

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
801 Capitol Mall, Room 150  
Sacramento, California  
May 15, 2018**

**1. CALL TO ORDER AND ROLL CALL**

Steve Juarez, 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: Steve Juarez for John Chiang, State Treasurer  
Karen Greene Ross for Betty T. Yee, State Controller  
Jacqueline Wong-Hernandez 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 J. Carrillo, Executive Director  
Ashley Bonnett, Program Manager

Quorum: The Chairperson declared a quorum.

**2. MINUTES**

Mr. Juarez asked if there were any questions or comments concerning the April 17, 2018 meeting minutes. There were none.

Mr. Juarez asked if there was a motion.

Ms. Greene Ross moved for approval of the minutes; upon a second from Ms. Wong-Hernandez, the minutes were approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

### **3. EXECUTIVE DIRECTOR'S REPORT**

Ms. Bonnett gave a presentation on the Sales and Use Tax Exclusion (“STE”) Program, in which she gave an overview of program activity, summarized legislation related to current program regulations, and highlighted information on STE application numbers and award amounts.

Ms. Wong-Hernandez asked about STE applicants’ required reporting periods, and Ms. Carrillo replied that STE applicants are required to provide both semi-annual reports and more thorough annual reports to CAEATFA. The information from the reports is used to improve the program.

Ms. Carrillo then summarized recent activity under CAEATFA’s programs, beginning with the STE Program. Ms. Carrillo reported that if all of the applications before the Board are approved, CAEATFA will have awarded approximately \$44.7 million in STE for the year. CAEATFA currently has six applications under review; if they are all approved, CAEATFA will have awarded \$60 million in STE, leaving approximately 40% of the \$100 million cap remaining for 2018. The deadline for applications to be considered for the July Board meeting is Friday, May 18<sup>th</sup>.

Ms. Carrillo gave an update of Tesla, Inc.’s (“Tesla”) progress since the last meeting, as requested by the Controller’s representative, reporting on both public and Program activity specific to Tesla. She stated that in the past month Tesla hosted a first quarter 2018 earnings call, at which it disclosed that Model 3 production hit 2,270 units per week in April, which was the third straight week that production had achieved numbers above 2,000 units per week. Ms. Carrillo reported that Tesla has scheduled a plant closure in the second quarter to address bottlenecks in the production process. Tesla states that they are consistently turning out thousands of units per week and production on the Model 3 is improving. The company maintains it will achieve a production rate of 5,000 units per week this year.

Ms. Carrillo reported on a site visit by CAEATFA staff (“Staff”) members to the Tesla factory in Fremont on May 8<sup>th</sup>. Staff received a tour of the facility, including the assembly floor, and were able to witness firsthand some of the technology at work. The visit included a meeting with members of the assembly team.

Ms. Carrillo continued by stating that Tesla is due to present its first quarterly report to the Board at the July 17<sup>th</sup> Board meeting, and the content will include progress in meeting Model 3 production goals, progress on improving health and safety at its facilities, and an updated Legal Status Questionnaire.

Under the Property Assessed Clean Energy (“PACE”) Loss Reserve Program, Ms. Carrillo reported that CAEATFA staff continue to work toward executing the contracts for auditor and risk analysis services.

Under legislative updates, Ms. Carrillo reported that Assembly Bill 1547 (Quirk-Silva) has been amended to include a number of provisions specific to the California Industrial Development Financing Advisory Commission (“CIDFAC”) and the California Pollution Control Financing Authority (“CPCFA”), as well as technical clean-up language specific to CAEATFA which includes: adding water efficiency to the definition of “Project,” modifying the type of eligible

property under the PACE Loss Reserve Program from “fewer than four units” to “four units or fewer” to make the language consistent with industry standards and other residential PACE statute, and adding clarity for contractors and subcontractors under the STE Program to clarify the exclusion use and applicability. The Bill has been referred to the State Senate Business, Professions and Economic Development Committee.

Ms. Carrillo reported that CAEATFA was informed by the Legislative Analyst’s Office (“LAO”) that the California Energy Commission (“CEC”) is troubleshooting funding issues with the Energy Resource Program Account (“ERPA”), which has been identified as having a structural deficit and is the source of funds for the PACE Loss Reserve Program. The PACE Loss Reserve had a \$10 million initial fund, and continuous appropriation for CAEATFA’s administrative costs. The issue will be discussed in an upcoming legislative budget committee hearing which CAEATFA staff will monitor.

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

Ms. Carrillo then concluded her report.

#### **4. BUSINESS ITEMS**

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

- 1) Tahoe Asphalt, Inc.  
Presented by Xee Moua, Analyst

Staff introduced Mike Plumer, President, Tahoe Asphalt, Inc.

Ms. Moua reported that Tahoe Asphalt, Inc. (“Tahoe Asphalt” or the “Applicant”), a Recycled Resource Extraction Applicant, is requesting a sales and use tax exclusion to upgrade its existing asphalt recycling facility located in South Lake Tahoe (the “Project”).

According to Tahoe Asphalt, its facility is the only business permitted to accept construction debris in the Tahoe Basin. The Applicant represents that its products meet the California Department of Transportation’s (“Caltrans”) specifications for aggregate base and subbase. According to Tahoe Asphalt, it will use a new portable crushing and screening plant to produce 30,000 tons of Class II aggregate base (Cls II AB) and 10,000 tons of recycled asphalt pavement (RAP) per season. The Applicant represents that the Project will conserve natural resources by using recycled materials, and reduce the carbon footprint created by trucks that haul virgin materials to and from the basin. The Project has met all of CAEATFA’s scoring thresholds.

Staff recommends approval of a resolution for Tahoe Asphalt, Inc.’s purchase of no more than \$511,000 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$42,720.

Ms. Wong-Hernandez moved for approval and there was a second by Ms. Greene Ross.

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 no further comments and Mr. Juarez called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

- 2) GB CNC Services, LLC  
Presented by Melanie Holman, Analyst

Staff introduced Sebastian Eich, Managing Director, GB CNC Services, LLC.

Ms. Holman reported that GB CNC Services, LLC (“GB CNC” or the “Applicant”), an Advanced Manufacturing Applicant, is requesting a sales and use tax exclusion award on \$7,680,000 in Qualified Property in order to upgrade its existing turned part manufacturing facility in Fountain Valley (the “Project”). The Applicant designs and manufactures parts for the aerospace and automotive industries. According to GB CNC, the anticipated Qualified Property purchases will enable GB CNC to consolidate turning, milling, drilling, rolling, and knurling operations into one machine capable of performing each of these processes thus making the facility more efficient. GB CNC also represents that these advanced machines will enable the company to produce parts with a higher level of quality, making production more reliable. The Project has passed all of CAEATFA’s scoring thresholds.

Staff recommends approval of a resolution for GB CNC Services, LLC’s purchase of Qualified Property in an amount not to exceed \$7,680,000, anticipated to result in an approximate sales and use tax exclusion of \$642,048.

Ms. Wong-Hernandez moved for approval and there was a second by Ms. Greene Ross.

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.

Mr. Juarez stated that this is an example that shows automation doesn’t have to displace jobs, as it is anticipated that the Project will actually create jobs. Mr. Eich responded, stating that the new equipment is very specialized, and in addition to the Project creating jobs, those new jobs will require a high degree of skill.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3) Peninsula Plastics Recycling, Inc.  
Presented by Xee Moua, Analyst

Staff introduced Ralph Chandler, Consultant, Merlin Plastics, USA.

Ms. Moua reported that Peninsula Plastics Recycling, Inc. (“PPR” or the “Applicant”), a Recycled Resource Extraction Applicant, is requesting a sales and use tax exclusion to expand its existing plastic recycling facility in Turlock to increase its capacity and create a new economically viable resin that is FDA approved, as well as extract and compress paper and metal into bales from comingled waste (the “Project”).

According to PPR, containers with comingled waste are expensive and difficult to sort and were previously shipped to China for processing by a low-wage workforce. Presently China will no longer accept the shipments, which has caused a serious concern for the industry, according to the Applicant. In its effort to reduce landfill and ocean dumping, the Applicant represents it will install additional sortation equipment at the front end and a Solid State Polycondensation unit at the back end. The new units, along with existing machineries, will be able to extract contaminants and volatile materials to produce high-end FDA approved pellets. Ms. Moua further reported that PPR will incorporate and use solar panels to generate electricity for its facility, thereby reducing the carbon footprint per unit of energy by approximately 95%. The Project has met all of CAEATFA’s scoring thresholds.

Staff recommends approval of a resolution for Peninsula Plastics Recycling, Inc.’s purchase of no more than \$3,800,000 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$317,680.

Ms. Wong-Hernandez moved for approval and there was a second by Ms. Greene Ross.

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.

Mr. Chandler stated that during his time working on boards and legislation related to recycling, although consumers were doing a good job of recycling, not much infrastructure was in place for plastic processing to help create an easily used form, and this presents an issue that PPR is working to solve by building plants in California.

Mr. Juarez asked what issues there were with the recycling process as it stands. Mr. Chandler responded, stating that the industry needs to get closer to closing the loop by making reconstituted bottles. Many manufacturers won’t use recycled plastics in, for

instance, plastic water bottles, on account of higher costs associated with using the recycled materials and some discoloration of recycled plastics, according to Mr. Chandler. He continued by stating that he believes the next big hurdle would be enacting legislation to require a minimum recycled content for plastic product manufacturers, especially plastic bottle manufacturers.

Mr. Juarez asked what China had been doing with the comingled waste shipments prior to ceasing to take them. Mr. Chandler responded, stating it seemed that much of the material was being dumped into the ocean.

There were no further comments and Mr. Juarez called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

4) GreenWaste Recovery, Inc.  
Presented by Melanie Holman, Analyst

Staff introduced Zoraya Atayde, Relationship Manager, GreenWaste Recovery, Inc.

Ms. Holman reported that GreenWaste Recovery, Inc. (“GreenWaste” or the “Applicant”), a Recycled Resource Extraction Applicant, is requesting \$4,610,748 in Qualified Property to expand its existing municipal solid waste processing system in San Jose (the “Project”).

On November 15, 2016, the CAEATFA Board approved GreenWaste for an STE award for the purchase of up to \$4,458,683 in Qualified Property for an estimated sales and use tax exclusion value of \$375,421 to install a new municipal solid waste processing system. Ms. Holman stated that since that date, the Applicant has exhausted its award and identified opportunities for further growth and equipment that will enable it to produce a cleaner output of recyclables. GreenWaste represents that additional equipment will allow for the capture of seven to eight percent more organics and recyclables and the processing of an additional 1,500 tons of material per day. The Project has passed all of CAEATFA’s scoring thresholds.

Staff recommends approval of a resolution for GreenWaste Recovery, Inc.’s purchase of Qualified Property in an amount not to exceed \$4,610,748, anticipated to result in an approximate sales and use tax exclusion of \$385,459.

Ms. Greene Ross moved for approval and there was a second by Ms. Wong-Hernandez.

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 no further comments and Mr. Juarez called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

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

- 1) Weber Metals, Inc.  
Presented by Xee Moua, Analyst

Staff introduced Paul Arnold, Financial Reporting Accountant, Weber Metals, Inc.

Ms. Moua reported that Weber Metals, Inc. (“Weber” or the “Applicant”), is an aluminum and titanium forging company that was approved for a sales and use tax award on May 19, 2015 to expand its facility to house a new 60,000-ton hydraulic forging press used to produce large components for aerospace applications (the “Project”). The initial term of the Master Regulatory Agreement (“Agreement”) provided the Applicant with three years from the date of Board approval to utilize the STE award. As of December 31, 2017, Weber has purchased approximately 53% of the total Qualified Property amount approved. Weber is requesting to extend the initial term of the Agreement by one year to accommodate Project delays due to technical failures.

Weber represents that upon entering the final phase of the Project, the customized casting intended to occupy the top of the hydraulic forging press faced fabrication issues and had to be remanufactured in Korea. As of mid-March 2018, the casting was received and the Applicant was able to install the necessary equipment to finish its Project. Weber has proceeded with equipment testing, which is expected to conclude in the first quarter of 2019.

Based on this information, Staff recommends that the Board approve Weber Metals, Inc.’s request to extend the initial term of the Agreement by one year to May 19, 2019 to purchase \$167,661,606 in Qualified Property, anticipated to result in a sales and use tax exclusion of \$14,117,107.

Ms. Wong-Hernandez moved for approval and there was a second by Ms. Greene Ross.



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 no further comments and Mr. Juarez called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2) Efficient Drivetrains, Inc.  
Presented by Melanie Holman, Analyst

Ms. Holman reported that Efficient Drivetrains, Inc. (“EDI” or the “Applicant”), an Advanced Transportation manufacturer, produces drive and powertrain components for light-, medium-, and heavy-duty alternative fuel vehicles. The CAEATFA Board previously approved an award for Efficient Drivetrains in June 2015 in the amount of \$5,008,800 in Qualified Property. The Applicant has made purchases totaling 8% of its award or \$416, 610. The initial award was made in 2015, prior to the requirement that program participants must spend 15% of the Qualified Property amount in the first year after Board approval. Efficient Drivetrains is requesting to extend the Master Regulatory Agreement (“Agreement”) initial term in order to accommodate project delays related to funding issues.

Ms. Holman stated that the Project has been delayed due to the loss of a large investor and the subsequent slowdown in progress. Efficient Drivetrains also represents that it has had to make changes to the equipment needed at its facility in order to keep pace with a rapidly evolving market. The Applicant is requesting an extension to the original agreement by nine months and fifteen days to March 31, 2019 in order to accommodate these delays. Efficient Drivetrains also represents that it is ready to proceed quickly with its project after receiving a grant from the California Energy Commission that runs through March 31, 2019 to develop, set up, commission, and operate a manufacturing facility capable of reaching a production rate of 2,000 advanced electric drivetrains per year by 2019. The Applicant has also received a large order for electric drivetrains from a school bus manufacturer and anticipates closing on more orders in the near future. CAEATFA staff believes that extending the term of the agreement will allow for the project to be completed and is therefore in the public interest and advances the purposes of the STE program.

Staff recommends approval of Efficient Drivetrains Inc.’s request to extend the initial term of the Agreement to purchase \$5,008,800 in Qualified Property, anticipated to result in a sales and use tax exclusion of \$421,741, by nine months and fifteen days to March 31, 2019.



Ms. Wong-Hernandez moved for approval and there was a second by Ms. Greene Ross.

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 no further comments and Mr. Juarez called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3) The Monadnock Company  
Presented by Xee Moua, Analyst

Staff introduced Michael Reyes, Vice President and General Manager, The Monadnock Company; Sebastien Philipona, Plant Controller, The Monadnock Company.

Ms. Moua reported that The Monadnock Company (“Monadnock” or the “Applicant”) was approved for a sales and use tax award on June 16, 2015 to relocate to the City of Industry to develop a larger specialty aerospace fastener manufacturing facility that will utilize advanced materials and more automation capabilities compared to the current industry standard (the “Project”). The initial term of the Master Regulatory Agreement (“Agreement”) provided the Applicant with three years from the date of Board approval to utilize the STE award. As of January 31, 2018, The Monadnock Company has purchased approximately 57% of the total Qualified Property amount approved. Monadnock is requesting an extension to the initial term of the Agreement by six months to accommodate delays related to its financing.

The Applicant represents that the process for capital access in the corporation has many levels and is time consuming. Monadnock states it had not considered the extensive financial process in its timeline upon applying for an STE award. According to the Applicant, the approval process is prolonged because it must wait for a board meeting to be held before the release of capital. The Applicant represents it has instituted a project timeline and internal procedures to avoid future funding delays. It has also made internal stakeholders, including capital requestors and management approvers, aware of the need to adhere to this schedule.

Based on this information, Staff recommends that the Board approve The Monadnock Company’s request to extend the initial term of the Agreement by six months to December 15, 2018 to purchase \$6,475,000 in Qualified Property, anticipated to result in a sales and use tax exclusion of \$545,175.

Ms. Greene Ross moved for approval and there was a second by Ms. Wong-Hernandez.

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.

Ms. Wong-Hernandez asked if Monadnock was located in the City of Industry now. Mr. Reyes explained that the company is currently located in the City of Industry, and had moved to a larger facility within the city.

Mr. Juarez asked about STE regulations regarding the notification of applicants whose timeframe for purchases of Qualified Property were ending. Ms. Carrillo responded, stating that CAEATFA staff does give notice that the timeline is almost up, and in the event nothing is heard from an applicant, the contract is terminated.

There were no further comments and Mr. Juarez called for a vote. The item was unanimously approved.

The item was passed by the following vote:

Steve Juarez for the State Treasurer	Aye
Karen Greene Ross for the State Controller	Aye
Jacqueline Wong-Hernandez 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. 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 11:35 a.m.

**Respectfully submitted,**

Deana J. Carrillo  
Executive Director