SUMMARY OF POLICIES AND PROCEDURES FOR THE ISSUANCE OF RENEWABLE ENERGY PREPAYMENT BONDS

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY
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RENEWABLE ENERGY PREPAYMENT BONDS

I. Introduction

A. General Information. California Community Choice Financing Authority (CCCFA) was established to act as a conduit issuer of revenue bonds (Prepayment Bonds) for California community choice aggregators (CCAs) for the financing of prepayments for long-term renewable energy supplies. CCCFA is a joint powers agency organized and existing under the Joint Exercise of Powers Act (Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended and supplemented), and has the power and authority to issue Prepayment Bonds and to sell the electricity acquired with the proceeds of the Prepayment Bonds to the participating CCA, and to undertake certain related transactions. CCCFA's sole members are CCAs, and membership in CCCFA is required for CCCFA to act as a conduit issuer for a CCA, as further described herein.

B. Purpose of the Policies and Procedures. This summary of policies and procedures have been developed by CCCFA staff to provide a general guide to the process and procedures involved with the issuance of Prepayment Bonds by CCCFA and to provide links to forms of certain key documents or document provisions. This summary is for informational purposes only and does not supersede any CCCFA Board-approved policy or procedure.

C. Information regarding meetings. Certain CCCFA Board approvals are necessary for the addition of a new CCA member and to approve documents and transaction parameters for the issuance of Prepayment Bonds by CCCFA. More than one meeting may be required, depending on related CCA approvals and status of documents to be approved by CCCFA. Set forth below is general information relating the CCCFA Board's meeting schedule and attendance.

1. CCCFA regular Board meetings are held the fourth Thursday of each month from January through October, and the first Thursday of December at 1:00 p.m. Agenda items must be approved by the Treasurer/ Controller's working group, which meets on the second Monday of each month. All approved agenda materials are due to the Clerk the Friday before the regular Board meeting.

2. CCCFA Board meetings are generally accessible in person at noticed locations and remotely via teleconferencing as provided in CCCFA's regular meeting agenda.

D. Joint Powers Agreement. Each CCA that joins CCCFA is required to become a party to CCCFA's Joint Powers Agreement.

The Joint Powers Agreement may be accessed here: CCCFA.org/key-documents.

II. Membership in CCCFA

A. Associate Membership Required for the Issuance of Prepayment Bonds. CCCFA requires that a CCA join CCCFA as an Associate Member for CCCFA to issue Prepayment Bonds for the CCA. To join CCCFA, the CCA's Board of Directors must approve such membership by resolution and the execution and delivery of the CCCFA Joint Powers Agreement, pay an initial membership fee of $50,000, and agree to pay the CCA's equal share of annual costs to CCCFA to cover certain general and administrative expenses of CCCFA not otherwise covered by other fees.

A link to a form of resolution providing for the foregoing is available here: Appendix A.

B. Approval by CCCFA. Following adoption of an approving resolution by the CCA's Board of Directors, a PDF copy of the signed approving resolution should be emailed to CCCFA at:

info@cccfa.org *with a copy to David J. Ruderman, General Counsel of CCCFA, at druderman@chwlaw.us*

Following receipt, CCCFA will include on the agenda for the next available CCCFA Board meeting the approval of the CCA's membership and the execution of the applicable amendment of the CCCFA Joint Powers Agreement. CCCFA's meeting schedule and deadline for submission of agenda items is provided in paragraph C of Part I of these Policies and Procedures.

C. Membership Criteria. CCCFA's Board of Directors approved membership criteria on July 25, 2024.

These criteria can be found here: Appendix B.

III. Selection and Engagement of Professionals

A. Municipal Financial Advisor. Typically, the initial step to be taken by a CCA interesting in pursuing a renewable energy prepayment transaction is the engagement of a financial advisor registered with the Municipal Securities Rulemaking Board and experienced in advising CCAs in connection with such transactions. The CCA determines the process by which its financial advisor is selected, subject to the CCCFA's Prepay Transaction Criteria discussed in Part V.B below.

B. CCA Counsel; Disclosure Counsel. The CCA selects its legal counsel based on its own criteria and process. Such counsel typically also serves as disclosure counsel to the CCA, responsible for preparing information for investors regarding the CCA and its operations.

C. Bond Counsel. The role of Bond Counsel is unique to municipal finance. Bond Counsel prepares certain documents, including the Trust Indenture that governs the terms of the Prepayment Bonds, the cash flows, and the security for the payment of the Prepayment Bonds. Bond Counsel also coordinates the delivery of executed transaction documents, certificates and opinions and the closing of the transaction. At closing, Bond Counsel delivers an opinion that the investors rely on that the Prepayment Bonds are validly issued and secured. Bond Counsel is engaged by CCCFA at the request of the CCA, subject to the CCCFA's Prepay Transaction Criteria discussed in Part V.B below.

D. Tax Counsel. Typically, Bond Counsel also serves as Tax Counsel, providing an opinion (typically included in the Bond Counsel opinion) that the interest on the Prepayment Bonds is tax-exempt. As with Bond Counsel, Tax Counsel is engaged by CCCFA at the request of the CCA, subject to the CCCFA's Prepay Transaction Criteria discussed in Part V.B below.

E. Other Counsel. Other transaction parties described below select their own counsel.

IV. Selection and Engagement of Transaction Parties

A. Prepaid Supplier. The CCA selects the Prepaid Energy Supplier using its own process and with the advice of its financial advisor. The Prepaid Energy Supplier receives most of the bond proceeds, who in turn delivers energy to CCCFA during the prepayment period and pays for any energy not delivered or taken. The Prepaid Energy Supplier needs to be an investment grade company and is also responsible for any termination payment which retires the bonds if the transaction is terminated for any reason.

B. Underwriter. The underwriter of the Prepayment Bonds is a financial institution registered as a municipal securities dealer under applicable federal securities laws and is often an affiliate of the Prepaid Energy Supplier. The underwriter is selected by the CCA, subject to the CCCFA's Prepay Transaction Criteria for new issuances discussed in Part V.B below.

C. Swap Counterparties. To the extent the transaction includes a commodity swap and/or interest rate swap, the CCA selects the counterparty or counterparties with the advice of its financial advisor. Note that the Prepaid Energy Supplier or a related party cannot serve as commodity swap counterparty under applicable Federal income tax rules.

D. Trustee. The Trustee is a bank with trust powers that serves as the trustee for the Prepayment Bonds and holds and administers funds under the Trust Indenture. The Trustee is selected by the CCA with CCCFA approval.

E. Custodian. Cash flows associated with the assignment of power purchase agreements to the transaction and payments and receipts under the commodity swaps, if applicable, are administered by a Custodian. Like the Trustee, the Custodian is a bank with trust powers selected by the CCA with CCCFA approval. The Trustee may also serve as Custodian.

V. Approval, Sale and Issuance of Prepayment Bonds by CCCFA

A. Approval by CCA of Documents and Transaction Parameters. Once the CCA has joined CCCFA, the documents to which the CCA is a party have been negotiated and are in substantially final form, and the disclosure regarding the CCA and its operations to be included in the offering documents for the Prepayment Bonds is in substantially final form, the CCA Board of Directors will adopt a resolution approving the transaction subject to certain parameters and authorizing the execution and delivery of such documents by the officers of the CCA named in the resolution.

1. The documents to which the CCA is a party generally consist of an energy supply agreement between the CCA and CCCFA relating to the delivery of the prepaid energy at a discounted price, a form of limited assignment agreement relating to the assignment of energy deliveries under certain power purchase agreements of the CCA, a custodial agreement related to the cash flows from the assigned power purchase agreements, and an Operational Services Agreement with CCCFA , as further described in Part IV below.

2. The CCA resolution must be adopted before or concurrently with the adoption of the Bond Resolution by CCCFA, discussed below.

3. The transaction parameters contained in the CCA resolution generally include the maximum notional value of the prepaid energy, minimum discount levels for the purchase of such energy by the CCA, and limits on transactions costs to be paid from proceeds of the Prepayment Bonds, all as determined with the advice of the CCA's financial advisor.

B. Adoption of Bond Resolution by CCCFA. Once the CCA has adopted its approving resolution, the transaction documents to which CCCFA is a party have negotiated and are in substantially final form, and the Preliminary Official Statement related to the offering of the Prepayment Bonds to investors is in substantially final form, CCCFA will, at a regular Board meeting, adopt a Bond Resolution approving the transaction, the issuance of the Prepayment Bonds (subject to the parameters described above) and the execution and delivery of such documents by the officers of CCCFA named in the Bond Resolution, and approving and authorizing the use and distribution of the Preliminary Official Statement.

CCCFA has adopted criteria CCAs must follow for approval of any prepayment

transaction, with additional criteria that apply to a CCA's first issuance. These criteria cover requirements related to the experience and accreditation of the municipal financial advisor, tax, bond and disclosure counsel, and the underwriter. In addition, the CCA must prepare a staff report and a redline of changes to the prepayment documents from CCCFA templates. CCCFA also currently charges a fee of $20,000 per prepayment transaction, which fee is paid upon closing.

CCCFA's adopted Prepay Transaction Criteria can be found here.

C. Pricing of the Prepayment Bonds. Pricing refers to the sale of the Prepayment Bonds to investors and the determination of the price and yield on the Prepayment Bonds pursuant to such sale. The underwriter will review pricing information with the CCA and its financial advisor, and with approval of the CCA, the underwriter and CCCFA will enter into a Bond Purchase Agreement providing for sale and delivery of the Prepayment Bonds to the underwriter for delivery to the investors, subject to certain conditions to closing described below.

D. Opinions and Closing Certificates. The Bond Purchase Agreement will require the delivery of certain closing certificates and opinions by the parties to the transaction as a condition to the purchase of the Prepayment Bonds by the underwriter.

1. Opinion to be delivered by CCA Counsel. Counsel to the CCA will deliver an opinion relating to the authorization, execution and delivery of the documents to which CCA is a party and certain other matters.

2. CCA General Counsel Opinion. General counsel to the CCA is expected to deliver an opinion to the effect that there is no pending litigation relating to the CCA that would restrict or impair its ability to execute, deliver and perform its obligations under the transaction documents to which it is a party.

3. Closing and Incumbency Certificates to be provided by CCA. The CCA will be required to deliver a closing certificate relating to the transaction documents and approvals, no conflicts with other documents, no litigation affecting the transaction or the documents to which the CCA is a party, and certain related matters, as well as an incumbency certificate relating to the incumbency and authority of the officers of the CCA executing the

documents to which the CCA is a party and providing specimen signatures of such officers.

4. Tax Certificate to be provided by CCA. The CCA will also be required to deliver a certificate as to certain federal income tax matters relating primarily to the use of the prepaid energy to be purchased by the CCA pursuant to the transaction. Tax Counsel will rely on the certificate of the CCA in connection with the delivery of its opinion as to the tax-exemption of the interest on the Prepayment Bonds.

VI. Project Administration

A. Operational Services Agreement. To provide for the the CCA's control of certain matters under the prepaid energy agreement and other documents to which CCCFA is a party but the CCA is not, CCCFA and the CCA will enter into an Operational Services Agreement providing for CCCFA to take direction from the CCA with respect to such matters.

B. Operating Expenses. Under the Operational Services Agreement, the CCA will agree to pay to CCCFA amounts necessary to pay operating expenses of the prepayment transaction, if any, in excess of the amounts budgeted and payable from transaction revenues under the Trust Indenture, as further described below.

VII. Continuing Disclosure

A. Obligation to Provide Annual Financial and Operating Information and Notice of Certain Material Events. In connection with the issuance of the Prepayment Bonds, CCCFA is required under federal securities law to enter into an agreement to provide to a central repository operated by the Municipal Securities Rulemaking Board (referred to as Electronic Municipal Market Access, or EMMA) certain annual financial and operating information as well as notice of certain material events relating to the Prepayment Bonds.

B. CCA Obligations. In addition to the description of the CCA and its operations, the most recent annual audited financial statements of the CCA are included in the Preliminary Official Statement and final Official Statement for the Prepayment Bonds. The continuing disclosure undertaking of CCCFA described above will include the requirement to file certain updated operating information of the CCA

and the most recent audited financial statements of the CCA in its annual filings with EMMA.

CCCFA facilitates regular trainings regarding its and the CCAs' continuing disclosure obligations regarding Prepayment Bonds. Responsible CCA staff members are expected to attend such trainings and stay up-to-date with obligations imposed by the federal securities laws.

C. Disclosure Agent. In connection with the issuance of the Prepayment Bonds, CCCFA will engage a disclosure agent to collect and file the required annual information and notices of material events with EMMA, and the fees and expenses of the disclosure agent will be payable as an operating expense of the transaction, described below.

VIII. Credit Ratings and Green Bond Designation

A. Credit Ratings. The Prepayment Bonds will be rated by one or more credit rating agencies selected by the CCA with the advice of its financial advisor and the underwriter of the Prepayment Bonds. The rating on the Bonds will be a structured rating based on the credit of the Prepaid Energy Supplier (or its guarantor), not the credit of the CCA or CCCFA. Initial fees of the credit rating agency or agencies are payable by the CCA and reimbursed from proceeds of the Prepayment Bonds at closing. On-going rating maintenance fees are payable from revenues of the transaction as an operating expense, as further described below.

B. Green Bond Designation. Generally the CCA will elect to have the Prepayment Bonds designated as "green bonds" (or similar designation) by a third party selected by the CCA with the advice of its financial advisor. Initial fees of such party are payable by the CCA and reimbursed from proceeds of the Prepayment Bonds at closing. Any on-going fees of such party are payable from revenues of the transaction as an operating expense.

IX. Costs and Expenses

A. Costs of Issuance. Certain costs and expenses (such as underwriter's discount, fees and expenses of counsel to the CCA, CCCFA and certain other parties, initial fees and expenses of the Trustee and Custodian) are permitted to be paid from proceeds of the Prepayment Bonds as costs of issuance.

B. Operating Expenses. On-going transaction costs and expenses, such as annual fees of the Trustee and Custodian, rating agencies, etc. are budgeted and paid from revenues as operating expenses of the transaction under the Trust Indenture. Any such operating expenses in excess of those budgeted are payable by the CCA under the terms of the Operational Services Agreement, as described in Part VI above.

C. Other Expenses. Other costs and expenses of CCCFA not related to a particular transaction are payable from the annual membership dues payable by each CCA member to CCCFA.

Appendix A

[MODEL ASSOCIATE MEMBER RESOLUTION]

RESOLUTION OF THE [GOVERNING BODY] OF [AGENCY] TO APPROVE AND AUTHORIZE THE EXECUTION OF A JOINT POWERS AGREEMENT PROVIDING [AGENCY] ASSOCIATE MEMBERSHIP TO THE CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY TO ISSUE MUNICIPAL BONDS FOR ENERGY PREPAY TRANSACTIONS

WHEREAS, the pursuit of an energy prepayment on a tax advantaged basis enables a meaningful power procurement cost savings opportunity in which [AGENCY] can utilize its tax-exempt status to access the municipal bond market to prepay existing energy supply contracts at a discounted rate;

WHEREAS, long-term power prepay transactions utilize the municipal bond market and therefore [AGENCY] requires a bond issuing entity to participate;

WHEREAS, the California Community Choice Financing Authority ("CCCFA") is a joint exercise of powers agency established under California Government Code section 6500 et seq. (the "JPA Law") and a Joint Powers Agreement (the "CCCFA Joint Powers Agreement") among various California Community Choice Aggregators ("CCAs") for the purpose of undertaking the financing and refinancing of energy prepayments that can be financed with tax advantaged bonds on behalf of one or more of its members by, among other things, issuing or incurring bonds and entering into related contracts;

WHEREAS, [AGENCY] is a community choice aggregator, as such term is defined in Section 331.1 of the Public Utilities Code of the State of California (the "Public Utilities Code"), that is a public agency, as such term is defined in the JPA Law, which has implemented a CCA program pursuant to Section 366.2 of the Public Utilities Code, and possesses the power to purchase and sell electric energy and enter into related contracts for such purposes and, therefore, [AGENCY] is eligible to become a member of CCCFA under the CCCFA Joint Powers Agreement;

WHEREAS, for CCCFA to finance or refinance energy prepayments and issue bonds on behalf of [AGENCY], [AGENCY] must become an associate member of CCCFA;

WHEREAS, [AGENCY] has determined that CCCFA is the best-fit least-cost option for a bond issuing entity to enable [AGENCY] to participate in one or more energy prepayment transactions and therefore [AGENCY] desires to become an associate member of CCCFA;

WHEREAS, to become an associate member of CCCFA, the [GOVERNING BODY] of [AGENCY] must file an executed counterpart of the CCCFA Joint Powers Agreement with CCCFA, together with a copy of the resolution of the [GOVERNING BODY] of [AGENCY] approving the CCCFA Joint Powers Agreement and the execution and delivery hereof, and requesting to be added as an Associate Member of CCCFA and [AGENCY] must further agree in writing to pay CCCFA a share of organization, planning and other costs and charges as determined by the Board of CCCFA to be appropriate, if any;

WHEREAS, on March 11, 2022, the CCCFA Board established a new membership entry fee of $50,000 for a new associate member's portion of organization, planning, and other costs, in addition to each member's equal share of general and administrative costs as determined by the CCCFA Board;

WHEREAS, on December 16, 2022, the CCCFA Board established a transaction fee of $20,000 to cover the "Prepayment Project" costs as defined in Section 1.11 of the CCCFA Joint Powers Agreement; and

WHEREAS, under the JPA Law and the CCCFA Joint Powers Agreement, CCCFA is a public entity separate and apart from the parties to the CCCFA Joint Powers Agreement, and the debts, liabilities, and obligations of the CCCFA will not constitute debts, liabilities, or obligations of the [AGENCY].

NOW, THEREFORE, BE IT RESOLVED that the [GOVERNING BODY] of [AGENCY] hereby finds, declares, and resolves as follows:

1. The above recitals are true and correct.

2. The CCCFA Joint Powers Agreement on file with the [CLERK/SECRETARY] of the [AGENCY] is hereby approved. The [CHAIRPERSON/EXECUTIVE DIRECTOR/GENERAL MANAGER/ETC.] is authorized and directed, on behalf of the [AGENCY], to execute the CCCFA Joint Powers Agreement, and request that [AGENCY] become an associate member of CCCFA.

3. [AGENCY] hereby agrees to pay CCCFA for its share of organization, planning and other costs and charges as determined by the Board of CCCFA to be appropriate.

4. The officers, employees, and agents of [AGENCY] are hereby authorized and directed, jointly and severally, to execute and deliver any and all documents,

agreements and instruments and to do any and all things which they may deem necessary or advisable to carry out, give effect to and comply with the terms and intent of the CCCFA Joint Powers Agreement and this Resolution.

5. This Resolution shall take effect immediately upon its adoption.

The following Resolution was duly passed by the [GOVERNING BODY] of [AGENCY] at a regular meeting held on [DATE], by the following vote:

Ayes:

Noes:

Absent:

_____

Chair of the [GOVERNING BODY]

Attest:

_____

[SECRETARY/CLERK]

Appendix B

California Community Choice Financing Authority

Approved July 25, 2024

CCCFA Membership Criteria

To be eligible to become an Associate Member of CCCFA, one must:

1. Comply with all requirements for associate membership under CCCFA's JPA, including:
    a. Be a current CCA that is actively serving load in California as required under the CCCFA JPA.
    b. File a resolution of the applicant's legislative body approving CCCFA's JPA and requesting associate membership.[1]
    c. Receive approval by a majority of CCCFA's Board in attendance as required under the CCCFA JPA.
    d. File an executed counterpart to the CCCFA JPA with the Board clerk.
    e. Pay the new member fee and agree to pay ongoing costs for share of CCCFA planning costs, any prepay transaction fee, or any other future fees agreed upon by the Board.
2. Complete the required onboarding process as detailed by CCCFA.[2]

To be eligible to become a Founding Member of CCCFA, one must:

1. Be an Associate Member of CCCFA.
2. Comply with all requirements for founding membership under CCCFA's JPA, including:
    a. File a resolution of the applicant's legislative body approving CCCFA's JPA and requesting founding membership.
    b. Receive approval of two-thirds of the entire CCCFA board as stated in JPA.
    c. File an executed counterpart to the CCCFA JPA with the Board clerk.
    d. Pay the new member fee (if 3.b below applies) and agree to pay ongoing costs for share of CCCFA planning costs, any prepay transaction fee, or any other future fees agreed upon by the Board.

[1] CCCFA recommends use of its model resolution for applicants.

[2] Onboarding documents currently being prepared under contract with Chapman and Cutler.

3. Have either:

    a. received energy deliveries through a CCCFA prepay transaction for a minimum of one year, or

    b. employ a Director/Manager-level staff member with at least one year's direct oversight of prepay issuances and prepay operations while employed by a Founding Member CCA.

4. Be in good standing in all compliance related obligations related to the energy prepay transaction, including but not limited to ongoing disclosures, arbitrage rebate reporting and payments, eligible energy deliveries and/or remediation.

5. Designate a CCA full-time employee (at Director/Manager level or above) to serve in the CCCFA Treasurer/Controller working group as an active participant for one year and commit to continued future contributions in the working group.

6. Be current on all CCCFA associated fees and other energy prepay related fees and payments.

7. Must comply with any other transactional requirements as set forth and required by CCCFA.

CCCFA Prepay Transaction Criteria

To be eligible to for approval of a member's first prepay issuance through CCCFA, a member must:

1. Use an underwriter that has previously executed an electricity prepay issuance for a CCA in California

2. Utilize legal counsel to provide advice related to several issues, including but not limited to bonds, tax, disclosures, energy prepay buyer, and energy procurement. Tax counsel, disclosure counsel, and energy prepay buyer counsel must have prior experience with electricity prepay transactions. All legal counsel must be licensed to practice law in California.

3. Employ the services of an MSRB-accredited Municipal Financial Advisor that has previously advised on electricity prepay issuance in California.

4. Prepare the following materials for Board consideration:
    a. Staff report that summarizes the transaction in addition to the documents the Board must approve.

    b. Redlines of changes to template prepay documents provided by CCCFA to identify significant changes for Board.

5. Receive approval by a majority of CCCFA's Board in attendance as required under the CCCFA JPA.

6. Pay the transaction fee or any other future fees agreed upon by the Board.

7. Comply with all applicable legal requirements before debt issuance and maintain such compliance throughout the life of the prepay transaction.

To be eligible for approval of a member's second or any subsequent prepay issuance through CCCFA, a member must:

1. Utilize legal counsel to provide advice related to several issues, including but not limited to bonds, tax, disclosures, energy prepay buyer, and energy procurement. All legal counsel must be licensed to practice law in California.

2. Employ the services of an MSRB-accredited Municipal Financial Advisor.

3. Comply with requirements 4 through 7 applicable to approval of a member's first prepay issuance through CCCFA.