

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
April 17, 2018**

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 10:30 a.m.

Members Present: Steve Juarez for John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Jacqueline Wong-Hernandez 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 J. Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Juarez asked if there were any questions or comments concerning the March 20, 2018 meeting minutes. There were none.

Mr. Juarez asked if there was a motion.

Ms. Baker moved for approval of the minutes; upon a second from Ms. Wong-Hernandez, 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
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Abstain

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo stated that the 2017 Annual Report to the Legislature, which provides a description of CAEATFA's 2017 activity, was submitted on March 31st, as required by statute. CAEATFA is compiling Sales and Use Tax Exclusion ("STE") Program data in preparation to provide an overview at the next Board meeting.

Under the Bond Program, Ms. Carrillo reported that the Bond Audit Report for fiscal year 2016-2017, which is required by law and covers CAEATFA's outstanding bonds, had been issued with a finding, which has been addressed. Two invoices were inaccurately accrued to the wrong program account due to a keystroke error. Procedures and training have been put in place to address this issue. Ms. Carrillo also reported that General Electric Corporation provided a Notice of Redemption of \$50,660,000 aggregate principal amount of CAEATFA's Cogeneration Facility Revenue Bonds (General Electric Capital Corporation – Arroyo Energy Project) 1993 Series A and 1993 Series B Bonds, effective December 6, 2017. The Trustee has indicated that the redemption was complete and the bonds cancelled.

Ms. Carrillo reported under the Sales and Use Tax Exclusion Program that if both of the Applications before the Board today are approved that CAEATFA will have awarded approximately 43% of the total STE for the calendar year, leaving \$56.7 million left to award. She continued by stating that CAEATFA currently has eight additional Applications under review, and if they are all approved, \$40.4 million in STE would be remaining for the rest of the year. The Application deadline for the June Board meeting is Friday, April 20th.

She continued by giving an update of Tesla, Inc.'s ("Tesla") progress from the last meeting, stating that Tesla is due to present its first quarterly report to the Board at the July 17th Board meeting, and staff is currently working with Tesla to determine the form of the written report, but the content will be as required under the approved resolution. Ms. Carrillo continued by stating that Tesla recently filed a Securities and Exchange Commission ("SEC") Form 8-K giving investors an update on production as of April 3, 2018. In the report, Tesla states it had produced 2,020 Model 3 vehicles in the last week of the first quarter, which is slightly lower than its goal of 2,500 units per week; however, Tesla anticipates reaching a production rate of 5,000 units per week by the end of the second quarter, as represented in their Application. Most recently, it has been reported by news media that there has been a suspension in Model 3 production as the company works to improve its production process. In addition, the National Labor Relations Board ("NLRB") has determined that it is moving forward with an investigation on some of the allegations against Tesla, and is scheduled to hold a hearing in Oakland, California in early June.

Ms. Carrillo reported that under the California Hub for Energy Efficiency Financing ("CHEEF") Program two new regional lenders have joined the Residential Energy Efficiency Loan ("REEL") Assistance Program: Eagle Community Credit Union ("Eagle") and Pasadena Service Federal Credit Union ("PSFCU"). The REEL Program now has two statewide and four regional lenders onboard for a total of six lenders.

Ms. Carrillo stated that Eagle provides services in Orange County, and is making CAEATFA's REEL product part of their new Loan Origination System, taking advantage of the CHEEF's new

Credit Challenged Program for underserved borrowers, and will extend loans to borrowers with credit scores as low as 580.

Ms. Carrillo reported that PSFCU, which has a service area from Pasadena to Covina to Huntington Park, is designated as a Low Income Credit Union by the National Credit Union Administration with 50% of its members living in low-income areas. They are also taking advantage of the Credit Challenged Program for Underserved Borrowers and making loans to borrowers with credit scores as low as 600.

Ms. Carrillo continued, stating that the designs for the small business and affordable multifamily pilots are ongoing, and that a workshop on the commercial small business pilot is scheduled for April 19th. Staff anticipates bringing proposed regulations to the Board for consideration and approval in the fall.

Under the Property Assessed Clean Energy (“PACE”) Loss Reserve Program, Ms. Carrillo reported that there had been a delay in launching the risk analysis of the \$10 million PACE Loss Reserve fund. The Request for Offer was disseminated to seven California Multiple Award Schedules (“CMAS”) vendors on January 5th. Blue Sky Consulting Group, a microbusiness, was the only respondent; its offer met and exceeded minimum requirements. Work was estimated to begin in April for a term of one year with a cost not to exceed \$140,191; unfortunately, the solicitation was rejected by Department of General Services. Staff is reviewing procurement options and is preparing to resolicit through a different contracting pathway, anticipating a contract start date in mid-June.

Ms. Carrillo stated that Assembly Bill 1547 (Quirk-Silva), in its current form is still focused on the Americans with Disabilities Act California Capital Access Program run by the California Pollution Control Financing Authority (“CPCFA”) and is in the Senate. CAEATFA will continue to watch its progress, and still anticipates participating in an information hearing at the Assembly Committee Jobs and Economic Development.

Ms. Carrillo reported that under her delegated authority, she has approved an Interagency Agreement with CPCFA for reimbursement of building rent and central plant expenses for fiscal year 2017-2018 for the office space on the second floor of 801 Capitol Mall, for an amount not to exceed \$127,036.76.

Ms. Carrillo then concluded her report.

Mr. Juarez stated that there have been a number of recent news articles regarding complaints against PACE programs, mainly in Los Angeles County, and that the Board and CAEATFA may be solicited for their opinion on PACE. He stressed the importance of completing the risk analysis.

4. BUSINESS ITEMS

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

- 1) Siva Power, Inc.
Presented by Melanie Holman, Analyst

Staff introduced Bruce Sohn, Chief Executive Officer, Siva Power, Inc.

Ms. Holman reported that Siva Power, Inc. (“Siva” or the “Applicant”), an Alternative Source Applicant, is requesting \$6,746,508 in Qualified Property to upgrade its existing solar photovoltaic development facility located in Santa Clara, California (the “Project”).

Ms. Holman stated that Siva is developing copper, indium, gallium, and selenium (CIGS) thin film technologies with the intention of manufacturing highly efficient and low cost solar modules. According to the Applicant, these modules will have an energy payback time that will be less than half that of traditional silicon technologies. The Applicant has also represented that it uses a unique manufacturing process that shortens production time from two weeks down to two hours due to the integrated nature of the technology the company uses. This process also consumes less than half the energy and less than one-tenth the water compared to the industry standard. The Project has met all of CAEATFA’s scoring thresholds.

Staff recommends approval of a resolution for Siva Power, Inc.’s purchase of no more than \$6,746,508 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$729,531.

Ms. Baker moved for approval and there was a second by Ms. Wong-Hernandez.

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 what the primary application or target market will be for this technology. Mr. Sohn responded that though the market will not be isolated, Siva does intend to focus initially on larger scale, industrial uses of 20 megawatts or more.

Mr. Mack asked about efficiency of the product compared to silicon-based solar panels. Mr. Sohn stated that the technology will start with an efficiency of 16-17%, anticipated to improve with the company’s plan to increase product efficiency over time.

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
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2) Faraday&Future Inc.
Presented by Xee Moua, Analyst

Staff introduced Caroline Banzali, Vice President of Tax & Risk Management, Faraday&Future Inc.; Alex Tran, Partner, California Incentives Group; Leslie McBride, Director, California Incentives Group.

Ms. Moua reported that Faraday&Future Inc. (“Faraday Future” or the “Applicant”), an Advanced Transportation Applicant, is requesting an STE award of \$250,000,000 in Qualified Property to upgrade its existing facilities in Compton and Gardena, and construct a facility in Hanford that will manufacture its high-performance electric vehicles (the “Project”). The Gardena facility will be used to perform research and development, and the Compton facility will be used to assemble and test its prototype vehicles. Faraday Future represents that approximately 1,100 jobs will be created as part of the upgrade.

Ms. Moua stated Faraday Future’s first model, the FF91, will be built on its Variable Platform Architecture (VPA), a powertrain that enables vehicles to be produced efficiently. According to the Applicant, the FF91 is revolutionary in design and performance. Faraday Future represents that the FF91’s chassis can be extended and contracted depending on the vehicle’s need allowing the vehicle to store an adjustable number of batteries by arranging them in “strings.” The removal or addition of battery strings will adjust the vehicle’s weight, energy efficiency, and distance travelled in one charge. The Applicant’s 130 kWh battery carries an industry-leading range of 378 miles per charge, and can charge to 80% in less than 30 minutes with DC charging. Faraday Future represents the FF91 offers several luxury features including driverless valet parking, highway auto drive, fiber speed mobile internet, and NASA inspired zero gravity seats.

The Applicant’s request of \$250,000,000 in Qualified Property equates to \$20,900,000 in STE, which exceeds the \$20,000,000 sales and use tax exclusion cap per project. Therefore, staff recommends approval of a resolution for Faraday Future’s purchase of no more than \$239,234,449 in Qualified Property, anticipated to result in a sales and use tax exclusion of \$20,000,000.

Program regulations state that if any STE funds are available at the last Board meeting of the calendar year, the Board may provide an additional STE award to Applicants that qualified for additional sales and use tax exclusion but were capped at \$20,000,000. If any funds are available in December 2018 and Faraday Future is still interested in pursuing an

additional award, staff may then work with Faraday Future to bring an updated application for Board consideration.

Ms. Wong-Hernandez asked about previous work done at the new facility in Hanford. Ms. Banzali explained that the work done so far at the Hanford factory was to rehabilitate the area with local government agencies. The building had been vacant for some time, and the company worked to remove black mold and asbestos in order to make sure the facility is suitable for production.

Mr. Juarez asked what commitment the company has to California. Ms. Banzali stated that Faraday Future is 100% committed to California and is currently working only in the State of California. They project 1,300 new jobs as a result of the Project, and have set up shop in what was previously a defunct Nissan plant, now state of the art.

Mr. Juarez commented on the high asking price for the FF91, and asked about future models' affordability. Ms. Banzali replied, stating that their flagship model, the FF91 is a high-end, luxury vehicle, and that in the future they will work to produce more affordable models.

Mr. Juarez asked when the first cars would be available, how many would be produced during calendar year 2019 and why the company is using three production sites. Ms. Banzali stated that they are scheduled to have the first cars rolling off the production line by December 31st of this year, and that they intend to produce 3,500 cars in that timeframe out of the Hanford facility. Ms. Banzali stated that the facility in Gardena is a research and development and testing site and was never meant for production, and that the company's growth has necessitated the use of the new sites.

Mr. Mack stated that it is exciting to see another electric vehicle manufacturer based in California, and he looks forward to updates.

Mr. Juarez stated that given the size of the award and considering the scrutiny applied to other large awards, Faraday Future should be asked to stay in close touch with the Board. He proposed that the company be formally required to update the Board concerning production and progress in meeting their goals.

Mr. Juarez moved for conditional approval, with the caveat that the Applicant reports to the Board semiannually, starting in October, to provide updates regarding any significant developments in the status of the Project, progress in meeting its production goals, and any other matters the Executive Director may deem appropriate. There was a second by Ms. Wong-Hernandez.

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 passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez 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 CONTRACT WITH CROWE HORWATH LLP AS AUDITOR FOR THE PACE LOSS RESERVE PROGRAM IN AN AMOUNT NOT TO EXCEED \$450,000

Presented by David Palsha, Analyst

Staff requests approval to enter into a contract with Crowe Horwath LLP (“Crowe,” “Auditor,” or “Contractor”) to provide audit services for CAEATFA under the Property Assessed Clean Energy (“PACE”) Loss Reserve Program. The contract amount is not to exceed \$450,000 over the entire contract term, including the optional extension. The initial contract term will be through May 2020 after which CAEATFA may choose to execute a one-year extension.

The Contractor will develop and implement an audit of the participating PACE programs to evaluate compliance with the Program’s eligibility requirements.

Mr. Palsha reported that on February 5, 2018, CAEATFA advertised a Request for Proposal and the Authority received three proposals. Crowe’s proposal received a total score of 99 out of 100 possible points from the evaluation committee. Crowe was selected based on their extensive experience providing financial audit and advisory services to California State and local government agencies, and by demonstrating a strong understanding of the scope of work.

Mr. Palsha stated Crowe has significant experience with loan loss reviews, lending operations and underwriting. As the prime Contractor, Crowe will be assisted by subcontractor Richardson & Company, LLP, a regional certified public accounting firm located in the Sacramento area, bringing experience with financial and compliance audits of governmental entities.

Staff recommends adoption of a resolution authorizing execution of a contract with Crowe Horwath LLP for audit services for the PACE Loss Reserve Program in an amount not to exceed \$450,000 over three years.

Mr. Mack stated that President Picker is concerned about the recent predatory lender issues related to PACE financing and noted that while recent legislation has been passed to address this concern, the audit and CAEATFA’s risk analysis are important and will be of interest.

Mr. Juarez asked what the Auditor would be looking to find in terms of compliance. Ms. Carrillo stated that the Auditor will be reviewing the policies and procedures of lenders to be

sure that they have been consistent with CAEATFA's regulations, as well as performing spot audits of the actual financings to ensure consistency.

Ms. Wong-Hernandez 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.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez 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 11:15 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director