

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
March 21, 2017**

1. CALL TO ORDER & ROLL CALL

Steve Juarez, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or the “Authority”) meeting to order at 10:33 a.m.

Members Present: Steve Juarez for John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Eraina Ortega for Michael Cohen, Director,
Department of Finance
Michael Murza for Robert B. Weisenmiller, Chair,
California Energy Commission
Grant Mack for Michael Picker, President,
Public Utilities Commission

Staff Present: Deana Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Juarez asked if there were any questions or comments concerning the February 21, 2017 meeting minutes. There were none.

Mr. Juarez asked if there was a motion.

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

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her Executive Director's report by providing updates on various CAEATFA programs. She reported that CAEATFA hosted a public workshop on Friday, February 24 related to the Property Assessed Clean Energy (PACE) Loss Reserve Program and received initial comments. Staff is currently reviewing comments, and will work with stakeholders on refining the regulations.

Ms. Carrillo further reported that under the California Hub for Energy Efficiency Financing (CHEEF), staff has been participating in the current process at the California Public Utilities Commission (CPUC) to streamline the pilots and extend authority, in addition to participating in the legislative budget process with the request to extend CAEATFA's budgetary authority and increase staffing. Ms. Carrillo added that CAEATFA was also working on advertising an RFP for a contractor manager under the Residential pilot, which will conduct contractor outreach, training, and perform quality assurance on installed projects. This contract will come back to the board for consideration and approval next quarter.

Ms. Carrillo reported on CAEATFA's 2017 activity under the STE Program and the allocation of the \$100 million annual cap. She stated that in 2017 the STE Program has approved 5 projects that plan to move forward that expect to purchase \$270 million in equipment, and approximately \$22,812,110 in STE. At the March Board meeting, there were 3 projects under consideration to assist with the purchase of \$49.6 million in equipment for approximately \$4 million STE, which – if approved – would leave \$73,005,046 in STE remaining for the 2017 calendar year. One of the previously approved projects (TAP Power) is not moving forward with their project. Because TAP Power had not yet executed their Master Regulatory Agreement, their award does not count towards the 2017 STE limit.

Ms. Carrillo continued by stating that CAEATFA has also received 31 additional applications which were under review, bringing the total 2017 Qualified Property requests over \$860 million in equipment and approximately \$72.5 million in STE. If all potential projects were found eligible and approved at future board meetings, this would leave approximately \$27.4 million in remaining STE.

Ms. Carrillo cautioned that these statistics were a reflection of the current pipeline of received applications and that these projects were still being evaluated on eligibility and net benefits – and some may drop-off or not be brought to the Board for consideration.

Ms. Carrillo reported that CAEATFA staff was monitoring two legislative bills. SB 659, authored by Senator Stern, appears to be a spot bill on the STE program and AB 1547, authored by Assembly Member Quirk-Silva, was drafted to consolidate CAEATFA, CPCFA, and CIDFAC into a new four member board called the California Development Financing Authority. Ms. Carrillo further explained AB 1547 appears to be a two-year bill, and staff has been working to connect with the Author's office to understand the intent, goals and purpose of the bill.

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Mr. Juarez asked for information on a bill authored by Senator Skinner. Ms. Carrillo responded that Skinner's bill (SB 242) is anticipated to strengthen standards in the PACE programs underwriting requirements. Mr. Juarez wanted clarification on the purpose of the PACE program's regulatory changes. Ms. Carrillo responded that proposed PACE regulations addressed three goals including clarification of the program definition and terms, increasing reporting responsibilities, and including current best practices in underwriting criteria.

Ms. Carrillo reported that she had no actions to report under her delegated authority.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

1. Colony Energy Partners- Tulare, LLC
Presented by Ellen Hildebrand, Analyst

Staff introduced Kent Hawkins, Managing Director of Colony Energy Partners- Tulare, LLC

Ms. Hildebrand reported that Colony Energy Partners applied to the STE Program as an Alternative Source applicant and is requesting an STE for the purchase of \$20,800,000 in Qualified Property to build a new anaerobic digestion facility that will convert organic waste into biomethane in Tulare, California. The digester will be capable of accepting multiple types of waste; including dairy manure, food scraps, and grease trap waste. The facility will produce biogas, which will be purified in a pressure swing adsorption upgrading plant, and injected into the local SoCal Gas pipeline. The project is expected to have approximately \$1.5 million in net benefits to the state, and meets all of the STE scoring thresholds.

Staff recommends approval of a resolution for Colony Energy Partners' purchase of no more than \$20,800,000 in Qualified Property, anticipated to result in an STE of \$1,751,360.

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

Mr. Juarez 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:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2. FoodService Partners, LLC
Presented by Ellen Hildebrand, Analyst

Staff introduced Sarah Wally, Business Developer Project Director for FoodService Partners, LLC

Ms. Hildebrand reported that FoodService Partners applied to the STE program as an Advanced Manufacturing applicant and is requesting an STE for the purchase of \$8.5 million in Qualified Property to build a new advanced food production facility in Richmond, California.

Ms. Hildebrand further explained that Advanced Manufacturing differs from other STE eligibility pathways in that it focuses on the manufacturing process, rather than the product being produced. Under the other eligibility pathways, CAEATFA assesses eligibility based on the product being produced and measures the environmental benefits of the product. So, for a biofuels project like the two before the Board today, staff measures the environmental benefits due to the use of a biofuel instead of a fossil fuel. For an advanced transportation project, like the electric bus application approved last month, staff measures the environmental benefits of the use of an electric bus instead of a diesel bus. To be eligible under Advanced Manufacturing, applicants must meet the four part advanced manufacturing definition, which ensures that the manufacturing process is advanced beyond the industry standard, among other criteria. Then, the environmental benefits of the advanced manufacturing process are measured, rather than the benefits of the product being produced. The FoodService Partners project will utilize advanced cooking technologies such as dehydration, sous vide, and high pressure pasteurization to create prepackaged food products for customers such as hospitals and care facilities. Specialized software is needed to operate this equipment at a high level of precision. The applicant represents that these efficient cooking techniques reduce the energy and water consumption of the facility 15% compared to the industry standard. The facility and its manufacturing processes are also designed to reduce food waste and increase food safety. Additionally, FoodService Partners makes efforts to minimize the use of glass, plastic, non-recyclable, and non-compostable materials in its packaging. The project is expected to have approximately \$5.4 million in net benefits to the state, and meets the other STE scoring thresholds.

Staff recommends approval of a resolution for FoodService Partners' purchase of no more than \$8.5 million in Qualified Property, anticipated to result in an STE of \$715,700.

Ms. Wally explained the details of the FoodService Partners, LLC Project, including its zero waste, unique food processing capabilities and current distribution of food primarily in the San Francisco area. Mr. Mack indicated that he appreciated the more in-depth presentation from Ms. Wally. Mr. Juarez wanted to know how widespread the facility services were. Ms. Wally indicated that, at present, FoodService Partners, LLC had one facility in South San Francisco that served approximately 7,000 meals per day and three facilities located in other states with plans to expand into Southern California. Mr. Juarez wanted to know about the quality of the food and Ms. Wally indicated the food processing retained most of the food's nutrients and the food also retained its taste and maintained

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competitive pricing with other food delivery systems.

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

Mr. Juarez 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:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2. Calgren Dairy Fuels LLC
Presented by Ellen Hildebrand, Analyst

Staff introduced Stephen Hatley, Chief Financial Officer for Maas Energy Works, Inc.

Ms. Hildebrand reported that Calgren Dairy Fuels applied to the STE Program as an Alternative Source applicant and is requesting an STE for the purchase of \$20,373,200 in Qualified Property to build cluster dairy biogas production facilities in Pixley, California. The Project will contract with an estimated 15 nearby dairies and build digester systems on each farm. The digesters will convert dairy manure into digested solids and liquid fertilizer, which can be used by the farmer, and biomethane, which will be piped to the Calgren Renewable Fuels ethanol refinery. At the refinery, the biomethane will be scrubbed to removed hydrogen sulfide and carbon dioxide, and used either to fuel two cogeneration turbines to produce electricity, or converted into compressed natural gas vehicle fuel. No electrical equipment is included in the request. The Project is expected to have net benefits to the state valued at approximately \$2.3 million, and meets all of the STE scoring thresholds.

Staff recommends approval of a resolution for Calgren Dairy Fuels' purchase of no more than \$20,373,200 in Qualified Property anticipated to result in an STE of \$1,715,423.

Mr. Murza read a statement from Robert Weisenmiller, Chair of the California Energy Commission, indicating support for energy projects like this one which take place in under-developed and low-income areas of the state. Mr. Mack asked if the pipeline to transport the biogas would be a stand-alone pipeline or one used by other utility companies. Mr. Hatley replied that it would be a stand-alone pipeline.

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

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Mr. Juarez 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:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

B. REQUEST FOR APPROVAL OF CONTRACT WITH BLUE SKY CONSULTING GROUP LLC FOR CONSULTING SERVICES FOR CAEATFA'S SALES AND USE TAX EXCLUSION PROGRAMS IN AN AMOUNT NOT TO EXCEED \$500,000

Presented by Dallas Aicega, Analyst

Staff introduced Matt Newman, Blue Sky Consulting Group

Ms. Aicega asked for the Board's consideration of Contract #CAEATFA05-16 with Blue Sky Consulting Group, LLC for technical assistance for the STE Program. Blue Sky will assist with program development to include: refinement of application evaluation processes, public workshops, data analysis, drafting and modification of regulations, assistance with reporting requirements, and review and evaluation of application materials as needed. The Contract will be for a two-year term (April 1, 2017 (or upon approval by the Department of General Services) through March 31, 2019) with an option to extend for an additional year at CAEATFA's discretion.

Ms. Aicega reported that although a Bid for Proposal was sent out widely, Blue Sky Consulting Group, LLC was the only respondent to the actual proposal.

Staff recommended approval of the Contract #CAEATFA05-16 with Blue Sky Consulting Group, LLC for a two-year term (April 1, 2017 (or upon approval by the Department of General Services) through March 31, 2019) with an option to extend for an additional year at CAEATFA's discretion.

Mr. Juarez wanted to be assured that staff felt comfortable with this single proposal and staff assured him that Blue Sky Consulting Group, LLC was an appropriate choice. Mr. Juarez also asked if the Blue Sky Consulting Group, LLC would be working with CAEATFA beyond the scope of AB 199 Recycled Feed Stock Projects and staff indicated that the scope of work would include assisting staff with establishing evaluation criteria that was appropriate for AB 199 projects, but would also include other technical assistance as needed.

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

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Mr. Juarez 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:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Juarez asked if there were any comments from the public and there were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:11 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director