

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
February 21, 2012**

**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 10:41 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Alan Gordon for John Chiang, State Controller  
Pedro Reyes for Ana J. Matosantos, Director, Department of Finance  
Paul Clanon for Michael R. Peevey, President,  
Public Utilities Commission  
Saul Gomez for Robert B. Weisenmiller, 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 January 17, 2012 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 began her report by informing the Board that to remain consistent with other Boards, Commissions and Authorities in the State Treasurer's Office (STO), the bond delegation item, which the Board requested be revisited at the February meeting, would be brought to the Board for consideration next year rather than at this month's meeting.

Staff has submitted a finance letter to request an extension of a loan that CAEATFA received to fund the original start-up costs of the Authority. Staff is currently in discussions with the

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Department of Finance (DOF). The loan was made to CAEATFA over two fiscal years. Staff is proposing to repay the loan over two fiscal years and will be working with the DOF over the next several months.

Ms. Solich continued to report that the sixth annual Green California Summit would be held in Sacramento April 27-28, 2012 and the theme is Building a Green Future for the Golden State. The summit is a non-profit initiative that provides a forum in which government officials can communicate with those in the private sector who are developing and distributing green technologies. Staff will be presenting at two of the panel sessions, the first being on the impact of SB 71 green jobs in California as well as other state financing opportunities and the second will focus on energy efficiency financing in the residential sector.

She then reported that CAEATFA had been identified in a California Public Utilities Commission (CPUC) ruling on energy efficiency financing as a potential third party administrator to administer rate payer funds allocated to energy efficiency financing programs to be implemented in 2013. The CPUC held a three day workshop February 8-10, 2012 in San Francisco to discuss various proposals including potential on-bill repayment and credit enhancement programs. Ms. Solich participated on a panel to give perspective on CAEATFA's credit enhancement program implementation efforts, challenges and expectations of the program. CAEATFA's implementation of the ABX1 14 is being viewed as a potential pilot for larger state-wide efforts to use rate payer funds to increase energy efficiency financing for consumers. Staff will continue to engage with the CPUC staff as the program moves forward.

Ms. Solich then introduced Martha Alvarez to give the Board an update on the ABX1 14 Program.

Ms. Alvarez reported that CAEATFA had made significant progress towards designing the Clean Energy Upgrade Financing Program and is a few months away from launching the program. The statute provides CAEATFA with up to \$25 million in program funds to provide financial assistance in the form of credit enhancements to financial institutions providing a loan to finance the installation of distributed generation renewable energy sources, electric vehicle charging infrastructure, or energy or water efficiency improvements on homes or small commercial properties.

She continued to report that CAEATFA proposes to meet the intent of the legislation in two phases. In phase one, CAEATFA will establish a loan loss reserve program designed to help financial institutions make loans to California homeowners for energy efficiency and renewable energy retrofits. In phase two, CAEATFA will issue a Request for Information (RFI) to all interested parties – public, private, and partnerships – to obtain information and ideas on alternative financing structures that might add value to the Clean Energy Upgrade Financing Program. CAEATFA anticipates issuing the RFI in March 2012.

As reported at the December 2011 Board meeting, Staff hosted four targeted public meetings with a variety of stakeholders in November and December 2011. Staff took into

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consideration all the comments that were received at previous stakeholder meetings and integrated the comments into the draft regulations, which were presented at a public workshop on February 16, 2012.

The public workshop was well attended, with eight attendees in person and 34 on the phone. Staff received valuable initial feedback at the workshop and questions were raised that Staff will need to address before bringing the final regulations to the Board for consideration and approval. One question that was raised was redefining “10% of value of the property”. Staff proposed using tax assessed value, but received feedback that Staff should expand the definition and allow for a desktop model, electronic or drive-by appraisals. Staff will also look at ways to incorporate jurisdictions that currently are not part of an existing utility program.

She continued to report that the deadline to submit written public comments is Friday, February 24, 2012. Depending on how much feedback and comments are received, Staff may consider holding an additional public workshop to present revised draft regulations or may post them to the CAEATFA website. The regulation process will include identifying minimum eligibility requirements and the framework and criteria for a program that will maximize the use of the available funds. Staff anticipates bringing final emergency regulations to the Board for approval at the March 2012 Board meeting. Staff’s goal is to have effective regulations by April or May 2012 and start enrolling and training qualified financial institutions soon after. Staff will continue to collaborate with the California Energy Commission (CEC) and CPUC and engage local governments, the utilities and contractors, and enroll interested financial institutions as participating lenders.

Ms. Alvarez then ended her report and asked if there were any questions.

Mr. Reyes asked if financial institutions have shown interest in the program.

Ms. Alvarez confirmed that throughout the past year various institutions have shown an interest. More recently credit unions and small community banks have expressed interest, as well as various financial institutions with existing local programs.

Ms. Redway asked if Staff is hoping to have lenders that cover a large percentage of the State.

Ms. Alvarez advised that lenders from southern, central and northern California have expressed interest and have been engaging with Staff by providing comments.

Mr. Gordon asked if the program was purely residential.

Ms. Alvarez confirmed that at this point the program will focus strictly on residential during phase one because small commercial is a more complicated process. However, during phase two, small commercial properties may be incorporated into the program.

Mr. Gordon asked how Staff is dealing with the consent versus notice issue.

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Ms. Solich explained that these are loans, not assessments, so the banks are handling all the underwriting.

Ms. Redway further clarified that because assessments are not part of this program, there is no issue of consent or notice.

Mr. Gordon asked if CAEATFA will just be providing a reserve fund.

Ms. Solich confirmed that CAEATFA would be providing the loan loss reserve.

Mr. Gordon asked if the program was like the California Capital Access Program (CalCAP), but for energy efficiency.

Ms. Solich confirmed that was correct.

Mr. Reyes stated that Staff had done great job to generate interest throughout the State.

Ms. Redway stated that the CPUC workshops were well done and there was a great source of information provided.

Ms. Alvarez continued by thanking the CPUC and the CEC Staff for their efforts throughout the process.

Ms. Solich then continued to report that there were two items on the agenda for the meeting. The first being modifications to the SB 71 Program regulations and the second being an application from Soraa, Inc., a light-emitting diode (LED) lighting manufacturer in Fremont, California.

With regard to Agenda Item 3 – the pipeline report of the SB 71 Program applications – Ms. Solich reported that upon approval of Soraa, Inc. it would bring the total active STEs to approximately \$85 million on \$1 billion in expected purchases of qualified property, \$94 million in net benefits to the State and the creation of approximately 493 jobs associated with the program.

She then ended her report.

Mr. Reyes clarified that in regard to the first informational item Ms. Solich addressed – bond delegation authority – he had spoken to counsel after January’s Board meeting and it has been agreed that the item would be brought to the Board next year to be consistent with the other Authorities in the STO.

**4. BUSINESS ITEMS**

**A. DISCUSSION AND CONSIDERATION OF MODIFICATIONS TO THE SB 71 SALES AND USE TAX EXCLUSION PROGRAM'S REGULATIONS**

Presented by Deana Carrillo, Program Manager

In December 2011 Staff recommended modifications to the SB 71 Program Regulations which were approved by the CAEATFA Board. Subsequent to that Board meeting, Staff continued to review its policy regarding the length of time applicants are required to maintain their equipment (Qualified Property) in California.

Staff is proposing a modification to the December 2011 regulatory provisions that it believes better balances the programs ability to accommodate various business scenarios and the State's interests.

In addition, these regulations incorporate recent legislation (SB 922, Steinberg, 2011) by requiring that applicants provide information on financial assistance they receive from local governments, as well as clarifies the time period CAEATFA has to reconvey Qualified Property.

CAEATFA provided the new proposed regulatory provisions to interested parties on January 27, 2012 and requested public comments by February 8, 2012. CAEATFA did not receive any written public comments during this time period.

Ms. Carrillo explained that the proposed regulation text reflects the changes recommended in December 2011 and this month. Blue text denotes modifications for the Board to consider at this Board meeting, and the green text denotes modifications to the regulations the Board approved in December 2011.

She further explained that after board consideration, CAEATFA staff will begin the emergency rulemaking process, and follow this with the regular rulemaking process. Staff anticipates these regulations to be enacted by the middle of March 2012.

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

Mr. Reyes asked if the Executive Director (E.D.) would report to the Board any item she approved under the provision in section 10035 (b)(1)(F)(i), Executive Director approval of a request to 'locate' property outside state.

Ms. Solich confirmed that the Board would be advised if items under that section were approved.

Mr. Reyes stated that with that clarification he would support the item

Mr. Gordon moved approval of agenda item 4.A.; upon a second, the item was unanimously approved.

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

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

**1) Soraa, Inc.**

Presented by Heather Williams, Analyst

Staff introduced Udi Bar Sela, Vice President of Financing at Soraa, Inc. and Tony Tiscornia, Senior Accounting Manager at Soraa, Inc.

Staff recommended approval of Resolution No. 12-SM001 for Soraa, Inc.'s purchase of qualified property in an amount not to exceed \$57,002,457 anticipated to result in an approximate sales and use tax exclusion value of \$4,617,199.

Soraa is developing LEDs to provide energy-efficient solid-state lighting for general illumination. Soraa uses a GaN on GaN technology. All white LEDs are made from GaN crystals grown onto a substrate. Sapphire and silicon carbide have been used as the substrate for almost all LEDs made. Soraa however uses GaN as the substrate. Soraa claims they are the only ones to use this technology, producing more light than any other LED on the market.

Additionally, the Applicant represents the light will be five to ten times more efficient than standard halogen incandescent bulbs currently on the market and would therefore consume a fraction of energy compared to current bulbs which are typically used today. Compared to CFL (compact fluorescent light) technology, LEDs contain no mercury and save significant energy with the same production energy. Soraa will first focus on releasing a LED based MR16 lamp for which, according to Soraa, there is currently no energy efficient alternative due to its compact form factor. MR 16 lamps can be used in place of standard incandescent light bulbs in applications including residential and retail lighting.

Construction for the Facility began in April 2010 with Phase 1, consisting of offices and laboratories, being completed in August 2010. Phase 2, or the manufacturing space, was completed in December 2010 and Soraa anticipates the production phase will begin in the first half of 2012.

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

Mr. Reyes asked if there were any issues with the recycling of the LED bulbs.

Mr. Tiscornia stated that there should not be any issues with the recycling with the LED bulbs. The issues come from the mercury in the compact fluorescent bulbs which the LEDs do not have.

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Mr. Reyes moved approval of agenda item 4.B.1.; upon a second, the item was unanimously approved.

Ms. Redway asked where the name Soraa originated.

Mr. Sela stated the name is Japanese for Blue Sky.

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

### **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 11:02 a.m.

**Respectfully submitted,**

Christine Solich  
Executive Director