

**MINUTES**

**California Alternative Energy and Advanced  
Transportation Financing Authority  
801 Capitol Mall, Room 150  
Sacramento, California  
February 19, 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 10:39 a.m.

Members Present: Jovan Agee for Fiona Ma, CPA, State Treasurer  
Anne Baker for Betty T. Yee, State Controller  
Karen Finn 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 January 15, 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 Ms. Moly, 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
Karen Finn 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 summarized recent activity under CAEATFA's programs, beginning with the Sales and Use Tax Exclusion ("STE") Program. Ms. Carrillo reported that CAEATFA staff ("Staff") have been working to collect annual reports from the 96 active projects under the STE Program. She stated that the compliance workload has increased significantly over the last ten years, and CAEATFA is looking to streamline the STE Program for applicants and Staff. Ms. Carrillo continued by stating that Staff recently attended the 2019 Manufacturing Summit hosted by the Manufacturers' Council of the Inland Empire in Riverside, California, where Staff visited with over 900 attendees including members of regional companies, economic development practitioners, and employees. She continued by reporting that if all of the applications before the Board are approved, CAEATFA will have awarded approximately 11% of the total STE for the calendar year, leaving \$89 million left to award in 2019. CAEATFA currently has five additional applications under review; if they are all approved, just under \$47 million of the \$100 million cap would remain for the year. The deadline for applications to be considered for the May Board meeting is Friday, March 22, 2019.

Ms. Carrillo reported on recent updates regarding Tesla, Inc. ("Tesla"), pursuant to the request of the Board. She stated Tesla has provided data to the Board in response to the various questions raised at the November 2018 meeting. Ms. Carrillo continued that Tesla has been in the news recently with regards to production, layoffs, and continued issues with the Division of Occupational Safety and Health ("Cal/OSHA") under the Department of Industrial Relations. Per the Board's request last year, Staff has spent the last several months consulting with colleagues at the California Labor Commission, specifically Cal/OSHA as well as the Workers' Compensation Insurance Rating Bureau, which establishes worker compensation rates. In those conversations, no significant outliers were identified in the health and safety issues raised, as compared to the broader industry. Ms. Carrillo reported that Tesla will give its next required report at the March meeting. In addition, Ms. Carrillo stated Tesla has submitted an application for the remaining of the \$1.2 billion investment of its Model 3 production, which it expects to purchase this year. The application is for \$81 million in Qualified Property, equivalent to an approximate sales and use tax exclusion value of \$6.8 million.

Under the Property Assessed Clean Energy ("PACE") Loss Reserve Program, Ms. Carrillo reported that Crowe LLP is continuing its work to audit PACE Loss Reserve Program participants, while Staff continues to work on the assessment of the PACE Loss Reserve Fund. She stated that she will provide the Board with updates on Staff's progress in the coming months. Ms. Carrillo added that Staff is also in the process of reviewing potential regulatory modifications to better align the PACE Loss Reserve Program's regulations with last year's modifications to authorizing PACE statute.

Under the California Hub for Energy Efficiency Financing ("CHEEF"), Ms. Carrillo stated that as she reported last month, the Office of Administrative Law approved regulations for the Small Business Commercial Energy Efficiency Financing Program in December 2018, and three lenders have submitted applications to participate in the Program. Staff is preparing the program for a soft launch this spring, and is working to develop a user interface for a broader launch in the fall. Ms. Carrillo further reported that Staff has developed regulations for the Affordable Multifamily Energy Efficiency Financing Pilot, and will be hosting a workshop on Tuesday, February 26. The

pilot will be designed to be flexible in order to leverage the various affordable multifamily programs already active across the state, ranging from tax credit allocation to the Solar on Multifamily Affordable Housing program under the California Public Utilities Commission.

Under legislative updates, Ms. Carrillo stated, as she had previously reported, 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 two bills which propose to extend the program: Senate Bill 162, authored by Senator Galgiani, which Treasurer Ma is supporting; and Assembly Bill 176, authored by Assemblymember Cervantes.

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.

Ms. Baker asked if Staff would seek to increase the yearly STE award cap, as in recent years the STE Program has awarded nearly all of the allocated sales and use tax exclusion. Ms. Carrillo stated that increasing the cap would allow the program to be able to assist large transformative projects or offset the funding of projects that do not end up going forward, and Staff will reach out to the program's legislative supporters to determine if such an effort would be welcomed.

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

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

- 1) Biogas Energy Inc.  
Presented by Matthew Parsons, Analyst

Staff introduced Brian Gannon, President, Biogas Energy Inc.

Mr. Parsons reported that Biogas Energy Inc. ("Biogas Energy" or the "Applicant") is requesting a sales and use tax exclusion to build a new bio-oil production facility located in Roseville (the "Project"). Biogas Energy will convert wood waste into bio-oil, an intermediate fuel that is either refined into diesel or made into renewable natural gas. Biogas Energy represents it uses ablative fast pyrolysis technology to produce the bio-oil, which combines friction and high temperatures to "melt" wood into solids and gaseous fractions. According to the Applicant, the feedstock for the Project will come from a waste management facility that processes over 80 tons per day of various wood waste materials. The Applicant represents that the Project will be fed 10 tons per day of multiple types of feedstock including construction and demolition wood waste, forestry wood waste, agricultural wood waste, and wastewater treatment plant bio-solids. The Applicant represents that the bio-oil produced by the process will be sold to California oil refineries to be processed with conventional crude oil to make diesel, and will also be fed to anaerobic digesters to make renewable natural gas for vehicle fuel at a digester site owned by North State Rendering in Oroville, California.

Staff recommended approval of a resolution for Biogas Energy, Inc.’s purchase of Qualified Property in an amount not to exceed \$3,867,000, anticipated to result in an approximate sales and use tax exclusion value of \$323,281.

Mr. Parsons reported that Biogas Energy also received a grant for \$5,700,000 from the California Energy Commission (“CEC”) on September 17, 2018 for the Project.

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 questions or comments from the Board or public.

Mr. Gannon gave some background on the Project, by stating that the Project converts surplus wood waste, primarily from forestry waste, where there are 7.7 million acres of dead trees due to drought and bark beetle infestation, into vehicle fuel. Mr. Gannon added that Biogas Energy intends for this Project to be the first of many of its kind in California.

Ms. Moly asked about the use of the STE award for the Project, given that Biogas Energy already received \$5.7 million in funding from the CEC. Mr. Gannon stated that some of the costs for the Project are not for Qualified Property purchases, such as labor and feedstock acquisition and shipping, which the grant is being used for, whereas the sales and use tax exclusion will be applied to other costs, like machinery. Ms. Carrillo clarified that the STE award does not grant funds, but offsets costs of taxes.

Ms. Finn asked about the timeline for the Project. Mr. Gannon stated that purchasing and preparing equipment is scheduled to take approximately one year, and that the facility will operate for approximately three years with the CEC’s grant funding, after which the project will be self-sustaining with its own funding.

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
Karen Finn for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

- 2) Watonga RNG 1, LLC  
Presented by Matthew Parsons, Analyst

Staff introduced Gavin Gretter, General Manager of Renewable CNG, Watonga RNG 1, LLC.

Mr. Parsons reported that Watonga RNG 1, LLC (“Watonga” or the “Applicant”) is requesting a sales and use tax exclusion to purchase equipment and assets from BioFuels

Point Loma, LLC (“BioFuels”) that capture and clean the wastewater treatment digester gas (biomethane) at the City of San Diego’s Point Loma Wastewater Treatment Plant (“PLWTP”) (the “Project”). BioFuels was approved for a sales and use tax exclusion in December of 2010 to design and assemble skid-mounted purification technology to capture and clean biomethane at the PLWTP facility. BioFuels completed its project in May 2014, and operated the facility until February 2019. Watonga plans to recommence operations at the facility with an end product that will be approximately 288,000 MMBtu per year of biogas. Watonga’s Project will transform the resulting gas into a biogas product that can be injected into the San Diego Gas & Electric natural gas distribution pipeline system.

Staff recommended approval of a resolution for Watonga RNG 1, LLC’s purchase of Qualified Property in an amount not to exceed \$5,500,000, anticipated to result in an approximate sales and use tax exclusion value of \$459,800.

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

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.

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
Karen Finn for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

3) Sanitation Districts of Los Angeles County  
Presented by Xee Moua, Analyst

Staff introduced Charles Boehmke, Department Head of Solid Waste Management, Sanitation Districts of Los Angeles County.

Ms. Moua reported that the Sanitation Districts of Los Angeles County (“LACSD” or the “Applicant”) is requesting a sales and use tax exclusion to upgrade its existing Puente Hills materials recovery facility located in Whittier that will process Municipal Solid Waste (“MSW”) and mixed recyclables (the “Project”). According to the Applicant, the facility currently receives approximately 3,000 tons of MSW and commingled recyclables per day but is only able to process between 75 to 100 tons per day (“tpd”). With the Project’s upgraded equipment, LACSD will be able to divert commodities that were not previously recoverable, increasing its capacity to approximately 550 tpd in anticipation of meeting the required 75% diversion rate by 2020.

Staff recommended approval of a resolution for Sanitation Districts of Los Angeles County's purchase of no more than \$15,212,303 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$1,271,749.

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.

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
Karen Finn for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

4) CR&R Incorporated  
Presented by Xee Moua, Analyst

Staff introduced Clarke Pauley, Vice President of Organics & Biogas Division, CR&R Incorporated.

Ms. Moua reported that CR&R Incorporated ("CR&R" or the "Applicant") is requesting a sales and use tax exclusion to expand its existing materials recovery facility in Perris to process municipal solid waste ("MSW") into engineered municipal solid waste ("EMSW") and expand its existing composting facility in Lakeview to process organic residuals into compost (the "Project"). According to the Applicant, it will purchase new equipment to process solid waste to remove traditional recyclables such as paper, cardboard, metals, plastics, and glass, and process the residuals to be used as an industrial composite and fuel. Additional equipment will be installed to dry and screen contaminants from organic residuals to create aerobic compost. Overall, CR&R represents that the Project's facility will be able to produce approximately 380,000 tons of product per year.

Staff recommended approval of a resolution for CR&R Incorporated's purchase of no more than \$5,130,235 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$428,888.

Ms. Baker 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.

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
Karen Finn for the Director of Finance	Aye
Michael Murza for the California Energy Commission	Aye
Rohimah Moly for the Public Utilities Commission	Aye

5) Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.  
Presented by Xee Moua, Analyst

Staff introduced Jason Wulforst, Director of State Tax, Intuitive Surgical, Inc. and its subsidiary, Intuitive Surgical Operations, Inc.; Norberto Amoranto, Senior Manager of State Tax, Intuitive Surgical, Inc. and its subsidiary, Intuitive Surgical Operations, Inc.; Alex Tran, Consultant, California Incentives Group; and Leslie McBride, Consultant, California Incentives Group.

Ms. Moua reported that Intuitive Surgical, Inc. and its subsidiary, Intuitive Surgical Operations, Inc. (“Intuitive” or the “Applicant”) is requesting a sales and use tax exclusion to upgrade and expand its existing design and manufacturing facility located in Sunnyvale to produce advanced robotic surgical systems and related instruments and accessories (“I&A”) (the “Project”). The Applicant states the Project will add approximately 600,000 square feet of facility space and a state-of-the-art logistics system to efficiently and safely move products throughout the facility, and will upgrade existing R&D, distribution, testing, and prototyping equipment and related property.

According to Intuitive, it produces its products using information technology and data analytics. For example, the Applicant uses machine learning and artificial intelligence to differentiate tissues in a patient’s body during surgery, allowing the product’s needle to reduce instances of damage to internal organs and other tissues inside the patient. Additionally, Intuitive states that its I&A are built with advanced materials that display artificial muscle behavior when small amounts of electricity are applied, providing feedback to the surgeon who is not physically in the patient’s body, and are individually programmed with memory chips that track a multitude of statistics related to usage, as each component may only be used a limited number of times. The Applicant represents it will also adopt precise tools that utilize algorithms within its microprocessors to carefully build the medical devices to exact specifications. According to Intuitive, the Project will result in 10% less energy consumption and 20% less solid waste generation compared to previous practices.

Staff recommended approval of a resolution for Intuitive Surgical, Inc. and its subsidiary, Intuitive Surgical Operations, Inc.’s purchase of no more than \$96,875,430 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$8,098,786.

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.

Ms. Moly asked about the size of the robotic surgical apparatus. Mr. Amoranto described the equipment, and stated it is around six feet tall and stands over the patient table in order to have the best access to the patient.

Ms. Moly asked about the surgical tools on the robotic equipment. Mr. Amoranto stated the surgical tools, as well as a 3D camera, are on the robot's four arms, and are controlled by the surgeon. Mr. Wulforth added that the equipment is designed to be user-friendly for the surgeon. Mr. Amoranto continued by stating that the surgeon has the ability to control the robotic arms with each hand, that the arms mimic the surgeon's hands, and that the instruments make for easier and more precise movements during surgery. He added that the robotic limbs convert larger movements to smaller ones, allowing for very fine-sized surgery and eliminating tremors or shakes that would otherwise occur.

Ms. Carrillo asked what procedures are common with this type of equipment. Mr. Amoranto stated that urology, hysterectomy, and related procedures are common, and that the other procedures which can be performed vary widely, from cancer treatment to lung biopsies. He added that more procedures are being added to be performed with the equipment on a regular basis, and surgeons have been using the system to perform new surgeries even recently. Mr. Wulforth added that one of the biggest expansions of use for the system is for hernia surgeries.

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
Karen Finn 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.

Mr. Murza stated that Dr. Robert B. Weisenmiller would be retiring from his role as Chair of the California Energy Commission, and had asked to express his thanks to Staff for their work toward meeting California's clean energy and economic development goals. Mr. Murza stated that the Chair would also like to thank all of the Board members and their representatives for their service in advancing CAEATFA's programs. He stated that the CEC will continue to support CAEATFA's objectives, and will find more ways to work with CAEATFA to achieve its goals.



**6. ADJOURNMENT**

There being no further business, public comments, or concerns, the meeting adjourned at 11:09 a.m.

**Respectfully submitted,**

Deana J. Carrillo  
Executive Director