

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
July 21, 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 10:33 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 June 16, 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 program updates. She first noted that CAEATFA Staff for the Sales and Use Tax Exclusion Program (STE Program) have been working with stakeholders to find ways to streamline CAEATFA's application process. Staff will bring proposed regulatory modifications to the Board in the next few months. Also, under the California Hub for Energy Efficiency Financing Program (CHEEF Program) Staff has been diligently working with Concord Servicing, the chosen master servicer for the program, establishing the infrastructure for the residential pilot, as well as laying the foundation for on-bill repayment functionality with investor owned utilities. Also, for the Residential Energy Efficiency Loan Assistance Program (REEL Program) CAEATFA has received the first three applications from lenders that want to participate. Staff expects to have functionality up and running by late August or early September of this year.

Ms. Carrillo continued her report with legislative updates. She noted that CAEATFA's request for extended budget authority to continue implementation of the CHEEF Program was approved through fiscal year 2016-17. She also noted that Assembly Bill 1269, which extends the advanced manufacturing eligibility under the STE Program, passed out of the Senate Governance and Finance Committee and is scheduled to be heard by Senate 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. Hi Shear Corporation
Presented by: James Shimp, Analyst

Staff introduced Patrick Hutchins, Vice President and General Manager and Jennie Yeh, Plant Controller.

Mr. Shimp stated that Hi Shear Corporation is requesting approval of \$39,385,000 worth of Qualified Property in order to upgrade its specialty aerospace fastener manufacturing operations in Torrance. These fasteners utilize advanced materials, such as specialty alloys, in order to provide strength and durability for the aerospace industry they serve. The project will replace existing equipment with machines that are more efficient, require less maintenance, and have greater automation and a higher degree of precision. Upgraded features will include computerized numerical control machinery, robotic arms, and optical measuring equipment. The project is anticipated to result in a more sustainable manufacturing system that reduces energy use and water consumption, while increasing productivity by a projected 30%.

Mr. Shimp concluded by stating that Staff recommends approval of a resolution

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for Hi Shear's purchase of qualified property not to exceed \$39,385,000 anticipated to result in a sales and use tax exclusion of \$3,316,217.

Discussion ensued regarding Hi Shear Corporation's history and manufacturing process.

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. Las Gallinas Valley Sanitary District Presented by: James Shimp, Analyst

Staff introduced Cara Wasilewski, Grants Assistant.

Mr. Shimp stated that Las Gallinas Valley Sanitary District (LGVSD), a California public agency, is requesting approval of \$788,757 of Qualified Property in order to install a closed-loop biogas energy recovery system at their wastewater treatment plant in San Rafael. When fully operational, the system will recover methane produced from the digestion of wastewater sludge. The resulting biogas will be conditioned for on-site combined heat and power generation, with excess gas being converted to renewable compressed natural gas for use in LGVSD vehicles.

Mr. Shimp continued to state that under the STE Program, applications are run through a "Net Benefits Test" to determine whether the proposed project represents an overall fiscal and environmental benefit for the State. On this test, the LGVSD application fell short of the total point threshold set by regulations. Specifically, the application was low on Fiscal Benefits points, which reflects increased economic activity driven by the project. The Applicant's relatively low score is due to the fact that, as a California public agency, they do not pay income taxes, which are a significant source of the program's fiscal benefit calculation for private sector projects. If the Applicant were taxed at a rate commensurate with other private entities, its Fiscal Benefits Score would be raised enough to exceed the required Total Score threshold.

Mr. Shimp stated that in addition to establishing a minimum Total Score threshold, regulations state that "where a project receives a score less than these

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thresholds, the Executive Director may recommend it to the board for approval upon a statement articulating specific reasons why the approval is in the public interest and advances the purposes of the Program.” The Executive Director has made such a finding, noting that the Project is intended to demonstrate the ability of biogas energy recovery systems at wastewater treatment facilities to help meet the requirements of California’s climate and renewable energy goals, particularly those related to short lived climate pollutants. In doing so, the Project will provide long-term benefits to the State of California beyond those immediately measurable in the Net Benefits Test, thereby providing a benefit to the public and advancing the purposes of the STE program.

Mr. Shimp lastly stated that in accordance with the Executive Director’s finding, Staff recommends approval of a resolution for Las Gallinas Valley Sanitary District’s purchase of qualified property not to exceed \$788,757 anticipated to result in a sales and use tax exclusion of \$66,413.

Ms. Wasilewski declared her gratitude to CAEATFA and the Board.

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

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 |

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 10:47 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director