Draft

Attachment 1: Loan Product Guidelines

Renewable Energy Construction Loan

PURPOSE

Energy Trust's Renewable Energy Construction Loan is available to developers of renewable energy projects that will benefit from receiving ETO's above market cost incentive for the construction period rather than at project completion. The construction loan helps more renewable energy projects reach completion by providing developers the resources they need at the most difficult stage to finance. This product is intended to help viable projects bridge the gap between pre-development financial obligations, and the receipt at project completion of incentives, subsidies, and tax credit equity. The Renewable Energy Construction Loan will incentivize more developers to undertake a renewable energy project, and assist with projects already underdevelopment but in need of additional financial resources to reach completion.

DESCRIPTION

The Renewable Energy Construction Loan provides short-term financing during the construction period of an eligible renewable energy project. The loan product has a competitive rate ranging from between 8%-12%, with minimal fees. Construction loan repayment is due at project completion. Also at this time, a portion of the construction loan may be forgiven as a project grant, leaving the balance to be repaid in full or to be converted into long term 5-7 year permanent financing. Exact percentage of loan to grant conversion and full repayment versus long term conversion will be finalized during negotiation prior to closing.

The following information details the loan terms and eligibility requirements for applicants interested in the Renewable Energy Construction Loan.

LOAN DETAILS

Construction Period Financing

Interest Rate	**8% to 12%**
Terms	**18 Months Maximum**
Loan Amount	**Above Market Cost Calculation**
Total Funds Available	**10% Incentive Budget ($1.2 Million Cap)**
Fees?	

Permanent Financing

Interest Rate	**6% to 10%**

Terms	**5-7 Years**
Loan Amount	**Remaining Funds from Construction**

MINIMUM QUALIFICATIONS

1. Power generated from the Project seeking construction funds must be purchased by Portland General Electric or Pacific Power in Oregon. .
2. Total project costs must be at least $1 million.
3. Total system capacity must be at least 250kW.
4. Completed feasibility study satisfying ETO's criteria for the relevant technology.
5. Demonstrated permanent financing lender interest and grant/incentive commitments.

SPECIFIC GUIDELINES

Eligible Applicants: An individual, corporation, partnership, government agency, sponsor or a joint venture that has ownership or site control of the subject project.

Eligible Projects: Any renewable energy generating technology with a nameplate capacity greater than 250kW that is installed by an eligible Applicant in Energy Trust territory.

Interest Rates: Interest rates during the construction period will range from 8% to 12% depending on length of construction period, project risk, and the developer's financing needs. The remaining ETO funds post-construction, could be rolled into a permanent loan at a rate of 6% to 10%. The specific rate will be determined on a project-by-project basis.

Repayment Terms: ETO's repayment terms are structured to balance the goals of (1) helping applicants leverage necessary capital, (2) assuring the project remains feasible during critical development stages, (3) providing timely repayment of ratepayer funds so that more projects in-need can receive financing. Some portion of ETO's financing will be forgiven as a project incentive but the remaining funds will either be repaid at project completion, or allowed to convert to a permanent loan. Interest will accrue during the project and will be due at completion of construction and loan maturity. If some amount of the loan converts to a permanent loan, interest will be paid with principal according to the amortization schedule set for the loan.

Security/Collateral: ETO financing during the construction period will be unsecured. Each project will be closely monitored by ETO staff and ETO funds will only be disbursed on an as-needed basis in the form of reimbursements only after the project has achieved certain milestones. If any amount of ETO financing remains in the project as a permanent loan, the loan must be secured, but can be subordinate to the senior lender.

Reporting Requirements: During the period in which any recoverable ETO funds remain outstanding, the applicant must prepare and submit regular status reports with each

draw/reimbursement request or other schedule as reasonably requested by ETO, detailing the progression of the project and the use of the funds. In addition, each project will be assigned an ETO project manager depending on the type of technology. Applicants will be required to work closely with the assigned Project Manager, assuring all information requested is submitted in a timely manner.

Maximum Developer Fee: Project developer fees cannot exceed 7% of the total project cost.

Maximum Project Return: Total project IRR, based off of the investor capital account balance, cannot exceed 20% IRR during the first five years of operations.

Look-Back Provision: Projects that exceed 20% IRR during the first five years of operation may be subject to a look-back provision. Look-back provisions are to be negotiated on a project by project basis.

Hard & Soft Costs: Project hard and soft costs must be deemed reasonable and based on market comparables.

Grant Funds: ETO will work with individual projects to "right-size" the amount of grant funding available to a project upon completion. Total grant funding is not to exceed 50% of the above market cost calculation.

Documentation: ETO and the applicant must execute a Construction Financing Agreement. The applicant must submit all due diligence documents.

Eligibility Construction Activities

Supported Construction Financing Activities	
Construction Activities	Construction, installation, and commissioning activities that are eligible for the Energy Trust Construction Financing loan product may include, but are not limited, to the following: • Site preparation • Removal of old equipment • Equipment down payment • Purchase of new or refurbished equipment (???) to be installed • Installation • Upfront payment of service contracts (???) • Commissioning of the new system • Completion of post-construction testing, permitting, and licensing • Documentation of project, including photos

Eligibility Criteria

Criteria	Minimum Requirement
Eligible Applicants	The applicant must be either: a) The energy end user and customer on record in an eligible ETO/energy provider territory; or b) An eligible entity (e.g. a third party owner) that plans to sell the energy generated to an energy end user(s) and customer(s) of record in an eligible ETO/energy provider territory. For all projects, the applicant must demonstrate site control over the project location. Site control is defined as ownership or demonstration of a ground lease of at least 15 years from the date of the application.
Project Location and Type	The proposed renewable energy generation project must deliver all energy to either Portland General Electric or Pacific Power within Oregon. Eligible project types include all Renewable Energy generation technologies.
Minimum Project Size	The nameplate capacity of the proposed renewable energy project must be greater than or equal to 250kW. Total project costs must be greater than or equal to $1 million.
Permits and Feasibility	The proposed renewable energy project must have early-stage permitting secured, and have completed all relevant feasibility studies. Feasibility and technical requirements are similar to what is currently required for ETO incentives, and vary depending on the technology type.
Energy Sales Agreement	The proposed renewable energy project must provide ETO with detail regarding the onsite energy usage and sales forecast. Developer will provide power purchase agreement, net-metering arrangement, or feed-in-tariff.
Minimum Insurance	All applicants must comply with minimum insurance requirements, detailed in the loan agreement.

Minimum Technical Requirements	All installations must comply with the minimum technical requirements detailed by ETO for the relevant renewable energy technology. All installations must be done in compliance with all local, state, and federal laws and codes, and all projects must detail mechanisms for monitoring and performance.

Selection Criteria

Criteria	Sub-Criteria
Minimum Threshold	Energy Trust reserves the right to only consider applications that in its sole judgment, meet the following minimum threshold criteria, including: • The loan request is complete and responsive to the loan product guidelines and application requirements. • The loan application is complete and includes all required documentation. • The clarity, specificity, and consistency of the application are sufficient to be deemed credible. • The applicant has committed to the required cash cost-share and there is evidence of the applicants commitment to the project. • Demonstrated financial need.
Team Commitment and Qualifications	• Relative commitment of applicant and understanding of developing the project compared to other similar applications. • Related criteria including the applicant's commitment to proceed to construction, and the the applicant's impetus and expectations for the project. • If applicable, the commitment of other key players, such as site property owners (if different than the developer). • Qualifications, experience, and commitment of the key technical personnel in providing similar services for other projects.
Project Technical Characteristics	• Suitability of site and site conditions for proposed project. • Extent to which applicant has previously implemented cost effective energy efficiency improvements at onsite facilities. • Proposed renewable energy system technical feasibility, capacity factor, and onsite utilization. • Quality of project and technical risk assessment, extent

	of identified and unidentified risks and uncertainties, and proposed strategies for risk mitigation. • Financial analysis or estimates supporting the ability of proposed project to meet or exceed the end user's target payback threshold. • Feasibility of ownership model(s). • Project risks relative to similar proposed projects. • Development progress and timeframe relative to similar proposed projects.
Project Programmatic Benefits	• Technology, building type, and geographic diversity • Visibility and public awareness • Replicability
Project Ratepayer Cost Benefit	• Request of less than the maximum amount for which the project is eligible based on the grant levels and funding caps. • Clearly demonstrate how the applicant is leveraging the ETO construction financing dollars. • Cost benefit of dollars requested per watt relative to similar projects. • Cost benefit of dollars requested per kilowatt hour generated over the life of the project relative to similar proposed projects.
Scope of Work and Schedule	• Applicant clearly understands ETO construction financing due diligence deliverables, and has instituted mechanisms to respond with the required information in a timely manner. • Clarity and reasonableness of the work plan (realistic goals and schedule).
Budget	• Reasonableness of the budget relative to the activities. • Cash cost share relative to similar projects.

Payment Milestones

Payment is to vary by project. Possible milestones include:

Milestone	Approximate Reimbursement
Site Preparation, Financing and Equipment Order Deliverable and Invoice	30%
Equipment Delivery and Installation Deliverable and Invoice	55%
System Commissioning, Final Permitting, and Final Report/Invoice	15%