

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
Senate Hearing Room 4203
State Capitol
Sacramento, California 95814
November 17, 2010**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or Authority) meeting to order at 11:17 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
John Chiang, State Controller
Cynthia Bryant for Ana J. Matosantos, Department of Finance
Paul Clanon for Michael R. Peevey, Director,
Public Utilities Commission

Members Absent: Karen Douglas, Chair, California Energy Commission

Staff Present: Christine Solich, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the October 27, 2010 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Mr. Clanon moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Solich reported that Staff is working to execute CAEATFA's contract with the selected financial advisor firm, Montague DeRose and Associates LLC, by the end of November. It is expected that representatives of the firm will attend the December Board meeting to meet the Board.

Ms. Solich reported that Staff is continuing to work on the California Ethanol Producer's Incentive Program (CEPIP) Interagency Agreement with the California Energy Commission

(CEC). Staff is working to resolve issues such as fees for services, the appropriation of funds and reimbursement authority and hopes to have all issues resolved by the end of November 2010.

Ms. Solich further reported that efforts continue on the Alternative Source Energy Generator Program and Staff has met with the Public Utilities Commission (PUC) to discuss the eligibility criteria, evaluation criteria, program size, and the potential to revise the SB 71 net benefits test to use under the new program. Ms. Solich said that the next step is to develop draft regulations, and there is significant interest on the part of renewable energy generators in the State to begin moving on developing and implementing this program. Staff expects to have a public comment workshop sometime in January or early February 2011, and is in the process of putting out a Request for Proposal for consulting services for this program.

Ms. Solich continued to report that there are 12 applications for the SB 71 Sales and Use Tax Exclusion (STE) Program being presented to the Board. She noted that Staff had done an incredible job in managing this new process with only 35 days – including weekends and holidays – to receive, review and evaluate the applications for recommendation to the Board. Staff had a lot of interaction with the applicants requesting new and additional information as well as further documentation. Staff has become educated about certain manufacturing processes that helped staff to determine if the qualified property was eligible for the STE. Staff is continuing to build its internal expertise in an effort to implement the STE program for the purpose in which it was intended, and is deep into the evaluation process for the next set of applications that will be presented to the Board at the December 15, 2010 meeting.

Ms. Redway asked if there were any questions or comments from the Board.

Mr. Clanon thanked Ms. Solich and Staff for working with the PUC on getting the Alternative Source Energy Generator Program moving along quickly.

Ms. Redway commended Staff on the executive summary which summarized the SB 71 applications which were brought to the Board for consideration this month.

Ms. Redway asked if there were any further questions or comments from the Board, or the public. There were none.

4. BUSINESS ITEMS

A. REQUEST BOARD TO AUTHORIZE STAFF TO ENTER INTO AN AGREEMENT WITH THE LOCAL GOVERNMENT COMMISSION TO PARTICIPATE IN THE CALIFORNIA ENERGY COMMISSION “ENERGY UPGRADE” CALIFORNIA INITIATIVE

Presented by: Christine Solich, Executive Director

Staff requested Board approval to enter into a contract with the Local Government Commission to assist in the development and administration of a financial clearinghouse, and administration of a \$4,000,000 financial subsidy account for the CEC’s *Energy Upgrade California Program*.

Staff, in consultation with legal counsel, will negotiate the scope of work and contract terms and conditions as necessary to comply with CAEATFA statutes in carrying out the objectives of the program. Staff anticipates reporting to the Board on these activities on a monthly basis.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Mr. Clanon moved approval of the item; upon a second, the item was unanimously approved.

B. DISCUSSION AND CONSIDERATION OF APPLICATIONS FOR SB 71 SALES AND USE TAX EXCLUSION

Presented by: Deana Carrillo, Program Manager; Heather Williams, Analyst; Martha Alvarez, Analyst; and Matthew Newman, Blue Sky Consulting Group.

Staff requested Board approval for 12 Projects together as one item under the SB 71 Program, specifically Agenda Items 4.B.1 – 4.B.14 (omitting 4.B.7 and 4.B.10).

Emergency Regulations for the Advanced Transportation and Alternative Source Manufacturing Sales and Use Tax Exclusion Program were adopted on October 4, 2010. The Authority began accepting Applications on a rolling basis, and will report to the Legislature once approved Participating Parties use a combined total of \$100 million in sales and use tax exclusions.

CAEATFA received 15 Applications by the initial deadline of October 11th 2010, 12 of which were brought to the Board for consideration at this meeting. Staff's recommended approval of these 12 Projects – as described in Agenda Items 4.B.1 – 4.B.14 (excluding 4.B.7 and 4.B.10) – have a combined value of \$785,739,579 in anticipated Qualified Property purchases, anticipated to result in approximately \$71,502,302 of sales and use tax exclusion over the next three years.

Based on the net benefits methodology embodied in the Program Regulations and on representation from these initial Applicants, staff estimates that approximately \$71.5 million in STE will assist in creating environmental benefits valued at approximately \$48 million and fiscal benefits valued at approximately \$55 million. This results in approximately \$103 million in total benefits and a net benefit value of \$31.3 million.

Together these Projects are anticipated to create 4,914 jobs (3,189 permanent jobs and 1,725 temporary construction or installation jobs). CAEATFA staff calculates that approximately 471 of these jobs (289 permanent jobs and 182 construction jobs) are attributable to the Program, based on the estimation methodology embodied in the Regulations. This is because the Program specifically evaluates the fiscal and

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environmental results that stem directly from the STE, with only the marginal additional production (and resulting fiscal and environmental benefits) associated with the STE included for purposes of evaluating Applicants. The marginal additional production associated with an Application is estimated based on the percent reduction on costs that an Applicant experiences as a result of receiving the STE.

These initial Projects include landfill gas and biogas capture and production Facilities that turn waste methane into a usable, renewable fuel; a solid oxide fuel cell system manufacturing Facility, the output of which can generate electricity without the need for an expanded electricity distribution system using traditional or bio methane; and several solar photovoltaic manufacturing facilities that, taken as a whole, will significantly expand the State's photovoltaic industry.

These Projects are located across the State with a concentration in the Bay Area, most heavily concentrated in Santa Clara County. It is expected that these Projects will provide significant economic benefits to the State and local jurisdictions in the form of corporate, personal income, sales and property tax revenues, increased employment, and additional economic activity created by the manufacturing Facilities and purchases from related suppliers. It's important to note that while the location of the Facilities helps to identify where much of the economic and fiscal activity will take place (e.g., new jobs created, property tax payments), it does not by itself provide CAEATFA with sufficient information to determine the fiscal impact of the Program on individual local communities. The impact on individual local communities will also depend on where the Qualified Property will actually be purchased. Approved Participating Parties will provide that information to CAEATFA after they purchase the Qualified Property.

The value of the Projects range from approximately \$1 million to \$382 million, with corresponding anticipated STE amounts ranging from \$103,000 to \$34 million. The median size Project is \$28.7 million with an anticipated STE amount of \$2.6 million.

Ms. Redway asked if there were any questions or comments from the Board or public.

Ms. Bryant thanked Staff for the excellent staff summaries that were written on the projects and for working so quickly to get the program off the ground.

Ms. Redway thanked staff for their work on the program.

Mr. Clanon suggested to Staff that now would be a good time to think of ways to improve the scoring or data needed for applications since it is fresh in their minds.

Roxanne Miller, Legislative Advocate, on behalf of the City of San Jose, the City's Mayor and City Council, thanked Staff for responsibly expediting the implementation of SB 71. The City of San Jose supports Nanosolar and several other companies on the agenda that will help jump-start the State's economy.

Reed Addis, on behalf of a group of companies including Nanosolar and Bloom Energy, thanked the Board and Staff for the process of getting the program up and running in a

short amount of time and to help stimulate the economy.

David Pearce, CEO of NuvoSun Inc., thanked the Board and Staff and stated that NuvoSun expects to hire 100 employees in support of all the manufacturing equipment that will be purchased because of the program and there may even be a significant number of jobs within the next 90 days. Mr. Pearce reiterated his appreciation to the Board for their help.

Ms. Redway asked if there was a motion.

Mr. Chiang moved approval of the item; upon a second, the item was unanimously approved.

C. REQUEST TO APPROVE INITIAL RESOLUTION AUTHORIZING CAEATFA TO SERVE AS APPLICANT TO CDLAC FOR RE-ALLOCATION OF QUALIFIED ENERGY CONSERVATION BONDS (QECB) ALLOCATIONS

1) Initial Resolution for Qualified Energy Conservation Bonds (Yuba Community College District Solar Photovoltaic Project), \$20,500,000
Presented by Heather Williams, Analyst

Staff requested approval of an Initial Resolution for an amount not to exceed \$20,500,000 to finance the purchase and installation of a photovoltaic (PV) solar electric system. After Board approval, CAEATFA Staff will then apply to the California Debt Limit Allocation Committee for re-allocation of QECB allocations.

Ms. Redway asked if there were any questions comments from the Board or public. There were none

Ms. Bryant moved approval of the item; upon a second, the item was unanimously approved.

5. PUBLIC COMMENT

Ms. Redway asked if there were any comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:37 a.m.

Respectfully submitted,

Christine Solich
Executive Director