

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
June 15, 2021**

1. CALL TO ORDER AND ROLL CALL

Fiona Ma, CPA, Chair, called the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) meeting to order at 10:30 a.m.

Members Present: Fiona Ma, CPA, State Treasurer
Meagan Tokunaga 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: Derek Chernow, Executive Director

Quorum: The Chair declared a quorum.

Due to the recommended precautions and public health recommendations resulting from the novel coronavirus (COVID-19), members of the Board were instructed by the Governor’s Office that they may attend the meeting remotely, 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. Ms. Ma attended the meeting in person. Ms. Tokunaga, Ms. Miller, Mr. Rider, and Mr. Mack all attended the meeting via internet conference line.

2. MINUTES

Ms. Ma asked if there were any questions or comments concerning the May 18, 2021, meeting minutes. There were none.

Ms. Ma asked if there was a motion.

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

The item was passed by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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. EXECUTIVE DIRECTOR'S REPORT

Mr. Chernow gave his report, highlighting CAEATFA activity and news since the May 18, 2021, Board meeting, which included:

- Last month, Miriam Joffe-Block, Senior Manager over the California Hub for Energy Efficiency Financing (“CHEEF”) Programs, spoke at the American Council for an Energy-Efficient Economy (ACEEE) forum. The panel’s topic was “Financing the Electrification of Our Built Environment.”
- CAEATFA staff spoke at the Green Technology’s Sustainable Facilities Forum. Jonathan Verhoef, CHEEF Program Specialist, spoke about the CHEEF Small Business Energy Efficiency Financing (“SBF”) Program.
- Joining Treasurer Ma, staff from both CAEATFA and the California Pollution Control Financing Authority spoke on a webinar hosted by the Rural Counties Representatives of California, discussing programs focused on small businesses.
- Accessity joined the CHEEF as a new finance partner, and will offer \$500 to \$5,000 microloans under the SBF Program with terms of 6 to 24 months, and a rate of 9.75%.
- Last week, Mr. Chernow and Xee Moua, Sales and Use Tax Exclusion (“STE”) Program Analyst, joined Treasurer Ma on a tour of Enovix in Fremont. Enovix is a lithium-ion battery company that has received multiple STE awards.

Mr. Chernow continued his report by stating that at the next Board meeting, CAEATFA plans to have updates in regards to guidance and criteria and outreach for an overview and description of the STE Program.

Mr. Chernow also noted:

- The first two claims were paid out of the PACE Loss Reserve recently, and CAEATFA worked with Los Angeles County to make sure the process was clear and efficient. Staff is anticipating other claims to follow in the near future.
- The COVID-19 pandemic has continued to impact the applicants under the STE Program, leading to delays in labor, transportation of goods/parts, production, and supply and to other issues with contracts. These have all contributed to the requests for extensions of STE project agreement terms in the last several months, and it is anticipated that more will be brought before the Board.

Mr. Chernow then concluded his report.

Ms. Ma asked that the topic of the microloans under the CHEEF's programs be further elaborated on at the next Board meeting. Mr. Chernow stated that Staff would be sure to bring more information and would plan to highlight some of the companies being financed.

Mr. Rider asked for more information regarding the claims against the PACE Loss Reserve and the future expected claims. Mr. Chernow replied that given the pervasive nature of PACE programs throughout the state, the Loss Reserve will likely see more activity. The rate of future claims is still to be determined, but with these first two claims, Staff is anticipating more claims.

4. BUSINESS ITEMS

A. CONSIDERATION OF APPLICANT'S REQUEST TO AMEND RESOLUTION NO. 13-SM012 TO CHANGE THE PARTICIPATING PARTY FROM CALIFORNIA ETHANOL AND POWER IMPERIAL VALLEY 1, LLC, TO SUGAR VALLEY ENERGY, LLC, ON A SALES AND USE TAX EXCLUSION AWARD

Presented by Matthew Jumps, Program Analyst

Staff introduced Steve Passantino, Vice President of Finance, Sugar Valley Energy, LLC; and Camille Soriano, Vice President of Marketing, both of whom joined via internet conference line.

California Ethanol and Power Imperial Valley 1, LLC, approved for an STE in December of 2013 to build a new biofuel facility, requested to amend its 2013 resolution to change the participating party due to a name change of the company.

Staff recommended that the Board approve the request to amend Resolution No. 13-SM012 to change the participating party from California Ethanol and Power Imperial Valley 1, LLC, to its new name of Sugar Valley Energy, LLC, in the Regulatory Agreement.

Ms. Miller moved for approval, and there was a second by Mr. Mack. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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. CONSIDERATION OF QUANTUMSCAPE CORPORATION’S REQUEST TO AMEND RESOLUTION NO. 21-SM010 TO ADD QUANTUMSCAPE BATTERY, INC., AS A PARTICIPATING PARTY ON A SALES AND USE TAX EXCLUSION PROGRAM AWARD

Presented by Matthew Jumps, Program Analyst

Staff introduced Ann Truong, Corporate Controller, QuantumScape Corporation, who joined via internet teleconference line.

QuantumScape Corporation, approved for an STE in March 2021 to expand its electric vehicle battery manufacturing facility, requested to amend its 2021 resolution to add a participating party to its STE award.

Staff recommended that the Board approve the request to amend Resolution No. 21-SM010 to add QuantumScape Battery, Inc., as a participating party to the Regulatory Agreement. QuantumScape Battery is a wholly owned subsidiary of QuantumScape Corporation.

Ms. Tokunaga moved for approval, and there was a second by Mr. Rider. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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

C. CONSIDERATION OF APPLICANT’S REQUEST TO EXTEND THE INITIAL TERM OF THE REGULATORY AGREEMENT OF A SALES AND USE TAX EXCLUSION PROGRAM AWARD

- 1) rPlanet Earth Los Angeles, LLC, Vernon (Los Angeles), 16-SM004, Plastic Recycling – Advanced Manufacturing, \$119,800,000 of Qualified Property

Presented by Xee Moua, Program Analyst

Staff introduced Bob Daviduk, CEO, rPlanet Earth Los Angeles, LLC; and Alex Tran, CPA, Partner, California Incentives Group, both of whom joined via internet teleconference line.

In January 2016, the CAEATFA Board approved a sales and use tax exclusion for rPlanet Earth Los Angeles, LLC (the “Applicant”), to build a new facility that uses post-consumer polyethylene terephthalate bales to create a broad array of “bottle grade” recycled PET products.

As of January 2021, the Applicant has used its award to purchase approximately 61% of the total Qualified Property approved. The Applicant requested to extend the Agreement’s

initial term to accommodate a reduction in productivity due to setbacks in its supply chain and a multitude of project delays resulting from the COVID-19 pandemic.

Staff recommended that the Board approve rPlanet Earth Los Angeles, LLC's request to extend the initial term of the Agreement by one year and six months to January 19, 2023, to purchase up to \$119,800,000 in Qualified Property, anticipated to result in an STE value of \$10,087,160.

Ms. Miller moved for approval, and there was a second by Mr. Rider. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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) North Fork Community Power, LLC, North Fork (Madera), 17-SM001, Biomass Processing and Fuel Production – Alternative Source, \$6,819,733 of Qualified Property

Presented by Matthew Jumps, Program Analyst

Staff introduced Greg Stangl, CEO, Phoenix Energy, who joined via internet teleconference line.

North Fork Community Power, LLC ("North Fork Community Power"), was approved for an STE in January 2017 to build a bioenergy facility to convert sustainably harvested forest biomass into syngas and biochar in North Fork (the "Project"). The Applicant requested an initial term extension to June 30, 2022 to accommodate construction delays.

This is North Fork Community Power's second extension request. The first request was due to delays in executing contracts with Pacific Gas & Electric ("PG&E"). While those contracts are now complete, the Project has suffered more recent construction delays – due to shutdowns at the construction site from the COVID-19 pandemic and the 2020 Creek Fire, during which the site was commandeered to serve as a fire base. Additionally, PG&E has revised the date for the interconnection to the grid to March 31, 2022, further delaying North Fork Community Power's procurement of equipment to complete the Project.

Staff recommended the approval of North Fork Community Power's request to extend the initial term of the Regulatory Agreement by 11 months and 14 days to June 30, 2022, to purchase \$6,819,733 in Qualified Property, anticipated to result in an STE of \$574,222.

Mr. Rider moved for approval, and there was a second by Ms. Miller. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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) Sanitation Districts of Los Angeles County, Whittier (Los Angeles), 17-SM052, Biomass Processing and Fuel Production – Alternative Source, \$11,928,733 of Qualified Property

Presented by Stefani Carruth, Program Analyst

Staff introduced John Deguzman, Senior Engineer, Sanitation Districts of Los Angeles County; and Leslie Rubin, President, Rubin Advisors Inc., both of whom joined via internet teleconference line.

Sanitation Districts of Los Angeles County (“LACSD”) was approved for an STE award in July 2018 for approximately \$11.9 million in Qualified Property to build a waste pre-processing and anaerobic digestion system at its facilities in Whittier and Carson. As of February 2021, LACSD has used its award to purchase approximately 69% of the total Qualified Property approved.

LACSD came before the Board for a second initial term extension. The Applicant’s first extension was for one year, and was granted in June 2020 to accommodate a market fluctuation of organic feedstock, which affected its ability to run at the capacity needed to expand other project facilities.

LACSD requested a two-year extension until July 2023 to finish expanding its Joint Water Pollution Control Plant as a result of the COVID-19 pandemic pushing back its design-build contract approval date.

Staff recommended approval of LACSD’s request to extend the initial term of the Agreement by two years to July 2023 to purchase approximately \$11,928,310 of Qualified Property, anticipated to result in an STE of \$1,004,364.

Ms. Miller moved for approval, and there was a second by Ms. Tokunaga. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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

- 4) WET, Sun Valley (Los Angeles), 18-SM018, Water Feature Design and Manufacturing – Advanced Manufacturing, \$4,927,301 of Qualified Property

Presented by Stefani Carruth, Program Analyst

Staff introduced Maria Villamil, Senior Vice President, WET; and Tony Freitas, Vice President of Product Design and Engineering, WET, both of whom joined via internet teleconference line.

WET (the “Applicant”) is a water feature design and manufacturing company and was approved for an STE award in June 2018 for approximately \$4.9 million in Qualified Property to expand its existing facility in Sun Valley. As of April 2021, the Applicant has used its award to purchase approximately 56% of the total Qualified Property amount approved.

The Applicant requested an 18-month extension until December 2022 to accommodate several shipping and manufacturing delays due to the COVID-19 pandemic.

Staff recommended approval of the Applicant’s request to extend the initial term of the agreement by 18 months to December 2022 to purchase \$4,927,301 of Qualified Property, anticipated to result in an approximate STE of \$411,922.

Ms. Miller moved for approval, and there was a second by Mr. Mack. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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

D. REQUEST TO APPROVE MODIFICATIONS TO THE SMALL BUSINESS ENERGY EFFICIENCY FINANCING PROGRAM (ARTICLE 6 (COMMENCING WITH SECTION 10092.1) OF DIVISION 13 OF TITLE 4 OF THE CALIFORNIA CODE OF REGULATIONS) UNDER THE EMERGENCY RULEMAKING PROCESS

Presented by David Gibbs, Program Manager

Staff sought Board approval of amendments to regulations to SBF. SBF is one of a suite of California Public Utility Commission (“CPUC”) authorized energy efficiency financing programs offered through the CHEEF, which is administered by CAEATFA. SBF offers a credit enhancement to third party private lenders to finance energy efficiency improvements for upgrades to existing buildings utilized or owned by California’s small businesses.

SBF launched in July 2019 as the second of the pilot programs developed by CAEATFA staff and targets the small business sector. Staff worked diligently to create a program that is easy to use, is designed to attract and support a variety of finance companies offering a range of financial products, and fills gaps to facilitate a large number of energy efficiency projects.

SBF has succeeded in many ways but has also faced significant challenges over the past year, particularly due to the effects of the pandemic on the small business community. That said, the need for financing through SBF is increasing. Since February 2021, three projects were submitted for pre-approval and one project was enrolled in early June. Renew Energy Partners, a finance company providing a unique model of energy efficiency as a service, enrolled in January 2021. Staff is working with another newly enrolled SBF microlender and a utility third-party program implementer to integrate financing through SBF into the San Diego Gas & Electric Company's Small Commercial Program targeting very small businesses. Several enrolled contractors and project developers are currently working with the finance companies on potential projects. Thus far, SBF has been able to leverage over \$12 in private capital for every one dollar of credit enhancement.

The proposed amendments respond to the challenges and lessons learned from implementing SBF over the last two years and in completing Public Utilities Commission ("CPUC") authorized functionality. Staff is streamlining certain aspects of SBF and adding new features that will help efforts to reach more small businesses.

Overall, these modifications will allow SBF to be a more user-friendly and effective program for finance companies, contractors and project developers, and small businesses across California.

Key amendments include:

1. Creation of a new microloan pathway for loans \$10,000 and under, with streamlined and efficient requirements easing the enrollment process for finance companies.
2. Addition of new Energy Saving Measures.
3. Expanding the number of measures allowed for self-installation.
4. Streamlining the loan enrollment and reporting process for existing finance companies to accommodate new business models and facilitate automation.
5. Addition of a new section to the regulations that allows for On-Bill Repayment ("OBR").

OBR is a mechanism by which a utility customer repays third-party private capital financing charges when they pay their monthly utility bill and was authorized in CPUC Decision D.13.09.044.

Development of OBR has taken a number of years and has been incredibly complex. The complexity stems from the fact that the CPUC envisioned a first-of-its-kind open-market approach to OBR, incorporating multiple finance companies and multiple utilities. The open-market nature of OBR, combined with the need to accommodate four unique investor-owned utility ("IOU") billing systems, required the design and development of an infrastructure that ensures customer payments are processed and routed quickly and accurately. Staff has worked

closely with its master servicer and each of the IOUs over the past few years on infrastructure design. Staff anticipates deployment of OBR in the coming months.

In developing these amendments, Staff sought significant input from current and potential participating finance companies, particularly with regard to OBR—in an attempt to create a repayment mechanism that can be utilized by the finance industry. Staff also relied on lessons learned over the past two years of SBF implementation feedback from industry experts, the IOUs, and contractors and project developers. Additionally, the CHEEF held a public workshop on May 21 after which public comment was accepted for seven days.

Upon Board approval, Staff will proceed with the emergency regulation process by posting a Notice and Finding of Emergency and submitting these modified regulations to the Office of Administrative Law. CAEATFA anticipates the regulations becoming effective in mid-to-late July.

Staff recommended that the Board approve Resolution No. 21-06-4.D to adopt the modified regulations for SBF under the emergency rulemaking process.

Mr. Mack moved for approval, and there was a second by Ms. Miller. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public.

Mr. Mack thanked Staff for its work in preparing and updating the SBF regulations, adding that OBR is an important and innovative tool to help capture more energy savings, and commended the CHEEF's staff for its efforts to obtain and incorporate feedback from stakeholders. He stated it is exciting that OBR will be going forward. Mr. Rider wished to recognize Staff's efforts in preparing the regulations and gave accolades for Staff's work, especially given the timeline in which it was accomplished.

Ms. Tokunaga thanked Staff for its efforts in bringing this regulation package forward, and asked what comments were made by stakeholders in the seven-day comment period, and how those changes were incorporated or are reflected in the changes to the regulations. Mr. Gibbs replied that most of the comments during the public comment period were very supportive of the regulations as they were presented. He stated that Staff did receive comments from one member of the finance industry that suggested that the length of time an agreement could be paid should be extended through OBR. The regulations initially set a 10-year limit, which mirrored the credit support through SBF, but upon the recommendation and the provision of some relevant data, it was decided that the period of time under which a financing agreement could be repaid would be extended to 15 years; however, that does not affect the credit support – the credit enhancement will remain effective for the 10-year limit.

There were no further comments and Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Meagan Tokunaga 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

5. PUBLIC COMMENT

Ms. Ma 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 10:57 a.m.

Respectfully submitted,

Derek Chernow
Executive Director