

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
March 17, 2020**

1. CALL TO ORDER AND ROLL CALL

Fiona Ma, CPA, 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: Fiona Ma, CPA, State Treasurer
Anne Baker for Betty T. Yee, State Controller
Gayle Miller for Keely Martin Bosler, Director, Department of Finance
David Hochschild, Chair, California Energy Commission
Grant Mack for Marybel Batjer, President, Public Utilities Commission

Staff Present: Deana J. Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

Ms. Ma stated that due to new recommended precautions and public health recommendations resulting from the novel corona virus (COVID-19), members of the Board were instructed by the Governor’s Office that they may call in to the meeting by teleconference line, which is an exception to the usual requirement (Bagley-Keene Open Meeting Act – 1967) that they attend in person. Staff has implemented additional social distancing measures, and participants have been asked to also participate remotely. Ms. Ma stated that she would continue to attend in person any meetings for the various Boards, Commissions, and Authorities for which she is the chair. Ms. Ma and Mr. Mack attended the meeting in person. Ms. Baker, Ms. Miller, and Mr. Hochschild attended the meeting via teleconference line.

2. MINUTES

Ms. Ma asked if there were any questions or comments concerning the January 21, 2020, meeting minutes. There were none.

Ms. Ma asked if there was a motion.

Mr. Mack moved for approval of the minutes; upon a second from Ms. Miller, the minutes were approved.

The item was passed by the following vote:

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| Fiona Ma, CPA, State Treasurer | Aye |
| Anne Baker for the State Controller | Abstain |
| Gayle Miller for the Director of Finance | Aye |
| David Hochschild, Chair, California Energy Commission | Aye |
| Grant Mack for the Public Utilities Commission | Aye |

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo began her report by informing the Board that CAEATFA staff ("Staff") is actively working to implement the safety guidance provided by the Governor's Office related to COVID-19 in order to protect Staff and the broader public health, while concurrently conducting its business.

Ms. Carrillo reported that under the California Hub for Energy Efficiency Financing ("CHEEF" or the "Hub"), the Residential Energy Efficiency Loan ("REEL") Assistance Program Pilot has now leveraged over \$11 million in private capital. She also stated that the California Public Utilities Commission ("CPUC") recently issued a draft resolution, which is part of its administrative law process, proposing to transition the REEL Pilot into a full-fledged program. This effort supports CAEATFA's budget request for additional administrative funding for the next two years to continue to operate the Hub.

Under the Sales and Use Tax Exclusion ("STE") Program, Ms. Carrillo reported that CAEATFA has filled two analyst positions with the hiring of Matt Jumps, who previously worked for the Department of Conservation, and Stephanie Carruth, who previously worked for the Department of Consumer Affairs.

Ms. Carrillo continued by stating that over the last two months, CAEATFA staff processed and evaluated a number of Applications under the STE Program, applying new competitive criteria for the first time. She explained that the Applications before the Board for consideration today are for the remaining financial assistance available for the 2020 calendar year, in the amount of approximately \$80 million. Concurrently, Staff submitted a Spring Finance Letter for consideration for the May revise of the Governor's proposed budget to double the amount of sales and use tax exclusion available per calendar year, from \$100 million to \$200 million, and to be able to carry forward unused and unawarded STE. This was done to better align the STE Program with the growing types of projects it can assist, and to help as California's industries respond to market uncertainty, including that uncertainty and disruption created by the current COVID-19 crisis. Ms. Carrillo added that if additional allocation is received this year, CAEATFA would work to make the sales and use tax exclusion available to award as soon as possible as an economic incentive. She also stated that after today's projects are considered for STE awards, Staff will have the capacity to turn to the broader regulatory modifications that have been under discussion, and will bring a schedule and policy issues to the Board for discussion in future months.

Ms. Carrillo reported that under her delegated authority, she executed a contract with Blue Sky Consulting Group, LLC for Technical Consulting Services for the STE Program, which was an

action item at the January 21, 2020 Board meeting, and the non-disclosure agreement, as discussed. She also stated that CAEATFA has modified its internal procedures to ensure that complete contract language is included with staff reports in order to avoid future confusion.

Ms. Carrillo stated that in the coming weeks and perhaps months, Staff would continue to establish appropriate health practices to implement social distancing in order to protect Staff, families, friends, and colleagues, and the broader health of the community during the COVID-19 pandemic. She stated that current contingency plans will enable CAEATFA to continue its business, and it is currently anticipated that the April Board meeting will take place per the normal schedule; there will likely be two action items for discussion at that meeting.

Ms. Carrillo also stated that, given number of action items and high volume of remote attendance, staff is recommending the format of today's Board meeting be streamlined, while still ensuring public participation and public comment periods. Ms. Carrillo stated that the presenters have been asked to be brief in order to limit the duration of this public gathering.

Ms. Carrillo then concluded her report.

4. BUSINESS ITEMS

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

Staff introduced John Lehn, Director of Government Affairs Faraday&Future Inc., who joined by phone.

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.

Faraday attended the CAEATFA Board meeting on October 17, 2018 as required and provided its first report, with the next reports taking place at the subsequent February and September meetings. For its fourth report, Faraday submitted the written report on January 31, 2020, in anticipation of the February 2020 Board meeting. However, the in-person report was postponed until the March Board meeting as this is an informational item and there were no other items for the February Board meeting.

Mr. Lehn gave a brief overview of Faraday's written report. He also stated that the slowdowns in business due to the COVID-19 crisis have made attracting new debt and equity financing, and fundraising efforts required to launch the company's vehicle, the FF91, more difficult. In

addition, Mr. Lehn reported, as he had previously discussed at Faraday's prior appearance before the Board, on the ongoing personal financial restructuring of the company's founder, Jia Yueting, which has had an impact Faraday's ability to attract investors. He stated that, on a positive note, there will be a court hearing later this week to approve a schedule to move the process forward, and that Faraday has been assured by investors and investment banks that the proceedings will trigger a better environment in the market for the company.

Ms. Ma asked if there were any questions or comments from the Board or the public. There were none.

B. REPORT BY TESLA, INC. ON STATUS OF PROJECT 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.; Dan Chia, Senior Managing Policy Director, Tesla, Inc.; Mary Jo Press, Senior Staff Program Manager, Global Safety, Tesla, Inc.; Laurie Shelby, Vice President of Environmental Health and Safety (EHS), Tesla, Inc., who attended by phone; and Kim Elliot, Incident Team Manager (EHS), Tesla, who attended by phone.

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 overview of production and sales. She stated that in 2019, nearly all of the Model 3 electric vehicle orders were from new buyers who had not held prior reservations, showing that there was strong, organic demand for the vehicle. She stated that for the production of the Model Y, Tesla began the ramp-up in January 2020, and will be gradual as the company is adding machinery in various production shops. Ms. Bradley stated that after expansions are completed by around mid-2020, annual production figures are projected to reach approximately 500,000 vehicles annually for the Model 3 and Model Y combined, not including any impact to production from the COVID-19 pandemic. Ms. Bradley added that in the fourth quarter of 2019, Tesla produced approximately 105,000 vehicles, of which, around 87,000 were Model 3, and the remainder were Models S and X. She also stated that Tesla delivered approximately 112,000 vehicles to customers during this time, 93,000 of which were Model 3 vehicles, and the remainder of which were Models S and X.

Ms. Ma asked how many of Tesla's customers are from outside of California. Ms. Bradley replied that approximately 40% of vehicles produced by the Fremont factory have been purchased by California residents.

Mr. Mack asked if Tesla's upcoming Cybertruck would be produced in California.

Ms. Bradley replied that this has yet to be determined. Mr. Chia added that Tesla's CEO, Elon Musk, had made remarks regarding locations within California that might produce the Cybertruck, but the location has not been determined.

Ms. Bradley then gave a brief overview of health and safety at Tesla. She stated that Tesla's goal is to become the safest factory in the world, and the company continues to build its workplace culture of safety by integrating safety and reporting into all aspects of its production process. She stated that in 2019, even as the company significantly ramped up production, its injury rates per vehicle produced fell by more than 50% compared to the injury rates in 2018. She added that a review by the California Division of Occupational Safety and Health ("Cal/OSHA") of the last five years of Tesla's injury and illness records illustrated a 99% accuracy in Tesla's safety record keeping, which Ms. Bradley explains is critical data that helps Tesla identify risk and continuously improve. Cal/OSHA's findings, along with Tesla's external audits of its process and its certified OSHA record keeping incident management team, illustrated the ongoing rigor of Tesla's injury reporting.

Ms. Press continued with an overview of Tesla's health and safety activities. She explained that Tesla particularly focuses first on potential life-altering injuries when looking for opportunities to make standardized policies and procedures and identifying risk and opportunities for improvements. Ms. Press reported that unlike other US automakers, Tesla's production facilities have operated with no life-altering injuries or fatalities since she started with the company in October 2017. She stated that this can be credited to Tesla's commitment to a culture of safety and its constant efforts toward improvement of health and safety policies. Ms. Press added that the biggest contributor to Tesla's injury rates are musculoskeletal in nature, so a large focus also goes toward improving ergonomic processes related to its production lines, and that Tesla's overall injury rate is below the industry average. Ms. Press also explained that Tesla wants to make sure that it does not have gaps in its incident reports, and that they have been erroneously reported in the media.

Ms. Miller asked for more detail on Tesla's communications with Cal/OSHA. Ms. Press replied by stating that Cal/OSHA has cited Tesla for issues related to its reporting of injuries, and that all of Cal/OSHA's citations are currently under appeal by Tesla. She explained that Tesla is a large company with more than 30 facilities, and that when they have issues listed from Cal/OSHA oftentimes it's a date issue or incorrectly looking for cases in its Fremont factory's logs when the injury is appropriately logged at the facility where the employee works. Ms. Press stated that Tesla has a dedicated Incident Management Team that logs the issue immediately after learning of the incident and then shares the information internally and externally as appropriate. She also stated that when a member of the Incident Management Team becomes aware of an incident, it is reported as soon as possible, often the same day, and that the company does not wait for the allowed 7-day injury reporting deadline. Ms. Press explained that there are sometimes gaps when an employee sees a personal medical professional and does not communicate that to Tesla timely.

Ms. Elliot then gave a brief report on her tenure as an Incident Team Manager at Tesla, and stated that since she started with the company in November 2018, that the culture of safety at

Tesla has improved dramatically. She also stated that all of her team are certificate-holding Cal/OSHA record keepers.

Mr. Chia reported, as was stated during Tesla's previous report, that the National Labor Relations Board ("NLRB") case was continuing to be considered and deliberated by an administrative law judge. He stated that since appeals and rebuttals have been filed by certain parties, the decision continues to be on hold. He continued by stating that Tesla filed its appeal in December, and the NLRB's general counsel also filed an appeal, followed by a round of answers and rebuttals from all parties. Mr. Chia stated that on February 19, 2020, the United Auto Workers and aggrieved employees joined the general counsel's appeal, and that March 19th is the deadline for a final round of briefings; once briefings are complete, Tesla will await a final decision from the NLRB, which could take between six and twelve months, or possibly longer.

In addition, Mr. Chia stated that Tesla is withdrawing its request to end the additional reporting requirements under Resolutions No. 17-SM003, No. 18-SM004, and No. 19-SM008 – which is the subject of Agenda Item 4.C. He stated that the continued reporting will allow Tesla to keep the Board updated. Mr. Chia also stated that in the interest of fairness, he believes that the Board should consider a standard criteria by which it requires STE Program Applicants to report in the manner Tesla has been required to do. Ms. Ma stated that the State Treasurer's Office is committed to transparency and fairness, and recognizing the requirement was imposed under a different administration, the process by which CAEATFA imposes additional reporting would be evaluated. Mr. Hochschild and Mr. Mack also supported standardizing any requirements to report before the Board in the manner Tesla was made to do. Mr. Mack expressed interest in including such reporting in the discussion of any potential modifications to the Program and a broader discussion of the future of the Program and how useful the STE might be to help the economy recover or stabilize.

Ms. Baker asked about Tesla's decision to continue production at its facilities during the COVID-19 pandemic, and what kinds of precautions the company was taking to protect workers and the public health. Mr. Chia stated that although counties in the Bay Area had recently made the decision to impose a shelter-in-place policy on the public, there were exceptions to that order pertaining to specific kinds of businesses. He further explained that Tesla is currently following guidance from the U.S. Department of Homeland Security at the federal level, which designates certain industries, including automobile manufacturing, as critical infrastructure; thus, Tesla plans to continue with production for the time-being. Mr. Chia added that Tesla is following the Centers for Disease Control and Prevention guidance related to social distancing for Tesla employees.

Ms. Ma asked if there were any questions or comments from the Board or the public. There were none.

C. CONSIDERATION OF REQUEST TO END THE ADDITIONAL REPORTING REQUIREMENTS FOR TESLA, INC. UNDER RESOLUTIONS NO. 17-SM003, NO. 18-SM004, AND NO. 19-SM008

As described above, this action item was withdrawn from the agenda.

D. NOTICE TO BOARD OF EXECUTIVE DIRECTOR'S DETERMINATION FOR SPECIFIC PARAMETERS UNDER THE SALES AND USE TAX EXCLUSION PROGRAM (INFORMATIONAL ITEM)

Presented by Deana Carrillo

In order for Applications to be reviewed, the STE Program regulations delegate to the Executive Director the authority to update specific parameters used to calculate the benefits of a project that may change over time, such as the sales tax rate, cost of carbon, and property tax rate. This item is an informational item letting the Board know that the unemployment rate is being updated at this time.

Ms. Ma asked if there were any questions or comments from the Board or the public. There were none.

E. COMPETITIVE CRITERIA PROCESS FOR THE MARCH 2020 APPLICANTS UNDER THE SALES AND USE TAX EXCLUSION PROGRAM (INFORMATIONAL ITEM)

Presented by Ashley Emery, Program Manager

By the December 20, 2019 Application deadline for the February 2020 CAEATFA Board meeting, CAEATFA had received 19 complete Applications requesting sales tax exclusions over the \$100 million annual Program limit.

At the November 19, 2019 Board meeting, CAEATFA approved emergency regulations amending the Competitive Criteria, which are the criteria by which Applicants before the Board for consideration at today's meeting were ranked. The new Competitive Criteria are: (1) whether the project has environmental benefits quantifiable in dollar terms, (2) the unemployment rate in the county of the facility, (3) the amount of sales tax exclusion per estimated number of jobs created as a result of the sales tax exclusion, (4) whether the project is to rebuild or relocate due to a natural disaster named in a state of emergency, and (5) whether the Applicant has a corporate headquarters located in California.

Pursuant to the established competitive process, Staff is bringing 18 Applications before the Board for consideration at this meeting. Although 19 Applications were considered complete by the Application deadline, five Applicants shared the same parent company with at least 50% ownership interest; therefore the parent company was capped at \$10 million in sales and use tax exclusion. As a result, one Application was withdrawn to stay under \$10 million in sales and use tax exclusion.

All 18 Applications that were evaluated under the competitive process are being brought before the Board for consideration. After the January 2019 Board meeting, CAEATFA has

approximately \$79.6 million in sales and use tax exclusion remaining under the 2020 \$100 million allocation. The total amount of exclusions requested from the 18 Applications is approximately \$85.5 million. Based on the ranked order of the Applicants, CAEATFA's remaining 2020 STE allocation is sufficient to fully award the top 17 Applicants. Additionally, the regulations provide that if the exclusion amount requested in the last Application to be considered exceeds the sales and use tax exclusion available for the calendar year, the Board shall split the award between the 2020 and 2021 \$100 million allocations. Therefore, pursuant to this provision, Lockheed Martin Corporation's recommended award is split between the 2020 and 2021 STE award allocations.

Ms. Ma asked if there were any questions or comments from the Board or the public. There were none.

F. DISCUSSION AND CONSIDERATION OF APPLICATION FOR SALES AND USE TAX EXCLUSION

In the Board's consideration of action items 4.F.1 through 4.F.18, and given the large number of action items, coupled with the robust staff reports and prior Board member briefings, Ms. Carrillo stated that it is Staff's suggestion that the Board identify which action items it would like to discuss, and move to consider the remaining items in a group for approval.

Ms. Baker stated she would like further discussion of item 4.F.8 for the Tesla, Inc. project; Mr. Mack stated he would like further discussion of item 4.F.9 for Hat Creek Bioenergy, LLC's project; and Ms. Miller stated she would like further discussion of 4.F.18 for Lockheed Martin Corporation's project.

Ms. Ma asked if there was a motion to approve the remaining items as a group. Ms. Miller moved approval of items 4.F.1-4.F.7, and 4.F.10-4.F.17. There was a second by Mr. Mack.

Ms. Ma asked if there were any questions or comments from the public on any of the items. There were none.

The following items were approved:

- 1) Resolution No. 20-SM017 for ACC Renewable Resources, LLC's purchase of Qualified Property in an amount not to exceed \$12,680,000, anticipated to result in an approximate sales and use tax exclusion of \$1,060,048.
- 2) Resolution No. 20-SM024 for CalBioGas Buttonwillow LLC's purchase of Qualified Property in an amount not to exceed \$21,123,032, anticipated to result in an approximate sales and use tax exclusion value of \$1,765,885.
- 3) Resolution No. 20-SM023 for CalBioGas North Visalia LLC's purchase of Qualified Property in an amount not to exceed \$37,529,013, anticipated to result in an approximate sales and use tax exclusion value of \$3,137,425.

- 4) Resolution No. 20-SM009 GCE Holdings Acquisitions, LLC's purchase of Qualified Property in an amount not to exceed \$119,617,224, anticipated to result in an approximate sales and use tax exclusion value of \$10,000,000.
- 5) Resolution No. 20-SM021 Southpoint Biogas LLC's purchase of Qualified Property in an amount not to exceed \$8,432,257, anticipated to result in an approximate sales and use tax exclusion value of \$704,937.
- 6) Resolution No. 20-SM020 Bar 20 Dairy Biogas, LLC's purchase of Qualified Property in an amount not to exceed \$9,573,170, anticipated to result in an approximate sales and use tax exclusion value of \$800,317.
- 7) Resolution No. 20-SM022 for CalBioGas South Tulare LLC's purchase of Qualified Property in an amount not to exceed \$52,471,257, anticipated to result in an approximate sales and use tax exclusion value of \$4,386,597.
- 10) Resolution No. 20-SM013 for Zanker Road Resource Management, Ltd.'s purchase of Qualified Property in an amount not to exceed \$24,395,182, anticipated to result in an approximate sales and use tax exclusion value of \$2,039,437.
- 11) Resolution No. 20-SM016 for Inland Empire Utilities Agency's purchase of Qualified Property in an amount not to exceed \$76,377,224, anticipated to result in an approximate sales and use tax exclusion value of \$6,385,136.
- 12) Resolution No. 20-SM026 for Hadco Metal Trading Co., LLC's purchase of Qualified Property in an amount not to exceed \$9,400,000, anticipated to result in an approximate sales and use tax exclusion value of \$785,840.
- 13) Resolution No. 20-SM012 for Virgin Orbit, LLC's purchase of Qualified Property in an amount not to exceed \$18,001,109, anticipated to result in an approximate sales and use tax exclusion value of \$1,504,893.
- 14) Resolution No. 20-SM010 for Tandem Diabetes Care, Inc.'s purchase of Qualified Property in an amount not to exceed \$60,000,000, anticipated to result in an approximate sales and use tax exclusion value of \$5,016,000.
- 15) Resolution No. 20-SM027 for Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.'s purchase of Qualified Property in an amount not to exceed \$82,500,000, anticipated to result in an approximate sales and use tax exclusion value of \$6,897,000.
- 16) Resolution No. 20-SM008 for Applied Materials, Inc.'s purchase of Qualified Property in an amount not to exceed \$118,692,224, anticipated to result in an approximate sales and use tax value exclusion of 9,922,670.
- 17) Resolution No. 20-SM014 for Lam Research Corporation's purchase of Qualified Property in an amount not to exceed \$119,617,224, anticipated to result in an approximate sales and use tax exclusion value of \$10,000,000.

The items were passed by the following vote:

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| Fiona Ma, CPA, State Treasurer | Aye |
| Anne Baker for the State Controller | Aye |
| Gayle Miller for the Director of Finance | Aye |
| David Hochschild, Chair, California Energy Commission | Aye |
| Grant Mack for the Public Utilities Commission | Aye |

Ms. Ma then opened the floor for discussion of the Applications not considered and approved as a group.

18) Tesla, Inc.

Presented by Xee Moua, Analyst

Staff introduced Erin Bradley, Associate General Counsel, Tax Incentives, Tesla, Inc.; Dan Chia, Senior Managing Policy Director, Tesla, Inc.; Mary Jo Press, Senior Staff Program Manager, Global Safety, Tesla, Inc.; Laurie Shelby, Vice President of Environmental Health and Safety (EHS), Tesla, Inc., who attended by phone; and Kim Elliot, Incident Team Manager (EHS), Tesla, who attended by phone.

Ms. Moua reported that Tesla, Inc. (“Tesla” or the “Applicant”) is requesting a sales and use tax exclusion to purchase equipment and tooling to expand its Model Y SUV manufacturing operations in Fremont (the “Project”).

Staff recommended that the Board approve a resolution for Tesla, Inc.’s purchase of Qualified Property in an amount not to exceed \$119,617,224, anticipated to result in a sales and use tax exclusion value of \$10,000,000.

Mr. Mack moved for approval and there was a second by Ms. Miller.

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

Ms. Baker stated that the Controller continues to have concerns about the size of CAEATFA’s investment in Tesla across all of its models , and therefore, she could not support the Project at this time.

Mr. Hochschild stated that CAEATFA’s support of Tesla is a success story, as it continues to thrive in the state, partially due to the tax incentives provided. He stated that as California’s largest manufacturer, Tesla’s work in producing electric vehicles is critical to transitioning to a green economy and to help in meeting California’s climate goals, and helping such a large manufacturer stay in California is a major success for the STE Program.

Mr. Mack stated that, particularly in light of the current economic situation, he would be interested in examining the purpose of the STE Program during the Program's ongoing regular rulemaking process. He continued by stating he viewed the Program's purpose as being a balance between retaining businesses and manufacturers that are doing business in the state and meeting certain metrics, but also encouraging emerging manufacturers and out of state businesses to locate in California, adding that the Board might reexamine how that balance should look given the current economic climate. He finished by saying that in general he is supportive of the item before the Board today.

Ms. Ma stated that as the STE Program continues to be in great demand, with two years of Program oversubscription and waitlisted companies, this discussion shows just how successful and important the Program has been for the state's economy.

There were no further comments and Ms. Ma called for a vote.

The item was passed by the following vote:

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| Fiona Ma, CPA, State Treasurer | Aye |
| Anne Baker for the State Controller | No |
| Gayle Miller for the Director of Finance | Aye |
| David Hochschild, Chair, California Energy Commission | Aye |
| Grant Mack for the Public Utilities Commission | Aye |

19) Hat Creek Bioenergy, LLC

Presented by Ashley Emery, Program Manager

Staff introduced Matt Summers, Chief Operating Officer, West Biofuels, LLC, who attended by phone; and Matt Hart, Chief Operating Officer (Consultant), The Grant Farm Inc. dba Momentum, who attended by phone.

Ms. Emery reported that Hat Creek Bioenergy, LLC ("Hat Creek" or the "Applicant") is requesting a sales and use tax exclusion to build a new biomass processing and fuel production facility in Burney (the "Project"). The Hat Creek bioenergy facility will convert raw forest biomass to a gaseous alternative source fuel—producer gas—that can ultimately be used for renewable heat and electricity.

Staff recommended approval of Resolution No. 20-SM018 for Hat Creek Bioenergy, LLC's purchase of Qualified Property in an amount not to exceed \$12,680,000, anticipated to result in an approximate sales and use tax exclusion value of \$1,060,048.

Mr. Mack moved for approval and there was a second by Ms. Miller.

Ms. Ma 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 asked if Hat Creek had developed any similar projects to date in California, and whether the feedstock for the Project was sourced from high-hazard zones or zones outside that area. Mr. Summers replied that this is Hat Creek's first biomass project, and its feedstock will be from mixed sources.

Mr. Mack asked if Hat Creek's ability to utilize the Bioenergy Market Adjusting Tariff ("BioMAT") Program or other similar programs offered by Pacific Gas and Electric ("PG&E") would be affected by PG&E's current bankruptcy proceedings. Mr. Summers replied that the bankruptcy had caused some delays, but that the Project was still moving forward.

Ms. Ma stated that this Project is an important toward the effort of recovering the damage caused by the bark beetle infestation in the Project's area, as well as for the purpose of mitigating fire risk for downed trees. She asked if the Project facility was operational. Mr. Hart stated the facility is under construction, and not yet operational. Ms. Ma expressed an interest in taking a tour of the facility when it was up and running. Mr. Hart stated the company would be happy to extend an invitation.

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

The item was passed by the following vote:

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| Fiona Ma, CPA, State Treasurer | Aye |
| Anne Baker for the State Controller | Aye |
| Gayle Miller for the Director of Finance | Aye |
| David Hochschild, Chair, California Energy Commission | Aye |
| Grant Mack for the Public Utilities Commission | Aye |

18) Lockheed Martin Corporation

Presented by Ashley Emery, Program Manager

Staff introduced Jack O'Banion, Vice President of Strategy & Customer Requirements, Advanced Development Programs (ADP aka Skunk Works), Lockheed Martin Corporation; and Irene Helley, Program Management Director (U-2 Program), Lockheed Martin Corporation; both of whom attended by phone.

Lockheed Martin Corporation ("Lockheed" or the "Applicant") is requesting a sales and use tax exclusion to upgrade and expand its existing aerospace manufacturing facility located in Palmdale, California (the "Project"). Mr. O'Banion gave some background on Lockheed. He stated that Lockheed's Advanced Development Program, known as Skunk Works, has been in operation in Southern California since the 1940s. He stated that Skunk Works has been responsible for creating the designs for the U-2 spy plane, the SR-71 Blackbird, the F-117 Nighthawk, the F-22 Raptor, and the F-35 Lightning II, amongst other advanced aircraft projects, which have been utilized by the US Air Force and other

US Military branches. Mr. O'Banion stated that Lockheed is proud to be part of the \$120 billion aerospace industry, and to locate production in California, in order to bring this important industry to the state.

Mr. O'Banion stated that Lockheed recently won a major, next generation production contract with the Federal Government. He stated that this will enable the company to place around 950 new aircraft engineering and development jobs at its Southern California facilities over the next few years. Mr. O'Banion stated that the STE Program is vital to allow Lockheed to hit the stringent cost targets of the Federal Government, and explained that the STE award would be targeted specifically at reducing costs and will be important to help to offset costs to the taxpayer, ultimately allowing Lockheed to make its case to the Federal Government to be able to base its production for this Project in California.

Mr. O'Banion stated that the STE award would support growth at its Palmdale facility, with approximately 2,849 jobs projected by 2022. He stated that it will also create new opportunities for Lockheed's 2,432 California-based suppliers and spur the California economy. Mr. O'Banion stated that Lockheed has plans to use the facility for future programs in California as well.

Staff recommended approval of Resolution No. 20-SM015 for Lockheed Martin Corporation's purchase of Qualified Property in an amount not to exceed \$119,617,224, anticipated to result in an approximate sales and use tax exclusion value of \$10,000,000.

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 other questions or comments from the Board or public.

Ms. Miller asked how Lockheed would meet its cost targets. Mr. O'Banion replied that in addition to the CAEATFA STE award, Lockheed received assistance from the California Competes Tax Credit offered through the Governor's Office of Business and Economic Development (GO-Biz). He added that with these incentives, Lockheed's estimates show it will be able to hit its targets.

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

The item was passed by the following vote:

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| Fiona Ma, CPA, State Treasurer | Aye |
| Anne Baker for the State Controller | Aye |
| Gayle Miller for the Director of Finance | Aye |
| David Hochschild, Chair, California Energy Commission | Aye |
| Grant Mack for the Public Utilities Commission | Aye |

G. REQUEST FOR APPROVAL OF INTERAGENCY AGREEMENT WITH THE STATE TREASURER’S OFFICE FOR EXECUTIVE AND SUPPORT SERVICES IN AN AMOUNT NOT TO EXCEED \$367,024

Presented by Deana Carrillo, Executive Director

Staff requested approval of the Fiscal year 2019/20 Interagency Agreement (“IA”) with the State Treasurer’s Office (“STO”) to provide executive and administrative support to CAEATFA (the “Authority”) in the amount of \$367,024.00 during the term July 1, 2019 through June 30, 2020.

Through annual Interagency Agreements, the STO provides legislative, budgeting, personnel, accounting, information systems, and other administrative support services. As the proposed agreement for the current fiscal year exceeds the Executive Director’s Delegated Authority amount of up to \$300,000, the Board’s approval is required and requested.

Ms. Carrillo stated that the amount of the IA is lower for the 2019/20 fiscal year than recent years, as there was a shift in the Information Technology Division, which led to lower financial support requirements by CAEATFA.

Staff recommended approval of a Resolution to authorize the Executive Director to execute an Interagency Agreement with the State Treasurer’s Office for Executive and Support Services for Fiscal Year 2019/20 in an amount not to exceed \$367,024.

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 other questions or comments from the Board or public.

There were no comments and Ms. Ma called for a vote. The item was unanimously approved.

The item was passed by the following vote:

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| Fiona Ma, CPA, State Treasurer | Aye |
| Anne Baker for the State Controller | Aye |
| Gayle Miller for the Director of Finance | Aye |
| David Hochschild, Chair, 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 11:45 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director