

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
October 15, 2013**

**1. CALL TO ORDER & ROLL CALL**

Michael Paparian, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or Authority) meeting to order at 10:45 a.m.

Members Present: Michael Paparian 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**

Mr. Paparian asked if there were any questions or comments concerning the September 26, 2013 meeting minutes. There were none.

Mr. Paparian 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. Gómez began his report with program updates. The Sales and Use Tax Exclusion (STE) Program emergency regulations that were passed by the Board at the last meeting were submitted to the Office of Administrative Law and have been in effect since October 7, 2013. CAEATFA is currently accepting applications for advanced manufacturing and energy efficiency projects. At the last Board meeting Mr. Gómez reported on the passage of Assembly Bill 1422 which made changes to the STE Program. The bill deleted a study that

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the Governor's Office of Business and Economic Development (GoBiz) would have to complete and a requirement that the program's benefits analysis be peer reviewed every time it was updated. The bill was signed by the Governor and will take effect January 2014.

Mr. Gómez introduced Sarah Taheri to provide a presentation on the California Public Utility Commission's (CPUC) Energy Efficiency Financing Pilot Programs.

Ms. Taheri began her presentation and stated the following:

On September 19, 2013 the CPUC approved a decision that directs the investor-owned utilities (IOU) to implement energy efficiency financing pilot programs for the residential and non-residential sectors. These programs will be available to customers in IOU territories and funding will be available through the end of the 2015 calendar year. Eligible projects under these pilots will include energy efficiency measures as well as in some instances demand response and distributed generation technologies.

The overall goal of the pilot programs is to develop new financing products that leverage private capital and encourage consumers to take on deeper energy efficiency projects than those previously funded through traditional program approaches. To do so, these pilot programs will focus on two key features.

The pilot programs will incorporate various types of credit enhancements (CE) to help minimize the risk of capital losses for third-party lenders. As a result of the reduced risk, lenders are expected to offer increased consumer access to enhanced loan terms. Credit enhancements are offered for the residential and small business sectors.

On-bill repayment (OBR) allows customers to repay their energy efficiency loans through a payment on their utility bill. OBR is intended to test the hypothesis that payment on the utility bill will increase debt service performance across market sectors. This feature will be utilized in pilot programs for the multi-family residential and non-residential sectors.

The first residential pilot program is the Single Family Loan Program (SFLP). The SFLP will provide a loan loss reserve to financial institutions that are making loans to customers installing energy efficiency upgrades on their homes. \$25 million is available for financing credit enhancements under this pilot. Notably, the CPUC is requiring that 1/3 of the CE funds for this program be reserved for low and moderate income households. The CPUC's decision suggests that these applicants should receive a higher level of credit enhancement. In addition, Pacific Gas & Electric will be implementing a pre-development pilot which will offer customers the option to repay their energy efficiency loans through a line item charge on their utility bill. Down the line, this option will be available to customers participating in the SFLP.

The second residential program is the Master-Metered Multi-Family Program. The Master-Metered Multi-Family Program will offer a credit enhancement, in the form of a debt service reserve fund, for lenders who provide loans to multi-family properties. The budget for this program is \$2.9 million over the pilot period and the consumers participating in this program will be able to repay their loans through the utility bill as well. The Southern California Gas

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Company will be launching a pre-development pilot of this program for a limited number of projects in its territory that will not include a credit enhancement. Staff will be working with the IOUs in the future to transfer the program to CAEATFA once the infrastructure for on-bill repayment is set-up.

For the non-residential pilot programs there are three pilots that target the small business sector. The combined budget for those three pilots is \$14 million and each of the pilots has a credit enhancement available. The CPUC has not required a certain credit enhancement be used for these programs; that will be established through the program development process. The first of the programs is a credit enhancement that is repaid through the utility bill. The second and third pilots are offered for lease providers. Entities that lease energy efficiency equipment to small businesses will be able to receive a credit enhancement. The difference between those two programs is how the borrower repays the loan. One will require OBR and the second will have an off-bill option they can repay through conventional practices. The off-bill program will launch before the others because CAEATFA will need to wait for the functionality of a few key components for OBR before CAEATFA can move forward with those programs.

The last of the non-residential programs targets medium and large businesses. This program is the only one that does not have credit enhancement, but it will offer the medium and large businesses to utilize the OBR mechanism for the loans they takeout for their energy efficiency improvements.

CAEATFA's role in these programs will be as the administrator. In the decision approving these programs, the administrative entity was given the name "California Hub for Energy Efficiency Financing (CHEEF)." As the CHEEF, CAEATFA will be responsible for entering into a public process to select a variety of third-party service providers, establishing procedures and protocols for each of the pilot programs, and will be coordinating with various stakeholder groups including the CPUC, IOUs, financial institutions, and contractors. The CPUC has approved a total budget of \$7 million for CAEATFA to serve in this CHEEF role. Those funds would cover administrative costs, as well as the costs of each of the contracts that will be required, and including education and outreach costs for the necessary parties.

The next steps require CAEATFA to officially assume the CHEEF role. Before CAEATFA can officially assume the CHEEF functions, it must obtain legislative budgetary authority, enter into a Memorandum of Agreement with the CPUC, and execute contracts with the IOUs. The Department of Finance is in the process of reviewing CAEATFA's Budget Change Letter, and CAEATFA has begun negotiating the terms of the agreement and contracts with the CPUC and IOUs, respectively. In order to successfully implement the pilots, CAEATFA must also issue several Requests for Proposals (RFPs). The first of which is for a trustee bank which will hold ratepayer funds that are provided by the IOUs for financing credit enhancements. The second is a Master Servicer that will facilitate the flow of funds and data between the trustee, the IOUs, and financial institutions. The Master Servicer will be integral to the functionality of the OBR programs. The third is a Data Manager that will aggregate data from the pilots for public consumption and program evaluation. This role may be included as a portion of the Master Servicer RFP. Lease Originators will be competitively selected to provide lease offerings for energy efficiency products to customers participating in

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the small business lease pilots with credit enhancements. Lastly, a Technical Consultant will provide support in developing, monitoring, and evaluating the requirements for the financial products used in the pilot programs.

Staff anticipates it will bring the corresponding contracts to the Board for consideration in the first quarter of 2014.

Ms. Taheri concluded her presentation and asked the Board for any questions.

Mr. Clanon asked what the process was for getting legislative budgetary authority.

Mr. Gómez stated that CAEATFA submitted a Section 28 letter to the Department of Finance. After that gets approved, the letter will be submitted to the Legislature by the Department of Finance. Then the Joint Legislative Budget Committee will have 30 days to voice any concerns or propose any changes. If there are none, then that deems it approved.

Mr. Gordon asked if any of these funds are coming from the general fund or from the CPUC revenues that are being redirected from ratepayers.

Mr. Gómez stated that these are IOU ratepayer funds.

Ms. Grant asked if each IOU will have a different selection of products that are going to be offered or will it be standard amongst all IOUs.

Ms. Taheri stated that it depends on the financial institutions that are participating and in which territory that financial institution is located.

Ms. Grant asked if the Data Manager will be working with financial data or energy use data.

Mr. Gómez stated that both types of data will be available.

Mr. Gómez stated that this concludes the executive director's report.

Mr. Paparian asked if there were any other questions or comments from the Board or public. There were none.

## 4. BUSINESS ITEMS

### A. APPROVAL OF 2014 MEETING CALENDAR

Presented by: Saúl Gómez, Executive Director

Ms. Ortega moved for approval, there was a second.

Mr. Paparian asked if there were 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) Blue Line Transfer, Inc.**

Presented by: Alejandro Ruiz, Analyst

Staff introduced Tony Cone, Westhoff, Cone & Holmstedt

Blue Line Transfer, Inc. requested approval of a Sales and Use Tax Exclusion for \$4,976,469 worth of qualified property for a bio-compressed natural gas production facility that will take green waste collected by the company and will be used to fuel the company's fleet of collection trucks.

Staff recommended approval of Resolution No. 13-SM011 for Blue Line Transfer, Inc.'s purchase of Qualified Property in an amount not to exceed \$4,976,469 anticipated to result in an approximate sales and use tax exclusion value of \$416,530.

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

Mr. Paparian stated there had been a motion and a second and asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

**C. DISCUSSION AND CONSIDERATION OF APPLICANTS' REQUESTS FOR WAIVER OF TIME REQUIREMENT TO PURCHASE REMAINING QUALIFIED PROPERTY UNDER THE SALES AND USE TAX EXCLUSION PROGRAM**

**1) NuvoSun, Inc.**

Presented by: Alejandro Ruiz, Analyst

Staff Introduced Zaddy Odfina, Financial Consultant for NuvoSun, Inc.

NuvoSun, Inc. (NuvoSun) requested a two-year extension of the initial term of the master agreement. To date NuvoSun has purchased 64 percent of the total qualified property that was approved in November, 2010. NuvoSun has not been able to use the entire award within the initial term of the master agreement primarily due to instability in the solar market. Extending the initial term will allow NuvoSun to complete the expansion of its manufacturing facility beginning in 2014 and completing construction in 2015.

Staff recommended approval of NuvoSun's request to extend the initial term of the master agreement to November 17, 2015 as it is in the public interest and advances the purpose of the original award.

Mr. Gordon asked where the market is for thin film solar panels when the cost of photovoltaic is extremely low.

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Mr. Odfina stated that NuvoSun is moving toward making a solar panel well enough so that it can be integrated into a roofing shingle and sold in the residential and commercial market.

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

Mr. Paparian stated there had been a motion and a second and asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

### 2) **Bloom Energy Corporation**

Presented by: Alejandro Ruiz, Analyst

Staff introduced Erin Grizard, Director of Regulatory & Government Affairs for Bloom Energy Corporation.

Bloom Energy Corporation (Bloom) requested a two-year extension of the initial term of the master agreement. To date Bloom has purchased approximately 41 percent of the award it received in November 2013. However, Bloom has purchased qualified property at a slower pace than originally anticipated due to primarily extending the life of its existing manufacturing equipment through retrofits and also increasing the efficiency of the product it sells to their customers. Extending the initial term of the agreement will allow Bloom to continue its manufacturing expansion which is expected to occur over the course of 2014 and 2015.

Staff recommended approval of Bloom's request to extend the initial term of the master agreement to November 17, 2015 as it is in the public interest and advances the purpose of the original award.

Ms. Grizard stated that she was thankful for the Boards consideration and that Bloom is operating at 600 percent from when they first came to CAEATFA.

Mr. Gordon asked if Ms. Grizard had a response to a negative article published in the Los Angeles Times in which Bloom was prominently featured.

Ms. Grizard stated that Bloom is aware of the article and some of the information published was taken out of context and she does not have an official response at this time.

Mr. Clanon asked if the initial benefit calculation of the applicant depends on a certain timeframe or not.

Mr. Ruiz stated that it depends on the life of the equipment they are purchasing and the length of the initial term does not affect the initial applicant's net benefit score.

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

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Mr. Paparian stated there had been a motion and a second and asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

### **5. PUBLIC COMMENT**

Mr. Paparian 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 11:10 a.m.

**Respectfully submitted,**

Saúl Gómez  
Executive Director