

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
September 15, 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 10:36 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
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 August 18, 2015, meeting minutes. There were none.

Mr. Gordon asked if there was a motion.

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

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her report with legislative updates. She stated that two legislative efforts were approved by the legislature before the end of the session and are on their way to the Governor for consideration. The first is Assembly Bill 1269, authored by Assemblymember Dababneh. This bill extends the eligibility of CAEATFA's advanced manufacturing project criteria under the Sales and Use Tax Exclusion Program (STE Program) to the year 2021. The other bill is Assembly Bill 199 authored by Assemblymember Eggman. This bill also impacts the STE Program by expanding eligibility to equipment used for recycled feedstock and equipment needed to use recycled feedstock. AB 199 was approved as an urgency statute and once approved by the Governor CAEATFA Staff will begin the process of incorporating this new type of project in the STE program.

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

4. BUSINESS ITEMS

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

- 1. Rolls-Royce High Temperature Composites, Inc.**
Presented by: James Shimp, Analyst

Staff introduced John Cowger, Program Manager.

Mr. Shimp stated that Rolls-Royce High Temperature Composites Inc., a wholly owned subsidiary of Rolls-Royce PLC., is requesting a sales and use tax exclusion in order to build a new high temperature composites facility at its location in Huntington Beach. Investment is being made in sophisticated precision machinery, including Computer Numerically Controlled machining equipment. The new facility will produce advanced composite materials, such as ceramic matrix composites (CMCs), engineered coatings, and thermal structural components. These composites will be used in gas turbine engines, allowing the engine to run at higher temperatures and with greater efficiency. CMCs are also typically less dense than traditional alloys, allowing for weight reductions that could potentially lead to additional gains in engine fuel economy.

Mr. Shimp continued to state that in addition to the installation of the CNC equipment, the Applicant intends to double its workforce and install machinery designed to reduce the environmental impact of the facility. For example, automated cutters and dispensers will reduce solid waste by an estimated 7% and liquid ring vacuum pumps will reduce oil use by 50%.

Mr. Shimp lastly stated that Staff recommends approval of a resolution for Rolls-Royce High Temperature Composites Inc.'s purchase of Qualified Property not to exceed \$8,728,000 anticipated to result in a sales and use tax exclusion of

\$734,898.

Mr. Picker 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	Aye

B. DISCUSSION AND CONSIDERATION OF APPLICANT'S REQUEST TO EXTEND THE TERM OF THE TITLE CONVEYANCE AGREEMENT OF STE AWARD

1. Clean World Partners, LLC

Presented by: James Shimp, Analyst

Staff introduced Jennifer Claiborne, Project Manager and Katie Chapman, Applications Engineer.

Mr. Shimp stated that in October of 2012, the CAEATFA Board approved a sales and use tax exclusion for Clean World Partners LLC for the purchase of \$11,796,759 of Qualified Property. The project involved construction of a new biomass and fuel production facility located at the Applicant's Organic Waste Recycling Facility at the South Area Transfer Station in Sacramento. The Master Regulatory Agreement provided the Applicant with an initial term of three years from the date of Board Approval to utilize its STE award.

Mr. Shimp continued to state that as of September 1, 2015, Clean World has purchased, but not conveyed, approximately \$8,000,000 of Qualified Property. The equipment purchased to date is involved in phase 1 of the Project, which will scale-up capacity at the facility to 25 tons per day of food waste. This equipment is currently undergoing testing and modification. Phase 2 of the project, already underway, will increase capacity to 100 tons per day.

Mr. Shimp stated that in July 2015, CAEATFA staff sent the Applicant a reminder of the end of the three-year Agreement. Clean World responded by requesting an extension of the initial term by one year to accommodate financing and purchasing issues for the second phase of its Project. Specifically, the Applicant has decided to upgrade the separation technology they will be using, thus necessitating additional expenses. In order to accommodate the timeline for financing these upgrades, Clean World split the second phase of their construction into two subcomponents. Phase 2A consisted of the purchase and

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installation of the anaerobic digester and was completed in July, 2015. Phase 2B will include the back end effluent management system and has now received financing through a loan from Cal Recycle. Extending the STE award will allow for the final purchases of the project to be made, thereby completing the project as originally intended.

Mr. Shimp lastly stated that Staff recommends approval of an extension of one year for Clean World Partners LLC's purchase of qualified property not to exceed \$11,796,759 anticipated to result in a sales and use tax exclusion of \$993,287.

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	Aye

C. REQUEST TO AMEND STE RESOLUTION 13-SM014 TO CHANGE THE PARTICIPATING PARTY FROM BOXER INDUSTRIES, INC. TO MONOLITH MATERIALS, INC.

Presented by: James Shimp, Analyst

Mr. Shimp stated that on December 17, 2013, the CAEATFA Board approved an STE award for Boxer Industries, Inc. for the construction of a new facility that cracks natural gas to produce carbon black. Carbon black is a pure carbon nano-material that can be mixed into polymers to create reinforcing, conductive, or absorptive networks. The material forms a sort of physical, structural network – think of it like a mesh that holds together rubber or plastic. The product produced by Monolith is used in almost all types of black rubber and plastic products, including cables and consumer electronics.

Monolith uses a process that significantly reduces emissions compared to traditional processes, thus making the company eligible for a sales and use tax exclusion under advanced manufacturing.

Mr. Shimp continued to state that on July 28, 2015 Boxer submitted a request to transfer their STE financial assistance from Boxer Industries, Inc. to Monolith Materials, Inc. This transfer reflects a change in the articles of incorporation, which the participant states was necessary to better their position in the marketplace. The change will not, however, affect the scope or details of the project itself.

Mr. Shimp lastly stated that Staff recommends approval of an amendment to Resolution No. 13-SM014, changing Boxer Industries, Inc. to Monolith Materials, Inc. for the purchase of Qualified Property in an amount not to exceed \$6,553,000 anticipated to

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result in an approximate sales and use tax exclusion value of \$548,486.

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	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 10:47 a.m.

Respectfully submitted,



Deana J. Carrillo
Executive Director