BEFORE THE

CALIFORNIA CLEAN ENERGY JOBS ACT

CITIZENS OVERSIGHT BOARD

CALIFORNIA ENERGY COMMISSION

CHARLES IMBRECHT HEARING ROOM - FIRST FLOOR

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

THURSDAY, JULY 13, 2017

1:00 P.M.

Reported by:
Peter Petty

APPEARANCES

BOARD MEMBERS PRESENT (*Via telephone and/or WebEx)

Kate Gordon, Chair

James (Walkie) Ray, Vice Chair

Randall Martinez, Board Member

Chelina Odbert, Board Member

David Dias, Board Member

Mark Gold, Board Member

COMMISSIONERS PRESENT

Andrew McAllister, California Energy Commission, Commissioner

CEC STAFF PRESENT

Pam Doughman, Policy Adviser to Chair Weisenmiller

Eunice Murimi

David Ashuckian

Haile Bucaneg

ALSO PRESENT

Heather Baugh, Assistant General Counsel, California Natural Resources Agency

Nidia Bautista, Consultant, Senate Standing Committee on Energy, Utilities & Communications

APPEARANCES (Cont.)

ALSO PRESENT (Cont.)

David Supan, Audit Manager, Office of State Controller Betty T. Yee

Lisa Kurokawa, Audit Manager, Office of State Controller Betty T. Yee

PUBLIC COMMENT: (*Via telephone and/or WebEx)

Anna Ferrera, School Energy Coalition

I N D E X

THE BOARD WILL CONSIDER AND MAY TAKE ACTION ON THE FOLLOWING ITEMS:

1. INTRODUCTION AND ROLL CALL OF BOARD MEMBERS TO DETERMINE QUORUM. (Board Chair Kate Gordon) 5

2. APPROVAL OF MINUTES FROM MARCH 21, 2017 CITIZENS OVERSIGHT BOARD MEETING. (Board Chair Kate Gordon) 6

3. UPDATE ON CHANGES IN BOARD COMPOSITION. (Board Chair Kate Gordon) 7

4. UPDATE ON SENATE BILL 518 – CLEAN ENERGY JOB CREATION PROGRAM AND CITIZEN OVERSIGHT BOARD. (Nidia Bautista, Consultant, Senate Standing Committee on Energy, Utilities and Communications) 9

5. PRESENTATION, DISCUSSION AND POSSIBLE VOTE ON THE ANNUAL FINANCIAL AUDIT ON THE CLEAN ENERGY JOB CREATION FUND. The State Controller's Office will present its completed financial report on the financial statements of the Clean Energy Job Creation Fund. (David Supan, Audit Manager, Office of the State Controller Betty T. Yee) 53

6. PRESENTATION, DISCUSSION, AND POSSIBLE VOTE ON ANNUAL PROGRAM AUDIT ON THE CLEAN ENERGY JOB CREATION FUND EXPENDITURES. The State Controller's Office will present its completed program report on the energy projects of the Clean Energy Job Creation Fund expenditures. (Lisa Kurokawa, Audit Manager, Office of the State Controller Betty T. Yee) 56

5. PUBLIC COMMENT 48, 75

Adjourn 84

Reporter's Certification 85

Transcriber's Certification 86

P R O C E E D I N G S

JULY 13, 2017 1:08 P.M.

CHAIR GORDON: Okay. We are going to go ahead and start, so I don't have a gavel sadly, but I will call the meeting to order. And then Eunice is filling in for Jack today. Jack's on jury duty.

Eunice, would you mind doing roll call please for the members?

MS. MURIMI: Okay. Greetings everyone --

CHAIR GORDON: And I think you have to be on, you have to be miced. Everyone else has to be miced, because of the reporter.

(Pause to set up microphones.)

MS. MURIMI: Greeting everyone. We shall begin the roll call for the Board Members for the Citizen Oversight Board, pardon me.

CHAIR GORDON: It's all right, take your time.

MS. MURIMI: We'll now begin the roll call for the Citizen Oversight Board Meeting. And first I'm going to begin with the Chair Kate Gordon?

Board Member Gordon?

MS. MURIMI: And pardon me, all mics have to be on red for those on WebEx to be able to hear you. Let me continue.

James Ray?

VICE CHAIR RAY: Here.
MS. MURIMI: Chelina Odbert?
CHAIR GORDON: She is outside and she will be late, but we'll record her when she comes in.
BOARD MEMBER HARRIS: Here.
MS. MURIMI: Randall Martinez?
BOARD MEMBER MARTINEZ: I'm here.
MS. MURIMI: David Dias?
BOARD MEMBER DIAS: I'm here.
MS. MURIMI: Mark Gold?
BOARD MEMBER GOLD: I'm here.
MS. MURIMI: Thank you.
And I'll pass it over to Chair Kate Gordon.
CHAIR GORDON: Thank you. I just want to say we're happy to have Mark Gold here in person, because we've never met you in person before. So thank you for joining us from L.A., right?
BOARD MEMBER GOLD: Yeah.
CHAIR GORDON: Thank you for being here on this exciting day in Sacramento.
We are going to move on to the approval of the minutes. So let it be reflected that Member Odbert just came in and can you have a seat and I need you to sign here. Yeah, thank you for joining us. You came in just in time for the approval of the minutes.

So I don't know if folks have looked at the minutes, but can we get a motion and a second on the minutes, please?

BOARD MEMBER DIAS: So moved.

BOARD MEMBER GOLD: Second.

CHAIR GORDON: Great. We can just a voice vote on this I think, all in favor of approving the minutes say aye.

(Ayes.)

CHAIR GORDON: Any opposed? Any abstentions?

So moved, thank you very much.

On to item three, just as I'm happy to have Mark Gold here in person, I am sad to say that our friend Arno Harris has submitted his resignation letter from the Board, which is really disappointing. We all really liked working with Arno and we're very sad that's he left. I'm going just read it, because it's a nice little letter.

So he says, "Chair Gordon, please let this letter serve as notice of my resignation from the Proposition 39 Citizen Oversight Board effective August 31st. My work and family commitments require more of my attention and I regret I do not have sufficient time to give to my Board duties.

"I'm proud of the work you've done in my two years on the Board to provide oversight on the use of

program funds to improve California schools. Proposition 39 is now well on its way to fulfilling the voters and Legislature's intent to provide schools with the means to make badly needed improvements while helping the state meet its energy goals. I'm hopeful that with the changes we've recommended the program will be even more successful and our elected leaders will see fit to continue its funding.

"One of the great pleasures in my time on the Board has been working with you, the other Board Members, and CEC staff. I will miss the opportunity to work with all of you.

"Thank you for your leadership as Board Chair. I look forward to your continued success and the success of the Proposition 39 programs. Sincerely, Arno Harris."

So I thought that was a nice letter, but we will miss him. What this means is that first of all, I realized while I was reading that he says, "Effective August 31st," which means he technically is still on the Board, so we should mark him as absent.

Second, we now have I think two open seats and at least Arno's is an AG seat and the other one is a Controller seat?

MS. BAUGH: I think it is.

CHAIR GORDON: Jack and I have been in touch with the relevant bodies to try to push for those seats to be

filled. And I personally, am happy to take from any of you any thoughts on -- just send me an email -- on what you think we need on the Board, what kinds of things we should be saying we would like to see on the Board when they fill the seats. So disappointing news, but that's where we are.

All right, we today just briefly on the agenda we have two big things, one is we're going to get an update on the legislation that we've been in touch with you about, which is specifically legislation related to the Citizens Oversight Board and the California Clean Energy Jobs Program. And we're going to get an update on progress there. And then we're going to get a longer update and potential vote, the one potential vote today, is on the audit. That is our other big agenda item, besides our report.

So first for item four, I'm turning it over to Nidia Batista, who I have known for years from early work on this program and now is serving as a Consultant to the Senate Committee on Energy, Utilities and Communications to give us an update on Senate Bill 518.

Where if you could do -- you can come to this table. Nidia, if you could talk to us about -- give a brief overview of what's in the legislation and then talk to us about where it stands. And then I think the Board members will have questions.

MS. BAUTISTA: Okay. Good afternoon, everyone. Thank you, Ms. Gordon.

It's a pleasure to be here with you today and obviously this important body in terms of what I consider to be one of the really wonderful projects in our state government in terms of providing both the benefits of energy efficiency, energy savings and improving the quality of life for our students at schools, while also providing jobs for our local community.

As Ms. Gordon mentioned, I actually was working with then Senator Kevin de Leon, who's now still a Senator, and now is pro Tem, when Prop 39 after it passed. And then we helped work with his office, and the folks involved on the negotiating language that was in the Budget trailer bill, SB 73 FAQ, at that time in 2013.

And have admittedly followed this program, though not as closely as some of you have. But have been generally very pleased with the efforts and particularly proud of the work of the Energy Commission, who I think has just done such a fantastic job with very limited resources. And really making sure this program is doing all that it can in terms of meeting the intent here.

But in terms of legislation there is -- obviously the program was initially seeded as a five-year program in the initiative. And there has been this debate about

extending it. And obviously Senator de Leon, or excuse me Pro Tem de Leon, has authored legislation earlier this year to help extend that program. I will tell you that SB 518 is that bill.

Tomorrow's actually an important deadline in the legislative process where bills that have a fiscal impact, which 518 does, are technically -- they must move out of their policy committees by that date. So I will report to you that 518 is actually still in its policy committee, in Assembly Natural Resources. But the good news for you, as it so happens with legislation and in the Legislature, there's actually a new bill that's now been adopted and now actually been signed by the Governor on July 10th, which is SB 110. And so a lot of the provisions that are in 518, were now moved into a Budget trailer bill and that was negotiated through the Budget agreement and now it's signed by the Governor on the 10th of this month.

So still very fresh news, but I just wanted to report that to you.

And so I'm happy to report more so, I think, but more relative to this conversation will be the elements that are in SB 110, which again are very similar to what was in 518.

But let me just start in terms of characterizing that. There was an interest, and I know that this Board

certainly has acknowledged that while many of our school districts and LEAs are taking advantage of this program, unfortunately there are several for which they just haven't. And there's a myriad of reasons for that. For some it's really more of a fit issue, in terms of their priorities for those LEAs. But I would say that overall only we've seen that charter schools, in particular, have not taken advantage of that as compared to the public school districts.

An acknowledgement of the fact that there are these dollars there, and in the interest making sure that we expedite and maximize the use of these dollars -- because as you all know the initiative allowed for these funds to not just be used by schools, they could have been used by local governments as an example and certainly also universities and others. And so with that in mind Pro Tem de Leon was interested at least sweeping some of the current funds, to then repurpose those dollars so that they're not just sitting there.

So specifically the bill would allocate $75 million towards school bus retrofits, and replacements. While admittedly school buses was not something originally envisioned for Prop 39 I think the concern here was driven by a looming deadline that schools are facing, as relates to their school buses. And being able to meet some air

pollution regulations that have been adopted by the Air Resources Board, which are -- the deadline is looming this fall. And so there was an interest to actually help some of the school districts make sure that their school buses transitioned to clean air buses in a way that would meet that deadline. So that's 75 million of monies swept would be for that purpose.

And then another 100 million would be actually invested into the ECCA, so this is the Energy Conservation Assistance Act Loan Program, which was seeded for the education in Southern Cal, (phonetic) which the original Prop 39 budget negotiation also provided monies for.

So it's $100 million for this loan program and with some additional guidance around prioritization of schools. You may recall that ECAA has largely been an application tech program. LEAs can submit applications and it's essentially a first come, first served program.

With the new language it still continues to be that application-type program, but it does provide for some guidance around making sure that there's some prioritization for base bond, the percentage of students that are eligible for free and reduced priced meals. So that being a proxy for need obviously, in terms of resources as well as consideration for energy statements.

Without a doubt, this is an energy savings

program as well as the geographic diversity. Considering it's an application programming it's possible you could get applications all from one area of the state and then the rest of the state doesn't get to take advantage of that. So we're asking the Energy Commission in making sure that there's some diversity there.

And then also diverse in terms of the size of the LEAs, the local education agencies. As you all are very familiar with, there's quite a variety of size of our schools out there. You know, everything from very small to some very large school districts. And so we just want to make sure that there's a good mix there, so that's not all going to maybe well-heeled large school districts.

So again, the &75 million for school buses, $100 million for these loan accounts, and then any remaining dollars from the money swept -- and I'll speak in terms of (indiscernible) sweeping -- would then be directed to this new program under Prop 39, which largely mimics the existing program.

Let me speak a little bit about the actual sweeping of the funds. The intent here again was the idea that we want to maximize the use of these dollars. And I think the Pro Tem was very interested, and the Legislature and the Governor obviously, because this now has been signed, to make sure that these monies aren't just sitting

there and that they're really being utilized.

But there's also recognition that this has obviously been a five-year program and frankly we're still in the middle of those five years. And so we don't want to hurt the schools who are taking advantage of the program, but they just haven't finished finalizing their applications.

And so the sweeping date is actually -- basically the Energy Commission is going to provide an estimate of all of the local educational agencies, so the LEAs. So any LEA or school district, charter school, etcetera, that has not submitted any energy expenditure plan as of March 1st of next year of 2018, those monies would be left for those purposes.

And so what that allows is that allows our school districts that are, again it's a five-year program, they're still in the middle of finalizing the application to allow them to continue to do that. And so again we're not trying to hurt schools for taking advantage of the program, and they're just in the middle of their application process.

So I hope that that helps clarify, and that our hope is that that's committed to (indiscernible) And our understanding is there's going to be sufficient loan funding to accomplish all of this, even with that. But I would say with probably a more conservative sweep of the

money.

So as an example if an LEA or there's a school district maybe that has submitted an application for the first two years of funding, but they haven't submitted an application for those next three years of funding, those monies are not considered available as of March 1st. But if there's an LEA that hasn't submitted any applications for any of the five years, then all of those dollars would be considered available.

So I'll stop there and then maybe talk a little bit more about the future program and what that looks like in case there are questions here.

CHAIR GORDON: That's a lot of information.

MS. BAUTISTA: Yeah, it was a lot.

CHAIR GORDON: And I apologize to the rest of the Board that we had allocated --

MS. BAUTISTA: Well, it was very recent, so --

CHAIR GORDON: -- legislation in our packets, so yeah exactly. Things move quickly.

MS. BAUTISTA: They do.

CHAIR GORDON: I wanted to see -- and I should have introduced him earlier. I want to see Commissioner McAllister who is with us from the CEC -- thank you for being here -- wanted to add anything to that first set of information. And then we should have questions also from

folks.

COMMISSIONER MCALLISTER: No, no. That's good. Thank you.

CHAIR GORDON: Thank you, Commissioner. Anyone on the Board want to ask anything about this first set of information Nidia's given us? It's a lot to digest, I guess.

Walkie?

VICE CHAIR RAY: So every year, 75 million was swept?

MS. BAUTISTA: Thank you for clarifying that. Yeah, it's actually not every year. So it's just this one time that as of March 1st of next spring, the Energy Commission will do an estimate based on that date thereabouts, to basically say, "Okay. We this universe of LEAs, these universe of allocations that have been provided over these last five years," because by then we'll have the fifth year allocations that have been completed.

Then they'll say of these universe, which LEAs have not participated in the program at all? And then they will then calculate that number and provide that to the Legislature for these purposes. So it's a one-time sweep.

CHAIR GORDON: Just one second, just to clarify that more, is the 75 and the 100, the 75 for buses and the 100 for ECAA both one time?

MS. BAUTISTA: Yes.

CHAIR GORDON: Interesting. Okay.

MS. BAUTISTA: Yes.

VICE CHAIR RAY: Well, the total estimated funds that are available is about 200 million a year? Is that a close approximation or --

MS. BAUTISTA: You mean, as far as what's not being --

VICE CHAIR RAY: Well, the income stream from Proposition 39, which is going to continue.

MS. BAUTISTA: Yes. Oh you mean for the future years? So the future years, for now I haven't discussed yet.

VICE CHAIR RAY: Oh, okay.

MS. BAUTISTA: Yeah, but as an example when I look at what's been allocated these past four years, I think it's been roughly between 400 to -- well 381. Well, as low as 279 I guess one year all the way up to 400 million. So it's varied depending on what the calculation has been on the corporate taxes, changes from the initiative and what (indecipherable).

COMMISSIONER MCALLISTER: Can I just chime in a little bit?

CHAIR GORDON: Please. Yeah.

COMMISSIONER MCALLISTER: So there really are

only two issues. One, we've got the existing program that's got its allocation and it's cranking away year to year. Every year there's a number and then that gets allocated amongst the schools by a formula. And so now that we have this program and we'll have some stranded funds that have not been asked for and look like they won't get asked for.

So one problem the Legislature had was well what do we do with those funds? And so what Nidia's talked about is okay well now with what we know, we know there's a problem with school buses. We know that ECAA-Ed has been successful and deserves -- is sort of a good channel for stranded funds going forward. So we're going to put some money in there and we're also going to reallocate with some diversity really and economic disadvantaged criteria built in to the rest of the stranded funds.

And so that sort of is what the Legislature had to do to sort of get the point where then we could talk about okay going forward, what is it we really need to do with the funds? And so I think that's kind of why (indiscernible) thought that way. But the Legislature just wanted to kind of fill in any perceived gaps in the program with these remaining funds and look at some possibilities.

CHAIR GORDON: Thanks, Commissioner.

And you may remember that in our report we also

could have separate out remaining funds within two, three years. But I'm going to just go down the line, because I think people have questions right now.

BOARD MEMBER MARTINEZ: On the idea of the ECCA-Ed $100 million (indiscernible) allocation, are those direct lending.

CHAIR GORDON: Turn that on. I think your mic might be not on. There.

BOARD MEMBER MARTINEZ: On the ECCA-Ed $100 million allocation, are those for direct loaning or are they loan guarantees with partnerships with the private institutions?

MS. BAUTISTA: So that is an existing program and again the initial Prop 39 budget negotiated, at least the first two if not three years now, I'm trying to remember. It was the first two years provided some money, a total of $50 million actually that went into the ECAA or roughly thereabouts so (indiscernible), but about close to $50 million had already gone into the ECAA-Ed program.

ECAA has been a long-standing program that the Energy Commission has overseen with regards to energy efficiency savings. In this case, there was a subaccount created specifically under Prop 39. The Budget negotiated where the was money available only to LEAs that would be eligible for the Prop 39 program, so for schools. And it

was allowable at it was supposed to be low and zero interest loans. And the payback here I believe, and I'll look to the Energy Commission, I believe they're usually 20 years or so. So this is essentially an additional pot of funding that's available to schools.

The first bunch of money for most of our ECAA-Ed account has largely been subscribed fully at this point. There's a little bit of remaining money, but not much. And so the idea is that with it being a loan program, the beauty of a loan program is that once the schools repay that -- and ECAA, I will just tell you, just in general has had a fantastic record in terms of any -- there's been very little if any defaults at all.

That those funds then replenish the account and then can be available to help other schools, which is that's part of the beauty of the loan. But we also recognize not all schools have the ability to borrow and then pay that back even over 20 years.

BOARD MEMBER MARTINEZ: Thank you.

MS. BAUTISTA: Uh-huh.

CHAIR GORDON: And just as a reminder to the Board, we actually recommend and that money get put back in ECAA in our report. So we are happy about this, potentially happy about this. (Laughter.)

BOARD MEMBER GOLD: So this would sort of fall

into the happiness category, which is -- so how was this Advisory Board engaged at all from the standpoint of obviously, which was some pretty 11th hour, on decisions on utilization of resources?

MS. BAUTISTA: I do know that there was a recognition of the recommendations that came out of the report and I don't recall them all off the top of my head. I know that there's obviously the number of folks involved in different processes on the creation of that, so I don't know some of the Board Members might want to speak to that more directly.

CHAIR GORDON: We weren't, except for in doing our recommendations in our annual report, so we were not -- we through Jack, did of course make sure that everybody had the report. In the Legislature, we actually personally delivered it this year rather than just sending it. And offered testimonies, but we didn't actually testify. So we were not involved other than the report recommendations, which is a good reminder that those report recommendations are important actually. But yes, we weren't.

BOARD MEMBER GOLD: Okay. So just a follow up on -- so I think the allocation of the resources, the one-time 175, those are very admirable uses. But it's something that I know I've brought up in previous meetings here that I'm a little bit concerned about on, is that there are some

schools in some communities that I think we could be targeting better on more transformative projects in disadvantaged communities that we're not doing.

So that it's sort of interesting to me from the standpoint of okay, well this is where the 175 should go on, when we sort of struggled with some of these discussions here. Is it a constraint? So it's just a difficult thing (indecipherable), to see that sort of thing happen procedurally without that sort of discussion on it. And it's the sort of thing that I would frankly think that the Pro Tem would actually be deeply supportive of, is that exact concern.

So anyway, I just wanted to have point in as a second follow up, if you could maybe respond to it? You don't have to.

MS. BAUTISTA: Right now, I'm going to have -- I can take the second follow up, yeah.

BOARD MEMBER GOLD: Okay. Well, the second follow up was just to make sure, just from the standpoint of clarity on where -- it sounds like what you just described as where we are right now, post on the Budget trailer bill being signed into law. And I'm just sort of jumping back and forth, I just wanted to understand exactly where are we today with that recent change versus what would SB 518 even modify from where we are today?

MS. BAUTISTA: I'm not sure I fully understand the question. I mean, so I don't know if you want to clarify, but in terms of this Budget -- and there's still more in the budget trailer that I will speak to in terms of the future program and I haven't spoken to that portion yet.

CHAIR GORDON: Let's come back to that question after Nidia talks about -- she's just talking about the unallocated money.

MS. BAUTISTA: Yeah.

CHAIR GORDON: So let's get back to that question, which is a good one, after we hear about the next phase of the program. Any other questions related just to the unallocated funding sweeping issue?

Chelina?

BOARD MEMBER ODBERT: It's not really -- it's not a question. I guess I'm just really surprised about the school bus use of this and wonder if you can offer any more about how it got there, besides people needed to fix the school buses?

MS. BAUTISTA: Yeah. In proposing 518, and obviously it being signed into the budgets, there's this agreement from both houses and the Governor that these funds can be used for that purpose. I'm not sure I can say much more to that, but...

BOARD MEMBER ODBERT: No problem, I was just wondering.

CHAIR GORDON: David, go ahead.

BOARD MEMBER DIAS: Actually that, I was going to ask the same kind of thing, is how much more (indiscernible) going to get out of the 75 million? I was trying to Google how much a school bus costs and I was trying to figure and do the math, but so in other words what are we trying to accomplish with how many school buses or repairs or whatever?

MS. BAUTISTA: Yeah, I believe that dollar amount and I'm trying to see if I have it in here, because I remember when I analyzed 518 when it first came through our Committee -- and I don't know if I have my analysis here, but I might -- I think I have a floor analysis version, which is smaller from my analysis.

But ARB at their December hearing last year, so this is 2016, had a cool presentation for the Board around the need regarding school buses. And my understanding is that dollar amount, if I remember accurately was pegged about that rate for the amount of buses they believe would be out of compliance, or roughly out of compliance come this fall.

The assumption there was that half of the money would likely be required for replacement buses, because

some of these buses are just of the age that and the vintage that they frankly cannot be upgraded in a way that would be cost effective or even feasible, because it's just older buses and they can't really retrofit them. And that the other half of those buses would likely be out of compliance -- or actually these are the most polluting buses actually even -- the more that would be out of compliance. But the other half would be upgraded, so there would be a retrofit for those.

And that this dollar amount, if I remember accurately, was fairly reflective of attempting to address the need for those most polluting buses. Half of which would likely have to be replaced and half of which would need to be retrofitted.

And this legislation would basically have the ARB identify which of those buses those are, and have the CEC administer the program to actually provide the grants for those purposes. So it would be driven by ARB's analysis around which buses would make the most sense and then have the CEC administer the program. Not unlike they've done in the past with some other school bus retrofit programs.

BOARD MEMBER DIAS: Thank you.

CHAIR GORDON: Would you like to ask anything?

COMMISSIONER MCALLISTER: Yes, I would. So thanks for all this and I don't want to -- I want you to

get onto your next piece, but so we will have reflows from the first 50 million. And as the schools pay back, that will be money coming back in that can be loaned out to new schools. Is there -- I apologize for not having read the language -- but is there an intent or something explicit in the language about the application of a new criteria for those funds when we loan them out again?

CHAIR GORDON: I'm sorry. You're talking about ECAA?

COMMISSIONER MCALLISTER: Yeah, to ECAA, sorry.

MS. BAUTISTA: Well, yes in the sense that it says that monies when they get replenished would go back to that purpose, but I would say it's more broadly --

COMMISSIONER MCALLISTER: But (indiscernible)

MS. BAUTISTA: Yeah, it's not explicit, as explicit maybe as it would be.

COMMISSIONER MCALLISTER: With the new criteria sort of, yeah we want to flow towards these (indiscernible) and sort of layer on some of that criteria. We're going to have reflows as well, not just the new 100 million, we're going to have another 50 million coming back in that will then go out to schools.

MS. BAUTISTA: Right. And I do want to clarify though that it's the proxy for disadvantaged, other bills. And I've work on other bills where it's disadvantaged

communities as defined. In this case, it's really the proxy for the school in terms of the number of students that are on free and reduced price meals. So, they just want to make sure that folks are clear on that, because there are other bills that deal with disadvantaged communities and help extend the funding here.

CHAIR GORDON: All right. We're going to -- oh, Chelina, did you want to get to that question you had before?

BOARD MEMBER ODBERT: Oh, yeah. I'm sorry, I forgot I had a second question.

MS. BAUTISTA: Sure.

BOARD MEMBER ODBERT: Just I was wondering if you had any insight, speaking of proxies, of how the 10 percent for attendance -- not more than a 1,000 -- the 10 percent between 1,000 and 2,000; how those numbers were established?

MS. BAUTISTA: Yes. Sure. If I may then I can turn now to what the future program looks like if that's okay?

CHAIR GORDON: Yes, why don't you address one thing on these comments? I just wanted to ask if there's anything that you can share with me, and I can share with the Board, that gives any of the numbers behind the bus decision? I think we're particularly interested in actual

energy savings, and just for our information how that's (indiscernible) --

MS. BAUTISTA: Yeah. I mean, I can definitely send you what I got from the author's office and what I clipped from the ARB reports. And I can forward that to you. I don't have that with me today, but I'll be happy to provide the report, that the Board can have.

CHAIR GORDON: Thank you. That will be useful for us, especially since we're overseeing that too. We'd like more information on that.

MS. BAUTISTA: Yes, without question.

Now, in terms of the future program -- which was kind of what some of these questions are leading into -- so again the initial seed of the estimated amount of funding 75 million for school buses, 100 million for the loan account and then any remaining funds, because there may in fact be more than 175 million even as of next March for LEAs that just haven't applied at all. It would then be directed into what is considered kind of the next -- almost like a Prop 39 Version 2.0, if you will. So it's the new version of Prop 39, which what I would describe as is very similar to the existing program with a couple of big differences.

One, if you want to know with the existing program, there is a guaranteed allocation to each LEA. So

that will now change. I think the assumption is that it's very unlikely that this fund will get the same level of funding that it has in the recent past. It's possible, but it's unlikely.

And the reason for that is that the new program will now be, aside from the remaining funds that will be allocated, will be annually appropriated by the Legislature and the Governor, through the budget process.

So this bill will establish the framework for this new program, Version 2.0 if you will. But it doesn't actually, aside from the estimated amounts of monies from March of next year, will not allocate those future dollars. Instead, that will go through the normal budgeting process.

CHAIR GORDON: I just wanted to clarify that, just so we're all on the same page. What you're saying is through the first five years, funding for this program came from a specific amount from the corporate tax --

MS. BAUTISTA: Correct.

CHAIR GORDON: -- funds, because of the change from single payer to dual payer to a single payer, right?

MS. BAUTISTA: Yes.

CHAIR GORDON: So production of those funds for this program that was just set, is up to 550 million?

MS. BAUTISTA: Yeah. 50 percent of whatever was attributed from that change.

CHAIR GORDON: So 50 percent, you're saying that nothing will be guaranteed, going forward.

MS. BAUTISTA: Correct.

CHAIR GORDON: And it will be an appropriation process only?

MS. BAUTISTA: Correct.

CHAIR GORDON: And in that appropriation process -- you may not know this, but you may -- will half of whatever appropriated go into the Prop 98 fund?

MS. BAUTISTA: I'm sorry. Oh, will it all go to Prop 98?

CHAIR GORDON: Will a portion go to Prop 98, because it's being appropriated for schools?

MS. BAUTISTA: I will say that I think the intent is that if it -- and this maybe a discussion to be had in the future years when that happens -- but I would say that probably a strong case maybe to be made that any money allocated for this purpose, since it's still meeting the needs of the schools, would meet the Prop 98 thresholds. But because we haven't actually appropriated those dollars I would say that that would be yet to be decided.

CHAIR GORDON: Okay. All right, go ahead. So no (indiscernible) appropriation and it's not going to be without the formula, it sounds like.

MS. BAUTISTA: Correct. So the formula's changed

now. Again, if you would recall the actual initiative stated that this program was going to be a five year -- this piece of the program was five years and then it would sunset. And then the monies would all go back to the general fund, as the other portion of the change attributed to the corporate tax change foes today. So right now, this program only gets up to -- gets 50 percent of whatever's attributed to that change in corporate tax calculation.

For future years, this will be an annual appropriate process, just as it is with any other item in the general fund, as to budgeting. I think that part of that I'm sure will be based on the success of the program, which I think we're now seeing the results of. And so certainly the demonstration of the success will help to further those efforts.

I will say that in general. And then obviously I joke with people that my job, if I had a crystal ball and a time machine, I could solve a lot of problems. But in this case, I don't know for sure what the future Legislature will do. I would imagine they would base it on whatever the conditions are for the budget for that year. But I know that this program has received bipartisan support. So it's been a well-received program people are generally very happy with.

I think one of the issues I think has been a

challenge, as you all know, has been that there are some LEAs that who just have not been able to participate. So some of those struggled with the existing formula, though it provided an opportunity to each LEA, it also meant we've left stranded money there. Because not all LEAs are able to or have been able to take advantage and perhaps there's a number of reasons for that.

For the future program it would say we're going to establish the framework for that program. Since we're not doing a formula, we also want to be fair to schools so that we're -- again we have a wide spectrum of LEAs, some very small, some very large. And obviously we don't want to have the very large LEA competing against the very small LEA. That would just seem very unfair.

And so as a result of that we've established some parameters around that, so that in the future program that there would actually be essentially buckets, if you will, within each given size of the LEA. And those buckets were based on frankly the proportion of the students. So that it would be more reflective of the actual students that are being served.

And it gives the Energy Commission the discretion to actually readjust those if they so choose. But the buckets are basically as she mentioned, which is 10 percent of the money would be for LEAs with less than 1,000

students. And that is actually just a little bit more than the proportion would be if -- and I should have the numbers with me, which I can share with Ms. Gordon, which is that that I believe is somewhere in like 8 percent neighborhood for LEAs that are under 1,000. That's if you took the number of students and what does that represent for the whole state, that's roughly what they would represent. So we're giving them 10 percent.

They would have a bucket of the money. About 10 percent of that money would be available to them and they would apply for that and the Energy Commission would give out the money, based on their application. And then another 10 percent for those between 1,000 and 2,000, again very reflective of the proportion of the students that they are serving. And then the 80 percent would be for any LEA that's 2,000 and above.

And it still gives the Energy Commission to a further opportunity to refine those buckets if they believe that there needs to be some adjustments, because we recognize the struggle of an LEA that has 2,001 students versus -- I'll just mention LAUSD, for example, they would be in the same bucket -- however, once we start looking up the numbers of the LEAs that 2,000 and above that became a much smaller universe. And so it became harder to size it, without creating basically a separate bucket for like the

large San Diego/LAUSD bucket, which that's not the idea.

At the end of the day, the school districts that have to submit projects like they do today, that are not reflective of the entire school district, but they were specific projects at specific schools, but those are the buckets. And I'll stop there, because I don't want to lose you guys. But those are essentially the buckets to allow for the LEAs to compete within their own class of size of school that's serving the students and not have to compete with the larger school districts.

CHAIR GORDON: Can you talk first about what compete means in this new context, so is it still proposals to CEC under the same criteria or has the whole thing changed?

MS. BAUTISTA: Yes. Yes, and the belief again this is still an energy savings program. We believe very much it still should be continued to be house at the Energy Commission. And so therefore this would be administered by the Energy Commission.

I will say that this is not going to be a normal competitive grant program, in the sense of like here everybody competes all at the same time and then have the CEC have to review 2,000 applications all at once. I mean the hope is that we want to get the money out quickly. We want to have a fair process. And the idea was that the

idea was that the language actually empowers the Energy Commission, as it did with SB 73, that they can establish guidelines so it's not regulations. It's guidelines.

In this case, they would be submitting applications as they do with ECAA. So it's going to be a very similar type process with the prioritization that the legislation provides in terms of the type of students that it's serving. So even within each class, there's a recognition that there's certain needs that within each class, whether you're a small school or a large school. If there's students that are on free or reduced priced meal, as an example we want to make sure that we're helping those school districts or LEAs, I should say.

There's some other prioritization around geography and making sure that we're being full geographic diversity within the state, so it's urban, rural and suburban. That we're not leaving out the rural districts and also not leaving out the suburban districts, as an example. And then also within the regions of the state, which the legislation admittedly does not define, but I think we have our -- are very hopeful that we'll be able to the Energy Commission to make sure that the idea is that we don't want all the money to go to the Bay Area and then the rest of the state doesn't get any of the money. We want to make sure that there's a good diversity there.

And frankly, it's a little tough sometimes to crack that in the legislation without being like very specific, "This many applications for this region." And we try to avoid that, provide general guidance, and believe that the Energy Commission has been doing a very good job with this program.

And with your oversight and our continued oversight, that we believe that they'll be able to meet those expectations.

CHAIR GORDON: Thank you. I'm sorry, do you have any --

MS. BAUTISTA: That's okay.

CHAIR GORDON: So first I want to say -- we'll do questions -- but first I want to say that I think we need to -- and it's passed already, there's not much we can do. But I would like to see a copy of this, so we can circulate it. And then we probably will have you come back, or someone come back at the next meeting. So that there's a goal of understanding of what's passed, we can dive into it a little bit, because I think we're all feeling a little blindsided.

MS. BAUTISTA: Okay. I'm sorry.

CHAIR GORDON: Okay. So that's the first thing I'm going to say. I have other things to say, but let me see if anyone else on the Board wants to ask questions

first. You guys?

VICE CHAIR RAY: Go ahead.

BOARD MEMBER DIAS: Yeah, I was going to say I was going to wait until I see (indiscernible) --

MS. BAUTISTA: Okay.

VICE CHAIR RAY: Well, I don't understand the political process as well as you do, Kate. You're a genius.

CHAIR GORDON: Apparently not. (Laughter.)

VICE CHAIR RAY: But did I hear that we can recommend or that the CEC can recommend, and people can make applications, but at the end of the day the Legislature and the Governor basically determine what's to be done through the political process?

CHAIR GORDON: I don't think so. But I mean my understanding, and let me just say, so what has happened here -- and we all need to dig into it a little bit more -- is the deal with Prop 39 is the Legislature has always been able to set the rules. And then the CEC has been asked to be the guidelines, right? That's the deal.

So what's happening it seems to me, is that the framework has been changed by the Legislature away from a formula base and a guaranteed funding, to an annual appropriation and a buckets approach, right? Within that the CEC is still offering guidance and I assume your

guidelines process will be what it is, which is public comment and the (indecipherable) involvement and constant change and all those things we love. Is that right?

COMMISSIONER MCALLISTER: Yeah. So we definitely appreciate the guidelines process versus having to develop formal regulations. That's always a good thing, because it allows flexibility in changing things more rapidly and in response to the feedback.

But obviously, there's a lot to talk about in terms of how we operationalize the recommendations in the statute now, which are very high level. And I think actually the -- I would anticipate that the Citizens Oversight Board, that this body basically, which didn't even exist for the most part when we first developed the guidelines, because we -- you're goal -- you know all this history there, right?

But now that it's established and meeting regularly and there's sort of a body of knowledge that's been developed, both in staff and across the stakeholder groups and in the Board, I think there's a -- the conditions for developing reasonable criteria and sort of responding to the new legislation and the new framework exists. But it'd be pretty premature to even talk about the details of that before we get into the language itself and then sort of enter the process.

MS. BAUTISTA: Well, I just wanted to add in terms of the buckets and such that was all in 518, it had similar constructs. So a lot of that construct, the idea of an application and all that, that has been in the legislation that's been moving, so in many ways that's still reflected there. There's still been some tweaking of the actual buckets, but still providing the Energy Commission with the discretion to even address those as needed.

CHAIR GORDON: Thank you.

David?

BOARD MEMBER DIAS: Yeah. The only thing I'm just wondering about is I would just hope that if somebody lives in a rural area and has the means to really go after the funds, that somebody would hopefully show them the way and all that, and the same with the disadvantaged communities. And I hope that's part of the guidelines.

CHAIR GORDON: That actually is a good question. And brings us to one of the things we had recommended in our report, going to that exact question, was the help of the CEC for doing technical assistance since they've been doing that essentially unfunded. Is there any provision to provide the CEC with any administrative funds here?

MS. BAUTISTA: Well, so since this bill establishes just the framework, the budget in itself will

be --

CHAIR GORDON: It has to be appropriated.

MS. BAUTISTA: Yes. It will be appropriated in future years. I very much suspect that I know that the Energy Commission has been -- I don't want to mischaracterize, but that they've also been going through their just more broadly for the agency in terms of how their staff being in all such are accounted for. But I wouldn't be surprised to see BCP, Budget Change Proposals, to account for, or budget proposals to account for staffing needs around it. But it's not something that's in this legislation, because again this legislation is not making future appropriation. It's only establishing the framework for when monies get appropriated in the future.

CHAIR GORDON: Thank you, Nidia. The only last thing I wanted to say is and just because I have the microphone (Laughter.) -- is that this Board probably knows more than anyone except for the CEC in the State of California, about how this program works. And we would hope that we would be consulted in the future on some of these big changes.

MS. BAUTISTA: Yeah.

CHAIR GORDON: And I appreciate Commissioner McAllister reaching out to us on guideline changes. I think we're very interested in being involved there. But

from the legislative side, this is a complex program that we spend a lot more time thinking about than most people.

MS. BAUTISTA: Yeah. I recognize that.

CHAIR GORDON: So we just ask as the Board that we are included too.

MS. BAUTISTA: Yeah, and I appreciate that comment. Obviously, as you know with the legislative process there's lots of cooks in that kitchen. And certainly have the assumption at least, that with the recommendations that your Board had put out, those were certainly taken into consideration by the author when he originally proposed his bill. And certainly helped inform and shape this legislation going forward.

That's not to say that all recommendations obviously always get implemented and this program is still, you know, it's just establishing framework for the future. That doesn't mean that that those things will not change in the future either.

But and before I also leave, I also want to mention those very key piece, that I think for the existing program, that a lot of the schools and the Energy Commission and everybody wanted clarity on. And that was about the encumbrance date. So I did want to speak to that, because I don't want a missed opportunity to do that. And this legislation does move that encumbrance date to

June 30th, 2019.

And that will provide, hopefully schools, the LEAs and the Energy Commission, everyone, the space and time to actually complete again the full five-year program, which was the full five years that were originally promised in the initiative, obviously.

And so we're hoping that that gives everybody a little bit of breathing room and again recognizing that the monies, sweeps that are unallocated as of spring of next year, those are not for LEAs that are participating in this program.

And I would just say that I know the Energy Commission has been working so hard at trying to reach out to all those LEAs. They've been doing one-on-one contact with them.

I know our extended offices have been doing that as well, particularly with some of the larger public school districts that haven't participated in the program. And I'm so very pleased to see so many of those school districts that were on that list are now getting their awards approved. They're submitting applications.

So I think that's the good news like a little bit of fire underneath them all and things are moving and they're happening. And I know that that's not a small endeavor when you're talking about 2,000 LEAs. So I want

to applaud the Energy Commission for that effort and also recognize a lot of our senate offices that have been reaching out. So they've been sending them lists and making -- trying to get one-on-one contact.

And it's great when we do that and we find out "Oh, we already submitted this application," or, "It's approved."

So again, I think the overall message for this program is it is working. We're seeing the SIR numbers are generally good, great, which is like a 1.4 from the report that you have. And the Energy Commission has. So the energy savings are happening. The schools are getting approved. Obviously the jobs are being created.

We know that energy efficiency is such a great stalwart of our energy program here at the state and now that the schools are actually a beneficiary of that is fantastic. I know that a lot of our senators and members of the Legislature are just so thrilled to have this opportunity for their school districts.

And certainly we want to continue to work with Citizens Oversight Board on future changes to the program.

CHAIR GORDON: Thanks.

Mark, do you want to say one last thing?

BOARD MEMBER GOLD: Just very simply, which is I know you said that it's important that there's better

communication and investment of the Board. I would just suggest when things are a little less insane in the Pro Tem's office, we should meet and have a brief discussion on these exact issues. Because I'm pretty sure the office would be pretty pleased, as you said, with the progress that's occurring.

MS. BAUTISTA: Yeah.

BOARD MEMBER GOLD: But also on costs where this could be improved on and see if there's a lot of common ground there, so understanding and rapport.

I understand this direction on how we're parceling -- it's weird to parcel out a dollar amount that could be zero, by (indiscernible) and so if we could get at least some idea on what his thoughts are on what he actually sees from the standpoint of -- you know, (indiscernible) on the program working. We don't really know if you're literally living hand to mouth, year to year, have a better understanding of what at least the expectations are, while he's there in the leadership.

Thank you.

MS. BAUTISTA: Thanks.

CHAIR GORDON: Great, thank you.

So I think we definitely would like to see a copy of the bill obviously, which we can ask Jack for.

MS. BAUTISTA: I can give you a copy of that.

CHAIR GORDON: Yes.

Go ahead.

COMMISSIONER MCALLISTER: So we've talked about it at the Energy Commission with them and our piece of the program, which is great. And I appreciate that. I guess I'm wondering was there anything else about the conservation for the community colleges and things like that? (Indiscernible)

MS. BAUTISTA: Thank you for asking, because I did want to mention the community colleges portion.

So just like the existing program it allocate the 11 percent to the community colleges and then 89 percent to the LEAs, the future program does as well. And even the -- so the future program will also give 11 percent to the community colleges and then the LEAs.

In terms of the core and some of these other programs that have been funded, this legislation does not speak to that. And those would largely be future budgeting decisions.

I know that there's a desire by the Corps for that to happen, but --

CHAIR GORDON: So no specific funding for the Conservation Corps or for the Workforce Corps or any of the job (indiscernible) sites?

MS. BAUTISTA: Correct. And again none of the

future funding is being allocated in this legislation. It's only setting up the framework, so.

CHAIR GORDON: Thank you.

So just closing out this item, unless there's other comments and --

MS. BAUTISTA: Do the public make comments at this point or no?

CHAIR GORDON: We usually do it at the very end, but we can do it item by item. We'll do it item by item. Just give me two minutes and then --

MS. BAUTISTA: Sure.

CHAIR GORDON: -- I did want to just remember that we talked about getting a copy, which we'll get from Jack, on the legislation. And then I think our next meeting we will bring this up again. And ideally you'll come back and maybe at the time (indiscernible) programs office. But let's talk about that, so that we can all have that understanding of the thought process and also have moved forward.

BOARD MEMBER GOLD: A quick question?

CHAIR GORDON: Yes.

BOARD MEMBER GOLD: I promise. All right, so this goes back to what I asked at the very beginning.

So all of this, everything you explained obviously is done, because it's been approved in the budget

trailer bill, which has been signed by the Governor. So in essence, is there still an SB 519 or I mean 518, sorry.

MS. BAUTISTA: Yes. So 518, as I mentioned it's right now in Assembly Natural Resources Committee. So

BOARD MEMBER GOLD: Well, what's left on what you want to achieve then?

MS. BAUTISTA: Yeah. So my understanding is the author's not persuing moving that bill at this time. So basically what was in 518 is in the budget trailer bill now, so the purpose for 518 doesn't really exist now. So it's parked in Assembly Natural Resources unless the author chooses to do something else with it, or change something in there and yeah.

BOARD MEMBER GOLD: That's really what I was trying to get answered. Thank you.

MS. BAUTISTA: Yeah, I know it. You're welcome.

CHAIR GORDON: So we'll do public comment first in the room and then I'll ask if anyone on the phone has a comment.

Anna Ferrera?

MS. FERRERA: Anna Ferrera, School Energy Coalition. We would just from on behalf of the SEC are very grateful for SB 110. We worked closely with the Pro Tem's Office on 518, virtually all of the content moved over. And we are pleased as there's no bounds to how we

feel about 110, just because the money could have been swept back into the general fund for the state. We see this as a positive, but there's -- we'll have that fight. Give us that problem of no funding in it right now. And that the program would continue. And that the funding that remains would be used for clean energy buses and the purposes that the Pro Tem's Office laid out.

So as far as I wanted to make a comment about the tiers, (phonetic) they had actually put in, I think it was 30/30/30. We made mention of the fact that those numbers didn't coincide with the way those districts are spread out in real life and population wise. So they made that adjustment partly because we asked for it.

And we'll be working with them and working with you to see that that goes forward. And we also believe that CEC should be looking at administrative funding for that purpose. I know when 518 was going through appropriations, that was the first thing that they did in their analysis was say that CEC, I think it was $3 million or something like that, so I think that was the thinking.

So we will back you up on that as well, so I'm happy to be part of that process.

CHAIR GORDON: Thanks. Thanks for all of your work also.

COMMISSIONER MCALLISTER: On the administrative

fund, really this just part of a broader (indiscernible) in the Commission where if the Legislature asks us to do something we might point out that we need resources, and (indiscernible) and if we don't get explicit resources for it we have to take it from somewhere else.

So we're just trying to make sure that before they ask us something we have the resources to do a good job and it's (indiscernible) --

MS. FERRERA: Oh, I'm sorry. One last thing.

CHAIR GORDON: Go ahead, Anna.

MS. FERRERA: And I don't -- I'm sorry I got here late, but that question about the timelines for who is included in the March 1st date of 2018?

I think what I heard, Nidia, Ms. Bautista say, was that it was going to be for those who hadn't put in an EEP as of yet? But it is a funny paragraph, just for the record -- and I think that there is some discussion going on about that. Also whether or not that means that's the date of sweeping or that's the date of the EEPs being turned in.

And we would like to see it that it was the EEPs turned in. But given that it is just that universe of schools, we're a lot less concerned about it now than we were at the beginning.

So again, thank you.

CHAIR GORDON: Thank you.

Yes, come up. And how are you?

MR. ASHUCKIAN: I'm Dave Ashuckian, the Director of the Efficiency Division who implements that Prop 39 Program.

I just want to point out that our Office of Governmental Affairs and our legal folks have read SB 110. And believe that although there's some language about guidelines, that the specific provisions that require us to do regulations has not been adopted by the Senate in the Governor's bill. So that we do believe that we are still obligated to actually do regulations in the new version, rather than guidelines.

And if we can get some clarification on that, we would certainly help. Because we prefer to do guidelines obviously, but we believe that the language doesn't actually allow us to do that.

MS. BAUGH: Yeah, so I'm going to actually recommended that you have Kourtney Vaccaro, the Commission Counsel, call me and we'll take a look at the bill.

MR. ASHUCKIAN: Okay.

MS. BAUGH: I see this all the time in legislation, I know exactly what you're talking about when (indiscernible) so maybe we can work with your office to (indiscernible)

MR. ASHUCKIAN: Great. Thank you.

CHAIR GORDON: Thank you.

Is there anybody else in the room who wants to make a comment? Is there anybody on WebEx, who wants to comment on this specific item?

(No audible response.)

MS. MURIMI: Nobody has raised their hand on WebEx.

CHAIR GORDON: All right. So we're hearing no one has raised their hand on WebEx to comment on this item.

The last thing I'll say since I laughed at everybody, and now I'll say something nice, which is that we at the Board recommended the extension of this program. And we recommended looking at the encumbrance date. And we recognize that ECCA is a really important program and all those things (indecipherable) on balance, it's good to know that this is a program that's being taken seriously. And it's being looked at as something to continue in the state. And we look forward to continuing to communicate on it, going forward.

All right, we are going to close out this item and move to the next one.

So everyone on the Board knows that our two big responsibilities on this Board, one is the report to the Legislature on the overall direction of the program and we

just talked a lot about that. And the second is the actual audit of the program, both the audit of the fund and also the audit of the expenditures.

And we now actually have a report on that from the Controller's Office, so I'm assuming you guys are the Controller's Office. Come on up and please use the microphone and introduce yourselves.

And I think what we'll have now is -- and one of you is David -- is this you?

MR. SUPAN: Yes.

CHAIR GORDON: Hi, David. David Supan from the State Controller's Office will be presenting the completed report and then we will have a chance to ask questions. This is a potential vote, so everybody pay attention.

All right. Go ahead, David.

MR. SUPAN: Good afternoon Chair and Board Members, thank you for allowing the State Controller's Office to present our audit results. My name is David Supan, a Manager with the State Controller's Office Division of Audits.

The State Controller's Office performed two audits of the Clean Energy Job Creation Fund. I will be presenting the results for the financial audit and my colleague Lisa Kurokawa will be presenting the results for the performance audit.

Under the authority of the interagency agreement between the Citizens Oversight Board and the State Controller's Office, the State Controller's Office performed a financial audit of the Clean Energy Job Creation Fund, recorded in the State General Fund for years ended June 30th, 2014, 2015 and 2016. The audit also fulfilled the Board's responsibility per Public Resources Code 26201 of commissioning an annual independent audit of the Clean Energy Job Creation Fund.

The State Controller's Office determined that the fund's financial statements are fairly presented in all material respects for each of the years ended June 30th, 2014, 2015 and 2016, in accordance with accounting principles generally accepted in the United States of America.

We noted a minor internal control issue related to time sheets of the California Workforce Development Board, which we reported in a separate management letter to the Workforce Development Board. The Board's management responded promptly to indicate that it had resolved this issue. We issued our report on May 31st, 2017.

I'm available to answer any questions you may have.

CHAIR GORDON: That was very succinct, thank you David.

Can you tell us anything else about the issue with the Workforce Development Board or is that not relevant?

MR. SUPAN: There were a few timesheets that lacked formal approval.

CHAIR GORDON: Thank you. Are there other -- I'm going to ask if any of our Board members who are more schooled in reading accounting balance sheets than I am, questions or thoughts, particularly you Walkie, since we've been through (indiscernible) audit this whole time.

VICE CHAIR RAY: No, I have no questions.

CHAIR GORDON: Any questions, Chelina?

BOARD MEMBER GOLD: It's as clean an audit as you'll ever see. (Laughter.)

CHAIR GORDON: The audit looks good. Chelina, did you want to say anything?

BOARD MEMBER ODBERT: Nothing.

CHAIR GORDON: All right, so are we -- so there are two parts, just to remind everybody there's two parts of this audit where this is just item five here, which is the financial audit.

Given that there aren't any comments and debate, I'd like to call for a vote on this motion to approve and second.

BOARD MEMBER MARTINEZ: So moved.

BOARD MEMBER DIAS: Second.
CHAIR GORDON: Let's do a roll call please, Eunice?
MS. MURIMI: I have a roll call for the Board.
Kate Gordon?
CHAIR GORDON: Yes.
MS. MURIMI: James Ray?
VICE CHAIR RAY: Yes.
MS. MURIMI: Chelina Odbert?
BOARD MEMBER ODBERT: Yes.
MS. MURIMI: Randall Martinez?
BOARD MEMBER MARTINEZ? Yes.
MS. MURIMI: David Dias?
BOARD MEMBER DIAS: Yes.
MS. MURIMI: Mark Gold?
BOARD MEMBER GOLD: Yes.
MS. MURIMI: Thank you.
CHAIR GORDON: Thank you. Thank you everybody. And thank you, David. That was very helpful.
And now, I think item six we have Lisa Kurokawa, which must be you?
MS. KUROKAWA: Yes.
CHAIR GORDON: Hi, there.
Giving a presentation on the other side of the audit process, which is the Job Creation Fund expenditures.

MS. KUROKAWA: Yes. Good afternoon, Chair and Board Members. Thank you for allowing the State Controller's Office to present our audit results. As you said earlier, my name is Lisa Kurokawa and I'm an Audit Manager at the State Controller's Office, Division of Audits.

Today, I'll be giving you an update on our program audit of the California Clean Energy Jobs Act. Under the authority of the interagency agreement between the Citizens Oversight Board and the State Controller's Office, we conducted a program audit of the job creation fund. Our audit report was issued on June 30th, 2017. Our audit took place over, we did it over two phases. So I'll go over the two phases separately.

So phase one of our audit was to assess both the California Energy Commission and the California Community Colleges Chancellor's Office's controls over implementation and administration of the job creation fund. As such we reviewed the implementation guidelines developed by both the Energy Commission and the Chancellor's Office and found that they both comply with the applicable provisions of the Public Resources Codes.

In addition, we reviewed the controls established by both the Energy Commission and the Chancellor's Office to ensure completeness of the form submitted by both the

local educational agencies and the college districts. We found that both the Energy Commission and the Chancellor's Office had adequate controls to ensure the completeness of all forms submitted.

So the second phase of our audit was actually to go out to school districts and college districts and do testing. So part of our agreement is to audit a selection of completed projects to determine whether the energy projects were consistent with the job creation plan program's guidelines.

So through June 30th, 2016, 29 local educational agencies and 58 college districts reported completed energy projects. To fund this listing of completed projects, we selected 20 for audit. Of the 20, 16 were local educational agencies with project costs of $13 million. And four were college districts with project costs of about $5 million. So in total, we audited $18 million out of a total of 52 million in total completed project costs.

The objective of our testing at the districts was to determine the districts compliance with the various Public Resources Codes. In our audit, we have identified three audit findings, which I will go through right now.

Finding one, we found that four districts' sole source, either a portion or all of their project costs when awarding the Proposition 39 contracts, which is a violation

of Public Resources Code 26235 Section C. The four districts have been identified on page 11 of our audit reports. In our audit report we recommended that the California Department of Education take appropriate action in response to funds paid to these four districts that did not meet the "no sole source" requirements.

Finding two, 15 districts did not include the projected energy savings in the awarded contracts, which is a violation of Public Resources Code Section 26206, Section D. Again, the 15 districts that are in violation of this provision are identified on page 12 of our audit report.

In our report, we also recommended that the district comply with Public Resources Code 26206, Section D and identify the projected energy savings in all awarded contracts.

And then our last finding is finding three. One district applied its Proposition 39 funds to project costs incurred prior to the eligibility period. As such, we found that $20,458 is ineligible. And that's the entire amount of that District's allotment. We recommended in our audit report, for finding three, that the California Department of Education take appropriate action in response to the funds paid that are not eligible for Proposition 39 funding.

So that's really the conclusion of my

presentation. And I'm available if you guys have any questions.

CHAIR GORDON: Go ahead, Chelina.

BOARD MEMBER ODBERT: Well, I guess I have a few questions. And I'll start with the first one. Okay, so is there a dollar amount that you guys (indecipherable) with the second finding? Meaning that I don't know if there's a requirement tied to that.

MS. KUROKAWA: Yeah. We decided finding two we considered to be a procedural issue, so we did not identify a dollar finding associated with that.

BOARD MEMBER GOLD: Does the same apply to finding one?

MS. KUROKAWA: We do consider finding one to be a dollar finding of about $507,000. It's on page 11 of our audit report and we do recommend that CDE take appropriate action in response to those funds. So that's about $507,056 on page 11.

VICE CHAIR RAY: Of course, this is just a sampling?

MS. KUROKAWA: Yeah. This is a sample of 20 districts.

VICE CHAIR RAY: Right. And out of how many districts again?

MS. KUROKAWA: Twenty districts.

VICE CHAIR RAY: No, I'm sorry, out of the total amount of districts?

MS. KUROKAWA: It's 29 plus 58.

VICE CHAIR RAY: So 87?

MS. KUROKAWA: Yes.

VICE CHAIR RAY: So you sampled a quarter of them, correct?

MS. KUROKAWA: Correct.

VICE CHAIR RAY: Do you have reason to believe that the findings, the sample would carry into the entire district? I assume you do. And therefore say finding one, which was $507,000 worth of contracts that were sole source awarded, that would become a total of 2 million?

MS. KUROKAWA: Oh, if you extrapolate it to --

VICE CHAIR RAY: Yeah, if you extrapolate it. Yeah.

MS. KUROKAWA: We didn't extrapolate that. So I can't make a comment on whether, if I went to the remaining 60 districts, if we'd have the same issue.

I will say these four districts identified on page 11 are school districts. The college districts, which is 58 of the 80, they all did -- the guidelines identified by the Chancellor's Office are a little bit more strict than the Energy Commission. So I don't believe we would have an issue with the 58 college districts.

VICE CHAIR RAY: So if you excluded them from statistics?

MS. KUROKAWA: Yes.

VICE CHAIR RAY: Well, what does one extrapolate the 507,000 from?

MS. KUROKAWA: I can't extrapolate the 4 districts out of the 29 schools that had completed projects. As you see from the list there's small schools, there's big schools. I don't know that you can say that there's some sort of comparative analysis that you can make.

CHAIR GORDON: There was a lot of discussion about finding one --

MS. KUROKAWA: Correct.

CHAIR GORDON: -- in the last few months among, we were (indiscernible) part of the discussions, but there was a lot of discussions.

I don't know, Commissioner McAllister, do you want to weigh in on this at all? It's a little more complicated than the way it's laid out here. I just want to make sure that the Board understands what the (indecipherable)

COMMISSIONER MCALLISTER: Yeah. So I mean, this actually -- so "sole source" is very, very loaded term. It has a lot of (indecipherable) history and procedural

precedent behind it. So and I would actually defer probably to Dave or program staff to talk about this issue, but the way determining is done and the standard way it's done is I think pretty well established. And so I think a lot of the discussion was kind of getting to a common understanding about what sole source meant in this context. But maybe Dave can brief us?

MR. ASHUCKIAN: Okay. Yeah, so Dave Ashuckian again, from the Efficiency Division.

Our attorneys had quite an issue with the issues of sole source because there's so many different types of sole source through processes that the state has. We were not in a position to help define sole sourcing, because of the different procurement processes. And so we worked with the attorneys at CCO to determine -- I'm sorry -- our attorneys worked with your attorneys as well to determine what we could come up with.

And I think we could come up with a mutual understanding of the difficulty in defining these and really it's the State Department of Education is really actually also in a better position, because they are more familiar with the contracting rules of the schools, compared to what we have.

MS. KUROKAWA: I think I'd like to clarify that this issue of no sole source, these four districts did

nothing. They've demonstrated nothing that they consider other vendors. There's a lot of interpretation of what no sole source means, though we learned the loosest term that these districts provided us no documentation that they considered any other vendors. There's nothing. They went with the one vendor for whatever reason, so there's no documentation to support that they considered anybody else.

MS. BAUGH: So I just want to chime here. This is Heather for the lawyers.

So I believe what likely happened here, and I could be wrong, but is that when this legislation passed the new state constructs of contracting, and applied it to local school districts, and they do not do their contracting the way state agencies do their contracting.

So if that wasn't clearly identified in the guidelines, they would have gone ahead and done what they always do, which is to go out and seek a vendor that's affordable for their budget, and have the work done. And that would not be illegal under most of the typical rules of (indecipherable).

So it's unlikely that the Department is going to have them pay that back. So my (indiscernible) thinking they were doing something wrong, they probably followed their typical procedures. And didn't realize it, because it wasn't in the guidelines.

I don't know that to be the case, but that is what I would assume from the findings that I'm reading in the report. So I just want to throw that out there for your benefit, but those contracting rules at the local level do not always track with the state procurement requirements.

CHAIR GORDON: Randall, go ahead.

BOARD MEMBER MARTINEZ: I appreciate this conversation. And I guess this program has been and continues to be a work in progress. And I certainly understand local procurement.

It just seems to me that we, as an oversight board have a responsibility to make sure that dollars are being spent appropriately, at least so that we can look at each other in the eye and feel satisfied. And I'm frankly worried about this, because it's been brought to our attention. And if your speculation is correct, I think that would be great, but I also think it's incumbent on us to seek that type of clarification or some type of clarification.

CHAIR GORDON: No, I appreciate that and I think that's right. In the process the only thing I can say -- I mean I am a lawyer, but not on this subject -- but the only thing I can say is it became clear through these discussions that there was a lack of clarity about what was

mentioned. And I appreciate what you said about your definition of sole source.

One thing we recommended, I recommended, unofficially recommended in those conversations was just more clarity. So as we think about this next phase of the program, this is something to think about, because we see from these results that either there's a lack of clarity and even if there was -- there's a lack of clarity for some of these schools. For these (indecipherable) schools, this is why we have an audit is to highlight these problems.

So this is good that you brought this to our attention. The state, and now the Department of Education knows about it, I do believe it's incumbent on us to make sure that there is no confusion going forward about this issue.

BOARD MEMBER MARTINEZ: Okay. Along those lines, I'd like to suggest that maybe we as a group formally ask the CDE to look into this and report back to us.

CHAIR GORDON: We'll consider that in the motion for approval.

Other comments on this, which I know is complicated?

VICE CHAIR RAY: I don't know if these findings evidence a good or bad or indifferent, because I don't know

what they should -- what we should have.

You do a lot of audits?

MS. KUROKAWA: Correct.

VICE CHAIR RAY: And for many agencies. May I ask you, does this organization pass the sniff test?

MS. KUROKAWA: Well, I mean this is the one and only one I've done of the Energy Commission, but over my 17 years of auditing I can attest that I've never had an audit with no findings. So this is -- we see findings all the time and it's just par for the course. And I think this is more now about educating these school districts moving forward, about what their requirements are.

And I've spoken with the Energy Commission about these four districts in particular. And I know that they've posted new information on their website and they're requiring districts to certify that they aren't sole sourcing. So I think actions have been taken to move forward to make this issue be more public.

BOARD MEMBER ODBERT: Thank you.

CHAIR GORDON: Chelina, go ahead and then Mark.

BOARD MEMBER ODBERT: Okay. So that clarification. I think if the macro that it is very helpful to understand that the findings are common, and this is one of those, and we can move forward from that.

I'm just wondering if, as an oversight committee,

we also have a responsibility to these monies in the (indecipherable) funding. And maybe that's a question for you or for anyone here, is it enough to sort of learn from this particular finding or is it our role to seek further clarification about the specifics of what was involved in this finding?

One thing I think maybe adds to the concern is that the four districts mentioned in finding one are also part of the districts mentioned in finding two, which sort of leads me to believe that the application process that they just maybe got a lot of things wrong. And so again, I just wondered should we concern ourselves at the oversight committee level with these four districts or is that sort of too in the weeds for us?

CHAIR GORDON: I don't actually know how to answer that, thoughts from others?

Heather, it's sort in our -- it's in our legal purview to commission the audit. In terms of any other, we don't actually have formal oversight over any of these schools, so.

MS. BAUGH: I think her recommendation though was that the folks implementing (indecipherable) the agreements -- and I'm sorry, I don't remember your name.

MS. KUROKAWA: Lisa.

MS. BAUGH: Lisa's recommendation was to have the

Department of Education look at this, for example. So from my experience, and I've seen many, many audits, and this is actually pretty good I will tell you. I've actually never seen one that (indiscernible) is that we would let the program staff figure out how to address the in the weeds details.

But keep in mind that you've identified a place where people are not clear or something else has happened. But it sounds like it's not being clear, but if it happened again and again, then you might think about it on a global level, but I think you would follow her recommendation.

CHAIR GORDON: One thing we can consider Chelina, to your point, it just strikes me as we're talking about this that we've never had the Department of Education here at a Board meeting, ever I don't think. And it might be incumbent on us to get some representative from the Department of Education to talk to us at the next meeting about what their role is and how they are responding to the audit. Would that be helpful?

Mark?

BOARD MEMBER GOLD: Okay, two questions. One on -- I don't know, it's just because it's where I am -- I'm just wondering why did LAUSD, why did we decide to not target them?

MS. KUROKAWA: LAUSD did not have a completed

audit or any completed projects as of June 30th, 2016. So they were not on our list to select. I mean, if they have a completed project for next year we may select them, we may not.

CHAIR GORDON: But LAUSD, as we know from previous meetings like many big districts, pooled funds from several of the years, so they could do a big, big, big project. So they haven't finished it yet.

BOARD MEMBER GOLD: Okay. So the second question was on finding two. And I was just curious whether it's been part as part of the audit -- and the answer may be no, so it's just ignorance on my part -- how the actual school districts went about computing their energy savings. Was it consistent across the board and do you feel comfortable about that?

MS. KUROKAWA: I mean, it's the projected amount, so it's not something I can as an auditor relate true dollars and cents. And this is something that you can't identify until many years after the project's been completed.

BOARD MEMBER GOLD: But you might see that there's a completely different set of assumptions used by one district versus the other or is that in the controls?

MS. KUROKAWA: What they use to determine the energy savings, most of the districts actually use the

energy calculators determined or the formula set up by the Energy Commission. There's a formula and a calculator and they use that formula.

BOARD MEMBER GOLD: Okay. Thank you.

MS. KUROKAWA: So the information -- that's the issue in finding two is the information was available. It was identified on the energy expenditure plans that were submitted to the Energy Commission. So the issue was the information was available. It was just not put in the awarded contracts. So that's why we considered it to be a procedural issue versus a monetary one.

CHAIR GORDON: Okay. On finding three, recognizing you did not get documentation from that district, so your recommendation is you have a finding that they didn't do the project; that they did the work outside of the timeline of Prop 39. Do you have a recommendation on calling back that money or having them get it from somewhere else?

MS. KUROKAWA: We believe that the money should be -- CDE should take action on these funds. We believe the costs to be ineligible. They did provide documentation showing that the project was completed in November of 2013, so that is the documentation that we were provided. In discussing it with the districts we've included their response. They said that the project was held up, but they

don't have any information to support that comment.

CHAIR GORDON: So just so to clarify from my purpose, finding one and finding three, your recommendation is the CDE to follow up. Finding two, in terms of recommending district compliance whose job is that to get that? Is that CEC on finding three?

MS. KUROKAWA: I think from our perspective, we just told the district that you guys needed -- for future projects, because a lot of these districts are going to be doing future projects -- to just put it in the awarded contract, if you have the information. So that's something we just talked about. I don't know that I'm going to recommend CDE take action on that.

CHAIR GORDON: They (indiscernible) -- go ahead, Walkie.

VICE CHAIR RAY: Did we learn something in the process of auditing that should be reduced to some writing, two or three pages, and passed on to our LEAs so they don't make mistakes in the future?

MS. KUROKAWA: Well, we -- all these three audit issues we've been in very close contact with the Energy Commission throughout the audit. And so I feel like they've verbally told us that they've implemented some changes based on these findings. So in moving forward, I'm hoping that these issues will be less, but I can't state

until next year when we do the audit again.

CHAIR GORDON: Commissioner McAllister or CEC staff, do you want to give us a little bit of an synopsis of kind of what you've been trying to do in terms of education and (indecipherable)?

COMMISSIONER MCALLISTER: Yeah. I guess I don't think staff heard you. Hay Dave. So there's a question of sort of summarizing our outreach in education to the districts.

I did want to make one quick point though. You know, we've really taken the attitude that absolutely we have to -- all the rules, you know, would have to be in place and we want to be as clear as possible this is another opportunity to refine and make clear in all of the schools about what the rules actually are.

But I think there's also a driving principal that is just about good program design and kind of trying not to create procedure where there isn't a need for procedure. And so we want to get the money out and we want to get the schools to get the projects done. And it's sort of finding that balance between what we're going to layer on as requirements and what's going to kind of just let them get the job done. And so in general, I think we've done a really good job at that.

And this is another kind of learning moment where

we can say, "Okay. Where are we seeing places where we can tweak the guidelines and do this or that extra thing?" But in general I'm really happy with the audit and appreciate all the hard work that went into it, for sure.

MR. ASHUCKIAN: I will just add that the Energy Commission's role as defined in the statute is very specific too, of approving the plans and making sure that they're cost effective and then basically passing that on to the Department of Education.

We did, once we got those findings send out an e-blast to all the LEAs letting know that they're responsible for putting this information in their contracts. But again, we never see those contracts and so we have no idea what the procedure is. Even if we saw them, we wouldn't know that there was a problem to follow through and so that's been our position.

But we do our best to make sure that any information that we have that helps the program operate more efficient, effectively, we pass that along to all participants.

CHAIR GORDON: Thank you.

Do we have other comments from the Board? I realize I called for public comments on earlier item, so I have to call for them again right, Heather? So do we have public comments before we go to any motions on this item?

Anna, do you want to comment? Please come over here to this mic, our stalwart public commenter. (Laughter.)

MS. FERRERA: Sorry, guys. This is all very interesting to us.

I mean I think that we'll have to double back with our school districts that we represent up and down the state. I can already see that there's a few of them that we represent. My understanding was that there was -- (indecipherable) oh sorry. My understand was that there was a concern raised at least with one of them, about energy savings. And that they weren't able to show either through a third party or elsewhere that there energy savings, and they thought that they were okay. So I'm surprised to see them on the list and I'd be curious to know. I'm going to have to take a look at it myself.

MS. KUROKAWA: I don't know what district you're talking about, but we included every single district's comments at the end of our audit report.

MS. FERRERA: Okay.

MS. KUROKAWA: So if they provided us written comments, it's included as an attachment C at the end of each individual district's response.

MS. FERRERA: So even though they may have provided information after the fact, they're still showing

up on the report?

MS. KUROKAWA: I mean, I can't -- I don't know what district we're talking about. But if some districts argued, as I said some districts argued, "Well, we have the energy savings amounts identified in our expenditure plan and we do talk about it at Board meetings," but the code section's very specific that it needs to be in the awarded contracts. And we stick to the language. I don't have the ability to --

MS. FERRERA: I see. So then that would then be CDE that would then follow up with them about whether they complied or not?

MS. KUROKAWA: Well, finding two, sure. We take it at the plain language of what it says. Energy savings needs to be in the award contracts, so if they disagreed, their comment is included. And we provided a rebuttal for why we did not accept that response.

MS. FERRERA: Got it. I would second that idea of having CDE come in and talk, especially at this critical moment, where you would come, that they are now in the mode of pulling back funds. This issue, again I don't know about this particular situation. That was what they told me that they had submitted other information that they felt satisfied it.

But again, I do hear what you're saying from the

Controller's perspective.

The other piece about sole source is in regular school construction world, energy has a lot of flexibility. They're not even really required under 4217 Code section. And so this new addition, again looking at how the sausage gets made, at the end of the time that they were discussing Prop 39 implementation there was an effort by -- I don't want to say the wrong word, but it was union concerns about making sure that folks went out for competitive bidding even though on the norm, that is not the case with energy projects for schools.

And so that language got put in at the very last moment and so the language is not clear. We acknowledge that, but we have been doing our darndest to talk to folks about that language and make sure that there is some kind of evidence. So I am concerned about that as well and we will certainly double our efforts to make sure that they're able to show something. And that is of some concern to me, but it is conflicting, as the attorney mentioned.

So anyway, thank you.

CHAIR GORDON: Thank you.

What Anna is referring to is that there's a whole different code section that exempts some projects that are energy related from sole source project rules in the schools context. And there's an argument about whether

this preempts that or not, and so that's where we are on the schools sourcing.

MS. FERRERA: We believe it does.

CHAIR GORDON: Yes, I know you (indecipherable)

MS. FERRERA: And we've talked about that.

CHAIR GORDON: Yes, I know (indiscernible) believes it does, but there is a big debate about this and then there's a question about these four schools are in a particular category, also.

So I think this is again the point of the audit is to raise these issues. And this is the point for us as a Board to try to get these issues sorted out, going forward, now that we know about them, working with the CEC. And I think ideally the Education Department would, who actually has more contact with the schools than anybody else, to get this be clear and sorted out for the future programs, because we will continue to be in charge of the audits, I assume.

Yes, Chelina.

BOARD MEMBER ODBERT: I have just a follow-up question on a really, really small technical detail. Someone had just mentioned in regards to finding two, I believe it was you sir, that you don't ever see the contacts. And finding two is about energy savings not in the contracts. I'm just wondering, it seems like you --

like the Energy Commission is not the right place to look for a resolution to that, because the contracts don't come your way.

Could you clarify who does see the contracts or where would that (indiscernible) need to exist?

MR. ASHUCKIAN: Yeah again, if this -- when Prop 39 was adopted and we became the implementer of the Energy Savings Act this was our first foray into really dealing with schools. And so we didn't understand, we still have a very limited exposure to the procurement process that schools go through.

We believe it probably is within the districts' authority. Again, there are others here that probably have a much better understanding of what the procurement process is for school districts to go through. We believe because CDE is responsible for allocated money, and making sure that it's spent appropriately, we think at least CDE is probably in a better position to evaluate that.

But again, we are literally just looking at the proposed project, determining if it's cost effective, and then saying yes. Based on what they're proposing to do, we've given our stamp of approval based on cost effectiveness. The procurement process is completely out of our hands.

MS. FERRERA: I'm sorry. Can I say something

about too, this is really concerning to me. I'm sorry.

CHAIR GORDON: And we will talk about this again at the next meeting, Anna.

MS. FERRERA: Okay. Yeah. I am very concerned about that, because I think our schools may be thinking that in the process of annual reporting, that there is the savings that is being shown over time.

And I don't know -- I'm going to have to -- I guess we didn't realize that the audit would be on that contract only. And that if nobody's looking at that and we're not able to -- I'm going to have to -- I think that's something that's kind of some concern. If schools need to have that in their contracts then I think that's something we should be sharing with them. And I will certainly be doing that as well.

And we need some clarification.

CHAIR GORDON: Thanks, Anna.

Just to be clear, on our side we audited on what the guidelines say. So we are all trying to follow the (indiscernible) So I think that's where the code calls for projected, I don't think we should project the savings being in the contract. That's sort of what these guys are relying on and what we're relying on.

And absolutely if there are issues, we have some of those things in the code (indiscernible) are able to

deal with them we need to talk about that. But I think we understand that your job is to work with the codes.

MS. KUROKAWA: And I will say the Energy Commissioner's guidelines do have language in there, but they cite the Public Resource Code specifically for all three of these findings. So all the criteria for these issues: sole source, projected energy savings, are all very clearly identified in the Energy Commission's guidelines.

CHAIR GORDON: Thank you. This is a learning process for all of us, but we really appreciate it.

Is there anyone that is on the WebEx who wants to comment on this item?

MS. MURIMI: No, again. No, there are no comments on WebEx.

CHAIR GORDON: Thank you.

And I have a question for you. On one of the recommendations Randall had made a recommendation that somehow formally ask the Department of Education to look into this sole source issue and help us clarify it. Is that's something you would recommend that we do, just for the next meeting when we have CEC here? Can we attach it to the motion in some way? I'm just wondering how we want to deal with that?

MS. BAUGH: We could certainly make it part of the motion, so maybe the Chair can reach out and the

Executive Director (indecipherable)

CHAIR GORDON: Randall, is that all right?

BOARD MEMBER MARTINEZ: I'd accept that, thank you.

CHAIR GORDON: All right, so --

MS. BAUGH: I don't think (indiscernible) should do it, I mean I think we should let them know before they come.

CHAIR GORDON: All right, so can we have a motion on this item with -- this is a vote on approving this audit -- to be clear just what this vote this. And attached to that motion a recommendation that on behalf of the Board that I reach out to the CDC both asking for this clarification and inviting them to come to the next meeting.

BOARD MEMBER MARTINEZ: So moved.

BOARD MEMBER ODBERT: Second.

CHAIR GORDON: Eunice, can we have a roll call please?

MS. MURIMI: Yes. Call for members of the Board. David Dias?

BOARD MEMBER DIAS: Yes.

MS. MURIMI: James Ray?

VICE CHAIR RAY: Yes.

MS. MURIMI: Chelina Odbert?

BOARD MEMBER ODBERT: Yes.
MS. MURIMI: Kate Gordon?
CHAIR GORDON: Yes.
MS. MURIMI: Mark Gold?
BOARD MEMBER GOLD: Aye.
MS. MURIMI: Randall Martinez?
BOARD MEMBER MARTINEZ: Yes.
All have passed.
CHAIR GORDON: Great.
Thank you for your good questions as always. I also wanted to say thank you to the Controller's Office and to people on the Board who -- it was a bit of a process getting through this contract with you and getting through the audit. And CEC played a big role in that as did our lawyers and the Controller's Office, so thank you for all your work. We really appreciate it and we look forward to talking to you more about this in future years.
MS. KUROKAWA: You'll see us again next year.
CHAIR GORDON: Fantastic. Thank you.
So I think now I'll call for public comment on any general issues, not raised already in any of the items. And I know we did have somebody on the phone on WebEx earlier, so I don't know if we have any WebEx comment.
MS. MURIMI: I'll open the full lines.
CHAIR GORDON: Again, the WebEx line is open for

anyone calling in with a comment. Is there anyone in the room with a comment while we are waiting?

Anna, you don't have any more comments?

MS. FERRERA: Yes, no more comments on this.

CHAIR GORDON: Any comments from the phone?

MS. MURIMI: No comments at this time.

CHAIR GORDON: Okay. So just before we adjourn, let me say it is on my agenda to reach out to CEC about the next meeting, or CDE, I'm sorry, about the next meeting, that's the Department of Education.

And also we will revisit SB 110 at the next meeting and reach back out to the (indecipherable) as well as ideally someone from the Pro Tem's Office to talk more about the substance of that bill.

So those are my agenda items. Does anybody have anything before I adjourn?

(No audible response.)

All right. Thank you everybody, the meeting is over. Thanks so much.

(Adjourned at 2:47 p.m.)

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I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

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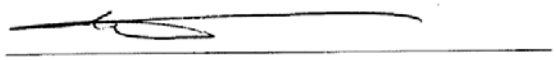

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