

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
June 16, 2015**

1. CALL TO ORDER & ROLL CALL

Alan Gordon, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or Authority) meeting to order at 10:30 a.m.

Members Present: Alan Gordon for John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Eraina Ortega for Michael Cohen, Director,
Department of Finance
Jana Romero for Robert B. Weisenmiller, Chair,
California Energy Commission

Members Absent: Michael Picker, President, Public Utilities Commission

Staff Present: Deana Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Gordon asked if there were any questions or comments concerning the May 19, 2015, meeting minutes. There were none.

Mr. Gordon asked if there was a motion.

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

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her report with legislative updates. She noted three active legislative efforts being considered that affect CAEATFA programs. The first is Assembly Bill 199, authored by Assemblymember Eggman, which would expand CAEATFA's Sale and Use Tax Exclusion Program (STE Program) to include manufacturing equipment that primarily processes or utilizes recycled feedstock. That bill has passed the Assembly's Committee on Natural Resources and is currently with the Assembly Committee on Revenue and Taxation. The second bill is Assembly Bill 1269, authored by Assemblymember Dababneh and sponsored by the State Treasurer's Office, which will extend CAEATFA's authority to award a sales and use tax exclusion to advanced manufacturers through 2021. This bill has passed through the Assembly and has been referred to the Senate Committees on Energy, Utilities and Communications and Government and Finance. The third piece of legislation is Assembly Bill 450; this would include CAEATFA's Property Assessed Clean Energy (PACE) loss reserve as an eligible source for cap and trade funding. This Bill passed the Assembly and was double referred to the Senate Committee on Environmental Quality and Appropriations.

Ms. Carrillo concluded her report by stating that no actions were taken under the delegated authority of the Executive Director.

4. BUSINESS ITEMS

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

1. T2Energy, LLC

Presented by: James Shimp, Analyst

Staff introduced Mark Randall, President and Chief Executive Officer.

Mr. Shimp stated that T2Energy, LLC (T2Energy) is applying for a sales and use tax exclusion in order to install proprietary industrial biotechnology growth tanks at a leased facility in San Diego County. These tanks will grow algae, rich in beneficial omega oils, which will be extracted and sold for human consumption. Traditionally, production of these types of omega oils would require a commercial fishing and processing infrastructure, with all the attendant energy consumption and pollution. Grow tanks, as an alternative, bypass the need for fossil fuels used in commercial fishing fleets, reduce impact on fish stock, save energy, and eliminate hazardous trace chemicals that accumulate in the bodies of the fish. Additionally, the Applicant plans to use sea water in the grow tanks, thus nearly eliminating its consumption of fresh water.

Mr. Shimp continued to state that the proposed facility will also be used to develop T2Energy's technology for capturing power plant flue gas for use in the growth process. The Applicant estimates, based on a demonstration planned with San Diego Gas and Electric, that it can capture 3,200 pounds of CO2 daily from a

Agenda Item 2.

host plant. That gas is then used to fuel algal growth rather than being released into the atmosphere.

Mr. Shimp concluded by stating that Staff recommends approval of a resolution for T2Energy's purchase of qualified property not to exceed \$4,737,500 anticipated to result in a sales and use tax exclusion of \$398,898.

Discussion ensued regarding more details pertaining to the project and T2Energy's water use.

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

Mr. Gordon 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:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Michael Picker for the Public Utilities Commission	Absent

2. U.S. Corrugated of Los Angeles, Inc. Presented by: Ashley Bonnett, Analyst

Staff introduced Andreas Akaras, Consultant.

Ms. Bonnett stated that US Corrugated of Los Angeles is requesting approval of approximately \$24 million worth of Qualified Property for an advanced manufacturing project in Santa Fe Springs. US Corrugated of Los Angeles will utilize integrated computational materials engineering and advanced manufacturing equipment to more efficiently produce higher-quality materials at a lower cost. Predictive software will control the entire production process, and will interface with new equipment such as a faster, more efficient corrugator, second generation robotic arms that can sense the location and optimal placement of bundles, and a fully automated conveyor system. The project is anticipated to result in a sustainable manufacturing system that reduces energy consumption, water use, solid waste, and air pollution.

Ms. Bonnett lastly stated that Staff recommends approval of a resolution for US Corrugated of Los Angeles' purchase of Qualified Property in an amount not to exceed \$23,969,087 anticipated to result in an approximate sales and use tax exclusion value of \$2,018,197.

Nick Chaset for Michael Picker, President, Public Utilities Commission is now present.

Agenda Item 2.

Discussion ensued regarding more details of the technology that will be used in the project.

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

Mr. Gordon 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:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Nick Chaset for the Public Utilities Commission	Aye

3. Efficient Drivetrains, Inc. Presented by: James Shimp, Analyst

Staff introduced Leonhard Fahreddin, Director of Operations.

Mr. Shimp stated that Efficient Drivetrains, Inc., was founded in 2006 as part of a research and development partnership with the University of California, Davis Hybrid Electric Vehicle Center. EDI is now applying for a sales and use tax exclusion in order to open a new 30,000 square foot manufacturing facility in Milpitas, which is necessary to keep pace with growing demand. The facility will create a range of products for zero emissions vehicles, including prototype and production drivetrains, proof of concept vehicles, master software, clutching systems and controls, continuously variable transmission technology, battery modules, and electric motors. This facility will operate in conjunction with the Applicant's "North American Hybrid and Electric Vehicle Support Center" in Dixon, with an aim at meeting demand in both domestic and international markets. EDI's customer base includes large industry names like PG&E, Siemens, Duke Energy, Toyota, and Ford, as well as strategic global partners in China, Canada, India, and Taiwan.

Mr. Shimp concluded by stating that Staff recommends approval of a resolution for Efficient Drivetrains Inc's purchase of qualified property not to exceed \$5,008,800 anticipated to result in a sales and use tax exclusion of \$421,741.

Discussion ensued regarding more details of the company and project.

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

Mr. Gordon 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.

Agenda Item 2.

The item was passed by the following vote:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Nick Chaset for the Public Utilities Commission	Aye

4. The Monadnock Company

Presented by: Ashley Bonnett, Analyst

Staff introduced Josef Jochim, Director of Operations and Mark Lindbloom, Chief Financial Officer.

Ms. Bonnett stated that The Monadnock Company is requesting approval of \$6,475,000 worth of Qualified Property in order to relocate and expand its specialty aerospace fastener manufacturing operations in the City of Industry. The project will use advanced materials such as high performance molding polymers and company-developed composite components, which serve as lighter, stronger, and more durable alternatives to metals. The project will also shift the company's manufacturing to a more automated process, replacing several production stages typically performed manually within the industry through the use of new computerized numerical control machinery, robotic arms, and optical measuring equipment. The project is anticipated to result in a sustainable manufacturing system that reduces energy consumption, water use, and hazardous waste.

Ms. Bonnett lastly stated that Staff recommends approval of a resolution for The Monadnock Company's purchase of Qualified Property in an amount not to exceed \$6,475,000 anticipated to result in an approximate sales and use tax exclusion value of \$545,195.

Discussion ensued regarding the use and history of the manufactured product.

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

Mr. Gordon 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:

Alan Gordon for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Nick Chaset for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Gordon 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 10:51 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director