

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
May 16, 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 10:31 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 April 18, 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 reporting that, under the Sales and Use Tax Exclusion (STE) Program, staff has been preparing for the regular rulemaking process, which follows the emergency rulemaking that CAEATFA recently undertook to incorporate recycled feedstock projects and establish a competitive application consideration process. She also reported that the vacant analyst position has been filled by Melanie Holman who joined CAEATFA from the Department of Water Resources.

Ms. Carrillo stated that- under the STE Program- if the applications under consideration today are approved CAEATFA will have awarded 55% of the total STE for the calendar year, leaving \$45 million to award. CAEATFA currently has 15 other applications under review, and if they are all approved, \$25 million would be remaining for the rest of the year.

Ms. Carrillo continued by providing a report on t the California Hub for Energy Efficiency (CHEEF). The CHEEF is a collaborative effort with the California Public Utilities Commission (CPUC) to develop a multi-sector pilot program that leverages private capital to expand access and lower the cost of financing to help remove the upfront barrier for Californians in carrying out energy efficiency retrofits, and help meet the State's energy efficiency goals. She noted that marrying two of the most regulated industries – the financial entities and the investor owned utilities – has been more complex and time intensive than initially anticipated. During the Spring/Summer of 2016, CAEATFA worked with the CPUC to identify a more appropriate timetable and funding level for the pilots. As a result, the additional funds and staffing level were approved by the CPUC in November of 2016, and are the subject of CAEATFA's current budget request at the Legislature for reimbursement and expenditure authority. This funding augmentation is the subject of agenda item 4.C, the amendment to the receivables contract CAEATFA has entered into with the four investor owned utilities (IOUs).

Ms. Carrillo continued by explaining that CAEATFA staff worked with CPUC staff to identify lessons learned and discuss recommendations and modifications to the original CPUC Decision that would assist in streamlining the pilots and provide CAEATFA with the necessary flexibility to address programmatic issues. This effort culminated in the CPUC approving a Decision in March which:

- Reiterated the CPUC's commitment to the pilots and CAEATFA as the administrator.
- Committed to the long-term administration of the pilots, credit enhancements support loans throughout their term – up to 15 years – which will assist CAEATFA in obtaining the appropriate administrative support.
- Provided CAEATFA with more authority and flexibility on pilot design and implementation.
- Clarified the evaluation process for the pilots.
- Further clarified a timeline for all pilots to be launched before the end of 2019.

Agenda Item 2.

CAEATFA staff believes these developments will help streamline the pilots and increase their attractiveness to the financial community. Staff will be assessing the Residential Energy Efficiency Loan (REEL) program, which launched last summer, to make some modifications to strengthen its effectiveness, and will be bringing modified regulations to the Board for consideration in the next few months. Ms. Carrillo reported that CAEATFA is also working on an updated timetable to roll out the remaining pilots, as new and upgraded positions are staffed in the 3rd and 4th quarters of 2017.

Ms. Carrillo reported that under her delegated authority:

- On April 21, 2017, an amendment was approved to Contract CAEATFA03-15 with Gilbert Associates, Inc. for Conduit Financial Audit Services for the CAEATFA Bond Program. This amendment extends the term of the Agreement for time only, for one year through June 30, 2018. Total contract value may not exceed \$35,700 from August 10, 2015 through June 30, 2018, with predetermined yearly not-to-exceed costs for the annual bond audit.
- On May 4, 2017, as reported at the April 18, 2017 Board Meeting, an Interagency Agreement (IA) (CAEATFA09-16) was executed with the California Pollution Control Financing Authority (CPCFA) for reimbursement of Building Rent and Central Plant expenses.

Mr. Juarez indicated that he had found small agencies, such as CAEATFA, with relatively small auditing requirements were having trouble getting a sufficient number of responses to Requests for Proposals for auditing and he suggested that CAEATFA may want to collaborate with other organizations, like CPCFA, to identify how to improve the bidding process.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

1. SJV Biodiesel, LLC
Presented by Ashley Bonnett, Analyst

Ms. Bonnett reported that SJV Biodiesel, LLC is requesting a Sales and Use Tax Exclusion to build a new biodiesel production facility located in Pixley. According to the Applicant, the project will employ commercially proven technology to avoid the need for chemical catalysts, allowing the facility to effectively use high free fatty acid feedstock, which has a lower carbon score than biodiesel made from soybean oil. The project will blend waste feedstock, such as brown grease and soap stock, with oil extracted from Calgren Renewable Fuel's ethanol processing plant to produce biodiesel. The Applicant represents that the project's production process will be simpler, reduce operating costs, improve yield, and enhance biodiesel quality compared to traditional biodiesel production facilities.

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Staff recommends approval of a resolution for SJV Biodiesel's purchase of Qualified Property in an amount not to exceed \$6,680,600 anticipated to result in an approximate Sales and Use Tax Exclusion value of \$562,507.

Mr. Juarez indicated that he was pleased to support projects such as this one with high environmental scores.

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

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. Boehringer Ingelheim Fremont, Inc.

Presented by Ellen Hildebrand, Analyst

Staff introduced Kyung Lee, Director of Finance and Cheyanne Cook, Director of State Government Affairs

Ms. Hildebrand reported that Boehringer Ingelheim Fremont, Inc. applied to the Sales and Use Tax Exclusion Program as an Advanced Manufacturing Applicant and is requesting a Sales and Use Tax Exclusion for the purchase of \$214,040,484 in Qualified Property to expand their biopharmaceutical manufacturing facility in Fremont. The expansion will manufacture both biologics and biosimilars, which are genetically engineered proteins derived from gene. These products will be used by other biopharmaceutical manufacturers in their final products that will be used to treat cancer. The Project will use state-of-the-art manufacturing equipment and systems due to the complexity of biologic manufacturing.

Staff recommends approval of a resolution for Boehringer Ingelheim Fremont's purchase of no more than \$214,040,484 in Qualified Property estimated to result in a Sales and Use Tax Exclusion of \$18,022,209.

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

B. DISCUSSION AND CONSIDERATION OF APPLICANT’S REQUEST TO EXTEND THE TERM AGREEMENT OF STE AWARD

1. MSB Investors, LLC

Presented by Ellen Hildebrand, Analyst

Staff introduced Trevor Leiphardt, Project Manager.

Ms. Hildebrand reported that MSB Investors is a special purpose entity formed for the purpose of constructing the Tajiguas Resource Recovery Center in Santa Barbara, which will include an anaerobic digestion facility and a materials recovery facility to separate out the organic waste used as feedstock for the anaerobic digester. The CAEATFA Board approved the Project on May 20, 2014. The Project has experienced CEQA related delays, but the Applicant represents that they expect to complete permitting within the next three months and resume purchasing construction materials and equipment using the STE award. The Board also approved a related Project on October 18, 2016, which contained the remaining 70% of the materials recovery equipment. MSB has requested that the initial term of the Project approved in May 2014 be extended to October 18, 2019, which would give both MSB Projects approved by the CAEATFA Board the same initial term end date, simplifying administration of the Projects for both MSB and CAEATFA.

Staff recommends approval of MSB Investors LLC’s request to extend the initial term of the Agreement to purchase \$17,696,003, anticipated to result in a Sales and Use Tax Exclusion of \$1,490,003 by two years and five months to October 18, 2019.

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.

Agenda Item 2.

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. E & J Gallo Winery

Presented by Ellen Hildebrand, Analyst

Staff introduced Edward Jackson, Business Manager and Tom O'Donnell, Project Manager.

Ms. Hildebrand reported that E&J Gallo Winery is a large family-owned winery, and the largest exporter of California wines. On May 20, 2014, the CAEATFA Board approved a Sales and Use Tax Exclusion for E&J Gallo Winery's purchase of \$17,592,381 in Qualified Property for the construction of an anaerobic digestion facility. The digester will convert 158 million gallons per year of waste water and 47,250 tons of grape pomace into biogas that will be used to generate electricity and heat. The Applicant has purchased 75% of the total Qualified Property approved, but experienced technical delays and has needed to redesign some of the equipment after initial startup and testing. E&J Gallo has resumed purchasing and expects that the equipment will be fully operational by the first quarter of 2018.

Staff recommends approval of a one year extension for E&J Gallo Winery's purchase of Qualified Property not to exceed \$17,592,381, expected to result in a Sales and Use Tax Exclusion of \$1,481,278.

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

C. CONSIDERATION AND APPROVAL TO EXTEND AND INCREASE AN EXISTING RECEIVABLES CONTRACT WITH THE SOUTHERN CALIFORNIA GAS COMPANY, PACIFIC GAS & ELECTRIC, SAN DIEGO GAS & ELECTRIC AND SOUTHERN CALIFORNIA EDISON RELATING TO CAEATFA'S ADMINISTRATION OF ENERGY EFFICIENCY PILOTS PURSUANT TO CPUC DECISION 13-09-044

Presented by Jennifer Gill, CAEATFA Operations Manager

Ms. Gill reported that CAEATFA entered into the current receivables contract for a total of \$7 million in reimbursements through June 30, 2017, to implement energy efficiency financing pilot programs as described in CPUC Decision 13-09-044 (the “Decision”), and to serve as the master administrator of the pilots on behalf of the CPUC. The current proposal increases the total, not-to-exceed amount of the contract to \$15.36 million and extends the term through fiscal year (“FY”) 2019-2020. This allocation will fund CAEATFA staffing at levels which facilitate effective implementation of the CHEEF’s scope of work, including the establishment of permanent staff positions necessary for continuity in implementation and long-term administration through the term of enrolled loans (up to 15 years after enrollment in a pilot program). The additional \$8.36 million includes the re-appropriation of \$1.82 million from the initial contract, and because the funds are reimbursed by ratepayer funds from the IOUs, this increased budget does not affect the General Fund.

Ms. Gill continued by stating that the CPUC approved the additional funds and staffing level in November 2016, and that CAEATFA’s current 2017 Budget Act request at the legislature for reimbursement and expenditure authority is supported by the CPUC’s March 29, 2017 Decision, which reiterated the CPUC’s commitment to the long-term administration of the pilots and to CAEATFA as the administrator.

Staff recommends approval to authorize the extension and increase to an existing receivables contract with the Southern California Gas Company, Pacific Gas & Electric, San Diego Gas & Electric, and Southern California Edison relating to CAEATFA’s administration of Energy Efficiency Pilots Pursuant to CPUC Decision 13-09-044 in the total not to exceed amount of \$15.36 million

Mr. Juarez indicated his interest in the CAEATFA staffing plan and Ms. Carrillo indicated that legislative authority should be completed by July 31, 2017 and staff should be in place within six months.

Mr. Mack 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

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 10:55 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director