

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
January 17, 2012**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or Authority) meeting to order at 10:55 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director, Department of Finance
Paul Clanon for Michael R. Peevey, President,
Public Utilities Commission
Saul Gomez for Robert B. Weisenmiller, Chair,
California Energy Commission

Staff Present: Christine Solich, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

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Ms. Redway asked if there were any questions or comments concerning the December 13, 2011 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Mr. Clanon moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Solich began her report with a reminder of the November Board approval of Staff's recommendation to modify the SB 71 regulations. There were four specific changes to the regulations: clarification that the Board approves qualified property and not sales tax exclusions (STE), correction to scoring formula, clarification of termination versus rescinding an award and the modification to the period of time that qualified property must remain in California from three years to one year.

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Since the December meeting, Staff has continued to review the proposed modification with respect to the period of time the qualified property must remain in California.

She continued to report that Staff had done additional analysis and outreach and will refine the time period modification to be in the best interest of the program while still being responsive to industry needs. She added that Senate Bill 922, which took effect in October 2011, will require an additional modification to the SB 71 program regulations as well. Staff will come back to the Board in February with additional regulation modifications for consideration. Since CAEATFA has not received any new applications this delay should not affect the program.

Ms. Solich then reported on the status of ABX1 14 (Skinner). As mentioned in Martha Alvarez's update of the program last month, Staff held several stakeholder meetings in November and December 2011. Staff has been reviewing comments from those stakeholder meetings and is in the process of drafting the regulations for the energy efficiency loan loss reserve program. Staff hopes to release those proposed regulations at the end of January 2012 and is also planning to hold a workshop the week of February 13, 2012 for public comment on those regulations. Staff will then review all received comments and revise the regulations as necessary and seek Board approval of the regulations at the March meeting. The plan is to launch the program, and enroll financial institutions in early April if all goes well. She added that Staff is also trying to coordinate the launch of the program with getting the trustee bank under contract and Staff may call a special Board meeting in February to assist in implementing the program.

With regard to Agenda Item 3 – the pipeline report of the SB 71 Program applications – Ms. Solich reported that Staff had revised this report to reflect the projects not moving forward in a separate section of the report. To date, the Board has approved \$131 million in qualified property with \$38.5 million used to date which is approximately 30% of the STE approved.

Ms. Solich then reported that Staff would be presenting two items for Board approval, a bond delegation authority and an applicant request for an extension for the purchase of qualified property.

Ms. Solich then ended her report.

4. BUSINESS ITEMS

A. REQUEST FOR APPROVAL OF RESOLUTION DELEGATING CERTAIN POWERS AND AUTHORIZING CERTAIN ACTIONS RELATED TO BOND FINANCINGS

To be presented by Cheryl Ide, Analyst

AB 1479, chaptered August 4, 2008, allows that, "The authority may, by resolution, delegate to one or more of its members, its executive director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority."

The resolution recommended today differs from the prior delegation resolution by delegating some additional powers related to refunding actions and also includes other minor wording changes.

Staff is requesting Board approval of a resolution authorizing delegation authority to the Executive Director, Deputy Executive Director and Chair of the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or “Authority”) for certain routine matters with respect to the Authority’s bond program. At the December 15, 2010 Board meeting the Board approved a similar delegation of authority, expiring on January 31, 2012.

Prior to the presentation by Staff, Mr. Reyes moved approval on agenda item 4.A. with the recommendation that Staff return with an agenda item at the February 2012 meeting to allow continuous delegation authority as opposed to one year; upon a second, the item was unanimously approved.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

B. DISCUSSION AND CONSIDERATION OF APPLICANTS’ REQUESTS FOR WAIVER OF TIME REQUIREMENT TO PURCHASE AT LEAST 25% OF QUALIFIED PROPERTY UNDER SB 71 PROGRAM

1) Leyden Energy, Inc.

To be presented by Heather Williams, Analyst

Leyden Energy, Inc.’s (“Leyden” or the “Applicant”) Application was approved by the CAEATFA Board on January 25, 2011 for the purchase of \$1,306,525 in Qualified Property for a new lithium ion battery manufacturing line for electric vehicles in Fremont, Alameda County. The SB 71 Program (“Program”) requires that Leyden purchase 25% (\$326,631) of the total approved Qualified Property within the first year, the “25% Purchase Requirement.” This requirement serves as an indicator of readiness and assists in incentivizing timely economic activity. The 25% Purchase Requirement can be waived by the Board upon a finding that it is in the public interest and advances the purposes of the Program.

As of January 1, 2012 Leyden has conveyed \$121,519.20 in Qualified Property (9.3% of total amount approved). On November 9, 2011, CAEATFA staff sent the Applicant a courtesy reminder of the 25% Purchase Requirement Leyden responded by requesting an extension of the 25% Purchase Requirement to July 1, 2012 to accommodate unforeseen delays in purchasing equipment due to a change in its customer base and subsequent delays in the financing timelines under its grant from the California Energy Commission (CEC).

Leyden has requested a waiver of the 25% Purchase Requirement due to unforeseen delays in purchasing equipment due to a change in its customer base, and subsequent

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delays in the financing timelines under its grant from the California Energy Commission.

At the time of Leyden's initial Application to CAEATFA, Leyden had anticipated that it was going to produce batteries for full electric drive vehicles for its primary customer, Green Vehicles of Salinas. In mid-2011 Green Vehicles became insolvent and ceased operations. Leyden is now working with a number of US based electric transportation manufacturers to find replacement customers and intends to manufacture batteries for hybrid and plug in hybrid vehicles. This unanticipated change in its customer base impacted Leyden's timeline for purchasing equipment. Leyden was unable to purchase equipment under its grant with the CEC until its modified equipment list/schedule was approved by the agency, delaying the project for several months. The equipment purchasing is now on track, just several months behind the initial schedule.

Staff recommended that the Board find it is in the public interest and advances the purposes of the Program to extend the 25% Purchase Requirement to July 1, 2012 pursuant to Regulations Section 10035(c)(1)(A).

Prior to the presentation by Staff, Mr. Reyes moved approval of agenda item 4.B.1; upon a second, the item was unanimously approved.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

5. PUBLIC COMMENT

Ms. Redway 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 11:01 a.m.

Respectfully submitted,

Christine Solich
Executive Director