

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
March 19, 2013**

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 10:56 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Jennifer Rockwell for Ana J. Matosantos, Director,
Department of Finance
Paul Clanon for Michael R. Peevey, President,
Public Utilities Commission
Sekita Grant for Robert B. Weisenmiller, Chair,
California Energy Commission

Staff Present: Saúl Acosta Gómez, 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 January 15, 2013 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

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

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Gomez started his report by stating that on February 28, 2013, Martha Alvarez served her last day at CAEATFA. Mr. Gomez then thanked Ms. Alvarez for her service at CAEATFA; she played a very vital role in getting the Loan Loss Reserve Program (ABX1 14) started. She has also been a very good colleague and has challenged Staff with her inquisitiveness. Mr. Gomez continued to state that Ms. Alvarez will be going back to work in education policy

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which is one of her passions. The children and teachers of San Diego will be able to count on her here in Sacramento, which is good for them and the state.

Mr. Gomez continued his report with an update on the Sales and Use Tax Exclusion Program (SB 71 Program). In the month of February, CAEATFA began the public process for the implementation of Senate Bill 1128 (SB 1128) which expands the program to advanced manufacturing. CAEATFA sent out a request for comment, and those comments were due March 1, 2013. Staff will use such comments to help draft regulations. Staff will hold a workshop later this spring on those regulations. Another forum in which CAEATFA anticipates receiving additional input is from the Advanced Manufacturing Summit that the Governor's Office of Economic Development (GoBiz) is hosting Wednesday, March 27, 2013. Mr. Gomez will serve on a panel and Staff will be attending throughout the day to get input and meet the various stakeholders that are interested in this subject.

Mr. Gomez then reported that with respect to the SB 71 pipeline, since January 2013, an additional \$2.6 million of awarded Sales and Use Tax Exclusions (STEs) has been used. CAEATFA has also terminated the SCE Crazy Horse Project due to their failure to fulfill the requirement to purchase 25% of qualified property in the allotted time.

Mr. Gomez then reported that with respect to the ABX1 14 Program, CAEATFA approved Provident Credit Union as their fifth lender. A total of 25 loans have been submitted and Staff anticipates that more loans will be submitted once the regular rulemaking process is complete. Mr. Gomez advised the Board that the 45-day comment period had ended on the initial draft regulations that were published. CAEATFA expects a 15-day comment period to commence soon, given all the feedback on the draft regulations. It is CAEATFA's intent to have those rules in front of the Board on April 16, 2013.

Mr. Gomez continued his report by providing legislative updates. There are three bills that Staff is following that would affect CAEATFA. One is Assembly Bill 122 by Assemblymember Anthony Rendon; this would establish a non-residential energy retrofit financing program at the California Energy Commission (CEC) and CAEATFA would serve as the issuer of bonds for the CEC to finance retrofits approved by the CEC. The second is Assembly Bill 1021 by Assemblymember Eggman; this would add the processing and utilization of recycled feedstock to the project definition in the CAEATFA statute which would make it eligible for the SB 71 Program. The third is Assembly Bill 1131 by Assemblymember Skinner; this would extend the sunset date of the ABX1 14 Program from January 1, 2015 to January 1, 2017, as well as remove the cap on loan amounts which is currently set at 10% of property value. CAEATFA will watch these bills throughout the legislative process and report to the Board every month on their progress.

Mr. Gomez continued to report that CAEATFA had submitted a request for an additional position for the implementation of SB 1128. At this point, both Senate and Assembly Budget Subcommittees are approving CAEATFA's request.

Mr. Gomez lastly reported on his delegated authority. He extended the contract for consultant services with Blue Sky Consulting Group (Blue Sky) for the SB 71 Program for an additional year. That contract will be terminated if the new contract is approved by the Board and goes

into effect.
He then ended his report.

Ms. Rockwell asked if there was a general theme to the public comments on the ABX1 14 Program.

Mr. Gomez answered by stating that the most mentioned idea was to have CAEATFA's quality assurance protocols reflect those that are being used by other utilities in their rebate programs. Staff is working with the CEC and the Public Utilities Commission (PUC) to see how to make that work under the ABX1 14 Program.

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

4. BUSINESS ITEMS

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

1) Buster Biofuels, LLC

Presented by: Alejandro Ruiz, Analyst

Staff introduced Buster Halterman, Chief Executive Officer, for Buster Biofuels, LLC.

Mr. Ruiz stated that Buster Biofuels, LLC (Buster) is requesting approval for the purchase of qualified property in a value of \$1,905,343. Currently Buster collects used cooking oil and other waste based feed stocks from food production facilities and restaurants in the San Diego County area. The proposed project before the Board is for the construction of a biodiesel production facility which would utilize the waste feed stock Buster currently collects. This biodiesel would be sold to various companies who they have contracts with, on the wholesale market, and to large distributors.

Staff recommended approval of Resolution No. 13-SM002 for Buster's purchase of qualified property in an amount not to exceed \$1,905,343 anticipated to result in an approximate sales and use tax exclusion value of \$159,477.

Mr. Gordon moved for approval and there was a second.

Ms. Redway stated that there was a motion and a second, and asked if there were any questions or comments.

Mr. Clanon then stated that he wants to note for the Board that the Buster Project far exceeds the minimum environmental requirements.

Mr. Halterman stated that he has faced many hurdles and was thankful to everyone

who has played a part in the process to get Buster where it is now.
Mr. Gordon asked if the major problem was mostly financing.

Mr. Halterman stated that from his perspective the hardest part has been obtaining all the necessary permits.

Mr. Gordon then asked which permits were the most difficult to obtain.

Mr. Halterman stated that the air pollution permit was the most difficult to obtain. He continued to state that most city planners who give the permits are uneducated about the biodiesel process which consumes a lot of time to educate them.

Mr. Clanon asked where the used cooking oil went if it was not converted to biodiesel fuel.

Mr. Halterman stated that much of it goes to animal feed and fertilizer. Over the past decade a majority has been going into the biofuel market.

Ms. Redway stated there was a motion and a second, and asked if there were any further questions or comments from the Board or public. There were none. The item was unanimously approved

B. REQUEST FOR APPROVAL TO CONTRACT FOR CONSULTING SERVICES FOR CAEATFA'S SALES AND USE TAX EXCLUSION PROGRAMS IN AN AMOUNT NOT TO EXCEED \$650,000

Presented by: Jennifer Gill, Analyst, and Deana Carrillo, Program Manager

Ms. Gill stated that Staff is requesting approval to enter into a new contract with Blue Sky Consulting Group (Blue Sky) to provide technical consulting assistance with modifications to and implementation of CAEATFA's new SB 71 Program as recently amended by SB 1128 to include advanced manufacturing. The contract is in an amount not to exceed \$650,000 for a two year term with an option to extend for an additional year.

Staff recommended adoption of a resolution authorizing execution of a contract with the Blue Sky Consulting Group to provide technical consulting services to CAEATFA in connection with modifications to and implementation of the STE Program in an amount not to exceed \$650,000 over three years.

Mr. Clanon asked what steps were taken in order to choose Blue Sky.

Ms. Gill stated that CAEATFA advertised a competitive request for proposal, and Blue Sky was one of three proposals that were received. Staff formed an evaluation committee that scored the proposals on certain criteria, and Blue Sky scored the highest.

Mr. Clanon moved for approval and there was a second.

Ms. Redway asked if there were any questions or comments from the Board or public. There were none. 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 11:17 a.m.

Respectfully submitted,

Saúl Acosta Gómez
Executive Director