

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Aemetis Biogas, LLC
Application No. 23-SM013**

Tuesday, July 18, 2023

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

Applicant – Aemetis Biogas, LLC

Location – Turlock, Stanislaus County; Crows Landing, Stanislaus County

Industry – Dairy Biogas Production

Project – Expansion of Existing Cluster of Dairy Biogas Production Facilities
(Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$17,366,750	\$1,451,860

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$4,505,428	3,103
Estimated Environmental Benefits	\$903,173	622
Additional Benefits	N/A	149
Total	\$5,408,601	3,875
Estimated Quantifiable Net Benefit	\$3,956,740	

Competitive Criteria Score – 144

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 8.36%.

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 Biogas, LLC (the “Applicant”) is a Delaware limited liability company that formed was in 2019 to build and operate the Aemetis Central Dairy Digester Cluster in Stanislaus and Merced Counties.

On January 21, 2020, the CAEATFA Board granted the Applicant a sales and use tax exclusion (“STE”) award for the purchase of up to \$8,772,605 in Qualified Property for an estimated STE value of \$733,390 to build a new dairy digester cluster spanning portions of Stanislaus and Merced Counties. As of June 30, 2022, the Applicant has reported \$8,772,594 in Qualified Property purchases (approximately 100% of the total Qualified Property amount approved) and completed this project.

On March 16, 2021, the CAEATFA Board granted the Applicant its second STE award for the purchase of up to \$13,561,890 in Qualified Property for an estimated STE value of \$1,152,761 to expand its existing cluster of dairy biogas production facilities located in Stanislaus County. As of December 2022, the Applicant has reported \$8,421,430 in Qualified Property purchases (62% of the total Qualified Property amount approved).

The major shareholders (10.0% or greater) of the Applicant are:

Aemetis, Inc.
Protair-X Americas, Inc.

The company officers of the Applicant are:

Eric A. McAfee, Chairman and CEO
Todd Waltz, CFO
Andy Foster, COO

THE PROJECT

The Applicant is requesting an STE award to expand its existing cluster of dairy biogas production facilities located in Stanislaus County (the “Project”). The Project will include covered lagoon digester technology that will capture and treat biogas at 10 additional dairies. The biogas will then be transmitted via a private pipeline to a central biogas upgrading facility to produce renewable natural gas (“RNG”). The RNG will be used for direct sale at an on-site conditioned natural gas fueling station as transportation fuel or will be injected into the Pacific Gas & Electric Company natural gas pipeline. The Applicant states that biogas produced prior to the completion of the RNG fueling facility and pipeline interconnection will be utilized in a natural gas boiler to produce renewable ethanol for transportation fuel by its sister company, Aemetis Advanced Fuels Keyes.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Biogas Blowers	\$311,260
Biogas Compressors	\$8,587,050
Biogas Dewatering Equipment	\$1,208,440

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Digester Electrical and Controls	\$2,780,000
Hydrogen Sulfide Removal Systems	\$2,380,000
Mechanical Building Concrete and Steel Reinforcement	\$1,950,000
Wastewater Processing Equipment	\$150,000
Total	<u>\$17,366,750</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

According to the Applicant, the new dairy digesters have been designed and are nearing permitting approval. The Applicant provided the following targeted dates for the construction of the facilities at the 10 dairies:

Dairy	Construction Timeline
Alden Petersen Dairy	May 2023 – July 2023
B6 Dairy	July 2023 – December 2023
Edelweiss Dairy	May 2023 – August 2023
Jordao Dairy	June 2023 – November 2023
Lumar Dairy Farms	May 2023 – October 2023
Machado Dairy	May 2023 – July 2023
MB Lucky Lady	July 2023 – December 2023
Silva's Holstein Dairy	September 2023 – November 2023
Soares Dairy LP	July 2023 – September 2023
Zylstra Dairy	May 2023 – October 2023

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states it has received air, water and building permits for the Alden Petersen and Edelweiss Dairies and is currently in the application process for the other eight dairies, but anticipates those permits being received in the next two to 12 months. According to the Applicant, the Stanislaus County of Public Works issued a Notice of Approval for the Project's California Environmental Quality Act (CEQA) Initial Study Mitigated Negative Declaration including digesters, private pipeline, and gas upgrading facility. Additionally, conditional use permits ("CUPs") are not required at the dairies because the digesters are considered ancillary use to the existing CUP.

COMPETITIVE CRITERIA SCORE

The Applicant received 144 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 (29 of 50 points)**. The Project's facilities are located in Stanislaus County, which has an average annual unemployment rate of 5.6%.⁵ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 29 points.
3. **Job Creation (0 of 75 points)**. The Applicant anticipates the Project will support a total of three production-related jobs at its facilities. CAEATFA estimates that approximately .24 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. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's facilities 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 3,875 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 622 points, which exceeds the 20-point threshold.

⁵ Unemployment rates are based on data available in October 2022.

- A. Fiscal Benefits (3,103 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 \$4,505,428, resulting in a Fiscal Benefits score of 3,103.
- B. Environmental Benefits (622 points).** The Project is anticipated to result in \$903,173 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 622 points. These benefits derive from the production of dairy biogas, which offsets the need for the use of fossil methane.
- C. Additional Benefits (149 points).** Applicants may earn additional points for their Total Score. The Applicant received 149 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 facilities. CAEATFA estimates that approximately .24 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 (20 of 75 points).** The Applicant anticipates the Project will support a total of 26 construction jobs at its facilities. CAEATFA estimates that approximately 1.91 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 20 points.
 - 3. Unemployment (29 of 50 points).** The Applicant's Project is located in Stanislaus County, which has an average annual unemployment rate of 5.6%.⁶ When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 29 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 dairy biogas production.
 - 5. Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with Modesto Junior College, San Joaquin Delta College, and Humphreys College for the purpose of assisting in the training of potential future workers.
 - 6. Industry Cluster (25 of 25 points).** The industry associated with this Application has been identified as part of the San Joaquin Valley Energy Cluster and Agriculture Cluster in the region of the Project's location.

⁶ Unemployment rates are based on data available in October 2022

7. **Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental, and vision benefits, bonuses, retirement contributions, profit sharing, education reimbursement, and paid leave 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 STE Program regulations,⁷ the Applicant has paid CAEATFA an Application Fee of \$8,683.38 and will pay CAEATFA an Administrative Fee of up to \$69,467.

RECOMMENDATION

Staff recommends the approval of Resolution No. 23-SM013-01 for Aemetis Biogas, LLC 's purchase of qualifying tangible personal property in an amount not to exceed \$17,366,750 anticipated to result in an approximate STE value of \$1,451,860.

⁷ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH AEMETIS BIOGAS, LLC**

July 18, 2023

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Aemetis Biogas, LLC** (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 \$17,366,750 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

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.