

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Aemetis Advanced Fuels Keyes, Inc.
Application No. 22-SM023**

Tuesday, June 21, 2022

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Aemetis Advanced Fuels Keyes, Inc.

Location – Ceres, Stanislaus County

Industry – Ethanol Production

Project – Upgrade of Existing Ethanol Production Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$22,703,169	\$1,929,769

Estimated Net Benefit ³	Dollar Value ⁴	Points Earned
Estimated Fiscal Benefits	\$12,866,848	6,668
Estimated Environmental Benefits	\$2,539,767	1,316
Additional Benefits	N/A	81
Total	\$15,406,615	8,065
Estimated Quantifiable Net Benefit	\$13,476,845	

Competitive Criteria Score – 121

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.5%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

⁴ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

Aemetis Advanced Fuels Keyes, Inc. (the “Applicant”), is a California corporation that formed in 2006. The Applicant is a subsidiary of Aemetis, Inc., a publicly traded company under the symbol AMTX on the NASDAQ stock exchange. Aemetis, Inc., currently has biorefineries in California and India.

The Applicant received two grants from the California Energy Commission on April 13, 2020, and June 15, 2020, totaling \$14 million.

The major shareholders (10.0% or greater) of the Applicant are:
Aemetis, Inc.
Protair-X Americas, Inc.

The corporate officers of the Applicant are:
Eric A. McAfee, Chair & CEO
Todd Waltz, CFO
Andy Foster, COO

THE PROJECT

Aemetis Advanced Fuels Keyes, Inc. is requesting an STE award to upgrade its existing ethanol production facility located in Ceres (the “Project”). According to the Applicant, the renewable ethanol is produced from corn and sold to local suppliers to be blended into vehicle fuel. The Applicant states that the upgrades will increase its production capacity from 64 million gallons per year to 80 million gallons per year. The expansion includes installing a microgrid that contains a 2 MW solar photovoltaic (“PV”) array, Battery Energy Storage System (“BESS”), and upgrading the distillation and evaporation equipment at its facility. The Applicants states the new distillation/evaporation equipment contains a mechanical vapor recompression system that is capable of recycling steam by using turbofans to recompress steam that has been through the system, making the system more efficient overall. With the upgrades, the Applicant explains that it will be able to decommission its existing onsite steam turbine and boiler to help reduce its overall air emissions.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Solar PV	\$4,801,996
BESS & Microgrid Equipment	\$3,214,568
Infrastructure Improvements	\$5,937,605
Mechanical Recompression System and Evaporation Equipment	\$8,749,000
Total	<u>\$22,703,169</u>

Note: The Qualified Property purchases reported in the Application and shown here in staff’s report are estimated costs. At the termination of the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the

closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

The Applicant states the Project has been underway as of November 2021, and that the Applicant has received utility interconnection approval and finished the design work for the BESS. The Applicant anticipates the BESS to be delivered by the end of August 2022 and installed by the end of December 2022. The electrical installment has been scheduled to be completed by the end of January 2023 and the Project is expected to be finalized in May 2023.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states that its conditional use and CEQA permits have been obtained. All other permits, including its planning, building, fire, electrical, and grading permits are expected to be approved by Q3 of 2022.

COMPETITIVE CRITERIA SCORE

The Applicant received 121 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Project that produces an Alternative Source product, component, or system, and, therefore, 100 points are awarded.
2. **Unemployment (6 of 50 points)**. The Applicant's Project is located in Stanislaus County, which has an average annual unemployment rate of 8.4%.⁵ When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant six points.
3. **Job Creation (0 of 75 points)**. The Applicant anticipates the Project will support a total of three production-related jobs at its Facility. CAEATFA estimates that approximately 0.07 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.

⁵ Unemployment rates are based on data available in December 2021.

5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
7. **Emerging Strategic Industry (0 of 75 points)**. The Project's industry is not in an Emerging Strategic Industry, and, therefore, zero points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 8,065 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,316 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (6,668 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$12,866,848, resulting in a Fiscal Benefits score of 6,668.
- B. **Environmental Benefits (1,316 points)**. The Project is anticipated to result in \$2,539,767 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,316 points. These benefits derive from the production of renewable ethanol, which offsets the need for use of fossil fuel.
- C. **Additional Benefits (81 points)**. Applicants may earn additional points for their Total Score. The Applicant received 81 additional points.
 1. **Production Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of three production-related jobs at its Facility. CAEATFA estimates that approximately 0.07 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
 2. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of 33 construction jobs at its Facility. CAEATFA estimates that approximately one of these jobs will be attributable to a

marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.

3. **Unemployment (6 of 50 points)**. The Applicant’s Project is located in Stanislaus County, which has an average annual unemployment rate of 8.4%. When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant six points.
4. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to renewable ethanol production.
5. **Workforce Partnerships (25 of 25 points)**. The Applicant has a partnership with VOLT Institute to assist in the training of potential future workers.
6. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, and vision benefits, bonuses, retirement contributions, profit sharing, and paid leave benefits to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA regulations,⁶ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$90,812.68.

RECOMMENDATION

Staff recommends the approval of Resolution No. 22-SM023-01 for Aemetis Advanced Fuels Keyes, Inc.’s purchase of qualifying tangible personal property in an amount not to exceed \$22,703,169 anticipated to result in an approximate STE value of \$1,929,769.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH AEMETIS ADVANCED FUELS KEYES, INC.**

June 21, 2022

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Aemetis Advanced Fuels Keyes, Inc.** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$22,703,169 over a period of three (3) years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the amount of the

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qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.