

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
June 19, 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 11:00 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
Saul Gomez for Robert B. Weisenmiller, 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 May 15, 2012 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

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

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Solich began her report with an update of CAEATFA's programs. Staff indicated they have had encouraging meetings with financial institutions over the past several weeks since the emergency regulations for the loan loss reserve program under ABx1 14 became effective. In the outreach to financial institutions, Staff has come across some implementation issues and has been working on drafting modifications to the emergency regulations that are currently in place. These proposed modifications will be presented at a CAEATFA Board

Agenda Item 2.

meeting next Tuesday, June 26, 2012. Ms. Solich continued that as mentioned last month, CAEATFA has selected a trustee bank to hold funds for the loan loss reserve program under ABx1 14. CAEATFA is officially under contract with First Northern Bank located in Sacramento for these services over the next two years, in a contract not to exceed \$150,000.

With respect to the Bond Program, Ms. Solich indicated that CAEATFA recently issued a Request for Proposals (RFP) not to exceed \$35,000, for auditing services to comply with Senate Bill 99 which requires annual auditing of the CAEATFA bond program.

With regard to Agenda Item 3 – the pipeline report of the SB 71 Program applications – Ms. Solich reported that Staff would be recommending one project for Board approval. Upon approval of the applicant the total active sales tax exclusions (STEs) will be approximately \$96.3 million on \$1.1 billion in purchases of Qualified Property. These projects represent a total of 5,944 jobs created in the State with 551 of these jobs attributed to the SB 71 program.

She then ended her report.

Mr. Clanon commented that if the items on the agenda are approved by the Board, the net benefits to the State are anticipated to be more than \$100 million.

4. BUSINESS ITEMS

Mr. Reyes moved approval of items 4.A.1 – 4.C.

A. DISCUSSION AND CONSIDERATION OF APPLICANT’S REQUEST FOR WAIVER OF TIME REQUIREMENT TO PURCHASE AT LEAST 25% OF QUALIFIED PROPERTY UNDER SB 71 PROGRAM

1) Recology East Bay

Recology has requested a waiver of the 25% purchase requirement due to a delay in obtaining project permits, which the applicant represents, is a result of a change in regulations and understaffing at the local authority level.

According to the applicant, there were significant delays in receiving a development permit from the Port of Oakland due to the department being understaffed as well as the Port’s request to be included as a responsible agency in the Environmental Impact Review (EIR), requiring the certified EIR to be amended. Additional delays were related to the Port’s review of the California Environmental Quality Act (CEQA) document.

Additionally, the applicant represents there were setbacks in the inclusion of the planned facility in the City of Oakland’s Non-Disposal Facility Element (NDFE); a change in the state regulations effective January 1, 2012 pertaining to the process for amending a NDFE, which delayed the process by which the City of Oakland reviewed and approved new facilities. Recology recently learned that the City of

Oakland did not review or comment on the EIR in 2011, prior to certification and has therefore requested additional information on how the facility intends to reduce air emissions, specifically particulate matter.

Permitting delays caused a project delay for Recology of ten months. As a result, Recology has delayed purchasing two components of its system that it had planned to purchase in June of this year. Recology has entered into an agreement to procure one element of the preprocessing system after a 30-day trial period. Components of the system have been shipped and are on the way to Recology facilities. Recology anticipates completing the procurement process for this component by mid-August of this year.

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 and grant such extension to December 31, 2013.

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

1) North Star Biofuels LLC

North Star Biofuels LLC (“North Star” or “Applicant”) was incorporated on February 1, 2012 in Delaware and is headquartered in Emeryville, California. North Star was formed as a 50/50 joint venture between R Power Biofuels LLC (“R Power”) and Agri Beef Company (“Agri Beef”). The founders of R Power have background in founding and growing energy and resource companies over the past 25 years. Agri Beef is a private owned beef supplier since its founding 43 years ago. North Star will use R Power’s technology to produce biofuels using feedstock Agri Beef aggregates from its meat processing operations.

North Star is beginning construction of a production facility that will use R Power’s technology to produce ultra-pure biodiesel from animal tallow, vegetable oils, restaurant grease, and other low-carbon feedstocks. The patent-pending R Power production process uses the traditional raw materials used in the biodiesel industry (methanol and a catalyst) to mix with the feedstock to make fuel. The Applicant represents its unique steps will produce ultra-pure biofuels at high-production rates and competitive prices with exceptional purity, clarity and cold-weather performance characteristics. After four years of privately-funded research and development, R Power developed a continuous flow production technology that significantly reduces production time and increases biodiesel quality and reliability. In addition, the Applicant represents that the high throughput and automation of the system also provide for lower capital and operating costs than traditional systems, adding a degree of financial reliability beyond its competitors.

Staff recommended approval of Resolution No. 12-SM008 for North Star Biofuels LLC’s purchase of Qualified Property in an amount not to exceed \$4,115,500

anticipated to result in an approximate sales and use tax exclusion value of \$333,767.

C. REQUEST FOR AMENDMENT TO TESLA MOTORS, INC.’S STE RESOLUTION (RESOLUTION NO. 09-003) TO EXPAND CAEATFA’S AUTHORIZED SIGNATORIES FOR ADMINISTRATIVE PURPOSES

Staff requested approval to amend Tesla Motors Inc.’s Sales Tax Exclusion (“STE”) Resolution No. 09-003 under the Zero Emission Vehicle Policy to expand CAEATFA’s Authorized Signatories for administrative purposes.

Ms. Redway stated that there was already a motion and a second on the above items. She then asked if there were any questions or comments from the Board or public. There were none. Items 4.A.1, 4.B.1 and 4.C. 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 11:05 a.m.

Respectfully submitted,

Christine Solich
Executive Director