

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Meeting Date: November 17, 2010

***Request Board to Authorize Staff to Enter Into an Agreement with the Local Government
Commission to Participate in the California Energy Commission’s Energy Upgrade California
Program***

Prepared by: *Christine Solich*

Summary. CAEATFA staff is requesting Board approval to enter into a contract with the Local Government Commission (LGC) to assist in the development and administration of a financial clearinghouse, and administration of a financial subsidy account for the California Energy Commission’s (“CEC”) ***Energy Upgrade California.***

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.

Background.

In January, 2010, the CEC was tasked with developing and implementing a comprehensive program to achieve greater energy savings for residential and commercial properties in California. As part of the comprehensive program, the CEC has developed and is implementing a new initiative entitled ***Energy Upgrade California*** (“Program”), a one-stop-shop integrated web portal for statewide energy efficiency and renewable energy financing. The Program will include energy retrofit financing, quality assurance, workforce development, regional coordination, branding, education, marketing and outreach needed to complement the work with existing State and Federal-supported energy retrofit and workforce development programs.

This Program will be implemented in collaboration with the public and investor-owned utilities, local governments, including approximately 30 counties (“Program Plus Counties”) that have demonstrated a commitment and dedicated resources to energy retrofit financing, and will be funded through \$33 million in American Reinvestment and Recovery Act (ARRA) funds. Of the \$33 million, approximately \$4 million will be made available in the form of financial subsidies for energy efficiency and renewable energy retrofit financing. Through the Program, the CEC is defining the technical requirements and programmatic best practices that are necessary for an effective, consistent and sustainable statewide energy efficiency and renewable energy retrofit program. The implementation timeline is approximately 18 months, through March, 2012.

Earlier this year, the CEC was in contract negotiations with the California Statewide Communities Development Authority (CSCDA) to administer the Program along with several subcontractors chosen to be responsible for various deliverables under the scope of work that had been developed over the past several months. However, contract negotiations with the CSCDA were recently discontinued due to a legal dispute.

In mid-October, the CEC replaced CSCDA with the Local Government Commission (LGC), a nonprofit public benefit corporation, as a Program administrator. The CEC also contacted CAEATFA in an effort to procure CAEATFA's participation as a subcontractor for certain program deliverables under the Program scope of work. At the October meeting, staff briefed the board regarding this request. At that time, staff indicated that further discussion with the CEC, other potential contractors involved in the Program, and legal counsel was continuing to determine the appropriate assistance that CAEATFA could provide in the development and administration of the Program.

Overview of CAEATFA's Roles and Responsibilities. CAEATFA, in collaboration with other subcontractors and financial advisors will develop standards for financial products and lenders as part of a financial clearinghouse that will offer consumer financing for energy efficiency and renewable energy projects.

- CAEATFA will develop and implement a process for lender participation in the clearinghouse, including drafting underwriting criteria, developing a process for financial product selection, developing a selection process for qualified lenders, and managing ongoing lender participation.
- CAEATFA will work in collaboration with other subcontractors and financial advisors to develop financial product criteria (secured and unsecured financing, on-bill financing, etc.) that will be made available in the clearinghouse.
- CAEATFA will conduct stakeholder outreach including statewide public workshops to receive input into the development of products and lender criteria.

CAEATFA, in collaboration with financial advisors will develop criteria to make available \$4 million in financial subsidies through lenders in Program Plus Counties - counties that have demonstrated a commitment and resources - for energy efficiency and renewable energy retrofit financing.

- CAEATFA will select a trustee bank and administer a contract for fund trustee services.
- CAEATFA will consider options and develop criteria for distribution of financial subsidies (i.e., loan loss reserve, credit enhancement, etc.).

- CAEATFA will distribute financial subsidy funds to assist in extending energy efficiency and energy retrofit financing in Program Plus Counties.

CAEATFA also anticipates an opportunity to redirect the \$50 million PACE bond reserve program funds to support regional energy efficiency and renewable energy financing. Staff will work in collaboration with the CEC and the SB 77 bill's author (Senator Pavley) to consider other financial incentive programs to which all or a part of the funds could be redirected in order to apply the funds for their intended purpose – to promote energy efficiency, and job creation in new clean industries that will grow the economy.

Contract Timeline.

As mentioned earlier, the Program implementation timeline is approximately 18 months and CEC funding for contractors involved in the Program is available through March, 2012.

Resource and Staffing Considerations.

Currently, staff is working out details of staffing needs and reimbursements for the services CAEATFA will provide to the CEC via its contract with the LGC. CAEATFA will be directing some current staff resources to this program; however, given the internal workload associated with the SB 71 Sales and Use Tax Exclusion program, and development of the Renewable Energy Generator Sales and Use Tax Exclusion Program, staff anticipates that an additional 18-month limited term Associate Treasury Program Officer position will be needed to assist with the Program workload. In addition, staff anticipates using the services of the financial advisor under contract to assist in program development and has built a substantial reimbursement budget around this function.

Program Funding.

The CEC is initially providing \$33 million in ARRA funding to develop the program. In the contractual arrangement CEC has delegated to LGC responsibility to monitor payment of all invoices and disburse funds as appropriate for allowable Program deliverables. CAEATFA will become a subcontractor to the LGC and is seeking “reimbursement authority” from the Department of Finance to expend funds received in exchange for services provided to the CEC through the LGC in the implementation of the Program. The total expected reimbursements to CAEATFA over the next 18 months is expected to be approximately \$525,000. This includes reimbursement for CAEATFA's financial advisor and trustee services. CAEATFA will bill for these services on a quarterly basis.

Recommendation. Staff recommends approval of a resolution authorizing the Executive Director to enter into an agreement with the Local Government Commission under which CAEATFA would be paid approximately \$525,000 to provide assistance in the implementation of the California Energy Commission's Energy Upgrade California Program.

**A RESOLUTION OF THE
CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION
FINANCING AUTHORITY
AUTHORIZING STAFF TO ENTER INTO AN AGREEMENT WITH THE LOCAL
GOVERNMENT COMMISSION**

November 17, 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 agreement with the Local Government Commissions, to participate in and provide services under the California Energy Commission’s Energy Upgrade California Program.

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 California Energy Commission (CEC) is developing the Energy Upgrade California Program (the “Program”), which is being administered by the Local Government Commission, and has requested CAEATFA’s assistance in development and administration of the Program.

WHEREAS, the Local Government Commission and CAEATFA (the “Parties”) will further describe and detail CAEATFA’s role in the development and administration of the Program under an agreement (the “Agreement”).

WHEREAS, CAEATFA will solicit as needed specialized consultants for Financial Advisor, Trustee, and if needed other related services, to establish and maintain the administrative structures necessary to carry out the Agreement and provide the necessary services.

NOW, THEREFORE, BE IT RESOLVED that the Executive Director and Deputy Executive Director of the Authority is hereby authorized to prepare and execute an Agreement with the Local Government Commission, a nonprofit public benefit corporation as follows, under which CAEATFA is expected to be paid approximately \$525,000:

Section 1. CAEATFA will be reimbursed for all services provided.

Section 2. CAEATFA, in collaboration with other subcontractors and financial advisors will develop standards for financial products and lenders as part of a financial clearinghouse that will offer consumer financing for energy efficiency and renewable energy projects.

Section 3. CAEATFA, in collaboration with financial advisors will develop criteria to make available \$4 million in program financial subsidies through lenders in “Program Plus” counties - counties that have demonstrated a commitment and resources for energy efficiency and renewable energy retrofit financing.

Section 4. CAEATFA will endeavor to redirect the \$50 million PACE bond reserve program funds authorized by Senate Bill 77 (Pavley, 2010) to support regional energy efficiency and renewable energy financing; efforts will include development of other financial incentive products within the Program to which all or a part of the funds could be redirected in order to apply the funds for their intended purpose – to promote energy efficiency, and job creation in new clean industries that will grow the economy.

Section 5. CAEATFA’s specific roles and responsibilities will be provided in more detail in the Agreement.

Section 6. This resolution shall take effect immediately upon its passage and remain in full force and effect thereafter.