

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

***Competitive Criteria Process for the 2023
Sales and Use Tax Exclusion Program Applications¹***

Tuesday, December 12, 2023

Prepared by: *Xee Moua, Program Manager; Stefani Wilde, Program Analyst*

SUMMARY

On January 1, 2023, the Sales and Use Tax Exclusion (“STE”) Program had \$113 million in sales tax exclusions available to award in the 2023 calendar year.² CAEATFA held its first application period from January 1, 2023 through January 20, 2023 and received 41 Applications requesting over \$260 million in STE, exhausting the program’s general pool of STE, but not the small, large and lithium extraction project pools. Pursuant to the competitive process and pools of STE established in program regulations (see Background and Regulations section below), CAEATFA staff (“Staff”) presented 26 of the 41 Applications before the Board for consideration at its July 18, 2023 Board meeting.³ All 26 Applications totaling \$91.35 million in STE were approved, leaving \$21.65 million in STE for 2023.

CAEATFA held its second application period from June 26, 2023 through July 10, 2023, accepting Applications only for the small and lithium extraction project pools. This resulted in three Applications for the small project pool being received and no Applications for the lithium extraction pool being received. At the September 19, 2023 Board meeting, CAEATFA brought six qualifying Applications (two of the second round small project pool Applications and four first round general pool Applications that were waitlisted) before the Board for consideration.⁴ All six Applications totaling \$14.7 million in STE were approved, leaving \$6.94 million in STE for 2023.

CAEATFA held its third application period from September 25, 2023 through October 9, 2023, accepting Applications only for the lithium extraction project pool. No new Applications were received, which resulted in any lithium extraction Applicants that received an award previously in the year being enabled to receive additional STEs.

At this Board meeting, CAEATFA is bringing two Applications before the Board for consideration for the remaining \$6.94 million in STE; one first round general pool Application that was waitlisted and one lithium extraction pool Application that was previously awarded at the July 18, 2023 Board meeting. If these two Applications are approved, all STEs will be exhausted for the year.

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

² Current annual statutory allocation is \$115 million in STE but a portion was pre-awarded in 2022 (see Table 1).

³ Staff intended to bring 27 Applications; however, one Application was removed shortly before the Board meeting following an adjustment in the order of Application ranking.

⁴ Staff intended to bring seven Applications; however, one Application was withdrawn shortly before the Board meeting.

Table 1: Amount Awarded Per Board Meeting		
Meeting Date	Qualified Property Amount	Estimated STE
2023 Amount Awarded on August 16, 2022 ⁵	\$23,923,444.98	\$2,000,000
Amount Awarded on July 18, 2023	\$1,092,687,926.76	\$91,348,711
Amount Awarded on September 19, 2023	\$175,917,505.00	\$14,706,703
Amount Anticipated to be Awarded on December 12, 2023	\$83,069,209.38	\$6,944,586
Total	\$1,375,598,086.12	\$115,000,000

2023 APPLICATION WAITLIST

The waitlist currently includes four Applicants that applied for an STE award under the general pool but were not considered due to their Competitive Criteria ranking. To the extent additional STE becomes available during the 2023 calendar year, Applications on the waitlist will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on Competitive Criteria. The waitlist expires at midnight on January 1 of the year following the calendar year the list is established⁶ (i.e., January 1, 2024), and if an Applicant on the waitlist wishes to be considered for a 2024 STE allocation, it must submit a new Application when CAEATFA begins accepting Applications for 2024.

Table 2: 2023 Application Waitlist		
Applicant	Qualified Property Amount	Estimated STE
Shafter Hydrogen Hub LLC	\$239,234,450	\$20,000,000
Boehringer Ingelheim Fremont, Inc.	\$100,000,000	\$8,360,000
Niagara Bottling, LLC	\$277,349,337	\$23,186,405
FUJIFILM Diosynth Biotechnologies California Inc.	\$73,655,823	\$6,157,627
Total	\$690,239,610	\$57,704,031

Below is further background on the relevant regulatory provisions and details on the process Staff undertook in determining the Competitive Criteria scores and rankings.

⁵ \$2 million of 2023's \$115 million STE annual statutory allocation was awarded in 2022 as authorized per California Code of Regulations Title 4, Division 13, Section 10032(a)(7)(A).

⁶ California Code of Regulations Title 4, Division 13, Section 10032(a)(6)

BACKGROUND AND REGULATIONS

Per-Applicant Cap, Pools of STE, and Order of Consideration

Statute currently limits CAEATFA to awarding \$115 million in STE each calendar year.⁷ Program regulations require that: 1) Applications are capped at \$10 million in STE per Applicant, per calendar year;⁸ 2) \$20 million in STE is available to award only to Applications requesting \$2 million or less in STE through September each year (“Small Project Pool”);⁹ and 3) for Applicants wishing to exceed the \$10 million per-applicant STE cap, \$15 million in STE is available to award in addition to the \$10 million STE cap in the first Application period of the calendar year (“Large Project Pool”).¹⁰ In August 2022, CAEATFA was authorized \$15 million in STE for projects that manufacture, refine, extract, process, or recover lithium for calendar years 2022-2024 (“Lithium Project Pool”).¹¹

The order in which Applications are reviewed and considered by CAEATFA is based on a ranking of Competitive Criteria,¹² except that Applications being considered under the Small Project Pool must be heard before Applications being considered for an award under the general pool of STE.¹³

If the amount requested in the last Application considered in the Small Project Pool exceeds the STE available from the pool, CAEATFA shall award the remaining STE request using STE from the general pool of STE allocation, if any remains. Any Applicant requesting \$2 million or less in STE that is not awarded from the Small Project Pool is considered for an award from the general pool of STE allocation, if any remains.¹⁴

If the amount requested in the last Application requesting STE from the \$15 million in STE set aside for larger projects exceeds the STE available from that pool, the Applicant shall only receive the amount remaining from the \$15 million in STE set-aside.¹⁵ If the amount requested in the last Application considered exceeds the STE available in the calendar year, the Authority shall award the remaining STE request using STE from the following calendar year, up to \$2 million in STE. Any remaining Applications are placed on the waiting list.¹⁶

Competitive Criteria

The Applications with the greatest point score are reviewed and presented to the CAEATFA Board. In the event of a tie, the Application representing the smaller STE award is considered first.¹⁷

⁷ Public Resources Code Section 26011.8(h)

⁸ California Code of Regulations Title 4, Division 13, Section 10032(a)(5)

⁹ California Code of Regulations Title 4, Division 13, Section 10032(a)(4)

¹⁰ California Code of Regulations Title 4, Division 13, Section 10032(a)(5)(B)

¹¹ Public Resources Code Section 26011.8(h)(2)

¹² California Code of Regulations Title 4, Division 13, Section 10032(a)(7)

¹³ California Code of Regulations Title 4, Division 13, Section 10032(a)(4)

¹⁴ California Code of Regulations Title 4, Division 13, Section 10032(a)(4)

¹⁵ California Code of Regulations Title 4, Division 13, Section 10032(a)(5)(B)

¹⁶ California Code of Regulations Title 4, Division 13, Section 10032(a)(7)(A)

¹⁷ California Code of Regulations Title 4, Division 13, Section 10032(a)(7)(A)

Environmental Benefits (100 Points). Applicants with Recycled Resource Extraction Projects or Projects that produce an Advanced Transportation Technology or an Alternative Source product, component, or system (i.e., a Project that has environmental benefits that can be monetized and scored pursuant to the STE Program’s regulations) ¹⁸ receive 100 points.

Unemployment (Up to 50 Points). Applicants can receive up to 50 points based on how much greater the local unemployment rate is in comparison to the annual average statewide unemployed rate pursuant to the following formula: $\text{Points} = ((\text{local rate}/\text{state rate}) * 100) - 100$. For example, if the annual average statewide unemployment rate is 5.23%, and the local unemployment rate for the project is 7.5%, the project would earn 43 points as follows: $((7.5\%/5.23\%) * 100) - 100 = 43$ points.¹⁹

Job Creation (up to 75 Points). Applicants can also receive up to 75 points based on the amount of the STE per job created as a result of the estimated marginal increase in equipment purchased from the STE.

Points for Job Creation	
1 Job ≤ \$50,000 in STE	= 75 points
\$50,000 in STE < 1 Job ≤ \$100,000 in STE	= 60 points
\$100,000 in STE < 1 Job ≤ \$150,000 in STE	= 55 points
\$150,000 in STE < 1 Job ≤ \$200,000 in STE	= 45 points
\$200,000 in STE < 1 Job ≤ \$300,000 in STE	= 40 points
\$300,000 in STE < 1 Job ≤ \$400,000 in STE	= 35 points
\$400,000 in STE < 1 Job ≤ \$750,000 in STE	= 30 points
\$750,000 in STE < 1 Job ≤ \$1,500,000 in STE	= 20 points
1 Job > \$1,500,000 in STE, or 0 jobs created	= 0 points

For example, if an Application requests \$7,000,000 in STE and the project is anticipated to create 10 jobs as a result of the STE, 1 job created is worth \$700,000 in STE, and, therefore, 30 points would be awarded.²⁰

Natural Disaster Relief (50 Points). An applicant will receive 50 points if it can demonstrate the project is to relocate or rebuild 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.²¹

California Headquarters (15 Points). Applicants with corporate headquarters located in California receive 15 points.²²

Eligibility for Statewide Partial Exemption for Manufacturing and Research & Development (50 Points). Applicants that are not eligible to use any of the exemptions established pursuant to

¹⁸ California Code of Regulations Title 4, Division 13, Section 10033(c)(4)

¹⁹ California Code of Regulations Title 4, Division 13, Section 10033(c)(5)(A)

²⁰ California Code of Regulations Title 4, Division 13, Section 10033(c)(5)(B)

²¹ California Code of Regulations Title 4, Division 13, Section 10032(a)(8)(B)(i)(d)

²² California Code of Regulations Title 4, Division 13, Section 10032(a)(8)(B)(i)(e)

Section 6377.1 of the Revenue and Taxation Code (administered through the California Department of Tax and Fee Administration) receive 50 points.²³

Emerging Strategic Industry (75 Points). An applicant with a Project in an Emerging Strategic Industry receives 75 points.

Tables 3-7 below provide a breakdown of the allocation per pool of STE.

Table 3: Project Pools by Total		
STE Project Pool	Qualified Property Amount	Estimated STE
Small Project Pool Total	\$230,114,917	19,237,607
General Pool Total	\$846,440,828.68	\$70,762,453
Large Project Pool Total	\$119,616,503.12	\$9,999,940
Lithium Extraction Pool Total	179,425,837.32	\$15,000,000
Total	\$1,375,598,086.12	\$115,000,000

Table 4: \$20M Small Project Pool (\$2M of STE or under & only available through September)		
July 18, 2023 Board Meeting		
Applicant Name	Qualified Property Amount	Estimated STE
North Fork Community Power LLC	\$6,277,500	\$524,799
DeGroot South Biogas LLC	\$5,364,667	\$448,486
CalBioGas PB LLC	\$16,189,464	\$1,353,439
CalBioGas Hanford LLC	\$4,025,000	\$336,490
Universal Waste Systems, Inc.	\$7,881,900	\$658,927
Southpoint Biogas LLC	\$7,395,283	\$618,246
Mariposa Bioenergy LLC	\$18,970,000	\$1,585,892
Aemetis Biogas, LLC	\$17,366,750	\$1,451,860
Biggs Bioenergy LLC	\$16,490,000	\$1,378,564
Touchstone Pistachio Company, LLC	\$23,850,000	\$1,993,860
Nanoshift LLC	\$5,300,000	\$443,080
Applied Materials, Inc. (AM)	\$23,750,000	\$1,985,500
Intuitive Surgical, Inc. and its subsidiary, Intuitive Surgical Operations, Inc.	\$23,400,000	\$1,956,240
Heirloom Carbon Technologies, Inc.	\$5,232,013	\$437,396
Newlight Technologies, Inc.	\$17,949,389	\$1,500,569
EUV Tech, Inc.	\$9,632,985	\$805,318

(table continued on following page)

²³ California Code of Regulations Title 4, Division 13, Section 10032(a)(8)(B)(i)(f)

Table 4 (continued): \$20M Small Project Pool (\$2M of STE or under & only available through September)		
September 19, 2023 Board Meeting		
Applicant Name	Qualified Property Amount	Estimated STE
Anaergia Technologies, LLC	\$5,212,500	\$435,765
Vernon Green Hydrogen, LLC	\$15,827,466	\$1,323,176
Total	\$230,114,917	19,237,607
Remaining Amount That Flowed to the General Pool	\$9,119,532.76	\$762,393

Table 5: General Pool of STE (up to \$10M in STE per Applicant)		
July 18, 2023 Board Meeting		
Applicant Name	Qualified Property Amount	Estimated STE
Partial Award from 2022		
West Coast Waste Co. ²⁴	\$23,923,444.98	\$2,000,000
General Pool Applications		
BHE Renewables, LLC and its subsidiaries Magma Power Company, Elmore North Geothermal LLC and CalEnergy Operating Corporation	\$119,617,224.88	\$10,000,000
Applied Materials, Inc. (AT)	\$86,000,000	\$7,189,600
CalBioGas Hilmar LLC	\$26,373,228	\$2,204,802
CalBioGas South Tulare III LLC	\$31,115,681	\$2,601,271
Aptera Motors Corp.	\$81,180,644	\$6,786,702
HC (Contra Costa), LLC	\$119,617,224.88	\$10,000,000
CalBioGas Gustine LLC	\$44,990,798	\$3,761,231
Enovix Corporation	\$30,382,973	\$2,540,017
East County Advanced Water Purification Joint Powers Authority	\$105,101,474	\$8,786,483
September 19, 2023 Board Meeting		
Raven SR S1 LLC	\$29,824,330	\$2,493,314
	\$40,462,000	\$3,382,623
Pratt & Whitney, a division of RTX Corp		
	\$30,783,686	\$2,573,516
Biofuels San Bernardino BioGas, LLC		
WM Renewable Energy, L.L.C.	\$53,807,523	\$4,498,309

(table continued on following page)

²⁴ This amount is based calculated based on the 2023 average statewide sales tax rate of 8.36%. The 2022 sales tax rate was 8.5%, which resulted in a calculation of \$23,529,411.76 in Qualified Property at the time of award.

Table 5 (continued): General Pool of STE (up to \$10M in STE per Applicant)		
December 12, 2023 Board Meeting		
Northrop Grumman Systems Corporation	\$23,260,596.94	\$1,944,586
Partial award from 2024 (not included in total)	(\$23,923,444.98)	(\$2,000,000)
Total	\$846,440,828.68	\$70,762,453

Table 6: \$15M for Large Projects (up to \$10M additional STE per Project & available at first Board meeting only)		
July 18, 2023 Board Meeting		
Applicant Name	Qualified Property Amount	Estimated STE
BHE Renewables, LLC and its subsidiaries Magma Power Company, Elmore North Geothermal LLC and CalEnergy Operating Corporation	\$119,616,503.12	\$9,999,940
Total	\$119,616,503.12	\$9,999,940
Remaining Amount That Flowed to the General Pool	\$59,809,334.20	\$5,000,060

Table 7: \$15M for Lithium Projects (up to \$10M STE per Applicant unless any remaining at the end of the year)		
July 18, 2023 Board Meeting		
Applicant Name	Qualified Property Amount	Estimated STE
Hell's Kitchen LithiumCo 1 LLC	\$119,617,224.88	\$10,000,000
December 12, 2023 Board Meeting		
Applicant Name	Qualified Property Amount	Estimated STE
Hell's Kitchen LithiumCo 1 LLC	\$59,808,612.44	\$5,000,000
Total	179,425,837.32	\$15,000,000

COMPETITIVE PROCESS AND ALLOCATION OF STE POOLS

Tables 8-11 on the following pages list the approved Applications ranked based on Competitive Criteria for each pool of STE.

Table 8: Small Project Pool Applications, by Competitive Criteria

Applicant	Industry	County	Estimated STE	Total Score	Environ-mental Benefits	Unemp-loyment	Job Creation	CA HQ	Disaster Relief	Eligibility for Partial Exemption	Emerging Strategic Industry
North Fork Community Power LLC	Biomass Processing & Fuel Production	Madera	\$524,799	187	100	42	30	15	0	0	0
De Groot South Biogas LLC	Dairy Biogas	Kings	\$448,486	185	100	50	20	15	0	0	0
Anaergia Technologies, LLC	Biomass Processing & Fuel Production	Monterey	\$435,765	182	100	37	30	15	0	0	0
CalBioGas PB LLC	Dairy Biogas	Kern	\$1,353,439	165	100	50	0	15	0	0	0
CalBioGas Hanford LLC	Dairy Biogas	Kings	\$336,490	165	100	50	0	15	0	0	0
Universal Waste Systems, Inc.	Mixed Organics	Los Angeles	\$658,927	164	100	19	30	15	0	0	0
Southpoint Biogas LLC	Dairy Biogas	Madera	\$618,246	157	100	42	0	15	0	0	0
Vernon Green Hydrogen, LLC	Renewable Hydrogen	Los Angeles	\$1,323,176	154	100	19	20	15	0	0	0
Mariposa Bioenergy LLC	Biomass Processing and Fuel Production	Mariposa	\$1,585,892	148	100	13	20	15	0	0	0
Aemetis Biogas, LLC	Dairy Biogas	Stanislaus	\$1,451,860	144	100	29	0	15	0	0	0
Biggs Bioenergy LLC	Biomass Processing and Fuel Production	Butte	\$1,378,564	136	100	1	20	15	0	0	0
Touchstone Pistachio Company, LLC	Pistachio Processing	Fresno	\$1,993,860	104	0	49	40	15	0	0	0
Nanoshift LLC	Semiconductor	Contra Costa	\$443,080	100	0	0	35	15	0	50	0
Applied Materials, Inc.	Semiconductor and Related Industries Fabrication	Santa Clara	\$1,985,500	90	0	0	75	15	0	0	0
Intuitive Surgical, Inc. and its Subsidiary, Intuitive Surgical Operations, Inc.	Advanced Robotic Surgical Systems and Tools	Santa Clara	\$1,956,240	90	0	0	75	15	0	0	0
Heirloom Carbon Technologies, Inc.	Sequestered Carbon	San Joaquin	\$437,396	84	0	29	40	15	0	0	0
Newlight Technologies, Inc.	AirCarbon	Orange	\$1,500,569	70	0	0	55	15	0	0	0
EUV Tech, Inc.	Semiconductor Metrology Equipment	Contra Costa	\$805,318	55	0	0	40	15	0	0	0

Table 9: General Pool of STE Applications, by Competitive Criteria

Applicant	Industry	County	Estimated STE	Total Score	Environ-mental Benefits	Unemp-loyment	Job Creation	CA HQ	Disaster Relief	Eligibility for Partial Exemption	Emerging Strategic Industry
BHE Renewables, LLC and its subsidiaries Magma Power Company, Elmore North Geothermal LLC and CalEnergy Operating Corporation	Geothermal Brine and Steam	Imperial	\$10,000,000	225	100	50	0	0	0	0	75
Applied Materials, Inc. (AT)	Lithium Anodes for Electric Vehicle Batteries	Santa Clara	\$7,189,600	220	100	0	30	15	0	0	75
CalBioGas Hilmar LLC	Dairy Biogas	Merced	\$2,204,802	185	100	50	20	15	0	0	0
CalBioGas South Tulare III LLC	Dairy Biogas	Tulare	\$2,601,271	185	100	50	20	15	0	0	0
Aptera Motors Corp.	Solar Electric Vehicle	San Diego	\$6,786,702	170	100	0	55	15	0	0	0
HC (Contra Costa), LLC	Renewable Hydrogen	Contra Costa	\$10,000,000	165	100	0	0	15	0	50	0
CalBioGas Gustine LLC	Dairy Biogas	Merced	\$3,761,231	165	100	50	0	15	0	0	0
Shafter Hydrogen Hub LLC	Low-Carbon Liquefied Hydrogen	Kern	\$10,000,000	150	100	50	0	0	0	0	0
Enovix Corporation	Lithium Ion Batteries	Alameda	\$2,540,017	135	0	0	45	15	0	0	75
East County Advanced Water Purification Joint Powers Authority	Wastewater Treatment and Biogas Capture	San Diego	\$7,916,378	135	100	0	20	15	0	0	0
Raven SR S1 LLC	Renewable Hydrogen	Contra Costa	\$2,493,314	135	100	0	20	15	0	0	0
Pratt & Whitney, a division of RTX Corporation	Jet Engine Parts	San Diego	\$3,382,623	130	100	30	0	0	0	0	0
Biofuels San Bernardino BioGas, LLC	Landfill Gas Capture and Production	San Bernardino	\$2,573,516	102	100	2	0	0	0	0	0
WM Renewable Energy, L.L.C	Landfill Gas Capture and Production	Ventura	\$4,498,309	100	100	0	0	0	0	0	0

(table continued on following page)

Table 9 (continued): General Pool of STE Applications, by Competitive Criteria

Applicant	Industry	County	Estimated STE	Total Score	Environ-mental Benefits	Unemp-loyment	Job Creation	CA HQ	Disaster Relief	Eligibility for Partial Exemption	Emerging Strategic Industry
Northrop Grumman Systems Corporation	Aerospace	Los Angeles	\$3,944.586	64	0	19	45	0	0	0	0

Table 10: General & Larger Project Pools of STE Applications, by Competitive Criteria

Applicant	Industry	County	Estimated STE	Total Score	Environ-mental Benefits	Unemp-loyment	Job Creation	CA HQ	Disaster Relief	Eligibility for Partial Exemption	Emerging Strategic Industry
BHE Renewables, LLC and its subsidiaries Magma Power Company, Elmore North Geothermal LLC and CalEnergy Operating Corporation	Geothermal Brine and Steam	Imperial	\$9,999,940	225	100	50	0	0	0	0	75

Table 11: Lithium Project Pool of STE Applications, by Competitive Criteria

Applicant	Industry	County	Estimated STE	Total Score	Environ-mental Benefits	Unemp-loyment	Job Creation	CA HQ	Disaster Relief	Eligibility for Partial Exemption	Emerging Strategic Industry
Hell's Kitchen LithiumCo 1 LLC	Lithium Recovery & Production	Imperial	\$15,000,000	140	0	50	0	15	0	0	75