Second Party Opinion
EXECUTIVE SUMMARY

ISSUER
California Community Choice Financing Authority

OPINION ON
Clean Energy Project Revenue Bonds Series 2021B-1 (Green Bonds)
Clean Energy Project Revenue Bonds Series 2021B-2 (Green Bonds)

GREEN STANDARD AND CATEGORY
The Green Bond Principles

- Renewable Energy

EVALUATION DATE
August 17, 2021

SUMMARY
Kestrel Verifiers is of the opinion that the Clean Energy Project Revenue Bonds, Series 2021B Bonds (Green Bonds) conform with the four core components of the Green Bond Principles 2021 as follows:

- **Use of Proceeds**
  California Community Choice Financing Authority (the "Issuer" or "CCCFA") intends to issue Clean Energy Project Revenue Bonds Series 2021B-1 (Green Bonds) and Series 2021B-2 (Green Bonds) ("Bonds") to finance prepayment for 30 years of renewable and carbon-free electricity to benefit Silicon Valley Clean Energy ("SVCE") and East Bay Community Energy ("EBCE"). Proceeds will also finance capitalized interest, and costs of issuance.

- **Process for Project Evaluation and Selection**
  CCCFA, SVCE, and EBCE have adopted planning documents and procedures that advance the expansion of renewable and carbon-free energy generation. Decision-making regarding bond-financed activities is overseen by CCCFA's Board of Directors and the community choice aggregators' Boards of Directors. EBCE and SVCE have adopted *Integrated Resource Plans* that outline long-term planning priorities and strategies.

- **Management of Proceeds**
  Bond proceeds shall be fully allocated to prepay contracts for renewable and carbon-free energy. A portion of proceeds will also be used to pay capitalized interest, and pay costs of issuance. Temporary investment of these funds is limited to permittable, conservative investments pursuant to the Indenture with respect to the Bonds.

- **Reporting**
  EBCE's and SVCE's *Integrated Resource Plans* provide ongoing transparency and updates on the progress of community choice aggregators ("CCAs") meeting statewide requirements for greenhouse gas emission reduction targets within the electricity sector. As required by the California Public Utilities Commission, CCAs also report annually on the power content and greenhouse gas emissions associated with energy supplied to customers. CCCFA will also post continuing financial disclosures to the Municipal Securities Rulemaking Board ("MSRB") annually through the Electronic Municipal Market Access ("EMMA") system.

- **Impact and Alignment with United Nation Sustainable Development Goals**
  The Bonds support UN Sustainable Development Goals 7: Affordable and Clean Energy, 9: Industry, Innovation, and Infrastructure, 11: Sustainable Cities and Communities, and 13: Climate Action by financing renewable and carbon -free power purchase agreements as part of the Clean Energy Project.

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Second Party Opinion

Issuer:	**California Community Choice Financing Authority**
Issue Description:	Clean Energy Project Revenue Bonds Series 2021B-1 (Green Bonds)
	Clean Energy Project Revenue Bonds Series 2021B-2 (Green Bonds)
Project:	Clean Energy Project (Silicon Valley Clean Energy and East Bay Community Energy)
Green Standard:	Green Bond Principles
Green Category:	Renewable Energy
Par:	$1,234,720,000
Evaluation Date:	August 17, 2021

GREEN BONDS DESIGNATION

Kestrel Verifiers, an Approved Verifier accredited by the Climate Bonds Initiative, conducted an independent external review of these bonds to evaluate conformance with the Green Bond Principles (June 2021) established by the International Capital Market Association.

This Second Party Opinion reflects our review of the uses and allocation of proceeds and oversight and conformance of the bonds with the Green Bond Principles. In our opinion, the Clean Energy Project Revenue Bonds Series 2021B-1 (Green Bonds) and Series 2021B-2 (Green Bonds) ("Bonds") to be issued by the conduit entity California Community Choice Financing Agency for the benefit of two community choice aggregators, East Bay Community Energy and Silicon Valley Clean Energy, are aligned with the four core components of the Green Bond Principles and qualify for Green Bonds designation.

ABOUT THE ISSUER

The Issuer, California Community Choice Financing Agency ("CCCFA"), is a joint powers authority established in 2021 and is comprised of community choice aggregators including its founding members: East Bay Community Energy, Silicon Valley Clean Energy, Marin Clean Energy, and Central Coast Community Energy. CCCFA was incorporated and organized for a variety of purposes, including to issue tax-advantaged bonds to finance energy prepayments of clean energy. This innovative strategy can help community choice aggregators remain cost-competitive with other utilities.

ABOUT THE BORROWERS

Silicon Valley Clean Energy and East Bay Community Energy are the beneficiaries of the Bonds issued by CCCFA. Both entities are community choice aggregators and operate as joint powers authorities and nonprofit public agencies. Community choice aggregators are locally controlled not-for-profit energy providers. The primary purpose is to provide communities with more clean energy options, meet climate action goals, ensure local transparency and accountability, and drive economic development. As of 2021, ten states have authorized community choice aggregators.

Silicon Valley Clean Energy

Silicon Valley Clean Energy ("SVCE") was formed in March 2016 with the purpose of implementing the Silicon Valley Clean Energy Program. SVCE is governed by a 13-member Board of Directors comprised of representatives from each of the participating communities. The mission of SVCE is to reduce dependence on fossil fuels by providing carbon-free, affordable and reliable electricity and innovative programs within the community.

Currently, SVCE provides electricity for approximately 270,000 customers in 13 communities in Santa Clara County. Customers may choose from two electricity options:

- GreenStart: 50% renewable energy, 50% carbon-free[1]
- GreenPrime: 100% renewable energy

Acknowledging the unparalleled challenges of the electricity industry to reduce greenhouse gas emissions, SVCE has developed a Decarbonization and Grid Innovation team that is advancing new technologies to help meet the community's climate goals. SVCE's programs directly support electrification of the transportation sector and adoption of electric vehicles, reduction of emissions from buildings, and also offer grants and other support for community partners. Additionally, SVCE has supported development of new, large scale renewable energy generation projects since 2016.

East Bay Community Energy

East Bay Community Energy ("EBCE") was formed in 2016 with the purpose of implementing the region's community choice aggregation program. EBCE is governed by a Board of Directors with one representative from each participating jurisdiction and includes a non-voting member from the Community Advisory Committee. The Community Advisory Committee serves as a liaison between local community stakeholders and the Board.

The primary objectives of EBCE are to provide lower-cost electric service than PG&E (the region's primary electricity provider); reduce greenhouse gas emissions ("GHGs") resulting from electricity use within Alameda and San Joaquin Counties; stimulate local renewable energy development; promote energy efficiency and demand reduction programs; drive greater investments into electrification of transportation and building infrastructure, prioritize equitable energy programs, and sustain long-term rate stability for residents and businesses through local control.

Currently, EBCE provides electricity for approximately 1,700,000 residents and business in 15 communities in the County of Alameda and San Joaquin County. Customers may choose from three service options:

- Renewable 100: 100% renewable California solar and wind power
- Brilliant 100: Carbon-free plan, which is a mix of eligible renewable and hydropower[2]
- Bright Choice: Minimum 41% renewable in 2021[3]

EBCE recently made a commitment to 100% clean energy by 2030, while continuing to emphasize investment in their community and local programs. The first few years of service have significantly reduced electricity bills for customers compared to what they would have paid on bills to PG&E. EBCE budgets annually to support local energy programs and regularly invests in local programs related to STEM, arts, athletics, and community needs.

ALIGNMENT TO GREEN STANDARDS

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the Green Bond Principles (International Capital Market Association definition).

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[1] SVCE's adopted definition includes nuclear and large hydropower as "carbon-free"

[2] All customers will transition off Brilliant 100 service by January 2022.

[3] Ramping up to 100% greenhouse gas free by 2030.

Use of Proceeds

The Bonds will be used to finance prepayment of renewable and carbon-free electricity for the benefit of SVCE and EBCE (the "CCAs"). Proceeds will also finance capitalized interest and costs of issuance. The acquisition for the supply of approximately 30 years of energy for the CCAs is referred to as the Clean Energy Project. The Clean Energy Project is an eligible project as defined by the Green Bond Principles in the project category of *Renewable Energy*.

Green Standard

The Green Bond Principles

Eligible Project Category:

- Renewable Energy

<u>Transaction Structure</u>

The structure of the transaction allows the CCAs to use tax-exempt financing opportunities to reduce the cost of energy procurement for participating customers. The Bonds present a model for the 24 other CCAs in California to follow and to further expand access to low-cost renewables for both residential and commercial customers. Further details on the financing structure are discussed in the Official Statement.

<u>The Clean Energy Project</u>

The Bonds will finance the procurement of long-term electricity supply at competitive prices for EBCE and SVCE over two time periods: years 1-3 and years 4-30. The anticipated composition of power supplies acquired with proceeds of the Bonds is available in Table 1. Existing or prospective Power Purchase Agreements ("PPAs") may be assigned to the prepayment and multiple PPAs may fulfill the agreements to supply energy over the defined terms. During the initial 1-3 year period, and at the time of bond pricing, each of the CCA's will have entered into PPAs which will be assigned into the prepayment. In the case of EBCE, the PPA will deliver a fixed annual quantity of energy supplied by specified wind and/or hydroelectric sources. In the case of SVCE, the PPA will deliver a fixed annual quantity of energy supplied by specified hydroelectric sources. Under the terms of both PPAs, during the Year 1-3 period, the CCA's are procuring annual quantities that are 100% carbon-free (but in neither instance are the CCAs procuring Renewable Energy Credits (RECs)).

Table 1. Anticipated overall power content of PPAs under the Clean Energy Project

Bond-Financed Activity	Type	Term
Prepay for East Bay Community Energy	Wind and/or Hydroelectric	1 – 3 years
Prepay for East Bay Community Energy	Renewable and/or carbon-free PPAs	4 – 30 years
Prepay for Silicon Valley Clean Energy	Hydroelectric	1 – 3 years
Prepay for Silicon Valley Clean Energy	Renewable and/or carbon-free PPAs	4 – 30 years

The CCAs have committed to achieving a 100% renewable portfolio in 30 years and the proceeds will be allocated in alignment with these commitments. Both the Series 2021B-1 Bonds and the Series 2021B-2 Bonds will finance the Clean Energy Project.

In the event that PPAs are not able to be assigned to the prepayment in the future (during all or part of the Year 4-30 period), the CCAs will likely continue to purchase power under their existing procurement arrangement outside of the prepayment transaction) and may continue to receive the benefit of the discount from the prepayment under contractual remediation provisions.

Process for Project Evaluation and Selection

Each CCA (SVCE and EBCE) has adopted planning documents that ensure bond-financed activities align with its respective mission and guide decisions around PPAs assigned to prepayment contracts for the Bonds. Both EBCE and SVCE have adopted *Integrated Resource Plans* (IRPs) which are primary planning documents that outline long-term priorities and strategies. IRP's are mandated under SB 350 and are required every two years. IRPs are critical to energy resource selection and are integral to the evaluation and selection of PPAs to be associated with the Bonds. All California Public Utilities Commission jurisdictional load serving entities are required to submit an IRP to the CPUC for approval based on standardized methodologies. IRPs establish policy goals and evaluate resource choices to ensure CCAs are meeting statewide requirements for greenhouse gas emission reduction targets within the power sector and grid reliability mandates. In addition to IRPs, each CCA has additional priorities and processes established to fulfill its respective mission and provide oversight on the activities financed by the Bonds.

Silicon Valley Clean Energy

SVCE has adopted several planning and strategy documents that guide decision-making and establish targets to cut energy-related pollution. Bond proceeds directly align with these documents and advance Silicon Valley Clean Energy's mission to work with the local community to reduce greenhouse gas emissions through renewable energy alternatives and innovative clean energy procurement strategies. The *Decarbonization Strategy and Programs Roadmap*, developed by SVCE leadership in collaboration with SVCE stakeholders and community customers, outlines multi-sector steps to reduce 2015 CO_2 emission baseline levels 30% by 2021, 40% by 2025 and 50% by 2030.[4] Solar power supply, energy efficient grid integration, all-electric construction and retrofits, electric vehicle charging infrastructure, and outreach education are all integrated into this framework for achieving decarbonization goals. SVCE's *Strategic Plan (2020)* highlights these organizational goals and measures for power supply, program planning and tracking, governance and oversight, and more.[5] SVCE demonstrates a notable level of transparency in making these documents, as well as annual operating budgets and a *Supplier Diversity Report (2020)*, publicly available on their website. In making decisions regarding PPAs, SVCE utilizes an internal scoring rubric, prioritizes energy portfolio diversification, and strategically considers geographic distribution of projects.

East Bay Community Energy

Bond proceeds support East Bay Community Energy's commitment to innovative renewable energy projects and providing clean energy electricity options to local service areas. As discussed above, EBCE's *Integrated Resource Plan (2020)* is the adopted plan that guides EBCE's process for project selection and evaluation.[6] In line with the analysis and results in the *Integrated Resource Plan (2020)*, EBCE's 15-member Board of Directors committed to a 100% clean, carbon-free energy goal by 2030 and pursue a diverse energy portfolio consisting of solar energy, wind energy, hydropower, and more. EBCE holds regular Community Advisory Committee meetings that are open to the public. The Community Advisory Committee provides input on economic, environmental, and social impacts of EBCE projects on customers and communities. EBCE utilizes an internal scoring rubric, which considers financial risk and energy pricing benefits, project development risk, and local workforce development to guide decision-making around PPA authorization. EBCE's Board ultimately approves PPAs.

California Community Choice Financing Authority

As a conduit entity, CCCFA holds the rights over financing and refinancing of the energy prepayment through tax-advantaged bonds and is not responsible for selecting or negotiating PPAs for specific members such as SVCE and EBCE. CCCFA holds responsibility for this financing through the California Joint Exercise of Powers Act and is obligated to confirm eligibility of financed activities with an authorized list which includes purchase of energy with environmental attributes, facility improvements, provisions of working capital, and other renewable programs. Limits to the allowable uses of proceeds provide additional legal assurance that proceeds will be used for activities with positive environmental impacts. CCCFA is governed by a Board of Directors who have expertise in public utilities finance, clean energy policy, and sustainable energy projects, and are primarily responsible for CCCFA's general management, business affairs, project oversight.

[4] SVCE Decarbonization Strategy, https://www.svcleanenergy.org/decarbonization/
[5] SVCE Policies, Plans & Reports, https://www.svcleanenergy.org/plans-policies-reports/#
[6] East Bay Community Energy 2020 Integrated Resource Plan (Public Version), https://res.cloudinary.com/diactiwk7/image/upload/fl_sanitize,q_auto/r2005003-public-verison-ebce-2020-irp-9-1-2020.pdf

Management of Proceeds

Proceeds from the Bonds will solely be allocated to finance prepayment for renewable energy and carbon-free energy, pay capitalized interest, and pay costs of issuance. Upon closing, CCCFA will immediately acquire a 30-year supply of renewable and carbon-free electricity through the energy supplier, Morgan Stanley Energy Structuring, L.L.C., for the sole benefit of EBCE and SVCE. While proceeds delivered to Morgan Stanley Energy Structuring, L.L.C. will be comingled with other funds before payment to energy suppliers, the total amount is required to be paid to acquire eligible green energy supplies. In Kestrel's view, this management of proceeds through a third party retains alignment with market standards and enables the expansion of renewable and carbon-free energy contracts. Ultimately, this transaction structure enables the financing of the acquisition of renewable and carbon-free electricity and is an exemplary, cost-saving model for CCAs to follow.

Reporting

CCCFA will submit annual continuing disclosures to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") system so long as the Bonds are outstanding.

The CCAs intend to provide voluntary disclosures on the new and existing PPAs being assigned to the prepayment contracts, and provide information on the associated greenhouse gas emission reductions in accordance with calculation methodologies specified by the California Public Utilities Commission or other regulations.

In California, CCAs such as EBCE and SVCE, are considered Electric Load-Serving Entities and are therefore subject to specific reporting requirements, renewable portfolio standards, and reliability standards set forth by the California Public Utilities Commission and the California Energy Commission. Both EBCE and SVCE regularly submit *Integrated Resource Plans* to the California Public Utilities Commission, which provide updates on the progress of CCAs toward meeting statewide requirements for greenhouse gas emission reduction targets within the electricity sector. As required by California Public Utilities Commission, the CCAs also report annually on the power content, or power mix, of the energy supplied to customers. Beginning in 2021, power content reporting will also include greenhouse gas emissions. These reports are available on California Energy Commission's website: https://www.energy.ca.gov/programs-and-topics/programs/power-source-disclosure/power-content-label/annual-power-content-0

IMPACT AND ALIGNMENT WITH UN SDGS

Bond-financed activities support and advance the vision of the UN SDGs. A comprehensive list of targets and background on UN SDGs 7, 9, 11, and 13 are available on the United Nations website: www.un.org/sustainabledevelopment

The Clean Energy Project financed by the Bonds, including prepayment of clean energy, support Targets 7.1, 7.2, 9.4, and 11.6. The prepayment of renewable electricity for SVCE and EBCE customers increases renewable energy supply and thus aligns with Targets 7.1, 7.2, and 9.1. The Clean Energy Project features renewable energy alternatives to avoid greenhouse gas emissions, which advances Target 13.2. CCCFA supports Target 9.4 by financing carbon-free energy to reduce greenhouse gas emissions and create clean energy production. The increased use of carbon-free and renewable energy helps improve air quality and thus supports Target 11.6. Target definitions are included in Appendix A.

Affordable and Clean Energy (Target 7.1, 7.2)

Possible Indicators

- Renewable energy share in the total final energy consumption
- Renewable energy produced
- Metric tons of greenhouse gas emissions avoided
- Number of people with access to renewable and carbon-free energy services

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, Innovation, and Infrastructure (Target 9.1, 9.4)

Possible Indicators
- CO_2 emission per unit of value added
- Reduction in fossil fuel use as a result of bond projects
- Total renewable and carbon-free energy produced and distributed

11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable Cities and Communities (Target 11.6)

Possible Indicators
- Annual mean levels of fine particulate matter in cities reduced
- Metric tons of greenhouse gas emissions avoided

13 CLIMATE ACTION

Climate Action (Target 13.2)

Possible Indicators
- Metric tons of greenhouse gas emissions avoided

CONCLUSION

Based on our independent external review, the Bonds conform, in all material respects, with the Green Bond Principles (2021) and are in complete alignment with the *Renewable Energy* eligible project category. The Clean Energy Project is uniquely positioned to expand affordable access to renewable and carbon-free energy through community choice aggregators in California.

ABOUT KESTREL VERIFIERS

KESTREL VERIFIERS™

CLIMATE BONDS STANDARD APPROVED VERIFIER

For 20 years Kestrel has been a trusted consultant in sustainable finance. Kestrel Verifiers, a division of Kestrel 360, Inc. is a Climate Bonds Initiative Approved Verifier qualified to verify transactions in all asset classes worldwide. Kestrel is a US-based certified Women's Business Enterprise.

For more information, visit www.kestrelverifiers.com

DISCLAIMER

This Opinion aims to explain how and why the discussed financing meets the ICMA Green Bond Principles based on the information which was available to us during the time of this engagement (August 2021) only. By providing this Opinion, Kestrel Verifiers is not certifying the materiality of the projects financed by the Green Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance and no surveys or site visits were conducted. Furthermore, we are not responsible for surveillance on the project or use of proceeds. Kestrel Verifiers relied on information provided by CCCFA and/or the CCAs and publicly available information. The Opinion delivered by Kestrel Verifiers does not address financial performance of the Green Bonds or the effectiveness of allocation of its proceeds. This Opinion does not make any assessment of the creditworthiness of CCCFA and/or the CCAs or the ability to pay principal and interest when due. This is not a recommendation to buy, sell or hold the Bonds. Kestrel Verifiers is not liable for consequences when third parties use this Opinion either to make investment decisions or to undertake any other business transactions. This Opinion may not be altered without the written consent of Kestrel Verifiers. Kestrel Verifiers reserves the right to revoke or withdraw this Opinion at any time. Kestrel Verifiers certifies that there is no affiliation, involvement, financial or non-financial interest in CCCFA, CCAs, or the projects discussed. Language in the offering disclosure supersedes any language included in this Second Party Opinion.

Use of the United Nations Sustainable Development Goal (SDG) logo and icons does not imply United Nations endorsement of the products, services or bond-financed activities. The logo and icons are not being used for promotion or financial gain. Rather, use of the logo and icons is primarily illustrative, to communicate SDG-related activities.

Appendix A.
UN SDG TARGET DEFINITIONS

Target 7.1
By 2030, ensure universal access to affordable, reliable and modern energy services

Target 7.2
By 2030 increase the share of renewable energy in the global energy mix

Target 9.1
Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Target 9.4
By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Target 11.6
By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Target 13.2
Integrate climate change measures into national policies, strategies and planning