

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
July 19, 2016**

**1. CALL TO ORDER & ROLL CALL**

Tim Schaefer, 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:           Tim Schaefer for John Chiang, State Treasurer  
                                  Anne Baker for Betty T. Yee, State Controller  
                                  Eraina Ortega for Michael Cohen, Director,  
  Department of Finance  
                                  Jana Romero for Robert B. Weisenmiller, Chair,  
  California Energy Commission  
                                  Hazel Miranda for Michael Picker, President,  
  Public Utilities Commission

Staff Present:               Deana Carrillo, Executive Director

Quorum:                     The Chairperson declared a quorum.

**2. MINUTES**

Mr. Schaefer asked if there were any questions or comments concerning the May 17, 2016 meeting minutes. There were none.

Mr. Schaefer asked if there was a motion.

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

The item was passed by the following vote:

Tim Schaefer for the State Treasurer	Abstain
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Hazel Miranda for the Public Utilities Commission	Aye

### 3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo welcomed the Board to the new space at 801 Capitol Mall, where CAEATFA recently had moved, providing more space for staff. She noted that the State Personnel Board provided the use of the Board Room and future board meetings will generally be held at this location, although the Board meetings may also be at the Treasurer's Office from time-to-time.

Under program updates, Ms. Carrillo reported that the first loan has been enrolled under the Residential Pilot under the California Hub for Energy Efficiency Financing ("CHEEF"). This was a huge milestone—the first pilot to launch under the CPUC's initiative and the culmination of hours of hard work and perseverance from CAEATFA's partners and staff to develop and establish the operational infrastructure for the program. Ms. Carrillo acknowledged the hard work of the CHEEF staff and the continued work to build the on-bill repayment infrastructure. She noted that CAEATFA would be hosting workshops for the remaining pilots over the summer and fall, with regulations being brought to the Board in the winter.

Ms. Carrillo further stated that under the Sales and Use Tax Exclusion ("STE") program, Atieva was awarded \$44.7 million in STE in early 2016, but indicated that they will not be moving forward with the application at this time. After consulting with State Treasurer's Office Legal Counsel, it was clarified that the \$44.7 million that was previously awarded would become available under the 2016 Program cap.

Ms. Carrillo further reported that under legislative updates, CAEATFA is tracking two bills:

- AB 2334, by Assemblymember Mullin, originally increased the cap of the STE program, and includes a roll-over provision for unawarded funds, and clarifies that subcontractors may utilize the STE. This bill is now on the floor, without the increase in cap. CAEATFA is discussing technical amendments with the author, which will operationalize the potential carryforward; and
- AB 2693, authored by Assemblymember Dababneh, establishes consumer protection criteria for residential Property Assessed Clean Energy "PACE" programs. CAEATFA's statute and regulations are currently referenced in the bill, and staff is working with the author's office to make technical amendments.

Ms. Carrillo reported on a number of items related to her delegated authority:

- On June 21, CAEATFA executed Amendment No. 1 to the PACE Loss Reserve Program Trustee contract with Zions Bank (CAEATFA11-13) not to exceed \$45,000.00 to extend services for one year:
- On June 17, CAEATFA executed Amendment No. 1 to Lamont Financial Services Corporation (CAEATFA01-14) with a total contract value not to exceed \$275,000.00 by extending the term of the Agreement for time only, for one year through June 30, 2017. Lamont provides financial services for all CAEATFA programs.

- On May 25, CAEATFA executed a Purchase Order for CHEEF technical advising services for commercial projects from Energy Futures Group, Inc. This purchase order was the result of an April 2016 Request for Offer (“RFO”) distributed to 13 California Multiple Award Schedules (“CMAS”) contractors in the Business Consulting – Program Development category of the CMAS list. A maximum of \$49,963.00 will be paid over (at most) one year, for specified deliverables related to CHEEF program development.
- On May 16, CAEATFA executed a Purchase Order for Technical Advising services from Blue Sky Consulting Group, LLC to assist in program development under Blue Sky’s CMAS contract, for technical assistance with developing regulations and implementing changes to the STE program structure in response to AB 199. An RFO was distributed to 16 CMAS contractors in the Business Consulting – Program Development category in April 2016. The work plan requires Blue Sky to work with CAEATFA management and staff to develop regulations and application assessment tools, providing program assistance as needed and will be completed with a cost not to exceed \$49,965.

Ms. Baker asked regarding AB 2334, if there was any indication of the legislative reasoning behind removing the cap increase. Ms. Carrillo indicated that the removal of the cap increase occurred in appropriations, and that staff continues to work with the author to understand legislative concerns. Ms. Baker indicated that the Controller’s Office is interested in increasing the cap and would like to work to make the cap increase feasible. Mr. Schaefer wanted to know if there was a sunset date on the roll-over for funds and Ms. Carrillo indicated that it was consistent with the program sunset date, which is 2021.

Ms. Carrillo then concluded her report.

#### **4. BUSINESS ITEMS**

##### **A. REQUEST TO APPROVE REPORT ON CRITERIA FOR A COMPARATIVE ASSESSMENT OF ENERGY EFFICIENCY FINANCING PROGRAMS IN CALIFORNIA**

Presented by: Ashley Bonnett, Analyst

Ms. Bonnett reported that as part of the 2015-16 Budget Package, the California Legislature tasked CAEATFA, in consultation with the California Public Utilities Commission, with creating a working group to “develop criteria for a comparative assessment of energy efficiency financing programs available in California,” including PACE financing, legacy utility on bill financing, and CHEEF pilot programs. The directive also requires that CAEATFA publish a summary of the issues discussed and recommendations made by the working group.

## Agenda Item 2.

In response to the legislative directive, CAEATFA staff planned a public process to encourage stakeholder participation and input in developing the comparative criteria. Over a period of several months, with technical assistance support from Lawrence Berkeley National Labs through a grant from the US Department of Energy and from Energy Futures Group, CAEATFA hosted three educational workshops featuring presentations from stakeholders on various metrics for evaluating energy efficiency financing programs.

The process culminated with a public meeting at which the working group appointed by the CAEATFA Board at its March 15, 2016 Board meeting, discussed a proposal of potential comparative criteria drafted based on the discussions from the previous workshops. CAEATFA staff also solicited written public comments on the proposed comparative criteria.

Ms. Bonnett added that the report before the Board incorporated the working group meeting discussions and written comments received to recommend a final proposal of comparative criteria. These criteria are consistent with California's greater climate change goals and focus on those that can be compared across programs.

The proposed criteria include:

- Energy savings attributable to the financing program;
- Analytic information (or basic program and finance information to provide context and detail on the program);
- Cost-effectiveness (including the total net benefits and benefit-cost ratio);
- Energy savings, cost-effectiveness, and market penetration by market segment and project type;
- Customer satisfaction and consumer protections; and
- Market transformation.

Ms. Bonnett reported that staff recommended adoption of a resolution to approve the report proposing criteria for a comparative assessment of energy efficiency financing programs available in California.

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

Mr. Schaefer stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none and the item was unanimously approved.

The item was passed by the following vote:

Tim Schaefer for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Hazel Miranda for the Public Utilities Commission	Aye

**B. REQUEST TO APPROVE REGULATIONS FOR THE SALES AND USE TAX EXCLUSION PROGRAM**

Presented by Alejandro Ruiz, Program Manager

Mr. Ruiz reported that historically the oversubscription of the STE program in 2015 and the simultaneous implementation of AB 199, which incorporated the manufacturers of recycled feedstock in the program, required additional actions by the Board, which included suspending the receipt and consideration of new applications and a \$23 million dollar set-aside for AB 199 projects. He further stated that Staff provided the drafts of the proposed regulations to the public and held public workshops in March and June of 2016.

Mr. Ruiz reported that primary changes in the proposed regulations included:

- Incorporating an evaluation methodology for AB 199 projects that estimates the fiscal benefits of an AB 199 project in the same manner as Alternative Source, Advanced Transportation, and Advanced Manufacturing projects under the STE program, which quantifies the fiscal benefits in dollar terms;
- Developing an environmental benefits methodology that uses the EPA WARM Model (and ARB modifications where appropriate) to estimate the reduction in greenhouse gas emissions associated with an AB 199 project due to increases in the total amount of recycled materials produced, which will be quantified in dollar terms – consistent with Alternative Source and Advanced Transportation projects;
- Capping projects at \$20 million in STE, with a mechanism for allocating excess STE allocation available at the end of the calendar year to projects that require additional STE beyond the per-project cap;
- Requiring that applicants purchase 15% of Qualified Property within the first year of approval; not waivable by the board;
- Developing a points-based ranking system for applications when the STE program is oversubscribed, which considers the level of unemployment of a project's location, if the applicant has its corporate headquarters in California, if the applicant is a small businesses, and whether the applicant has previously received an STE award;
- Changing the minimum environmental benefits points threshold for all types of projects to 20 points to level the playing field for the diverse types of projects incorporated into the STE program over the program history;
- Streamlining the application process by automating some calculations, such as the environmental benefits of biogas applicants and the estimated annual tax liability for all applicants, and eliminating unused or redundant questions, while maintaining a rigorous evaluation methodology; and
- Additional minor changes as outlined at the end of the staff summary and described in detail in the regulations.

## Agenda Item 2.

Mr. Ruiz reported that it is anticipated there will be an August approval of the proposed regulations by the Office of Administrative Law, with AB 199 projects considered in October and November of 2016. On September 17, applications for all types of projects eligible under the STE program will be accepted for consideration in December, if there are additional funds available.

Mr. Ruiz stated that staff recommends the Board authorize staff to begin the rulemaking process with the Office of Administrative Law and establish September 17, 2016 as the date on which new, non-AB199 applications can be accepted

Ms. Ortega asked for a point of clarification regarding the AB199 set-aside. Mr. Ruiz clarified that the set-aside for AB 199 was for this year only and that, in the future, all projects would be considered on a first-come, first-served basis until all funds are exhausted or the ranking system is utilized.

State Treasurer's Office Legal Counsel, clarified that the date for non-AB 199 applications was established in anticipation of hearing projects in December 2016.

Ms. Baker asked if the proposed reduction in environmental benefits scoring threshold elicited comments from stakeholders. Staff responded by stating that no public comment was received regarding the reduction of the minimum points threshold for environmental benefits. Staff furthermore clarified that although the points threshold will be reduced, it ensures that projects still produce positive environmental benefits for the state while giving all types of projects, which produce differing levels of environmental benefits, a reasonable opportunity to qualify for an STE award.

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

Mr. Schaefer stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. Nick Lapis from Californians Against Waste spoke in favor of the project.

There were no other comments and the item was unanimously approved.

The item was passed by the following vote:

Tim Schaefer for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Hazel Miranda for the Public Utilities Commission	Aye

**5. PUBLIC COMMENT**

Mr. Schaefer asked if there were any comments from the public. There were none.

**6. ADJOURNMENT**

There being no further business, public comments, or concerns, the meeting adjourned at 11:00 a.m.

**Respectfully submitted,**

Deana J. Carrillo  
Executive Director