

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
November 14, 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 11:23 a.m.

Members Present: Steven 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

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Juarez asked if there were any questions or comments concerning the October 17, 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 report by summarizing recent activity under CAEATFA's programs. Under the Sales and Use Tax Exclusion ("STE") Program, she reported that the Office of Administrative Law ("OAL") has approved the regular rulemaking package with the most recent modifications to the STE Program. In addition, staff has spent time determining how the STE Program could benefit eligible manufacturers that have been impacted and are rebuilding due to the recent fires and other natural disasters. Staff recommendations on this issue will be presented under Agenda Item 4.B. Last week the leadership of several Boards, Commissions and Authorities were in Santa Rosa to discuss how those affected by the recent fires might be assisted.

Ms. Carrillo continued by reporting that under the STE Program's annual \$100 million statutory cap, CAEATFA will have awarded approximately 94% of the total sales and use tax exclusion available if the applications under consideration are approved by the Board. The Authority currently has four applications under consideration, and if they are all approved, \$1.5 million would be remaining for any applicant who had previously requested more than the \$20 million per-project cap which is the subject of Agenda Item 4.E. Ms. Carrillo stated that this has been a historic year for activity in this program. CAEATFA is on track to approve more applicants than ever—likely to bring 44 applications to the Board for consideration this year, nearly double the previous all-time high which was 25 applications during the first year of the STE Program's inception.

Ms. Carrillo reported that under the California Hub for Energy Efficiency Financing (the "CHEEF"), the first workshop for the multifamily pilot presenting the initial concepts on a proposed structure was held on November 7 in San Francisco and was well received. She also noted that program improvement and development is continuing under the Residential Energy Efficiency Loan ("REEL") Program and the commercial pilot.

Ms. Carrillo reported that the CHEEF contract with Frontier Energy, Inc. ("Frontier") to serve as the contractor manager for the REEL Program was approved by the Department of General Services ("DGS") in October and that staff is working to quickly on-board Frontier so that in-house resources can be re-directed.

Ms. Carrillo stated that the current CHEEF master servicer contract with Concord Servicing Corporation ("Concord") expires December 31, 2017 and that staff had issued a Request for Proposals ("RFP") for master servicing in October; staff recommendation to the Board is in Agenda Item 4.C.

Ms. Carrillo then reported that the contract with U.S. Bank for CHEEF Trustee services also expires on December 31, 2017. CAEATFA has issued a Request for Proposals ("RFP") for those services and hopes to select a qualified firm for a not-to-exceed amount of \$285,000 which falls under the Executive Director's delegated authority. It is expected that a new contract will be in place by the end of the delegated year.

Ms. Carrillo further reported that under the Property Assessed Clean Energy ("PACE") Loss Reserve Program, staff is working to refresh both an RFP to conduct audits of participating PACE programs, and a Request for Offer ("RFO") under the California Multiple Award Schedules

(“CMAS”) procurement structure to select a qualified firm to assist in assessing the funding level and risk on the \$10 million reserve. With the passage of Senate Bill 242 (Skinner), which included additional protections for PACE consumers, and Assembly Bill 1284 (Dababneh), which establishes the Department of Business Oversight as the regulator over private PACE administrators, staff is also re-examining PACE regulations to see what modifications may be required.

Ms. Carrillo added that, as noted in the joint meeting of CAEATFA, CPCFA and CIDFAC, staff had initial conversations with legislative committee staff in October to better understand the policy issues that are driving Assembly Bill 1547. Staff believes that educating the legislative staff is critical and that an oversight hearing is expected in February or March. If Assembly Bill 1547 does move forward in some form, staff is also considering statutory modifications that will increase program effectiveness.

Ms. Carrillo announced that Xee Moua has joined the staff as an Analyst for the STE Program and CAEATFA is actively recruiting for other positions.

Ms. Carrillo reported that there were no actions taken under her delegated authority.

Ms. Carrillo then concluded her report.

Mr. Juarez indicated that he was pleased with the number of projects brought before the Board under the STE Program, both in size and in the scope of the diverse projects within the manufacturing industry.

4. BUSINESS ITEMS

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

- 1) Ontario CNG Station, Inc.
Presented by Ashley Bonnett, Program Manager

Staff introduced Atabak Youssefzadeh, Project Manager and Natalie Danesh, President, Ontario CNG Station, Inc.

Ms. Bonnett reported that Ontario CNG Station, Inc. (“Ontario CNG” or the “Applicant”) is applying for a sales and use tax exclusion to build a hydrogen production facility in Ontario, where the Applicant will produce renewable hydrogen fuel for trucks and passenger vehicles (the “Project”). The Project will use an electrolyzer powered by renewable electricity from onsite solar generation to produce the renewable hydrogen. The Applicant represents the Project will have the capacity to produce over 70 kilograms of hydrogen fuel per year. Ontario CNG plans to use the water produced as a byproduct of the hydrogen production process to operate a carwash and irrigate landscaping on-site at the fueling station. The Project has met all of the Program’s scoring thresholds, and is anticipated to produce a net benefit to the State of \$96,136.

Staff recommends approval of a resolution for Ontario CNG Station, Inc.'s purchase of Qualified Property in an amount not to exceed \$2,000,000, anticipated to result in a sales and use tax exclusion of \$168,400.

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.

Mr. Grant wanted to know if the Project was applying for Low Carbon Fuel Standard Credits. Mr. Youssefzadeh indicated that Ontario CNG was receiving those credits at the rate of \$101 per ton of fuel. Mr. Murza indicated that the California Energy Commission had awarded a grant for \$1.75 million to this Project and was delighted that Ontario CNG was able to leverage additional support from the State for this project.

There were no further comments and Mr. Juarez called for a vote. 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) Trademark Brewing, LLC
Presented by Ashley Bonnett, Program Manager

Staff introduced Sterling Steffen, Co-Founder, Trademark Brewing, LLC.

Ms. Bonnett reported that Trademark Brewing, LLC (“Trademark Brewing” or the “Applicant”) is applying for a sales and use tax exclusion to build a new craft beer manufacturing facility in Long Beach (the “Project”). According to the Applicant, the Project will increase efficiency and reduce the environmental impact of the brewing process compared to the industry standard. The Applicant represents that by precisely controlling the pressure, temperature, timing and pH balance throughout the process with computer technology, the system produces beer more efficiently to increase production compared to the standard industry technique that relies on gravity and time for separation. The Project is also anticipated to reduce energy consumption, water consumption, hazardous waste, and air pollutants relative to the industry standard. The Project has met all of the Program’s scoring thresholds.

Staff recommends approval of a resolution for Trademark Brewing, LLC’s purchase of no more than \$1,854,741 of Qualified Property, anticipated to result in a sales and use tax exclusion of \$156,169.

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.

Mr. Juarez asked whether such a small STE award would have an impact on Trademark Brewing. Mr. Steffen indicated that though the Project was small by STE Program standards, the impact to Trademark Brewing would be important to the company.

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) CR&R Incorporated
Presented by Ashley Bonnett, Program Manager

Staff introduced Clarke Pauley, Vice President Organics and Biogas Division, CR&R Incorporated.

Ms. Bonnett reported that CR&R Incorporated (“CR&R” or the “Applicant”) is applying for the STE Program as a Recycled Resource Extraction Project to upgrade its existing transfer and materials recovery facility in Stanton (the “Project”). The Project will include a combination of recycling equipment that will process multiple types of recycled feedstock, including green waste, construction and demolition wood, and digestate residuals that will be made into soil products. The Project will also process mixed municipal solid waste to remove traditional recyclables, such as paper, cardboard, metals, plastics, and glass, and process residuals into Engineered Municipal Solid Waste to be used in the cement industry. The Project has met all of the Program’s scoring thresholds and is anticipated to produce a net benefit of \$850,743.

Staff recommends approval of a resolution for CR&R Incorporated’s purchase of no more than \$8,389,685 of Qualified Property, anticipated to result in a sales and use tax exclusion of \$850,743.

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, REQUEST TO CONSIDER AND APPROVE REGULATIONS FOR THE SALES AND USE TAX EXCLUSION PROGRAM

Presented by Ashley Bonnett, Program Manager

Ms. Bonnett reported that in light of the destruction caused by several emergency disasters in California, including the recent Northern California wildfires, CAEATFA staff identified ways the Sales and Use Tax Exclusion (“STE”) Program (the “Program”) could assist companies rebuilding after such critical damage to help promote the Program’s goals of retaining manufacturing facilities and manufacturing jobs in California. To implement some of these strategies, staff is proposing two amendments to the Program regulations.

First, Ms. Bonnet reported that current regulations provide that, in the event that CAEATFA receives applications in excess of the statutory \$100 million cap for that calendar year, the order in which the applications shall be considered in the same moth will be ranked based on four basic criteria: 1) unemployment rate in the county, 2) presence of corporate headquarters in California, 3) status as a small business, and 4) being new to the Program. These criteria were chosen for two purposes. First, each of the criteria prioritizes applicants that provide a benefit to the State. Secondly, the criteria are objective and verifiable by the staff at the time of application.

In recognition of the benefit to the State to retain manufacturing facilities and manufacturing jobs impacted by certain emergency disasters, the proposed amendments would add a new competitive criterion that provides five points for a project if the Applicant can demonstrate that the project is to relocate or rebuild the Applicant’s Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclamation made by the California State Governor within two years of the time of application.

Ms. Bonnett reported that Applicants currently must pay an Application Fee of .05% of the requested qualified property amount at the time of application. The proposed amendments would allow the Executive Director to waive the Application Fee if the applicant can demonstrate the project is to relocate or rebuild the Applicant’s Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclamation made by the California State Governor within two years of the time of application to reduce the burden of applying for the Program and help encourage affected manufacturers to rebuild and continue operations in California.

Staff recommends adoption of a resolution to approve the proposed amendments to the regulations for the STE Program and to authorize staff to undertake regular and emergency rulemaking proceedings and other actions related to promulgation of the regulations.

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. Mr. Mack asked if the proposed amendments would give the Executive Director the authority to authorize the waiver of the fee without Board's approval. Ms. Carrillo confirmed that passing this amendment would give the Executive Director the authority to act without bringing the fee waiver to the Board for approval.

There were no further questions 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 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 Craig Morrow, Program Manager II (CHEEF) and Jennifer Gill, Program Manager II (Core Services)

Mr. Morrow reported 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 CHEEF Pilot Programs. Over the entire Contract term will not exceed a total of \$1,500,000. The initial Contract term will be through December 2019, after which CAEATFA may choose to execute a one-year extension, for a total potential Contract term of up to three years.

Mr. Morrow further reported that scope of services under the Contract will fall into four major areas:

- Receiving and enrolling contracts.
- Acquiring customer financing data.
- Receiving customer payment data and funds from IOUs and distributing to lenders.
- Providing comprehensive Program reporting.

Mr. Morrow reported that on October 11, 2017, 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, October 31, 2017, the Authority received one proposal, which was considered responsive to the RFP. The proposal received a total score of 98 out of 100 possible points from the evaluation committee.

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.

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. Mr. Juarez wanted to know if staff were satisfied that Concord, as the only responder to the RFP, was an appropriate choice for the Program. Mr. Morrow responded that Concord currently held the contract and worked well with staff, as well as scoring very high by the Evaluation Committee.

There were no further comments 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

D. CONSIDERATION OF INTERAGENCY AGREEMENT WITH THE STATE TREASURER’S OFFICE FOR EXECUTIVE AND SUPPORT SERVICES IN AN AMOUNT NOT TO EXCEED \$477,542

Presented By Jennifer Gill

Ms. Gill reported that staff was requesting approval of the Fiscal Year 2017/18 Interagency Agreement with the State Treasurer’s Office or “STO” for executive and administrative support to the Authority in the amount of \$477,542.00 during the term July 1, 2017 through June 30, 2018.

Ms. Gill stated that through annual Interagency Agreements, the STO provides legislative, budgeting, personnel, accounting, information systems, and other administrative support services for the Boards, Commissions, and Authorities (“BCAs”) chaired by the State Treasurer. The total cost is allocated among the BCAs based on each agency’s personnel-years. Since FY 2015/16, the increased overall support cost is primarily attributable to the expansion and modernization of the STO information technology division; however, subsequent executive and administrative support costs have not increased as substantially. Expansion of the California Hub for Energy Efficiency Financing (“CHEEF”) Programs and establishment of additional positions in FY 2017/18 is also reflected in a slightly increased cost allocation.

Staff recommends approval of the attached Resolution to authorize the Executive Director to execute an Interagency Agreement with the State Treasurer’s Office for Executive and Support Services for Fiscal Year 2017/18.

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. 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

E. REQUEST TO MAKE AVAILABLE FOR QUALIFIED APPLICANTS ANY SALES AND USE TAX EXCLUSION REMAINING FROM THE \$100 MILLION STATUTORY CAP UNDER THE SALES AND USE TAX EXCLUSION PROGRAM

Presented by Ashley Bonnett, Program Manager

Ms. Bonnett reported that as the Sales and Use Tax Exclusion (“STE”) Program has expanded and grown in utilization, CAEATFA staff has sought to address the issue of program oversubscription by adopting programmatic changes that best advance CAEATFA and program goals. Last year CAEATFA first adopted regulations implementing a \$20 million Project cap, with the possibility of eligible Applications to receive additional STE if any remained under the \$100 million statutory cap at the end of the year. Specifically, the regulations state if STE will be available at the last Authority Board meeting of the calendar year, the Authority may provide additional STE to Applicants that qualified for additional STE but were capped at \$20 million of STE. Applicants wishing to exceed the \$20 million cap must bring a revised Project Application or a new Application before the Authority for consideration that shall include updated information and will be evaluated pursuant to the net benefits test established in regulations. The Authority must announce end of the year availability no later than 28 days prior to the December Authority meeting.

Although CAEATFA has brought before the Board a record number of Applications for consideration in 2017, based on the Applications currently under review, the Program will have STE remaining under the \$100 million statutory cap at the December 2017 meeting.

Staff recommends adoption of a resolution making available for qualified Applicants any sales and use tax exclusion remaining from the \$100 million statutory cap under the STE Program in December 2017 pursuant to Program Regulations Section 10032(a)(4)(A).

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. Mr. Juarez asked how much of the \$100 million statutory cap was likely to be left over. Ms. Carrillo responded that there was likely to be between \$1.2 million and \$5.6 million depending on the actions of the Authority in December. Ms. Baker wanted to know how many Applicants would be eligible for additional funds and Ms. Bonnett responded that only one Applicant, Tesla, Inc., would be eligible for additional funds.

There were no further comments 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	Abstain
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 11:57 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director