreements with WECC.

Use of Proceeds and Eligible Projects: Loans must fund investment in energy efficiency measures in buildings in the City of Milwaukee that meet certain efficiency criteria (to be defined by WECC and the City), in energy efficiency projects, and/or in building repairs necessary to implement the energy efficiency improvements. Equipment engineering and installation costs will be eligible.

Sources of Funds: Borrower will contribute a minimum of __% [e.g., 0 - 20%] own funds toward total Project Costs. Note: energy efficiency grants and other incentives and rebates can be considered as borrower equity.

Minimum Loan: $____ (FI requested to propose). A $1,200 minimum Loan size is anticipated.

Maximum Loan: $____ (FI requested to propose). A $15,000 maximum Loan size is anticipated.

Loan Tenor: FI requested to propose Loan tenor. Loan tenors will vary with the type of building (e.g. for residential, 7 to 15 year terms are planned, with 8 years being typical).

Payment Schedule: FI requested to propose payment schedule. Payment schedule suggested for consideration: interest only grace period for up to six months (typical three months, estimated) matching the estimated construction/project period, followed by level monthly payments of principal and interest for the balance of the Loan term. Mortgage-style amortization would allow the payments to be level over the Loan term.

Interest Rate: FI requested to define range based on Loan size, borrower credit, security, the mitigated risk (loan loss reserve), and other criteria. Rates will be fixed for each Loan at the time of Loan application approval.

Prepayment Option: FI requested to propose borrower prepayment options.

Loan Disbursement: FI requested to propose disbursement terms. FI can propose disbursing the Loan in one or several installments. A simple method is a single Loan disbursement. The Loan may be disbursed into the account of FI company(ies) performing the project works after the FI receipt of invoices for completed portion(s) of the project, which invoice shall be transferred and accepted for payment by borrower, after determination of completion by WECC which includes signoffs by the qualified energy consultants and homeowners or the selected FI. Methods for construction advances for larger projects can be proposed. Loan disbursement on each project will be contingent upon approval by WECC or the FI, based upon sufficient verification of energy efficiency project completion and all reporting requirements.

Loan Repayment and Security: To be proposed by FI. Both secured and unsecured Loan products may be proposed by FI. Sources of security could include the following:

a) For residential secured Loans, a deed of trust may be required, with anticipated loan-to-value ratios of 80-85% and up to 100%. It is expected that a prudent portion of estimated energy cost-savings will be included in this calculation.

b) For residential unsecured Loans, first security interest in installed equipment can be obtained, and FI may make a UCC-1 security filing.

c) LRF funds.

Underwriting Criteria: FI requested to propose underwriting criteria. Sample criteria for the borrowers are indicated below:

- no negative credit history; current on outstanding debts
- current on utility bills
- debt to income ratio of ____
- ratio of debt to total assets of ________.
- employment history - e.g. two years at current job
- Income verification
- Borrower’s own funds contributing minimum ___% [0 - 20%] of project capital costs

Loan Application: Borrower shall submit the following documents to the FI to apply for the Loan (to be determined by FI, examples follow):

1. Loan application (provided by FI and completed by borrower)
2. Taxes for last two years
3. Other additional documents (to be defined by FI)

Loan Origination Procedures and

Schedule: FI is requested to define Loan origination procedures and schedule, including FI response time for processing Loan applications, rendering credit decisions once complete information is received, and closing Loans on accepted applications. The FI should define its procedures for accepting loan applications and executing loans, and note whether loan applications can be made online.

ATTACHMENT B

Special Terms and Conditions

Be advised that special terms and conditions will apply to projects funded by ARRA for the City's Me^2 program relating to:

- Reporting, tracking and segregation of incurred costs;
- Reporting on job creation and preservation;
- Publication of information on the Internet;
- Prohibition on use of funds for gambling establishments, aquariums, zoos, golf courses or swimming pools;
- Ensuring wage rates are comparable to those prevailing on projects of a similar character (Davis-Bacon and related Acts);
- Ensuring that equipment and products purchased, to the greatest extent practicable, be American-made (Buy-American);
- Ensuring compliance with the National Historic Preservation Act (NHPA);
- Protecting whistleblowers and requiring prompt referral of evidence of a false claim to an appropriate inspector general; and
- Certification and Registration.

Along with a narrative discussion of monthly financing program activity, on a quarterly basis the DOE has proposed the following be reported by the FI for residential Loans issued as part of the Me^2 program (NOTE: these are subject to change):

- Number of Loan applications received
- Administrative cost incurred
- Credit enhancement
- Loan Type
- Building type
- Source
- Anonymous Loan ID (unique)
- Annual Income ($)
- Credit Score (FICO)
- Property Valuation
- Property Valuation Source
- Origination Date
- Total project price ($)
- Amount financed ($)
- Interest Rate (%)
- Compounding Period (number of times per year)
- Period
- Loan Term (months)
- Outstanding Mortgage debt? ($)

- Outstanding Home equity line? ($)
- Outstanding other debt? ($)
- Existing liens on property? ($)

Along with a narrative discussion of monthly financing program activity, the DOE requires that on a quarterly basis the FI shall assess, verify, and report residential (NOTE: these are subject to change):

- Date payment due
- Date of actual payment
- Payment due ($)
- Actual payment ($)
- Date of charge-off
- Charge-off ($)
- Date of pre-payment
- Number of months prepaid
- Prepayment Penalty Assessed ($)
- Pre-payment ($)
- Date of foreclosure
- Foreclosure ($)
- Lender Loss Experienced ($)
- Amount of financing ($)
- Source of financing
- Amount of rebates ($)
- Source of rebates
- Amount of tax credit ($)
- Source of tax credits

The DOE considers the above reporting requirements "standard." For pieces of this information that are not usually collected, the data point reporting requirement is open for negotiation.

ATTACHMENT C

Proposal Evaluation Scoring Sheet

City of Milwaukee Energy Efficiency Lending Program				
Financial Institution Request For Proposal: Proposer Evaluation Worksheet				
			Grade	
	Criteria	**Point Value**	**(0-100%)**	**Score**
	FI Qualifications & Experience	**10**		
1	FI proposer experience and qualifications	5		
2	Skills of staff and proposed level of effort	5		
	Energy Efficiency Loan Terms & Underwriting	**40**		
3	Interest rate and fee pricing	15		
4	Loan tenors	15		
5	Underwriting guidelines and security requirements	10		
6	Total amount of capital leverage	5		
	Approach to Loan Loss Reserve (LLR)	**30**		
7	Proposed risk-sharing formula for use of LLR/leverage	10		
8	Response on other LRF Agreement terms	5		
9	Broadening access to finance: ability to achieve	15		
	Approach to the Program & Marketing	**20**		
10	Loan marketing	5		
11	Number of accounts/members	10		
12	Loan application/approval/origination procedures and accompanying web user interface	5		
	Other	**15**		
13	Match of FI's proposal with Program goals: Proposed methods for data collection and monthly reporting of program	5		
14	Proposed methods for data collection and monthly reporting of program	5		
15	Program sustainability fee structure	5		
	Total Points	**120**		
	Evaluator Name & Date: ______________________________			
Financial Institution Name: ______________________________				
Contact Name(s): ______________________________				

- Note: A comparable sheet will be used to score proposal for a solar loan option.

ATTACHMENT D

Focus on Energy Program Overview

One of WECC's long-standing programs is Wisconsin's Focus on Energy statewide portfolio of residential, commercial and industrial energy efficiency, and renewable energy programs, which WECC has been the program administrator for since 2001 (the year Focus on Energy was implemented). Focus on Energy was formed via legislation (Act 141, which provides that the investor-owned electric and gas utilities must collectively establish and fund the statewide energy efficiency and renewable energy programs) and is overseen by two primary groups: the Public Service Commission of Wisconsin; and the Statewide Energy Efficiency and Renewable Administration or "SEERA."

Focus on Energy provides energy efficiency and renewable energy information and services, including financial incentives, for eligible residents and businesses. The program's efforts help Wisconsin manage rising energy costs, promote in-state economic development, manage resource constraints, protect the environment, and control the growing demand for electricity and natural gas.

Below is an overview of the key residential Focus on Energy Program related to the WE^2 project—Home Performance with ENERGY STAR®—as well as an overview of Focus on Energy's Business Programs.

Home Performance with ENERGY STAR
Focus on Energy partners with the Environmental Protection Agency (EPA) in developing its protocol for Wisconsin's Home Performance with ENERGY STAR Program, all of which is based on whole house building science principals. In Wisconsin, Home Performance with ENERGY STAR works with a network of independent consultants who help customers increase the energy efficiency, comfort, safety, and durability of their homes. Consultants partnering with the Home Performance with ENERGY STAR Program identify various problems in the home and provide recommendations and guidance for solving those problems. These problems largely focus on energy efficiency, but could also include mold, moisture, etc. A consultant will visit the home and complete a comprehensive evaluation of the following energy efficiency related areas:

- Insulation and building shell
- Air leakage
- Mechanical equipment
- Moisture and ventilation
- Combustion safety and carbon monoxide

Upon completion and verification of the recommended measures by the independent consultant, Focus on Energy provides Cash-Back Rewards to the homeowner for implementing select energy efficient measures through the Program. These measure-specific Cash-Back Rewards are cost effective and have been vetted through Focus on Energy third-party program evaluator. Cash-Back Rewards offset the incremental cost of installation of energy saving measures.

The Home Performance with ENERGY STAR Program is delivered via a statewide network of independent market providers including consultants, qualified contractors, and trade allies who are trained on building science principals and encourage and influence homeowners to make energy efficiency improvements to their existing homes. Additionally, Home Performance with ENERGY STAR staff and market providers conduct a significant amount of education to consumers to help deal with false assumptions about energy savings potentials and various conflicting information about how to effectively retrofit existing homes.

Key components of the Home Performance with ENERGY STAR Program include:

Target Audience and Eligibility. Homeowners or landlords of 1- to 3-unit existing homes. Eligibility is based on the combination of electric and natural gas utility participation.

Marketing and Communications. The Program targets existing homeowners, landlords, trade allies, provides cooperative advertising assistance to market providers, requires market providers refer at least five jobs to the program or lose privileges, and continues to include the building science message, along with citizen and social responsibility.

Trade Ally Coordination. Ongoing are efforts to work with the existing base of trade allies (contractors), as well as recruit select new contractors in areas of particular need and to raise awareness and understanding of the Home Performance with ENERGY STAR Program among this group. This is done through cooperative advertising funds made available to contractors and continuing Focus on Energy’s presence at home trade shows, trainings, and associations.

Evaluation, Monitoring, and Verification. The Program continually monitors and verifies both contractor work and consultant field and file work. The minimum requirement is 10% of files and 1% of field jobs.

Current Select Measure-Level Cash-Back Rewards Paid to Homeowners

Measure	Cash-Back Reward Amount
Attic Insulation	$100
Sidewall Insulation	$200
½- ¾” Foam Continuous Sidewall Insulation (700 sq. ft. min.)	$100
1” Foam Continuous Sidewall Insulation (700 sq. ft. min.)	$150
Interior Foundation Insulation	$200
Exterior Foundation Insulation	$150
Floor Insulation	$75
Sillbox Insulation	$50
Knee-wall Insulation	$100
Air Sealing reduction	$75 - $175
Exhaust Fan: .51 to 1.5 sone	$25
Exhaust Fan: .5 sone or less	$50
Chimney Liner	$50
Power-Vented Water Heater .80 EF or greater	$100
Electric to Gas Power Vented Water Heater .64 EF or greater	$250
Completion Reward: completing top 3 recommended measures plus air sealing, if applicable	$300
Completion Referral Reward	$50

For a complete, current list, of Cash-Back Rewards available to homeowners through Home Performance with ENERGY STAR, please go to: http://www.focusonenergy.com/files/Document_Management_System/Residential_Programs/hprewardseligibility_productlist.pdf

Focus on Energy Business Programs
Focus on Energy works with a variety of businesses, including agricultural, commercial and industrial businesses, as well as schools and government facilities, to identify and implement smart energy solutions that save money, boost productivity and reduce maintenance costs.

Focus on Energy delivers program services via experienced energy advisors that help assess facility energy use, find inefficiencies, and recommend solutions. Focus on Energy Business Programs also offer grants and cash incentives to help offset the costs of energy efficiency and renewable energy installations, as well as a variety of services, including free support and services to help business owners identify and install cost effective energy efficiency and renewable energy projects. These services include:

- Expert assistance and energy assessments to identify energy-saving opportunities at your facility
- Technical expertise to help you select and implement cost-effective projects and practices
- Financial incentives to help cover the costs of energy-saving equipment and upgrades

Key sectors covered by Focus on Energy Business Programs include:

Agricultural. Focus on Energy works with Wisconsin farmers to cut operating costs—whether by updating lighting in the barn or by installing variable-speed drives on vacuum pumps. Business Programs representatives help find energy wasters and recommend solutions that reduce farm-related energy use. New agricultural technologies, such as anaerobic digesters, are also explored.

Commercial. Focus on Energy offers an array of services to help commercial businesses such as hospitals, hotels, restaurants, grocery stores, and more, make smart energy choices. From developing a customized energy action plan to researching new technologies, Program experts can save commercial businesses energy and money. Training and access to education materials that can help identify cost-effective solutions are also offered.

Industrial. Focus on Energy offers specialized best-practice support to improve the energy efficiency at pulp and paper, metal casting, plastics, printing, food/dairy and water/wastewater industrial facilities. Emerging technologies such as condensing heat-recovery systems are supported and partnerships with customers to help them employ sound energy management practices are encouraged.

Schools and Government. Energy efficiency saves money that schools and government facilities can put toward other uses. Focus on Energy promotes cost-effective energy improvements for public and private schools, colleges and universities, government facilities and more. Program experts offer objective advice and years of experience to help organizations identify and implement energy-saving projects, such as lighting, heating and cooling, motors and variable-frequency drives. These measures reduce energy costs and improve occupant comfort.

New construction. Focus on Energy offers information, performance testing, and certification services especially tailored for the new construction of businesses and multi-family housing. Program experts encourage business owners and design professionals to integrate energy efficiency features early in the design process, resulting in high-performance buildings that save money, reduce maintenance and improve occupants' health and productivity.

Financial Incentives. Focus on Energy offers financial incentives to help Wisconsin businesses save on high-efficiency equipment and installations. Incentives are available for many items, from furnaces to motors to lighting, as well as renewable energy systems. Please review this web site link for a complete list of currently available incentives: http://www.focusonenergy.com/files/Document_Management_System/Business_Programs/businessservices_incentivessummary.pdf