Questions from Puerto Rico CERF Bidders

Responses provided as of February 3, 2021

The team at Rocky Mountain Institute, supported by The Rockefeller Foundation, and in partnership with Fundación Comunitaria de Puerto Rico (FCPR), Resilient Power Puerto Rico (RPPR), Asociación de Consultores y Contratistas de Energía Renovable de PR (ACONER), the Puerto Rico Science, Technology & Research Trust, and other partners – thanks the submitting organizations for these questions and their participation in this procurement process. The questions have been grouped by category and answered below. A few over-arching themes emerged in the questions, which we have addressed as follows:

- The fund manager will lead in establishing a structure and staffing to achieve the goals stated in the RFP document during fundraising and operations. The Community Energy Resilience Fund (CERF) team will be available to support a variety of potential staffing structures at the discretion of the fund manager, depending on the selected proposal.
- Regarding detailed pipeline information, financial models, draft prospectus, and other additional information: significant analysis has been done to date and will be shared with the finalist fund manager candidates. The CERF Team is open to changes and additions to the existing hypotheses.
- Many of the questions raised during this process will be answered by the CERF partners in coordination with the fund manager including questions around share of equity versus debt. The CERF Team welcomes suggestions and alternate approaches assuming that they will ultimately lead to the objective of providing resilience in low and moderate income (LMI) communities throughout Puerto Rico.
- The CERF Team aims to ensure that processes for collaboration with stakeholders including engineering procurement and construction (EPC) contractors and financial institutions are open, transparent, and focused on project elements being efficient from a time and resources perspective.

The questions as received from interested parties have been grouped by topic and answered (in blue) for public consumption (further specific details will be shared with shortlisted bidders).

Sizing & Technical Details of the microgrids

1. How were the average solar PV system sizes detailed in Appendix A estimated for each sector?

   The PV sizes listed in Appendix A are derived from information provided by a number of organizations including but not limited to FEMA, the Puerto Rican Departamento de Education, Clinton Climate Initiative, Direct Relief, Para La Naturaleza, the Solar and Energy Storage Association of Puerto Rico (SESA-PR), and Resilient Power Puerto Rico. Note on Data Scarcity: This analysis serves as a best estimation, first-pass of the market potential for solar photovoltaic and battery storage microgrids in Puerto Rico. This analysis quantified and estimated critical facility types in each municipality and modeled load sizes to the best of its ability with the available data. On-the-ground measurements of loads will be required to more accurately and precisely ascertain the system sizes for solar photovoltaics and battery storage pilot microgrids – for much of the database of critical facilities compiled.

2. How were the Repayment Ability classifications contained in Appendix A estimated?
Appendix A was prepared based on information provided by partners in Puerto Rico, who offered a general determination of the repayment ability for each type of critical facility. This can be considered an informed estimate based on market knowledge and a broad-based survey.

3. Can the microgrids include fossil-based generation? (most microgrids include such)

Yes. Thermal generation including fossil fueled options can be included in the projects. The fund as conceptualized indicates that fossil fuel systems will serving a backup service (PREPA service would continue, with daily support and interaction with the solar+battery system, and finally additional redundancy can be provided by a diesel generator), and integrating existing generators (most frequently diesel generators) is preferred to new generator installations. In all the pilot projects currently underway, integration with existing diesel generators is included in the project.

4. In Table 3, it is footnoted that the PV System is designed to provide 100% of the yearly energy requirements while another footnote in the same Table states that the BESS kWh sizing was estimated assuming that the critical load (defined as 35% of the average daily KwH consumption) would be served over a 24-hour period with the battery energy storage system (BESS).

Please find here a correction to the Table 3. footnote which states that the CERF team uses 35% of the average daily energy consumption (kWh) when we use 35% of the average hourly power demand (kW). For example, a facility that utilizes 87,600 kWh/yr has an average power consumption of 10kW, the rough estimation of 10kW * .35 * 24h = 84kWh was used. Therefore, the estimated battery size will be 84kWh. By utilizing this method for 11 sample facilities, we obtained an average BESS/PV ratio of 1.56. Updated hourly simulations with HOMER Energy software suggest that the average BESS/PV ratio may be closer to 1.25 since during daytime hours, the solar system supports the critical loads without the need of draining the BESS. As an example, a PV system with a BESS/PV ratio = 1.25 may have a PV system of 100kWp and a BESS system of 125kWh to provide the desired service during a prolonged grid outage.

5. Please confirm if the same parameters described above were utilized to determine the system sizing of the three (3) case studies included as examples.

Yes, we can confirm the corrected definition (as stated in question 3) was used to calculate system sizing for the three case studies.

6. Based on our analysis of the three (3) case studies included as examples, these system configurations would require very significant levels of concessionary capital to reduce System costs to levels where the cash flow savings from the electricity bill will be the same or lower than the debt service payment required to finance said Systems.

As such, our assessment is that the Solar PV Systems depicted in Appendix A would need to be reduced by at least 50% and the BESS systems would need to be reduced to a 4-hour capability to be economically feasible (i.e. net cash flow positive) Based on our industry experience, such a System configuration with the aforementioned with reasonable levels of concessionary capital.

The CERF Team, supported by expert consultants, has modeled both the case studies and representative sets of the pre-prepared pipeline facilities to determine the required concessionary capital given the target range of total bill savings (including contingency, O&M, and other factors). The inputs to that modeling include data from more than 90 completed microgrid
projects in Puerto Rico and a series of interviews with lenders in Puerto Rico to determine the likely terms of the loans. These inputs feed into a detailed financial model.

The financial model estimates average levels of debt, both for the scaled fund and for the current pilots is based on installed microgrid projects completed in Puerto Rico in the last two years.

As part of the ensuing phases of this procurement (after the finalist firms are selected), RMI will share the financial model and underlying data and would be glad to compare assumptions at that stage.

7. Would a Proposal that contains a System Configuration that materially deviates from the System sizing parameters contained in Appendix A be disqualified, or would it still be considered by the CERF Team?

Yes. System design proposals will be evaluated on a case-by-case basis as each facility’s financial and physical situation will differ. For example, a facility could be deemed particularly critical by the CERF Team, have a team and facility that is a strong fit for the program, but not have adequate roof space. These types of decisions will be made in close coordination with the selected Fund manager and must focus on maximizing the primary objective of community resilience.

8. Will these facilities uncouple from the existing PREPA grid and utilize only their own solar produced and stored power?

As indicated on page 1 of the procurement document, the systems will be designed to operate in connection with the PREPA grid during normal operations. They are expected to file under the current net metering arrangements (as described in Reglamento para interconectar generadores con el sistema de distribución eléctrica de la autoridad de energía eléctrica y participar en los programas de medición neta) or any similar successor regulation in Puerto Rico. The systems will be designed to disconnect during any grid outage or emergency to run on their own solar production, with storage firming and supplemental diesel backup if necessary and cost-effective.

9. Or will the solar-storage facility to be built simply serve as a back-up facility to assumed PREPA electricity to be utilized only when the grid fails?

See the answer to Question #8 above.

10. Or will the facility be net-metered, consumed grid produced electricity offset by solar produced electricity up-streamed to the grid. If so, at what price will locally produced solar power be sold to the grid?

See the answer to Question #8 above. The pricing is currently described in the Net Metering arrangements provided by PREPA under law and applicable regulations, and any applicable successor or additional regulations (including the proposed Restructuring Support Agreement) should be considered as having possible implications for the system cash flows.

Fund Business Model

1. Has any decision been made regarding the level of concessionary capital would be available to eligible entities classified in each of the three (3) Repayment Ability categories?
In prior modeling, the CERF Team has used a generalized average level for all of the critical facilities (and not varying based on the criticality level).

The Fund Manager will have the final say in making these types of decisions and analyzing the pipeline before deploying capital, in accordance with the stated objectives of the RFP. The CERF Team does not expect this to be a fixed parameter.

2. What is expected distribution of Grant funds and private capital in the $50MM-$70MM capital funding target?

The current financial model shows 24% grant capital needed (out of the total fund), using the base case size of fund (further details on this modeling will be shared with finalist candidates). This parameter is dynamic based on the results of the fundraising process and is expected to be shaped under the direction of the fund manager.

3. What is the initial amount of concessionary capital to be committed by The Rockefeller Foundation as part of the startup of the Fund?

The Rockefeller Foundation has supported this effort during the past two years by funding the work of RMI and other key partners in the island to develop this work. It has also supported the implementation of pilot projects. Although The Rockefeller Foundation intends to continue to support this work it is not possible at this moment to specify an amount.

4. Will the concessionary capital be 100% grant money, or will full or partial repayment be expected of any of the components?

The CERF Team’s working understanding has been that this would be grant money for upfront capital buy-downs and the loan loss reserve.

5. Must the Proposal include target IRR for the private equity component?

At this stage of proposal creation, a target IRR is not required. This determination is expected during further market testing and pre-fundraising activities. The current financial model includes a variety of IRR values depending on the fund size and structure, and is not designed to meet a target IRR and the fund manager is expected to refine these estimates.

6. What target IRR does RMI expect to achieve with this term?

See the answer to Question 5 above.

7. What is your expectation of target IRR for the private equity component? The RFP states: “your firm’s responses will be evaluated as indicative of your philosophical and practical approach rather than as requirements for management of the fund” (p.3). It also states: “Based on investor profile and investor feedback the Fund Manager will define the appropriate investment horizon, ticket size and exit strategy in line with the impact mission of the fund” (p. 4).

These statements appear to indicate that the CERF Team recognizes that the Fund structure proposed by the Fund Manager in its Proposal may need to be modified during the private capital
funding process. Please confirm that such would be the case and expand on your expectation in this regard.

Yes. The CERF Team expects the Fund Manager to indicate the approach recommended, but the CERF Team understands that investor and donor requirements may modify many specific issues and terms during negotiations.

8. The RFP states: “The CERF Team proposes that the debt cover capital expenditures only while the concessionary capital can cover eventual contingencies, and a portion of capital expenditure down payments and the rest will fund a loan loss reserve” (p.18).

In Table 5 (p.16-17), a 10% contingency was established for three (3) projects selected for implementation.

Please confirm whether that the intent of the CERF Team is that the concessionary capital is expected to fund 100% of the contingencies and that these have been set at 10% of project costs on all approved projects.

The CERF Team would first differentiate terms. The CERF Team has referred to a loan loss reserve established for the fund, which is designed to lower lender risk. A separate contingency is intended to provide protection against overruns on capital expenditures.

For the contingency, a 10% standard is included in modeling to provide protection against cost overruns.

Furthermore, the CERF Team and expert consultants do not view the loan loss reserve as funding 100% of any first losses on a loan (to avoid perverse incentives). Prior funds used as reference points for the CERF have used between 60 and 90% coverage on a first loss basis, but the Fund Manager’s input on this topic is expected and required.

9. Please elaborate on how you would expect the loan loss reserve to operate?

On page 4 the RFP states: “the fund manager may … establish a loss reserve level that suits investors return expectations.” Furthermore, on page 18 it states: “the rationale for this loan loss reserve Is to reduce risk for the investor by covering delayed or defaulted payments”.

How will the loan loss reserve be established?

For example, would it cover 100% of all loan losses of all loans, would it be based on a budgeted loan loss reserve (set by a % of the projected size of the loan portfolio or a fixed dollar amount to be mutually agreed upon by the Fund Manager and the CERF Team? Would the loan loss reserve be fixed for the life of the fund or would it be reviewed annually based on historical and/or projected delinquency levels?

As described above, the CERF Team has performed initial analysis on this mechanism, and envisions a loan loss reserve that does not cover 100% of all loan losses (to avoid perverse incentives). The amounts and the structure, as well as any mechanisms for periodic review, will be mutually agreed upon by the Fund Manager, CERF Team, and investors, and the CERF Team welcomes ideas through the RFP process.
10. In terms of the down payments to be covered by concessionary capital, on page 12, it states: “Each critical facility has been analyzed according to the following parameters:

....Expected level of repaying the systems (in cases where it is low, a higher grant % is needed for the project to be viable)”

It appears that the down payment amount to be covered by concessionary capital will be determined as part of the credit underwriting process.

On page 4, it states that among the Funds Tasks it must: among others” working closely with the investment team to define the project qualification criteria”.

What is your expectation regarding the Investment Team? Is the CERF Team expected to play a role in the credit underwriting process? Will the CERF Team review and/or approve all credit underwriting that requires some form of concessionary capital, or alternatively, will the Fund Manager be expected to establish its underwriting credit policies & guidelines and once approved, the Fund Manager will have the discretion to approve loans along with concessionary capital levels?

The CERF Team expects that the fund manager will establish policies and guidelines and direct the staff including the Investment Team and partners involved in credit underwriting as appropriate to achieve objectives. The final decision on credit underwriting will be by the fund manager, per the established guidelines and procedures that align with the vision of the fund, and the fund manager can rely on local partners as needed and most effective.

11. At the expected IRR, what term is contemplated?

The CERF Team models the cash flows using either a 10 or 15-year term – but this will be the determination of the Fund Manager in deploying capital. In conversations with local banks and equipment suppliers, these terms emerged as likely candidates given the assets being financed.

12. Will the credit enhancements potentially cover a PREPA default scenario?

PREPA will be a critical stakeholder for any investments in the electric system. PREPA’s ongoing debt situation also can relate to adjustments to the retail rate of electricity. However, as the primary assets under the fund will operate behind the meter, PREPA’s performance and activities primarily relate to grid operations, billing, and net metering arrangements. Supplemental insurance or protection may be required to protect against possible interruptions to those services, but they have not yet been modeled into the fund.

13. Is there a specific capital stack contemplated by RMI / Rockefeller et al.?

a. Typically - Equity, Debt, Tax equity would be the three pieces – which pieces are RMI contemplating coming from the concessionary capital providers?

RMI is leading the selection of the fund manager. The Rockefeller Foundation does not have a role in determining the capital stack.
RMI views grant equity and some debt being provided by the concessionary capital providers, as well as support to the loan loss reserve – as indicated in the concept note provided along with the procurement document. The Fund Manager will have a primary role in refining prior assessments and defining the intended capital stack.

14. Will the definition to be utilized to classify a community as LMI be the classification utilized by HUD and/or the US Census Bureau?

The HUD definition, applied to the census tract level, should be used.

15. What will be the criteria to classify an enterprise as a “small business”? Will it be based on the criteria established by the US Small Business Administration (SBA)? Will it be based on revenues, number of employees, total assets? May we assume that said enterprise must also operate in a Low/Moderate Income Community?

The SBA criteria will be used to determine the classification of small business. Number of employees and revenues will be the primary criteria. The organization must be located in Puerto Rico, but having a presence in a low/moderate income communities is not strictly required.

16. Does the CERF team have a preference regarding the loan portfolio allocation (in terms of percentages) of loans made to non-profit vs. for profit entities? Within the for-profit entities, does the CERF team have a preference regarding loan portfolio allocation between Small Business and the other For-Profit categories?

The primary preference, as stated in the concept note fund objectives, is the connection to community resilience. The fund as conceptualized does not have a preset allocation for non-profit vs. for profit organizations. There is a general preference for small businesses, and for businesses that help support public health services, but not a strict requirement.

17. Does the CERF Team have a preference regarding portfolio allocations for each market segment identified on Appendix A?

As specified in the objectives, the overall goal of the portfolio allocation is to support community resilience in LMI communities. When possible, the CERF Team will try to prioritize facilities that are particularly critical to their communities along with those that support public health (pharmacies, clinics, small businesses supporting essential workers and health care operations, etc.). Decisions regarding portfolio allocations will be made in collaboration with the fund manager.

18. Does the CERF Team have a preference regarding Portfolio allocation regarding the Project’s Criticality Index? For example, is it your expectation for the Fund to focus initially on projects ranked with a Criticality Index of 1, followed by 2 and lastly 3?

Please see answer to question 16 above.

19. Are the Criticality Index and Priority Index the same? If not, please explain the difference.

Yes, in activities performed thus far by the CERF Team, priority of the facility is defined by the Criticality Index.
20. What are the factors and weights assigned to each factor to assign a Criticality Index (or Priority) to a given project?

*Four criteria were used to rank facilities in order of criticality. These are:*

1. **Health relation Index:** Due to the worldwide health crisis related to the COVID-19 pandemic and its effects on health systems as well as its disproportional impacts on minority groups and vulnerable communities, the CERF Team incorporated criteria to prioritize and better support healthcare-related facilities. **Group 1** (score = 1) - Non-health related facilities such as bakery, supermarket and bank. **Group 2** (score = 2) - Health-related facilities, such as pharmacies, clinical laboratories and therapy centers. **Group 3** (score = 3) - Healthcare facilities such as hospitals, health clinics, community health centers, doctor’s offices, emergency care centers.

2. **Vulnerability Index:** Using Socio-demographic and natural disaster indicators from the Census Block Group (CBG) along with Geographic Information System (GIS) data, a Community Vulnerability Index is generated for each facility. The CBG indicators include risk of natural disasters, socio economic status of CBG, percentage of dependent population and low education level indicator. GIS data includes distance of the facility to main roads.

3. **Last 30% reconnect Index:** The power blackout in Puerto Rico caused by Hurricane Maria kept a large portion of the population disconnected from the power grid for up to months. Disparities in power recovery following the hurricane have been documented showing that low-income residents living in remote and less dense areas (rural areas) were most burdened with longer recovery times. Last 30% reconnect index that takes into consideration historic vulnerability to electricity outages of the facilities based on their location and the time without power after Hurricane Maria.

4. **Reliability group Index:** Critical facilities have been categorized into three groups according to the type of critical services provided and the need for reconnection to electrical services after a major disaster. Each facility is assigned into one of three categories. **Category 1:** (Score = 1) Facilities such as financial institutions, university, daycare and school; where power to the facility can be restored after 72 hours of a power outage. **Category 2:** (Score = 2) Facilities such as food and water supplier, shelter, medical clinic, pharmacy, gas station; where power to the facility can be restored between 24 and 72 hours. **Category 3** (Score = 3) Facilities such as hospitals, 911 centers, police station, control tower; where power must be restored within the first 24 hours of a power outage.

Finally, each individual index is aggregated into a single criticality index by means of a weighted sum with the following weights: **Health relation Index weight = 0.1, Vulnerability Index weight = 0.6, Last 30% reconnect Index weight = 0.2, Reliability group Index weight = 0.1**

21. On page 16, table 5, three (3) projects were identified with 3 Criticality Indexes? Please discuss the factors that led each of these three (3) projects to be classified with their respective Criticality Index to clarify the concepts discussed in question #16?

The “Critical Ranking” included in Table 5 references the overall ranking for each facility among all the facilities engaged during the pilot outreach process. The response to question 19 describes the methodology that led to the classification of facilities for the pilot phase.
22. Would you consider other criteria besides income levels to define an area or community as an “economically depressed area”?

The CERF Team is focused on low-to-moderate income communities as these communities are often the last to receive renewable energy and many faced a long-term outage following the 2017 hurricane season. The CERF team has not and do not use the term “economically depressed”.

Per the answer to question #18 above, the CERF Team did incorporate a vulnerability index. Please see that answer for additional detail.

23. Is your expectation that the Fund’s lending activities will be limited to the 23,105 entities already identified in Appendix A?

The CERF Team sees some opportunity for the fund to address facilities that are not considered critical, however, the focus of the fund should be on critical facilities based on the resilience challenges in many LMI communities. The CERF Team welcomes ideas on creating the appropriate guidelines from the selected Fund Manager.

24. Do you have additional information regarding the entities identified in Appendix A that could be shared with the Proponents?

The CERF Team has a detailed database of critical facilities (covering a portion, but not all of the 23,105 facilities listed in Appendix A), and ongoing conversations with a subset of those organizations. This information, as well as all relevant reports on the pipeline, will be shared with firms that proceed to the next phase of the RFP selection process.

25. Will the 20% down payment be covered 100% by grant money? Will a 20% down payment be the maximum amount that could be covered with concessionary capital, or could it be a higher amount based on the project’s merits and Criticality Index?

The grant amount available for each facility is dictated by criticality (see question #19 above for more detail) and the amount necessary to achieve the desired savings vs. current electricity bills. We anticipate that most facilities will receive in the 10-40% grant range, but, during the latter part of the fund deployment, we do see 100% loan as a possible scenario.

26. Would the selection of the Loan Servicing entity be a separate decision to made by the Foundation, or could the Loan Servicing Operation be included in the Proposal as a separate component?

Loan servicing will mostly likely be handled by a Puerto Rican financial institution and the procurement for this work, as for the fund manager role, is expected be open. Please do not include loan servicing experience as a separate component within RFP responses, except as relevant to the management activities the proposing organization has arranged in the past.

27. What is the CERF team’s view on the use of energy savings as a source for project financing and how it can be applied to different types of critical facilities with different repayment capacity?
This is not envisioned as a directly secured payment stream. The savings from reduced electricity bills to the utility help ensure repayment, but at the project sizes for this fund, these are not expected to be a secured or ring-fenced payment stream.

**Fund Manager Terms**

1. Will Fund Manager compensation be based on a fixed asset management percentage fee based on loans outstanding, will it be based on a hurdle rate with excess returns being split or will it be based on a combination of both? What are your expectations in this regard?

   The fund as conceptualized will not be structured to provide excess returns, beyond the successful performance of the loan portfolio and minimization of losses. Therefore, the fees are expected to be based on a percentage of invested capital, and/or a fixed fee component that will be focused on expenses incurred.

2. If a component of incentive compensation will be based on a hurdle rate, what is the targeted hurdle rate?

   See answer to question 1 above.

3. Will the Fund Manager be solely responsible for securing additional Grant Money plus private capital or will the three Foundations support the Fund Managers via introduction to their network of private capital donation entities that might be interested in a private capital investment in the Fund?

   Yes, the fund manager will be ultimately responsible for Fundraising. Nonetheless the coalition of partners working on CERF (RMI, Resilient Power Puerto Rico, Fundación Comunitaria de Puerto Rico with the support from The Rockefeller Foundation) are interested and willing to continue to support the project and the fundraising efforts.

4. Will 100% of the Fund Management team be expected to reside in Puerto Rico?

   This is not required, nor is it excluded from the set of options for staffing the Fund Management Team. The Fund Manager will propose a staffing structure designed to meet the objectives as specified in the RFP and provide appropriate expertise in the Puerto Rican market.

5. Will you require that the Fund Management Team have a Registered Investment Advisor (RIA) or a Series 7 licensee?

   Yes.

6. Will Fund Manager be expected to allocate 100% of its time to the Management of the Fund?

   Will there be a minimum time commitment to the Fund? If so, please provide some guidance regarding expectation.

   For the key Fund Manager staff or organization, a 100% time allocation is not required or expected. There is not a pre-set time commitment, though the reviewers of proposals expect that sufficient time from the key individuals with relevant expertise will be proposed to achieve the objectives specified in the RFP.
7. **Can the Fund Manager** run a commercial focused microgrid fund alongside the RMI fund?

This is possible. It will require the following conditions being met and the viability of such a fund depends on the market environment supporting the multiple areas of involvement.

For the core fund management team, these individuals are generally required to spend “substantially all of their business time” on the operations of the fund, and they will be prohibited from raising another fund with similar investment objectives (at least until the first fund has invested almost all of its assets).

Fund managers have a fiduciary responsibility to their investors, and a competing fund is likely to cause a breach of that responsibility. However, a fund manager can request investor consent to raise a competing/successor fund. In that case, the allocation of opportunities between funds will have to be clearly disclosed to all investors, with fund #1 usually taking priority if investment opportunities arise that fit both funds’ objectives.

**RFP Evaluation**

1. On proposal review process, who reviews the proposals, (i) internal CERF Team staff or (ii) advanced for review by members of the Foundation’s Board of Directors or alternatively, (iii) other Advisory Boards? Should the proposals be reviewed by non-internal CERF Team members, who comprises this review board, e.g., Officers of a financial institution with operations in Puerto Rico, or other?

The proposals will be reviewed and evaluated by the CERF Team as organized by RMI and including other participating partners in CERF. Any potential conflicts of interest from involved parties, if and when they are disclosed will be appropriately handled with legal guidance as required.

2. What weight will be granted to each Selection Criteria detailed in Chapter V (p. 5)?

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Score</th>
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<tbody>
<tr>
<td>Alignment with the CERF’s mission and vision</td>
<td>25</td>
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<tr>
<td>Team credentials, leadership, previous experience, and level of effort from the team</td>
<td>30</td>
</tr>
<tr>
<td>Ability to execute with experience in the renewable energy sector</td>
<td>10</td>
</tr>
<tr>
<td>Proposed approach to the structuring of the Fund to achieve the established goals</td>
<td>15</td>
</tr>
<tr>
<td>Proposed fee structure</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
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**Loan Terms**

1. What are the average loan size and range of loan sizes to which you anticipate the CERF to provide financing to?
Current modeling indicates an average project cost and size of $150,000 and 63 kW of PV and 79 kWh. Projects below $20,000 will likely receive lower priority in order to maintain efficiency in terms of project management. The CERF team does not anticipate working on projects larger than 300 kW of PV based on our analysis of the pipeline.

2. What are the terms of a typical loan that you anticipate being important for the CERF to finance?

The CERF team will share the financial model with selected finalists, which includes loan terms. Current modeling focuses on terms of either 10 or 15 years.

3. Please provide examples of terms (or sample term sheet) considering:
   a. Loan size
   b. Interest rate - will share additional info
   c. Overall cost of funds and subsidy rate
   d. Other terms

   Please see answer above to Question #2.

4. What is the CERF team's view on including energy audits and energy efficiency improvements as part of a project financing package for the different types of critical facilities?

   The CERF Team believes that energy audits and efficiency improvements are important component of the critical facility due diligence and overall success. Any evident energy efficiency improvements should be implemented along with the installation of PV and BESS systems, particularly those that help lower the total capital cost of the system. For example. A facility with incandescent lighting will be advised to switch to more efficient lighting instead of installing a PV+BESS system to power inefficient loads. However, some limits must be observed, when the efficiency measures are more expensive than the PV+BESS solution. We are open to innovative solutions from potential Fund Managers in this matter.

5. Could you share the names of the entities that have expressed interest in providing loans servicing services to the Fund?

   Loan servicing is expected to be managed by a Puerto Rico based financial institution and the procurement for this work, like for the fund manager role, is expected to be open. Please do not include loan servicing as a separate component within RFP responses.

   In subsequent phases of negotiation, the full list of previously engaged entities will be shared.

6. Will a Proponent be penalized if it sets a minimum lending threshold, of say $25,000?

   The CERF team understands that efficiency is important to drive impact and anticipates focusing efforts on medium and large scale projects rather than those that are very small.

**Pipeline**

1. Does RMI intend to provide algorithms for “criticality” measurements? How will the manager sort through the existing / new pipeline of facilities’ “criticality”?
The CERF team has done significant analysis with regard to the pipeline including examining criticality. The CERF team will share all previous analysis with the selected fund manager.

2. Do all the installations have to be LMI offtakers AND leverage concessionary capital recipients? Could some offtakers be rated/non-LMI and not receive concessionary capital (CC)?

The focus of the project is on facilities in LMI communities as those are often the last communities to receive renewable energy deployments and were the communities that had the longest outages following the 2017 hurricane season.

3. Is there a role for project equity for those non-CC projects?

Various options for community and outside equity have been considered throughout the process, including the Investment Tax Credit, which offers various financial benefits. No decision has been made in terms of whether the CERF will work to leverage this opportunity. Our experience in communities has demonstrated that communities are skeptical about ownership models in which external entities own the system. Ownership models will be explored in further detail with the selected Fund Manager.

4. How does RMI anticipate balancing the small scale of projects against criticality?

From an efficiency perspective, the CERF team anticipates focusing on projects that are above 10 kW of PV and 10kWh of storage in order to ensure that funds can be placed quickly and that project management is not overly burdensome. Aggregation of projects can also support efficiency of the process, depending on the participating organizations.

5. It appears that various entities included in Appendix A are public sector entities, such as, Dams, Airports, Police Stations, Disaster Relief Centers, Government/Federal facilities, Correctional facilities, among others. Should we exclude the m from our evaluation of potential borrowers with access to concessionary capital?

Public facilities have a different arrangement when paying for power in Puerto Rico, so the CERF team has a different workstream and corresponding business model. These should be excluded when considering potential engagement points for the fund manager.

Operations:

1. Does the RMI CERF concept contemplate any coordination with various island initiatives regarding renewable energy?

Yes. Depending on available resources and in keeping with the objectives of the Fund, coordination with public and private initiatives on Puerto Rican renewable energy will be valuable. The CERF team will also coordinate closely with other RF, RMI, FCPR, and RPPR initiatives outside Puerto Rico that overlap in terms of geography and / or focus area.

2. Has RMI identified operators in Puerto Rico who can be engaged for EPC/O&M activities?

The CERF team has strong relationships with EPC contractors that have provided and can continue to provide O&M services, and will be running open procurements to ensure fairness,
cost efficiency, and transparency. A full list of current O&M providers will be provided to shortlisted candidates upon request.

3. What is the project’s relationship to PREPA?

PREPA, and the currently contracted concessionaire firm, Luma Energy, are expected to be engaged throughout the project as these systems will interact with the grid. Strictly speaking, microgrids of the type described in this project require interconnection agreements and net metering agreements, and larger systems (above the 25kw legal limit defined in La ley 114-2007) require engagement and approvals from PREPA as described in the "Reglamento para interconectar generadores con el sistema de distribución eléctrica de la autoridad de energía eléctrica y participar en los programas de medición neta"

4. Are there preferred equipment vendors that RMI has engaged with?

There are not and have not been preferred equipment vendors in the work thus far. Procurement processes performed thus far have been open to a variety of equipment options (as proposed by bidding EPC firm), as long as the equipment is verified for safety and performance and has appropriate warranties. Also please reference the answer to #2 in this section above.

5. What role is the CERF team expected to play in the CERF Fund? Will it be on the Board of Directors, Investment Committee or will it be an advisory role? If so, please expand to better understand expectations.

The structure, partnerships, and staffing required to meet the specified objectives will set and directed by the Fund Manager. The CERF team and current operations in Puerto Rico has been deeply engaged in preparing the pipeline and likely partnerships and will be available to participate in new structure as defined and retained by Fund Manager during the operational phase of the fund.

6. What activities are contemplated as “community engagement”?

In the document we use community engagement to describe meetings, communication, trainings and other types of activities/contacts with community stakeholders such as non-profits, private entities, and municipalities. The purpose of these activities is to prepare the community to host and monitor these systems and provide the appropriate information and contacts in case of any system fault.

7. Do you have a map that shows where the Low to Moderate Income Communities are located within Puerto Rico?

The CERF team relies on publicly available US census data when analyzing communities. For certain facilities that have engaged with our partner group, we have a GIS-based tool that displays their locations, which will be provided to the finalist candidates.