

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
January 20, 2015**

1. CALL TO ORDER & ROLL CALL

Alan Gordon, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or Authority) meeting to order at 10:34 a.m.

Members Present: Alan Gordon for John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Eraina Ortega for Michael Cohen, Director,
Department of Finance
Kristen Driskell for Robert B. Weisenmiller, Chair,
California Energy Commission
Michael Picker, President,
Public Utilities Commission

Staff Present: Deana J. Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Gordon asked if there were any questions or comments concerning the December 16, 2014, meeting minutes. There were none.

Mr. Gordon asked if there was a motion.

Mr. Picker moved for approval of the minutes; upon a second from Ms. Ortega, the minutes were unanimously approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kristen Driskell for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR’S REPORT

Ms. Carrillo began her report by welcoming the new representatives to the CAEATFA Board and stated that she looked forward to working with them in the years ahead. Ms. Carrillo then informed the Board of personnel changes by stating that Noah Proser would be leaving at the end of the month. She noted that Mr. Proser joined CAEATFA in 2013 and quickly became a key member of the CAEATFA staff, diving deep into developing subject matter expertise as well as helping the authority through key policy issues. He will be missed and Staff wishes him the best in his future endeavors.

Ms. Carrillo continued her report by giving the Board an update on what Staff has been working on over the last month. She stated that Staff was very busy over the holidays establishing the infrastructure of the California Hub for Energy Efficiency Financing (CHEEF). The CHEEF is a collaborative effort between the California Public Utilities Commission, the investor owned utilities (IOUs), and CAEATFA. CAEATFA will be administering the \$65 million effort to incentivize lower-cost and broader access to financing for energy efficiency retrofits. The broader programs cover all sectors and include sub-pilots that Staff will be developing for credit enhancements, on-bill repayment (OBR), and the residential, small business, commercial, and multi-family sectors. Two of the agenda items today will assist in establishing the broader program infrastructure; items 4.C. and 4.D. In addition, over the last month Staff has continued to work on specific program development. The sub-pilots are being developed sequentially and Staff will be providing a second draft of the single family regulations to the public today to solicit additional input. The goal is to have those regulations ready for Board consideration next month. CAEATFA also hosted the first workshop for the small business lease program.

Ms. Carrillo concluded her report by stating that CAEATFA is continuing to recruit talented staff into CAEATFA’s open positions and that no actions were taken under the Executive Director’s delegated authority.

4. BUSINESS ITEMS

A. DISCUSSION AND CONSIDERATION OF APPLICATIONS FOR SALES AND USE TAX EXCLUSION

- 1) Pacific Ethanol Madera, LLC
Presented by: James Shimp, Analyst

Staff introduced Tanya Landon, Accounting Manager

Mr. Shimp stated that Pacific Ethanol Madera, LLC (Pacific Ethanol) is applying for a sales and use tax exclusion in order to install a hydrothermal fractionation system at their existing ethanol production facility in Madera. The system will take an existing byproduct, wet distiller’s grain, and convert it into two new products; corn oil and concentrated protein meal. The scope of the project falls within the definition of advanced manufacturing, since it uses advances in

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biotechnology to improve current industry standards for efficiency. In addition to new higher value byproducts, installation of the system will reduce the amount of energy and water consumed per each unit of end stage product.

Mr. Shimp stated that Staff recommends approval of a resolution for Pacific Ethanol's purchase of qualified property not to exceed \$4,763,500 anticipated to result in a sales and use tax exclusion of \$401,087.

Ms. Ortega moved for approval and there was a second from Mr. Picker.

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

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kristen Driskell for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Aye

2) WM Renewable Energy, LLC Presented by: James Shimp, Analyst

Staff introduced Chuck White, Government Affairs Consultant, and James Kisiel, Engineering Consultant

Mr. Shimp stated that WM Renewable Energy, LLC (WM Renewable) is requesting approval of a sales and use tax exclusion to build a new 3.93 MW renewable power facility located at the Redwood landfill in Novato. The site currently flares approximately 2,100 standard cubic feet per minute of landfill gas. Under the proposed project, the gas will be collected and filtered of pollutants and particulates, producing landfill gas suitable for combustion. This combustion will be done on site, and the resulting electricity will be sold under a 20 year power purchase agreement with Marin Clean Energy.

Mr. Shimp stated that Staff recommends approval of a resolution for WM Renewable's purchase of qualified property not to exceed \$2,004,360 anticipated to result in a sales and use tax exclusion of \$168,767.

Discussion ensued regarding WM Renewable's greenhouse gas reduction and stance on landfill diversion.

Mr. Picker moved for approval and there was a second from Ms. Ortega.

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

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kristen Driskell for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Aye

B. DISCUSSION AND CONSIDERATION OF EMERGENCY REGULATIONS FOR THE PROPERTY ASSESSED CLEAN ENERGY (PACE) LOSS RESERVE PROGRAM

Presented by: Ashley Bonnett, Analyst

Ms. Bonnett stated that in September 2013, Governor Brown signed into law Senate Bill 96, authorizing CAEATFA to establish the PACE Loss Reserve Program (Program) to help mitigate the potential risk to first mortgage lenders associated with PACE's first-priority lien structure. After adopting the Program's initial regulations in March 2014, the Program launched, enrolling eight PACE programs in June.

Ms. Bonnett stated next that the Program's regulations currently require enrolled PACE program to pay an administrative fee of 25 basis points on the principal value of each PACE financing enrolled in the Program. Staff recently learned that the Program will receive ongoing funding designated for the Program's administrative costs; therefore, a fee is not necessary to cover the Program's administrative costs at this time. Because the availability of the funding is subject to change, staff recommended emergency regulations suspending the administrative fee requirement and continuing to require the authority to review the fee on an annual basis.

Ms. Bonnett lastly stated that by suspending the administrative fee, the proposed regulations should provide more cost savings to local PACE programs and property owners wishing to take advantage of PACE financing and help serve the Program's goal of increasing the availability of residential PACE financing throughout the state.

Ms. Driskell moved for approval and there was a second from Ms. Baker.

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

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kristen Driskell for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Aye

President Picker, of the Public Utilities Commission, removed himself before the presentation of business items 4.C. and 4.D.

C. CONSIDERATION OF CONTRACT WITH U.S. BANK GLOBAL CORPORATE TRUST SERVICES AS TRUSTEE FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PILOT PROGRAMS IN AN AMOUNT NOT TO EXCEED \$300,000

Presented by: Jennifer Gill, Analyst, and Sarah Taheri, Treasury Program Manager

Ms. Gill stated that Staff is requesting approval to enter into a contract for trustee services with U.S. Bank Global Corporate Trust Services to manage credit enhancement funds for the California Hub for Energy Efficiency Financing Pilot Programs (Pilot Programs) currently in development within the territories of the California investor-owned utilities. The trustee will hold and disburse funds as directed by CAEATFA and provide monthly account statements and transaction history as well as monthly reports. The cost of service over the entire contract term will not exceed a total of \$300,000.

Ms. Gill continued to state that the initial contract term will be through December 2015, after which CAEATFA may choose to execute up to two one-year extensions, subject to CAEATFA's receipt of legislative budget approvals for future fiscal years. The trustee will hold all funds related to the credit enhancements and operational reserves for the Pilot Programs, at the direction of CAEATFA, and on behalf of the IOU ratepayers and participating financial institutions. The master servicer, at CAEATFA's direction, will also work closely with the Trustee on OBR program functions.

Ms. Gill stated next that on November 24, 2014, CAEATFA Staff advertised a Request for Proposal (RFP). At the proposal deadline, December 29, 2014, the Authority received one proposal, which was considered responsive to the RFP.

Ms. Gill lastly stated that Staff recommends adoption of a resolution authorizing execution of a contract with U.S. Bank to provide trustee services for the California Hub for Energy Efficiency Financing Pilot Programs authorized by the California Public Utilities Commission in an amount not to exceed \$300,000 over three years.

Discussion ensued regarding why there was only one response to CAEATFA's RFP.

Ms. Ortega moved for approval and there was a second from Ms. Driskell.

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Mr. Gordon stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none and the item was approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kristen Driskell for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

D. CONSIDERATION OF CONTRACT WITH CONCORD SERVICING CORPORATION AS MASTER SERVICER FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PILOT PROGRAMS IN AN AMOUNT NOT TO EXCEED \$1,500,000

Presented by: Jennifer Gill, Analyst, and Sarah Taheri, Treasury Program Manager

Ms. Gill stated that Staff is requesting approval to enter into a contract with Concord Servicing Corporation to provide assistance to the Authority with the administration of the Pilot Programs. The cost of services over the entire contract term will not exceed a total of \$1,500,000.

Ms. Gill continued to state that the initial Contract term will be through December 2015, after which CAEATFA may choose to execute up to two one-year extensions, subject to CAEATFA's receipt of legislative budget approvals for future fiscal years. On December 5, 2014, CAEATFA Staff advertised this new RFP through the Department of General Services Contracts Register, as well as on the CAEATFA website. At the proposal deadline, December 29, 2014, the Authority received one proposal, which was considered responsive to the RFP.

Ms. Gill lastly stated that Staff recommends adoption of a resolution authorizing execution of a contract with Concord as Master Servicer for the California Hub for Energy Efficiency Financing Pilot Programs authorized by the California Public Utilities Commission in an amount not to exceed \$1,500,000 over three years.

Discussion ensued regarding why there was only one response to CAEATFA's RFP.

Ms. Ortega moved for approval and there was a second from Ms. Baker.

Mr. Gordon stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none and the item was approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
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Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kristen Driskell for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

5. PUBLIC COMMENT

Mr. Gordon 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 10:57 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director