

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
July 16, 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
Ken Rider for David Hochschild, Chair, California Energy Commission
Grant Mack for Michael Picker, President, Public Utilities Commission

Members Absent: Keely Martin Bosler, Director, Department of Finance

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 June 18, 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
Keely Martin Bosler, Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR’S REPORT

Ms. Carrillo began her report with legislative updates and policy efforts. She reported that Senate Bill 162, authored by Senator Galgiani, which would have extended the Sales and Use Tax Exclusion (“STE”) Program, has been repurposed and no longer deals with the Program. She also

reported that Assembly Bill 176, authored by Assemblymember Cervantes, which also involves the STE Program, was modified to add clarity on the type of job information the Program should collect. She continued by stating that Assembly Bill 1583, which would extend the Program for ten years, was voted out of the Senate Governance and Finance Committee and moved on to Appropriations. Ms. Carrillo continued by reporting that Assembly Bill 56, related to CAEATFA becoming the power purchaser of last resort, has become a two-year bill. Mr. Mack stated he believes it is wise that Assembly Bill 56 has become a two-year bill, as discussions in the Public Utilities Commission regarding its potential outcomes as it relates to the investor-owned utilities could help inform the bill.

Ms. Carrillo then stated that CAEATFA staff (“Staff”) has put together a schedule for the Board to facilitate a discussion on policy priorities and provide Staff with guidance on the STE Program’s upcoming regulatory process. She stated that Staff intends to schedule a meeting in September to get Board and stakeholder input on STE Program goals and design, then developing regulations for stakeholder feedback which would be brought to the Board for approval at the regularly-scheduled October Board meeting.

Ms. Carrillo then introduced Ms. Ashley Emery, STE Program Manager, to give a summary of the Program’s competitive criteria process that was implemented this month. Ms. Emery stated the STE Program regulations provide that, in the event that CAEATFA receives Applications requesting sales and use tax exclusion in excess of the \$100 million statutory cap, Applications submitted for that Board meeting will be considered in the order in which they are ranked based on four criteria:

1. The unemployment rate in the county of the facility,
2. The presence of corporate headquarters in California,
3. Status as a small business, and
4. Being new to the Program.

Ms. Emery continued by reporting that after the Application deadline for the July 2019 Board meeting, Staff received 12 Applications requesting over \$15.6 million in exclusions, which brought the total year-to-date request to \$112.7 million in sales and use tax exclusions. Pursuant to the established competitive process, Staff has brought three Applications before the Board at this meeting. Additionally, because the amount requested in the final Application exceeds the exclusion available in the calendar year, the proposed resolution splits the Applicant’s award between the 2019 and 2020 allocations, pursuant to Program regulations. Ms. Emery added that the remaining Applicants are currently on a waiting list, and to the extent any additional award amount becomes available during the calendar year, they will be reviewed and presented to the Board in the order in which they are ranked. If they are not brought before the Board this year, the Applications may be considered in 2020. Ms. Baker asked if the Applicants who sent in Applications to be considered for the competitive criteria this month who were not selected would be considered first in 2020. Ms. Emery stated the companies who were not selected to be brought before the Board would be considered in 2020 on a first come, first served basis. Mr. Rider asked for a breakdown of the competitive criteria scoring. Ms. Emery replied that Applicants can receive up to 5 points based on the unemployment rate of the project location, one point for having their corporate headquarters located in California, one point for being classified as a small

business, and five points for being a new Applicant to the Program. Mr. Rider stated that clear competitive criteria is important, but revising the point values should be considered. He stated that high unemployment areas should be prioritized over being a first-time Applicant, for instance. Ms. Baker agreed that unemployment should be a crucial consideration, but new Applicants should also be prioritized. Mr. Mack stated that he would be interested in seeing more criteria considered.

Ms. Baker requested that the Board be given some background and an overview of the STE Program prior to the September Board meeting discussion. She stated that detailed information, such as which companies have not used up their awards, could give insight into how best to set the Program's priorities. Ms. Carrillo stated that Staff would work to schedule meetings with the Board members to provide information on the Program and go over any questions, and is currently working to identify trends in the Program's previous awarded projects. Ms. Baker stated that the STE Program only awarded its full \$100 million allocation the first time four years ago, and with the Program now being oversubscribed halfway through the year, new priorities need to be set. Mr. Agee agreed that the State needs to be strategic in how it allocates its resources. Ms. Baker stated part of the discussion could be over whether to increase the annual \$100 million allocation given recent demand.

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) Lakeside Pipeline LLC
Presented by Matthew Parsons, Analyst

Staff introduced Stephen Hatley, Director of Finance, Lakeside Pipeline LLC.

Mr. Parsons reported that Lakeside Pipeline LLC ("Lakeside" or the "Applicant") is requesting a sales and use tax exclusion to build a new dairy biogas production facility located in Hanford (the "Project"). According to the Applicant, the Project is part of the Lakeside Pipeline Dairy Digester Cluster, which consists of three sections: dairy digesters, a private pipeline, and a conditioning facility. Lakeside states that it has contracted with eleven neighboring dairy facilities in Kings County to build covered lagoon digester systems on each farm to capture methane emissions from dairy manure. The resulting purified renewable biomethane will be injected into the Southern California Gas Company's natural gas pipeline.

Staff recommended approval of a resolution for Lakeside Pipeline LLC's purchase of Qualified Property in an amount not to exceed \$16,508,315, anticipated to result in an approximate sales and use tax exclusion value of \$1,380,095.

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. Mack stated Lakeside was one of six dairy digester clusters chosen by the Public Utilities Commission as part of a pilot program under Senate Bill 1383, to receive a total of approximately \$319 million. He asked how much of this funding Lakeside would receive. Mr. Hatley replied that Lakeside was awarded around \$12 million. Mr. Mack asked if the Project was receiving funding through the Low Carbon Fuel Standard under the Air Resources Board. Mr. Hatley stated that the Project is made possible because of that 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
Keely Martin Bosler, Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2) Allogene Therapeutics, Inc.
Presented by Xee Moua, Analyst

Staff introduced Ben Beneski, Executive Director, Manufacturing Plant Manager, Allogene Therapeutics, Inc.; Marissa D’Inca, Senior Director, Head of Financial Planning & Analysis, Allogene Therapeutics, Inc.; and Elaine Marr, Managing Director (Consultant), Think LLP (Location Analysis).

Ms. Moua reported that Allogene Therapeutics, Inc. (“Allogene” or the “Applicant”) is requesting a sales and use tax exclusion to build a new allogeneic chimeric antigen receptor (“CAR”) T Cell manufacturing facility located in Newark (the “Project”). According to Allogene, its “off-the-shelf” investigational therapies are being studied for the treatment of patients with hematologic and refractory cancers. Allogene represents that its process involves harvesting T cells from healthy donors that can be used for any eligible patient, providing more uniform starting materials and the potential for more predictable safety and efficacy. The Applicant states that its process does not create any air pollutants or hazardous waste when compared to the production of other cancer treatments such as chemotherapy and radiation, and will consume 97% less waster per year compared to a base design facility.

Staff recommended approval of a resolution for Allogene Therapeutics, Inc.’s purchase of Qualified Property in an amount not to exceed \$36,351,130, anticipated to result in an approximate sales and use tax exclusion value of \$3,038,954.

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

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 none.

The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Keely Martin Bosler, Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3) South Bayside Waste Management Authority
Presented by Xee Moua, Analyst

Staff introduced Joe LaMariana, Executive Director, South Bayside Waste Management Authority; and Ethan Hanohano, Consultant, The Grant Farm Inc. dba Momentum.

Ms. Moua reported that South Bayside Waste Management Authority (“SBWMA” or the “Applicant”) is requesting a sales and use tax exclusion to build a new municipal solid waste (“MSW”) and organics processing facility located in San Carlos (the “Project”). SBWMA states it will process and convert approximately 50 tons of MSW and 60 tons of commercial food waste per day into 75 tons of clean slurry product in the pilot phase, and will increase production to approximately 200 tons of clean slurry product per day in the full scale phase. According to the Applicant, its product will be provided to two local waste-water treatment plants, East Bay Municipal Utility District and Silicon Valley Clean Water, which will create biogas to generate renewable electricity or produce fuel-grade bio compressed natural gas (CNG) for use in their collection vehicles.

Because statute limits CAEATFA to granting up to \$100 million in sales and use tax exclusion each calendar year, Program Regulations Section 10032(a)(7)(A) provides that when the amount requested in the final Application considered under the competitive criteria process exceeds the sales and use tax exclusion available in the calendar year, the Authority shall award the remaining exclusion request using the allocation from the following calendar year.

With the approval of both Lakeside Pipeline LLC and Allogene Therapeutics, Inc.’s projects, approximately \$751,806 in sales and use tax exclusion (or \$8,992,888.80 in Qualified Property) remains in the 2019 calendar year. Because the Applicant’s Project is for \$11,260,000 in Qualified Property, Staff recommends approval of a resolution for South Bayside Waste Management Authority’s purchase of up to \$8,992,888.80 in Qualified Property, effective immediately, anticipated to result in an approximate sales and use tax exclusion value of \$751,806, and effective January 1, 2020, for the purchase of up to \$2,267,111.20 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$189,530.

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. LaMariana stated that SBWMA has plans to convert the agency’s 140 garbage and recycling trucks to use the bio compressed natural gas created by the Project in order to make them cleaner-burning vehicles. He added that the fuel is locally sourced as well, which means the area’s waste will go toward its own removal.

Ms. Baker asked if the Board would be voting on just the amount of the award that would go into effect immediately, or the whole amount. Ms. Carrillo replied that the voting would be for the entire award.

Mr. Agee stated that the California Pollution Control Financing Authority (“CPCFA”) provides funding for lower emission truck retrofits, and asked if SBWMA is engaged with it for the truck retrofits. Mr. LaMariana replied that SBWMA does not directly engage with CPCFA, but its contractors, Recology, Inc. and South Bay Recycling, have worked with that agency.

There were no further comments and Mr. Agee called for a vote.
The item was passed by the following vote:

Jovan Agee for the State Treasurer	Aye
Anne Baker for the State Controller	Aye
Keely Martin Bosler, Director of Finance	Absent
Ken Rider for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

B. REPORT BY TESLA, INC. ON STATUS OF PROJECT PURSUANT TO RESOLUTION NUMBERS 17-SM003, 18-SM004, AND 19-SM008 (INFORMATIONAL ITEM)

Staff introduced Erin Bradley, Associate General Counsel, Tax Incentives, Tesla, Inc.; Laurie Shelby, Vice President of Environmental Health and Safety, Tesla, Inc.; and Michael Kirschner, Ergonomics Program Manager, Tesla, Inc.

On March 20, 2018, the CAEATFA Board approved Resolutions 17-SM003 and 18-SM004 approving two sales and use tax exclusion awards for Tesla, Inc.’s (“Tesla”) expansion of its manufacturing facility for the production of its Model 3 vehicle. On April 16, 2019, the CAEATFA Board approved Resolution 19-SM008 for an additional award for Tesla’s Model 3 manufacturing facility. All three resolutions require that Tesla update the CAEATFA Board in writing and in person every four months for three years with regard to the following:

1. Progress in meeting its production goals;
2. Progress in improving the health and safety standards at its facilities; and
3. Providing an updated Legal Status Questionnaire.

Ms. Bradley gave an update of productivity at Tesla, stating that Tesla manufactured 72,531 Model 3 vehicles in the second quarter of 2019, and 14,517 Model S and Model X vehicles, for a total of 87,048 vehicles, beating the company's previous quarterly production record. She stated that the second quarter's production outpaced first quarter production by approximately 11%. Ms. Bradley stated that Tesla delivered approximately 92,500 vehicles to customers during the second quarter of 2019. Ms. Bradley continued by reporting that customer orders in the second quarter exceeded Tesla's deliveries, leading to an increase in Tesla's order backlog. She added that Tesla is well positioned to continue growing its total production and delivery capabilities in the third quarter.

Ms. Bradley also reported that Tesla has implemented a 12-week training program called Tesla START, offered through a partnership between Tesla and community colleges nationwide, including Evergreen College in San Jose and Rio Hondo College in Whittier. She stated that the technician training program is designed to give students all of the skills they would need to work on Tesla's production or service lines, including the maintenance and repair of electric vehicles.

Ms. Shelby then gave an update of Environmental Health and Safety ("EHS") at Tesla's Fremont factory. She stated that due to high temperatures in the summer months, Tesla's EHS teams have implemented heat stress prevention practices that exceed the requirements set by the Division of Occupational Safety and Health ("Cal/OSHA"). She stated that much of the EHS team's efforts in this area were focused on General Assembly 4 ("GA4"), the large sprung structure at the Fremont facility. She stated that Tesla has installed improved air conditioning systems in GA4, including new duct work over production lines. Tesla has also brought in 72 other cooling units, such as portable evaporative coolers, barrel fans, and pedestal fans throughout the structure. She continued by stating Tesla has installed real-time temperature monitoring systems in the structure, which send alerts to managers when temperatures hit 85°F or above, and when the temperature stays at 95°F or above for over an hour, area supervisors are instructed to provide additional rest breaks as needed. Ms. Shelby added that employees are also provided with cooling towels, and there are six refrigerators located around the area with water and Gatorade for worker consumption. Employees are also provided with fresh fruit and popsicles. She stated that in each of GA4's five zones, there are two "hydration champions" who are responsible for keeping their coworkers properly hydrated and encourage them to speak up if they need additional water or rest breaks.

Ms. Shelby continued her report by stating that Cal/OSHA has opened its fifth recordkeeping inspection of Tesla's Fremont operations since she started working for the company, around one and a half years ago. She stated this is a very high inspection rate compared to the industry; for example, when she worked for Alcoa Corporation, only two such inspections took place over the course of 25 years. The company has a nine-person team responsible for verifying compliance with required recordkeeping practices. Mr. Agee asked why Cal/OSHA has conducted so many recordkeeping inspections at Tesla. Ms. Shelby replied that Cal/OSHA follows up on complaints based on their regulations, but it is usually not necessary to do full audits. Rather, it is possible to review a smaller set of data or look at the company's processes.

Ms. Shelby then reported that Tesla's injury rates were 28% improved over the same time last year for lost day work injuries, 20% improved for Days Away and Restricted Time (DART), and 9% improved for its total recordable injury rate. She stated that the company is committed to transparent reporting, and to creating a culture focused on learning and improving upon current safety practices. Ms. Shelby continued by stating that the company is also trending better on its ergonomic injury rates, which comprise the majority of injuries at the facility. Ms. Shelby also reported that Tesla will be hosting an industry-wide safety benchmarking meeting in September with John Howard, former chief of Cal/OSHA and now head of the National Institute of Occupational Health and Safety, as its keynote speaker. Representatives from BMW, Honda, Toyota, and Hyundai will also be in attendance.

Ms. Baker stated it appears the company has made real progress in safety standards since Ms. Shelby was hired, and asked if Ms. Shelby is satisfied with the priority Tesla is now putting on safety at its facilities. Ms. Shelby responded by stating that, as a safety professional, her work toward improving safety practices will never be complete, but she is proud that the company holds safety as a value and part of its culture.

Mr. Kirschner then gave an overview of Tesla's recent improvements to ergonomic injury rates and prevention. Mr. Kirschner stated that ergonomic injury rates were approximately one-third lower in the second quarter of 2019 compared to the first quarter. Mr. Kirschner continued by stating that these improvements could be attributed to better engineering controls and more attention being paid to ergonomic improvements on production lines. He also stated that Tesla production associates went through a torque tool training in order to better learn body position and hand placement to decrease the prevalence of torque-related injuries. Mr. Kirschner stated that athletic trainers in Tesla's production facilities have helped to reduce strain and sprain injuries by working with production associates to make adjustments to workers' performance. He also reported that Tesla plans on utilizing exoskeleton systems to assist with weight bearing and reduce fatigue. He added that Tesla is working toward building a stronger relationship with UC San Francisco and UC Berkeley for opportunities toward improving its ergonomic practices. Mr. Agee asked if other industry leaders are doing as much in safety and ergonomic improvements. Mr. Kirschner replied that in his previous experience at Hyundai and Honda, ergonomic and safety improvements were made, but not with nearly the speed at which changes are made at Tesla, due to Tesla's collaborative safety culture.

Mr. Shahzaman Balkhi, a production associate in Tesla's GA4 production area, gave an overview of his responsibilities as one of Tesla's hydration champions. He stated that in this role, he provides employees with water and Gatorade, and reminds employees that they need to stay hydrated. He also watches out for employees who may need to take a rest due to high heat conditions and will instruct them to take breaks in a well-cooled area.

Ms. Natalie Flores, a Tesla START program instructor at San Jose Evergreen College, described the START program. She stated that she started in the program before being hired by Tesla, and now teaches the program. She stated that as an instructor, she trains new technicians over a 12-week course which focuses on repairs, safety, and hands-on experience. Ms. Baker asked how many students go through the program. Ms. Flores replied that the San

Jose Evergreen College program has up to 45 students per term, but that only encompasses one school, and Tesla hosts the program at several schools.

Ms. Carol Barry, a production associate who works in stamping at Tesla's Fremont factory, then shared her experiences with the company. She stated that she started working for Tesla because she believes in the company's mission and because of their reputation for recognizing and offering advancement opportunities to employees who show initiative and drive. She continued by stating that as of January 2019, she was one of the few employees selected to participate in the Tool and Die program. She added that the collaborative culture at Tesla allows on-the-job learning, as employees can ask questions of coworkers at any level, from production associate, to safety leads, to engineers, to better understand work processes. Ms. Flores also stated that generally women are an underrepresented demographic in the automotive profession, but she sees representation at Tesla and she is proud to work at the company. Mr. Agee stated that one of the things he paid attention to when he toured Tesla's facilities was the mix of gender, and he thinks it is important to recognize demographics when considering other concerns.

Mr. Agee asked about the reporting in the media concerning safety issues in the GA4 structure, and whether they were isolated incidents. Ms. Shelby replied that injury reports in news articles are not representative of systemic issues at Tesla, and the news agencies were selective in their reporting of the facts.

Mr. Agee stated that the Treasurer's Office is committed to collaboration with companies like Tesla in order to help Californians statewide, and asked what the office could do about to help Tesla employees with commutes and housing. Ms. Bradley replied that Tesla is constantly looking to help employees reduce commute times, but as the Fremont facility is in a highly impacted area, this is a difficult undertaking and that she is open to further conversations on the topic. Mr. Agee added that he is also interested in helping communities with disproportionately high unemployment rates, and efforts could be coordinated to fill any vacancies at Tesla.

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 11:33 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director