

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
Senate Hearing Room 4203  
State Capitol  
Sacramento, CA  
December 15, 2010**

**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 11:08 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Cindy Aronberg for John Chiang, State Controller  
Cynthia Bryant, Director, Department of Finance  
Paul Clanon for Michael R. Peevey, Director,  
Public Utilities Commission  
Galen Lemei for Karen Douglas, Chair,  
California Energy Commission

Staff Present: Christine Solich, Executive Director  
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

**2. MINUTES**

Ms. Redway asked if there were any questions or comments concerning the November 17, 2010 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 approved by the following vote: Bettina Redway, aye; Cindy Aronberg, aye; Cynthia Bryant, aye; Paul Clannon, aye; and Galen Lemei, abstain.

**3. EXECUTIVE DIRECTOR'S REPORT**

Ms. Solich began her report by advising the Board that meeting room 587 at the State Treasurer's Office had been secured for all 2011 Board meetings with the first being January 25, 2011.

Ms. Solich reported that there were 14 projects being presented to the Board for consideration for December and those projects represented about \$13 million in Sales Tax Exclusions

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(STEs or Program). The total aggregate STE's extended through this program will be approximately \$84 million over the next three years. Ms. Solich also advised the Board that Staff had recently closed a Qualified Energy Conservation Bond (QECCB) with Fallbrook Public Utilities District and that Staff would be reporting the Programs activities with STEs, QECCBs and other bonds on a monthly basis.

Ms. Solich continued to report that in January there will be 3 to 4 relatively small projects being presented to the Board and that the Authority is well within the Legislature's \$100 million of STE notification threshold.

Ms. Solich further reported that regulatory agreements with the 12 approved applicants from November's Board meeting had been executed. One applicant had already executed a transaction for \$160 million in qualified property resulting in a STE of approximately \$14.5 million. Staff has been analyzing projects, scoring applications, writing staff reports, executing regulatory agreements and conveyance/reconveyance transactions—all of which have been very time consuming—and have been coming in early/staying late and have done excellent work and deserve recognition for these efforts.

Ms. Solich continued her report with an update on the California Ethanol Producers Incentive Program (CEPIP). She advised the Board that all parties were in consensus and the agreement is being routed for signatures within the Authority. Staff will likely bring at least one participant agreement to the Board in January.

Ms. Solich further reported that with respect to the Energy Upgrade California (EUC) contract with the Local Government Commission that all parties are in agreement. Staff is in the final stages of contract negotiations and will be moving into the signature phase within the next several days. One of Staff's tasks under the contract is to seek expansion of SB 77 — the PACE Bond Loan Loss Reserve Program. Staff will be working with the author of SB 77 (S. Pavley) to expand the use of funds to provide financial assistance for energy efficiency and renewable energy retrofit programs under the EUC. As part of the legislative revision, Staff is also seeking authority to develop guidelines to implement the EUC program.

Ms. Solich ended her report with an update on the generator program. Staff had been busy, but mindful of the Board's direction to develop a STE program for renewable energy generators under prior existing statute. Staff is considering a limited generator program that will possibly have a monetary cap on the overall program and/or per project.

Staff will be meeting with the California Energy Commission (CEC) later this afternoon and, in consultation with the Public Utilities Commission (PUC) and CEC, are developing eligibility and evaluation criteria for the renewable energy generator program. Staff is also considering input from stakeholders and hopes to hold a public workshop in early January 2011. Staff expects to come back to the Board at the January 25, 2011 meeting with a suggested program and timeline and to obtain further direction.

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

Mr. Clanon recognized Staff for their excellent work on the written Staff summaries.

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

**4. BUSINESS ITEMS**

**A. REQUEST FOR APPROVAL OF RESOLUTION DELEGATING CERTAIN POWERS AND AUTHORIZING CERTAIN ACTIONS RELATED TO BOND FINANCING**

Presented by: Deana Carrillo, Program Manager

Staff requested Board approval of a resolution authorizing delegation authority to the Executive Director, Deputy Executive Director, and Chair of CAEATFA for certain routine matters with respect to the Authority's bond program. At the April 28, 2010 Board meeting the Board approved a similar delegation of authority that expires on January 31, 2011.

Ms. Carrillo reminded the Board that AB 1479, chaptered August 4, 2008, allows that, "The authority may, by resolution, delegate to one or more of its members, its Executive Director, or any other official or employee of the authority any powers and duties that it may deem proper, including, but not limited to, the power to enter into contracts on behalf of the authority."

The currently recommended resolution amount differs from the prior delegation resolution by delegating some additional powers related to redemption, prepayment and defeasance of bonds, and permitting responses to audits, investigations and other reviews, in addition to litigation, and other minor changes.

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

Ms. Aronberg asked for an explanation of reporting to the Board audits, litigations, and investigations.

Ms. Carrillo responded that, as in the past, the Executive Director or Deputy Executive Director will report to the Board any items wherein delegation authority was used at the next Board meeting.

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

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the item; upon a second, the item was unanimously approved.

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

Presented by: Deana Carrillo, Program Manager; Heather Williams, Analyst; Martha Alvarez, Analyst; Cheryl Ide, Analyst; and Matthew Newman, Blue Sky Consulting Group

CAEATFA received 15 Applications by the November 17<sup>th</sup> deadline, 14 of which were brought to the Board for consideration. Staff recommended approval of these 14 Projects (as described in Agenda Items 4.B.1 – 4.B.14) which have a combined value of \$142,775,199 in anticipated Qualified Property purchases, anticipated to result in approximately \$12,992,544 of sales and use tax exclusion over the next three years.

Based on the net benefits methodology embodied in the Program Regulations and on representation from these initial Applicants, staff estimates that approximately \$13 million in STE will assist in creating environmental benefits valued at approximately \$4 million and fiscal benefits valued at approximately \$30 million. This results in approximately \$34 million in total benefits and a net benefit value of \$21.4 million.

Together these projects are anticipated to create 1,112 jobs. CAEATFA staff calculates that approximately 125 of these jobs are attributable to the Program based on the estimation methodology embodied in the Regulations.

The value of the projects ranges from approximately \$766,000 to \$42.5 million, with corresponding anticipated STE amounts ranging from \$70,000 to \$3.8 million. The median size project is \$5 million with an anticipated STE amount of \$450,000.

These projects include several landfill gas production facilities and one wastewater treatment biogas production facility; an electric vehicle manufacturer; several solar photovoltaic (solar panels) manufacturers; lithium and battery material mining and manufacturing company; and a research and development project for solar fuel generator systems.

These projects are located across the State. It is expected that these projects will provide significant economic benefits to the State and local jurisdictions in the form of corporate, personal income, sales and property tax revenues, increased employment, and additional economic activity created by the manufacturing facilities and purchases from related suppliers. It's important to note that while the location of the facilities helps to identify where much of the economic and fiscal activity will take place it does not by itself provide CAEATFA with sufficient information to determine the fiscal impact of the Program on individual local communities. The impact on individual local communities will also depend on where the Qualified Property will actually be purchased. Approved applicants will provide that information to CAEATFA after they purchase the Qualified Property.

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For the first time, CAEATFA staff recommends approval of an application that does not meet the Program's standard point threshold or net benefit test; however, Staff strongly believes this project is in the public interest and advances the purposes of the Program. This applicant, the California Institute for Technology, has submitted a research and development project for solar fuel generators, which does not have quantifiable economic or environmental benefits at this time—and does not meet the threshold point requirements—yet has great potential for the future of the State's Alternative Energy industry. Where a project receives a total score of less than 1,000 points, a pollution benefit score less than 100 points, or both, the Executive Director may recommend it to the Authority for approval upon a statement articulating specific reasons why the approval is in the public interest and advances the Program.

The Program is designed to provide flexibility to adjust the overall point threshold or to recommend to the Authority individual projects for approval if they fall below the 1,000 point and 100 point thresholds. While CAEATFA included numerous potential project scenarios in developing the regulations, this provision was included to allow CAEATFA to more appropriately evaluate unique and innovative projects which may not have been anticipated in the evaluation criteria established in the Regulations.

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

Ms. Aronberg asked if Imperial County had given approval to Simbol Mining to apply for the STE.

Ms. Carrillo clarified that Staff had received several letters from different local governments and other local entities such as county jurisdictions in support of various projects and those entities have the ability to approve various permits; however, the Program itself does not require approval from those entities to approve an applicant.

Ms. Solich advised the Board that Simbol Mining was represented in the audience and requested comment from Simbol's representatives to respond to the question from the Board.

Randy Grow, from Simbol Mining, advised that Simbol had met with several departments from Imperial County. Simbol has been granted several of the necessary permits and is in the process of obtaining other required permits, but that Simbol Mining did not need approval from the local government to apply for the STE.

Ms. Redway advised that the Board has a readiness requirement and that it is left up to the applicant to determine whether it has sufficient permits to apply

Ms. Aronberg asked if Mr. Grow felt Simbol Mining was in a position to apply.

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Mr. Grow confirmed that the necessary permits were in place to meet the first year requirements and that other necessary permits have been, or will be, applied for.

Ms. Aronberg asked if there was a representative from Imperial County present. There were none.

Mr. Clanon inquired about the California Institute of Technology project.

Ms. Carrillo advised that the project does not meet the minimal threshold points under the SB71 Program; however the project meets eligibility requirements. When the Program was designed it was contemplated that this was something that would be feasible; because of the public benefits of this research and development project, Staff requested the threshold requirements be waived for this specific project.

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

Ms. Redway asked if there was a motion.

Ms. Bryant moved approval of the items 4.B.1—4.B.14; upon a second, the items were 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 11:24 a.m.

**Respectfully submitted,**

Christine Solich  
Executive Director