

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
September 19, 2017**

1. CALL TO ORDER AND ROLL CALL

Alan Gordon, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or the “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
Michael Murza for Robert B. Weisenmiller, Chair,
California Energy Commission
Grant Mack for Michael Picker, President,
Public Utilities Commission

Staff Present: Deana Carrillo

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Gordon asked if there were any questions or comments concerning the August 15, 2017 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 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
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Abstain

3. EXECUTIVE DIRECTOR’S REPORT

Ms. Carrillo reported that under the Sales and Use Tax Exclusion (STE) Program, if the applications under consideration today are approved, CAEATFA will have awarded

approximately 83% of the total STE for the calendar year, leaving \$16.6 million to award. She noted that CAEATFA currently has eight applications under review, and if they are all approved, no STE funds would be remaining for the rest of the year. However, staff is currently reviewing several applications for eligibility and scoring issues, so it is possible not all applications will be moving forward.

Ms. Carrillo continued by stating that also under the STE Program, there were some minor technical issues with the recent regulatory modifications that will require an additional public comment period.

Ms. Carrillo also reported that under the California Hub for Energy Efficiency Financing (the “CHEEF”) Program, CAEATFA has already seen a positive impact in the marketplace regarding the recent regulatory changes under the Residential Energy Efficiency Loan (the “REEL”) Program. The REEL Program is close to reaching its first million in loan enrollment.

Ms. Carrillo reported that there were no actions taken under her delegated authority.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

- 1) Aemerge RedPak Services Southern California, LLC
Presented by Melanie Holman, Analyst

Staff introduced Landon Miller, Chief Operating Officer, and Adam Seger, Chief Executive Officer, Aemerge Redpak Services Southern California, LLC.

Ms. Holman reported that Aemerge RedPak Services Southern California, LLC (“Aemerge” or the “Applicant”) is applying for the Sales and Use Tax Exclusion Program as an Advanced Manufacturer requesting \$37,000,676 in Qualified Property to build a brand new facility that will house the company’s medical waste recycling operation in Hesperia, California. Aemerge converts all forms of medical waste into three types of products: recycled metals and glass, carbon products, and electricity, during its two-step-high heat, non-incineration process. This process also destroys all infectious matter. Aemerge will be using a carbonizer and thermal oxidizer system that vaporizes the organic components of medical waste and converts it to organic gases that are burned to produce electricity that will in turn power the process itself. Additional environmental benefits of this method include the need for less energy compared to the industry standard and zero water used. Aemerge has met all of the STE Program’s scoring thresholds.

Staff recommends approval of a resolution for Aemerge Redpak Services Southern California, LLC’s purchase of no more than \$37,000,676 of Qualified Property, anticipated to result in a Sales and Use Tax Exclusion of \$3,115,457.

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. Diana Banchero, Senior Business Development Specialist for the California Business Investment Services (CALBIS) spoke in support of the Project.

There were no further comments and Mr. Gordon called for a vote. The item was 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
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2) PolyPeptide Laboratories, Inc.
Presented by Melanie Holman, Analyst

Ms. Holman reported that PolyPeptide Laboratories, Inc. (“Polypeptide” or the “Applicant”) is an Advanced Manufacturer applying to the Sales and Use Tax Exclusion Program for the purchase of \$12,750,000 in Qualified Property to expand its existing facilities in Torrance and San Diego. The Applicant has entered into a large service contract to produce a peptide that combats muscular dystrophy and with this award will be able to add several new lab spaces and large-scale synthesis, filtration, and purification equipment. This Project will also introduce automated synthesizers to PolyPeptide’s manufacturing process, reducing errors and increasing productivity. With these improvements the Applicant will also be able to use less hazardous solvents and less water in their process. The Project has met all of the Sales and Use Tax Exclusion Program’s scoring thresholds.

Staff recommends approval of a resolution for PolyPeptide Laboratories, Inc.’s purchase of no more than \$12,750,000 of Qualified Property, anticipated to result in a Sales and Use Tax Exclusion of \$1,073,550.

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 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
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3) National Steel and Shipbuilding Company
Presented by Melanie Holman, Analyst

Staff introduced Gene Shaffer, Tax Director, PricewaterhouseCoopers, Jim Euphrat, Tax Director and Jim Quagline, Project Manager, National Steel and Shipbuilding Company.

Ms. Holman reported that National Steel and Shipbuilding Company (“NASSCO” or the “Applicant”) is an Advanced Manufacturing Applicant seeking to purchase \$40,500,000 in Qualified Property to upgrade and expand its existing shipyard in San Diego. The Applicant represents that it will be manufacturing steel thin plate panels in an effort to improve the efficiency of new generation ships. Steel thin plate panels are manufactured at a thickness of 5-10mm versus the standard thickness of 10-24mm and producing them requires a level of precision that NASSCO cannot reach on its current production line. The Applicant represents that it will incorporate fully automated hybrid laser arc welders and gas metal arc welding robots to automate the manufacturing process and ensure efficiency due to the work being done at precise temperatures with a greater rate of output. Despite the automation of many processes, the Applicant does not anticipate any job loss. Instead, NASSCO predicts more work orders in the future and new job opportunities for its workers as the need for more technical positions increases. The Project has met all of the Sales and Use Tax Exclusion Program’s scoring thresholds and is anticipated to have a significant net benefit to the state of \$5,139,658.

Staff recommends approval of a resolution for National Steel and Shipbuilding Company’s purchase of no more than \$40,500,000 of Qualified Property, anticipated to result in a Sales and Use Tax Exclusion of \$3,410,100.

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 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
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

- 4) Lollicup USA, Inc.
Presented by Melanie Holman, Analyst

Staff introduced Chris Sharpe, Applicant Representative, PricewaterhouseCoopers, Shirly Chyan, Operations/Business Development Supervisor, and Poli Chou, Plant Assistant Manager, Lollicup, USA, Inc.

Ms. Holman reported that Lollicup USA, Inc. (“Lollicup” or the “Applicant”) is an Advanced Manufacturing Applicant seeking to purchase \$10,345,200 in Qualified Property to upgrade and expand its facility in Chino. The company began as a tea café in 2000 and quickly expanded to include the production of recycled paper and plastic goods and packaging. Lollicup represents that it intends to expand beyond its current manufacturing process by introducing automated manufacturing equipment and robotics in an effort to increase both efficiency and the rate of production. The addition of a high-velocity grinder will allow the company to separate and process waste generated during production and either reuse or recycle it, allowing Lollicup to reduce landfilling. Lollicup also plans to begin producing cups using a specialized precision folding wing that is capable of making paper cups that are much thinner, and therefore require much less material, than the current standard. The Project has met all of the Sales and Use Tax Exclusion Program’s scoring thresholds and is anticipated to result in a significant net benefit to the state of \$3,584,279.

Staff recommends approval of a resolution for Lollicup USA, Inc.’s purchase of no more than \$10,345,200 of Qualified Property, anticipated to result in a Sales and Use Tax Exclusion of \$871,066.

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 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
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

B. REQUEST APPROVAL OF 2018 MEETING CALENDAR

Presented by Ashley Bonnett, Program Manager

Ms. Bonnett requested approval of the proposed 2018 meeting schedule presented below for the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA).

Month	Day	Time	Date
January	Tuesday	10:30 a.m.	01/16/2018
February	Tuesday	10:30 a.m.	02/20/2018
March	Tuesday	10:30 a.m.	03/20/2018
April	Tuesday	10:30 a.m.	04/17/2018
May	Tuesday	10:30 a.m.	05/15/2018
June	Tuesday	10:30 a.m.	06/19/2018
July	Tuesday	10:30 a.m.	07/17/2018
August	Tuesday	10:30 a.m.	08/21/2018
September	Tuesday	10:30 a.m.	09/18/2018
October	Tuesday	10:30 a.m.	10/16/2018
November	Tuesday	10:30 a.m.	11/13/2018
December	Tuesday	10:30 a.m.	12/18/2018

Staff recommends approval of the above proposed meeting schedule for calendar year 2018.

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 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
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Gordon 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 10:49 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director