

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**
Tuesday, January 25, 2011

***Request for Approval to Contract for Consulting Services for CAEATFA's Sales and
Use Tax Exclusion Programs in an Amount Not to Exceed \$750,000***

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Summary. Staff is requesting approval to enter into a contract with Blue Sky Consulting Group, LLC (Blue Sky) to provide consulting services for CAEATFA's Sales and Use Tax Exclusion (STE) Programs – the SB 71 STE Program and a to-be-developed STE program for renewable energy generators. The contract will be for a two year term, with an option to extend for one additional year, and will not exceed \$750,000.

Under direction from the CAEATFA Executive Director, the scope of services will include assistance, advice and activities related to program development, establishment, implementation, initial program administration, and planning for program administration and evaluation. Services will be concentrated in providing technical assistance specific to economic and environmental evaluation criteria and standards for various alternative source and advanced transportation industries, and building program administration infrastructure and evaluation tools.

Background. The Authority is statutorily authorized to provide financial assistance in the form of sales and use tax exclusion to eligible participating parties of projects defined by statute. In October 2009, CAEATFA provided its first STE approval for manufacturing of zero emission vehicles, issued to Tesla in a Qualified Property amount of \$320 million (approximate \$29 million in STE). On March 24, 2010, Governor Arnold Schwarzenegger signed Senate Bill 71 (Padilla) into law. SB 71 authorizes CAEATFA to approve sales and use tax exclusions on tangible personal property used for the design, manufacture, production or assembly of advanced transportation technologies or alternative energy source products, components or systems, as specified.

In June 2010, CAEATFA selected a contractor (Blue Sky Consulting) and entered into a short-term contract (purchase order) for the consulting assistance required to launch the SB 71 Program. CAEATFA, with assistance from Blue Sky Consulting, has spent the last several months developing and implementing the SB 71 Program. CAEATFA adopted emergency regulations in early October 2010, and began accepting applications on a rolling basis. To date, CAEATFA staff brought forward 29 applications to the Board for consideration, totaling \$87.5 million in STE and anticipated to create a value of \$55.5 million in environmental benefits and \$87.6 million in fiscal benefits due to the

STE.¹ CAEATFA staff anticipates beginning the permanent rulemaking process in early 2011.

In addition, the CAEATFA Board recently requested staff to begin the rulemaking process to develop an STE program to provide financial assistance to renewable energy generators. Staff launched the public workshop process for developing the Renewable Energy Generator STE Program on January 19, 2011 (Generator STE Program). The California Public Utilities Commission and California Energy Commission have been involved in developing initial concepts and proposals for this program. CAEATFA staff anticipates the Generator STE Program will use some of the framework of the SB 71 Program with the appropriate modifications that may be required.

Staff also anticipates the development of the Generator STE Program may require modifications to the existing SB 71 Program to incorporate the expansion of the use of the STE into CAEATFA's evaluation of projects' economic and environment benefits.

CAEATFA was previously largely dormant from May 2004 until February 2008. In 2008, an Executive Director was hired to explore program development within CAEATFA's statutory authority. The Authority is in its early phase as a revived agency, hiring its first analyst in the summer of 2010. It currently has 7 staff members² and is administering and implementing five programs.³ While CAEATFA has adopted a rigorous training schedule for its staff, the Authority does not currently have the technical, economic or environmental analysis expertise to develop and implement these STE programs without assistance.

As noted above, the selected contractor will assist in developing the STE programs, specifically with early implementation and administration (and any refining that may be required). The contractor will also provide staff training and assist in developing the infrastructure needed for effective administration and evaluation.

Request for Proposal (RFP) Process.

On December 21, 2010, CAEATFA Staff advertised a RFP through the Department of General Services Contracts Register as well as the CAEATFA website. As of the proposal deadline, January 10, 2011, the Authority received one proposal, which was from Blue Sky Consulting.

As part of the State contracting process, if a state agency receives only one response to a RFP, staff is required to inquire as to why non-proposers did not respond. The entities that staff surveyed cited various reasons for not responding to the RFP, ranging from the

¹ These figures include the Applications being brought to the January 2011 Board meeting for consideration.

² Current staff members include the Executive Director, Deputy Executive Director, Treasury Program Manager II, three analysts and one office technician.

³ The programs include the SB 71 STE Program, Renewable Energy Generator STE Program, Qualified Energy Conservation Bonds, California Ethanol Producers Incentive Program, and Energy Upgrade California.

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lack of ability to meet the breadth of experience required in the RFP to firm's available resources.

Staff developed an evaluation process that included an Evaluation Committee consisting of CAEATFA and CPCFA staff. Proposals were evaluated based on the characteristics and point values outlined below. A proposer could earn a maximum of 100 points. Blue Sky received a total average score of 92 from the Evaluation Committee.

- 1) Overall experience demonstrating its ability to successfully complete the scope of services defined in the RFP and the firm's experience, personnel and references. (30 points)
- 2) Experience as Contractor to a state or other government programs.(20 points)
- 3) Evaluation of qualifications of individuals to be assigned to the contract on the basis of background and experience in related work as detailed in the RFP. (15 points)
- 4) Evaluation of the blended rate of the proposer's staff costs. (35 points)

Overview of the Blue Sky Consulting Group.

The Blue Sky Consulting Group brings a depth of knowledge and experience to assist CAEATFA in its development and early administration of its Sales and Use Tax Exclusion Programs. Blue Sky was founded by Tim Gage and Matthew Newman in 2005, and it has offices in Emeryville and Sacramento.

The project team for Blue Sky's services specializes in analyzing the intersection of public policy and economics, specifically looking at the economic, fiscal and environmental effects of public policy changes. In addition to its experience in quantitative data analysis, the team knows how to present complex analytical findings in clear and concise terms that are readily understandable by a lay audience of policy makers, business leaders and the public.

The project team will be directed by Time Gage and Matthew Newman, and will be supported by other members of Blue Sky. Mr. Gage and Mr. Newman both have significant experience in addressing the environmental and economic issues related to public policy decisions and effective public administration.

Blue Sky will be the primary contractor responsible for the quality, completeness and timeliness of all work. In addition, Blue Sky has obtained a sub-contractor, Jai J Mitchell Analytics (JJMA), which will complete no less than three percent (3%) of the work under the contact, which will assist CAEATFA in meeting its DVBE contracting goals. JJMA provides management, planning and evaluation of state and industry demand-side management, water conservation and alternative energy and fuels programs. JJMA will

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provide technical expertise and additional analytical and evaluation resources in the areas of advanced transportation and alternative energy technologies.

Contract Terms. The contract will be for a two-year term with an option to extend for an additional year. The contractor will be compensated subsequent to providing specific services. The compensation amount shall not exceed \$750,000 for the term of the contract.

The Authority will manage expenditures and compensate the contractor through task orders. A task order is a contracting term that is broadly used by an entity that wishes to enter into contracts to acquire services when the exact quantities of future deliveries are not known at the time of contract award. A task order will identify a “not to exceed” amount of compensation for specific types of services over a period of time. The contractor will submit invoices toward a specific task order. If needed, a task order may be amended as services or costs change, or new task orders can be created to incorporate additional specific services. The hourly rates and compensation schedules used in a task order will utilize the rate and fee schedule the Authority accepted in the submitted Cost Proposals.

Recommendation. Staff recommends adoption of a resolution authorizing execution of a contract with the Blue Sky Consulting Group to provide consulting services to CAEATFA for the SB 71 Sales and Use Tax Exclusion Program and the development of a Sales and Use Tax Exclusion Program for renewable energy generators in an amount not to exceed \$750,000 over three years.

**RESOLUTION OF THE CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY AUTHORIZING
THE EXECUTION OF A CONTRACT TO RETAIN CONSULTING SERVICES
UNDER ITS SALES AND USE TAX EXCLUSION PROGRAMS**

January 25, 2011

WHEREAS, the California Alternative Energy And Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Alternative Energy And Advanced Transportation Financing Authority Act (Division 16 (commencing with Section 26000) of the California Public Resources Code) (the “Act”);

WHEREAS, the Authority has determined it requires consulting services to assist it in the early development, administration and planning for its sales and use tax exclusion programs;

WHEREAS, the Authority has undergone a competitive process to identify an appropriate contractor to provide consulting services and economic and environmental technical expertise;

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows:

Section 1. The Authority hereby authorizes the execution of a contract in an amount not to exceed \$750,000 to retain the Blue Sky Consulting Group to provide consulting services and other actions related thereto of the Authority’s SB 71 Sales and Use Tax Exclusion Program and a Sales and Use Tax Exclusion Program for Renewable Energy Generators.

Section 2. The term of the contract will commence upon execution and will continue for two years with an option to extend for a period of one-year unless earlier terminated by the Authority.

Section 3. The Chair of the Authority, Executive Director and Deputy Executive Director are hereby authorized for and on behalf of the Authority to obtain consulting services, with the form and substance of said contracts to be reviewed and approved by legal counsel of the Authority.

Section 4. This resolution shall take effect immediately upon its approval.