

**CALIFORNIA ALTERNATIVE ENERGY & ADVANCED TRANSPORTATION
FINANCING AUTHORITY
Meeting Date: April 6, 2010**

***Request for Approval of the Master Interagency Agreement with the
California Energy Commission***

Prepared by: *Jane Heinz*

Summary. Staff is requesting Board approval of the Master Interagency Agreement with the California Energy Commission to administer up to \$100 Million in Assembly Bill 118, (AB 118, Nunez , Chapter 750, Statutes of 2007) funds to develop financing programs for vehicle component manufacturing, biofuel production plant, and ethanol incentives programs. If the CAEATFA Board approves, CEC staff will present the Master Interagency Agreement at their April 7th Business Meeting for Commission approval. Upon Board and Commission approval, the agreement may be signed by both parties and CAEATFA may commence work on AB118 funded advanced transportation financing programs.

Background. AB 118, Statutes of 2007, established the Alternative and Renewable Fuel and Vehicle Technology Program and authorized the expenditure of funds to further the program's policy directives. Under the California Energy Commission's (CEC's) Transportation Investment Plan, as required under AB118, programs will be developed and administered to improve air quality emissions and assist in the development of advanced transportation technologies in California. The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) provides financial assistance for projects that use alternative energy sources and technologies, and also provides financial assistance for projects to develop and commercialize advanced transportation technologies that conserve energy, reduce air pollution, and promote economic development and jobs.

The purpose of this Master Interagency Agreement (Master IA) between the CEC and CAEATFA, (the "Parties"), is to develop and manage the CEC's Transportation financial assistance programs. Three programs will be affected: 1) California Ethanol Producer Incentives Program (CEPIP), 2) AB 118 Bond/Credit Enhancement Program and 3) California Capital Access Program for AB118 (AB 118 CalCAP Program). This Master IA creates the framework for the administrative procedures, legal agreements, and financial structures to be in place in order for the CEPIP, AB118 Bond/Credit Enhancement, and AB 118 CalCAP programs to commence. This Agreement contemplates further IAs to implement the programs. The further IAs will cover program implementation and reimbursement issues, including addressing costs for the California Pollution Control Financing Authority CalCAP program.

The proposed Master IA defines the roles and responsibilities of both CAEATFA and the CEC in the administration of the programs. If needed, the CAEATFA will solicit specialized consultants for Financial Advisory, CEPIP Trustee, and other related services, to establish and maintain the administrative structures necessary to carry out the interagency agreements.

Upon the Department of General Services' (DGS) approval of this agreement, the CEC will advance up to \$100 million to CAEATFA. Any subsequent transfers will be in amounts determined

by the CEC based on program demand, funding availability, and agreement of the Parties. The Parties agree that upon instruction from CEC, CAEATFA will transfer designated amounts of the AB118 funds to the three transportation program accounts (CEPIP, AB 118 Bond/Credit Enhancement, and AB 118 CalCAP) upon the establishment and agreed upon structure of the programs. Upon instruction from the CEC, CAEATFA may transfer unused funds between these specified programs.

The Master IA ensures that the three transportation programs will be in place by the time the CEC has completed the technical review and has approved the projects for financial assistance. This Master IA also provides the flexibility to the Parties to develop other advanced transportation programs upon further agreement or amendment.

Summary of Major Components of Interagency Scope of Work.

1. The term of this agreement is April 7, 2010 or upon DGS approval, whichever occurs later through December 31, 2015, unless sooner terminated by either party giving 30 days written notice of intent to terminate this agreement or extended by the parties in writing.
2. The Scope of Work for this Master IA includes preliminary and ongoing work for five tasks of the overall management and administration of the support structure for the CEC AB 118 Interagency Agreements: establishment and management of accounts, program design and development, (including promulgation of regulations if needed), engagement of specialized advisory services, drafting of the subsequent program IAs (“subordinate IAs”), and reporting.
3. For each financing program, CAEATFA will begin the processes required to establish and implement administrative procedures and financial structures. These efforts may include coordination with the Department of Finance, the Department of General Services, the Controller’s Office, the Attorney General’s Office, CPCFA, and the Public Finance Division within the State Treasurer’s Office. CAEATFA will also retain through the RFP process a Financial Advisor for the AB 118 Bond/Credit Enhancement program.
4. The CEC will issue Program Opportunity Notices (PONs), establish project criteria, review technical qualifications of projects, select and refer projects to CAEATFA for financing programs.
5. CAEATFA’s management and administrative fees are \$25,000 per month plus reasonably necessary expenses. Total overhead (costs and fees) will not exceed five percent of the total amount transferred from CEC to CAEATFA over the life of the agreement. The subsequent program IAs will specify associated CAEATFA and CPCFA administrative, management, and program fees which will begin when the program IA’s become effective, however the program administrative expenses are currently contemplated at \$10,000 (CEPIP), \$20,000 (Bond/Credit Enhancement), and \$10,000 (CalCAP) per month.

6. Under the Master IA, the CEC agrees to pay upon request from CAEATFA, \$25,000 per month in advance, for the first six months of this agreement for develop and preliminary implementation of the subsequent three program IAs. CAEATFA will submit a request for payment at the beginning of each month and upon approval by the CEC, will draw down the funds from the CAEATFA-CEC AB 118 Master Account. When the subsequent three programs (CEPIP, AB 118 Bond/Credit Enhancement and AB 118 CalCAP) are established and become effective, the fees associated with CAEATFA's and CPCFA's administration and management of these programs, will begin in the amounts stated under 5 above. Any additional funds necessary to provide administration and financial services under this Master IA not covered within the budgeted monthly amount may be negotiated by the parties and agreed to. Monthly payments to CAEATFA under the Master IA for management services may be adjusted according to subsequent program fees.
7. The CAEATFA shall establish one CEC-designated account; the CAEATFA-CEC AB 118 Master Account. The funds in this account will be deposited in the Surplus Money Investment Fund (SMIF) maintained by the State Controller's Office. Interest earned on funds held in the CAEATFA-CEC Administrative Account will accrue and be accounted for and reported on in financial statements to the Parties.
8. Funds held in the CAEATFA-CEC AB 118 Master Account may be used to fund administrative management costs and reasonably necessary expenses incurred in carrying out this Agreement. Any unused funds shall remain in the CAEATFA-CEC AB 118 Master Account until all expenses are paid and accountings are completed. The CEC and CAEATFA agree that funds including interest that have not been encumbered or expended, will remain in the CAEATFA-CEC AB 118 Master Account until the CEC requests transfer to another designated account for AB 118 programs, or requests the return of funds.
9. CAEATFA will provide monthly reports to the CEC, which will include support contract activity, fund transfers, interest earned, unused funds, and program status, etc. during the term of the Master IA.
10. The Parties agree to perform all the duties and services described within the Master IA and to take any and all actions to further the purpose of the agreement.

Recommendation. Staff requests Board approval of the Master Interagency Agreement with the CEC to develop and implement financial assistance programs to provide financing for advanced transportation manufacturing and fuel incentives for California.

**A RESOLUTION OF THE
CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION
FINANCING AUTHORITY
AUTHORIZING APPROVAL TO ENTER INTO A MASTER INTERAGENCY
AGREEMENT WITH THE CALIFORNIA ENERGY COMMISSION**

April 6, 2010

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (“Authority”) was created under the provisions of Division 16 (commencing with Section 26000) of the Public Resources Code; and

WHEREAS, Section 26040(a) of the Public Resources Code provides that the Authority is authorized to “receive and utilize grants or loans from the federal government, a public agency, or any other source for carrying out the purposes of (Division 16)” and

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority wishes to enter into an Interagency Agreement with the California Energy Commission to administer up to \$100 Million in Assembly Bill 118, (AB 118, Nunez, Chapter 750, Statutes of 2007) funds to develop financing programs for vehicle component manufacturing, biofuel production plant, and ethanol incentives programs.

WHEREAS, AB 118, (Chapter 750, Statutes of 2007), established the Alternative and Renewable Fuel and Vehicle Technology Program and authorized the expenditure of funds to further the program’s policy directives. Under the California Energy Commission’s (CEC’s) Transportation Investment Plan, as required under AB118, programs will be developed and administered to improve air quality emissions and assist in the development of advanced transportation technologies in California.

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) provides financial assistance for projects that use alternative energy sources and technologies, and also provides financial assistance for projects to develop and commercialize advanced transportation technologies that conserve energy, reduce air pollution, and promote economic development and jobs.

WHEREAS, the purpose of this Master Interagency Agreement (Master IA) between the CEC and CAEATFA, (the “Parties”), is to develop and manage the CEC’s Transportation programs in accordance with three subsequent IAs: 1) California Ethanol Producer Incentives Program (CEPIP), 2) AB 118 Bond/Credit Enhancement Program and 3) California Capital Access Program for AB118 (AB 118 CalCAP Program).

WHEREAS, this Master IA creates the framework for the administrative procedures, legal agreements, and financial structures to be in place in order for the CEPIP, AB118 Bond/Credit Enhancement, and AB 118 CalCAP programs to commence. This Agreement contemplates that the

CEPIP, Bond/Credit Enhancement, and AB 118 CalCAP program IA's will be executed between CEC and CAEATFA. Under a separate IA executed between CAEATFA and the California Pollution Control Financing Authority (CPCFA), CAEATFA will become an independent contributor to the AB 118 CalCAP program which will be managed by CPCFA.

WHEREAS, pursuant to the Interagency Agreement, the proposed Master IA defines the roles and responsibilities of both CAEATFA and the CEC in the administration of the programs.

WHEREAS, CAEATFA will solicit specialized consultants for Financial Advisor, Trustee, and if needed other related services, to establish and maintain the administrative structures necessary to carry out the interagency agreements and to provide the CEC with all of the services normally provided by CAEATFA in its role as conduit issuer, and operator of the financing programs referenced above, and including any other services which may be necessary to ensure the success of this agreement.

The Master IA ensures that the three transportation programs will be in place by the time the CEC has completed the technical review and has approved the projects for financial assistance. This Master IA also provides the flexibility to the Parties to develop other advanced transportation programs upon further agreement or amendment.

NOW, THEREFORE, BE IT RESOLVED that the Executive Director of the Authority is hereby authorized to prepare and execute an Interagency Agreement with the California Energy Commission as follows:

Section 1. The CEC will advance up to \$100 million to CAEATFA. Any subsequent transfers will be in amounts determined by the CEC based on program demand, funding availability, and agreement of the Parties.

Section 2. The Parties agree that upon instruction from CEC, CAEATFA will transfer designated amounts of the AB118 funds to the three transportation program accounts (CEPIP, AB 118 Bond/Credit Enhancement, and AB 118 CalCAP) upon the establishment and agreed upon structure of the programs. Upon instruction from the CEC, CAEATFA may transfer unused funds between these specified programs.

Section 3. The Master IA ensures that the three transportation programs will be in place by the time the CEC has completed the technical review and has approved the projects for financial assistance. This Master IA also provides the flexibility to the Parties to develop other advanced transportation programs upon further agreement or amendment.

Section 4. This resolution shall take effect immediately upon its passage and remain in full force and effect thereafter.

Date of Adoption: April 6, 2010

Jan McFarland
Executive Director