

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
January 15, 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 10:30 a.m.

Members Present: Jovan Agee for Fiona Ma, CPA, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Jacqueline Wong-Hernandez for Keely Martin Bosler, Director,
Department of Finance
Michael Murza 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. Agee asked if there were any questions or comments concerning the December 18, 2018, meeting minutes. There were none.

Mr. Agee asked if there was a motion.

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

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Abstain
Anne Baker for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo highlighted the 2018 accomplishments of CAEATFA's programs, beginning with the Sales and Use Tax Exclusion ("STE") Program. She stated the STE Program provided awards to 34 companies in 2018 for the purchase of over \$1 billion in manufacturing equipment and machinery in California, equating to an estimated sales and use tax exclusion value of \$98,762,978, the highest amount awarded by the STE Program in CAEATFA's history without granting an award beyond the \$20 million per company annual limit. Ms. Carrillo stated an evaluation of STE Program's performance, which incorporated actual performance data, was completed in 2018, which showed the STE Program has produced an estimated \$171 million in total fiscal benefits, \$17 million in environmental benefits, and \$14 million in net benefits to the State since the program's launch date in 2010. Ms. Carrillo stated CAEATFA staff ("Staff") strengthened outreach efforts for the STE Program in 2018 by presenting program information at events all over the State, such as Manufacturers' Day and the California Association for Local Economic Development Conference.

Ms. Carrillo reported that the PACE ("PACE") Loss Reserve Program brought on an auditing firm in 2018, and launched audits of the enrolled PACE Programs. She noted that the PACE Loss Reserve Program staff also selected a firm and began performing a risk analysis of the \$10 million loss reserve to help inform future efforts. Ms. Carrillo stated the PACE Loss Reserve Program currently supports over 145,000 financings valued at \$3.33 billion in residential PACE improvements as of June 2018.

Ms. Carrillo reported that in 2018, under the California Hub for Energy Efficiency Financing ("CHEEF"), a new consumer-facing website, GoGreenFinancing.com, was launched to represent the CHEEF's financing pilots. Through the website, potential borrowers can learn about the program, find local contractors, choose a finance company, and apply for financing. The website also allows contractors and lenders to have direct access to the training and forms that they need, while business officers, local government partners, and others can download flyers and support documents to help promote the program. Ms. Carrillo continued by stating that the Small Business Commercial Energy Efficiency Financing ("Commercial") Program regulations were approved and took effect on December 17, 2018. She stated the Commercial Program's design and development involved holding two public workshops and stakeholder feedback. Since approval of the regulations in December, enrollment has been opened to finance companies. In addition, CAEATFA has contracted for a web-based interface which will give finance companies, contractors, and customers a seamless, easy way to submit project information to the Commercial Program and will support the program's growth. Ms. Carrillo reported that the successes and work on the Commercial Program will be leveraged for the development of the CHEEF's Affordable Multifamily Program. Ms. Carrillo stated it is anticipated a workshop will be held in February and regulations for the Affordable Multifamily Program will be ready in the summer. Under the Residential Energy Efficiency Loan ("REEL") Assistance Program, Ms. Carrillo reported in 2018 three new lenders were recruited to the Program: Eagle Community Credit Union, which serves Orange County; Pasadena Service Federal Credit Union, which serves in and around the City of Pasadena as well as federal employees stateside; and First U.S. Community Credit Union, which serves 12 northern California counties, including Sacramento. In 2018, the REEL Program added 119 new participating contractors for a total of 293, covering 46 California counties. In 2018, the REEL Program reached out to nearly five million customers, and ended the

year with approximately \$5.88 million in enrolled loans. She continued by stating the REEL Program enrolled 231 loans valued at \$3.96 million in claim eligible principal in 2018, and that these numbers represent more than double the loan activity numbers of 2016 and 2017 combined. Ms. Carrillo added that approximately 50% of total loan volume under the REEL Program went to projects located in low-to-moderate income census tracts, and 13% of total loan volume went to homes in disadvantaged communities. Ms. Carrillo stated that REEL Program participating lenders are providing financing to lower FICO scores than the industry average, as well as for longer terms, which helps spread out monthly payments.

Ms. Carrillo then summarized recent activity under CAEATFA's STE Program. She reported that there are currently six applications under review requesting a total of approximately \$12.3 million in sales and use tax exclusions, and if they are all approved, just under 88% of the \$100 million cap would remain for 2019. She continued by reporting Staff is working with Tesla, Inc. ("Tesla") and the California Division of Occupational Safety and Health to follow up on the Board's request for more information related to health and safety improvements at Tesla's facilities. Ms. Carrillo added that she received a letter from a constituent specific to Tesla, which was provided to the Board.

Ms. Carrillo stated that there were staffing updates at CAEATFA. Lynn Wiley, marketing analyst for the CHEEF is leaving CAEATFA, and David Gibbs has been promoted to CHEEF Program Manager for development and implementation.

Ms. Carrillo reported that under her delegated authority, no actions were taken. She stated that Staff is currently working on Requests for Proposals for a technical consultant and a universal contractor manager under the CHEEF.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

A. DISCUSSION AND CONSIDERATION OF APPLICANT'S REQUEST TO EXTEND THE TERM OF THE MASTER REGULATORY AGREEMENT OF STE AWARD

- 1) Enovix Corporation
Presented by Matthew Parsons, Analyst

Staff introduced Harrold Rust, Chief Executive Officer, Enovix Corporation; and Elizabeth Eldridge, Controller, Enovix Corporation.

Mr. Parsons reported that Enovix Corporation ("Enovix" or the "Applicant") produces lithium ion batteries using its patented 3D wave architecture. Enovix was approved for a sales and use tax exclusion award on February 14, 2014, for the purchase of up to \$16,234,215 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$1,358,804, in order to construct a new lithium ion battery production facility in Fremont (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. On January 17, 2017, the CAEATFA Board approved

the Applicant for a two-year extension of the initial term of the Agreement to accommodate delays in the achievement of its product cycle life technical milestone. Specifically, additional development work was required on the anode and cathode in the battery, requiring the Applicant to modify its battery to use a new material that had only recently been made available at the time.

Enovix represents that as of December 2018, it has purchased approximately 20% of the total Qualified Property amount approved. Enovix is requesting an additional two years to accommodate further technical delays related to product cycle life, as the product was not producing enough cycles needed for commercial sale. According to the Applicant, as a result of a change in its manufacturing process in February 2018, the battery now produces over 600 cycles, so the Applicant has now completed its two key technical milestones, energy life and cycle life. Enovix states it resumed equipment purchases in September and anticipates completing the Project within two years.

Based on this information, Staff recommended that the Board approve Enovix Corporation's request to extend the initial term of the Agreement to purchase \$16,234,215 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$1,358,804, by two years to February 18, 2021.

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

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

Ms. Wong-Hernandez asked what determined the length required for the extension. Mr. Rust replied that some of the equipment for the Project needs to be custom designed and manufactured, which has caused some delays.

Ms. Moly asked if there were any limits to the number of extensions a company may receive. Ms. Carrillo replied that there are not. She explained that a three-year timeline for projects was considered standard when the STE Program went into effect, but Staff has recently found that around 30% of STE applicants request extensions, which may prompt Staff to explore regulatory changes in the future. Ms. Carrillo added that applicants may request a longer initial term when they first submit their applications for STE awards.

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
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

2) rPlanet Earth Los Angeles, LLC
Presented by Xee Moua, Analyst

Staff introduced Robert Daviduk, Co-Chief Executive Officer, rPlanet Earth Los Angeles, LLC, who joined by phone.

Ms. Moua reported that in January 2016, the CAEATFA Board approved a sales and use tax exclusion for rPlanet Earth Los Angeles, LLC (“rPE” or the “Applicant”) to make Qualified Property purchases to build a new facility that uses post-consumer polyethylene terephthalate (“PET”) bales to create a broad array of “bottle grade” recycled PET products (the “Project”). As of June 30, 2018, rPE has used the award to purchase \$53,903,048 of Qualified Property (45% of the total Qualified Property approved).

rPE is requesting to extend the initial term of the Master Regulatory Agreement (“Agreement”) by two years and six months to accommodate multiple unforeseen circumstances that affected its Project timeline. Such circumstances include prolonged site remediation, rigorous contracting and construction efforts, and delayed purchasing of Qualified Property. Although rPE’s first production line launched in October 2018, the Applicant states the extension will allow its operations to align with investor milestones and the time required for Qualified Property orders to be placed, received, and installed for its second production line in the first half of 2021.

Staff recommended that the Board approve rPlanet Earth Los Angeles, LLC’s request to extend the initial term of the Agreement to July 19, 2021 to make purchases of up to \$119,800,000 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$10,087,160.

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

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. Daviduk elaborated on the reasons an extension was necessary for the Project. He stated the factory was previously the site of an Alcoa aluminum smelting plant, which required extensive cleaning and decontamination under the supervision of the California Department of Toxic Substances Control and the United States Environmental Protection Agency, due to the presence of polychlorinated biphenyls (PCBs) and other toxic substances. Mr. Daviduk stated additional delays were caused by storms and heavy rain in the winter of 2017. He further stated that work to properly outfit the facility was slow-going, as the equipment and complexity of the work required specialized personnel that is in short supply. Mr. Daviduk added another delay was caused because agreements with a major European contractor fell through due to the retirement of some of the company’s executives.

Mr. Daviduk stated that rPlanet Earth Los Angeles, LLC’s facility is the first of its kind and due to the company’s production process and vertically-integrated organizational

structure, the product rPE produces will have the lowest carbon footprint of any PET factory in the world. Mr. Daviduk also invited the Board to take a tour of the facility.

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
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Rohimah Moly 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 10:54 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director