

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
September 26, 2013**

**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 12:03 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Alan Gordon for John Chiang, State Controller  
Eraina Ortega for Michael Cohen, Director,  
Department of Finance  
Paul Clanon for Michael R. Peevey, President,  
Public Utilities Commission  
Sekita Grant for Robert B. Weisenmiller, Chair,  
California Energy Commission

Staff Present: Saúl Acosta Gómez, 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 August 20, 2013 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

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

**3. EXECUTIVE DIRECTOR'S REPORT**

Mr. Gomez began his report by introducing CAEATFA's newest analyst, Noah Proser. Noah started in mid-July but due to scheduling conflicts, this is the first opportunity CAEATFA has had to introduce him to the Board. Mr. Proser earned his Bachelor of Arts in the Environment, Economics and Politics at Claremont McKenna College. He recently completed the Executive Fellowship program at the former Business, Transportation & Housing Agency. Mr. Proser is currently working on the ABX1-14 Loan Loss Reserve

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Program (AB 14 Program). He has already proven to be an effective problem solver and collaborative colleague. Staff is very happy to have him part of the team and look forward to future work from Mr. Proser.

Mr. Gomez continued his report with program updates, starting with the Property Assessed Clean Energy (PACE) loss reserve program. As Mr. Gomez reported in June, the budget bill for the current fiscal year appropriated \$10.8 million to and established four positions at CAEATFA to implement a credit enhancement program for local jurisdictions providing PACE financing to residential property owners. The intent of this program is to develop a credit enhancement that would reduce the risk of losses for local jurisdictions and mortgage lenders, Fannie Mae and Freddie Mac, when properties they have interests in are foreclosed on or lead to a forced sell. Federal Housing Financing Agency (FHFA) has directed Fannie Mae and Freddie Mac to not purchase mortgages on properties with PACE liens in senior position. Since the budget bill passed, CAEATFA has not been able to implement this program as Staff has been required to wait for the associated budget trailer bill to also be approved by the Legislature and signed by the Governor. The bill is currently on the Governor's desk, and Staff expects it to be signed before mid-October. CAEATFA has been in discussions with the Governor's Office and some local jurisdictions on how the reserve fund could be put to the most effective use. These discussions resulted in a letter sent to FHFA on September 23, 2013 by Governor Brown where he broadly outlined the concepts CAEATFA has developed with his office. Staff's intent is that any local PACE program that wishes to use the reserve fund will enter an agreement that requires the PACE program to make Fannie Mae and Freddie Mac whole in the event of a foreclosure or a forced sale of a property with a PACE lien. When the budget trailer bill is signed, CAEATFA will commence with its rulemaking process to receive public feedback on the concepts for the reserve fund and to develop detailed rules for their implementation. The Board can expect to hear more about this later this fall.

Mr. Gomez then reported on the California Public Utilities Commission's (CPUC) September 19, 2013 approval of the Proposed Decision Implementing the 2013-14 Energy Efficiency Pilot Programs (PD). As Mr. Gomez reported last month, the PD recommended CAEATFA to serve as the administrator of the energy efficiency financing pilot programs the state's investor-owned utilities (IOUs) are ordered to implement and fund through the 2015 calendar year. Over the last few months CAEATFA staff has worked with CPUC staff to inform them of CAEATFA's core competencies, operational capabilities and statutory limitations in serving as the administrator of such pilot programs. Staff has also worked with and provided information to the IOUs and other parties that have participated in the CPUC proceeding. Mr. Gomez was very happy to report that there was overwhelming support for CAEATFA to serve in this role. Through these pilot programs, the CPUC seeks to develop new, scalable, and leveraged financing products for consumers to help them produce deeper energy efficiency projects than previously achieved through traditional program approaches. The programs will include various forms of credit enhancements for residential properties and small businesses. These credit enhancements are expected to provide additional security to third-party lenders, thereby resulting in increased consumer access and/or enhanced loan terms. The programs will also include on-bill repayment mechanisms for master-metered multifamily and non-residential properties, which are intended to test the hypothesis that payment on the utility bill will increase debt service performance across market sectors.

A series of actions have commenced at CAEATFA for it to officially become the administrator of the pilots. CAEATFA will negotiate an agreement with the CPUC and contracts with the IOUs, each of which will require CAEATFA board approval. CAEATFA will also seek budgetary authority from the Legislature to receive and utilize ratepayer funds from the IOUs for the costs associated with the administrator role. Staff expects to complete these actions and be officially functioning as the administrator by December 2013. At the October 15, 2013 board meeting, Staff will provide the board with a more detailed presentation of the pilot programs and a preview of the actions CAEATFA will be taking in the few months to come.

Mr. Gomez welcomed any questions from the Board. There were none.

Mr. Gomez concluded his report by giving an update on legislation. Assembly Bill 1422, a committee bill of the Assembly Jobs, Economic Development and the Economy Committee, was approved by the legislature. In addition to making technical changes to CAEATFA's Sales and Use Tax Exclusion (STE) Program, the bill also deletes a study from the Governor's Office of Business and Economic Development, as well as the requirement that the program's benefits analysis be peer reviewed every instance it is updated. Lastly, Assembly Bill 1021 by Assemblymember Eggman, which would have expanded eligibility of the STE program to projects that process and utilize recycled feedstock, was held in the Senate Appropriation Committee.

#### **4. BUSINESS ITEMS**

##### **A. REQUEST TO APPROVE EMERGENCY REGULATIONS TO INCORPORATE ADVANCED MANUFACTURING AND ENERGY EFFICIENCY INTO THE SALES AND USE TAX EXCLUSION PROGRAM**

Presented by: Alejandro Ruiz, Analyst

Mr. Ruiz introduced Matt Newman from Blue Sky Consulting Group and provided the following summary:

The proposed regulations will incorporate advanced manufacturing projects into CAEATFA's existing Sales and Use Tax Exclusion Program. The proposed regulations will also provide clear guidance for the evaluation of energy efficiency products and will also make additional administrative program changes. Advanced manufacturing projects will be evaluated by the process utilized by the applicants. Advanced manufacturing projects will have to meet the definition of advanced manufacturing as outlined in the statute of Senate Bill 1128 (SB 1128).

A notable change for advanced manufacturing projects is the evaluation of environmental benefits, which will be shifted to a points-based system determined by improvements in the manufacturing process. Staff will evaluate resources used, such as water and energy as well as the reduction in output of solid waste, hazardous waste, and air pollutants. For energy efficiency projects, the previous regulations did not provide a clear basis for determining what constitutes an energy efficiency product and what baseline Staff would

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use in evaluating energy efficient products. Staff determined that moving forward, the best means for accomplishing these goals would be to use existing energy efficiency standards. This will provide a clear basis for what actually constitutes an energy efficiency product, as well as provide Staff with clear guidelines in terms of determining a baseline of energy use for an energy efficient product.

The administrative changes that are being proposed by SB 1128 includes a cap of 100 million dollars in sales tax exclusion per calendar year. Previously CAEATFA was only required to notify the legislature in case more than 100 million dollars in sales tax exclusion was awarded in a calendar year. SB 1128 also proposes to eliminate the 25 percent purchase requirement. Previously, applicants were required to purchase 25 percent of their proposed project within a year after approval by the Board. Staff is making this change to provide more flexibility for applicants to complete their projects. SB 1128 also proposes that the conveyance and reconveyance process be eliminated. Previously, applicants had to convey title of the equipment to CAEATFA before the equipment is put to functional use. To keep track of a project's progress, Staff will have a semi-annual report filed by all applicants that are approved going forward for all alternative source, advanced transportation, and advanced manufacturing projects. Lastly, SB 1128 will modify the substantial use test to be consistent with Assembly Bill 93, which is the statewide sales and use tax exclusion for manufacturing equipment. Previously CAEATFA required that an applicant's equipment be used for more than 75 percent over the lifetime of the equipment for the proposed project. This will be changed to require an applicant use the equipment for a project for a minimum of 50 percent or more of the time over the lifespan of the equipment.

Mr. Gordon moved for approval, there was a second.

Ms. Redway stated that there has been a motion and a second, and asked for any questions or comments from the Board or public. There were none, the item was approved.

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

#### **1) Central Valley Ag Power, LLC**

Presented by: Alejandro Ruiz, Analyst

Project summary:

Central Valley Ag Power, LLC is constructing a waste-to-energy gasification facility that will convert biomass, such as recycled wood and agricultural by-products (fruit pits), into syngas. Essentially, the biomass will be heated in the gasifier to release the energy stored in the biomass, resulting in the production of syngas. A combined heat and power unit (CHP unit) will use the syngas to produce energy in the form of heat and electricity. The heat produced will be used for the operations of CVAP and its partner company Central Valley Ag Grinding (CVAG), making the facilities largely self-sufficient. The excess electricity generated will be sold to Pacific Gas and Electric (PG&E) and CVAG.

Mr. Gordon moved for approval of Agenda Item 4.B.

Ms. Redway stated that there has been a motion and a second, and asked for any questions or comments from the Board or public. There were none, the item was 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 12:19 p.m.

**Respectfully submitted,**

Saúl Gómez  
Executive Director