

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
September 16, 2014**

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 10:37 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Alan Gordon for John Chiang, State Controller
Eraina Ortega for Michael Cohen, Director,
Department of Finance
Kristen Driskell for Robert B. Weisenmiller, Chair,
California Energy Commission
Paul Clanon for Michael R. Peevey, President,
Public Utilities Commission

Staff Present: Deana J. Carrillo, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Redway asked if there were any questions or comments concerning the August 19, 2014 meeting minutes. There were none.

Ms. Redway asked if there was a motion.

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

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her report by providing the Board with personnel updates. Since CAEATFA has recently been expanding its workload and personnel, two first-line management positions had been established. She noted that these positions were recently filled by promoting two highly-skilled internal Staff members. Sarah Taheri was offered the position for the Treasury Program Manager I (TPM I) over the California HUB for Energy

Efficiency Financing (CHEEF), and Alejandro Ruiz was promoted to the TPM I over CAEATFA's other programs. Both have shown and expressed strong public service management skills and bring energy to the job. CAEATFA is very lucky to retain them and to have a strong Staff, and Ms. Carrillo stated she welcomes them to the team.

Ms. Carrillo continued her report with updates on CAEATFA's efforts under the CHEEF. The California Public Utilities Commission (CPUC) recently issued an Assigned Commissioner's Ruling denoting its intent to have the financing pilots run for a full two years. This is a great indicator for lenders that are interested in participating. To address the extended time period, CAEATFA has submitted a budget change request to Department of Finance requesting an extension of CAEATFA's corresponding expenditure and reimbursement authority. The second big milestone CAEATFA has met, with regard to the CHEEF, is the execution of the contract between CAEATFA and the Investor Owned Utilities. The \$7,000,000 contract for CAEATFA's administrative cost has been approved by the Department of General Services.

Ms. Carrillo concluded her report by stating that under the Executive Director's delegated authority she has executed a contract with CAEATFA's financial advisor, Lamont Financial Services, for an amount not to exceed \$275,000 for a two year term.

4. BUSINESS ITEMS

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

- 1) Rialto Bioenergy Facility, LLC
Presented by: Ashley Bonnett, Analyst

Staff introduced David Felzer, Project Engineer with Anaergia Services, LLC.

Ms. Bonnett stated that Rialto Bioenergy Facility, LLC (Rialto) is requesting approval of a project to construct an anaerobic digestion facility in Bloomington for \$14,722,168 worth of qualified property. The project will also include a preprocessing line that will be used to separate the organic waste from the municipal solid waste to create the feedstock. This project will convert the organic waste into energy, a portion of which will be used to power the project, and the remainder of which will be sold to the state's electrical grid. The digestate leftover from the anaerobic digestion process will then be dried and made to a solid fuel which will be sold to nearby cement kilns or other plants.

Ms. Bonnett stated that Staff recommends approval of a resolution for Rialto's purchase of qualified property not to exceed \$14,722,168 anticipated to result in a sales and use tax exclusion of \$1,239,607.

Discussion ensued between Mr. Felzer and Board members regarding Rialto's leftover digestate waste, and future business plans.

Agenda Item 2.

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

Ms. Redway 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.

- 2) Anaheim Energy, LLC
Presented by: Ashley Bonnett, Analyst

Staff introduced David Felzer, Project Engineer with Anaergia Services, LLC.

Ms. Bonnett stated that Anaheim Energy, LLC (Anaheim) is requesting approval of a project to construct an anaerobic digestion facility in Anaheim for \$19,143,601 worth of qualified property. The project will also include a preprocessing line that will be used to separate the organic waste from the municipal solid waste to create the feedstock. This project will convert the organic waste into energy, a portion of which will be used to power the project, and the remainder of which will be sold to Anaheim Public Utilities.

Ms. Bonnett stated that Staff recommends approval of a resolution for Anaheim's purchase of qualified property not to exceed \$19,143,601 anticipated to result in a sales and use tax exclusion of \$1,611,891.

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

Ms. Redway 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.

- 3) Lockheed Martin Corporation
Presented by: Alejandro Ruiz, Manager

Staff introduced Eric Fox, Senior Director of Government Relations.

Mr. Ruiz stated that Lockheed Martin Corporation (Lockheed) is requesting approval of the acquisition of approximately \$345 million worth of Qualified Property for the renovation and construction of advanced manufacturing facilities that will produce aircraft for an Advanced Strategic Aircraft Program or "ASAP". The United States Air Force issued a request for proposal for "ASAP" and Lockheed Martin will be submitting its bid for the ASAP RFP as a prime-subcontractor at the end of September and will find out if it has won in early 2015.

Mr. Ruiz continued to state that Lockheed will develop the aircraft utilizing advanced manufacturing processes, such as advanced materials. Specifically, Lockheed will be using unitized structures, in which multiple parts that are normally fabricated separately are fabricated as a single unit, resulting in a

Agenda Item 2.

structure that is lighter weight and more efficient. Lockheed will also use equipment that will allow it to reduce water and energy use by improving process efficiencies. Since 2010, Lockheed has been implementing a comprehensive sustainability plan that has resulted in reductions in energy and water use and landfill waste. The applicant anticipates that it will continue to achieve success in reducing resource use as it continues to develop its manufacturing processes.

The legislature and governor have indicated support for this type of project by enacting legislation that will provide tax credits to the manufacturer of ASAP.

Mr. Ruiz further stated that due to the long term nature of the ASAP, the Applicant is requesting that the requirement that all purchases of Qualified Property be made within three years of approval be waived. The Applicant represents that they will be making substantial acquisitions of Qualified Property over a period of six years. Based on the information presented, staff believes that waiving the three year purchase requirement of the initial term is in the public interest and advances the purposes of the Program.

Mr. Ruiz stated that Staff recommends approval of a Resolution for Lockheed Martin Corporation's acquisition of Qualified Property in an amount not to exceed \$345,296,354 anticipated to result in an approximate sales and use tax exclusion value of \$29,073,953.

Mr. Ruiz lastly stated that Staff also recommends that pursuant section 10034(b)(1)(A) of the California Code of Regulations, the three-year purchase requirement of the initial term be waived to provide Lockheed with a six-year initial term in which it can acquire Qualified Property.

Discussion ensued between Mr. Fox and the Board members regarding Lockheed's project details, history, and future plans.

Mr. Gordon moved for approval and there was a second from Ms. Ortega.

Ms. Redway 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.

B. APPROVAL OF 2015 MEETING CALENDAR

Presented by: Alejandro Ruiz, Manager

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

Ms. Redway stated there was a motion and a second and asked if there were any questions or comments from the Board or public. There were none and 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 10:53 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director