MINUTES

California Alternative Energy and Advanced Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
June 18, 2019

1. CALL TO ORDER AND ROLL CALL

Jovan Agee, 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:	Jovan Agee for Fiona Ma, CPA, State Treasurer Anne Baker for Betty T. Yee, State Controller Gayle Miller for Keely Martin Bosler, Director, Department of Finance Ken Rider for David Hochschild, Chair, California Energy Commission Grant Mack for Michael Picker, President, Public Utilities Commission
Staff Present:	Deana J. Carrillo, Executive Director
Quorum:	The Chairperson declared a quorum.

2. MINUTES

Mr. Agee asked if there were any questions or comments concerning the May 21, 2019, meeting minutes. There were none.

Mr. Agee asked if there was a motion.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo welcomed Gayle Miller to the Board as the new representative for the Director of the Department of Finance. She also welcomed Ashley Emery, Program Manager, back to the office from her maternity leave.

Ms. Carrillo then summarized recent activity under CAEATFA's programs, beginning with the PACE Loss Reserve Program. Ms. Carrillo reported that CAEATFA staff ("Staff") is continuing to work with its auditor of the participating PACE programs, and currently anticipates completion of this process in the fall. Staff also intends to provide a report on the longevity of the PACE loss reserve to the Board in the fall.

Under the California Hub for Energy Efficiency Financing, Ms. Carrillo stated that the Residential Energy Efficiency Loan ("REEL") Assistance Program continues to grow, with $7.2 million in private capital leveraged. She continued by stating the Commercial Energy Efficiency Financing Program enrolled a third lender earlier in the month, and Staff is on track to have the user interface developed in the early fall. She also stated that Staff is working with lenders on their applications for the Affordable Multifamily Energy Efficiency Financing Program.

Under the Sales and Use Tax Exclusion ("STE") Program, Ms. Carrillo reported that if all of the applications before the Board are approved, CAEATFA will have awarded approximately 97% of the total sales and use tax exclusions for the calendar year, leaving $3 million left to award in 2019. CAEATFA received 12 applications before the last application deadline. CAEATFA currently anticipates being oversubscribed at the July meeting by approximately $12.7 million in sales and use tax exclusions for 2019 as a result of the $100 million statutory cap. The STE Program's regulations provide a process for this scenario: for the month in which the program becomes oversubscribed—in this case anticipated to be in July 2019—the order in which the applications are considered is based on a ranking of Competitive Criteria scores earned by the applications submitted for that month. The ranking criteria is points-based, and includes consideration of:

- Unemployment in the area of the project location;
- Location of a corporate headquarters in California;
- Whether the applicant is a small business; and
- If the project is from a new applicant.

Ms. Carrillo continued by explaining that unawarded projects will be placed on a waiting list for the following year's allocation. Ms. Carrillo added that CAEATFA has stopped accepting applications for 2019, and during this time Staff will be reviewing the current regulations and will consider proposals for modifications given the recent demand to broaden distribution and identify other efficiencies, with the intention to have the Board consider and adopt regulations prior to the first application deadline for the 2020 calendar year. She explained potential modifications to the Program include:

- decreasing the maximum size of an award,
- establishing caps per eligibility pathways,
- changing the cadence of the award cycle,
- creating a minimum jobs requirement for Advanced Manufacturers, and
- reviewing the time periods applicants have to use the award.

Ms. Carrillo continued by stating that Staff intends to launch the regulatory process this summer and complete the process before the 2020 calendar year. Ms. Baker asked that the Board be provided an informational item on the potential modifications to the STE Program prior to it being an action item, and asked that Staff provide a breakdown of those proposed changes. Ms. Carrillo replied that Staff would work to identify several of the issues for Board discussion. Ms. Miller stated it will be important to consider how to make the STE Program's award allocation go the furthest, especially considering the upcoming oversubscription. Mr. Rider added that some thought needs to go toward how quickly the program has become oversubscribed this year, and whether a competitive criteria evaluation should be assessed on all applicants to the Program. He added that having a quarterly allocation could be explored. Mr. Mack stated it is possible this year's oversubscription could be a sign of good economic times; though the Board should explore options such as rolling over funds from previous year allocations or seek an increase to the yearly award cap in order to avoid restricting the size of individual project awards. Ms. Carrillo stated that the discussion will be helpful in guiding the direction of Staff's efforts in updating the Program; Staff will work to pull together relevant data and bring it to the Board at a future meeting.

Under legislative updates, Ms. Carrillo stated that various companies and industries have expressed interest in extending the STE Program beyond its currently scheduled sunset date of January 1, 2021. She reported that there are currently three bills which propose to extend the program: Senate Bill 162, authored by Senator Galgiani, which Treasurer Ma is supporting; Assembly Bill 176, authored by Assemblymember Cervantes, which has been modified by the Assembly Committee on Revenue and Taxation to establish a process to address issues raised in the 2018 Legislative Analyst's Office report on the program; and Assembly Bill 1583, related to recycling market development. Ms. Carrillo stated she is working with the Treasurer's legislative staff to continue to monitor the bills, and will be working to meet with legislative staff at an informational hearing. She added that Staff is also monitoring Assembly Bill 56, related to CAEATFA serving as the power purchaser of last resort, and Staff has noted several administrative and capacity or fit issues for legislative staff to consider in the second house. Ms. Carrillo added that the Treasurer would be issuing a letter of concern regarding Assembly Bill 56, as it would dramatically alter CAEATFA's mission.

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 APPLICATION FOR SALES AND USE TAX EXCLUSION

1–11) FirstElement Fuel Inc.
Presented by Xee Moua, Analyst

Staff introduced Dr. Shane Stephens, Chief Development Officer and Principal, FirstElement Fuel Inc.; and Hal Kessler, Tax Managing Director (Consultant), Deloitte Tax, LLP.

Mr. Agee stated that because FirstElement Fuel Inc. was the subject of items 4.A.1 through 4.A.11, the discussion for these items would be combined, and all public comment for the items would be taken at the end of Staff's presentation.

Ms. Moua reported that FirstElement Fuel Inc. ("FEF" or the "Applicant") is requesting sales and use tax exclusion awards to build new hydrogen fueling stations in Beverly Hills, Campbell, Concord, Culver City, Fountain Valley, Mission Hills, Redwood City, San Diego, Sherman Oaks, Studio City, and Sunnyvale that will produce fuel grade hydrogen for fuel cell electric vehicles ("FCEVs") using second-generation technology that stores, produces, and delivers hydrogen fuel more efficiently compared to currently operating hydrogen stations (the "Projects"). The Projects will use 33% renewable liquid hydrogen that must be pressurized, converted into gas, heated and cooled, and filtered to meet fueling protocols. The Projects meet CAEATFA's statutory definition for Advanced Manufacturing and current regulatory requirements.

Staff recommended approval of Resolutions No. 19-SM013 through 19-SM023 for FirstElement Fuel Inc.'s combined total purchase of Qualified Property in an amount not to exceed $26,503,426, anticipated to result in a sales and use tax exclusion of $2,217,942.

Mr. Agee asked if items 4.A.1 through 4.A.11 could be voted on as a package.
Mr. Spencer Walker, State Legal Counsel, replied that the Board could vote on the items together. Ms. Baker moved for approval and there was a second by Mr. Agee.

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Dr. Stephens stated that FEF was founded in 2014 with a mission to move the automotive industry toward the goal of zero emissions. He stated that the company has received support for its projects from the California Air Resources Board ("CARB"), the California Energy Commission ("CEC"), and other agencies, and was awarded a grant from the CEC. He added that there are now approximately 7,000 hydrogen fuel cell vehicles on California's roads. Dr. Stephens continued by stating that FEF has completed more than 350,000 fuel-ups, equivalent to over 75,000,000 miles of gasoline-powered travel replaced, which the company estimates has avoided approximately 50,000,000 pounds of CO_2 emissions. He stated that one of FEF's goals is to bring enough hydrogen to the marketplace in order to become cost-competitive with gasoline, and build enough stations so that more customers have access to this resource, and that help from the CEC, CARB, and others are helping the company reach those goals.

Mr. Rider stated that though hydrogen-powered cars are a key part of a clean energy future for California, he has concerns about whether FEF's Projects are eligible for an exclusion award under the STE Program's Advanced Manufacturing eligibility pathway, and it is not clear that an STE award in this case would lead to more sales or obviously allow for expansion. He elaborated by stating that STE awards for manufacturing projects are meant to help create long-term, skilled jobs, and Staff's summaries of FEF's Projects do not show permanent jobs being created. Ms. Miller stated that it would be unwise to approve these Projects under the Advanced Manufacturing pathway, as it would set a precedent for new applicants. She stated she believes FEF's Projects are only adding to or changing a product, and should not be considered manufacturing. Mr. Mack stated he shared this view as well, and added that he sees these Projects as an innovative storage and distribution technology, and not necessarily as manufacturing. He continued that the definition of Advanced Manufacturing may need to be clarified in the STE Program's regulations. Ms. Carrillo responded by stating that in reviewing FEF's applications, it was clear that the company is not a traditional manufacturer, and Staff grappled with FEF's applications for some time before concluding its Projects meet the criteria for Advanced Manufacturing under CAEATFA's definition. She added that these Projects were difficult to classify, as some hydrogen fueling station projects would fall under the Alternative Source label, but for the Applicant, it did not apply, because their hydrogen is sourced predominantly from a fossil fuel.

Ms. Baker stated that the push for hydrogen-powered vehicles in California has been long and difficult, and often, when it looks like progress can be made, it runs into roadblocks.

Dr. Stephens responded to the Board's concerns about the eligibility of FEF's Projects under the Advanced Manufacturing pathway. He stated FEF's Projects will help to reduce costs to the consumer, which will help to spur more sales. He continued by stating that the process FEF is using at its fueling stations is a necessary part of the manufacturing process; though the hydrogen manufacturing does not all occur in a central location, the final conversion at the fueling stations brings the fuel into the state and up to the quality required to pump into fuel cell vehicles. He added that no on-road transport vehicle approved for use in the US today can move and distribute hydrogen in a form ready to be put into a fuel cell vehicle—there is always another step before the hydrogen can meet the international purity standards. Dr. Stephens continued by reporting that FEF creates skilled jobs: the company's central manufacturing hub utilizes the skillsets of engineers, often with advanced degrees. Dr. Stephens stated that in addition, for every two fueling stations, the company needs about one field technician—FEF largely hires former United States Marines for this position. He added that much of the training for these technicians must be done internally, as there is not training available to the level the company needs in the local region. Dr. Stephens also stated that FEF had similar difficulties with their identity as a manufacturer when dealing with the California Department of Tax and Fee Administration ("CDTFA"), and went through an appeals process. CDTFA eventually ruled in FEF's favor. He also made a clarification, that 40% of the hydrogen fuel the company produces comes from a renewable source, above California's 33% requirement.

Ms. Miller stated that CDTFA's appeals process decisions are not meant to set precedent for other decisions in the State. Mr. Kessler stated that though the decision is not binding and does not set legal precedent, the reasoning behind the decision should show that there is a strong case to be made that FEF's Projects meet the criteria for manufacturing.

There were no further comments and Mr. Agee called for a vote. The items were denied by the following votes:

Jovan Agee for the State Treasurer	Abstain
Anne Baker for the State Controller	Abstain
Gayle Miller for the Director of Finance	No
Ken Rider for the California Energy Commission	No
Grant Mack for the Public Utilities Commission	No

12) Verdeco Recycling, Inc.
Presented by Matthew Parsons, Analyst

Staff introduced John Bussey, Engineer, Verdeco Recycling, Inc.

Mr. Parsons reported that Verdeco Recycling, Inc. ("Verdeco" or the "Applicant") is requesting a sales and use tax exclusion for the purchase of a third recycled PET resin line in South Gate, California (the "Project"). The equipment purchased will process 100% post-consumer polyethylene terephthalate ("PET") into Food and Drug Administration ("FDA") food-grade recycled resin for food packaging utilizing its 'state of the art' recycling technology. Verdeco claims that its post-consumer PET is yielded from two material management sectors: the recycling approach, which acquires and reuses post-consumer PET which otherwise would be waste disposed of in a landfill; and the source reduction approach, which uses recycled PET as opposed to creating new PET. Verdeco represents that it currently has the capacity to produce up to 50 million pounds of the FDA food-grade recycled PET annually. Additionally, the Applicant claims that its manufacturing process reduces its overall carbon footprint by minimizing energy consumption by 35%, water usage by 5%, solid waste by 3%, and hazardous waste by 16% when compared to other PET recycling technologies.

Staff recommended approval of a resolution for Verdeco Recycling, Inc.'s purchase of Qualified Property in an amount not to exceed $13,118,950, anticipated to result in an approximate sales and use tax exclusion value of $1,096,744.

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

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Bussey stated that the Project was delayed in reaching the Board because the company was waiting for a new technology that would meet Verdeco's standards for quality and efficiency. He added that Verdeco's goal is to increase the reusability of plastics in the market to keep more plastic out landfills and reduce how much plastic needs to be produced.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

13) Joby Aero, Inc.
Presented by Matthew Parsons, Analyst

Staff introduced Dan Coughlin, Special Projects, Joby Aviation, Inc.; James McCormack, Finance Lead, Joby Aviation, Inc.; Amy Gross, Sustainability Manager, Joby Aviation, Inc.; Justin Lang, General Counsel, Joby Aviation, Inc.; and Gregor Veble Mikić, Flight Physics Lead, Joby Aviation, Inc.

Mr. Parsons reported that Joby Aero, Inc. ("Joby" or the "Applicant") is requesting a sales and use tax exclusion to build a new all-electric, vertical take-off and landing ("eVTOL") aircraft production facility located in Marina (the "Project"). According to the Applicant, the S4 eVTOL is a single-pilot, four passenger aircraft that takes off vertically, converts to horizontal flight, and then converts back to land vertically. Joby claims that the aircraft has an all-composite airframe with multiple electric motors, is powered by multiple battery packs, and uses no carbon-based fuel. According to Joby, the S4 motors are substantially quieter than traditional helicopters and will be less audible than the average background noise of a city, while having the flight range capability of traveling from San Jose to San Francisco. Joby plans to produce a fleet of the S4 aircraft by 2022, which will serve as an 'air-taxi' service.

According to Joby, the aircraft will reduce fuel consumption, when compared to automobiles, by a weighted average of 18,397 gallons per air taxi, per year, based on estimates of average passenger loading, average trip distance, average vehicle maintenance down time, average automobile loading of 1.54 passengers per vehicle, and taking into account increasing automobile fuel economies. The estimates are based on automobile-avoided miles and do not include the additional fuel consumed in auto traffic congestion. Joby represents the Project will launch the S4 and provide the capacity to produce and deliver an average of 250 units per year over an eight-year period. Joby also represents this initial production ramp of the S4 will support an additional 1,407 direct manufacturing jobs. Joby notes it is actively engaged with the Federal Aviation Administration Airworthiness Certification Office (ACO) based in Long Beach, California. Joby will be entering the Type Certification process in early 2020, and begin manufacturing and operating the S4 in 2021.

Staff recommended approval of a resolution for Joby Aero, Inc.'s purchase of Qualified Property in an amount not to exceed $73,473,675, anticipated to result in an approximate sales and use tax exclusion value of $6,142,399.

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

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Coughlin stated that by shuttling passengers from point to point and around congested cities, Joby has the goal that its S4 vehicle can save one billion people one hour per day. He stated that, working with the City of Marina, the company has leased and done significant tenant improvements to two large hangars that were originally part of the Fort Ord Army Airbase, built in the 1950s. He continued by stating that Joby has been working to build partnerships with community colleges to develop curriculum to provide training that will prepare future workers for the specialized skillsets the company needs. Mr. Coughlin added that the STE award would help to offset costs and enable the company's production to remain in California. Mr. Mack asked if it would be fair to compare the S4 to the small unmanned drone vehicles used to deliver packages. Mr. Coughlin confirmed that like a drone, the S4 is very quiet, and of course is much larger.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

14) HWY33 Pistachios, LLC
Presented by Matthew Parsons, Analyst

Staff introduced Mark Sherrell, Chief of Plant Operations, HWY33 Pistachios, LLC; Jarrod Kiyuna, Tax Counsel, HWY33 Pistachios, LLC; and Alex Tran, CPA, Managing Partner (Consultant), California Incentives Group, LLC.

Mr. Parsons reported that HWY33 Pistachios, LLC ("HWY33" or the "Applicant") is requesting a sales and use tax exclusion to build a new pistachio processing facility located in Cantua Creek (the "Project"). HWY33 processes, markets, and sells a variety of pistachio products throughout the world including bulk inshell roasted, bulk kernel roasted, and retail roasted pistachios. HWY33 is planning to construct 160,000 square feet of structures that will house its pistachio processing plant, water treatment, storage, and office space in Fresno County on 158 acres of land. The Applicant states that the new facility will process approximately 70,000,000 pounds of bulk and retail pistachios. According to HWY33, its new facility will utilize custom industrial dryers as opposed to the traditional drying process which takes place outdoors during only certain months of the year and/or utilizes older inefficient equipment. Additionally, the Applicant claims it will use highly precise roasting equipment that uses five stages to evenly heat and roast all of its pistachios at the optimal temperature of approximately 250 degrees Fahrenheit. For sorting, HWY33 states it will use optical sorting technology that is able to analyze a nut's shape, size, deformities and color, far better than the human eye, reducing overall product waste. According to the Applicant, it will also focus on the repurposing of waster use in the process, particularly filtering post-hulling effluent water, which is anticipated to reduce water use by 30 to 40 percent annually and may also be used for approximately 6,000 acres of nearby crops. Lastly, HWY33 claims that by no longer using third-party processors, which requires transporting the product multiple times throughout the overall production process, the trucking distance will be reduced by approximately 70 percent.

Staff recommended approval of a resolution for HWY33 Pistachios, LLC's purchase of Qualified Property in an amount not to exceed $79,196,100, anticipated to result in an approximate sales and use tax exclusion value of $6,620,794.

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

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Sherrell stated that HWY33 is the newest grower-owned pistachio producer in the industry, and will be the third or fourth largest in the world. He stated that the facility in Cantua Creek, around 12 miles south of Mendota, was chosen as a location largely because of the high unemployment rate in area, and at its peak, the plant will employ approximately 300 workers. He continued by stating the jobs at the facility will range from forklift operators to electronics operators, and the company will train employees in the area to provide them with permanent work. Mr. Sherrell stated that HWY33's facility will be built from the ground up with food safety and quality in mind, and the company has looked at producers of food products, such as cheese and peaches, to incorporate equipment that otherwise would not be included in pistachio manufacturing. He added that the eventual goal of the company is to be fully automated to decrease product handling, and thus increase food safety. Mr. Agee stated that the Treasurer's Office is working closely with the Governor's Office to help support and build the economic infrastructure in the state's inland area and central valley, and that HWY33 and similar projects are complementary to that goal. He stated that it would be informative to take a trip to the plant to help to identify what other infrastructural needs, such as housing, the plant and surrounding area have.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

15) Edwards Lifesciences LLC
Presented by Xee Moua, Analyst

Staff introduced Robert Sellers, Chief Accounting Officer, Edwards Lifesciences LLC; Alex Tran, CPA, Managing Partner (Consultant), California Incentives Group, LLC; and Leslie McBride, Director (Consultant), California Incentives Group, LLC.

Ms. Moua reported that Edwards Lifesciences LLC ("Edwards" or the "Applicant") is requesting a sales and use tax exclusion to upgrade and expand its existing cardiovascular technology design and manufacturing facility located in Irvine (the "Project"). Edwards states it will produce a broad range of technologies for the treatment of cardiovascular disease. These primarily consist of transcatheter heart valves ("THV"), surgical heart valves, and blood flow monitoring systems.

Edwards' engineers will use tablets to program automation and robotics that have the capability to perform a number of tasks such as installing and removing screws and electromechanical polishing of fine metals. Edwards will implement 3D printers, which are expected to represent more than two-thirds of its machining efforts and replacing traditional CNC machining. Moreover, Edwards will be installing high efficiency LED lights and solar panels to help reduce its energy consumption by 10%.

Staff recommended approval of a resolution for Edwards Lifesciences LLC's purchase of Qualified Property in an amount not to exceed $239,234,449, anticipated to result in an approximate sales and use tax exclusion value of $20,000,000.

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

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Ms. Miller asked how the procedure to replace heart valves is performed. Mr. Sellers explained that a catheter device is inserted into the artery through the groin and guided up to the aortic arch using visualization techniques. The tip of the catheter device is then inflated with saline in order to secure the new aortic valve in place. He stated this device and procedure are revolutionary, as there are no stitches, and the procedure is much less invasive than traditional heart surgery; he added that the procedure can be performed on people into their nineties, who would not be candidates for the more traumatic, traditional procedure. Ms. Miller asked if valves other than the aortic could be replaced as well. Mr. Sellers replied that the aortic replacement is the only device currently approved, but Edwards is working toward the goal of being able to create replacements for the other valves. Mr. Rider asked why the exclusion costs of the Project is only offset by a slim margin by its projected fiscal benefits. Ms. Carrillo stated that it would likely have to do with the capital intensity or the cost of the devices created. Mr. Rider asked why the facility would cost so much to build, given that other projects of this size have included building new vehicle assembly lines and similar plants. Mr. Sellers replied that the investment required to bring this type of product is substantial, largely due to the research and development and extensive testing required before a medical device can go into full scale production. Ms. Miller asked if the Project would help the company toward its goal of getting the other valve replacement devices to the market. Mr. Sellers replied that it would.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

16) Sioneer Stockton, LLC
Presented by Matthew Parsons, Analyst

Staff introduced Brett M. Wilhelm, Director of New Facilities, Sioneer Stockton, LLC.

Mr. Parsons reported that Sioneer Stockton, LLC ("Sioneer" or the "Applicant") is requesting a sales and use tax exclusion to expand its existing glass recycling facility located in Stockton (the "Project"). According to Sioneer, in addition to traditional glass recycling, it will divert fines and other assorted glass waste material from the landfill by recycling it into pozzolan for use in portland cement. The fines and unsorted glass will undergo an initial grinding process, a sanitization treatment process, a drying process, and a final grind. The resulting material will be a fine glass powder, which will be transported to concrete manufacturers. According to the Applicant, the incorporation of pozzolan significantly improves the durability of concrete, thereby saving time, energy, materials, maintenance, and replacement costs over the life of the product.

The production of portland cement, which is the most commonly used cement in the world, releases approximately 0.88 tons of CO_2 per ton of cement produces (EPA 2015), and is reported to be responsible for 5-8% of global anthropogenic carbon emissions annually. According to the Applicant, pozzolan as a replacement in portland cement can reduce greenhouse gas ("GHG") emissions by an estimated 83%, pound-for-pound. Based on the projected production of 72,000 tons of Sioneer glass pozzolan per year, the net impact will be a GHG emission reduction of 60,048 tons of Metric tons of CO_2 Equivalent ($MTCO_2e$) annually.

Staff recommended approval of a resolution for Sioneer Stockton, LLC's purchase of Qualified Property in an amount not to exceed $15,370,837, anticipated to result in an approximate sales and use tax exclusion value of $1,285,002.

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

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Wilhelm thanked Staff for its efforts, and stated that he appreciates the amount of support Sioneer has received from the State, including help from the California Pollution Control Financing Authority (“CPCFA”), the California Air Resources Board (“CARB”), and the California Department of Resources Recycling and Recovery (“CalRecycle”). Ms. Baker stated that cement has not traditionally been the focus of attention for global warming, so it is good to hear about a project that is helping to tackle this part of the problem. Ms. Miller asked about Sioneer’s other awards. Ms. Carrillo clarified that the CPCFA award was for tax exempt bond financing, and was not actually funding by the State. Mr. Wilhelm stated that Sioneer had received a $3-4 million grant from CalRecycle, and that the financing the company was able to get with help from CPCFA was approximately $16.5 million. He added that the company did not receive financial support from CARB. Ms. Miller asked that the awards from other State agencies be highlighted in future Staff reports. Ms. Carrillo stated Staff usually identifies other awards as part of the reports, but that future reports will better highlight these awards.

Mr. Mack asked about the use of pozzolan in portland cement, and whether it simply displaces other material and the best uses of this new material. Mr. Wilhelm replied that pozzolan both displaces portland cement in a mixture pound for pound, and that it acts as a strengthening additive, creating better performing concrete. He stated that material’s properties make it well suited to high-strength, industrial roles, like heavy construction, and the properties of the pozzolan make it better than traditional concrete for uses in and around water, especially salt water, as it reduces alkali silica reactions. Mr. Wilhelm added that Sioneer is working with the Department of Transportation to determine potential uses.

Mr. Agee asked when Sioneer’s facility would be operational and how many employees they will have. Mr. Wilhelm replied that Sioneer is currently closing out the final details of their help from CPCFA with their investor, and will have all funding secured within a month. He stated that once financing is secured, the company will then have a 10 month construction phase, and will begin production around June 2020. Mr. Wilhelm stated that Sioneer will begin its hiring phase between mid-April and May of 2020, and projects needing 13 full-time workers. He added that the facility will need a full crew of workers from the start, whether the company is working at full or half speed. Mr. Agee asked if the company would hire more, or if 13 would be the total number of employees. Mr. Wilhelm stated that Sioneer would need 13 employees for the currently projected production of 70,000 tons of material, and that if production was expanded, more employees might be needed, but he could not verify additional employees based on current projections.

Mr. Agee stated that the Treasurer’s Office would be working with the Governor’s Office on a waterfront project in downtown Stockton, that this could represent an opportunity for Sioneer to continue to work with the State, and that he would like to continue a dialogue with the company. Mr. Wilhelm stated that because of the weight of glass, glass recyclers are forced to work in their own local area; therefore, working with local people and administrators is necessary and the company is happy to provide a civil benefit. He stated that Sioneer looks forward to continuing conversations with the State for future projects.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

17) Entekra, LLC
Presented by Xee Moua, Analyst

Staff introduced Bran Keogh, Chief Operating Officer, Entekra, LLC; and Hal Kessler, Tax Managing Director (Consultant), Deloitte Tax, LLP.

Ms. Moua reported that Entekra, LLC ("Entekra" or the "Applicant") is requesting a sales and use tax exclusion to build a new facility in Modesto that will manufacture over 3,000 pre-engineered structural shells annually for new residential buildings (the "Project"). The principal structural components that will be produced are floor panels, wall panels, and stairs. Entekra will be using advanced materials that are more durable, such as wood composite materials and spray and rigid insulation (such as phenolic foam or wood fiber).

Entekra's structural shells reduce cycle time and make the overall construction process more efficient, thereby reducing the overall cost of completed homes. According to the Applicant, the new machinery will reduce approximately 30% or more of lumber waste when compared to traditional wood frame construction methods where materials are hand cut at the jobsite.

Staff recommended approval of a resolution for Entekra, LLC's purchase of Qualified Property in an amount not to exceed $20,750,000, anticipated to result in an approximate sales and use tax exclusion value of $1,734,700.

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

Mr. Agee stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Keogh stated that Entekra ran the largest offsite construction company in Europe, producing 8,000 houses per year, with three advanced manufacturing facilities located in Ireland and two in the UK. He stated Entekra built the first six-story building out of wood, as well as the first zero net carbon house in the UK. Mr. Keogh stated that in 2017, the company decided to expand into the US, where it currently has 60 employees.

Mr. Rider asked whether Entekra uses all fresh timber, or if it does any diversion or reuse of wood. Mr. Keogh replied that the company uses a combination of several materials, including Douglas fir, laminated strand lumber, and others. He added that the materials used are often those specified by the architect or engineer as needed for structural reasons.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

B. DISCUSSION AND CONSIDERATION OF APPLICANT'S REQUEST TO AMEND A RESOLUTION TO INCREASE THE VALUE OF QUALIFIED PROPERTY

1) Graham Packaging PET Technologies, Inc.
Presented by Matthew Parsons, Analyst

Staff introduced Troy Kohler, Program Manager, Graham Packaging PET Technologies, Inc., who attended by phone; and, Eric Dantzler, Director, Incentive Compliance (Consultant), Altas Insight LLC, who attended by phone.

Mr. Parsons reported that Graham Packaging PET Technologies, Inc. ("Graham" or the "Applicant") is requesting a sales and use tax exclusion to expand its beverage packaging facility in Modesto (the "Project"). The Project will produce new 750ml wine bottles using its proprietary polyethylene terephthalate (PET) single component resin formulation. The Applicant was originally approved for a sales and use tax exclusion award for the purchase of up to $8,925,143 in Qualified Property at the CAEATFA Board meeting on March 19, 2019. On May 7, 2019, Graham submitted a request for an additional $1,422,131 in Qualified Property and submitted the necessary fees to make the changes. Aside from additional equipment needed, the scope of the Project remains the same.

Staff recommended approval of an amendment to Resolution No. 19-SM007, increasing Graham Packaging PET Technologies, Inc.'s purchase of Qualified Property to an amount not to exceed $10,347,274, anticipated to result in an approximate sales and use tax exclusion value of $865,032.

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

Mr. Agee stated there was a motion and a second and asked if there were any questions or comments from the Board or public. There were none. The item was unanimously approved.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Agee 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 11:54 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director