

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
March 22, 2011**

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 11:15 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Cindy Aronberg for John Chiang, State Controller
Miriam Ingenito for Ana J. Matosantos, Director
Department of Finance
Paul Clanon for Michael R. Peevey, Director,
Public Utilities Commission
Paul Feist for Robert Weisenmiller, Chair,
California Energy Commission

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

Quorum: The Chairperson declared a quorum

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Ms. Redway asked if there were any questions or comments concerning the February 22, 2011 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Ms. Aronberg moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Solich began her report by announcing that an offer had been extended to Jennifer Gill for the vacant CAEATFA Executive Assistant position. Jennifer has a background as a legal assistant and has worked with non-profit organizations. Ms. Gill will be introduced to the Board at the April 26, 2011 meeting.

With respect to Agenda Item 3 – the pipeline report of Senate Bill 71 (Padilla) applications –

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there is one new applicant being presented for Board approval, Mt. Poso Cogeneration Company, LLC.

She continued to report that to date there had been 29 applications approved with two being withdrawn at the request of the applicants. To date the Board has approved \$87.5 million in Sales and Use Tax Exclusions (STEs) through the SB 71 program and \$16.7 million in STE's have been used by approved applicants.

Ms. Solich then reported on Staff's efforts in the Energy Upgrade California (EUC) Program. She explained that EUC is a statewide web-based program funded by the California Energy Commission (CEC) through federal American Recovery and Reinvestment Act (ARRA) dollars. CAEATFA is one of seven contractors engaged in the program.

She continued to report that Staff had just finished a critical program review under the EUC to provide a status report to the CEC on Staff's efforts to date and expectations for on-time implementation. Staff has adopted an aggressive timeline and has kept on schedule.

She reported that with respect to ABX1 14 (Skinner), which will expand the use of the PACE Bond Reserve Funds to assist in energy efficiency financing to consumers statewide in this program, the bill is waiting to be heard on the Assembly Floor. She stated that there seems to be support for passage of the bill and the next hurdle will be the Senate Energy, Utilities and Communications Committee. Staff plans to provide ongoing updates to the Board as to the progress of the EUC Program.

Ms. Solich then introduced Martha Alvarez, a CAEATFA analyst, who has been handling a large portion of the workload under the EUC Program.

Ms. Alvarez supplied the Board with an overview of Staff's efforts on the EUC program. She explained that since the last Board meeting, CAEATFA had made significant progress toward designing the minimum underwriting criteria and a credit enhancement structure for the \$4 million in federal subsidies available for the EUC Financial Clearinghouse.

Ms. Alvarez informed the Board that Staff had met with bank regulators to provide an overview of the program and to listen to any concerns they may have. She stated that the California Department of Financial Institutions had responded positively and did not express any concerns.

Ms. Alvarez reported that CAEATFA and Renewable Funding, who is another subcontractor assisting in designing the financial clearinghouse, hosted three small focus groups with interested financial institutions in Oakland, Sacramento and Los Angeles during the week of March 14, 2011. Invitations were extended to lenders who had expressed an initial interest in the program, were familiar with the Capital Access Program for small business lending, or had experience in the energy efficiency financing market. In total, feedback was received from six regional and commercial banks, four credit unions and two national banks.

Ms. Alvarez continued to report that based on stakeholder feedback and research, Staff will

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develop an initial framework on minimum lending criteria the financial institutions must meet to participate in the program and have access to the \$4 million in subsidies. She advised that Staff will work with CAEATFA's financial advisor, Montague DeRose, to review the various credit enhancement structures that are being considered. Some of the options include a loan loss reserve, an interest rate buy-down, a loan guarantee, or a senior subordinate structure.

Ms. Alvarez then reported that in addition to the focus groups, Staff would hold two or three public workshops throughout California in April and May 2011 to present the initial framework and obtain feedback on lending criteria and structure of the credit enhancement/subsidies. The input from stakeholders and the market research that Staff will be conducting will result in regulations, which Staff anticipates bringing to the Board for approval in late May or June 2011. The regulation process will include identifying minimum eligibility requirements and the framework and criteria for a program that will maximize the use of available funds.

Ms. Alvarez continued to report that in addition to the outreach to financial institutions, Staff is also preparing to issue a Request for Proposal (RFP) for a fund trustee to manage the \$4 million in financial subsidies. Staff anticipates the RFP will be issued in April 2011 and a fund trustee will be chosen before the end of the fiscal year. She advised the Board that this credit enhancement could be up to \$54 million if the use of the PACE Bond Reserve Funds is expanded. Staff's goal is to have regulations enacted by the end of July or mid-August, start enrolling and training qualified financial institutions by September, and begin issuing loans in October.

Ms. Alvarez then thanked the Board and offered to answer any questions.

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

Mr. Clanon asked if the program was ARRA funded and if the total of the funds was \$4 million.

Ms. Alvarez confirmed that it is ARRA funded and the financial clearinghouse subsidy is a total of \$4 million; additional funds are being used for a variety of other purposes such as marketing and workforce development. She advised that Staff is working with the legislature to possibly extend the use of the \$50 million allocated to the PACE Bond Reserve Fund to use for the subsidies in the EUC Program.

Mr. Clanon asked if there was any interaction between the EUC Program and the controversies that Fannie Mae and Freddie Mac have with PACE programs.

Ms. Solich stated that there has been subsequent legislative efforts from the federal government to alleviate some of the issues surrounding the PACE programs throughout the country. Staff has been in contact with many of the PACE programs in California and several of them have continued with their commercial programs. Those programs have also indicated a desire to move forward with a Bond Reserve that CAEATFA could initiate. Staff is

keeping an eye on the federal legislation and other activities in the State and is hoping that energy efficiency financing through the PACE Bond Reserve program will be possible.

Ms. Alvarez added that some local jurisdictions have also received ARRA funding for pilot programs and those jurisdictions have also been engaged in the EUC process.

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

4. BUSINESS ITEMS

A. DISCUSSION AND CONSIDERATION OF APPLICATIONS FOR SB 71 SALES AND USE TAX EXCLUSION (STE)

Presented by: Heather Williams, Analyst

Staff introduced Tassos Valtadoros, of Mt. Poso Cogeneration Company, LLC

1) Mt. Poso Cogeneration Company, LLC

Staff recommended approval of Resolution No. 11-SM006 for Mt. Poso Cogeneration Company, LLC's purchase of qualified property in an amount not to exceed \$14,374,000 anticipated to result in an approximate sales and use tax exclusion value of \$1,308,034.

The conversion of the Mt. Poso power plant from the use of coal to woody biomass consists primarily of the addition of an 18-acre, 4-million cubic foot storage capacity waste wood fuel processing facility with the ability to increase to 8 million cubic feet, and several boiler modifications to allow the power plant to use biomass fuel. The qualified property in this application will be used directly in relation to the facility, not for boiler modifications or any part of the process in which the fuel is converted from fuel into electricity.

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

Mr. Valtadoros thanked Ms. Williams for her help and guidance in putting the application together, which was difficult at times.

Ms. Aronberg asked if the power generated would be the same once it is converted to a biomass facility from a coal facility.

Mr. Valtadoros replied that when it was a coal facility there were approximately 52 megawatts being generated and that amount will decrease to approximately 45 megawatts once it is converted to biomass.

Ms. Aronberg stated that the project seems to be a great example for other coal power plants.

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Mr. Valtadoros replied that he works for DTE Energy and a similar project is being done in Stockton, CA with exactly the same model.

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

Ms. Redway asked if there was a motion.

Ms. Aronberg 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 11:27 a.m.

Respectfully submitted,

Christine Solich
Executive Director