

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
February 12, 2018**

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 1:30 p.m.

Members Present: Steve Juarez for John Chiang, State Treasurer
Alan LoFaso for Betty T. Yee, State Controller
Jacqueline Wong-Hernandez 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.

2. MINUTES

Mr. Juarez asked if there were any questions or public comments concerning the January 16, 2018 meeting minutes. There were none.

Mr. Juarez asked if there was a motion.

Ms. Wong-Hernandez moved for approval of the minutes; upon a second from Mr. Mack, the minutes were approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Alan LoFaso for the State Controller	Aye
Jacqueline Wong-Hernandez 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 began her report by summarizing recent activity under her delegated authority. She stated that CAEATFA issued a California Multiple Award Schedules (“CMAS”) Request for Offer (“RFO”) on January 5, 2018 for a provider to conduct a risk analysis of the Property Assessed Clean Energy (“PACE”) Loss Reserve, and selected a Blue Sky Consulting Group, a microbusiness. She executed a purchase order, which is currently under review by Department of General Services, for a cost not to exceed Blue Sky’s offer of \$140,191.

Ms. Carrillo continued her report, stating that CAEATFA also issued a Request for Proposals (“RFP”) CAEATFA03-17 for Audit services for the PACE Loss Reserve Program on February 5, 2018, for a maximum amount not to exceed \$450,000. Staff will review the proposals and recommend a contractor to the Board for approval at a later date.

Ms. Carrillo added that there was a staffing update under the California Hub for Energy Efficiency Financing (“CHEEF”), specifically the hiring of Chor Vue who has joined the staff as an office technician.

Mr. Juarez asked for an update on PACE loans. Ms. Carrillo estimated that there are approximately \$2.8 billion in financings, supported by the \$10 million in the PACE Loss Reserve fund and noted she would have the specific value for the Board at its next meeting. Mr. Juarez stated that the ratio of loans to the Loss Reserve fund is a critical component for why a risk analysis is needed.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE MODIFICATIONS TO THE RESIDENTIAL ENERGY EFFICIENCY LOAN (REEL) ASSISTANCE PROGRAM UNDER THE EMERGENCY REGULATION RE-ADOPTION PROCESS

Presented by Miriam Joffe-Block, Program Manager

Staff requests approval to re-adopt the Residential Energy Efficiency Loan (“REEL”) Assistance Program (“the Program”) regulations with additional modifications under the emergency rulemaking process.

In March of 2017, the California Public Utilities Commission (“CPUC”) granted CAEATFA increased authority and flexibility to modify the pilots under the California Hub for Energy Efficiency Financing (“CHEEF”). This Decision from the CPUC came in response to CAEATFA’s advocacy for changes to the pilots to broaden their relevance to the market and to streamline operations for participants.

In August of 2017 the Board approved modifications to the REEL Regulations which were approved by Office of Administrative Law (“OAL”) and took effect September 5, 2017.

The modifications made at that time were well received by Program participants as the Program grew from 35 enrolled loans as of July 31, 2017 to 123 enrolled loans as of Jan 31, 2018, representing over \$2 million in financing.

At this time CAEATFA wishes to re-adopt the modifications that were effective in September, and make additional modifications. The additional modifications include:

- An option for lenders to qualify Borrowers as Low-Moderate-Income (“LMI”) based on the area median income of the Borrower’s census tract; this will allow REEL lenders to report LMI data consistently and accurately.
- The inclusion of an optional program component to incentivize lenders to offer attractive financing terms to “Credit-Challenged Borrowers” – or those with credit scores from 580 to 640.
- The incorporation of the list of Eligible Energy Efficiency Measures (“EEEMs”) into the CHEEF’s regulations.

Provided the Board approves these modifications, CAEATFA will post notice to the public under the Emergency Rulemaking process tomorrow and expects the re-adopt with modifications to be effective by March 5, 2018. CAEATFA is simultaneously working on completing the regular rulemaking process for the modifications made to the REEL Regulations.

Staff recommends the adoption of a resolution to approve the re-adoption of the emergency Regulations with additional modifications for the REEL Assistance Program.

Mr. Juarez asked if the modifications would allow for Borrowers with lower credit scores to participate in the REEL Program.

Ms. Joffe-Block explained that the Regulations have always set a minimum credit score of 580, however, only regional lenders have made loans to Borrowers with those scores. The two statewide lenders have set the minimum credit scores at 600 and 640. She continued by stating that the average credit score of Borrowers who participate in the Program is 700 or higher, so the Program is not reaching credit-challenged borrowers as well as staff would like. Credit-challenged Borrowers are most likely to have a need for attractive financing. New Program regulations are designed to incentivize lenders to either reduce their minimum credit score requirements or to offer more attractive terms to low-credit Borrowers.

Ms. Joffe-Block stated that the California Public Utilities Commission has a Request for Proposal out for an evaluation of the REEL Program this year. The CPUC has authorized the CHEEF to enroll loans while REEL is being evaluated, which helps lenders as there will not be an interruption to the Program during the evaluation.

Ms. Joffe-Block continued by stating that staff is currently engaging in its last big push for new lender recruitment to the Program this quarter, as it is unlikely lenders will make the investment to join the Program during the actual evaluation process.

Ms. Joffe-Block elaborated by stating that when the evaluation concludes, the CPUC will make a decision about whether the Program will continue as a pilot, adopt as permanent, cancel, or potentially modify the Program. The credit enhancement is free to lenders; however, the Program requires an operational investment, and without knowing the relative stability of the Program, it becomes unlikely that lenders would be willing to invest time and resources in order to develop a product, get it approved, and integrate the REEL process into their operations.

Mr. LoFaso moved for approval and there was a second by Ms. Wong-Hernandez.

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 no further comments and Mr. Juarez called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Alan LoFaso for the State Controller	Aye
Jacqueline Wong-Hernandez 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 1:45 p.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director