

Green Transaction Evaluation

1867 – NELKSI LLC \$9.9 Million Solar Tax Equity Fund

Transaction Overview

1867 – NELKSI LLC is a newly-organized entity formed for the purpose of investing in entities that plan to develop, construct, own, and maintain solar photovoltaic systems and sell solar-power generated electricity to third party customers and local utilities. The 1867- NELKSI solar tax equity fund of \$9.9 million has been issued for the purpose of funding four photovoltaic solar projects in Upstate New York.

A subsidiary of 1867- NELKSI will hold companies that will own the assets and operate the projects. Following 1867 - NELKSI's investment it will receive a 99% ownership of the projects and receive an allocation of 99% of profit and loss and IRC Section 48 Investment Tax Credits (ITC) generated by the projects. These investments provide a federal income tax credit that is a percentage of the eligible project cost.

1867 – NELKSI is a subsidiary of the financial services company Nelnet Inc. The company, headquartered in Lincoln, Neb., focuses on delivering education-related products and services and student loan asset management through student loan servicing, tuition payment processing and school information systems, and communications.

Entity:	Nelnet Inc.
Subsector:	Financial Institutions
Location (HQ):	U.S.
Financing value:	\$9.9 million
Amount evaluated:	100%
Evaluation date:	March 29, 2021
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Green Transaction Evaluation Overview

Transaction's transparency

- Use of proceeds reporting
- Reporting comprehensiveness

88

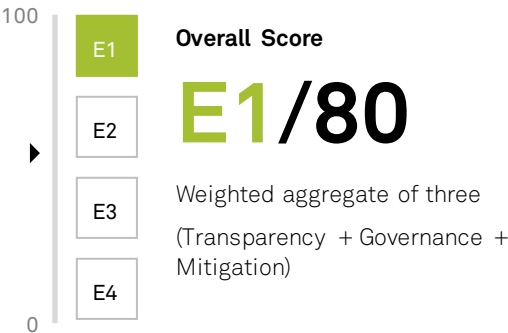
Transaction's governance

- Management of proceeds
- Impact assessment structure

86

Mitigation

Sector	→ Net benefit ranking	→ Hierarchy adjustments	
Green energy	Solar PV	Systemic decarbonization	80



Project Description

The projects being financed by the investment into 1867-NELKSI LLC are four photovoltaic solar projects in Upstate New York. All projects have finished construction, with installed costs totaling \$31.8 million, and are currently operating:

- NY Macedon 1& 2 Solar Project located in Rochester, N.Y. The project was completed in December 2020 and has an expected output of 5,176 megawatt hours (MWhs) in the first year;
- NY Mooers V Solar Project located in Mooers, N.Y. The project was completed in December 2020 and has an expected output of 6,657 MWhs in the first year;
- NY Ontario 1 Solar Project located in Ontario, N.Y. The project was completed in October 2020 and has an expected output of 4,778 MWhs in the first year; and
- NY Orange 1 Solar Project located in Orange, N.Y. The project was completed in December 2020 and has an expected output of 3,373 MWhs in the first year.

Management has informed us that the projects listed above were designed to be resilient over their expected lifetime to a range of climate-related hazards, including extreme storms (primarily snow), temperatures, and wind at the project sites. All electrical equipment is located above the FEMA 100-year floodplain, and is designed to withstand ASHRAE extreme minimum and 2% events average maximum temperatures.

Scoring summary

The transaction achieved an overall score of 80 out of 100, equivalent to a Green Transaction Evaluation score of E1--the highest score on our scale of E1 to E4. The E1/80 score is capped by the transaction's strong Mitigation score of 80 and has robust Governance and Transparency scores of 88 and 86, respectively.

Rationale

- The above-average Mitigation score of 80 is supported by all proceeds of the transaction being allocated to photovoltaic solar projects. These green energy projects sit at the top of our carbon hierarchy as they contribute to systemic

decarbonization of the economy. However, the low carbon-intensity of the regional grid mix in New York State limits the ranking in a global context compared with more carbon-intense regions.

- We view the Governance to be very strong, with a score of 88. All projects selected must qualify for the IRC Section 48 solar tax credit and proceeds cannot be used for other purposes. The projects financed by this transaction were selected and constructed prior to investor participation. The NELKSI Fund is closed and will not add any projects beyond the four disclosed to investors.
- In our opinion, the Transparency of this transaction is also very strong, with a score of 86. This reflects Nelnet's intention to submit annual third-party audited environmental impact reports detailing solar production during the reporting period. Investors will also receive annual project level third-party audited financial reports for 1867 - NELKSI.

Key Strengths And Weaknesses

Over the last three years, Nelnet has invested over \$145 million in tax equity investments in renewable energy solar partnerships to support the development and operations of solar projects throughout the country. The projects are currently forecasted to generate more than 214 megawatt hours of power annually. The proceeds of this solar equity financing fund four photovoltaic solar projects. We believe these projects will have significant environmental benefit as they provide clean renewable energy and do not generate harmful greenhouse gas emissions. However, the net benefit of the green energy projects in New York does not have quite as strong an impact as it would if it were located in a more carbon-intense region.

We view this transaction as having favorable governance characteristics. Nelnet has a dedicated Renewable Energy asset management team that tracks and monitors the ongoing performance of this portfolio of projects and all other renewable energy projects. The company has a good relationship with project sponsors and can verify the projects' performance. Additionally, the company receives performance reports from the sponsors on a quarterly basis. The projects are also fitted with an energy monitoring system that will provide revenue-grade metering of output as well as meteorological data to monitor the system's real-time performance.

All projects must qualify for the IRC Section 48 solar tax credit and meet additional investment criteria disclosed to all potential investors. Due to the single-purpose structure of the holding company, funds cannot be used for any other purpose than investment in the selected projects. Total project costs are known because construction was completed late in 2020, and investors will receive audited financial reports annually for the life of the projects.

We consider the impact reporting to be comprehensive, both in terms of the type of information provided and its frequency. The company provides annual third-party audited environmental impact reports detailing the solar power production (MWhs) during the reporting period to all investors. We expect the reports to cover both annual and monthly production on a project-by-project basis.

Potential investors also receive Independent Engineer Reports for each of the projects, which include projections of solar power production within a specified confidence interval.

Sector-Level Scores

Sector	Location	Technology	Use of proceeds (mil. USD)	Use of proceeds treatment	Net benefit ranking
Green Energy	New York	Solar PV	9.9	Actual	20
			9.9		

Carbon

Green Transaction Evaluation Process

86

Transparency

88

Governance

80

Mitigation

Weighted aggregate of three:
(Transparency + Governance + Mitigation)

E1/80

Overall Score

Technology	Baseline carbon intensity	Net benefit ranking	→ Carbon hierarchy adjustment	Environmental impact score	Proceeds (mil. \$)
	<div>Low</div> <div> <div>X</div> <div></div> <div></div> <div></div> <div></div> </div> <div>New York / United States</div>				
Wind power					
Solar power		20			
Small hydro					
Large hydro (excluding tropical areas)					
Energy management and control					
Unspecified					
Green transport without fossil fuel combustion					
Green buildings – new build					
Unspecified					
Energy-efficient projects (industrial and appliance efficiencies)					
Green transport with fossil fuel combustion					
Green buildings refurbishment					
Unspecified					
Nuclear					
Large hydro in tropical areas					
Unspecified					
Coal to natural gas					
Cleaner fuel production					
Cleaner use of coal					
Fossil fuel-based cogeneration					
Unspecified					

Increasing decarbonization impact

Systemic decarbonization

80

9.9

Significant decarbonization in sectors already aligned with a green economy

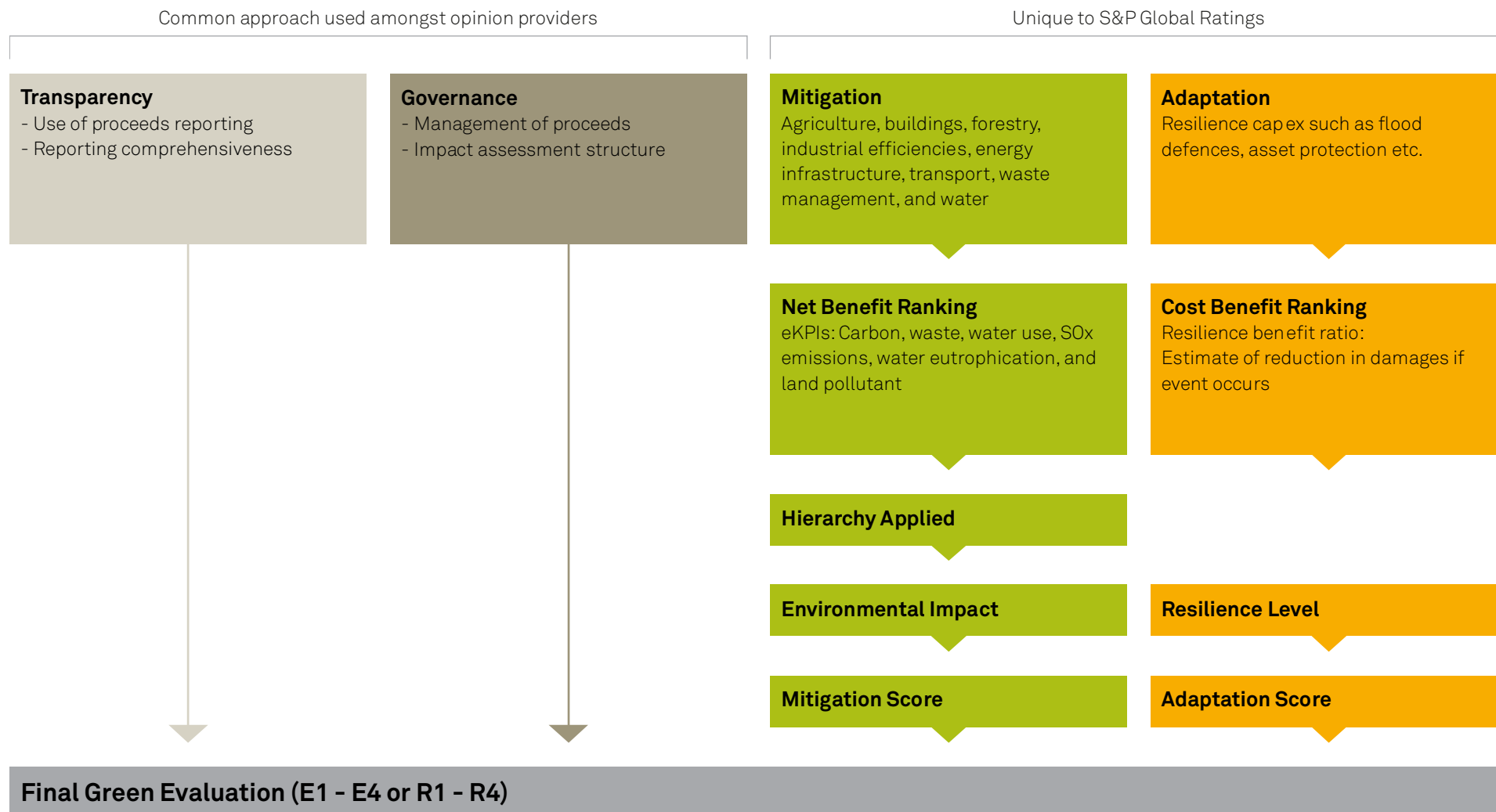
Alleviating emissions of existing carbon-intense industries

Decarbonization technologies with significant environmental hazards

Improvement of fossil-fueled activities' environmental efficiency

Our Green Transaction Evaluation Approach

Weighted aggregate of three:



eKPI--Environmental Key Performance Indicator.

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