

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
November 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 11:18 a.m.

Members Present: Fiona Ma, CPA, State Treasurer
Mary-Ann Warmerdam 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, CAEATFA

Quorum: The Chairperson 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. Ms. Ma attended the meeting in person. Ms. Warmerdam, 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 concerning the October 20, 2020, meeting minutes. There were none.

Ms. Ma asked if there was a motion.

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

The item was passed by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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	Abstain

3. EXECUTIVE DIRECTOR’S REPORT

Mr. Chernow began his report by stating that under the Sales and Use Tax Exclusion (“STE”) Program:

- The recently approved modified STE Program regulations became effective on November 4, 2020.
- CAEATFA began accepting applications for the 2021 calendar year and, as of yesterday, CAEATFA has received ten Applications requesting a total of \$29.7 million in sales and use tax exclusions.

Mr. Chernow continued that under the California Hub for Energy Efficiency Financing (“CHEEF”):

- The Residential Energy Efficiency Loan Assistance Program is nearing an exciting milestone, as the number of enrolled loans is approaching 1,000.
- The CHEEF’s public facing platform, gogreenfinancing.com, will be available in Spanish later this week.
- Staff held a successful “meet the lenders” event for the CHEEF’s Affordable Multifamily Energy Efficiency Financing Program, with 20 representatives from the affordable multifamily community in attendance to hear about the offerings from the two current participating lenders in the program.

Mr. Chernow reported that CAEATFA staff joined the Treasurer and other state agencies on a Small Business webinar sponsored by the Yuba-Sutter Chamber of Commerce last week. CAEATFA staff has similar events scheduled with the Sacramento Hispanic Chamber and the San Diego Regional Economic Development Corporation over the next couple of weeks.

Mr. Chernow also announced that Kelly Delaney has joined CAEATFA as an analyst for the CHEEF. Ms. Delaney has a background in sustainability and environmental studies as well as significant marketing experience.

Mr. Chernow then concluded his report.

4. BUSINESS ITEMS

A. REPORT FROM 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.; Laurie Shelby, Vice President of Environmental Health and Safety (EHS), Tesla, Inc.; and Rob McCafferty, Director, EHS, Tesla, Inc., all of whom attended by phone.

On March 20, 2018, the CAEATFA Board approved Resolutions No. 17-SM003 and No. 18-SM004 approving two sales and use tax exclusion awards for Tesla, Inc.'s ("Tesla") expansion of its manufacturing facility for production of its Model 3 vehicle. On April 16, 2019, the CAEATFA Board approved Resolution No. 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:

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

Ms. Bradley gave an update of production and delivery of Tesla's electric vehicles:

- In the third quarter of 2020, Tesla produced a record-breaking 128,044 Model 3 and Model Y vehicles, and 16,992 Model S and Model X vehicles.
- Also in the third quarter, Tesla delivered 124,100 Model 3 and Y vehicles, and 15,200 Model S and X vehicles.
- Tesla hosted its annual Tesla Battery Day on September 22, 2020, where the company described a path to reducing battery pack cost per kWh by 56% to enable production of a profitable \$25,000 vehicle.
- Tesla is set to join the S&P 500 Index in December.

Ms. Shelby then gave a report on health and safety measures at Tesla's facilities:

- Tesla's COVID-19 protocols and safety measures, including mask wearing, providing reusable and disposable masks for employees, regular audits of COVID-19 controls and compliance, and an internal COVID-19 tracing team that follows up with all symptomatic personnel and any positive cases.
- The core COVID-19 leadership team meets weekly to stay updated on research, global data, trends and employee communications.
- Tesla also has COVID-19 monitors during shift change and at break times to help remind everyone to stay diligent.
- The California Division of Occupational Safety and Health closed COVID-19 inspections at two Tesla factories, including the Fremont factory, with no findings.
- Tesla also provides free flu shots on site.

- Injury rates continue to decline and are on track to beat the company's 15% reduction goal for days away and restricted time.
- She concluded her report by introducing Robert McCafferty, who joined the company five months ago as the Environmental Health and Safety Director for the Fremont facility.

Ms. Ma asked if there were any questions or comments from the Board or the public.

- Mr. Grant asked for clarification on Tesla's protocols for if an employee is showing symptoms or tests positive for COVID-19. Ms. Shelby explained that employees are supposed to call in if showing symptoms, after which the company's internal tracing team is notified. If an employee tests positive, the employee is required to stay home for at least 10 days, and is not allowed to return to work until after 72 hours of being fever-free. Additionally employees that have been around someone that has tested positive are required to quarantine for 14 days. Mr. Chia added that employees required to stay home are given paid leave time.
- Treasurer Ma stated she had the opportunity to visit Tesla's battery power plant in Moss Landing, and asked when Tesla anticipates beginning production of the Cyber Truck. Mr. Chia stated the company is currently building the factory in Texas. Tesla's goal is to begin production at the end of 2021.
- Mr. Rider asked for more clarification on Tesla's 15% reduction goal for time away and when the company would have the final data for 2020. Ms. Shelby stated that at the end of last year, Tesla had set the 15% reduction goal, and that while the company is currently on track to exceed that goal, they will not know for sure until the year has concluded.
- Ms. Warmerdam asked about the company's plans for end-of-life disposal of its batteries. Ms. Shelby explained that the company is building a recycling plant in Nevada where Tesla plans to shred and recycle the metal and also reclaim other chemicals, such as lithium. Ms. Shelby stated that Tesla currently sends its batteries to recyclers that the company audits.
- Ms. Warmerdam asked whether the recyclers were onshore or offshore. Ms. Shelby stated that they are on shore for California.

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

B. REPORT FROM CALIFORNIA ETHANOL AND POWER IMPERIAL VALLEY 1, LLC, ON STATUS OF PROJECT PURSUANT TO NOVEMBER 19, 2019, RESOLUTION APPROVING A TIME EXTENSION OF THE INITIAL TERM FOR THE MASTER REGULATORY AGREEMENT OF STE AWARD (INFORMATIONAL ITEM)

Staff introduced Dave Rubenstein, CEO/President, California Ethanol & Power, LLC, who joined by phone.

Mr. Rubenstein gave a report on the status of the project:

- The company's biggest hurdle has been finding an Engineering, Procurement and Construction firm that could provide a reasonable construction cost figure to secure financing. CE&P Imperial Valley 1, LLC ("CE&P") is now partnering with MasTec Power Corporation ("MasTec"), which has provided an acceptable "not to exceed" price to construct the project, and CE&P is weeks away from executing a final agreement with MasTec.
- CE&P has all necessary entitlements in place, including the California Environmental Quality Act certification and Authority to Construct permit.
- CE&P has secured a generator interconnection agreement with Imperial Irrigation District and has been approved by the Southern California Gas Company to inject into the natural gas pipeline.
- The company is weeks away from entering into a 15-year ethanol marketing agreement with CHS Inc. and an off-take agreement for its biogas.
- CE&P continues to work with Royal Bank of Canada ("RBC") for the municipal bonds and equity financing. RBC has engaged Citibank and JPMorgan Chase to assist with marketing the tax exempt and corporate bonds.
- The company is teaming up with the California Public Finance Authority to issue tax exempt bonds.
- Kestrel Consulting has finalized its report in which both the tax exempt and taxable bonds will be Energy, Social, and Corporate Governance certified.
- CE&P is weeks away from finalizing the Project Service Agreement and Operating and Maintenance Agreement with Booker Tate Limited.
- The company anticipates breaking ground in December and completing financing in February or March of next year.

Ms. Ma asked if there were any questions or comments from the Board or the public.

- Ms. Warmerdam asked if the green leafy portion of the feedstock needs to be burned for the Environmental, Societal, and Governance certification. Mr. Rubenstein stated that CE&P plans to use the leafy portion in the gasification process to create renewable diesel or jet fuel.
- Mr. Grant asked if any funding will be through the Low Carbon Fuel Standard ("LCFS") and if the company anticipates any increased in cost since the Application was initially approved in 2013. Mr. Rubenstein replied that the LCFS credits will be part of the revenue stream and that the project would not pencil without them, and that the project cost is roughly the same.
- Mr. Rider stated that most ethanol currently comes from out of state asked how the company's ethanol pricing will compare to product purchased from out-of-state. Mr. Rubenstein stated that the price is about the same, but that the income spread comes from RIN and LCFS credits.

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

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

1) Taft Ammonia Company, LLC

Presented by Xee Moua, Program Analyst

Staff introduced Matthew Cox, Manager, Taft Ammonia Company, LLC; and Thomas Dubel, Jr., CPA, Senior Director, State & Local Tax and Advisory, Altus Expert Services, Altus Group, both of whom joined by phone.

Ms. Moua reported that Taft Ammonia Company, LLC (“Taft” or the “Applicant”) was approved for a sales and use tax exclusion award in May 2019 to construct an ammonia fertilizer manufacturing plant in Taft (the “Project”). Taft is requesting an extension of the 15% purchase requirement timeframe and the initial term of the Regulatory Agreement to accommodate Project delays due to the COVID-19 pandemic. Taft states it has been unable to finalize its financing as funding rates for similar projects have increased due to perceived risks in the markets, and does not foresee the Project financing being back on track until March 2021. Taft represents that the additional time will allow for market conditions to improve, financing to close, and construction to take place.

Staff recommended approval of Taft Ammonia Company, LLC’s request to extend the 15% purchase requirement timeframe by one year, six months, and 10 days to May 31, 2022, and the initial term of the Regulatory Agreement by two years and 10 days to May 31, 2024, to purchase up to \$239,234,449 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion value of \$20,000,000.

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. Warmerdam commented that Taft’s and CE&P’s projects are adding economic activity in economically stressed areas in the state.
- Mr. Rider asked for clarification on how the coronavirus pandemic has impacted the ammonia market. Mr. Cox explained that although the ammonia market has been suppressed over the past few years, this is not the reason for the Project’s delay; rather, given the Taft’s 30-year off-take, pandemic market conditions have since doubled construction costs and equity investors are currently taking a wait-and-see approach. Therefore, Taft has not been able to close financing.

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

The item was passed by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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

D. CONSIDERATION OF A CONTRACT WITH ZIONS BANCORPORATION, N.A., AS TRUSTEE FOR THE CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING IN AN AMOUNT NOT TO EXCEED \$375,000

Presented by David Gibbs, Staff Services Manager I over the Development and Implementation of the California Hub for Energy Efficiency Financing Programs

Mr. Gibbs reported that Staff is requesting approval of a contract with Zions Bancorporation, N.A. (“Zions”), as Trustee for the California Hub for Energy Efficiency Financing (“CHEEF”) Programs. The contract will be for a three-year term and for an amount not to exceed \$375,000. The Trustee for the CHEEF holds funds on behalf of CAEATFA for the CHEEF programs, funds lenders’ loss reserve accounts, issues payment for claims, provides monthly account statements and other transactional reports, and provides on-demand electronic account viewing to CAEATFA and participating lenders. Mr. Gibbs stated that the scope of work for this contract has been developed to accommodate recent program growth, enable the CHEEF programs to scale, and provide the flexibility to expand to incorporate potential future financing approaches that encourage clean energy improvements statewide. This will be the third contract for trustee services since the inception of the CHEEF.

CAEATFA advertised a Request for Proposals for these services on October 6. At the proposal deadline on October 27, CAEATFA received one responsive proposal. The respondent, Zions Bank, is not the incumbent. US Bank holds the current contract.

Zions has experience serving as Trustee for CAEATFA’s PACE Loss Reserve Program and California Pollution Control Financing Authority’s California Capital Access Program for Small Business. Based on scoring conducted by an evaluation committee consisting of CAEATFA staff and management, Zions scored 95 out of a total 100 possible points based on their experience, qualifications, and fees.

The current trustee contract expires on December 31, and the contract term for these services will begin on January 1, 2021.

Staff recommended adoption of a resolution authorizing the execution of a contract with Zions Bancorporation, National Association, as trustee for the CHEEF Programs in an amount not to exceed \$375,000 over three years.

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 public.

Ms. Ma asked about the increased amount (previously \$285,000) from the current contract for these services. Mr. Gibbs replied that the amount of the contract was increased due to more activity in the CHEEF Programs.

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:

Fiona Ma, CPA, State Treasurer	Aye
Mary-Ann Warmerdam 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 12:01 p.m.

Respectfully submitted,

Derek Chernow
Executive Director