

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
August 18, 2015**

**1. CALL TO ORDER & ROLL CALL**

Alan Gordon, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or Authority) meeting to order at 10:32 a.m.

Members Present: Alan Gordon for John Chiang, State Treasurer  
Anne Baker for Betty T. Yee, State Controller  
Eraina Ortega for Michael Cohen, Director,  
Department of Finance  
Jana Romero for Robert B. Weisenmiller, Chair,  
California Energy Commission

Members Absent: Michael Picker, President, Public Utilities Commission

Staff Present: Deana Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

**2. MINUTES**

Mr. Gordon asked if there were any questions or comments concerning the July 21, 2015, meeting minutes. There were none.

Mr. Gordon asked if there was a motion.

Ms. Ortega moved for approval of the minutes; upon a second from Ms. Baker, the minutes were unanimously approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

**3. EXECUTIVE DIRECTOR'S REPORT**

Ms. Carrillo began her report with legislative updates. She stated that Assembly Bill 1269, which extends the eligibility of advanced manufacturing projects in CAEATFA's Sales and Use Tax Exclusion Program (STE Program) to 2021, was moved to the suspense file, and noted Staff would continue to track its progress.

Ms. Carrillo continued her report with a personnel update. She stated that this will be the last Board meeting for Sarah Taheri, CAEATFA's manager for the California Public Utilities Commission (CPUC) pilot programs. Ms. Taheri has been an integral member of the team and will be sorely missed. She's moving on to work on energy policy issues in the Office of Governmental Affairs for the Southern California Public Power Authority.

Ms. Carrillo concluded her report by stating that under her Executive Director's delegated authority she entered into a contract with Gilbert Associates, Inc. to handle CAEATFA's conduit financial audit for outstanding bonds. The contract is for a three year period and not to exceed \$35,700. Ms. Carrillo also entered into a purchase order with Smile Copying Company in the amount of \$17,081 for a five year term. Ms. Carrillo ended her report.

**4. BUSINESS ITEMS**

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

- 1. Orbital Atk, Inc.**  
Presented by: James Shimp, Analyst

Staff introduced David Rocca, Vice President of Finance and Business Operations, and Jeff Troan, Aerospace Business Consultant.

Mr. Shimp stated that Orbital ATK, Inc. was formed through the merger of two aerospace and defense manufacturers, Orbital Sciences, Inc. and Alliant Techsystems, Inc. As part of the merger, Orbital ATK has plans to consolidate and streamline operations, which are currently spread over numerous states. The Applicant is requesting approval of \$16,275,154 of Qualified Property so that it can accommodate some of that consolidation at its existing manufacturing facility in Northridge. The Northridge facility currently manufactures a limited array of missile components, and will continue to do so after the expansion. In addition, the proposed project will bring other programs to the facility, including new missile technology, munitions, and classified defense programs. Upgrades to the facility under the Project would accommodate the equipment necessary for these programs, and add equipment for design, manufacture, assembly, and testing of missile technology. Machining and assembly for the proposed Project will be done on state-of-the-art computer controlled equipment with exacting specifications. Diverse technological fields, such as composites, additives, nanotechnology, microelectronics, and integrated computational materials

## Agenda Item 2.

engineering, will also be utilized in a holistic approach to improving safety and performance, and advancing beyond current industry standards. Examples of these technological areas include fiber-impregnated plastic resins that offer strength and weight savings and 3D printers used in prototype design. Additionally, the Project is estimated to provide energy savings of 10%.

Mr. Shimp concluded by stating that Staff recommends approval of a resolution for Orbital ATK's purchase of qualified property not to exceed \$16,275,154 anticipated to result in a sales and use tax exclusion of \$1,370,368.

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

Mr. Gordon stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none and the item was approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

### **B. DISCUSSION AND CONSIDERATION OF APPLICANT'S REQUEST TO EXTEND THE TERM OF THE TITLE CONVEYANCE AGREEMENT OF STE AWARD**

#### **1. CE Obsidian Energy, LLC** Presented by: James Shimp, Analyst

Staff introduced Steve Evans, Vice President of Taxation and Randy Keller, Director of Development, Transmission and Land Assets.

Mr. Shimp stated that on August 29, 2011, the CAEATFA Board approved a sales and use tax exclusion for CE Obsidian Energy, LLC. The award was for \$174,453,978 of Qualified Property for the geothermal brine extraction, handling, and injection portion of a large geothermal power generation facility. The Master Regulatory and Title Conveyance Agreement initial term provided the Applicant with four years from the date of Board Approval to utilize its STE award.

Mr. Shimp continued to state that, as of August 2015, CE Obsidian has not conveyed any Qualified Property. CE Obsidian requested an extension of the Agreement to December 31, 2019, to accommodate difficulties in securing a power purchase agreement. The Applicant cited unfavorable market conditions in geothermal power generation as the primary reason for their inability to secure a power purchase agreement. However, the Applicant also noted that, given recent developments regarding California's renewable energy goals, interest for geothermal power generation has been renewed among utilities and

policymakers. The Applicant represents that, in light of this fact, the California Energy Commission has extended the Project's license to construct until December 31, 2019. The Applicant is requesting that the term of the Title Conveyance Agreement be extended by approximately four years, in order to coincide with the license to construct.

Mr. Shimp stated that geothermal energy generation is one of a suite of technologies that can assist the state in reaching its energy goals. Additionally, the proposed project will be located in Imperial County, which currently has the highest rate of unemployment in the state. If successful, the jobs and ancillary economic activity driven by the project would be important for the region. Based on this information, staff believes that extending the term of the Agreement is in the public interest and advances the purpose of the program.

Mr. Shimp lastly stated that in accordance with this finding, Staff recommends approval of a resolution for CE Obsidian's purchase of Qualified Property not to exceed \$174,453,978 anticipated to result in a STE of \$14,130,772.

Discussion ensued regarding the obstacles faced while obtaining a power purchase agreement.

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

Mr. Gordon stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none and the item was approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

**C. DISCUSSION AND CONSIDERATION OF AN APPLICANT'S REQUEST TO AMEND A RESOLUTION TO INCREASE THE VALUE OF QUALIFIED PROPERTY**

- 1. GKN Aerospace Chem-tronics, Inc.**  
Presented by: James Shimp, Analyst

Staff introduced Brittni Pierce, Business Development and Government Affairs Analyst and Jody Callihan, Vice President, General Manager.

Mr. Shimp stated that GKN Aerospace Chem-tronics, Inc. was originally approved for a STE for Qualified Property in the amount of \$64,376,454 at the CAEATFA Board meeting on April 21, 2015. Its project involves upgrading and expanding its existing facility in order to transition to the long term production of

## Agenda Item 2.

a Titanium Inner Wall structure to be used in the new General Electric Leading Edge Aviation Propulsion engine for The Boeing Company's 737 MAX aircraft.

Mr. Shimp continued to state that shortly after Board approval of the Project, GKN realized additional capacity demands with regard to its ongoing tooling purchases. Equipment used in the Project must meet exacting tolerance levels, as it is designed to function at temperatures to match the thermal expansion of the honeycomb materials. Accordingly, a large amount of additional tooling is necessary to maintain equipment integrity. This tooling was not included on the original application as GKN was still in negotiations with Boeing at the time to determine who would be responsible for the cost of the long term project tooling. Through the negotiation process, it was agreed that GKN would be responsible for procuring the tooling. However, this decision was reached after the CAEATFA Board approved the smaller award. GKN submitted an amended application, this time including the additional tooling. The amended application brings GKN's Qualified Property amount from \$64,376,454 to \$118,687,529. Aside from additional equipment needed, the scope of the Project remains the same.

Mr. Shimp lastly stated that Staff recommends approval of an amendment to Resolution No. 15-SM005, increasing GKN's purchase of Qualified Property to an amount not to exceed \$118,687,529 anticipated to result in an approximate STE value of \$9,993,490.

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

Mr. Gordon stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none and the item was approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

### **D. REQUEST TO APPROVE READOPTION OF EMERGENCY REGULATIONS FOR THE RESIDENTIAL ENERGY EFFICIENCY LOAN ASSISTANCE PROGRAM**

Presented by: Sarah Taheri, Manager

Ms. Taheri stated that the original emergency regulation were approved by the Board at the February 2015 meeting, and were enacted on March 9, 2015. This re-adoption is timely in that it will allow Staff adequate time to complete the emergency re-adoption process prior to the regulation's expiration on September 9, 2015. As part of this re-adoption, Staff is proposing edits that incorporate lessons learned early in the implementation of the program. Staff is also incorporating edits that streamline the

## Agenda Item 2.

administrative process as well as changes to allow for the partial enrollment of a loan into the program. The concept of partial enrollment was approved by the CPUC in its June Decision 15-06-008. As partial enrollment is acceptable for the off-bill programs under the California Hub for Energy Efficiently Financing (CHEEF), and as the Residential Energy Efficiency Loan Assistance Program (REEL) is an off-bill program, CAEATFA is proposing those changes accordingly here.

Discussion ensued regarding a summary of the CHEEF and REEL programs and how the regulation process works.

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

Mr. Gordon stated there was a motion and a second and asked if there were any other questions or comments from the Board or public. There were none and the item was approved.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

### 5. PUBLIC COMMENT

Mr. Gordon asked if there were any comments from the public. There were none.

### 6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:54 a.m.

**Respectfully submitted,**

Deana J. Carrillo  
Executive Director