

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
December 13, 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 10:32 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 November 15, 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	Aye
Gibran Maciel for the Public Utilities Commission	Not Present

### 3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo reported that under the Sales and Use Tax Exclusion (STE), there was currently \$57 million of the annual \$100 million program cap available. She noted that staff was recommending approval of 6 applications which would fully award the \$100 million in STE available for the second year in a row.

She explained that 2016 was a very active year for the STE program, particularly given the program suspension that was enacted to give staff time to modify the regulations to accommodate both a) recycled feedstock projects, and b) the changing competitive nature of the program. If all projects are approved today, the Board will have approved 24 projects, half of which are recycled feedstock.

Ms. Carrillo stated that STE applications for consideration in December were submitted under both the new revised program regulations, and the previous regulations. To maintain the Board's intent to have the program available to both small and large projects, as reflected in the revised regulations, and to address the substantive application submitted by Tesla for equipment related to their Model 3 – agenda item 4.A.1 – which was submitted under the previous regulations, staff recommended that the Board first approve the other eligible projects that are recommended for approval, and then address item 4.A.1 to award remaining funds to the Tesla application.

Ms. Carrillo further stated that under her delegated authority, she had two items to report. Under CAEATFA's implementation of the California Hub For Energy Efficiency Financing (CHEEF), she had extended two contracts, both for time only. Both extensions were at Department of General Services for final approval.

**Amendment No. 2 to the CHEEF Trustee contract with U.S. Bank**

**(CAEATFA06-14)** extended the term of the agreement for time only, for one year through December 31, 2017. The total contract value is not to exceed \$180,000.00 from January 24, 2015 through December 31, 2017. Through September 30, 2016, the contract has cost \$85,000.00, leaving \$95,000.00 available for the remaining term of the contract.

**Amendment No. 2 to CHEEF Master Servicer contract with Concord Servicing**

**Corporation (CAEATFA08-14)** extended the term of the agreement for time only, for one year through December 31, 2017. The total contract value is not to exceed \$1,500,000.00 from January 24, 2015 through December 31, 2017. Through August 31, 2016, the contract has cost \$386,666.79, leaving \$1,131,333.21 available for the remaining term of the contract.

Ms. Carrillo then concluded her report.

**4. BUSINESS ITEMS**

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

1. Tesla Motors, Inc.

Presented by Alejandro Ruiz, Program Manager

Staff introduced Daniel Witt, Development and Policy Manager of Tesla Motors, Inc.

Mr. Ruiz reported that Tesla Motors, Inc. was requesting approval of a project to purchase \$1.1 billion in qualified property to expand its design and manufacturing capabilities to produce the Model 3 electric vehicle. The Model 3 will be the first lower-priced sedan offered by Tesla at \$43,000. Tesla represented that the proposed project will provide the capacity to produce and deliver an average of 226,000 units per year in addition to its Model S and Model X production.

Mr. Ruiz continued by stating that only 48% of the benefits attributable to the total project are attributable to the portion of the award under consideration since the Authority is only proposing to accommodate a portion of the total request.

Mr. Ruiz reported that statute limits CAEATFA to granting up to \$100 million in sales and use tax exclusion per calendar year. In response to the STE program's statutory cap and oversubscription, CAEATFA recently adopted regulations that limit applications to requesting \$20 million in STE, with a mechanism to provide additional STE to larger projects as requested if funds are available at the end of the year. The Authority instituted a competitive process to determine the order of consideration of applications in situations where STE requests exceed the available remaining annual program cap.

Mr. Ruiz stated that Tesla submitted this application on November 16, 2015, prior to the August 9, 2016, effective date of the revised program regulations; so, this application was subject to the prior regulations in effect at that time.

Mr. Ruiz reported that to better effectuate the purpose of the program and the public interest, and in light of the recent regulation changes and competitive nature of the program, staff recommended approving the Applicant for an award in an amount not to exceed the remainder of the 2016 calendar year \$100 million statutory cap after the subsequent applications on the agenda for the December 13, 2016 Board meeting have been considered. This would enable awarding the remaining applicants on the agenda for consideration, should the Board vote to approve those applications, while providing Tesla a significant STE award, with leave to submit applications in the future for additional assistance for the Project under the newly revised regulations.

**Agenda Item 2.**

Staff recommended approval of Resolution No. 16-SM036 for Tesla Motors, Inc.'s purchase of qualified property in an amount not to exceed \$560,917,080 anticipated to result in an approximate sales and use tax exclusion value of \$47,229,218.

Mr. Maciel arrived during the staff report and was recognized by the Chair.

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. Gilead Sciences, Inc.**

Presented by Ellen Hildebrand, Analyst

Staff introduced Richard Stapler, Government Affairs and Ed Bjurstrom, Vice-President of Gilead Sciences, Inc.

Ms. Hildebrand reported that Gilead Sciences was requesting an STE award to build a new biopharmaceutical manufacturing facility located in La Verne. The facility will manufacture AmBisome, an antifungal antibiotic that is used to treat patients with serious fungal conditions. The facility was sustainably designed, with features that reclaim water discharge, use natural lighting, and recover heat for the building hot water system.

Staff recommended approval of a resolution for Gilead Sciences' purchase of no more than \$51,645,674 of qualified property, anticipated to result in an STE of \$4,348,566.

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

**Agenda Item 2.**

Eraina Ortega for the Director of Finance	Aye
Jana Romero for the California Energy Commission	Aye
Gibran Maciel for the Public Utilities Commission	Aye

3. XT Green, Inc.  
Presented by Ellen Hildebrand, Analyst

Staff introduced Gail Brice, Vice President of XT Green, Inc.

Ms. Hildebrand reported that XT Green was requesting an STE award to build a new advanced carpet recycling facility in Corona, Riverside County. The facility will sustainably recycle carpet through a new patent-pending technology that eliminates particulate emissions which have caused respiratory problems and achieves higher quantity and higher quality recycled plastic yields than the industry standard.

Staff recommended approval of a resolution for XT Green’s purchase of no more than \$8,970,500 of qualified property, anticipated to result in an STE of \$755,316.

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

4. Eslinger Biodiesel, Inc.  
Presented by Alejandro Ruiz, Program Manager

Mr. Ruiz reported that Eslinger Biodiesel, Inc. requested approval of a project to purchase \$8.3 million in qualified property to construct a biodiesel production facility in Fresno that will convert used cooking oil and other fats, oils and greases into biodiesel and glycerin (the “Project”).

Mr. Ruiz stated that the Project will produce 5 million gallons of B100 biodiesel and 2.5 million gallons of technical grade glycerin per year. This fuel will be supplied to a Kinder Morgan Fuel Distribution Terminal in Fresno County and blended with other diesel fuel to be shipped out to across the state to customers.

**Agenda Item 2.**

Staff recommended approval of Resolution No. 16-SM031 for Eslinger Biodiesel Inc.'s purchase of qualified property in an amount not to exceed \$8,394,385 anticipated to result in an approximate sales and use tax exclusion value of \$706,807.

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.

Akasha Khalsa from the California Energy Commission spoke in support of the project, particularly in relation to the decreased air pollution effected by the project.

There were no other comments 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. ABEC #3 LLC**

Presented by Ellen Hildebrand, Analyst

Ms. Hildebrand reported that ABEC #3 was requesting an STE award to build a new biogas production facility on the Lakeview Farms Dairy in Bakersfield. The facility will use bacteria to digest dairy cow manure releasing biogas, which is then used to generate heat for plant processing and electrical power for sale to PG&E.

Staff recommended approval of a resolution for ABEC #3's purchase of no more than \$2,401,884, anticipated to result in an STE of \$202,239.

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

**Agenda Item 2.**

Jana Romero for the California Energy Commission	Aye
Gibran Maciel for the Public Utilities Commission	Aye

**6. ABEC #4 LLC**  
Presented by Ellen Hildebrand, Analyst

Ms. Hildebrand reported that ABEC #4 was requesting an STE Award to build a new biogas production facility on the CE&S Dairy in Bakersfield. Like the ABEC #3 project, the facility will use bacteria to digest dairy cow manure releasing biogas, which is then used to generate heat for plant processing and electrical power for sale to PG&E.

Staff recommended approval of a resolution for ABEC #4's purchase of no more than \$2,701,502, anticipated to result in an STE of \$227,467.

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 11:05 a.m.

**Respectfully submitted,**

Deana J. Carrillo  
Executive Director