

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
April 21, 2020**

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 10:31 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.

Due to the recommended precautions and public health recommendations resulting from the coronavirus (COVID-19), members of the Board were instructed by the Governor’s Office that they may call in to the meeting by teleconference line, which is an exception to the usual requirement (Bagley-Keene Open Meeting Act – 1967) that they attend in person. CAEATFA staff (“Staff”) has implemented additional social distancing measures, and participants have been asked to also participate remotely. Mr. Agee attended the meeting in person. Ms. Baker, Ms. Miller, Mr. Rider, and Mr. Mack all attended the meeting via teleconference line.

2. MINUTES

Mr. Agee asked if there were any questions or comments concerning the March 17, 2020, meeting minutes. There were none.

Mr. Agee asked if there was a motion.

Ms. Miller moved for approval of the minutes; upon a second from Mr. Mack, 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	Absent
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

Ms. Baker joined the meeting by teleconference line after the vote for the minutes.

3. EXECUTIVE DIRECTOR’S REPORT

Ms. Carrillo began her report by stating that due to the COVID-19 crisis, CAEATFA, like the rest of the State, is adjusting its approaches to work as it navigates the current environment, the health crisis itself, and the economic and social impacts. She stated that at this time, most of CAEATFA’s staff was working remotely in response to the crisis. She also stated that she wished to express her appreciation to the Treasurer’s Office personnel and information technology departments for their continuing support during the transition to telework. Ms. Carrillo stated that Staff is in the process of reviewing CAEATFA’s programs and assessing industry impact in order to determine how CAEATFA can assist during the crisis and recovery for California’s economy.

Under the California Hub for Energy Efficiency Financing (“CHEEF” or the “Hub”), Ms. Carrillo reported that the California Public Utilities Commission (“CPUC”) recently completed its evaluation and deliberation process of the Residential Energy Efficiency Loan (“REEL”) Assistance Program’s pilot phase, and formally approved the REEL Program’s transition into a longer term program on April 9th. Ms. Carrillo thanked Staff for their work and persistence toward achieving this goal and strengthening the Program’s impacts. Ms. Carrillo stated that the CPUC’s action also included additional funding, which will cover the administrative costs of operating the Hub for the next two fiscal years, enabling CAEATFA to make some infrastructure investments that will allow it to scale. Ms. Carrillo added that this funding was the subject of a Spring Finance Letter that was submitted to the Department of Finance with the support of both agencies. While CAEATFA recognizes the State Budget is in a very different situation now from where it was 12 weeks ago, given the budget request is for reimbursement and expenditure authority only—and not funding—it is anticipated to be on track for approval. CAEATFA continues to work with the Department of Finance on this request.

Also under the Hub, Ms. Carrillo reported that CAEATFA is working with CPUC staff to assess how financing efforts could potentially be expanded to have a more comprehensive impact on the state’s policy goals. Currently, its focus is limited to energy efficiency, but CAEATFA is exploring expanding its impact to support other policy goals such as solar, battery storage, and electric vehicle infrastructure, in order to better meet market needs and the State’s policy goals.

Ms. Carrillo continued by reporting that Staff will be spending time over the next few weeks to assess the impact of COVID-19 on the industry and Program users under the Hub. She stated that to date, enrolled lenders have all put in place some sort of emergency provision for members, such as payment holidays or deferrals of their loan portfolios. There are over 400 retrofit contractors enrolled under the REEL Program, most of which are small regional businesses that

carry out construction and retrofit projects in homes and businesses. The Hub's contractor manager, Frontier Energy, is currently surveying Hub programs' stakeholders to assess impact in an effort to determine how Staff can help during this time.

Under the Sales and Use Tax Exclusion ("STE") Program, Ms. Carrillo reported that as part of the Spring Finance Letter for consideration in the May revise, CAEATFA is asking to double the amount of financial assistance from \$100 million to \$200 million annually, and to be able to carry forward any unused and unawarded funds. Ms. Carrillo stated that in CAEATFA's discussions with stakeholders regarding how they are weathering the market impacts of COVID-19, Staff believes the STE Program will be an important and effective economic development incentive as manufacturers recover. Ms. Carrillo stated that though this may be the case, CAEATFA recognizes that current budget discussions will focus on the State's response to COVID-19, and looks forward to future engagement on recovery and stimulus discussions with the Governor's Office. Ms. Carrillo also stated that Staff will be continuing its efforts to further refine the STE Program regulations to incorporate Assembly Bill 176, as previously discussed with the Board, and intends to bring a timetable to the Board and facilitate a discussion of issues at the next Board meeting.

Ms. Carrillo stated that she has been, and will continue, monitoring the federal stimulus efforts and discourse, with the understanding that there are discussions for an additional federal infrastructure stimulus package. As the State looks to rebuild the employment base and create jobs, the investment in green infrastructure will be essential.

Ms. Carrillo stated that under her delegated authority, CAEATFA is exercising the preapproved optional one-time extension for PACE audit services with Crowe LLP (CAEATFA03-17). The contract's new expiration date will be May 17, 2021. This extension is for time only and will not affect the total cost of the contract, which is for up to \$450,000. Ms. Carrillo also reported that CAEATFA issued a Request for Proposals ("RFP") for CHEEF Master Servicer (CAEATFA01-20) on Tuesday, April 7th. The contract term will be for two years plus two optional one-year extensions valued at \$1 million each, for an anticipated total cost not to exceed \$5.5 million over the entire contract term including the optional extensions. CAEATFA anticipates bringing the contract before the Board at the June meeting. The current CHEEF Master Servicer contract with Concord Servicing Corporation (CAEATFA04-17) is in its third-year extension, which formally expires December 31, 2020, but funds are anticipated to run through the third quarter of 2020. CAEATFA plans to terminate the current contract upon commencement of a new contract. The funding and scope of this contract is consistent with the funding recently approved by the CPUC.

Ms. Carrillo stated that Staff does not anticipate having any business items to require a Board meeting for May, so the next planned Board meeting will be in June. 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) Boehringer Ingelheim Fremont, Inc.
Presented by Xee Moua, Analyst, who joined by phone

Staff introduced Cheyanne K. Cook, Associate Director, Government Affairs and Public Policy, Boehringer Ingelheim Fremont, Inc., who joined by phone.

Ms. Moua reported that in May 2017, the CAEATFA Board approved a sales and use tax exclusion for Boehringer Ingelheim Fremont, Inc. ("Boehringer" or the "Applicant") for the purchase of up to approximately \$214 million in Qualified Property to expand its biopharmaceutical manufacturing facility in Fremont (the "Project").

As of March 2020, Boehringer has used the STE award to purchase approximately \$104.5 million of Qualified Property. The Applicant is requesting to extend the Master Regulatory Agreement initial term by three years to accommodate permitting and building delays. Boehringer currently has permitting delays with Pacific Gas & Electric ("PG&E") and the City of Fremont, and is working with these organizations, with assistance from the Governor's Office, to see the Project through. Boehringer states that global trade issues have also contributed to delays in making and receiving purchases from foreign vendors. According to the Applicant, it has established a new Project timeline and expects to spend the remainder of its award over the next three years.

Staff recommended that the Board approve Boehringer Ingelheim Fremont, Inc.'s request to extend the initial term of the Master Regulatory Agreement to May 16, 2023 to make purchases of up to \$214,040,484 in Qualified Property, anticipated to result in a sales and use tax exclusion of \$18,022,209.

Ms. Miller 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.

Ms. Cook stated that the bulk of the costs associated with the Project are in manufacturing, and Boehringer is the sole manufacturer for world distribution for some of its products, especially related to oncology. She stated that in addition to delays with PG&E, Boehringer faced over 100 delays at both the city and county levels. Ms. Cook stated that she has been working with the Governor's Office, which has been very helpful. She stated that due to the COVID-19 pandemic, the company has had to change some protocols, but has established a working relationship with the county to expedite permits moving forward.

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. REQUEST TO APPROVE REGULATIONS FOR THE AFFORDABLE MULTIFAMILY ENERGY EFFICIENCY FINANCING PROGRAM UNDER THE REGULAR RULEMAKING PROCESS

Presented by Susan Mills, Program Specialist, who joined by phone

Ms. Mills began her report by stating that Staff is requesting the Board approve regulations for the Affordable Multifamily Energy Efficiency Financing (“Affordable Multifamily” or “AMF”) Program with modifications, which will complete the rulemaking process initiated in the emergency rulemaking approved by the Board in April 2019.

Ms. Mills stated that the Affordable Multifamily Program is the third and last of the off-bill Pilots under the California Hub for Energy Efficiency Financing (“CHEEF” or the “Hub”). As of the beginning of April, 2020, the AMF Program has one financing company enrolled, and Staff is engaged in active conversations with two additional financing companies about enrolling in the Program. Staff is also in discussions with an affordable multifamily property owner regarding the financing of a project.

The AMF Program is consistent with the single family and small business programs – the Residential Energy Efficiency Financing Loan (“REEL”) Assistance Program, and the Small Business Energy Efficiency Financing (“SBF”) Program, the other programs under the Hub. The AMF Program includes a credit enhancement to lenders, and the Program’s development included lessons learned through the implementation of the SBF and REEL Programs. Ms. Mills stated that it was Staff’s goal to streamline the Hub programs, and that much of the AMF Program regulation text is substantively similar to that of the SBF Program.

The AMF Program was developed with the help of industry stakeholders. CAEATFA Staff consulted with the investor owned utilities (“IOUs”), project implementers, staff of State administered programs, implementers of IOU rebate and incentive programs, and the California Public Utilities Commission (“CPUC”). CAEATFA received public comments and input on structure and design from over 50 industry stakeholders after holding two public workshops, and Staff participated in multiple industry conferences in creating a program that is easy to use for participants, supports a variety of finance companies offering a range of financial products that can accommodate the complexities of financing affordable multifamily housing projects, and that fills a gap to facilitate deep energy efficiency projects.

Ms. Mills reported that despite extensive progress made toward Program implementation and launch, CAEATFA realized the need for an extension to launch the Program. According to CPUC Decision 17-03-026 issued in 2017, all Pilots under the Hub needed to launch by the

end of 2019. In prior CPUC Decision 15-06-008, “launch” was defined as having a Project enrolled in the Program. On December 11, 2019, CAEATFA submitted a request to the CPUC for a one-year extension to enroll the first financing in the Program to accommodate the implementation schedule and address the complexity and constraints within the affordable multifamily structures and industry. On December 24, 2019, the CPUC approved the requested extension through the end of 2020.

As for the regulatory actions, the initial emergency regulations for the Program were originally adopted by the Board on April 16, 2019, and approved by the Office of Administrative Law (“OAL”) on May 5, 2019. To allow more time to complete the rulemaking process, the emergency regulations, with no modifications, were approved by OAL for a first readoption, effective November 6, 2019, and for a second readoption effective February 5, 2020. To complete the emergency rulemaking process, CAEATFA is now working to finish the Certificate of Compliance. The Notice of Proposed Rulemaking was published on January 31, 2020. During this time Staff recognized a need to clarify language in the regulations to more clearly convey to the public that the Program accommodates both finance and service agreements, and to also make other non-substantive changes to clarify the text.

Staff held a public hearing on March 17, 2020 to discuss the modifications to the proposed regulations. No comments were received. Staff held an additional 15-day public comment period on the modified regulation text, and no public comments were received.

Upon Board approval of the modified regulations, as requested today, the regulation packet will be submitted to OAL on May 5, 2020, with final OAL review to be finished on June 17, 2020. This timeline is currently tentative. Ms. Mills stated that the regulatory timeline might be extended due to COVID-19 and the Governor’s executive order to allow for more time in the regulatory process.

Mr. Rider 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.

Mr. Rider complimented Hub staff in its work to complete the rulemaking process, given the difficulties from the COVID-19 crisis, specifically its impact on Staff’s standard work processes as well as to the industries its programs support.

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	Aye
Anne Baker for the State Controller	Abstain
Gayle Miller for the Director of Finance	Aye
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 10:52 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director