

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
November 15, 2016**

1. CALL TO ORDER & ROLL CALL

Steve Juarez, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or the Authority) meeting to order at 10:34 a.m.

Members Present: Steve Juarez 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
Gibran Maciel for Michael Picker, President,
Public Utilities Commission

Staff Present: Deana Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Juarez asked if there were any questions or comments concerning the October 18, 2016 meeting minutes. There were none.

Mr. Juarez asked if there was a motion.

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

The item was passed by the following vote:

Steve Juarez 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	Abstain
Gibran Maciel for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her report by inviting the Board and any persons attending the meeting to join CAEATFA and CPCFA for an open house starting after the CPCFA Board meeting in order to welcome visitors to the new office space.

Ms. Carrillo reported that the current meeting was the second board meeting restricted solely to recycling and recycled feedstock projects only, and at the December board meeting CAEATFA will be broadening the scope of projects to include consideration of applications that fall under all program eligibility pathways.

Ms. Carrillo reported that CAEATFA staff have continued to work with recycling feedstock applicants under the STE program. CAEATFA's regulations for these projects are new, and the program is structured to enable an appropriate and standard evaluation of the various types of project eligibility, from alternative source and advanced transportation projects (biogas, electric vehicles and solar panels), to advanced manufacturing (such as biotechnology or aerospace), to now include recycled feedstock – ranging from mixed recycling, tires, metals, and compost. In working with applicants, CAEATFA recognized that several projects did not meet the environmental benefits threshold of the program. Staff believes this is predominantly due to the fact that some recycling projects will not have as significant of an impact on greenhouse gas emissions – a required evaluation component pursuant to CAEATFA statute – as the other types of green projects that are eligible under the program.

Ms. Carrillo reported that applications that have not passed the environmental benefits scoring criteria, have been offered the opportunity to maintain their live applications for consideration as CAEATFA staff continues to explore this issue. Staff have conducted significant research on the industry and CAEATFA's legislative authority, and have met with industry representatives on additional factors that could be considered in the STE process. CAEATFA will continue to work on this issue, and may determine that there is a need to modify the program regulations. If so, that effort will likely be launched late in the first quarter of 2017.

Mr. Juarez commented that after discussions with staff, he is reassured that CAEATFA will continue to work with applicants regarding the scoring system, including keeping applicants informed of how to meet the eligibility criteria.

Ms. Carrillo reported that under the PACE program, CAEATFA has arranged to have a Board meeting scheduled Monday, December 5th at 3:00 p.m., to provide information on the PACE Loss Reserve, and presentations from various program participants.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

1. Zanker Road Resource Management
Presented by Ellen Hildebrand, Analyst

Staff introduced Greg Ryan, General Manager of Zanker Road Resource Management

Ms. Hildebrand reported that Zanker Road Resource Management (“Zanker”) is requesting a sales and use tax exclusion to purchase and install a new shredding system at the San Jose Zanker Material Processing Facility. The Applicant represents that the Project will allow them to process approximately 120,000 tons per year of waste. The Project will process material that has already been processed through the Construction and Demolition waste sorting line, as well as unprocessed waste delivered to the facility.

Ms. Hildebrand reported that staff recommends denial of the application because the Project’s environmental benefits score of 5 points does not meet the STE Program’s minimum environmental benefits threshold of 20 points. The scoring mechanism used in the STE application awards points in proportion to the size of the project being considered.

Ms. Hildebrand addressed Zanker’s statement in their November 17th letter to the Board that the Project “would reduce emissions by 399 Metric tons of carbon dioxide equivalent per year” due to site-specific transportation factors. She explained that the STE Program does not consider the environmental benefits of the entire Project when calculating an environmental benefits score. This would overestimate the benefits of the STE, because it is unlikely that all of the benefits of a \$1,512,792 Project stem from a \$127,377 incentive. The STE Program measures the marginal additional economic output resulting from the STE. Under this approach, CAEATFA assumes that because the STE lowers the cost to purchase equipment, applicants are incentivized to purchase marginally more equipment and process marginally more recyclables than they would without the STE. This method allows CAEATFA to consider the benefits of the STE award, rather than the entire Project. Because of this, only a fraction, rather than the full transportation benefits of diverting ADC would be considered in the environmental benefits score. The inclusion of these benefits is highly unlikely to cause the Project to meet the environmental benefits threshold of 20 points.

Staff recommends denial of Zanker’s application requesting \$1,512,796 worth of qualified property for an estimated sales and use tax exclusion of \$127,377 due to the project not meeting the Program’s minimum point threshold for environmental benefits required under the STE Program’s regulations.

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Ms. Hildebrand continued by clarifying that a vote of “yes” would mean that the Board accepted staff’s recommendation to deny the application, and a vote of “no” would mean that the Board does not accept staff’s recommendation.

Mr. Ryan spoke on behalf of approving the application for Zanker in opposition to the staff recommendation of denying the application. He indicated that he believed this project was inclusive of greenhouse gas diversion and responsive to the intent of AB 199, but does not fit well within the current scoring system. He asked the Board to use its discretion to approve the project in spite of the staff recommendation and relatively low scoring because the project is relatively small and does promote the objectives of AB 199.

Mr. Juarez indicated that he would support the staff recommendation and that staff was very comfortable with current scoring system, but that staff should continue to work with project proponents in further developing the evaluation and consideration of environmental benefits for these types of projects.

Ms. Ortega moved for approval of the staff recommendation of denying the application for Zanker and there was a second by Mr. Maciel.

Mr. Juarez 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 to deny the Zanker application was unanimously approved.

The item was passed by the following vote:

Steve Juarez 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
Gibran Maciel for the Public Utilities Commission	Aye

2. GreenWaste Recovery, Inc.

Presented by Ashley Bonnett, Analyst

Staff introduced Tracy Adams, Chief Administrative Officer of Green Waste Recovery, Inc.

Ms. Bonnett reported that GreenWaste Recovery, Inc. (“GreenWaste”) is requesting a sales and use tax exclusion to install a new municipal solid waste processing system at its materials recovery facility located in San Jose (the “Project”). The Project will recover mixed recyclables, such as metals, glass, plastics, and cardboard, and the organic fraction recovered through this processing system will be sent to GreenWaste’s sister facility, Z-Best Composting Facility located in Gilroy, to be composted. GreenWaste represents the Project is

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anticipated to increase recovery of organics and recyclables by approximately 7%–8% above current operations.

Staff recommends approval of a resolution for GreenWaste Recovery’s purchase of qualified property in an amount not to exceed \$4,458,683, anticipated to result in a sales and use tax exclusion of \$375,421.

Mr. Adams commended the staff for their work with Green Waste.

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

Mr. Juarez 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.

The item was passed by the following vote:

Steve Juarez 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
Gibran Maciel for the Public Utilities Commission	Aye

Mr. Juarez asked if there was any public comment regarding the previous Agenda items.

Veronica Pardo California Refuse Recycling Council (“CRC”) spoke to the issue of the environmental benefits scoring, particularly in regards to composters. Ms. Pardo indicated that altering the requirements so that more projects could be eligible under the STE program could be beneficial to CRC members. She indicated differentiating between feedstock and product as it relates to the emission factor, particularly in relation to in-bound and out-bound product. Current scoring measures out-bound product and scoring should be applied to in-bound feedstock as well. She supports adding this component to the scoring system.

Ms. Carrillo indicated that staff will continue to work with stakeholders. Ms. Baker commented that new programs, such as AB 199 STE projects, will need additional assessment to determine if an evaluation component considers environmental factors that may include other elements than greenhouse gas emission. She urged staff to try to develop methodologies that work for these types of projects as soon as possible. Ms. Carrillo responded that staff will continue to be responsive and responsible to all types of projects.

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

1. California Ethanol and Power, Imperial Valley 1, LLC
Presented by Ellen Hildebrand, Analyst

Staff introduced Dave Rubenstein, Chief Executive Officer

Ms. Hildebrand reported that in December 2013, the CAEATFA Board approved a sales and use tax exclusion for California Ethanol and Power Imperial Valley 1 (“California Ethanol and Power”) for the purchase of \$444,811,275 of Qualified Property. The Project involved construction of a facility that converts sugarcane into low-carbon fuel-grade ethanol, bio-methane, and electricity. 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.

Ms. Hildebrand added that California Ethanol and Power requested an extension of the initial term by three years to allow the project to secure financing and move forward with the project. As of November 1, 2016, California Ethanol and Power has not conveyed nor purchased any of its Qualified Property. The original financing and construction plan has not materialized due to the fact that the original financing came from sources in Brazil, and Brazil has since suffered a recession and change in political leadership. The Applicant has since established a new Project team which includes firms with experience financing and building large projects in California. California Ethanol and Power represents that with the exception of not using sweet sorghum as a portion of the feedstock, the scope of the Project remains the same as at original approval. The Project’s setbacks appear to be largely out of the Applicant’s control, and are also common for projects of this magnitude.

Staff recommends approval of an extension of three years for California Ethanol and Power’s purchase of qualified property not to exceed \$444,811,275 anticipated to result in a sales and use tax exclusion of \$37,230,704.

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

Mr. Juarez 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.

The item was passed by the following vote:	
Steve Juarez 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
Gibran Maciel for the Public Utilities Commission	Aye

2. Crimson Renewable Energy, LP
Presented by Ellen Hildebrand, Analyst

Ms. Hildebrand reported that in November 2013, the CAEATFA Board approved a sales and use tax exclusion for Crimson Renewable Energy (“Crimson”) for the purchase of \$14,065,000 of Qualified Property. The project involved the expansion of an existing biomass processing and fuel production facility that produces biofuel. 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.

Ms. Hildebrand reported that Crimson requested an extension of the initial term by two years and six weeks until December 31, 2018 to allow the project to be completed. As of November 1, 2016 Crimson has purchased \$8,114,725 of Qualified Property, or about 58% of the total Qualified Property. The Project had two Phases. Phase one is complete and has already exceeded its production goals. The applicant represents that delays in purchasing, construction and acquiring all necessary permits has caused Phase two be delayed. However, the first Part of Phase two has already begun, and the applicant represents that the project will be completed as described in the application.

Staff recommends approval of an extension until December 31, 2018 for Crimson Renewable Energy’s purchase of qualified property not to exceed \$14,065,000 anticipated to result in a sales and use tax exclusion of \$1,177,241. Ms. Ortega moved for approval and there was a second by Ms. Baker.

Mr. Juarez 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.

The item was passed by the following vote:

Steve Juarez 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
Gibran Maciel for the Public Utilities Commission	Aye

C. CONSIDERATION OF INTERAGENCY AGREEMENT WITH STATE TREASURER’S OFFICE FOR EXECUTIVE SUPPORT SERVICES NOT TO EXCEED \$473,469

Presented by Dallas Aicega, Analyst

Staff requests approval of the Fiscal Year (FY) 2016/2017 Interagency Agreement (“IA”) with the State Treasurer’s Office (“STO”) to provide executive and administrative support to the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) in the

amount of \$473,469.00 during the term July 1, 2016 through June 30, 2017.1. Staff recommends approval of the attached Resolution to authorize the Executive Director to execute an IA with the STO for Executive and Support Services for Fiscal Year 2016/2017.

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

The item was passed by the following vote:	
Steve Juarez 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
Gibran Maciel for the Public Utilities Commission	Aye

D. REQUEST FOR APPROVAL OF 2017 MEETING CALENDAR

Presented by Dallas Aicega, Analyst

Staff recommends approval of the proposed meeting schedule for calendar year 2017.

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

Mr. Juarez 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.

The item was passed by the following vote:	
Steve Juarez 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
Gibran Maciel for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Juarez asked if there were any comments from the public and there were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:02 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director