

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
August 15, 2017**

1. CALL TO ORDER AND ROLL CALL

Steve Juarez, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or the “Authority”) meeting to order at 10:40 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
Hazel Miranda for Michael Picker, President,
Public Utilities Commission

Staff Present: Deana Carrillo

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Juarez asked if there were any questions or comments concerning the July 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
Hazel Miranda for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo reported that under the Sales and Use Tax Exclusion (STE) Program, if the applications under consideration today are approved, CAEATFA will have awarded approximately 75% of the total STE for the calendar year, leaving \$25 million to award. She noted that CAEATFA currently has six applications under review, and if they are all approved, \$11 million in STE would be remaining for the rest of the year.

Ms. Carrillo also reported that under the California Hub for Energy Efficiency Financing (the "CHEEF") Program, staff has been working on modifying the regulations for the REEL Program to increase its effectiveness, which is subject of agenda item 4.D.

Ms. Carrillo reported that under her delegated authority, CAEATFA entered into an Interagency Agreement (IA) (CAEATFA11-16) with the California Pollution Control Financing Authority (CPCFA) for reimbursement of Building Rent and Central Plant expenses. CAEATFA's portion of these charges is \$60,147.56, which will be reimbursed to CPCFA within 90 days of execution of the IA.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

- 1) Verdeco Recycling, Inc.
Presented by Melanie Holman, Analyst

Staff introduced John Bussey, Director of Engineering, Verdeco Recycling, Inc.

Ms. Holman reported that Verdeco Recycling Inc. ("Verdeco" or the "Applicant") is requesting a Sales and Use Tax Exclusion to expand its existing recycling operations in South Gate. The Applicant represents that it is producing FDA-approved, food grade recycled PET and have found that its current capacity is insufficient for its needs. According to the Applicant, the equipment purchased will process post-consumer PET using an advanced method of recycling called PET-M (for modified). This technology was developed in Europe by PTP Group Ltd and incorporates innovations in the field of polymer processing. Verdeco also represents that PET-M has been proven to minimize energy consumption and waste compared to other known PET recycling technologies. The end product has been approved by the FDA for use in food-grade recycled packaging. The Project has passed CAEATFA's minimum scoring threshold and has an estimated net benefit to the State of \$1,283,856.

Staff recommends approval of a resolution for Verdeco Recycling Inc.'s purchase of Qualified Property in an amount not to exceed \$4,940,350 anticipated to result in an approximate Sales and Use Tax Exclusion value of \$415,977.

Mr. Juarez asked that, since the technology proposed by Verdeco was an improvement over previous technology, should we anticipate other projects of this type to come before the Board. Mr. Bussey stated that he would anticipate other projects would use this advanced technology because of increased energy efficiency and reduced processing time.

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
Hazel Miranda for the Public Utilities Commission	Aye

2) AMRO Fabricating Corporation
Presented by Melanie Holman, Analyst

Staff introduced Michael Riley, Chief Executive Officer and Bree Agting, Executive Assistant, AMRO Fabricating Corporation

Ms. Holman reported that AMRO Fabricating Corporation (“AMRO” or the “Applicant”) is requesting a Sales and Use Tax Exclusion to expand its existing manufacturing facility in South El Monte. They are producing the majority of the primary structure for NASA’s Space Launch System and the Orion spacecraft as well as components for several commercial aircraft, missiles, launch vehicles, and spacecraft. AMRO also works with the military to produce armored personnel carriers. The Applicant represents that it is currently planning a phase of rapid growth and, as a result, will be seeking to modernize its facility while increasing capacity. AMRO plans to purchase newer, more efficient equipment that will enable the company to produce more while using the same or less energy compared to its previous methods. These new machines will include a high speed milling machine center that the Applicant represents will increase efficiency and accuracy compared to conventional machine building technology due to state of the art linear motors. AMRO also plans to purchase a large capacity heat age oven with increased capacity for running multiple parts at once as well as advanced insulation to prevent heat loss. The Project has passed CAEATFA’s minimum scoring threshold and has an estimated net benefit of \$180,743 to the State.

Staff recommends approval of a resolution for AMRO Fabricating Corporation’s purchase of Qualified Property in an amount not to exceed \$5,120,000 anticipated to result in an approximate Sales and Use Tax Exclusion value of \$431,104.

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
Hazel Miranda for the Public Utilities Commission	Aye

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

- 1) nanoPrecision Products, Inc.
Presented by Melanie Holman, Analyst

Ms. Holman reported that nanoPrecision Products Inc. (“nanoPrecision” or the “Applicant”) is an advanced manufacturer producing optical ferrules using advanced materials and high-precision tools at their El Segundo and Camarillo facilities. The CAEATFA Board previously approved an award for nanoPrecision on August 19, 2014. The Applicant has made purchases totaling about 60% of its award. However, nanoPrecision represents that the project encountered unexpected delays in the manufacturing process due to technical issues, and the company was only able to begin producing qualified parts in June of this year. nanoPrecision also represents that it was necessary to strengthen its revenue stream and delay the installation of new equipment so as not to disrupt current production prior to making additional purchases. nanoPrecision is requesting to extend the Agreement initial term by one year and four months (until December 19, 2018) to accommodate several unexpected project timeline delays. The Applicant has assured staff that despite severe delays early on in their project they are now ready to proceed as planned.

Staff recommends approval of nanoPrecision Products Inc.’s request to extend the initial term of the Agreement to purchase \$7,963,972, anticipated to result in a Sales and Use Tax Exclusion of \$670,566 by one year and four months to December 19, 2018.

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
Hazel Miranda for the Public Utilities Commission	Aye

2) Rialto Bioenergy Facility, LLC
Presented by Ashley Bonnett, Program Manager

Staff introduced Nick Fontaine, Applications Engineering Manager, Anaergia Services, LLC

Ms. Bonnett reported that Rialto Bioenergy Facility, LLC (“Rialto”), a wholly owned subsidiary of Anaergia Services, LLC (“Anaergia”), was approved for a Sales and Use Tax Exclusion on September 16, 2014 to construct an anaerobic digester that will convert wet organic matter derived from municipal solid waste into biogas at its facility in Bloomington (the “Project”). Rialto is requesting to extend the Agreement initial term by three years and two weeks (until September 30, 2020) to accommodate several unexpected project timeline delays.

Ms. Bonnett reported that according to Rialto, protracted renegotiations of waste franchise agreements created uncertainty over future territory control, preventing solid waste partners in Los Angeles County from entering into feedstock contracts. Because the Project’s scale and processes rely largely on the character and quantity of feedstock supply, air permits could not be obtained until feedstock supply details became certain. Additionally, in December 2016, the U.S. Department of Energy awarded Rialto a grant for the Project, which now necessitates compliance with Federal permitting not previously required. Finally, the facility will now incorporate additional feedstock and biogas production that was originally envisioned to take place at a facility operated by Anaheim Energy, LLC, another subsidiary owned by Anaergia, which also received a Sales and Use Tax Exclusion award in September 2014 for a biogas project. Anaheim’s project experienced a permitting roadblock related to the facility’s location, and as a result, the Anaheim project is being relocated to Rialto’s facility.

Ms. Bonnett further reported Rialto has indicated that although the Project timeline experienced delays, the company is confident of the revised Project schedule, with commercial operation anticipated in 2020. Rialto represents that with the franchise territories announced by the city of Los Angeles in late 2016, feedstock contracts have been negotiated and are near finalization, and that the permitting process is underway, along with the facility’s redesign. Based on this information, and the fact that Rialto has recently received the support of the U.S. Department of Energy, staff believes extending the term of the Agreement will allow for the Project to be completed, and is therefore in the public interest and advances the purpose of the Program.

Staff recommends approval of Rialto Bioenergy Facility, LLC’s request to extend the initial term of the Agreement to purchase \$14,722,168 in Qualified Property, anticipated to result in a Sales and Use Tax Exclusion of \$1,239,607, by three years and two weeks to September 30, 2020.

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
Hazel Miranda for the Public Utilities Commission	Aye

C. DISCUSSION AND CONSIDERATION OF REQUEST TO AMEND STE RESOLUTION 14-SM012 TO CHANGE THE PARTICIPATING PARTY FROM ANAHEIM ENERGY, LLC TO RIALTO BIOENERGY FACILITY, LLC AND TO EXTEND THE TERM OF THE MASTER REGULATORY AGREEMENT

Presented by Ashley Bonnett, Program Manager

Staff introduced Nick Fontaine, Applications Engineering Manager, Anaergia Services, LLC

Ms. Bonnett reported that Anaheim Energy, LLC (“Anaheim”), a wholly owned subsidiary of Anaergia Services, LLC (“Anaergia”), was approved for a Sales and Use Tax Exclusion on September 16, 2014 to construct an anaerobic digester that will convert wet organic matter derived from municipal solid waste into biogas at a facility in Anaheim (the “Project”). Rialto Bioenergy Facility, LLC (“Rialto” or the “Applicant”) is another subsidiary owned by Anaergia that also received a Sales and Use Tax Exclusion in September 2014 for a biogas project in Bloomington. The Applicant is requesting an extension of the Master Agreement initial term by three years and two week (until September 30, 2020) to accommodate the Project’s relocation to Rialto’s facility as a result of a permitting roadblock. The Applicant has also requested the Sales and Use Tax Exclusion award be transferred from Anaheim to Rialto as it is now the legal entity responsible for constructing and operating the project.

Anaheim has purchased \$1,106,329.02 of Qualified Property (5.8% of the total Qualified Property approved). However, Anaheim facility’s proximity to residential areas created community opposition, preventing Anaheim from securing a Conditional Use Permit from the City of Anaheim. Therefore, facility processes, layouts, and equipment selection are being adjusted at the Rialto facility, where Rialto holds a site use agreement with the City of Rialto, to incorporate additional the feedstock and biogas production that was originally envisioned to take place at a facility operated by Anaheim. Rialto has indicated that although the Project

experienced a significant site permitting roadblock, a viable path forward is now certain and that successful contract negotiations will allow the relocation of the Project to the Rialto facility location. The Applicant is currently working with Anaheim Public Utilities to convert Anaheim Energy’s power purchase agreement contract to a renewable gas supply agreement whereby 4.5 MW equivalents of biogas will now be produced at the Bloomington facility location and sent to Anaheim Public Utilities via the SoCal Gas grid. The Applicant represents the contract will be presented to the Anaheim City Council at its August 2017 council meeting. Commercial operation is anticipated by 2020.

Staff recommends approval of a resolution to change the participating party from Anaheim Energy, LLC to Rialto Bioenergy Facility, LLC, and to extend the initial term of the Agreement to purchase \$19,143,601 in Qualified Property, anticipated to result in a Sales and Use Tax Exclusion of \$1,611,891, by three years and two weeks to September 30, 2020.

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
Hazel Miranda for the Public Utilities Commission	Aye

D. DISCUSSION AND CONSIDERATION OF EMERGENCY REGULATIONS FOR THE RESIDENTIAL ENERGY EFFICIENCY LOAN (REEL) ASSISTANCE PROGRAM UNDER THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING

Presented by Miriam Joffe-Block, Program Manager

Ms. Joffe-Block reported that CAEATFA requests approval to adopt modifications to the Residential Energy Efficiency Loan (REEL) Assistance Program under the emergency rulemaking process. The proposed modifications stem from CAEATFA’s experience implementing the Program over the last year and identifying opportunities to improve the design and operations of the Program as well as clarify issues that arose. Since the first year of operations, CAEATFA had numerous conversations with stakeholders as to how operations could be streamlined. In March of 2017, the California Public Utilities Commission issued a Decision granting CAEATFA increased flexibility to modify the CHEEF pilots, and some of the modifications, such as the consolidation of the Loan Loss Reserve Accounts are a result of that Decision.

Ms. Joffe-Block further reported that CAEATFA held a public workshop to present proposed modifications on July 19th and also held a roundtable for participating REEL lenders to solicit

input on the modifications. As a result of input received during the public process, CAEATFA made additional modifications to the REEL regulations.

For example, lenders suggested that the requirement that the borrower provide a recent utility bill be modified such that the utility bill is dated within 60 days of the lender’s loan approval, rather than upon CAEATFA’s enrollment of the loan package. Additionally, CAEATFA had modified the pre-approval process to collect additional information about rebates in order to more accurately forecast the loan loss reserve contribution. However, in discussions with lenders, CAEATFA concluded that the pre-approval process should be left as is as there was no convenient way for Lenders to collect the appropriate information at the time of pre-approval.

Following Board approval, CAEATFA will post a Notice of Emergency to the public and file the rulemaking package with the Office of Administrative Law with approved regulations expected to take effect in the beginning of September.

Staff recommends approval of the attached Resolution approving the REEL regulations.

Mr. Juarez indicated that he was pleased that changes were made based on stakeholder involvement in the process. He noted that stakeholders needed input into crafting the regulations that affect them.

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
Hazel Miranda for the Public Utilities Commission	Aye

E. CONSIDERATION OF CONTRACT WITH FRONTIER ENERGY, INC. TO PERFORM CONTRACTOR MANAGEMENT SERVICES FOR THE REEL PROGRAM UNDER THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING IN AN AMOUNT NOT TO EXCEED \$1,500,000

Presented by Dallas Aicega, Analyst

Staff introduced Nancy Barba, Senior Program Manager, Frontier Energy, Inc.

Ms. Aicega reported that staff was requesting approval to enter into a contract (“Contract”) with Frontier Energy, Inc. (“Frontier,” “Contractor Manager” or “Contractor”) to provide assistance with the administration of the Residential Energy Efficiency Loan (REEL) Assistance Program. CAEATFA intends that this Contract will be for a multi-year term, subject to CAEATFA’s receipt of legislative budget approvals for future fiscal years, with a

not-to-exceed total aggregate cost of \$1,500,000 over the entire Contract term. The initial Contract term will be through September 2019, after which CAEATFA may choose to execute one, one-year extension.

Ms. Aicega stated that the Contractor Manager will recruit, train, and support energy efficiency retrofit contractors in participating in the REEL Program. It will also provide quality assurance and quality control for the Program in the form of desk-top reviews of enrolled loans and on-site inspections of a portion of the projects that are not participating in a rebate or incentive program.

Ms. Aicega reported that Frontier's team possesses 35 years of experience supporting demand side management Programs including residential energy efficiency financing Programs. They have provided marketing, reporting, and contractor outreach and training services for Programs dating from the State's original experimental 2002-2005 Retrofit Home Performance Program under Energy Upgrade California and the current Regional Energy Networks. Frontier's team also has long-standing relationships with home performance and HVAC contractors throughout California. As the subcontractor, RHA brings experience in conducting weatherization inspections and energy audits, as well as developing statewide energy standards for multiple Programs.

Ms. Aicega further reported that Frontier was selected out of the five proposals by demonstrating its strong experience in implementing and improving energy Programs in California, its ability to cultivate contractor networks and relationships, and its strategic approach to grow contractor participation and increase the number of projects under the REEL Program. As the Contractor Manager, Frontier will maintain a small team of in-office staff based in Los Angeles and Oakland, as well as contractor account managers and on-site inspectors available to provide statewide coverage.

Ms. Aicega stated that CAEATFA staff advertised a Request for Proposal ("RFP") through the Department of General Services Contracts Register, as well as on the CAEATFA website. At the proposal deadline, May 25, 2017, the Authority received five responsive proposals.

Ms. Aicega reported that staff developed an evaluation process that included an Evaluation Committee consisting of CAEATFA staff and management. The proposals were evaluated based on the characteristics and point values outlined below, for a maximum possible 100 points. Frontier's proposal received the highest score from the Evaluation Committee.

Staff recommends adoption of a resolution authorizing execution of a contract with Frontier Energy, Inc. as Contractor Manager for the Residential Energy Efficiency Loan (REEL) Assistance Program in an amount not to exceed \$1,500,000 over three years.

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

Mr. Juarez indicated that he was pleased with the robust competition for this contract.

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
Hazel Miranda 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 11:07 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director