

STATE OF CALIFORNIA

STATE ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

RESOLUTION - RE: BLX Group, LLC

RESOLVED, that the State Energy Resources Conservation and Development Commission (Energy Commission) approves Contract 600-11-003 for \$15,000 with BLX Group, LLC, to provide rebate arbitrage compliance services for the Energy Efficiency Master Trust Revenue Bond Series 2003A and 2005A. Contact: (ECAA bond funding.)

FURTHER BE IT RESOLVED, that this document authorizes the Executive Director to execute the same on behalf of the Energy Commission.

CERTIFICATION

The undersigned Secretariat to the Commission does hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted at a meeting of the California Energy Commission held on February 8, 2012.

AYE: [List of Commissioners]

NAY: [List of Commissioners]

ABSENT: [List of Commissioners]

ABSTAIN: [List of Commissioners]

Harriet Kallemeyn,
Secretariat

CONTRACT REQUEST FORM (CRF)

CEC-94 (Revised 5/11)

CALIFORNIA ENERGY COMMISSION


 New Contract 600-11-003 Amendment to Existing Contract: _____ - _____ Amendment Number: _____

Division	Contract Manager:	MS-	Phone	CM Training Date
600 Fuels and Transportation Division	Christopher Scott		916-654-4719	7/1/10

Contractor's Legal Name	Federal ID Number
BLX Group, LLC	51-0404065

Title of Project
Rebate Arbitrage Compliance Services

Term	Start Date	End Date	Amount
New/Original Contract	April / 17 / 12	December / 31 / 14	\$ 15,000

Line up the Amendment information as best as possible in the following boxes

Amendment #	End Date (mm/dd/yy)	Amount

Business Meeting Information			
Proposed Business Meeting Date	4/11/12	<input type="checkbox"/> Consent	<input checked="" type="checkbox"/> Discussion
Business Meeting Presenter	Chris Scott	Time Needed:	5 minutes

Agenda Item Subject and Description
Possible approval of a three year Contract 600-11-602 with BLX Group for \$15,000 to provide rebate arbitrage compliance services for the Energy Efficiency Master Trust Revenue Bond Series 2003A and 2005A. Contact: Chris Scott, (916) 654-4719.

Business Meeting approval is not required for the following types of contracts: <i>Executive Director's signature is required in all cases.</i>
<input type="checkbox"/> Contracts less than \$10k (<i>Policy Committee's signature is also required</i>)
<input type="checkbox"/> Amendment for a no-cost time extension. Must be first extension, less than one year and original contract less than \$100k.
<input type="checkbox"/> Contracts less than \$25k for Expert Witness in Energy Facility licensing cases and amendments.

Purpose of Contract or Purpose of Amendment, if applicable
The purpose of this contract is to have an experienced rebate arbitrage consulting firm (contractor) provide complete and precise tax analysis of the Energy Efficiency Master Trust Revenue Bond Series 2003A and 2005A sub accounts and any other related bond accounts that affect tax liability of the Energy Commission for arbitrage purposes. The contractor will provide complete tax analysis, filings, opinions, and any other rebate arbitrage tasks as required by the Internal Revenue Service and as required by the 2003A and 2005A Tax Certificates and Agreements or any other associated bond documents and agreements.

California Environmental Quality Act (CEQA) Compliance
1. Is Contract considered a "Project" under CEQA? <input type="checkbox"/> Yes: skip to question 2 <input checked="" type="checkbox"/> No: complete the following (PRC 21065 and 14 CCR 15378): Explain why contract is not considered a "Project": Contract will not cause direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment because this contract is a bond support contract, providing rebate arbitrage analysis.
2. If contract is considered a "Project" under CEQA: <input type="checkbox"/> a) Contract IS exempt. (Draft NOE required) <input type="checkbox"/> Statutory Exemption. List PRC and/or CCR section number: _____ <input type="checkbox"/> Categorical Exemption. List CCR section number: _____ <input type="checkbox"/> Common Sense Exemption. 14 CCR 15061 (b) (3) Explain reason why contract is exempt under the above section: <input type="checkbox"/> b) Contract IS NOT exempt. The Contract Manager needs to consult with the Energy Commission attorney assigned to their division and the Siting Office regarding a possible Initial Study.

CONTRACT REQUEST FORM (CRF)

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CALIFORNIA ENERGY COMMISSION



Budgets Information								
Contract Amount Funded		Breakdown by FY			Funding Sources			
Funding Source	Amount	FY	Amount	Approved ?	Funding Source	FY	Budget List No.	Amount
ARFVTF	\$	11/12	\$5,000	No	Other	11/12	N/A	\$5,000
ECAA	\$	12/13	\$5,000	No	Other	12/13	N/A	\$5,000
State- ERPA	\$	13/14	\$5,000	No	Other	13/14	N/A	\$5,000
Federal	\$		\$	No	Funding Source			\$
PIER - E	\$		\$	No	Funding Source			\$
PIER - NG	\$		\$	No	Funding Source			\$
Reimbursement	\$		\$	No	Funding Source			\$
RRTF	\$		\$	No	Funding Source			\$
Other: BNY Bond	\$15,000		\$	No	Other: BNY Bond			\$
TOTAL:	\$15,000	TOTAL:	\$15,000				TOTAL:	\$15,000
Reimbursement					Federal Agreement #:			

Contractor's Administrator/ Officer		Contractor's Project Manager	
Name:	Nancy Kummer	Name:	Nancy Kummer
Address:	777 South Figueroa Street, Suite 3200	Address:	777 South Figueroa Street, Suite 3200
City, State, Zip:	Los Angeles, CA 90017	City, State, Zip:	Los Angeles, CA 90017
Phone/ Fax:	213-612-2215/213-612-2499	Phone/ Fax:	213-612-2215 / 213-612-2499
E-Mail:	nkummer@bondlogistix.com	E-Mail:	nkummer@bondlogistix.com

Contractor Is
<input checked="" type="checkbox"/> Private Company (including non-profits)
<input type="checkbox"/> CA State Agency (including UC and CSU)
<input type="checkbox"/> Government Entity (i.e. city, county, federal government, air/water/school district, joint power authorities, university from another state)

Selection Process Used
<input checked="" type="checkbox"/> Solicitation IFB Solicitation #: <u>600-11-602</u> # of Bids: <u>1</u> Low Bid? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes
<input type="checkbox"/> Non Competitive Bid (Attach CEC 96)
<input type="checkbox"/> Exempt Select Exemption (see instructions)

Civil Service Considerations
<input type="checkbox"/> Not Applicable (Contract is with a CA State Entity or a membership/co-sponsorship)
<input type="checkbox"/> Public Resources Code 25620, et seq., authorizes the Commission to contract for the subject work. (PIER)
<input checked="" type="checkbox"/> The Services Contracted:
<input type="checkbox"/> are not available within civil service
<input type="checkbox"/> cannot be performed satisfactorily by civil service employees
<input checked="" type="checkbox"/> are of such a highly specialized or technical nature that the expert knowledge, expertise, and ability are not available through the civil service system.
<input type="checkbox"/> The Services are of such an:
<input type="checkbox"/> urgent
<input type="checkbox"/> temporary, or
<input type="checkbox"/> occasional nature
that the delay to implement under civil service would frustrate their very purpose.
Justification:

Payment Method
<input type="checkbox"/> A. Reimbursement in arrears based on:
<input type="checkbox"/> Itemized Monthly <input type="checkbox"/> Itemized Quarterly <input type="checkbox"/> Flat Rate <input type="checkbox"/> One-time
<input type="checkbox"/> B. Advanced Payment
<input checked="" type="checkbox"/> C. Other, explain: Bi- annually, upon receipt of analyses.



Retention			
1. Is contract subject to retention?	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
If Yes, Do you plan to release retention prior to contract termination?	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	

Justification of Rates	
Contractor rates are exactly the same as the rates utilized in previous contract (2006-2010).	

Disabled Veteran Business Enterprise Program (DVBE)	
1. <input type="checkbox"/> Not Applicable	
2. <input type="checkbox"/> Meets DVBE Requirements	DVBE Amount:\$ _____ DVBE %: _____
<input type="checkbox"/> Contractor is Certified DVBE	
<input type="checkbox"/> Contractor is Subcontracting with a DVBE:	_____
3. <input type="checkbox"/> Contractor selected through CMAS or MSA with no DVBE participation.	
4. <input checked="" type="checkbox"/> Requesting DVBE Exemption (attach CEC 95)	

Is Contractor a certified Small Business (SB), Micro Business (MB) or DVBE?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes
If yes, check appropriate box:	<input type="checkbox"/> SB	<input type="checkbox"/> MB <input type="checkbox"/> DVBE

Is Contractor subcontracting any services?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes
If yes, give company name and identify if they are a Small Business (SB), Micro Business (MB) and/or DVBE:		
	<input type="checkbox"/> No	<input type="checkbox"/> SB <input type="checkbox"/> MB <input type="checkbox"/> DVBE
	<input type="checkbox"/> No	<input type="checkbox"/> SB <input type="checkbox"/> MB <input type="checkbox"/> DVBE
	<input type="checkbox"/> No	<input type="checkbox"/> SB <input type="checkbox"/> MB <input type="checkbox"/> DVBE

Miscellaneous Contract Information			
1. Will there be Work Authorizations?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes	
2. Is the Contractor providing confidential information?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes	
3. Is the contractor going to purchase equipment?	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes	
4. Check frequency of progress reports	<input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input checked="" type="checkbox"/> Other: Twice a year.. _____		
5. Will a final report be required?	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
6. Is the contract, with amendments, longer than a year? If yes, why?	<input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes	
Rebate analysis is required for the 2003A and 2005A bonds every year through 2014 and 2019, respectively.			

The following items should be attached to this CRF			
1. Scope of Work, Attach as Exhibit A.	<input type="checkbox"/> N/A	<input checked="" type="checkbox"/> Attached	
2. Budget Detail, Attach as Exhibit B.	<input type="checkbox"/> N/A	<input checked="" type="checkbox"/> Attached	
3. CEC 96, NCB Request	<input checked="" type="checkbox"/> N/A	<input type="checkbox"/> Attached	
4. CEC 30, Survey of Prior Work	<input type="checkbox"/> N/A	<input checked="" type="checkbox"/> Attached	
5. CEC 95, DVBE Exemption Request	<input type="checkbox"/> N/A	<input checked="" type="checkbox"/> Attached	
6. Draft CEQA Notice of Exemption (NOE)	<input checked="" type="checkbox"/> N/A	<input type="checkbox"/> Attached	
7. Resumes	<input type="checkbox"/> N/A	<input checked="" type="checkbox"/> Attached	
8. CEC 105, Questionnaire for Identifying Conflicts		<input checked="" type="checkbox"/> Attached	
9. CEC 106, IT Component Reporting Form		<input checked="" type="checkbox"/> Attached	

Contract Manager Date Office Manager Date Deputy Director Date

The following signatures are only required when contract approval is delegated to the Executive Office and not approved at a Business Meeting. See Business Meeting Information Section.

Presiding Policy Committee Date Associate Policy Committee Date Executive Director Date

EXHIBIT A

SCOPE OF WORK

BACKGROUND

The Energy Efficiency Master Trust Revenue Bond Series include 2003A (dated April 27, 2003 for \$28,005,000) and 2005A (dated May 11, 2005 for \$36,955,000). Each series is supported by repayments from pledged loans from the Energy Conservation Assistance Program (ECA) and Local Jurisdiction Account (LJA). The list of loans, repayment schedule, debt coverage requirement and other pertinent information is available in the Official Statements for each of these bond issues, (2003A and 2005A). Loan payments used in support of the bonds are made semi-annually in June and December of each year to the Energy Commission and include unscheduled loan payments. The official bond documents including but not limited to, the Bond Indentures, the Master Trusts, the Secured Loan Agreements, the Tax Certificates, and the Investment Contracts, provide specific details of the structure of the bonds, their sub-accounts and the associated parties.

In May of 2005 the Energy Commission hired a private sector Bond Trustee, JP Morgan, to act as Trustee of Record and Continuing Disclosure Agent for both bond issues. JP Morgan's worldwide trust business was sold to the Bank of New York, thus the Bank of New York is the current Trustee. Several bond sub-account funds are invested through Guaranteed Investment Contracts (GICs) and a Repurchase Agreement at specified interest rates through Wells Fargo Bank and the Royal Bank of Canada. Both of the 2003A and 2005A bond issues have individual Debt Service Reserve Accounts and accumulated interest earnings which are used to maintain a minimum of 20 percent of the outstanding balance of each bond issue and interest earned on the reserve accounts is used to support a debt service coverage ratio of 110 percent. The bond issues are audited annually. Continuing disclosure reports are filed annually, and rebate arbitrage calculations are prepared annually and filed on a five year computation date cycle.

The term "Bonds" in this Scope of Work refers to both the 2003A and 2005A Series, collectively.

TASKS

The Contractor shall provide arbitrage rebate consulting services during the Agreement term and shall be responsible for assisting the Energy Commission in completing the following tasks:

TASK 1- AGREEMENT MANAGEMENT

Task 1.1 Kick-off Meeting

The goal of this task is to establish the lines of communication and procedures for implementing this Agreement.

The Contractor shall:

- Attend a "kick-off" meeting with the CCM, the Contracts Officer, and a representative of the Accounting Office. The meeting will be held via Web-Ex or teleconference. The Contractor shall include their Project Manager, Contracts Administrator, Accounting Officer, and others designated by the CCM in this meeting. The administrative and technical aspects of this Agreement will be discussed at the meeting.

- If necessary, prepare an updated Schedule of Deliverables based on the decisions made in the kick-off meeting.

The CCM shall:

- Arrange the meeting including scheduling the date and time.
- Provide an agenda to all potential meeting participants prior to the kick-off meeting.

Deliverables:

- An Updated Schedule of Deliverables (if applicable)

Task 1.2 Invoices

The Contractor shall:

- Prepare invoices for all reimbursable expenses incurred performing work under this Agreement in compliance with the Exhibit B of the Terms and Conditions of the Agreement. Invoices shall be submitted monthly. Invoices must be submitted to the Energy Commission's Accounting Office.

Deliverables:

- Invoices

Task 1.3 Manage Subcontractors

The goal of this task is to ensure quality products, to enforce subcontractor Agreement provisions, and in the event of failure of the subcontractor to satisfactorily perform services, recommend solution to resolve the problem.

The Contractor shall:

- Manage and coordinate subcontractor activities. The Contractor is responsible for the quality of all subcontractor work and the Energy Commission will assign all work to the Contractor. If the Contractor decides to add new subcontractors, they shall 1) comply with the Terms and Conditions of the Agreement, and 2) notify the CCM who will follow the Energy Commission's process for adding or replacing subcontractors.

Task 1.4 Final Summary Report

The goal of this task is to prepare a written Final Summary Report at the end of the agreement. The Final Summary Report shall be prepared in language easily understood by the public or layperson with a limited technical background.

The Final Summary Report must be completed before the termination date of the Agreement in accordance with the Schedule of Deliverables.

The Final Summary Report shall be a public document. If the Contractor has obtained confidential status from the Energy Commission and will be preparing both a public and a confidential version of the Final Summary Report, the Contractor shall perform the following subtasks for both the public and confidential versions of the Final Summary Report.

The Contractor shall:

- Prepare a Final Summary Report, identifying the methodology employed in each yearly rebate analysis, major assumptions, conclusions, and any recommendations for changes in recordkeeping and investment policy, and address the following:
 - Rebate and Yield Restrictions
 - Sources & Uses of Funds
 - Commingled funds analyses
 - Transferred proceeds analyses
 - Arbitrage Yield Calculation
 - Tracking of loan repayments to ECAA

Deliverable:

- Final Summary Report

TASK 2 - REVIEW REVENUE BOND STRUCTURE AND ACCOUNTS

The goal of this task is for the Contractor to become fully knowledgeable of all pertinent background and legal documentation required to conduct the arbitrage analysis.

The Contractor shall annually review the Revenue Bond Structure, as provided in the 2003A and 2005A Secured Loan Agreements, the Master Trust Agreement, Tax Certificates and Agreements and the accounts and sub-accounts that have been established under the respective Indentures, prior annual arbitrage calculations, including the arbitrage calculation methodology.

The Contractor shall submit an e-mail to the CCM confirming they have completed the review. A hard copy of the e-mail shall be submitted with the corresponding invoice for this deliverable.

Deliverable:

- Annual review confirmation e-mail

TASK 3 - ANALYZE RELEVANT ACCOUNTS AND SUB-ACCOUNTS AND PREPARE REBATE ANALYSIS AND RECOMMENDATIONS

The goals of this task are to calculate earnings on the Bonds and all bond related funds and provide instructions to the Energy Commission and bond trustee (“Bond Trustee”) for the payment of rebate, if necessary.

The Contractor shall:

- Determine the arbitrage rebate requirements related to the Bonds, pursuant to the Internal Revenue Code and Treasury Regulations promulgated thereunder (collectively, the “Arbitrage Requirements”). Consult with the Infrastructure Bank (issuer of the Bonds) and the CCM on approaches to compliance.
- Verify and calculate the applicable bond yield for the Bonds (2003A and 2005A Series).
- Identify, and separately account for, all “Gross Proceeds” (as that term is defined in the Arbitrage Requirement) allocable to the Bond issue, including those requiring allocation analyses due to “transferred proceeds” and/or “commingled funds” circumstances.
- Calculate the ‘Bonds’ investment earnings and determine the current cumulative arbitrage liability in all Bond accounts and sub-accounts, (Loan Repayment Account,

Debt Service Account, Surplus Repayment Account, Debt Service Reserve Account, Program Loan Account and Master Reserve Account and Master Rebate Accounts for each Series) and identify and quantify any other sources of investment earnings that might be applicable to the analysis. Contractor shall take into account any proceeds that are or have become subject to the yield restriction requirements.

- Prepare an annual Rebate Arbitrage Report identifying the methodology applied major assumptions, conclusions, and any recommendations for changes in Energy Commission record keeping. The report will include a written opinion that arbitrage calculations are consistent with the rebate requirements or an explanation why an opinion is unnecessary.

Deliverable:

- Annual Rebate Arbitrage Report

TASK 4 - PREPARE REQUIRED IRS ARBITRAGE REBATE DOCUMENTS

The goal of this task is to ensure the proper filings and tax documents are provided to the Internal Revenue Service by the federal filing due dates if contractor determines that the California Energy Commission owes rebate to the Internal Revenue Service. All activities listed below are conditional on whether or not rebate is due.

The Contractor shall:

- Prepare official Internal Revenue Service (IRS) tax documents / filings / Form 3038T as required by Federal Regulations.
- Forward all IRS required documents and filings to the CCM. CCM is responsible to obtain signature by the Energy Commission's Executive Director.
- Prepare a written summary of why filings are necessary.
- CCM is responsible for sending required IRS filings to Bond Trustee before the 60th day after applicable computation date.
- The Bond Trustee is responsible for sending the signed filings to the IRS by the 60th day after the applicable computation date.
- Work with the CCM and the Bond Trustee to ensure rebate payment, if necessary, is processed within 60 days of the applicable computation dates.

Deliverables:

- Summary of why filings are necessary
- Required IRS tax filings and documents

TASK 5 - CONSULTATION SERVICES

The goal of this task is to ensure the Energy Commission receives proper advice on administering financial funds and accounts. Communication and consultation by memos and e-mail may be needed to provide adequate administration of the funds, accounts, and sub-accounts as well as investment of amounts held in those funds and accounts.

It is estimated that this task shall require no more than 10% of the total resources devoted to this contract.

The Contractor shall:

- Provide assistance and consultation as necessary for ongoing monitoring of bond accounts and sub-accounts, and provide instructions on retaining records and documentation.
- Assist the Energy Commission as necessary in the event of an IRS inquiry.
- Provide ongoing assistance and consultation with respect to the investment and accounting approaches for the Bond funds and accounts.
- Provide ongoing assistance on the tracking of funds and loan repayments to the Energy Commission's Energy Conservation Assistance Account (ECAA).
- Coordinate between the Bond Trustees and the Energy Commission to ensure all necessary information is provided to perform calculations accurately.
- Provide training to Energy Commission staff as requested by CCM.

Deliverables:

- Memos
- E-mail communication

Deliverables and Due Dates

<u>Task</u>	<u>Deliverables</u>	<u>Due Date</u>
1 – Agreement Management	1.1 Updated Schedule of Deliverables 1.2 Invoices 1.4 Final Summary Report	If applicable Monthly 10/31/14
2 – Review Revenue Bond Structure and Accounts	Annual Review Confirmation e-mail	5/1/12 5/1/13 5/1/14
3 – Analyze Relevant Accounts and Sub-accounts and Prepare Rebate Analysis and Recommendations	Annual Rebate Arbitrage Report	2003A: 5/25/12 5/25/13 5/25/14 2005A: 6/10/12 6/10/13 6/10/14
4 – Prepare Required IRS Arbitrage Rebate Documents	<ul style="list-style-type: none"> • Summary of why filings are necessary • Required IRS tax filings and documents 	2003A: 6/1/12 6/1/13 6/1/14 2005A: 7/1/12 7/1/13 7/1/14
5 – Consultation Services	<ul style="list-style-type: none"> • Memos • E-mail communication 	Upon Request