

## MINUTES

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
April 20, 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  
Mary-Ann Warmerdam 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), pursuant to Executive Order N-29-20, paragraph 3, that was issued on March 17, 2020, 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. Warmerdam, Ms. Miller, Mr. Rider, and Mr. Mack all attended the meeting via internet conference line.

### **2. MINUTES**

Mr. Chernow noted that there was a typographical error on the agenda, and that the date of the minutes should read, “March 16, 2021.” Ms. Ma asked if there were any questions or comments concerning the March 16, 2021, meeting minutes. There were none.

Ms. Ma asked if there was a motion.

Ms. Warmerdam 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
Mary-Ann Warmerdam 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 since the March 16, 2021, Board meeting, which included:

- CAEATFA and CPCFA participated in a CalRecycle Tire Workshop last month and discussed various programs available to related businesses.
- Last month, Mr. Chernow, representing Treasurer Ma, joined the California Energy Commission Chair on a panel at the New Energy Futures Clean Energy Business roundtable, to discuss various CAEATFA programs, with a focus on the CAEATFA Sales & Use Tax Exclusion program.
- Mr. Chernow spoke at to the California Waste & Recycling Association's regular Board Meeting to discuss the various programs offered by CAEATFA and CPCFA.
- CAEATFA staff joined Treasurer Ma at the Imperial County Farm Bureau's Small Business Workshop.
- Mr. Chernow visited Custom Alloy Scrap metals in Oakland with Treasurer Ma to discuss CAEATFA and CPCFA programs available to that business.
- CAEATFA continues to work with the Coalition for Green Capital. Last month, the White House announced the American Jobs Plan, which includes \$27 billion for a Clean Energy & Sustainability Accelerator. The legislation moving through Congress – S.B. 283 and H.R. 806 – has garnered bi-partisan support.

Mr. Chernow then concluded his report.

### **4. BUSINESS ITEMS**

#### **A. REQUEST TO AMEND RESOLUTION NO. 21-SM018 TO ADD MP MINE OPERATIONS LLC AND MP SEPARATIONS COMPANY LLC, AS PARTICIPATING PARTIES**

Presented by Xee Moua, Program Analyst

Staff introduced Mark N. Stefan, Partner, State and Local Tax Services, MP Materials Corp., who joined via internet conference line.

On March 16, 2021, the CAEATFA Board approved a sales and use tax exclusion for MP Materials Corp. (the “Applicant”) for the purchase of up to \$23,527,500 in Qualified Property to build its new Mountain Pass facility located in San Bernardino to process rare earth materials (the “Project”).

The Applicant is requesting to add MP Mine Operations LLC (“MPMO”) and MP Separations Company LLC (“MPSC”) as participating parties to the authorizing resolution as they are responsible for housing the production operations, and the engineering, procurement, and construction activities of the Project, respectively. Additionally, because the consideration of adding the MPMO and MPSC to the resolution is occurring after the 30 days an applicant is allotted to enter into the Regulatory Agreement with CAEATFA, the Applicant is also requesting to extend the Regulatory Agreement execution date.

Staff recommended that the Board approve MP Material Corp.’s request to amend Resolution No. 21-SM018 to extend the 30-day timeline for entering into the Regulatory Agreement to April 21, 2021, and add MP Mine Operations LLC and MP Separations Company LLC as participating parties to the authorizing resolution and Regulatory Agreement.

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. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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. REQUEST TO APPROVE EMERGENCY REGULATIONS FOR THE RESIDENTIAL ENERGY EFFICIENCY FINANCING PROGRAM (ARTICLE 5 (COMMENCING WITH SECTION 10091.1) OF DIVISION 13 OF TITLE 4 OF THE CALIFORNIA CODE OF REGULATIONS) UNDER THE EMERGENCY RULEMAKING PROCESS**

Presented by Susan Mills, Program Specialist

Ms. Mills began her report by giving an overview of the Residential Energy Efficiency Loan Assistance Program (“REEL”). She stated that REEL is part of the California Hub for Energy Efficiency Financing (“CHEEF”), a suite of financing programs authorized by the Public Utilities Commission (“CPUC”) which CAEATFA administers. REEL is a financing program that offers a credit enhancement to third-party private lenders to finance energy efficiency improvements for residential upgrades. REEL launched in 2016 as a pilot program. In April 2020, the CPUC approved REEL’s transition to a full program and allowed CAEATFA to improve REEL.

Ms. Mills then described the changes to the regulations. She stated that the Regulation modifications proposed for the Board’s approval respond to the changes authorized pursuant to CPUC Resolution E-5072, as well as challenges and lessons learned through the last few years of implementing REEL. The modifications have the intentions of 1) setting a regulatory framework to streamline and scale, 2) responding to market innovation and stakeholder feedback, and 3) setting a framework to further simplify the program by allowing CAEATFA

to utilize non-ratepayer sources of funding for Credit Enhancements which will allow for a uniform list of measures across Investor Owned Utility (“IOU”) and Publicly Owned Utility (“POU”) areas.

The key regulation modifications are outlined below:

1. New eligible measures—including new appliances, several HVAC measures and insulated siding—have been added to provide more options to consumers and be responsive to stakeholder feedback and technology advances.
2. The ability for point of sale financing was added, by which customers can access user-friendly REEL financing when purchasing energy-efficient appliances through IOU marketplaces on the Internet.
3. A new “Microloan” product for loans under \$5,000 was added, with streamlined and efficient requirements easing the financing process for lenders and borrowers.
4. A new “Channel Partner” role was added, which serves as co-applicant to a lender and assists with marketing, deal generation, collecting and submitting information to CAEATFA, and more.
5. Residential equipment leases and service agreements as allowable financing products with appropriate consumer protections to provide customers with more financing options were also added.
6. The loan enrollment and reporting process for existing lenders was streamlined to accommodate new business models and facilitate automation.
7. And lastly, Staff is working to set up the regulatory framework to utilize non-ratepayer sources of funding for credit enhancements. Ms. Mills explained that:
  - a. There are over 40 utilities providing electricity in the state. Because REEL is a ratepayer-funded program and supports energy upgrades that correspond to an IOU fuel source, customers that are served by an electric POU are not eligible to finance electric energy efficiency measures. This creates a lot of confusion for contractors and lenders. For example, financing for a cool roof, as it reduces electricity use, is eligible for a credit enhancement in West Sacramento (where Pacific Gas & Electric (“PG&E”) provides both gas and electric service), but not in Sacramento (where PG&E provides gas service and the Sacramento Municipal Utility District (“SMUD”) provides electric service). The cost of this confusion and burden is overall fewer transactions, even in IOU territories.
  - b. Allowing REEL to incorporate non-IOU funding is subject to the CPUC approving a cost allocation methodology to ensure IOU ratepayers are not subsidizing these costs, which is currently being deliberated through CPUC Proceeding 20-08-022. The proposed regulatory modifications are written in a manner that if the CPUC does not grant approval to utilize non-IOU ratepayer sources of funds, then the existing program continues, solely with ratepayer funding. If the CPUC does grant approval, making this modification now gives CAEATFA the ability to accept and integrate new funding sooner and when available rather than having to wait months to modify REEL through another emergency rulemaking.

Overall, these modifications will allow REEL to be a more user-friendly and effective program for lenders, contractors, and borrowers across California.

In developing these modifications, Staff engaged in a robust outreach and engagement process. The CHEEF sought input from current and potential lenders, industry experts, the IOUs, and contractors, along with holding a public workshop on March 12<sup>th</sup>.

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. Staff anticipates the regulations will become effective Mid-May.

Staff recommended the approval of Resolution No. 21-04-4.B to adopt the modified regulations for the Residential Energy Efficiency Loan Assistance Program under the emergency rulemaking process.

Mr. Mack moved for approval and there was a second from Ms. Warmerdam. 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 acknowledged the work of CAEATFA staff, and wished to recognize that additional clean energy policy was being worked on by the CPUC. He also stated that the CPUC views CAEATFA as a partner in the delivery of services.

Ms. Warmerdam stated that she was able to attend a portion of the workshop on REEL regulations held on March 12, 2021, and the meeting was informative and fruitful. Staff incorporated feedback from that meeting into the regulations. She further asked if there was anything specific in the regulations that enhanced services to underserved populations.

Miriam Joffe-Block, Senior Manager over the CHEEF Programs, responded that the regulations were not specific to outreach to underserved populations, however, changes in the regulations facilitate services to under-served population by the inclusion of on-line service providers and the availability of loans at point of sale. One partner has indicated that services are often “distressed” sales—meaning that an appliance such as a refrigerator or washing machine breaks and the client needs an immediate replacement. By helping to facilitate these specific services, the program has the potential to reach more tenants who need small amounts of financing and would be able to access lower rates for energy efficiency products. In addition, Ms. Joffe-Block indicated that the CHEEF’s public facing platform, [gogreenfinancing.com](http://gogreenfinancing.com), has recently been translated into Spanish and that the efforts to reach underserved populations is occurring in the marketing and outreach component of the program.

Mr. Rider wanted to acknowledge the Treasurer’s Office, and CAETFA in particular, for putting together a great regulatory package on the subject of energy efficiency at a time when the subject should be encouraged.

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
Mary-Ann Warmerdam 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 INTERAGENCY AGREEMENT WITH STATE TREASURER'S OFFICE FOR EXECUTIVE, ADMINISTRATIVE, AND INFORMATION TECHNOLOGY SERVICES IN AN AMOUNT NOT TO EXCEED \$382,841 FOR THE PERIOD OF JULY 1, 2020 THROUGH JUNE 30, 2021**

Presented by Jessica Arceo, Contract Analyst

Through annual interagency agreements (“IAs”), the State Treasurer’s Office provides executive, administrative, and information technology services, including, but not limited to, accounting, budgeting, legal, information technology, personnel, and business services for the Boards, Commissions, and Authorities (“BCAs”) chaired by the State Treasurer. The total cost is allocated among the BCAs based on each agency’s personnel-years. This year, the total amount of CAEATFA’s portion is \$382,841 for these services.

CAEATFA’s Executive Director has delegated authority to approve contracts in amounts up to \$300,000. As the proposed Executive and Support Services IA for the current fiscal year exceeds this amount, the Board’s approval is required.

Staff recommended that the Board approve a resolution authorizing the Executive Director to execute Interagency Agreement CAEATFA07-20 with the State Treasurer’s Office for Executive and Support Services for Fiscal Year 2020/21, in the amount of \$382,841 during the term July 1, 2020, through June 30, 2021.

Ms. Miller moved for approval and there was a second by Ms. Warmerdam. Ms. Ma stated that there was a motion and a second and asked if there were any questions 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
Mary-Ann Warmerdam 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 10:50 a.m.

**Respectfully submitted,**

Derek Chernow  
Executive Director