

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
July 18, 2017**

1. CALL TO ORDER AND ROLL CALL

Steve Juarez, 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: Steve Juarez for John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Eraina Ortega for Michael Cohen, Director, Department of Finance
Michael Murza for Robert B. Weisenmiller, Chair,
California Energy Commission
Grant Mack for Michael Picker, President, Public Utilities Commission

Staff Present: Deana Carrillo

Quorum: The Chairperson declared a quorum.

MINUTES

Mr. Juarez asked if there were any questions or comments concerning the June 20, 2017 meeting minutes. There were none.

Mr. Juarez 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:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo reported that under the Sales and Use Tax Exclusion (STE) Program, if the applications under consideration today are approved, CAEATFA will have awarded approximately 74% of the total STE for the calendar year, leaving \$25.9 million to award. CAEATFA currently has five applications under review, and if they are all approved, \$22.4 million in STE would be remaining for the rest of the year.

Ms. Carrillo also reported that a new Property Assessed Clean Energy (“PACE”) Program was enrolled in the PACE Loss Reserve Program: the CSCDA HERO Program. This brings the total number of enrolled PACE programs to 15 under the PACE Loss Reserve Program.

Ms. Carrillo reported that CAEATFA is continuing to monitor Senate Bill 242, authored by Senator Skinner, which strengthens PACE underwriting criteria as staff concurrently works with stakeholders on revised regulations for the PACE Loss Reserve Program.

Ms. Carrillo stated that Staff would present an informational item on the California Hub for Energy Efficiency Financing (CHEEF) provided by Miriam Joffe-Block, Program Manager. She noted that the presentation today would inform the Board of the progress of the CHEEF Pilot Programs, including the Residential Energy Efficiency Loans Program and anticipated progress in rolling out other phases of the Program.

Ms. Joffe-Block provided a presentation on the CHEEF Pilot Programs.

Ms. Carrillo indicated that she was proud of the hard work of the CHEEF staff and pleased that the Program could be highlighted for the Board.

Mr. Juarez wanted to ensure that as the CHEEF moves into the commercial field, the California Business Gateway is included as a resource. Mr. Mack stated that the Public Utilities Commission has increased optimism over the implementation of the CHEEF Pilot Programs and has provided its support in the increased leeway provided to the Program.

Ms. Carrillo also reported that under her delegated authority, she executed the contract resulting from the Request for Proposal (RFP) (CAEATFA 10-16) for the Trustee Services for the PACE Loss Reserve Fund to Zions Bank. CAEATFA received three proposals and selected Zions Bank as the most cost effective, for a contract not to exceed \$16,550.00 for a two year term, including an optional one-year extension.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

A. DISCUSSION AND CONSIDERATION OF APPLICATIONS FOR SALES AND USE TAX EXCLUSION

1. Pacific Ethanol Stockton

Presented by Ashley Bonnett, Program Manager

Ms. Bonnett reported that Pacific Ethanol Stockton, LLC is an Alternative Source Applicant requesting a Sales and Use Tax Exclusion award to construct an anaerobic digestion system to produce biogas for use at the Stockton Combined Heat and Power facility, which powers the ethanol production process at Pacific Ethanol Stockton. The Applicant represents the project will produce biogas to replace approximately 40 million btu per hour of natural gas currently used by the Stockton Combined Heat and Power facility, enough biogas to fully meet the gas demand currently required at the facility to produce ethanol, reducing the carbon intensity score of the ethanol production process.

Staff recommends approval of a resolution for Pacific Ethanol Stockton's purchase of no more than \$5,932,500 in Qualified Property anticipated to result in an approximate Sales and Use Tax Exclusion value of \$499,517.

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

Mr. Juarez 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.

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2. Sanitation Districts of Los Angeles County

Presented by Ashley Bonnett, Program Manager

Ms. Bonnett reported that Sanitation Districts of Los Angeles County is an Alternative Source Applicant producing renewable gas. They are a public agency providing wastewater and solid waste management for 5.6 million people in Los Angeles County

and have applied for a Sales and Use Tax Exclusion award to expand operations at their current waste processing facility. This will include the addition of DODA bio-separators which will extract a slurry from the waste stream that can be added to existing anaerobic digesters for the production of renewable gas. This project will span two separate locations with the slurry extracted at the Sanitation Districts' materials recovery facility in Whittier, California and transported to their Joint Water Pollution Control Plant in Carson, California for conversion into renewable natural gas. This renewable gas will be distributed at the Sanitation Districts' own fueling station.

Staff recommends approval of a resolution for the Sanitation Districts of Los Angeles County's purchase of no more than \$11,928,310 of Qualified Property, anticipated to result in an approximate Sales and Use Tax Exclusion value of \$1,004,364.

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

Mr. Juarez 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.

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3. Recology San Francisco

Presented by Ashley Bonnett, Program Manager

Staff introduced Meghan Butler, Corporate Development Manager, Recology San Francisco

Ms. Bonnett reported that Recology San Francisco is a Recycling Applicant processing waste for the Bay Area. The company has applied for a Sales and Use Tax Exclusion award to expand their materials recovery facility operations. The expansion will allow Recology San Francisco to extract additional waste from the waste stream in the form of a paste that will eventually be converted to energy by the East Bay Municipal Utility District. The Applicant predicts that an additional 7,000 tons of waste will be diverted from landfills annually once the Project is complete.

Staff recommends approval of a resolution for Recology San Francisco’s purchase of no more than \$3,633,145 of Qualified Property, anticipated to result in an approximate Sales and Use Tax Exclusion value of \$305,911.

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

Mr. Juarez 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.

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

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

Presented by Ashley Bonnett, Program Manager

On July 18, 2016, the CAEATFA Board approved emergency regulations modifying the Sales and Use Tax Exclusion (“STE”) Program to incorporate Recycled Feedstock projects eligible under the newly enacted Assembly Bill 199 and to enhance and streamline Program administrative processes to address the Program’s oversubscription and incorporate lessons learned while implementing the Program.

After the emergency regulations became effective, CAEATFA staff continued to evaluate program implementation and identified two modifications to incorporate in the proposed regulation text that is before the Board today.

First, the initial emergency regulations limited Recycled Feedstock projects to those not eligible for an STE as an Alternative Source, Advanced Transportation, or Advanced Manufacturing Project because at the time the regulations went into effect, the Board had implemented an STE set-aside for Recycled Feedstock projects in light of the Program’s oversubscription. To best effectuate the purpose of the set-aside, the regulations limited Recycled Feedstock project eligibility to those that did not previously have the opportunity to be considered for an STE award.

Because there is no longer a set-aside for Recycled Feedstock projects, limiting the pathways by which a project can apply is not necessary. The proposed modifications to the regulations remove this limitation from the definition of Recycled Resource Extraction Project.

Second, to help address the STE Program's oversubscription, the emergency regulations instituted a project cap of \$20 million in STE, with the possibility of receiving additional STE if any of the \$100 million annual statutory cap remained at the end of the year. CAEATFA staff subsequently identified a loophole created by defining the cap as per project: Applicants could split projects into multiple applications or projects and take up all or a significant portion of a year's STE allocation. Therefore, the proposed modified regulations limit applications to \$20 million in STE per Applicant per calendar year. Additionally, if an Applicant has a parent company with greater than 50% ownership interest, the \$20 million cap applies to that parent company and its subsidiaries or affiliates. Because the cap now applies to Applicants, the proposed regulations also clarify that an Applicant may submit a revised application (for a previously approved project), or a new application (for a separate project) if any of the \$100 million in STE remains at the end of the calendar year.

A Notice of Proposed Rulemaking and the proposed regulation text before the Board today was published in the California Notice Register on May 12, 2017, beginning a 45-day public comment period, during which CAEATFA staff did not receive any public comments. CAEATFA staff also held a public workshop discussing the proposed regulations on June 27, 2017, and did not receive any public comments or questions at the workshop. If the regulations are approved by the Board, CAEATFA staff anticipate filing the Certificate of Compliance with the Office of Administrative Law tomorrow, July 19th.

Staff recommends approval of the proposed regulations for the Sales and Use Tax Exclusion Program.

Mr. Juarez indicated that he was supportive of the STE regulation changes, particularly in regards to the change that will provide a per-applicant cap compared to the per-project cap.

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

Mr. Juarez 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.

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Juarez 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 11:17 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director