

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
December 15, 2020**

1. CALL TO ORDER AND ROLL CALL

Fiona Ma, CPA, 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: Fiona Ma, CPA, State Treasurer
 Mary-Ann Warmerdam 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 Marybel Batjer, President, Public Utilities Commission

Staff Present: Derek Chernow, Executive Director, CAEATFA

Quorum: The Chairperson declared a quorum.

Due to the recommended precautions and public health recommendations resulting from the novel coronavirus (COVID-19), members of the Board were instructed by the Governor’s Office that they may attend the meeting remotely, which is an exception to the usual requirement (Bagley-Keene Open Meeting Act – 1967) that they attend in person. CAEATFA staff (“Staff”) has implemented additional social distancing measures, and participants have been asked to also participate remotely. Ms. Ma attended the meeting in person. Ms. Warmerdam, Ms. Miller, Mr. Rider, and Mr. Mack all attended the meeting via internet conference line.

2. MINUTES

Ms. Ma asked if there were any questions or comments concerning the November 17, 2020, meeting minutes. Ms. Warmerdam asked for a date correction in the body of the minutes.

Ms. Ma asked if there was a motion.

Ms. Warmerdam moved for approval of the minutes, with the date correction; upon a second from Ms. Miller, the minutes were approved.

The item was passed by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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

Mr. Chernow gave his report, highlighting CAEATFA activity since the November Board meeting, which included:

- Mr. Chernow and Miriam Joffe-Block of CAEATFA were Keynote Speakers at the Local Government Commission’s “Sustainable Energy Coalition” quarterly meeting.
- Mr. Chernow also spoke at the Second Annual US Green Bank Summit. The topic was “Creating Jobs for the American Recovery with the Clean Energy and Sustainability Accelerator.”
- CAEATFA’s Jonathan Verhoef served as a panelist for a California Green Building Network webinar on “Recovery & Resilience.”
- The thousandth loan under the Residential Energy Efficiency Loan Assistance Program was processed. A press release will be sent out this week on this exciting milestone.

Mr. Chernow then concluded his report.

4. BUSINESS ITEMS

A. CONSIDERATION OF APPLICANT’S REQUEST TO EXTEND THE INITIAL TERM OF THE REGULATORY AGREEMENT OF STE AWARD

- 1) TBC – The Boring Company, Hawthorne (Los Angeles), 17-SM056, Specialized Concrete Ring Manufacturing – Advanced Manufacturing, \$3,160,000 of Qualified Property

Presented by Matthew Jumps, Program Analyst

Staff introduced Adam Pashaian, Corporate Controller, The Boring Company, who joined via internet conference line.

TBC - The Boring Company (“TBC”) was approved for a sales and use tax exclusion in December 2017 to build a concrete batch plant and carousel system to manufacture concrete tunnel segments in Hawthorne (the “Project”). TBC is requesting an initial term extension to the end of 2021 to accommodate delays due to COVID-19. TBC’s operations were closed from March to July; it also experienced pandemic-related delays with its supply chain. TBC states that it has contracted with suppliers so that it will be able to purchase the remaining Qualified Property by the end of the requested extension.

Staff recommended approval of TBC's request to extend the initial term of the Regulatory Agreement by one year and 12 days to December 31, 2021, to purchase \$3,160,000 in Qualified Property, anticipated to result in a sales and use tax exclusion of \$266,072.

Mr. Pashaian reported the following:

- TBC is implementing cost-cutting measures in response to COVID-19. The company has not laid off any employees, but some employees, including himself, have taken pay cuts.
- The biggest issue has been delays from suppliers in California.
- There is a Las Vegas project, as well as the Hawthorne Project. TBC's founder envisions tunnels everywhere.

Ms. Ma asked if there were any questions from the Board.

- Ms. Ma asked what the next iteration of the project would be, and if TBC still plans to expand outside of Hawthorne. Mr. Pashaian replied that TBC will be using a boring machine to create the tunnels that will use the concrete segments produced with the Project. He also indicated that the company still has plans to expand the Project beyond Hawthorne. Ms. Ma added that production of the trains may be eligible under the STE program.
- Ms. Warmerdam asked whether a major investor's recent move to Texas would affect TBC's commitment to Hawthorne and the Los Angeles area. Mr. Pashaian indicated that TBC remains committed to Hawthorne and California. The test tunnel is in Hawthorne, and a large majority of employees live in California.
- Ms. Warmerdam then asked where the suppliers for the company are located. Mr. Pashaian responded that many suppliers are local, but some suppliers are located throughout the country, and other suppliers are international, including China, which has negatively impacted TBC's equipment purchase timelines. Ms. Warmerdam asked if the company has seen an improvement in responses from suppliers or continued delays. Mr. Pashaian responded by stating that TBC has seen continued delays from its suppliers. Equipment originally scheduled to be received in September and October of 2020 is now scheduled for May 2021. Other equipment orders have been delayed until December 2021.

There were no further comments. Upon a motion from Ms. Miller, and a second from Ms. Warmerdam, Ms. Ma called for a vote. The item was unanimously passed by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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

2) IF CoPack, LLC, dba Initiative Foods, Sanger (Fresno), 18-SM002, Advanced Food Production – Advanced Manufacturing, \$17,115,645 of Qualified Property

Presented by Matthew Jumps, Program Analyst

Staff introduced James Ypma, VP of Operations, IF CoPack, LLC, dba Initiative Foods; and John Ypma, President, IF CoPack, LLC, dba Initiative Foods, both of whom joined via internet conference line.

IF CoPack, LLC, dba Initiative Foods (“IF CoPack”), was approved for a sales and use tax exclusion in January 2018 to upgrade and expand a food manufacturing facility in Sanger (the “Project”). IF CoPack is requesting an initial term extension for two years to accommodate a series of delays, including weather-caused construction delays, a seven-month delay for utility hookups, and COVID-19-related import and funding delays. IF CoPack was able to complete construction of a new facility, which replaced a facility lost to a fire prior to receiving its initial award, and began production of a baby food line last month.

IF CoPack states it has resolved the pandemic-induced funding issues, and is on pace to complete installation of the Project by the third quarter of 2022.

Staff recommended approval of IF CoPack’s request to extend the initial term of the Regulatory Agreement by two years to January 16, 2023, to purchase \$17,115,645 in Qualified Property, anticipated to result in a sales and use tax exclusion of \$1,430,868.

James Ypma, VP of Operations, IF CoPack, added:

- A fire in 2016 destroyed its 17-year-old facility;
- IF CoPack just completed its first production run in the new factory; and
- No labor downsizing has occurred in the company; IF CoPack has actually hired additional personnel to handle increased business due to people being home during the COVID-19 pandemic.

Ms. Warmerdam moved for approval and there was a second by Mr. Mack. Ms. Ma stated there was a motion and a second and asked if there were any questions from the Board or public. There were none.

The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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. CONSIDERATION OF APPLICANT'S REQUEST TO EXTEND THE 15% PURCHASE REQUIREMENT TIMEFRAME AND THE INITIAL TERM OF THE REGULATORY AGREEMENT OF STE AWARD

- 1) South Bayside Waste Management Authority, San Carlos (San Mateo), 19-SM032, Organics and Municipal Solid Waste – Alternative Source, \$11,260,000 of Qualified Property

Presented by Xee Moua, Staff Analyst

Staff introduced Grant Ligon, Management Analyst III; and Joe LaMariana, Executive Director, South Bayside Waste Management Authority, both of whom joined via internet conference line.

In July 2019, the CAEATFA Board approved a sales and use tax exclusion (“STE”) award for South Bayside Waste Management Authority (“SBWMA”) to build a new municipal solid waste and organics processing facility located in San Carlos (the “Project”).

SBWMA explains that with the outbreak of the coronavirus and implementation of shelter-in-place orders, it has not been able to complete the activities associated with the pilot phase of the Project, including collecting and processing enough waste to establish plant efficiency and gathering supporting data needed to make informed engineering decisions to scale operations. In the interim, SBWMA has transitioned to pre-pilot operations aimed at system optimization and early data collection in preparation for restaurants fully reopening.

Staff recommended that the Board approve SBWMA’s request to extend the 15% purchase requirement timeframe by two years to January 16, 2023, and the initial term of the Regulatory Agreement by one year and six months to January 16, 2024, to purchase up to \$11,260,000 in Qualified Property, anticipated to result in an STE value of \$941,336.

Mr. LaMariana reported:

- SBWMA is fully committed to the Project. Equipment is in place, but the company is missing source material.
- Current feedstock is at a fraction of the anticipated amount because the commercial hospitality and foodservice industries are down. They are receiving about 25% of what SBWMA previously received.
- SBWMA is looking at options and workarounds to get proof of concept and present to its Board of Directors to justify future expansion. Although its Board of Directors has approved the Project, SBWMA staff must come back with hard data to support initial projections before full implementation of the Project.

Ms. Ma expressed understanding of the situation given the current limitations and then asked if the Board had any comments or concerns.

- Ms. Warmerdam asked if the purpose of the Project is to meet AB 1383 requirements. Mr. LaMariana responded that the Project was designed to meet

AB 1383, and that the final regulations for implementation of AB 1383 just went into effect. This Project is an integral part to meeting those requirements.

- Ms. Warmerdam further asked if, in light of the reductions in feedstock and the closing of the commercial hospitality and foodservice sectors, SBWMA is adjusting its expectations for data collection. Mr. LaMariana replied that pre-studies show that the Project's process is valid, but they are currently in scale-up mode and need to show its outbound material is viable for use. Outbound material captured will go to wastewater treatment plants for anaerobic digestion. SBWMA currently has agreements with three water companies.
- Ms. Warmerdam asked if SBWMA anticipates having the required materials and data in the requested period of time. Mr. LaMariana responded that SBWMA is seeing a slow ramp-up with take-out food, but not to the scale seen before. There was a modest uptick before the lockdown, now stabilizing at 25-30 tons of material per day. The need is for 100 per day; before COVID-19 SBWMA received 130 tons of material per day. SBWMA's team is trying to find workarounds to find additional feedstock, and they are hopeful this will be successful and enable them to get the data.

Mr. Mack moved for approval and there was a second by Ms. Warmerdam. Ms. Ma stated there was a motion and a second and asked if there were any additional questions or comments from the Board or public.

There were no further comments, and Ms. Ma called for a vote. The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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

C. CONSIDERATION OF APPLICANT'S REQUEST TO AMEND RESOLUTION NO. 17-SM023 TO ADD INLAND EMPIRE LIQUID ORGANIC FERTILIZER, LLC, AS A PARTICIPATING PARTY

Presented by Stefani Carruth, Staff Analyst

Staff introduced Lisa Hansen, Vice President and General Counsel, BioStar Renewables LLC, who joined via internet conference line.

Organic Energy Solutions, LLC, ("OES") received an STE award on June 20, 2017, to process food waste and convert the waste into biogas through an anaerobic digester system (the "Project"). Subsequent to OES's resolution approval, Inland Empire Liquid Organic Fertilizer, LLC ("IELOF"), was formed to manage the effluent and solids treatment portion of the Project.

OES has requested to add IELOF as a participating party in order to continue with the Project as originally intended, as IELOF is now responsible for implementing a portion of the project. OES states the scope and budget of the Project remain the same.

Staff recommended approval of OES' request to amend Resolution No. 17-SM023 to add Inland Empire Liquid Organic Fertilizer, LLC, as a participating party.

Ms. Hansen explained that for tax and legal reasons, they have set up a new entity to operate a portion of the Project. The Project is still managed by the same people, has not changed, and is on schedule.

Mr. Mack moved for approval and there was a second by Ms. Miller. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or public.

There were no further comments, and Ms. Ma called for a vote. The item was unanimously approved by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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

Ms. Ma 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 11:03 a.m.

Respectfully submitted,

Derek Chernow
Executive Director