



STRICTLY PRIVATE & CONFIDENTIAL

April 18, 2019

Subject: University of Iowa P3 Utility System Transaction – Request for Qualification Proposal Submission Instruction Letter

The University of Iowa (“UI” or the “University”) and Wells Fargo Securities (“Wells Fargo”) appreciate your interest in the opportunity to manage and operate the University’s on-campus utility systems through a 50-year lease and concession agreement (the “Concession” or “Concession Agreement”). The Concession is an important partnership that will help to support the University’s goal of providing a high-quality educational experience to its students while still maintaining or improving the utility service that it provides to its on-campus users.

As described in the Confidential Information Memorandum (“CIM”), which you have previously received, the private lessee and utility operator (the “Concessionaire”) will be responsible for the operation and maintenance of the electrical systems, steam, domestic water, chilled water, sanitary and storm sewer, high quality water, utility network maintenance, energy control center, environmental compliance, and related distribution systems serving the Main and Oakdale campuses. Responsibilities also include the procurement of the utility systems’ required fuel / energy needs to optimize plant operation, ensure reliability and meet campus demand. The University is interested in receiving only one Concession proposal, which should be inclusive of all of the aforementioned UI utility system components.

Should you wish to pursue this opportunity, you are required to prepare and submit a written, non-binding proposal (“RFQ Proposal”) in accordance with the requirements and procedures contained herein. The RFQ Proposal submission will be based on the information provided in the CIM, financial model for the Concession (“Financial Model”), and an asset conditions report on the University’s utility systems prepared by Jacobs Engineering (“Technical Report”).

Following the submission of RFQ proposals, the University will advance a smaller group of responding teams into the Request for Proposal (“RFP”) stage of the process as determined by the University in its sole discretion following review of the RFQ Proposals. The University will

evaluate each responding team on the basis of that team's RFQ Proposal and the experience of the particular individuals identified as the respondent's proposed team for the Concession. The University may hold discussions with individual firms to explore their qualifications further, the scope and nature of the services they would provide, and the various technical approaches they may take regarding the Concession. During the RFP stage of the process, those selected teams will be provided with additional technical data, site access, the ability to submit additional due diligence questions and engage in management presentations with key UI management and utility systems operational personnel. Further instructions will be provided at a later time regarding the RFP stage of the process and timing to submit a final, binding proposal.

Request for Qualification Proposal Content

The comprehensive RFQ Proposal should address the following items and reflect any additional factors that you would like the University to consider. To reiterate, the University is interested in receiving only proposals for the entire Concession, which should be inclusive of all the aforementioned UI utility system components, and not for portions thereof. Prospective Concessionaires should be able to meet both the operational and financial requirements of the Concession. Failure to fully and completely address each of the below listed items may result in disqualification of such RFQ Proposal in the University's sole discretion. Any information in the RFQ Proposal you consider to be proprietary or a trade secret must be marked "Proprietary Information". Each member of a responding team may only be associated with one RFQ Proposal and may not be a member of multiple RFQ Proposals.

Included within each section or subsection (in parentheses) is an allocation of the maximum number of pages for such section or subsection in the RFQ Proposal, and if any subsection in such RFQ Proposal exceeds such allocations, it may be subject to disqualification. The page limits exclude charts and other graphics which may be included as supporting attachments.

1) Concessionaire / Team Overview

- a. Please describe the strategic rationale for pursuing the Concession (1 page)
- b. Please provide the proposed team description and designated roles and responsibilities (5 pages)
 - i. Full legal names and jurisdictions of organization for all controlling equity investors and operating partners

- ii. Organizational chart to highlight anticipated legal relationship as appropriate (e.g. governance and capital structure)
 - iii. Role of each team member
 - iv. 3rd party advisors selected or expected to be engaged as part of the process
- c. Operational Capabilities (12 pages)
- i. Please describe each team member’s relevant utility systems experience
 - ii. Please describe each team member’s relevant experience with:
 1. Multi fuel combined heat and power facilities
 2. Asset dispatch related to a multi fuel CHP facility
 3. Renewable fuel sourcing and use
 4. Electric and steam driven chilled water production
 5. Water treatment, specifically surface water treatment
 6. Plant facilities located on multiple campuses (e.g. Main Campus and Oakdale Campus)
 7. Multiple plants located within a single campus
 8. Utility distribution system operation and maintenance, including tunnel systems, direct buried systems, high voltage electricity
 9. Environmental compliance programs and philosophy, and note any fines or penalties levied on each team member’s U.S. operations within the past ten years
 10. History with management of greenhouse gas emissions, including participation in any emission trading markets, including Renewable Energy Credits (“RECs”)
 11. Network system maintenance and operation, including multiple control system platforms in multiple locations and remote metering of multiple utilities
 12. Natural disaster emergency management procedures, including specific plans that have been managed and implemented
 13. Fuel/energy procurement and experience using alternative fuels
 - iii. Please provide information related to the operation of utility systems providing services to critical facilities such as hospitals, research facilities, transportation centers, etc.

- iv. Please provide an overview of each team member's corporate safety programs and safety metrics over the past five years, and discuss how those programs would be part of the Concession agreement
 - v. Please describe each team member's capabilities to forecast capital project needs and each team member's design-build capabilities to execute on capital plans both within utility systems and within customer buildings
 - vi. Please highlight additional details on your ability to provide reliable, cost-effective service while maintaining safety, security and exceptional customer service
- d. Staffing (8 pages)
- i. The University of Iowa is world-class research institution because of the talented people who form its community. The UI is committed to creating the best possible work environment for its employees. This includes recruiting, supporting, developing, engaging, and retaining diverse and talented employees. Please describe each team member's values and highlight its performance history with respect to meeting these goals
 - ii. Please describe each team member's past experience and your future plans in putting together a competitive employment package that will attract current employees from the University to the Concessionaire that includes:
 - 1. Employee salary
 - 2. Health insurance benefits
 - 3. Enrollment in a 401k account with employer match
 - 4. Rollover of existing retirement accounts
 - 5. Transfer of existing vacation and sick leave to Concessionaire and setting of vacation and sick leave earning rates based on seniority
 - 6. Other benefits, including parking, athletic ticket discounts, recreation facility membership incentives, etc.
 - iii. Recognizing that University employees have the option to remain employees of the University, retaining a non-utility position with similar pay and benefits, please confirm the intent to provide an employment package that will attract University employees to the Concessionaire
- e. Operational Strategy (5 pages)
- i. Please describe your expected operational approach and preliminary views on the utility system

1. Existing operations plan and system design
 2. Utilization of existing employees during Concession
 3. Organizational approach for meeting HR, IT and accounting support needs
 4. Energy and fuel procurement approach, including corporate philosophy related to fuel diversification and energy security
 5. Preliminary views on the projected operating costs and capital expenditures provided
- ii. Please confirm, based on information provided to date, that you have the ability to operate the UI utility system on a coal-free basis by January 1, 2025
- f. Financial Capacity (5 pages, excluding rating agency reports)
- i. Provide information that addresses the financial strength of the potential Concessionaire, including the most recent credit rating(s) and corresponding rating agency report(s) or if the potential Concessionaire has not yet been formed, please provide the foregoing information for each team member
 - ii. Describe the expected sources of funding (both internal and external) for the up-front, closing consideration payment and the plan to finance required capital expenditure over the term of the Concession Agreement
 - iii. Provide information on relevant project financing experience as applicable
- g. References (1 page)
- i. Provide two references that the University can contact regarding each team member's relevant experience (include the name, company/institution, phone number, and email address)

2) Concession Agreement Closing Consideration (3 pages)

- a. Up-front payment amounts that you are prepared to pay the University upon closing of the Concession Agreement, denominated in U.S. dollars, and based on the following Fixed Fee and assuming a 1.5% inflation escalator with the start dates as provided below. Please assume a Concession Agreement closing date of January 1, 2020 for valuation purposes

Fixed Fee	\$30MM	\$35MM	\$40MM
Fixed Fee Escalator beginning in 2025E			

Fixed Fee Escalator beginning in 2021E			
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- b. Please describe all material assumptions that are different from the assumptions provided in the Financial Model and CIM
- c. Please describe the tax assumptions which form the basis of your Concession Agreement closing consideration, e.g. utilization of depreciable tax basis of assets
- d. Please describe the anticipated capital structure for the Concession. The University requires the Concession capital structure to maintain an investment grade credit rating

3) Concession Agreement Additional Considerations (5 pages)

- a. Please provide any general feedback on the proposed Concessionaire utility fee construct described in the CIM and Financial Model
- b. Please also provide feedback on the specific items listed below:
 - i. Cost savings / sharing mechanisms for operating and maintenance expense reductions over the term of the Concession¹
 - ii. Cost savings / sharing mechanisms for procuring fuel and supplies for the utility system rather than treating as a straight pass-through
 - iii. Capital planning and approval process described in the CIM

4) Required Approvals and Timing (2 pages)

- a. Briefly summarize the level of review that your RFQ Proposal has received within each team member's organization(s), and describe any required internal approvals that would be needed in order to submit a final, binding proposal at the end of the RFP stage of the process
- b. Describe the regulatory approvals (and related timing) that you expect may be required to enter into a Concession Agreement
- c. Please discuss or confirm your ability to meet a final, binding offer deadline tentatively planned for September 2019

¹ Responders should note that the University intends to purchase and maintain insurance coverage on the utility system and so these costs will not be included in O&M Recovery

- d. Please discuss the estimated time needed to move from a final, binding offer to assumption of operational responsibility and your experience managing this type of transition with the team members responding to this proposal

5) Focus of Additional Due Diligence (3 pages)

- a. Outline key areas of due diligence expected to be addressed during the RFP stage of the process
- b. Please highlight any specific items needed in order to submit a final, binding proposal at the end of the RFP process

6) Additional Information (3 pages)

- a. Please provide any additional information which you deem relevant for the University to consider as part of your RFQ Proposal

7) Key Contacts (1 page)

- a. Please provide the key contact information with whom we can discuss your RFQ Proposal

No Liability for Costs

The University and its advisors are not responsible for costs or damages incurred by teams, subcontractors, or other interested parties in connection with the solicitation process, including, but not limited to, costs associated with preparing responses, qualifications, and proposals, and participating in any conferences, oral presentations, or negotiations

Modification, Termination, and Rejection Rights

The University reserves the right (1) to modify or terminate this solicitation at any time for any reason, (2) to reject any or all proposals, and (3) to waive minor, technical defects in any team's RFQ Proposal. The receipt of proposals or other documents at any stage of either the RFQ or the procurement or transaction process will in no way obligate the University to enter into a contract of any kind

RFQ Proposal Submission Timing and Additional Submission Details

Please submit your RFQ Proposal in written form, via an attachment to an e-mail, to the Wells Fargo contacts listed below **no later than 3:00p.m. Eastern Daylight Time on June 14, 2019.**

Randy Campbell
Managing Director
212-212-6832
randall.s.campbell@wellsfargo.com

Chase Robinson
Director
416-607-2994
chase.robinson@wellsfargo.com

The terms of this letter and the RFQ Proposals are subject to the non-disclosure agreement that you have executed and the conditions set forth in the CIM. Except for the obligations resulting from the non-disclosure agreement, your RFQ Proposal will not be considered binding upon any party; however, your participation as outlined in this letter (whether or not you submit a RFQ Proposal) confirms your understanding of, and constitutes your consent to, the terms and procedures set forth in this letter.

It is the intent of the University and Wells Fargo to solicit RFQ Proposals in such a way that minimizes disruption to the operations, employees, students and other stakeholders of the University and preserves the confidentiality of these discussions. The University requires that all contact related to the RFQ Proposal be made through Wells Fargo and that the University and its related parties as noted in the non-disclosure agreement not be contacted directly. Failure to abide by such requirement may lead to the disqualification of a team.

As a public entity, the University is subject to Iowa’s open records laws, which require procurement records to be made public. At the conclusion of the selection process, the contents of RFQ Proposals, RFP Proposals, final contract documents, and related materials from all participants will be subject to disclosure and inspection by interested parties. Certain types of records are considered confidential and exempt from disclosure, including records containing trade secrets or proprietary information that are recognized as such and protected by Iowa law. To the extent the University concurs, information marked “Proprietary Information” in your RFQ Proposal will not be considered public information. The University is the final authority as to the extent of material that is considered confidential.

Should you have any questions regarding this letter or any other matter, please feel free to contact any of the Wells Fargo deal team previously listed in this letter. On behalf of the University of Iowa, we appreciate your interest in this important opportunity and look forward to receiving your RFQ Proposal submission.

Sincerely,

WELLS FARGO SECURITIES