

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

Competitive Criteria Process for the March 2020 Board Meeting

Tuesday, March 17, 2020

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SUMMARY

By the December 20, 2019, Application¹ deadline for the February 2020 CAEATFA Board meeting, CAEATFA had received 19 complete Applications requesting over \$90.9 million in Sales and Use Tax Exclusions (“STE”), which, coupled with the 2019 waitlisted Applications pending for consideration at the January 2020 Board meeting, brought the total year-to-date request to \$111.3 million in STE. See Attachment A for the pipeline of 2020 Applications after the December 20th deadline.

Pursuant to Program regulations,² when the total amount of STE requested exceeds the \$100 million annual Program limit, Applications submitted for consideration shall be reviewed by the Board in order of ranking based on Competitive Criteria points earned by each Applicant until CAEATFA reaches the \$100 million annual Program limit. In addition, the regulations provide that if the STE amount requested in the last Application to be considered exceeds the STE available in the calendar year, the Board shall split the award between the 2020 and 2021 \$100 million allocations.

Given the number of Applications received and the extensive process for determining the Competitive Criteria scores, CAEATFA staff’s (“Staff”) review process time was extended, and the Applications submitted for consideration in February are being brought before the Board in March.

Pursuant to the established competitive process, Staff is bringing 18 Applications before the Board for consideration at this meeting. Below is further background on the relevant regulatory provisions, as well as details on the process Staff took in determining the Competitive Criteria scores and rankings.

See Table 1 on the following page for a list of the Applications up for consideration at this meeting.

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

² Regulation Section 10032(a)(7)

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Table 1: Applications under Consideration in March 2020 by Competitive Criteria									
Applicant	Project Type	County	Qualified Property	Environ-mental Benefits	Unemp-loyment	Job Creation	CA HQ	Disaster Relief	Total Score
ACC Renewable Resources, LLC	Alternative Source	Colusa	\$12,680,000	100	50	20	15	0	185
CalBioGas Buttonwillow LLC	Alternative Source	Kern	\$21,123,032	100	50	20	15	0	185
CalBioGas North Visalia, LLC	Alternative Source	Tulare	\$37,529,013	100	50	20	15	0	185
GCE Holdings Acquisitions, LLC	Alternative Source	Kern	\$119,617,224	100	50	20	15	0	185
Southpoint Ranch Dairy Biogas LLC	Alternative Source	Madera	\$8,432,257	100	50	0	15	0	165
Bar 20 Dairy Biogas, LLC	Alternative Source	Fresno	\$9,573,170	100	50	0	15	0	165
CalBioGas South Tulare, LLC	Alternative Source	Tulare	\$52,471,257	100	50	0	15	0	165
Tesla, Inc.	Advanced Transportation	Alameda	\$119,617,224	100	0	45	15	0	160
Hat Creek Bioenergy, LLC	Alternative Source	Shasta	\$12,680,000	100	17	20	15	0	152
Zanker Road Resource Management Ltd	Recycled Resource Extraction	Santa Clara	\$24,395,182	100	0	35	15	0	150
Inland Empire Utilities Agency	Alternative Source	San Bernardino	\$76,377,224	100	0	0	15	0	115
Hadco Metal Trading Co., LLC	Advanced Manufacturing	Kern	\$9,400,000	0	50	45	0	0	95
Virgin Orbit, LLC	Advanced Manufacturing	Los Angeles	\$18,001,109	0	9	60	15	0	84
Tandem Diabetes Care, Inc.	Advanced Manufacturing	San Diego	\$60,000,000	0	0	55	15	0	70
Intuitive Surgical, Inc. and its subsidiary Intuitive Surgical Operations, Inc.	Advanced Manufacturing	Santa Clara	\$82,500,000	0	0	55	15	0	70
Applied Materials, Inc.	Advanced Manufacturing	Santa Clara	\$118,692,224	0	0	55	15	0	70
Lam Research Corporation	Advanced Manufacturing	Alameda	\$119,617,224	0	0	55	15	0	70
Lockheed Martin Corporation	Advanced Manufacturing	Los Angeles	\$119,617,224	0	9	55	0	0	64

BACKGROUND

CAEATFA first adopted regulations instituting Competitive Criteria in August 2016 after the Program became oversubscribed in 2015 for the first time in Program history. Previous regulations established a first-come, first-served process for reviewing all Applications, even if the Program became oversubscribed. In light of the Program’s historic oversubscription at that time, questions were raised as to whether this method of allocating awards provided the greatest possible benefit to the State.

To address the potential for oversubscription while also providing enough flexibility to meet the Applicants’ business needs for timely review and consideration, STE Program regulations were modified to provide that, in the event that CAEATFA receives Applications requesting STE in excess of the statutory Program cap, Applications submitted for that particular Board meeting will be considered in the order in which they are ranked based on four criteria: (1) unemployment rate in the county of the facility, (2) presence of corporate headquarters in California, (3) status as a small business, (4) being new to the Program, and (5) whether the project is to rebuild or relocate due to a natural disaster named in a state of emergency.

In July 2019, CAEATFA utilized the competitive process for the first time since the regulations were modified and adopted in 2016, by which point Staff and the Board recognized the Competitive Criteria did not best reflect the current policy goals and priorities.

At the November 19, 2019 Board meeting, CAEATFA approved emergency regulations amending the Competitive Criteria, which are the criteria by which the Applicants before the Board today were ranked. The new Competitive Criteria are: (1) whether the project has environmental benefits quantifiable in dollar terms, (2) unemployment rate in the county of the facility, (3) job creation, (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.

The newly adopted regulations retain the provision that if the amount requested in the final Application approved exceeds the STE available in the calendar year, the Authority shall split the Applicant’s award such that the STE amount above the current year’s cap shall be granted from the following calendar year’s STE allocation. Any remaining Applications are placed on the waiting list. To the extent that additional STE becomes available during the calendar year, Applications on the waiting list will be reviewed and presented to the CAEATFA Board in the order in which they are ranked based on the Competitive Criteria. Applications on the waiting list that are not brought before the Board that year due to the statutory cap will be considered in the subsequent calendar year.

PROCESS

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 STE. As a result, one Application was withdrawn to stay

under the \$10 million in STE. The 18 Applications³ under consideration for the March 2020 Board meeting were evaluated based on the following Competitive Criteria process:

- Environmental Benefits (100 Points). Projects with a Total Pollution Benefits score greater than zero (i.e. has environmental benefits that can be monetized and scored pursuant to the Program’s regulations⁴), received 100 points.
- Unemployment (Up to 50 Points). Applications 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: Points = ((local rate/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.
- Job Creation (up to 75 Points). Applications can also receive up to 75 points based on the cost of the sales tax exclusion 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 “costs” \$700,000 in STE, therefore 30 points would be awarded.

- 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 proclamation made by the California State Governor within two years of the time of application.

No Application submitted for consideration was to rebuild or relocate due to a natural disaster.

³ 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 STE. As a result, one Application was withdrawn to stay under the \$10 million in STE.

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

- California Headquarters (15 Points). Applicants with Corporate Headquarters located in California receive fifteen points.

APPLICATIONS FOR CONSIDERATION IN MARCH

Based on the Competitive Criteria process established in Program regulations, all 18 Applications that were evaluated have been brought before the Board for consideration.

After the January 2020 Board meeting, CAEATFA has approximately \$79,643,995 in STE (or \$952,679,360.60 in Qualified Property) left to award in 2020 (Attachment B includes the pipeline of 2020 Applications approved and under review after the January 2020 Board Meeting), which is sufficient to fully award the top 17 ranked Applicants from the 2020 allocation. Pursuant to Program regulations, Lockheed Martin Corporation’s recommended award is split between the 2020 and 2021 STE allocations.

Table 2: Applications for Consideration at the March 2020 Board Meeting		
Applicant	QP Request	Estimated STE
ACC Renewable Resources, LLC	\$12,680,000	\$1,060,048
CalBioGas Buttonwillow LLC	\$21,123,032	\$1,765,885
CalBioGas North Visalia, LLC	\$37,529,013	\$3,137,425
GCE Holdings Acquisitions, LLC	\$119,617,224	\$10,000,000
Southpoint Ranch Dairy Biogas LLC	\$8,432,257	\$704,937
Bar 20 Dairy Biogas, LLC	\$9,573,170	\$800,317
CalBioGas South Tulare, LLC	\$52,471,257	\$4,386,597
Tesla, Inc.	\$119,617,224	\$10,000,000
Hat Creek Bioenergy, LLC	\$12,680,000	\$1,060,048
Zanker Road Resource Management, Ltd.	\$24,395,182	\$2,039,437
Inland Empire Utilities Agency	\$76,377,224	\$6,385,136
Hadco Metal Trading Co., LLC	\$9,400,000	\$785,840
Virgin Orbit, LLC	\$18,001,109	\$1,504,893
Tandem Diabetes Care, Inc.	\$60,000,000	\$5,016,000
Intuitive Surgical, Inc.	\$82,500,000	\$6,897,000
Applied Materials, Inc.	\$118,692,224	\$9,922,670
Lam Research Corporation	\$119,617,224	\$10,000,000
Remaining in 2020 After January Board Meeting	\$952,679,360.60	\$79,643,995
March Subtotal	\$902,706,140.00	\$75,466,233
Remaining in 2020	\$49,973,220.60	\$4,177,761
Lockheed Martin Corporation	\$119,617,224	\$10,000,000
Award Effective Immediately (from 2020 Cap)	\$49,973,220.60	\$4,177,761
Award Effective 2021 (from 2021 Cap)	\$69,644,003.40	\$5,822,239

PROGRAM 2020 WAITLIST

To the extent that additional STE becomes available during the 2020 calendar year, Applicants on the waitlist will be reviewed and presented to the Board for approval in the order in which they are ranked based on the Competitive Criteria. Current regulations provide that Applicants on the waitlist that are not considered in 2020 will be considered in 2021. CAEATFA Staff and Board members recently have recognized that allowing the waitlist to carry over to the next year rather than expiring at the end of the calendar year can be problematic; therefore Staff will explore ending this practice during the regular rulemaking process this year.

Table 3: 2020 STE Application Waitlist		
Applicant	Qualified Property	Estimated STE
Arqlite SPC	\$1,779,282	\$148,748
Applied Medical Corporation	\$67,619,400	\$5,652,982
AMRO Fabricating Corporation	\$5,120,000	\$428,032
Enovix Corporation	\$40,848,820	\$3,414,961
SpinLaunch Inc.	\$5,328,000	\$445,421
Emerald Packaging, Inc.	\$3,500,000	\$292,600
Total	\$124,195,502	\$10,382,744

ATTACHMENTS

Attachment A: Pipeline of 2020 Applications Approved and Pending after the December 20th Application Deadline.

Attachment B: Pipeline of 2020 Applications Approved and Pending after the January 2020 Board Meeting.

**Attachment A: Pipeline of 2020 Applications Approved and Pending
after the December 20th Application Deadline**

Total 2020 Allocation	Qualified Property	Estimated STE
	\$1,196,172,248.80	\$100,000,000

Partial Award from 2019	Qualified Property	Estimated STE*
South Bayside Waste Management Authority	\$2,267,111.20	\$189,530.00
Remaining in 2020	\$1,193,905,137.60	\$99,810,470

January	Qualified Property	Estimated STE
Aemetis Biogas LLC	\$8,772,605.00	\$733,390
Five Points Pipeline LLC	\$15,017,114.00	\$1,255,431
Merced Pipeline LLC	\$31,922,542.00	\$2,668,725
AltAir Paramount LLC	\$119,617,224.00	\$10,000,000
East Valley Water District	\$60,328,000.00	\$5,043,421
Best Express Foods, Inc.	\$5,568,292.00	\$465,509
January Subtotal	\$241,225,777.00	\$20,166,476
Total To Date	\$243,492,888.20	\$20,356,005
Remaining in 2020	\$952,679,360.60	\$79,643,995

February	Qualified Property**	Estimated STE
Lockheed Martin Corporation	\$119,617,224.00	\$10,000,000
Lam Research Corporation	\$119,617,224.00	\$10,000,000
CalBioGas South Tulare, LLC***		
CalBioGas North Visalia, LLC***	\$119,617,224.00	\$10,000,000
CalBioGas Buttonwillow LLC***		
Southpoint Ranch Dairy Biogas LLC***		
Bar 20 Dairy Biogas, LLC	\$14,206,344.00	\$1,187,650
Zanker Road Resource Management, Ltd	\$36,050,238.00	\$3,013,800
GCE Holdings Acquisitions, LLC	\$119,617,224.00	\$10,000,000
Applied Materials, Inc.	\$119,617,224.00	\$10,000,000
Inland Empire Utilities Agency	\$119,617,224.00	\$10,000,000
Hadco Metal Trading Co., LLC	\$9,400,000.00	\$785,840
Tandem Diabetes Care, Inc.	\$60,000,000.00	\$5,016,000
Hat Creek Bioenergy, LLC	\$15,000,000.00	\$1,254,000
ACC Renewable Resources, LLC	\$15,000,000.00	\$1,254,000

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February	Qualified Property**	Estimated STE
Virgin Orbit, LLC	\$18,001,109.00	\$1,504,893
Tesla, Inc.	\$119,617,224.00	\$10,000,000
Intuitive Surgical, Inc.	\$82,500,000.00	\$6,897,000
February Subtotal	\$1,087,478,259.00	\$90,913,183
Total To Date	\$1,330,971,147.20	\$111,269,188
Remaining in 2020	-\$134,798,898.40	-\$11,269,188

Capped Applicants Additional Amount Requested		
Applicant	Additional QP Amount Requested	Estimated STE Amount
AltAir (World Energy)	\$56,622,219	\$1,004,900
Lockheed Martin	\$126,728,282	\$10,594,484
CalBioGas Hilmar LLC**	\$32,148,617	\$2,687,624
Tesla	\$52,782,776	\$4,412,640
Total	\$268,281,894	\$18,699,648

* Estimated STE totals may not add up due to rounding.

** Qualified Property amounts are based on requests at the time of initial application.

*** Because Applicants share the same parent company, they are capped at receiving \$10 million in total.

**Attachment B: Pipeline of 2020 Applications Approved and Pending after
the January 2020 Board Meeting**

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Partial Award from 2019	Qualified Property	Estimated STE*
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Remaining in 2020	\$1,193,905,137.60	\$99,810,470

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Lam Research Corporation	\$119,617,224	\$10,000,000
March Subtotal	\$902,706,140.00	\$75,466,233
Total To Date	\$1,146,199,028.20	\$95,822,239
Lockheed Martin Corporation	\$119,617,224	\$10,000,000
<i>Award Effective Immediately (from 2020 Cap)</i>	\$49,973,220.60	\$4,177,761
March Subtotal	\$952,679,360.60	\$79,643,994
Total To Date	\$1,196,172,248.80	\$100,000,000
Remaining in 2020	\$0.00	\$0
<i>Award Effective 2021 (from 2021 Cap)</i>	\$69,644,003.40	\$5,822,239

Applications Received After Deadline and Before CAEATFA Stopped Accepting Applications		
Waistlisted Applicants	Qualified Property**	Estimated STE
Arqlite SPC	\$1,779,282	\$148,748
Applied Medical Corporation	\$67,619,400	\$5,652,982
AMRO Fabricating Corporation	\$5,120,000	\$428,032
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