

## MINUTES

**California Alternative Energy and Advanced  
Transportation Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
August 17, 2021**

### 1. CALL TO ORDER AND ROLL CALL

Fiona Ma, CPA, Chair, called the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) meeting to order at 10:30 a.m.

Members Present: Fiona Ma, CPA, State Treasurer  
David Oppenheim 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

Quorum: The Chair 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. Jennifer Baldwin, Board Counsel, attended the meeting in person. Ms. Ma, Mr. Oppenheim, 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 from the Board or the public concerning the June 15, 2021, meeting minutes. There were none.

Ms. Ma asked if there was a motion.

Mr. Rider moved for approval of the minutes; and there was a second by Mr. Mack. Ms. Ma held voting until the full board was in attendance. Ms. Miller arrived at 10:35 a.m. and was acknowledged by the Chair; upon taking up the vote, the minutes were approved.

The item was passed by the following vote:

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| Fiona Ma, CPA, State Treasurer                 | Aye |
| David Oppenheim 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 and news since the June 15, 2021, Board meeting, which included:

- Last month, Traci Hukill, Marketing Analyst for the California Hub for Energy Efficiency Financing (“CHEEF”) Programs, gave a presentation at the New Mexico Coalition for Sustainable Communities.
- Kaylee D’Amico, CHEEF Marketing Specialist, presented to the California Energy Commission’s Integrated Energy Policy Report (IEPR) workshop on financing for building decarbonization. Mr. Chernow also served on the “virtual dais” for this important, two-day conference.
- CAEATFA presented its programs at a Tri-County Economic Development Corporation (EDC) Small Business Workshop co-hosted by Treasurer Ma.
- Last week, Kaylee D’Amico gave a presentation about the CHEEF programs as part of the California Climate and Energy Collaboration Forum.

Mr. Chernow also reported:

- Last week, the California Public Utilities Commission issued a decision extending the CHEEF programs. This decision gave CAEATFA \$75.2 million and broad authority to continue administering the CHEEF through June 30, 2027. This includes the conditional approval of incorporating non-ratepayer funds into the programs.
- Gilbert CPAs’ (SB99 Bond Auditor – CAEATFA01-18) annual audit of the 2019-20 Bond Program is complete and posted on the CAEATFA webpage.
- The Request for Proposals for SB99 Bond Auditor services (CAEATFA01-21) was posted July 20, 2021, with proposals due on August 10. The proposed contract’s maximum amount is \$45,000 over a two-year term plus an optional one-year extension. CAEATFA’s current Bond Auditor contract with Gilbert CPAs expires September 24, 2021.
- Mr. Chernow also announced that Xee Moua has left CAEATFA after three years working as an analyst with the Sales and Use Tax Exclusion (“STE”) Program to take a promotional position with the State Board of Pharmacy.

Mr. Chernow then concluded his report. Ms. Ma asked if there were any questions or comments from the Board or the public. Mr. Mack thanked the CHEEF staff for its work in making the CHEEF programs successful, and expressed that he is hopeful the CHEEF will be expanded in the future. Mr. Rider complimented Staff for its work in continuing to streamline the STE Program.

Mr. Chernow then introduced Ashley Emery, STE Program Manager, to give an overview of this year's STE applications.

Ms. Emery began her presentation by stating that 2021 was the first year that CAEATFA reviewed applications under the modified regulations approved in early November 2020 through the emergency rulemaking process, including the implementation of the \$20 million in STE small-project-set-aside and \$15 million in STE for larger projects.

As of the May 2021 Board meeting, CAEATFA has awarded the full 2021 calendar year \$100 million STE award allocation. In total, 31 applicants received STE awards – 18 under the \$20 million in STE set-aside for smaller projects under \$2 million, and 13 under the general pool of STE. In addition, three applicants from the general pool received additional STE above the \$10 million cap.

CAEATFA staff have been assessing the benefits and challenges of the modifications, in particular the amount of time it took to implement the competitive criteria process in conjunction with the different pools of STE. Originally, the competitive criteria were intended to be a simple way to determine which applications staff would review first while prioritizing specific STE Program goals. However, current criteria, in particular the number of jobs created per dollar of STE, requires about half of each application to be reviewed. Additionally, qualified property amounts can change during the review process for various reasons: (1) including ineligible items, (2) incorrectly reporting costs, and (3) updated cost estimates. This can affect the amount of STE being requested from each pool and whether that pool is competitive.

Staff is brainstorming solutions to help streamline the process, both for the applicant and CAEATFA, in anticipation of 2022 applications. Potential modifications include:

- Limiting when qualified property amounts can change, in particular increasing qualified property;
- Simplifying the competitive criterion related to jobs;
- Clarifying application and review deadlines;
- Adding more clarity and flexibility to the order of consideration of applications; and
- Extending standard review timeframe, which was originally developed when we received only a couple of applications at a time.

Ms. Emery stated Staff is also looking at opportunities to further strengthen how the program prioritizes projects that provide an environmental benefit, such as prioritizing advanced manufacturers by the environmental benefits of the product produced.

Staff plans to bring proposed modified regulations to the Board for consideration at the October meeting. Staff is currently in the process of readopting the current emergency regulations, and anticipate completing the regular rulemaking process for all modifications to the regulations in the first quarter of 2022.

Ms. Emery then concluded her report. Ms. Ma asked if there were any questions or comments from the Board or the public. There were none.

#### 4. BUSINESS ITEMS

##### A. REPORT FROM TESLA, INC., ON STATUS OF SALES AND USE TAX EXCLUSION (STE) AWARD PROJECTS PURSUANT TO RESOLUTIONS NO. 17-SM003, NO. 18-SM004, AND NO. 19-SM008 (INFORMATIONAL ITEM)

Staff introduced Erin Bradley, Associate General Counsel, Tax Incentives, Tesla, Inc.; Laurie Shelby, VP of Environmental Health and Safety (EHS), Tesla, Inc.; Rob McCafferty, Director of EHS, Tesla, Inc.; and Dan Chia, Senior Manager and Policy Advisor, Tesla, Inc., all of whom joined via internet conference line.

Ms. Bradley began Tesla, Inc.'s ("Tesla") report by giving an update on production and delivery of its electric vehicles. She stated that in the second quarter of 2021, Tesla broke another record in terms of both vehicle production and deliveries. It produced 204,081 of its Model 3 and Model Y electric vehicles and 2,340 of its Model S and Model X vehicles for the quarter. Tesla delivered 201,250 of its Model 3 and Model Y vehicles in the second quarter, and 1,890 of its Model S and Model X vehicles.

Ms. Shelby introduced Rob McCafferty to give an update on health and safety at Tesla's Fremont facility since Tesla's written report submitted in July 2021. Mr. McCafferty stated that Tesla has an onsite vaccination clinic for its employees, and the company has vaccinated 10,000 of its employees to date (up from 9,000 in July). Tesla requires masks at its facilities, regardless of an employee's vaccination status. Mr. McCafferty further stated that Tesla's injury rate is now 18% below the national industry average for total recordable injuries. Tesla's Take Charge Program reached 10,000 submissions to date. Mr. McCafferty also mentioned that Tesla's 2020 Impact Report was released last week.

Ms. Ma asked if employees are back at the factory full time. Mr. McCafferty replied that some positions, such as those in human resources, IT, and legal, are still working from home, but most factory associates are working at Tesla's production facilities.

Ms. Ma asked if the production numbers reported only include sales from the production operations in Fremont. Ms. Bradley replied that the reported figures represent overall delivery and production numbers, which includes some production in China. She clarified that all of the vehicles sold in the US are manufactured at the Fremont facility, and vehicles sold in China and some in Europe are produced in Shanghai.

Ms. Ma asked if there were any questions or comments from the Board or the public. There were no further comments.

**B. CONSIDERATION OF APPLICANT’S REQUEST TO EXTEND THE 15% PURCHASE REQUIREMENT TIMEFRAME AND THE INITIAL TERM OF THE REGULATORY AGREEMENT OF AN STE AWARD**

- 1) Tandem Diabetes Care, Inc., San Diego (San Diego), No. 20-SM010, Insulin Pumps and Related Products Manufacturing – Advanced Manufacturing, \$60,000,000 of Qualified Property

Presented by Matthew Jumps, Program Analyst

Staff introduced Kristen Lucera, Associate Director, Corporate Tax, Tandem Diabetes Care, Inc., who joined via internet conference line.

Tandem Diabetes Care, Inc. (the “Applicant”), was approved for a sales and use tax exclusion in March 2020 to upgrade and expand its existing insulin pump and related products manufacturing facility in San Diego. The Applicant is requesting a 15% purchase requirement extension to September 17, 2022 and an initial term extension to March 17, 2024. Both requests are to accommodate delays caused by the COVID-19 pandemic.

According to the Applicant, market uncertainty caused investments to be paused and resources reallocated so that current operations could be conducted in a manner that ensured the health and safety of workers at its facilities. Additionally, supply-chain issues and government-mandated shutdowns resulted in delayed purchasing of equipment.

Staff recommended that the Board approve the Applicant’s request to extend the 15% purchase requirement timeframe by one year to September 17, 2022.

Staff also recommended that the Board approve the Applicant’s request to extend the initial term of the Agreement by one year to March 17, 2024.

Ms. Miller 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 or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

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|--|-----|
| Fiona Ma, CPA, State Treasurer                 | Aye |
| David Oppenheim 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 EXTEND THE 15% PURCHASE REQUIREMENT TIMEFRAME OF AN STE AWARD**

- 1) Hat Creek Bioenergy, LLC, Burney (Shasta), No. 20-SM018, Biomass Processing and Fuel Production – Alternative Source, \$12,680,000 of Qualified Property

Presented by Matthew Jumps, Program Analyst

Staff introduced Matthew Summers, Manager, Hat Creek Bioenergy, LLC, who joined via internet conference line.

Hat Creek Bioenergy, LLC (the “Applicant”), was approved for a sales and use tax exclusion in March 2020 to build a new biomass processing and fuel production facility in Burney. The Applicant is requesting a 15% purchase requirement extension to April 1, 2022 to accommodate delays caused by the COVID-19 pandemic.

According to the Applicant, the COVID-19 pandemic affected supply chain and logistics for the Project, causing delays in equipment purchases and construction.

Staff recommended that the CAEATFA Board approve the Applicant’s request to extend the 15% purchase requirement timeframe by six months and 15 days to April 1, 2022.

Ms. Miller moved for approval, and there was a second by Mr. Rider. Ms. Ma stated there was a motion and a second and asked if there were any questions or comments from the Board or the public. There were none. Ms. Ma called for a vote.

The item was unanimously approved by the following vote:

|  |     |
|--|-----|
| Fiona Ma, CPA, State Treasurer                 | Aye |
| David Oppenheim 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) Zanker Road Resource Management, Ltd., Gilroy (Santa Clara), No. 20-SM013, Mixed Organics – Recycled Resource Extraction, \$24,395,182 of Qualified Property

Presented by Stefani Wilde, Program Analyst

Staff introduced Michael Gross, Director of Sustainability, Zanker Recycling, who joined via internet teleconference line.

Zanker Road Resource Management, Ltd. (the “Applicant”), was approved for an STE award in March 2020 for approximately \$24,400,000 in Qualified Property to upgrade its existing composting facility in Gilroy.

The Applicant is requesting to extend the 15% purchase requirement timeframe by eight months to accommodate delays with its California Environmental Quality Act (“CEQA”)

review and approval as a result of the COVID-19 pandemic. The Applicant states that, due to the pandemic, Santa Clara County could not complete its California Environmental Quality Act review process, which is necessary for the Applicant to obtain its permits and begin construction. Additionally, the Applicant states there will be a considerable delay with receiving its loaders and trucks.

Staff recommended approval of the Applicant's request to extend the 15% purchase requirement timeframe by eight months to May 17, 2022.

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

Mr. Gross thanked the Board for its consideration and Staff for its work in bringing the Applicant's request before the Board. Ms. Ma stated that the Applicant is doing important work in the State of California, and thanked Mr. Gross for continuing to pursue its goals.

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 |
| David Oppenheim 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 10:56 a.m.

**Respectfully submitted,**

Derek Chernow  
Executive Director