

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
October 20, 2015**

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

Alan Gordon, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or the Authority) meeting to order at 10:34 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  
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 September 15, 2015 meeting minutes. There were none.

Mr. Gordon asked if there was a motion.

Mr. Picker 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	Aye

### 3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her report with program updates. She stated that CAEATFA had received ten new applications requesting approval of approximately \$1.2 billion in equipment and \$101 million in sales use tax exclusion (STE) under the program, which brought the annual Board award requests to \$178.2 million in STE for the calendar year, above the statutory limit of \$100 million per calendar year. This is the first year that CAEATFA has reached its cap, and staff will begin reviewing regulatory provisions related to competitive situations, as well as other alternatives, to ensure the Board has the appropriate tools to best allocate awards. In addition, staff will be bringing recommendations to the Board in the coming weeks to appropriately address these requests for the calendar year.

Ms. Carrillo also reported that PACE programs recently submitted their semi-annual reports reflecting program activity data from January to June 2015. Ms. Carrillo stated that, during the reporting period, the programs enrolled nearly 13,000 additional assessments, totaling \$288 million in energy efficiency and solar improvements. The PACE Loss Reserve Program is currently supporting over 34,000 assessments, totaling \$750 million. In addition, CAEATFA approved three additional applications into the PACE Reserve: the AllianceNRG Program operating statewide, L.A. HERO Program, and CaliforniaFIRST Program in Los Angeles County.

Under the California Hub for Energy Efficiency Financing, Ms. Carrillo reports that the program has begun the regular rulemaking process for the Residential Energy Efficiency Loan (REEL) Program regulations and will continue to establish the infrastructure and train lenders in anticipation of its launch, while concurrently establishing the framework for on-bill repayment functionality.

In legislative updates, Ms. Carrillo reported two pieces of legislation related to CAEATFA's STE program have been approved by the Governor. The first is Assembly Bill 1269, authored by Assemblymember Dababneh. This bill extends the eligibility of CAEATFA's advanced manufacturing project eligibility under the STE Program to 2021. Assembly Bill 199, authored by Assemblymember Eggman, also impacts the STE Program by expanding eligibility to equipment used for recycled feedstock and equipment needed to use recycled feedstock. AB 199 was approved as an urgency statute and CAEATFA staff are working on how to incorporate this new type of project in the STE program.

Ms. Carrillo also stated that CAEATFA has outgrown its office space and the State Treasurer's Office has found space one block away. Although no formal date has been established, it is likely the move will occur before the end of the year.

For personnel updates, Ms. Carrillo reported that Terry Mack, Manager II, moved to the Department of Public Health and Shane Linarez left the organization to become a peace officer. Additions to CAEATFA staff included Cheryl Bergan, who joined the administrative team, and Nina Kapoor, who is employed as an analyst under the STE Program.

Ms. Carrillo concluded her report by stating that there was one item under the Executive Director's delegated authority. In 1993, CAEATFA issued bonds for a \$55 million cogeneration facility in San Diego. The borrower is Arroyo Energy, owned by General Electric Capital Corporation. GE Capital is currently transferring its U.S. held assets to GE Capital U.S. Holdings, Inc—a wholly owned subsidiary of GE Capital. Under the bond's loan agreement, GE Capital is required to receive CAEATFA's consent before re-assigning any rights and obligations under the loan agreement. Under the Attorney General's Office recommendation, CAEATFA waived its right to consent to the transfer of rights and obligations, allowing the transfer of the Arroyo bond from GE Capital Corporation to GE Capital U.S. Holdings.

#### **4. BUSINESS ITEMS**

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

###### **1. Karma Automotive, LLC** Presented by: James Shimp, Analyst

Staff introduced Ronald Samaco, Vice-President of Finance and Corporate Controller, Calin Popa, Director of Advanced Manufacturing, and Raul Ragunton, Production Engineer, Body Shop

Mr. Shimp stated that Karma Automotive LLC is a manufacturer of luxury plug-in hybrid vehicles. The Applicant is requesting a sales and use tax exclusion in order to build a new engineering and assembly facility in Moreno Valley. The project will incorporate numerous technologies that the Applicant represents exceed industry standards. For example, a dry paint shop system will limit water usage, saving approximately 26 million gallons of water per year. The paint shop will also use a regenerative thermal oxidizer that the Applicant represents will reduce total emissions by 30% relative to comparable operations. Additional environmental benefits will be gained from efficient paint recovery systems and wastewater treatment, each of which contributes to overall reductions in solid waste.

Mr. Shimp further stated that in the coating stage of assembly, Karma will be using zirconium oxide, an advanced material that serves as an alternative to more traditional zinc phosphates. Zirconium oxide offers superior corrosion protection and reduces waste sludge by an estimated two-thirds. Karma has also eliminated conditioner from the assembly process, reducing the number of chemicals and, consequently, the amount of hazardous waste produced.

Mr. Shimp lastly stated that staff recommends approval of a resolution for Karma Automotive LLC's purchase of qualified property not to exceed \$38,194,860 anticipated to result in a sales and use tax exclusion of \$3,216,007.

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	Aye

**2. Space Exploration Technologies Corporation**

Presented by James Shimp, Analyst

Staff introduced Ray Kato, Director of Finance, Dennis Loper, Capitol Strategies Group and Christopher Sharpe, Pricewaterhouse Coopers, LLP

Mr. Shimp stated that Space Exploration Technologies Corporation designs, manufactures, and launches advanced rockets and spacecraft. The Applicant is requesting a sales and use tax exclusion to upgrade and expand existing design, production, and assembly infrastructure at its Hawthorne facility. SpaceX will be developing two advanced rockets (Falcon 9 and Falcon Heavy) and two spacecraft (Dragon Cargo and Dragon Crew).

Mr. Shimp continued by stating that the Falcon 9 is a two-stage rocket designed for transporting satellites and spacecraft. Falcon Heavy is similar, but is capable of carrying significantly greater payloads. When fully developed, the Applicant represents that Falcon Heavy will be the most powerful launch vehicle in the world by a factor of two. The Applicant further represents that this technology, unrivaled since the Saturn V moon rocket last flown in 1973, will restore the possibility of flying missions with crew to Mars. To support these capabilities, SpaceX has developed a cargo spacecraft, known as Dragon Cargo, and is developing Dragon Crew, which will be capable of carrying humans to orbiting destinations such as the International Space Station.

Mr. Shimp stated that for the project, SpaceX will be investing in highly sophisticated equipment and technology. For example, the Applicant will use 3D printers to manufacture component parts capable of withstanding the pressures of launch and space travel. Additional technologies include Computer Numerically Controlled machining equipment, for added precision, and advanced material composites for increased strength and durability. SpaceX states that these investments will allow it to improve beyond industry standards in the creation of reusable rockets, larger rockets with increased payload capacity, spacecraft capable of transporting human crew, and new engines that

use methane for fuel.

Mr. Shmip concluded by stating staff recommends approval of a resolution for Space Exploration Technologies Corporation's purchase of qualified property not to exceed \$360,169,639 anticipated to result in a sales and use tax exclusion of \$30,326,284.

Mr. Picker 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	Aye

**3. Madera Renewable Energy, LLC**  
Presented by Ashley Bonnett, Analyst

Ms. Bonnett stated that Madera Renewable Energy, LLC is requesting approval of a sales and use tax exclusion for over \$1.9 million worth of qualified property to construct a covered lagoon digester system that will convert dairy manure into biogas. The biogas will be converted to heat that will be used in the biogas production process, and power that will be used to offset the host dairy's power consumption.

Ms. Bonnett continued by stating that staff recommends approval of a resolution for Madera Renewable Energy, LLC's purchase of qualified property not to exceed \$1,999,507 anticipated to result in a sales and use tax exclusion of approximately \$168,358.

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

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	Aye

4. Hanford Renewable Energy, LLC  
Presented by Ashley Bonnett, Analyst

Ms. Bonnett stated that Hanford Renewable Energy, LLC is requesting approval of a sales and use tax exclusion for over \$3.7 million worth of qualified property to construct a covered lagoon digester system that will convert dairy manure into biogas. The biogas will be converted to heat that will be used in the biogas production process, and power that will be used to offset the host dairy's power consumption. Excess power produced will be sold to Pacific Gas & Electric.

Ms. Bonnett also stated that staff recommends approval of a resolution for Hanford Renewable Energy, LLC's purchase of qualified property not to exceed \$3,748,012 anticipated to result in a sales and use tax exclusion of approximately \$315,583.

Mr. Picker 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	Aye

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

1. Bloom Energy Corporation  
Presented by: James Shimp, Analyst

Staff introduced Delaney Hunter, Legislative Advocate

Mr. Shimp stated that Bloom has requested that the initial term of the Agreement be extended from November 17, 2015 to November 17, 2017 in order to allow the Applicant additional time to grow customer demand, and then select, acquire, and install remaining equipment.

Mr. Shimp further stated that Bloom has indicated that their Project is progressing, and will be completed as outlined in the original application. Delays to the purchasing timeline reflect the Applicant's successes in improving efficiency beyond projections, meeting customer demand with a

## Agenda Item 2.

smaller footprint, and decreasing equipment turnover. Based on this information, Mr. Shimp concluded that staff recommends that the Board approve Bloom's request to extend the initial term of the Agreement by two years (24 months) to November, 2017 as it is in the public interest and advances the purpose of the program.

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

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	Aye

### 2. Oberon Fuels, Inc. Presented by: James Shimp, Analyst

Staff introduced Elliot Hicks, Chief Operating Officer

Mr. Shimp indicated that Oberon has requested that the initial term of the Agreement be extended from November 13, 2015 to November 13, 2017 to accommodate an unanticipated delay in the commercial production of bioDME-fueled vehicles. This will allow the Applicant to coordinate their full scale production with the commercial availability of bioDME-fueled vehicles.

Mr. Shimp further stated that Oberon has indicated that their Project is progressing, that bioDME-fueled vehicles are anticipated on the market in the near future, and that the Project will be completed as outlined in the original application. Delays to the purchasing timeline reflect the Applicant's need to ramp fuel production in tandem with demand for the new vehicles. Mr. Shimp further stated that staff recommends that the Board approve Oberon's request to extend the initial term of the Agreement by two years (24 months) to November 13, 2017 as it is in the public interest and advances the purpose of the program.

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

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	Aye

**C. REQUEST APPROVAL OF 2016 MEETING CALENDAR.**

Presented by: Jennifer Gill

Ms. Gill requested Board approval of the proposed 2016 meeting schedule presented below for the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA).

<b>Month</b>	<b>Day</b>	<b>Time</b>	<b>Date</b>
January	Tuesday	10:30 a.m.	01/19/2016
February	Tuesday	10:30 a.m.	02/16/2016
March	Tuesday	10:30 a.m.	03/15/2016
April	Tuesday	10:30 a.m.	04/19/2016
May	Tuesday	10:30 a.m.	05/17/2016
June	Tuesday	10:30 a.m.	06/21/2016
July	Tuesday	10:30 a.m.	07/19/2016
August	Tuesday	10:30 a.m.	08/16/2016
September	Tuesday	10:30 a.m.	09/20/2016
October	Tuesday	10:30 a.m.	10/18/2016
November	Tuesday	10:30 a.m.	11/15/2016
December	Tuesday	10:30 a.m.	12/13/2016

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	Aye



**D. CONSIDERATION OF INTERAGENCY AGREEMENT WITH STATE TREASURER’S OFFICE**

Presented by Jennifer Gill

Ms. Gill requested approval of the Fiscal Year 2015/2016 Interagency Agreement with the State Treasurer’s Office (“STO”) to provide executive and administrative support to the Authority in the amount of \$490,367 during the term July 1, 2015 through June 30, 2016. Through annual Interagency Agreements, the STO provides legislative, budgeting, personnel, accounting, information systems, and other administrative support services for the Boards, Commissions, and Authorities (“BCAs”) chaired by the State Treasurer. The overall cost is allocated among the BCAs based on each agency’s personnel-years. For the current fiscal year, the increased overall support cost is mainly attributable to the expansion and modernization of the STO information technology division in order to accomplish its mission of delivering more efficient and effective technology support and procurement services to all STO divisions and BCAs.

The Executive Director has authority under a resolution passed by the Board to approve contracts in amounts up to \$300,000. As the proposed Executive and Support Services Interagency Agreement for the current fiscal year exceeds this amount; the Board’s approval is required.

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	Aye

**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 11:03 a.m.

**Respectfully submitted,**

Deana J. Carrillo  
Executive Director