

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
October 16, 2018**

1. CALL TO ORDER AND ROLL CALL

John Chiang, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) meeting to order at 10:37 a.m.

Members Present: John Chiang, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Jacqueline Wong-Hernandez for Keely Martin Bosler, Director,
Department of Finance
Pamela Doughman for Robert B. Weisenmiller, Chair,
California Energy Commission
Rohimah Moly for Michael Picker, President, Public Utilities Commission

Staff Present: Deana J. Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Chiang asked if there were any questions or comments concerning the September 18, 2018, meeting minutes. There were none.

Mr. Chiang asked if there was a motion.

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

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Pamela Doughman for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo summarized recent activity under CAEATFA's programs, beginning with the Sales and Use Tax Exclusion ("STE") Program. She reported that CAEATFA staff ("Staff") continues its outreach efforts to broaden the use of the STE Program to an expanded number of businesses. Ms. Carrillo stated that at the beginning of October, Staff traveled to Southern California to speak about CAEATFA's STE Program at several seminars in partnership with the California Department of Tax and Fee Administration and the Governor's Office of Business and Economic Development as part of Manufacturing Day. Ms. Carrillo further reported that Staff has been working with Blue Sky Consulting on an evaluation of the STE Program; CAEATFA will provide evaluation results to the Board in the near future. Ms. Carrillo continued her report, stating that if the Board approves all of the applications up for consideration today, CAEATFA will have awarded approximately 73% of the sales and use tax exclusion for the year, leaving \$27 million left to award. CAEATFA currently has eight applications under review; if they are all approved, approximately \$16 million of the \$100 million cap will remain for 2018. The deadline for applications to be considered for the December Board meeting is Friday, October 19th. In November, pursuant to program regulations, the Board may consider the release of any remaining funds for projects that have requests over the \$20 million cap.

Pursuant to the request of the Controller's representative, Ms. Carrillo provided an update on Tesla, Inc. ("Tesla"). She reported that news coverage specific to Tesla and Elon Musk over recent weeks has included the filing of a securities fraud suit against Mr. Musk by the Securities and Exchange Commission related to allegedly misleading statements made on social media; the suit added a charge against Tesla for failing to have required disclosure controls and procedures. Ms. Carrillo reported that Mr. Musk is settling the suit for a \$20 million fine and is stepping down as chairman, but will remain as the company's Chief Executive Officer; Tesla will also pay a \$20 million fine for failing to have proper controls and procedures. In addition, Ms. Carrillo stated, it has been reported that production of Model 3 vehicles has doubled over the last quarter. Tesla will be reporting to the Board at the November Board meeting, as required under its Master Regulatory Agreement.

Under the California Hub for Energy Efficiency Financing ("CHEEF"), Ms. Carrillo reported that the Residential Energy Efficiency Loan ("REEL") Assistance Program continues to grow. CAEATFA has now enrolled over \$5 million in loans. She continued by reporting that Staff has completed an initial draft of program regulations for the Small Business Pilot, and held a public workshop on October 9th, which was attended in person and via webinar by over 70 participants. These included financing providers, program implementers, project developers, and local governments. Staff is working on collected public comment, and CAEATFA anticipates having regulations before the Board for approval at next month's Board meeting. Ms. Carrillo further reported that the Affordable Multifamily team has been working on outreach and soliciting input on the initial program design, attending industry conferences in Northern California, Los Angeles, and San Diego. Ms. Moly asked whether the changes made through the regulatory process or legislative changes played a part in the REEL Program's \$5 million loan enrollment. Ms. Carrillo responded that regulatory modifications made to streamline the REEL Program in response to the California Public Utilities Commission 2017 decision to allow for more flexibility was the likely cause of growth, in addition to increased coordination and awareness of the REEL Program.

Ms. Carrillo reported that under her delegated authority, on October 4th, she executed a contract with Gilbert Associates, Inc. for audit services of CAEATFA's Conduit Bond Program, resulting from Request for Proposal ("RFP") CAEATFA01-18. The RFP was issued July 30th, and CAEATFA received three bids. CAEATFA selected Gilbert Associates, Inc.'s bid for an amount not to exceed \$21,400 for the term of the two-year contract, with an optional one-year extension. If extended, the total cost would be \$32,600.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

1) EDCO Disposal Corporation Presented by Xee Moua, Analyst

Staff Introduced Steve South, President and Chief Executive Officer, EDCO Disposal Corporation.

Ms. Moua reported that EDCO Disposal Corporation ("EDCO" or the "Applicant") is requesting a sales and use tax exclusion to retool and expand its construction and demolition materials recovery facility in Lemon Grove by installing a new processing plant (the "Project"). EDCO represents the new machinery will utilize high-speed sorting optics and robotics to process over 150,000 tons of wood, metal, concrete, asphalt, and gypsum. The Applicant explains that it will be able to simplify sorting and recover materials at a higher rate, while creating a safer environment for sorters.

Staff recommends approval of a resolution for EDCO Disposal Corporation's purchase of no more than \$3,750,505 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$313,542.

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

Mr. Chiang 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. Chiang called for a vote. The item was unanimously approved.

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Pamela Doughman for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

2) CalBioGas Kern LLC
Presented by Xee Moua, Analyst

Staff introduced N. Ross Buckenham, Chief Executive Officer, CalBioGas Kern LLC.

Ms. Moua reported CalBioGas Kern LLC (“CalBio Kern” or the “Applicant”) is requesting a sales and use tax exclusion to build covered lagoon digester systems that will produce dairy biogas at a cluster of six or more dairies in Kern County and a central upgrading plant that will process the dairy biogas into renewable natural gas to be sold directly or indirectly through distributors as renewable conditioned natural gas (“R-CNG”) for vehicle use (the “Project”). CalBio Kern represents its R-CNG generates Low Carbon Fuel Standard credits and is categorized as D3-RIN under the Federal Renewable Fuel Standard Program.

Staff recommends approval of a resolution for CalBioGas Kern LLC’s purchase of no more than \$31,909,025 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$2,667,595.

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

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

Mr. Buckenham stated that the State Legislature and the Governor’s Office have set a goal to mitigate dairy methane emissions. He continued by stating this Project captures the fugitive gas which is upgraded, sent into pipelines, and used to displace diesel in heavy-duty trucks. He added that these benefits are currently creating better air quality in the San Joaquin Valley.

Mr. Chiang asked if vehicles need retrofitting in order to use the renewable fuel. Mr. Buckenham responded, stating that trucks can be retrofitted; however, the average truck in cargo fleets tends to be retired after five years. He stated freight companies typically will purchase the trucks that run on ultra-low nitrous oxide (NOx) emitting, compressed natural gas (CNG) when they need to replace a vehicle. Mr. Buckenham added that these new trucks produce approximately 90% less emissions than those of a standard diesel engine.

Mr. Chiang asked if this new technology is the best available for this application. Mr. Buckenham stated that large freight trucks need to have powerful engines, so this is currently the best option. He added the average dairy cow produces the equivalent of approximately 100 gallons of diesel per year.

Ms. Wong-Hernandez asked for a timeline of CalBio Kern’s Project. Mr. Buckenham stated that CalBio Kern has already constructed digesters at three facilities, which are currently producing electricity. He continued that this Project is an expansion which will include the construction of an additional six digesters, and that the company has started to work with dairies to prepare sites for digester construction. He stated the anticipated

timeline is to spend next year constructing the Project, and to bring the system online in 2020.

Mr. Chiang asked who does the manufacturing of the digesters. Mr. Buckenham replied CalBio Kern processes the raw gas into a refined fuel in an upgrading plant. Southern California Gas Company will be operating the interconnect facility that meters how much gas is injected into the pipeline.

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

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Pamela Doughman for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

3) CalBioGas Hanford LLC
Presented by Xee Moua, Analyst

Staff introduced N. Ross Buckenham, Chief Executive Officer, CalBioGas Hanford LLC.

Ms. Moua reported CalBioGas Hanford LLC (“CalBio Hanford” or the “Applicant”) is requesting a sales and use tax exclusion to build covered lagoon digester systems that will produce dairy biogas at a cluster of six or more dairies in Kings County and a central upgrading plant that will process the dairy biogas into renewable natural gas to be sold directly or indirectly through distributors as renewable conditioned natural gas (“R-CNG”) for vehicle use (the “Project”). CalBio Hanford represents its R-CNG generates Low Carbon Fuel Standard credits and is categorized as D3-RIN under the Federal Renewable Fuel Standard Program.

Staff recommends approval of a resolution for CalBioGas Hanford LLC’s purchase of no more than \$20,422,826 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$1,707,348.

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

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

Mr. Buckenham stated that dairy is the largest agricultural industry in California, with over 1,700 dairy farms, most of which are located between Fresno and Bakersfield. He explained that it is expensive to transport biogas long distances, which necessitates projects like CalBio Hanford’s to work within a 20 mile radius of the dairies. He continued by stating that Hanford has a large cluster of dairies, and the plant will be

located near their geographical center. He added the plant is near a Southern California Gas Company pipeline.

Mr. Chiang asked if there are any cultural barriers regarding these projects. Mr. Buckenham stated that the company had some issues in the past with practices related to new technology from Europe which required extra work on the dairy's side, so they have since had to adapt to make things run more smoothly. He added one of the requirements of the California Department of Food and Agriculture ("CDFA") is public outreach, which has led the company to work with local high schools and universities, from which it is now hiring interns. He stated the equipment the company uses is all manufactured in the United States, and because of the pollution benefits, there is strong support for the Project.

Ms. Moly asked how many dairies are clustered in a way that would make this type of project possible. Mr. Buckenham responded that the livestock the CalBio Kern Project utilizes may be the largest collection of dairy cows in the country, with around 100,000 cows in 15 dairies. He stated that in Hanford, there are around 50,000 cows within reach of the Project facility, and another 50,000 within reach of the West Visalia Project. He continued by stating that once the first plant is installed and interconnected, with around six dairies feeding the biogas, that adding additional dairies in the area will be less expensive, as they will be using existing infrastructure.

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

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Pamela Doughman for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

4) CalBioGas West Visalia LLC
Presented by Xee Moua, Analyst

Staff introduced N. Ross Buckenham, Chief Executive Officer, CalBioGas West Visalia LLC.

Ms. Moua reported that CalBioGas West Visalia LLC ("CalBio West Visalia" or the "Applicant") is requesting a sales and use tax exclusion to build covered lagoon digester systems that will produce dairy biogas at a cluster of six or more dairies in Tulare County and a central upgrading plant that will process the dairy biogas into renewable natural gas to be sold directly or indirectly through distributors as renewable conditioned natural gas ("R-CNG") for vehicle use (the "Project"). Additionally, CalBio West Visalia represents its R-CNG generates Low Carbon Fuel Standard credits and is categorized as D3-RIN under the Federal Renewable Fuel Standard Program.

Staff recommends approval of a resolution for CalBioGas West Visalia LLC's purchase of no more than \$22,172,277 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$1,853,602.

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

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

Mr. Buckenham stated that the building of all of the digesters and infrastructure for the three projects will cost approximately \$150 million, and that he may come back to the Board next year with three or four new project locations.

Mr. Chiang asked for clarification on the D3-RIN federal credits. Mr. Buckenham explained D3-RIN is the classification of Renewable Identification Number ("RIN") credits related to the production of fuels created from renewable waste products. He elaborated, stating the D3-RIN category has a higher market value because these projects are using a waste product as fuel and capturing harmful methane. Mr. Buckenham added that these projects also qualify for the California Low Carbon Fuel Standard for the environmental mitigation of methane emissions.

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

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Pamela Doughman for the California Energy Commission	Aye
Rohimah Moly 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) GreenWaste Recovery, Inc.
Presented by Xee Moua, Analyst

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

Ms. Moua reported GreenWaste Recovery, Inc. ("GreenWaste" or the "Applicant") was originally approved for a sales and use tax exclusion at the CAEATFA Board meeting on May 15, 2018. The project involved expanding by installing a new solid waste processing system to recover organics and mixed recycling at its existing facility located in San Jose (the "Project").

Shortly after Board approval in May 2018, GreenWaste confirmed its plans to further expand the Project in order to produce a cleaner output of recyclables and increase its diversion rate in response to China's implementation of its National Sword policy. GreenWaste submitted its application for the May Board meeting since it had already begun making equipment purchases for the Project and could not wait for uncertain expansion plans.

On July 20, 2018, GreenWaste submitted an application requesting an additional \$7,338,800 in Qualified Property to further expand the Project by incorporating a new single stream processing system, which will allow the Applicant to process an additional 22,100 tons in mixed recycling per year. Aside from adding the single stream processing system, the scope of the Project remains the same. If approved, the existing Master Regulatory Agreement will be amended to increase the Qualified Property amount from \$4,610,748 to \$11,999,548.

Staff recommends approval of an amendment to Resolution 18-SM013, increasing GreenWaste Recovery, Inc.'s purchase of Qualified Property to an amount not to exceed \$11,999,548, anticipated to result in an approximate sales and use tax exclusion value of \$1,003,162.

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

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

Ms. Atayde stated that for the original GreenWaste Project approved earlier this year, the company has installed a robotic system to increase productivity and provide a cleaner output. She stated with China's limits on recycled material imports, GreenWaste has found it necessary to expand its recycling building.

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

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Pamela Doughman for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

C. REQUEST APPROVAL OF 2019 MEETING CALENDAR

Presented by Jessica Arceo, Contracts Analyst

Staff requests approval of the proposed 2019 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.	01/15/2019
February	Tuesday	10:30 a.m.	02/19/2019
March	Tuesday	10:30 a.m.	03/19/2019
April	Tuesday	10:30 a.m.	04/16/2019
May	Tuesday	10:30 a.m.	05/21/2019
June	Tuesday	10:30 a.m.	06/18/2019
July	Tuesday	10:30 a.m.	07/16/2019
August	Tuesday	10:30 a.m.	08/20/2019
September	Tuesday	10:30 a.m.	09/17/2019
October	Tuesday	10:30 a.m.	10/15/2019
November	Tuesday	10:30 a.m.	11/19/2019
December	Tuesday	10:30 a.m.	12/17/2019

Staff recommends approval of the above proposed meeting schedule for calendar year 2019.

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

Mr. Chiang 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. Chiang called for a vote. The item was unanimously approved.

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Pamela Doughman for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

D. REPORT FROM FARADAY&FUTURE INC. ON STATUS OF PROJECT PURSUANT TO RESOLUTION NUMBER 18-SM008 (INFORMATIONAL ITEM)

Staff introduced Jerry Chen, Tax Director and Senior Legal Counsel, Faraday&Future Inc.; Alex Tran, Consultant, California Incentives Group; and Leslie McBride, Director, California Incentives Group.

On April 17, 2018, the CAEATFA Board approved resolution 18-SM008 granting a sales and use tax exclusion award for Faraday&Future Inc.'s ("Faraday") purchase of up to \$239,234,449 in Qualified Property to upgrade its existing facilities in Compton and Gardena to facilitate research, design, and prototype testing of its first high-performance electric

vehicle, the FF91, and construct a facility in Hanford that will manufacture its electric vehicles (the “Project”). The resolution requires that Faraday update the CAEATFA Board in writing and in person every six months for up to three years with regards to the following:

1. Any significant developments in the status of the Project;
2. Progress in meeting its production goals; and
3. Any other matters the Executive Director shall deem appropriate.

Mr. Chen stated that Faraday currently has a disagreement with its equity investor, Evergrande Health (“Evergrande”), a subsidiary of the Chinese conglomerate and real estate developer, Evergrande Group, and has initiated private arbitration in Hong Kong. As a result, the company has had to scale back its production of the FF91. He continued by stating that Faraday does not expect to start full scale production of the FF91 by the fourth quarter of this year as previously planned; rather, it will likely be delayed until some time next year. Mr. Chen added that the projected numbers for vehicle production will have to be revised.

Ms. Wong-Hernandez asked for a timeframe for when the Board can expect updated production numbers and whether the Board should ask to be updated more often than twice per year. Mr. Chen indicated willingness to provide more frequent reports. He continued that Faraday is currently seeking out short-term bridge financing, and will likely seek a new long-term equity investor to replace Evergrande Health. He stated that the ability to find a new long-term investor will depend on the Hong Kong arbitration.

Ms. Carrillo stated that Faraday has purchased approximately 50% of its Qualified Property to date. She asked if the company is moving forward with more purchases given the current arbitration with Evergrande, and whether employment figures at Faraday are stable. Mr. Chen replied that the issue has had a substantial impact on the company, but its employment has remained constant, with around 100 employees at its facility in Hanford, and between 800 and 1,000 employees in Los Angeles County. He continued by stating Faraday is currently focused on obtaining financing, and as a result, production related tasks have largely slowed but are not frozen. He added that the company’s executives are confident that Faraday will be able to secure appropriate financing. Mr. Chen continued by stating that as of Faraday’s June 30 report, it had purchased approximately \$120 million of the Qualified Property for the Project. He stated Faraday has purchased \$20 million more in Qualified Property to date, and plans to get production up to the full rate as quickly as possible.

Mr. Chiang asked where the company is located currently. Mr. Chen responded, stating that the company’s postal code is in Gardena, but the physical address is within the City of Los Angeles. He added that they have a facility in Compton as well.

Ms. Carrillo stated that Faraday remains in compliance with its agreement with CAEATFA; however, more updates to the Board seem appropriate. She asked what kind of timeline could be expected for arbitration to resolve. Mr. Chen stated that arbitration could take between six and 18 months. He continued by stating that one of the arbitration points revolves around Faraday’s ability to seek out new investors without Evergrande’s approval.

Ms. Moly asked whether Faraday should be required to report more often than two times per year. Ms. Carrillo stated that the next written report by Faraday is due in January and would

be an appropriate time to report to the Board. Mr. Chiang stated that since this item is listed as informational, no action can be taken. Mr. Bob Hedrick, State Legal Counsel, stated that in order to change the schedule on Faraday's reporting, the Staff would bring an amendment to Faraday's resolution to the Board requiring more frequent reporting. Mr. Chiang asked for such an amendment to be placed on a future Board meeting agenda, requiring Faraday to report to the Board three times per year.

Ms. Moly asked whether sales and use tax exclusions not awarded by the end of the year would be lost, referring to the \$16 million projected currently to be left unawarded. Ms. Carrillo stated that this was correct, elaborating that CAEATFA can award up to \$100 million in exclusions per calendar year.

5. PUBLIC COMMENT

Mr. Chiang 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 11:24 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director