

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
November 19, 2019**

1. CALL TO ORDER AND ROLL CALL

Jovan Agee, 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: Jovan Agee for Fiona Ma, CPA, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Gayle Miller for Keely Martin Bosler, Director, Department of Finance
Ken Rider for David Hochschild, Chair, California Energy Commission
Grant Mack for Marybel Batjer, President, Public Utilities Commission

Staff Present: Deana J. Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Agee asked if there were any questions or comments concerning the October 15, 2019, meeting minutes. There were none.

Mr. Agee asked if there was a motion.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

Ms. Miller arrived at 10:36 a.m. and was acknowledged by the Chair.

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her report by summarizing activity under CAEATFA's programs. She stated that over the past several months, CAEATFA staff ("Staff") has engaged in several outreach opportunities, including attending a small business fair in Long Beach, California, and an energy conference in Los Angeles in order to highlight CAEATFA's programs.

Under the PACE Loss Reserve Program, Ms. Carrillo reported that Staff has been working to complete its audits of the enrolled PACE programs, and expects to have the audits finalized in the first quarter of 2020, at which time Staff will report the findings to the Board. She continued by stating that Staff has been collaborating on a task force related to solar fraud that has been spearheaded by California Public Utilities Commission ("CPUC") Commissioner Martha Guzman Aceves in collaboration with the California Contractors State License Board and the Department of Business Oversight.

Under the California Hub for Energy Efficiency Financing ("CHEEF," or the "Hub"), Ms. Carrillo reported that Staff has been working to assist in the evaluation of the Residential Energy Efficiency Loan Assistance Program, and that Susan Mills, Specialist for the Hub, has been leading the outreach efforts for the Affordable Multifamily Financing Program across the state with affordable housing developers and various program partners, and has received a lot of positive feedback in this hard-to-reach market. Ms. Carrillo continued by stating that Staff has been working diligently to complete the regular rulemaking process for the Commercial Energy Efficiency Financing Program, which is being presented for approval at today's meeting, while also ensuring that the Program realized its full launch, utilizing a web-based project platform that will help the pilot scale.

Following the conversation at the September Board meeting, under the Sales and Use Tax Exclusion Program ("STE Program"), Ms. Carrillo reported that Staff has been working on the proposed regulatory modifications, which are the subject of agenda item 4.C. Staff drafted an initial proposal for regulation modifications and held a public workshop on October 22nd with a public comment period. Staff made some additional modifications, which will be brought to the Board for consideration today. Upon consideration and approval, the regulations are anticipated to be approved by the Office of Administrative Law in December, and will be in effect for the 2020 calendar year. Staff is proposing an incremental approach to modifications at this time. Ms. Carrillo explained that some of the modifications proposed by stakeholders will take some time to work through, and will be considered in the regular rulemaking process.

Ms. Carrillo also reported that Staff has been exploring the re-invigoration of CAEATFA's Bond Program, and will be examining this possibility over the next several months.

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

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

- 1) XT Green, Inc.
Presented by Xee Moua, Analyst

Staff introduced Gail Brice, Senior Vice President, Corporate Development, XT Green, Inc.

Ms. Moua reported that on December 13, 2016, the CAEATFA Board approved a sales and use tax exclusion for XT Green, Inc. ("XT Green" or the "Applicant") to build a new advanced carpet recycling facility in Rancho Cucamonga (the "Project").

As of October 2019, XT Green has used its award to purchase 24% of the total Qualified Property approved and anticipates production to begin in April 2020. The Applicant is requesting to extend the Master Regulatory Agreement ("Agreement"), as there were issues in establishing an adequate electric power source for the facility, delays in receiving financing from its Chinese investors due to the trade war with China, prolonged delivery and installation time for its equipment, as well as a long lead time to manufacture its pelletizers. XT Green states it has since overcome these hurdles and resumed making purchases for the Project.

Staff recommended that the Board approve XT Green, Inc.'s request to extend the initial term of the Agreement to December 31, 2021 to make purchases of up to \$8,970,500 in Qualified Property, anticipated to result in a sales and use tax exclusion value of \$755,316.

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

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Ms. Brice stated that XT Green was originally working with Southern California Edison ("SoCal Edison") for electrical service, and that the utility caused a delay in the Project by not immediately disclosing the need to install new power lines to connect to a power source nearly a mile away, which would have increased the Project's cost by about \$1 million. Ms. Brice explained that XT Green has since partnered with the City of Rancho Cucamonga as its utility provider. She stated that the City also helped XT Green find the building for its facility, and has been very supportive of the company's Project. Ms. Brice added that currently California has a recycling rate of about 20% for carpet, and the rest of the country has a much lower rate of around 3%, and the company has hopes to expand its process to the rest of the country in the future.

Mr. Agee asked what types of carpet would be recycled. Ms. Brice stated that the facility currently processes post-consumer carpet, and will soon be able to handle commercial carpet as well, and will be the first company to do so. She added that the company's process involves a new technology developed by XT Green, in which the carpet

processing takes place largely underwater, thereby significantly reducing harmful particulates common to the trade.

Ms. Baker stated that XT Green's Project is her favorite of all the projects she's seen in the last five years, due to the enthusiasm Ms. Brice showed in her work to make an environmental difference, and stated that this type of project is a good example of one the Controller thinks should be assisted.

Ms. Baker asked CAEATFA Staff how many projects come back for extensions, and how much time is requested for typical extensions. Ms. Emery stated that approximately 30% of projects approved by the Board end up requesting an extension. Ms. Carrillo stated that the typical extension is not more than a few years, but that she would provide more specific information when she had it available. Ms. Baker stated that she believed applicants were supposed to have shovel-ready projects at the time of Board approval, and asked if the number of projects coming back for extensions was indicative that this is not the case. Ms. Carrillo replied that Staff has found that generally applicants are ready to start their projects in a timely manner, but the total project timeframe ends up being longer than anticipated, due to unanticipated delays, such as XT Green's power issue or permitting, resulting in the need for extensions.

Mr. Mack asked to speak with Ms. Brice after the meeting regarding XT Green's experience dealing with SoCal Edison. Ms. Brice stated that XT Green was lucky that Rancho Cucamonga has its own utility service, given that in many locations there is not a second option for electricity. She added that the power issue cost the company both over 15 months of delay and money, as XT Green has to pay around \$80,000 per month to lease the facility, regardless of whether the Project is active. Ms. Carrillo asked if Ms. Brice would have considered the project shovel-ready at the time of initial Board approval. Ms. Brice replied that at that time, with the exception of the delays due to lack of power lines, the company would have been ready to begin the Project. She added that the company also had to navigate increased uncertainty and delays due to the tariffs from the ongoing trade war, which was also unanticipated.

There were no further comments and Mr. Agee called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2) Gilead Sciences, Inc.
Presented by Xee Moua, Analyst

Staff introduced Richard Aman, Associate Director, Gilead Sciences, Inc., who attended by phone.

Ms. Moua reported that on December 13, 2016, the CAEATFA Board approved a sales and use tax exclusion for Gilead Sciences, Inc. (“Gilead” or the “Applicant”) to build a state-of-the-art pharmaceutical manufacturing campus in La Verne (the “Project”).

As of November 1, 2019, Gilead has used its award to purchase approximately 92% of the total Qualified Property approved. The Applicant is requesting to extend the Master Regulatory Agreement (“Agreement”), to accommodate the processing, designing, building, and delivery of a freeze dryer. Gilead anticipates that the freeze dryer will be fully completed by the fourth quarter of 2020, and has received an invoice for a thirty percent down payment, with additional payments being made during specific momentum points in accordance with its signed contract.

Staff recommended that the Board approve Gilead Sciences, Inc.’s request to extend the initial term of the Agreement to March 31, 2021 to make purchases of up to \$51,645,674 in Qualified Property, anticipated to result in a sales and use tax exclusion value of \$4,348,566.

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

Mr. Agee 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 no comments and Mr. Agee called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3) California Ethanol and Power Imperial Valley 1, LLC
Presented by Xee Moua, Analyst

Staff introduced Dave Rubenstein, President and Chief Executive Officer, California Ethanol and Power Imperial Valley 1, LLC.

Ms. Moua reported that on December 17, 2013, the CAEATFA Board approved a sales and use tax exclusion for California Ethanol and Power Imperial Valley 1, LLC (“CE&P”

or the “Applicant”) to construct a facility that converts sugarcane into low-carbon, fuel-grade ethanol, bio-methane, and electricity (the “Project”). In November 2016, the Board approved the Applicant for its first extension for three years, until December 17, 2019, to accommodate a new effort to finance and develop the Project after the original Brazilian-based financing and engineering teams experienced setbacks due to a decline in the Brazilian economy.

Ms. Moua stated that as of November 1, 2019, CE&P has not made any purchases. The Applicant is requesting to extend the Agreement’s initial term by an additional four years to accommodate delays in obtaining the financing required to construct the production facility and find an engineering, procurement and construction firm that can meet its “not to exceed price” requirement for the Project. The Applicant states it has partnered with Royal Bank of Canada and Orrick Herrington to incorporate a significant portion of the Project into a Joint Powers Authority financing structure with the California Public Finance Authority, and recently received a notice from MasTec Power Corporation (“MasTec”), a Fortune 500 construction company, of its intent to submit a proposal that will meet CE&P’s budget.

Ms. Moua explained that Staff has considered the fact that there is no public benefit in denying the extension, as the Applicant’s award would expire and cannot be awarded to another applicant. If CE&P would like another STE award, it would have to reapply in subsequent years, thus reducing the exclusion amount available to other applicants.

Staff recommended that the Board approve CE&P’s request to extend the initial term of the Agreement to December 17, 2023 to make purchases of up to \$444,811,275 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$37.2 million.

Mr. Rubenstein stated that the Project is complex and there is no existing infrastructure for this type of project in the area, so the Project has taken considerably longer to commence than projected, but that CE&P is confident that the Project will be completed within the new timeframe.

Mr. Rider asked for a description of the purchases that CE&P anticipates making and purchase timeline. Mr. Rubenstein stated that there was approximately a 2 ½- to 3-year construction cycle on the Project. He said the first purchases would include turbines, boilers and long-term equipment. He stated the next 24 to 30 months would include purchases like fencing around the property, heavy equipment and the items necessary to coordinate the Project. Currently, the Project sits on dirt without a sewer system or roads.

Mr. Rider asked why the Project is in a position to move at this time. Mr. Rubenstein explained that there are a lot of big companies that needed to coordinate, noting that two of the technical engineering firms (oil and gas companies), for instance, did not understand the concept and were over-priced. Mr. Rubenstein continued by stating that the company has moved to a US based company, MasTec, a Fortune 500 publicly-traded company, which has done business in California and understands the Project and its

constraints.

Mr. Rider asked about the purchase agreement for the power and how CE&P was assured of feedstock. Mr. Rubenstein stated that CE&P has the interconnect agreement in place with Imperial Irrigation District and the excess electricity produced by CE&P has been approved for the grid. He stated that the biogas that comes from the wastewater treatment plant has also been approved with Southern California Gas Company to be put into the pipeline. Mr. Rubenstein stated that talks are in process with the University of California and others interested in low carbon fuel.

Mr. Rubenstein continued by stating that contracts with local farmers for growing sugar cane would be lucrative for the farmers by increasing profits threefold. He stated that an analysis by CE&P determined that there was a reduced risk for the farmer, increased opportunity, and reduced workload.

Mr. Mack asked for clarification on the following points: 1) Does CE&P have an off-taker for the electricity or power purchase agreement yet; 2) Is there an off-taker for the bio-methane; and 3) Who is purchasing the ethanol?

Mr. Rubenstein said that CE&P's original agreement has expired with Shell, but Shell is still interested in the off-take, as well as Chevron and Marathon. Mr. Rubenstein stated that CE&P is not concerned about the off-take agreements, noting that California requires a 10% ethanol blend in fuel and that typically it is imported from Iowa or Nebraska with an 80 score of carbon intensity, and Brazilian ethanol scores at 45, but CE&P ethanol will have a score of 22. He stated that the production of better ethanol that does not have to be imported will be beneficial.

Ms. Miller stated that the failure of this Project to even begin is troubling. She asked if a progress report could be required. Ms. Carrillo stated that the Board has made such requirements of Applicants in the past, and explained the trade-off that it creates additional work burdens for both the Staff and the Applicant. Ms. Miller asked that the Applicant return with a progress report to ensure accountability to the Board, the public and the Legislature. She stated that she believed it was the Board's fiduciary responsibility to ensure the money is being spent and the Project is on a path to completion.

Ms. Baker stated that she was concerned that this particular Project has expended no funds and that the Project will have had ten years to be completed. She stated that it may be important to address the issue now, rather than wait for the rulemaking process. She added that she would like to see an annual report on this Project.

Ms. Carrillo stated that the Board has the option to request annual reports on the status of the Project.

Mr. Rider stated that he would like clarification on the proposed annual reporting. He wanted to know if the reporting indicated insufficient progress, would the Board have any recourse. Ms. Carrillo asked for clarification from legal counsel.

Mr. Walker stated that the Board could as long as the motion that includes that the extension is granted conditionally on annual reporting and a show of progress.

Mr. Agee stated that the Board should find a balanced approach that does not hinder the Applicant's ability to continue to move the Project forward. Ms. Carrillo stated that an option would be to approve Staff's recommendation to extend the initial term by an additional four years, with reporting requirements on an annual basis.

Ms. Miller asked the Applicant his thoughts on a proposal to approve the Project for an additional amount of time and to revisit in two years if no money has been spent.

Mr. Rubenstein stated that if CE&P is not purchasing items within two years, the Project would not be moving forward. Mr. Agee stated that he would approve an approval of four years with a two-year progress report.

Ms. Miller moved for a four-year extension with an annual report back to the Board, and a two-year progress report at which point the Board may choose to suspend the extended funding. There was a second by Mr. Mack.

Mr. Agee 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 no further comments and Mr. Agee called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

B. REPORT BY TESLA, INC. ON STATUS OF PROJECT PURSUANT TO RESOLUTIONS NO. 17-SM003, NO. 18-SM004, AND NO. 19-SM008 (INFORMATIONAL ITEM)

Staff introduced Erin Bradley, Associate General Counsel, Tax Incentives, Tesla, Inc.; Yesenia Villasenor, Associate General Counsel, Environmental Health and Safety ("EHS"), Tesla, Inc.; Dan Chia, Senior Managing Policy Advisor, Tesla, Inc.; and Laurie Shelby, Vice President of EHS, Tesla, Inc., who attended by phone.

On March 20, 2018, the CAEATFA Board approved Resolutions 17-SM003 and 18-SM004 approving two sales and use tax exclusion awards for Tesla, Inc.'s ("Tesla") expansion of its manufacturing facility for the production of its Model 3 vehicle. On April 16, 2019, the

CAEATFA Board approved Resolution 19-SM008 for an additional award for Tesla's Model 3 manufacturing facility. All three resolutions require that Tesla update the CAEATFA Board in writing and in person every four months for three years with regard to the following:

1. Progress in meeting its production goals;
2. Progress in improving the health and safety standards at its facilities; and
3. Providing an updated Legal Status Questionnaire.

Mr. Chia began by stating there was a National Labor Relations Board administrative law judge decision regarding alleged unfair labor practices that had been in the news, and that Tesla is unable to speak about the issue as it is on appeal. However, he stated that they would expect to give a substantive update on the decision at the next quarterly report. He stated that the decision was made by an administrative law judge ("ALJ") and that the full National Labor Relations Board must adopt the ALJ's decision or recommendation before anything is final. Mr. Chia estimated that the final ruling is likely over a year away.

Ms. Bradley gave an update of manufacturing productivity at Tesla, stating that Tesla had a third quarter of record-breaking production, manufacturing 96,155 total vehicles, 16,318 Model S and Model X vehicles and 76,837 Model 3 vehicles, beating the company's previous quarterly production record. She stated that Tesla also received a record number of orders. Ms. Bradley continued by reporting that the Model 3 was the third best-selling vehicle in California. Ms. Bradley stated that the STE Program was instrumental in Tesla's decision to build the Model Y in California. Model Y is expected to out-sell all other Tesla models combined and will share most of its components with the Model 3. The Model Y is expected to launch next summer.

Ms. Villasenor then gave an update of EHS at Tesla's Fremont factory. Ms. Villasenor stated that Tesla hosted an Automotive Safety Forum which included Toyota, Nissan, BMW, Honda, Hyundai, Subaru and Volkswagen. She stated the purpose of the forum was to share leading safety practices and information. Ms. Villasenor stated that Tesla's Health and Ergonomics Team is partnering with the University of California, San Francisco and the University of California, Berkeley Center for Occupational and Environmental Health regarding ergonomic innovations.

Ms. Villasenor stated that work-loss days have decreased 15% over last year. She said CAL/OSHA has issued new standards regarding wildfire air quality, and that Tesla is implementing these new standards, and is collaborating with the American Lung Association to aid during wildfire responses by supporting lung patients with Tesla's mobile Powerwall units in shelters that need power for air filtration systems and medical devices.

Ms. Baker stated that she is glad to see Tesla participating in community efforts. She also added that she is pleased that Tesla is joining Governor Newsom in trying to keep the auto and climate emissions laws intact in California. Mr. Chia stated that Tesla, through the National Coalition for Advanced Transportation, has filed a motion to join California and 22 states challenging the federal government's interpretation that the Energy Policy and Conservation Act preempts the State's legal authority to set greenhouse gas standards for motor vehicles.

Mr. Mack stated that he would like to learn more about the mobile Powerwall units and encouraged Tesla to continue close collaboration with the Public Utilities Commission to provide innovative solutions to power shut-offs. Mr. Mack thanked Tesla for a tour of the facility he was able to take. Mr. Agee encouraged the Board to take a tour of the facility, if possible.

Mr. Agee asked for additional comments. There were none.

C. REQUEST TO APPROVE MODIFICATIONS FOR THE SALES AND USE TAX EXCLUSION PROGRAM UNDER THE EMERGENCY RULEMAKING PROCESS

Presented by Ashley Emery, Program Manager

Ms. Emery reported that given the limited resources and the recent competitive nature of the Sales and Use Tax Exclusion Program, the CAEATFA Board requested that Staff reevaluate Program goals and priorities to determine how best to effectuate the purpose of the Program. Additionally, Staff has been identifying ways to streamline Program administration since the last major regulation update in August 2016.

Ms. Emery continued by stating that the proposed regulations before the Board today reflect the feedback received from the Board and Staff’s stakeholder outreach process. As was recommended by the Board at the September 9, 2019 Board meeting, Staff’s approach to the regulations has been to make some incremental changes to address more immediate Program and Board priorities at this time, while reserving some of the more complex issues for the regular rulemaking process next year after Staff has been able to take more time to solicit input and thoughtfully consider the issues and policy trade-offs.

The substantive changes proposed in the regulations are as follows:

- 1) Amend the Competitive Criteria by which Applicants are ranked when the Program becomes oversubscribed to:
 - 100 points for Projects with a Total Pollution Benefits score greater than zero,
 - up to 50 points for Projects located in counties with higher than average unemployment rates,
 - up to 75 points based on the amount of sales tax exclusion per job created,
 - 15 points for Applicants with a California Corporate Headquarters, and
 - 50 points for Projects that are to relocate or rebuild 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.
- 2) Reduce the annual per-Applicant cap to \$10 million in sales and use tax exclusion, and if there are additional exclusions remaining at the end of the year, allocate the additional exclusion amount to capped Applicants proportionately based on scores earned from the same criteria as is proposed for the modified Competitive Criteria.
- 3) Amend the 15% purchase requirement to extend the timeframe from one year to 18 months, include the execution of purchase orders as part of the 15% calculation, and allow the Board to waive or extend this timeframe upon a finding of extraordinary

circumstances (which may include unforeseen permitting delays but does not include a current lack of funding), and that it is in the public interest and advances the purposes of the Program.

- 4) Make Applicants ineligible for an award if the Legal Status Questionnaire includes a finding of guilty or a willful violation by the Occupational Safety and Health Administration (“OSHA”) or a case under the OSHA Severe Violator Enforcement Program.
- 5) Allow all types of Projects, not just Advanced Manufacturers, to earn points for performing research and development in California, having workforce partnership with educational institutions, and being part of an industry cluster, and specify that eligible training opportunities include those for workers from disadvantaged communities.

The proposed regulations also make several technical and clarifying changes throughout.

Ms. Emery continued by reporting that as mentioned previously, Staff will continue to work through some issues during the Regular Rulemaking process in order to take more time to solicit input and thoughtfully consider the issues. These topics include:

- CAEATFA’s fee structure,
- The three-year initial term to purchase Qualified Property,
- Incorporating Assembly Bill 176 (“AB 176”), which requires CAEATFA to consider the extent to which a Project will create new, or result in a loss of, permanent, full-time jobs in California, including the average and minimum wage for each classification of full-time employees proposed to be hired or not retained, and
- Job quality and health and safety requirements advocated for by stakeholders during the public process.

Staff recommended that the Board approve the modified regulations for the Sales and Use Tax Exclusion Program under the emergency rulemaking process.

Ms. Baker asked for an overview of the public and stakeholder input processes that Staff undertook for these regulation modifications and if there was enough time for public input. Ms. Carrillo replied that the policy issues raised in the regulations have been under public discussion at least twice publicly, and today’s discussion is the third. She elaborated by stating that the first public meeting was at the September 9, 2019 Board meeting, and the second was at a public workshop held on October 22, 2019, with a written comment period that ended October 29, 2019. Ms. Carrillo added that the regulations before the Board today were provided to the public last week in advance of the Board Meeting. Ms. Carrillo continued by stating that once approved by the Board, the Emergency Rulemaking process requires the regulations be submitted to the Office of Administrative Law (“OAL”) with five days’ notice, after which stakeholders would have another five days for public comment. She added that CAEATFA has the tendency to give more opportunity for public comment than necessary under the Administrative Procedures Act, which is also true of this effort.

Mr. Rider asked if the next step was regular rulemaking, and if that would include more public comment opportunities. Ms. Carrillo affirmed that after the Emergency Rulemaking

process, Staff would undertake the Regular Rulemaking process, during which time more public comments would be accepted and considered. She added that the reason Staff has put the regulations through the Emergency Rulemaking process is that this will allow the regulations to be in effect for the 2020 calendar year at the request of several stakeholders.

Ms. Miller wished to recognize Staff for their work in bringing the regulations to this point and offering a thorough and transparent public comment process.

Ms. Baker stated that due to this year's oversubscription of the STE Program, the first-come-first-served policy may now need to be reevaluated, and priorities set based on eligibility pathway or type of industry, or other factors related to environmental impact. She also stated that the Authority still needs to make sure it helps smaller businesses whenever able. She suggested these issues could be further discussed during the regular rulemaking process. Ms. Miller suggested that Staff set up public meetings focused around specific topics within the regulations during the Regular Rulemaking.

Mr. Mack asked when the regular rulemaking process would begin. Ms. Carrillo replied that the process will begin in the first quarter of 2020, and Staff's intent will be to complete the process in the third quarter. She added that Staff's intent is that the 2021 award allocation will be under the regulations adopted through the Regular Rulemaking process.

Mr. Rider stated that it is important to be able to bring major projects and technologies to scale in order to help California meet its climate goals, and he therefore could not support decreasing the per-Applicant award cap from \$20 million to \$10 million. He added that Senate Bill 100, which stipulates the push toward 100% clean energy, means that the State will need a large amount of energy storage infrastructure in the near future. He stated that though the need to have award allocation available for smaller Applicants is important, that it should not be at the cost of disincentivizing larger companies from working with the State. Mr. Rider suggested that because of that, the regulations should move forward without the cap, or be considered at a later date, after the topic could be discussed further.

Mr. Mack asked about the process Staff had while coming to the change of a \$10 million per-Applicant award cap. Ms. Carrillo responded by stating that there were a number of different proposals and suggestions by the Board and the public, such as lowering the cap to \$15 million or \$5 million, or splitting the yearly award allocation into tranches to allow for larger transformative projects as well as smaller ones. She stated that one of the most clear directions from the Board was to help to grow new companies who need the assistance. She continued by stating that because this rulemaking was focused on smaller, incremental changes to the regulations, that Staff felt that the \$10 million award cap met the Board's intent. Ms. Carrillo added that the number was also selected by Staff because approximately 90% of projects are for STE amounts under \$10 million. Ms. Miller commented that the emergency process does allow for more regulation changes during the next phase in the Regular Rulemaking, and the topic could be revisited at that time. Mr. Agee suggested that given that this year was the first year the STE Program was oversubscribed, the Board could wait to see what 2020 will hold for Applications before restricting the per-Applicant cap down to \$10 million.

Ms. Baker stated that the Controller would be supportive of keeping the \$20 million per-Applicant cap only if the changes included the splitting of the yearly award allocation into separate tranches, allowing for perhaps two larger projects, with the rest of the awards capped at \$10 million in STE per Applicant. She stated that otherwise, the Controller was supportive of the regulations before the Board today as is, with the \$10 million cap in place. Ms. Carrillo wished to clarify that changing the regulations in such a way would not be possible without first drafting additional regulatory language. Mr. Mack stated that if the cap is going to be lowered, that the Board should approve the changes presented now so that the lower cap applies to Applicants for the 2020 allocation.

Mr. Agee asked if there was any public comment.

Ms. Erin Bradley of Tesla commented that Tesla would be supportive of keeping the per-Applicant cap at \$20 million, and thanked Staff for their work on these regulations.

Ms. Alyssa Giachino, representative from the United Auto Workers, commented that the Board should consider implementing changes to the regulations based on AB 176 during this rulemaking, to ensure that information regarding jobs lost is recorded and to bring the Program in line with other incentive programs in the State.

Mr. Rider moved a motion that would approve the regulations presented to the Board without any changes to the current per-Applicant cap of \$20 million in STE, and there was a second by Mr. Agee.

The amended resolution was rejected by the following votes:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	No
Gayle Miller for the Director of Finance	Abstain
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	No

Ms. Carrillo asked for clarification of the Board's interests and priorities.

Ms. Miller stated that she believes the Board is not comfortable moving the regulations without addressing the per-Applicant cap at this time, given this year's Program oversubscription. Ms. Baker stated that if the per-Applicant cap would not be decreased to \$10 million, the Board should think about distributing the funds in tranches if the \$20 million cap seems to be the Board's expectation. Mr. Agee stated that given the changes in direction to Staff provided by the Board, that future direction should be more specific and clear.

Ms. Miller moved for approval of the Regulations as they were drafted by Staff, and there was a second by Ms. Baker.

Mr. Agee 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 no further comments and Mr. Agee called for a vote.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Abstain
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	No
Grant Mack for the Public Utilities Commission	Aye

Ms. Miller then took her leave from the meeting at 12:14 p.m.

D. REQUEST TO APPROVE REGULATIONS FOR THE COMMERCIAL ENERGY EFFICIENCY FINANCING PROGRAM UNDER THE REGULAR RULEMAKING PROCESS

Presented by David Gibbs, Program Manager

Mr. Gibbs began his report by stating that the CHEEF, authorized by the California Public Utilities Commission, includes multiple energy efficiency financing programs, which target the residential, small business, and affordable multifamily markets. He continued by stating that Staff is requesting approval of the Commercial Energy Efficiency Financing Program (“Commercial Program” or “Program”) regulations under the regular rulemaking process. This Program targets the small business market.

The regulations were initially approved by the Board in November 2018 and enacted by the Office of Administrative Law (“OAL”) in December under the emergency rulemaking process. Staff made modifications to the regulations, which were approved by the Board in May 2019, utilizing the first of two 90-day extensions. A second 90-day extension without modifications occurred in September. These regulations, if they are approved, will be submitted to OAL prior to expiration of the emergency regulations on December 17, 2019, which will complete the regular rulemaking process.

The regulations include modifications which incorporate lessons learned and stakeholder input received during program implementation and are relatively minor. Most text changes have been made to correct typos or to improve regulation readability. The modifications and the full redline text were presented to the public in a workshop on October 8, 2019. A 15-day public comment period followed. CAEATFA received no comments during this period, which Staff believes is reflective of the robust stakeholder process.

Mr. Gibbs continued by reporting that the Commercial Program is now fully launched and successes include:

- Three finance companies are currently enrolled in the Program;
- The first financing agreement enrolled in the Program in July;

- Three projects have now enrolled, with a combined financed amount of \$440,000, and another has been submitted for pre-approval, with more projects in the pipeline. These projects alone are anticipated to reduce over 1.4 million kWh over the term of the financing;
- 36 contractors and project developers are enrolled in the Program;
- Staff has begun marketing and outreach efforts, including direct to the customer and contractor outreach through all four Investor-Owned Utilities commercial trade-pro networks; and
- The project platform, a web-based application that finance companies, contractors, and project developers utilize to submit data and documents to the Program is now live and available for use. The project platform also automatically calculates the anticipated loss reserve contribution, in real time, for an enrolled financing agreement, based on project details. Staff is very excited to have the project platform live and anticipates it will accelerate the Program’s scalability by removing paper forms and manual processes.

Staff recommended that the Board approve the modified regulations for the Commercial Energy Efficiency Financing Program under the regular rulemaking process.

Mr. Gibbs also thanked Hub Staff for their efforts in bringing the modified regulations before the Board.

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

Mr. Agee 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 no comments and Mr. Agee called for a vote.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Agee 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 12:18 p.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director