

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
November 13, 2012**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or Authority) meeting to order at 10:47 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director, Department of Finance
Paul Clanon for Michael R. Peevey, President,
Public Utilities Commission

Members Absent: Sekita Grant for Robert B. Weisenmiller, Chair,
California Energy Commission

Staff Present: Sherri Kay Wahl, Deputy Executive Director
Deana Carrillo, Treasury Program Manager II

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the October 16, 2012 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

Mr. Clanon moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT

Deputy Executive Director Sherri Kay Wahl informed the board that Deana Carrillo would provide the Executive Director's report. Ms. Carrillo began her report with an update of the Loan Loss Reserve Program. Over the past month staff has continued to train its enrolled lenders in the AB 14 Loan Loss Reserve Program, and Martha Alvarez has been spearheading outreach to various statewide lending associations and energy efficiency groups.

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Ms. Carrillo then reported that Staff has also been working on laying the foundation for expanding CAEATFA's Sales and Use Tax Exclusion Program to include advanced manufacturing. This has included administrative steps for internal infrastructure requirements – expenditure authority, staff, and technical consultants. Initial discussions were held with Senator Padilla's staff, the Governor's Office of Business and Economic Development, and the California Manufacturers Association to discuss the types of industries and advanced manufacturing that CAEATFA will likely assist to attract and retain in California.

Ms. Carrillo ended her report by saying that CAEATFA has recently hired a new Office Technician – Shane Linarez. Staff has welcomed Shane to CAEATFA and is happy to be almost fully staffed. She then ended her report.

Ms. Redway asked if there were any questions or comments.

Mr. Clanon stated that with the departure of the Executive Director, Christine Solich, CAEATFA is in an interregnum. He continued to state, that this always concerns him in the administration of any agency.

Mr. Clanon then stated that he wanted to put on the table, for his fellow board members to consider, the possibility of appointing an Acting Executive Director during the interregnum so there are not questions among Staff or the stakeholders about who to call, how to get in contact with the Staff, and who is making decisions.

Mr. Clanon noted that he knows Ms. Wahl has delegated authority as the Deputy Executive Director, but he also knows the other things on her plate, and fears she will be pulled in too many directions.

Mr. Clanon then recommended appointing Ms. Carrillo as Acting Executive Director. He noted that Ms. Carrillo has been a real leader on the Staff and it is clear she has stepped up during the interregnum. Ms. Carrillo is well qualified; she has a master's degree in public policy from UCLA and has a long history of working for the Treasurer's Office in various forms.

Mr. Reyes stated that he would second that motion, for the reasons previously stated, and said there is a need for an Acting Executive Director and that it is important for continuity.

Ms. Redway asked if there were any questions or comments.

Mr. Reyes asked legal counsel if the board could appoint Ms. Carrillo as Acting Executive Director as an administrative function.

Mr. Hedrick, legal counsel, advised they could not at that time because the item was not noticed on the agenda.

Ms. Redway proposed to put the item on the agenda for the December Board meeting. There was no motion or second for this meeting on this matter.

Ms. Redway then announced that the Treasurer's Office had selected a candidate for Executive Director and would be asking for the Board's support of the candidate at its December meeting. The candidate is Saul Gomez, from the California Energy Commission. Mr. Gomez has been a representative of CAEATFA's Board and has a tremendous background in energy.

4. BUSINESS ITEMS

A. APPROVAL OF 2013 MEETING CALENDAR

Presented by: Deana Carrillo, Program Manager

Month	Day	Time	Date
January	Tuesday	10:30 a.m.	01/15/2013
February	Tuesday	10:30 a.m.	02/19/2013
March	Tuesday	10:30 a.m.	03/19/2013
April	Tuesday	10:30 a.m.	04/16/2013
May	Tuesday	10:30 a.m.	05/21/2013
June	Tuesday	10:30 a.m.	06/18/2013
July	Tuesday	10:30 a.m.	07/16/2013
August	Tuesday	10:30 a.m.	08/20/2013
September	Tuesday	10:30 a.m.	09/17/2013
October	Tuesday	10:30 a.m.	10/15/2013
November	Tuesday	10:30 a.m.	11/19/2013
December	Tuesday	10:30 a.m.	12/17/2013

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

Ms. Redway asked if there were any further comments from the Board, or the public. There were none.

B. DISCUSSION AND CONSIDERATION OF APPLICATIONS FOR SB 71 SALES AND USE TAX EXCLUSION

1) Zero Waste Energy, LLC

Presented by: Alejandro Ruiz, Analyst

Staff introduced Tony Cone of Westhoff, Cone and Homesteadt.

Zero Waste plans to construct a facility which will use a modular batch anaerobic digestion system to take organic materials and, using a dry fermentation process, produce and capture methane from the controlled composting and processing of those materials. The methane produced will fuel a generator; power from the generator will be used internally and the excess will be sold to the Monterey Regional Waste Management District. Organic materials for the Project will include source separated organics, intake pipe waste from the adjacent Regional Wastewater

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Treatment Facility, biosolids, materials recovery facility residuals, yard waste and other waste materials diverted from landfills. The Project will handle approximately 5,000 tons of organic materials per year.

The biogas will be produced by four dry anaerobic digesters. The air from the facility will be processed through an air circulation and control system that effectively contains, circulates and exhausts air as necessary through a specially designed bio-filter to control odors.

The Project facility will be approximately 5,000 square feet and will be located on the Monterey Regional Waste Management District Landfill and Recycling Facilities site.

Consistent with CAEATFA policy, the Qualified Property in this application will be used to manufacture the biogas and also include a portion of the power generation equipment used to power the facility. The equipment attributable to the power generation sold to the Monterey Regional Waste Management District is not included in this Application.

Staff recommended approval of Resolution No. 12-SM012 for Zero Waste Energy, LLC's purchase of Qualified Property in an amount not to exceed \$1,187,000, anticipated to result in an approximate sales and use tax exclusion value of \$96,147.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

2) **Oberon Fuels, LLC**

Presented by: Alejandro Ruiz, Analyst

Staff Introduced Rebecca Boudreaux, President, Oberon Fuels, LLC.

Oberon plans to construct a facility that uses a small-scale process to produce approximately 4,500 gallons of bioDME from biogas obtained from cow manure. Oberon claims that the small-scale nature of its design enables it to mitigate the financial, infrastructure, and permitting challenges of large-scale projects. Founded two years ago, Oberon is building its first project in Imperial Valley, and anticipates it will construct and manufacture additional units as the market develops.

Over the past year, Oberon has been working in partnership with Volvo Truck on the commercial launch of Volvo bioDME trucks in North America. Oberon represents that this first project will provide fuel for Volvo's heavy-duty truck demonstration in North America.

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In addition, Oberon has been working with the California Air Resources Board and the California Department of Food and Agriculture Division of Measurement and Standards to determine the alternative fuel certification pathway for bioDME.

The process will begin by collecting biogas from cow manure using the Anaerobic Digester units. The biogas will then be passed along to the Steam Methane Reforming Units and Phase 2 Methanol Production Units, which, along with the intermediary syngas, will convert biogas into methanol. The methanol will then be converted into bioDME through the Processing Units – the final alternative source fuel product.

Phase 1 of the process will last approximately six weeks and will test the equipment that converts the methanol to bioDME. Phase 2 will incorporate the remainder of the equipment which will convert the biogas into the bioDME.

Staff recommended approval of Resolution No. 12-SM013 for Oberon Fuels, Inc.'s purchase of Qualified Property in an amount not to exceed \$13,500,000 anticipated to result in an approximate sales and use tax exclusion value of \$1,093,500.

Ms. Redway asked if there were any questions or comments from the Board.

Mr. Gordon asked if trucks, generators, or other vehicles that use regular diesel can use this alternative fuel.

Ms. Boudreaux answered by stating there is no internal engine changes to a diesel engine but it is a different fuel system. Oberon is working with Volvo Truck and Volvo will be commercially launching DME trucks.

Mr. Gordon asked what the air pollution impacts were with this type of fuel as opposed to conventional diesel.

Ms. Boudreaux answered that with DME there is no particulate matter. Also, because there is no particulate matter, it is easier to control nitrogen oxides.

Mr. Gordon asked if this technology has the potential to be used in the heavy diesel platforms like trains.

Ms. Boudreaux answered that in theory you can use it in any diesel engine. Initially, Oberon is focusing on heavy duty trucking because they are some of the biggest challenges, but there are applications in construction, mining, agricultural engines, and trains as Mr. Gordon mentioned.

Mr. Gordon asked if Oberon is a stand-alone corporation or if they have some other corporate entities that are helping with this.

Ms. Boudreaux stated that Oberon is a stand-alone organization that has investments

from strategic partners.

Ms. Redway asked if there were any further questions or comments from the Board or public. There were none.

Mr. Gordon moved approval of the item; upon a second, the item was unanimously approved.

C. DISCUSSION AND CONSIDERATION OF APPLICANTS' REQUESTS FOR WAIVER OF TIME REQUIREMENTS TO PURCHASE QUALIFIED PROPERTY UNDER THE SB 71 PROGRAM

1) Zero Waste Energy Development Company, LLC

Presented by: Cheryl Ide, Analyst

Staff introduced Tony Cone of Westhoff, Cone and Homesteadt

On November 15, 2011, the CAEATFA Board initially approved the purchase of \$17,156,875 in Qualified Property for a biogas capture and production facility in San Jose, Santa Clara County for Zero Waste. The SB 71 Program requires that Zero Waste purchase 25% (\$4,289,219) of the total approved Qualified Property within the first year. This requirement serves as an indicator of readiness and assists in incentivizing timely economic activity. The 25% purchase requirement can be waived by the Board upon a finding that a waiver is in the public interest and advances the purposes of the program.

Zero Waste requested a waiver of the 25% purchase requirement due to delays in permitting. Most of the delays are due to the site being situated on a landfill. When the applicant first began the Project, the City of San Jose indicated the landfill was "closed," but through the permitting process it was revealed that the landfill was not entirely closed. Closing the landfill has required additional permits and the involvement of a number of public agencies and third party evaluations resulting in an extended and complex permitting process. A key permit that allows development on landfill sites, the Closure-Post Closure Land Use Development (CPCLU), has been partially obtained, allowing the applicant to begin site grading. The final CPCLU is expected to be obtained in November 2012.

Staff recommended that the Board find it is in the public interest and advances the purposes of the Program to extend the 25% Purchase Requirement for Zero Waste Energy Development Company LLC to April 30, 2013.

Mr. Gordon moved approval of the item.

Mr. Gordon asked if the delays are from working with the City of San Jose for permitting of a landfill that was partially closed.

Mr. Cone answered by stating Mr. Gordon was correct.

Mr. Gordon asked the staff if the program was close to the \$100 million soft cap, and if any of their analysis suggests concerns over the viability of the project, other than the obvious permitting delays they are experiencing.

Ms. Ide answered no.

Ms. Redway noted that Zero Waste has made some purchases of qualified property.

Mr. Gordon noted for the public that although two items on the agenda have very similar names they are two separate projects and legal entities.

Ms. Redway asked if there were any further questions or comments from the Board or public. There were none.

Ms. Redway confirmed there had already been a motion; upon a second, the item was unanimously approved.

2) Bowerman Power LFG, LLC
Presented by: Cheryl Ide

Staff Introduced David Herrman, Chief Financial Officer, Bowerman Power and James Aidukas, Consultant.

On November 17, 2010, the CAEATFA Board approved the purchase of \$9,240,000 in Qualified Property for a landfill gas facility at the Frank R. Bowerman Landfill located in Irvine, Orange County for Bowerman Power LFG. The Program requires that Bowerman purchase 25% (\$2,310,000) of the total approved Qualified Property within the first year; the 25% purchase requirement can be waived by the Board upon a finding that a waiver is in the public interest and advances the purposes of the Program.

In November 2011, the CAEATFA Board approved an initial request from Bowerman to waive the 25% purchase requirement for one year to accommodate delays in permitting related to a threatened species inhabiting the project site.

Bowerman requested an additional waiver of the 25% purchase requirement due to unanticipated delays in negotiating and executing a power purchase agreement for the project. Bowerman stated that negotiations with a large municipal utility were unexpectedly terminated by the other party in March 2012. At that time, due to an exclusivity agreement for the negotiations with that utility, Bowerman did not have an alternate company prepared to enter into a power purchase agreement. Later, in the second quarter of 2012, Bowerman identified a large non-utility alternate party that has a requirement to meet aggressive mandated renewable power goals. However, due to the required procedures of the alternate party to secure a long term power purchase agreement, Bowerman is unable to meet the current deadlines for the Purchase Requirements. Bowerman represents that it anticipates it will secure

this contract in the spring of 2013, which will allow construction of the Project facility to commence as planned.

Staff recommended that the Board find that it is in the public interest and advances the purposes of the Program to extend the 25% purchase requirement to September 30, 2013 and the three-year purchase requirement to December 31, 2013 for Bowerman Power LFG, LLC.

Ms. Redway asked if there were any questions from board members.

Mr. Clanon moved approval of the item.

Mr. Reyes stated he is hesitant to grant the extensions because people are not getting their act together. He is sensitive to the issues that arise. It makes it a little easier to approve because Bowerman is only asking for an additional month and a half. If this were to come to the Board again, Mr. Reyes would not approve it.

Ms. Redway stated that she agreed with Mr. Reyes.

Mr. Herrman stated he was appreciative of the Board's consideration. An unsuspected hiccup happened, but the project is on track again. He anticipates not having this issue again.

Ms. Redway asked if there were any further questions or comments from the Board or public. There were none.

Ms. Redway confirmed there had already been a motion; upon a second, the item was unanimously approved.

5. PUBLIC COMMENT

Ms. Redway 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,



Sherri Kay Wahl
Deputy Executive Director