

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
February 21, 2017**

1. CALL TO ORDER & ROLL CALL

Steve Juarez, 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: Steve Juarez for John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Eraina Ortega for Michael Cohen, Director,
Department of Finance
Kevin Barker for Robert B. Weisenmiller, Chair,
California Energy Commission
Grant Mack for Michael Picker, President,
Public Utilities Commission

Staff Present: Deana Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Juarez asked if there were any questions or comments concerning the January 17, 2017 meeting minutes. There were none.

Mr. Juarez asked if there was a motion.

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

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Abstain
Grant Mack for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo reported that under the PACE Loss Reserve Program, Staff has been working on two primary efforts: 1) strengthening the reporting and underwriting criteria of the program regulations, and 2) refreshing the analysis on the longevity of the fund. Staff released proposed regulations on Wednesday, February 8, 2017, and will hold a public workshop for initial comment on Friday, February 24, 2017. Staff will consider comments and recommendations and bring proposed regulations to the Board for future consideration and approval.

Ms. Carrillo also reported that under the Sales and Use Tax Exclusion Program, CAEATFA is still working on recruiting for an open analyst position. Once the position has been filled, CAEATFA will re-engage with the compost and recycling industry on potential improvements to program regulations.

Ms. Carrillo added that under the California Hub for Energy Efficiency Financing, staff has been working diligently on early implementation of the Residential Energy Efficiency Loan program and the remaining pilots that rely on the on-bill repayment infrastructure – while working through several of the administrative hurdles inherent in coupling CAEATFA's state processes with the investor-owned utilities and the California Public Utilities Commission (CPUC) regulatory process.

Ms. Carrillo further added that CAEATFA worked this past summer to identify a more pragmatic timetable that allowed pilots to be developed and launched sequentially. Subsequently, CAEATFA submitted a budget request that sought additional funding through Fiscal Year 2019-20 and additional staff resources to successfully implement the pilots. Ms. Carrillo added that the CPUC is undertaking a process to identify long-term funding for the pilots and considering modifications that will help to streamline the programs and make them more attractive in the private marketplace.

Ms. Carrillo reported that under her delegated authority CAEATFA entered into Interagency Agreement (IA) #CAEATFA07-16 between CAEATFA and the State Controller's Office (SCO), executed on February 10, 2017. This IA is for zero dollars and established that CAEATFA will be utilizing the California Automated Travel Expense Reimbursement Global system for travel advance and expense reimbursement. The term of this contract is from January 1, 2017 to June 30, 2017.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

1. HZIU Kompoga, SLO, Inc.
Presented by Ellen Hildebrand, Analyst

Staff introduced William Skinner, West Coast Manager for Hitachi

Ms. Hildebrand reported that HZIU Kompogas applied to the STE Program as an

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Alternative Source applicant and is requesting a Sales and Use Tax Exclusion for \$7,104,020 of qualified property to build a new Kompogas SLO anaerobic digestion facility in San Luis Obispo. Kompogas is a dry anaerobic digestion technology that occurs in an oxygen free environment. The Applicant's parent company has developed 75 Kompogas facilities in 10 different countries, and this facility will be their first in the United States. The Project was designed to meet the organics diversion goals of San Luis Obispo County, and will convert up to 36,500 tons per year of food waste and urban green waste into renewable electricity, compost, and liquid fertilizer. The STE Application model estimates that the Project has negative net benefits to the state; however it has construction and permanent employment related benefits that cannot be quantified in fiscal terms. These benefits bring the Application above the scoring threshold established in CAEATFA regulations

Staff recommends approval of a resolution for HZIU Kompogas SLO's purchase of no more than \$7,104,020 of qualified property, anticipated to result in a Sales and Use Tax Exclusion of \$598,158.

Mr. Barker asked whether the applicant would be seeking a Renewable Portfolio Standard (RPS) Certification from the Energy Commission and Mr. Skinner indicated that the applicant would be seeking that certification. Mr. Mack requested clarification on the status of the Project under the BioMAT Tariff program, and Mr. Skinner responded that the company had completed the impact study but a change in the generator size required that the impact study be re-done with those changes in mind.

Mr. Juarez asked for clarification on the projects lack of net benefits and how it was determined that the project met the criteria of the program. Staff responded that the lack of net benefits was offset by other benefits generated by the project that cannot be quantified as provided under the Program's point system.

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

Mr. Juarez 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:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Abstain

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2. TAP Power, LLC

Presented by Ellen Hildebrand, Analyst

Staff introduced Milan Alex, Vice-President and Project Manager of Phoenix Energy, Tap Power

Ms. Hildebrand reported that TAP Power applied to the STE Program as an Alternative Source applicant and is requesting a Sales and Use Tax Exclusion for \$9,213,514 to build a new bioenergy facility in Arcata, California. TAP Power was formed by Mad River Lumber and Phoenix Biomass Energy. Mad River Lumber is a sawmill company produces fencing from sustainably sourced small diameter logs. Mad River produces 67.5 tons of waste product per day. The decline of the timber industry has caused a corresponding decline in companies that previously served as outlets for this waste, such as pulp mills and other biomass plants. The TAP Power project will provide a long term solutions to this problem. The Project will produce syngas which will power gas engines and generate 3 megawatts of renewable electricity. The Project will also produce biochar, which is commonly used by farmers as a soil amendment capable of increasing the water holding capacity of soil. According to the applicant, biochar also sequesters carbon, mitigating greenhouse gas emissions. The Project is also expected to have net benefits to the state, valued at \$635,251.

Staff recommends approval of a resolution for TAP Power LLC's purchase of no more than \$9,213,514 of qualified property, anticipated to result in a Sales and Use Tax Exclusion of \$775,778.

Mr. Grant asked where the applicant was in relation to the BioMAT Tariff program and Mr. Milan responded that the company is applying for the system impact study. Mr. Barker asked if they had applied for the RPS and Ms. Milan indicated that the applicant had applied for the pre-certification

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

Mr. Juarez 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 unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Abstain

3. BYD Coach & Bus, LLC

Presented by Ellen Hildebrand, Analyst

Staff Introduced Vincent Wraatmadja, Weideman Group on Behalf of BYD Coach & Bus

Ms. Hildebrand reported that BYD Coach and Bus is an advanced transportation applicant requesting a Sales and Use Tax Exclusion for \$3,189,014 in qualified property to expand their electric bus manufacturing facilities in Lancaster. BYD Coach and Bus is a subsidiary of BYD Company, a Chinese company with a mission of making transportation sustainable through the use of battery electric vehicles. BYD currently manufactures seven all electric coach and bus models.

The Project will roughly double the size of the facility, allowing BYD to ramp up production and add additional models. The Project is expected to have significant fiscal and environmental benefits to the state, with fiscal net benefits stemming from the fact that the electric bus assembly process requires relatively low capital expenditures but a significant amount of permanent employees. The environmental benefits of the project are due to the fact that a diesel bus is estimated to consume the equivalent of 30 thousand gallons of gas per year, which means that each diesel bus replaced with an electric bus leads to substantial greenhouse gas emission reductions.

Staff recommends approval of a resolution for BYD Coach and Bus's purchase of no more than \$3,189,014 of qualified property, anticipated to result in a Sales and Use Tax Exclusion of \$268,515.

Mr. Wraatmadja indicated that BYD Coach & Bus already has about 500 employees and plans to add significantly to that work force over the next few years. Mr. Juarez asked what role the STE program had in determining the location of a project and Mr. Wraatmadja responded that BYD had heard about the specific STE program rather late in the process but that other programs from California had proven important in determining site locations. He felt it was the political climate in California in general that made California more attractive than other locations. Mr. Juarez wanted to know how BYD had heard about the programs in California and Mr. Wraatmadja responded that it was a combination of staff and consultant work. Mr. Juarez stated that he wanted people to know about the California Business Incentive Gateway, a program in which the Treasurer is collaborating with businesses and government entities to provide information on government programs, and eventually non-profit agencies that might assist businesses in choosing to stay in California or build a business in California.

Mr. Juarez asked what the difference in noise level was between traditional busses and electric busses. Mr. Wraatmadja indicated that the noise differential was considerably quieter with electric busses and there were no fumes.

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

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Mr. Juarez 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 unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Juarez asked if there were any comments from the public and there were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:56 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director