

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

Board Meeting Date: Tuesday, December 10, 2024

***Request to Approve an Extension of the Initial Term of the Regulatory Agreement
and to Amend the Sales and Use Tax Exclusion Award Resolution to Add a
Participating Party¹***

**BHE Renewables, LLC; Magma Power Company; BHER Minerals, LLC; CE
Generation, LLC; TerraLithium, LLC; TL BHER Holdings, LLC; and
BHER TL Tech, LLC
Application No. 22-SM020**

Prepared By: *Jeannie Yu, Program Analyst*

SUMMARY

Applicant: BHE Renewables, LLC; Magma Power Company; BHER Minerals, LLC; CE Generation, LLC; TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC (previously applied as BHE Renewables, LLC; and its subsidiaries Magma Power Company; BHER Minerals, LLC; and CE Generation, LLC)

Location: Calipatria, Imperial County

Industry: Lithium Recovery and Processing

Project: New Lithium Recovery and Processing Facility (Advanced Transportation)

Total Amount Qualified Property Approved: \$21,434,530

Estimated Sales and Use Tax Exclusion Amount at Approval:² \$1,821,935

Initial Board Approval Date: June 21, 2022

Amount of Time Requested:

- Requesting a one-year, six-month and 10-day extension, until December 31, 2026, for the Initial Term of the Regulatory Agreement (a total of four years, six months and 10 days from the date of initial CAEATFA Board approval of June 21, 2022)

¹ All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program's statutes and regulations.

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

Staff Recommendation: Approval

BACKGROUND

On June 21, 2022, the CAEATFA Board approved a Sales and Use Tax Exclusion (“STE”) award for BHE Renewables, LLC, and its subsidiaries Magma Power Company; BHER Minerals, LLC; and CE Generation, LLC (“BHE and Subsidiaries”) for the purchase of up to \$21,434,530 in Qualified Property to build a new lithium recovery and processing facility located in Calipatria (the “Project”). The Regulatory Agreement (“Agreement”) initial term provided BHE and Subsidiaries with three years from the date of CAEATFA Board approval to utilize its STE award.³

As of July 2024, BHE and Subsidiaries have used the STE award to purchase approximately \$3.7 million of Qualified Property (17% of the total Qualified Property approved). BHE and Subsidiaries are requesting to extend the Agreement initial term to accommodate changes with its lithium recovery technology.

On September 12, 2024, BHE and Subsidiaries submitted a request to add TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC as participating parties on the STE award approval resolution. According to the Applicant, BHE Renewables, LLC and Occidental Petroleum Corporation (“Occidental”) have formed a joint venture creating the TL BHER Holdings, LLC and its subsidiary, BHER TL Tech, LLC. The addition of TerraLithium, LLC is due to its Direct Lithium Extraction (“DLE”) and associated technologies needed for the Project.

THE APPLICANT

BHE Renewables, LLC; Magma Power Company; BHE Minerals, LLC; CE Generation, LLC; TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC (collectively the “Applicant”), are Delaware and Nevada companies that formed in 2011, 1981, 2020, 1999, 2019, 2024, and 2024, respectively. BHE and Subsidiaries are all subsidiaries of Berkshire Hathaway Inc., a publicly traded company on the NSYE under the symbol BRK.A. with corporate headquarters in Urbandale, Iowa.

Previously, other subsidiaries of Berkshire Hathaway Inc. have received STE awards for separate projects including:

- June 2022, the CAEATFA Board granted BHE Renewables, LLC, and its subsidiaries Magma Power Company and CE Generation, LLC an STE award for the purchase of up to \$188,422,290 in Qualified Property for an estimated STE value of \$16,015,895 to build a new geothermal steam production facility located in Calipatria. As of November 2024, no purchases of Qualified Property have been made. This applicant also has an extension and modification request before the Board.

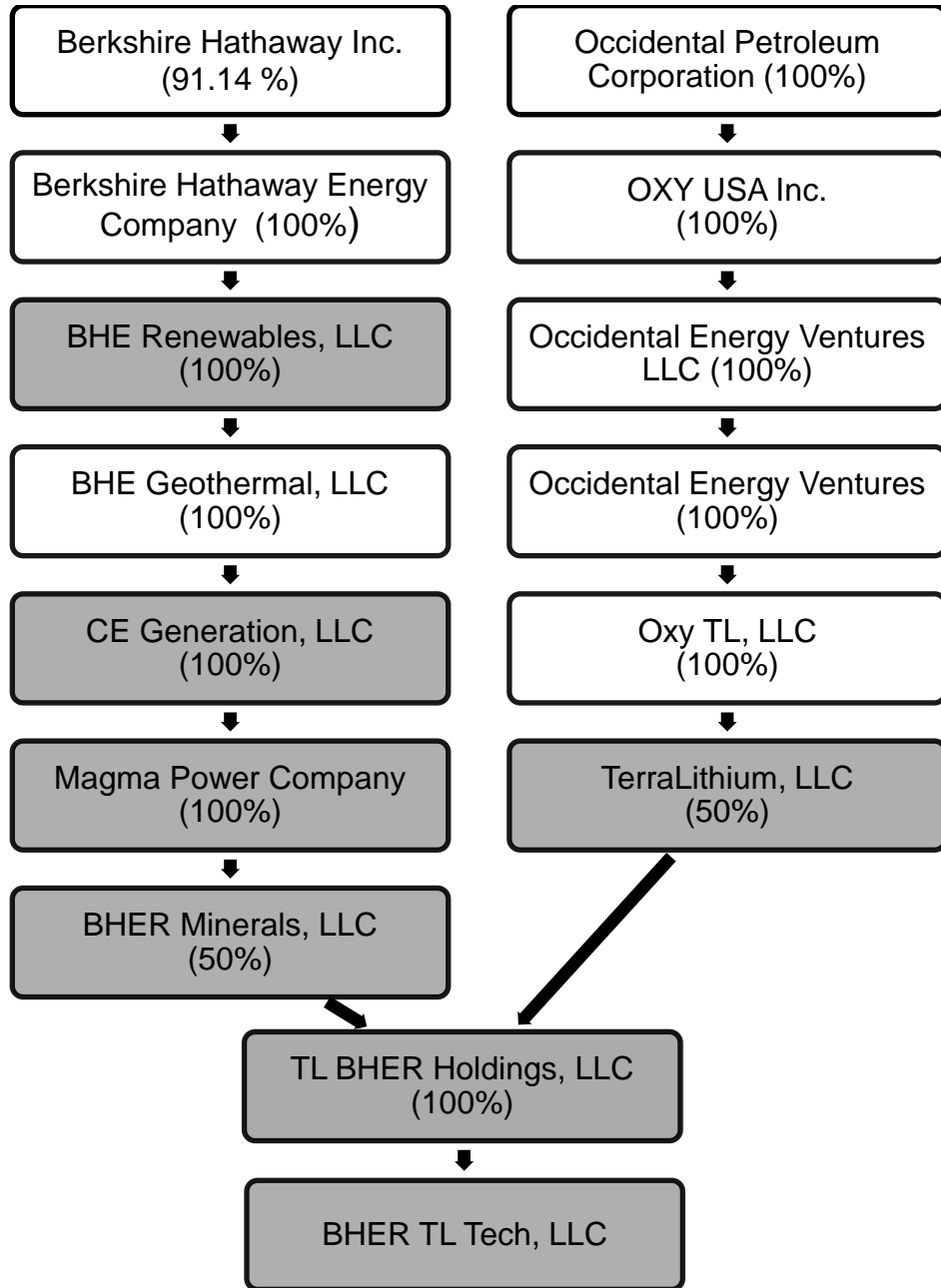
³ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

Agenda Item – 4.B.2
Resolution No. 22-SM020-02

- July 2023, the CAEATFA Board granted BHE Renewables, LLC, and its subsidiaries, Magma Power Company; Elmore North Geothermal LLC; and CalEnergy Operating Corporation an STE award for the purchase of up to \$239,233,728 in Qualified Property for an estimated STE value of \$19,999,940 to construct a new geothermal brine and steam production facility located in Calipatria. As of November 2024, no purchases of Qualified Property have been made. This applicant also has an extension and modification request before the Board.

- July 2024, the CAEATFA Board granted BHE Renewables, LLC and its subsidiaries, Magma Power Company and Morton Bay Geothermal LLC an STE award for the purchase of up to \$236,966,824.64 in Qualified Property for an estimated STE value of \$20,000,000 to construct a new geothermal brine and steam production facility located in Calipatria. As of November 2024, no purchases of Qualified Property have been made.

The ownership structure of the Applicant is as follows:



The Applicant Company Officers:

BHE Renewables, LLC:

- Alicia Knapp, President, CEO & Manager
- Jake S. Anonson, Vice President
- Eric Bowen, Vice President, Wind & Gas Ops
- Alan Brown, Vice President
- Jennifer L. Cavanagh, Vice President
- James W Dougherty, Senior Vice President, Operations
- Jeffery B. Erb, Secretary
- James C. Galt, Vice President and Assistant Treasurer
- Robert D. Garman, Vice President & Assistant General Counsel
- Jonathan D.Hale, Vice President, Taxation
- Todd A. Anlike, Vice President & Treasurer
- Matt A. Mitchell, Vice President
- Steven C Rowley, Vice President, Energy Marketing & Trading
- Eric J. Smith, Vice President
- Bryan Whitcomb, Vice President, Geothermal & Solar Ops
- Kristina M. Williams, Manager, Senior Vice President & Chief Financial Officer

TerraLithium, LLC:

- Jeff Alvarez, President & Manager
- J. Shayne Buchanan, Vice President
- Jennifer L. Buchanan, Vice President
- Jaime R. Casas, Vice President and Treasurer
- Christopher O. Champion, Vice President
- Nicole E. Clark, Vice President and Secretary
- Tim Hillsley, Vice President
- Derek L. Willis, Vice President
- Robert L. Zeller, Vice President & Manager
- James E. Holtz, Assistant Treasurer
- Thomas D. Irwin, Assistant Treasurer
- Jason A. Schmitz, Assistant Treasurer
- J. Kelly Burrows, Assistant Secretary
- Jimmy Castro, Assistant Secretary
- Michael R. Horne, Assistant Secretary
- Gina Karathanos, Assistant Secretary
- Terry Laughlin, Assistant Secretary
- Derek L. Willis, Manager

THE PROJECT

The Applicant received an STE award to build a new lithium recovery and processing facility located in Calipatria. According to the Applicant, the Project will recover lithium from geothermal brine produced through the Applicant's geothermal brine and steam production facilities, including existing geothermal facilities and a new facility, which received an award in July 2024.

The Applicant states that the Project will initiate with a lithium recovery demonstration process to demonstrate the viability of extracting lithium from the produced geothermal brine. A subsequent lithium carbonate demonstration process will follow to demonstrate the viability of processing the lithium into battery-grade lithium carbonate monohydrate to be used in lithium-ion batteries for zero-emissions vehicles.

AGREEMENT INITIAL TERM EXTENSION REQUEST

The Applicant has requested that the initial term of the Agreement be extended from June 21, 2025 to December 31, 2026, in order to accommodate changes with its lithium recovery technology.

STAFF EVALUATION

The CAEATFA Board can extend the initial term of the Agreement upon a finding that an extension is in the public interest and advances the purposes of the STE Program.⁴

The Applicant states it previously implemented a portion of the Project and began testing the lithium recovery process from geothermal brine but faced challenges with consistency. The goal of the Project is to reconstruct and operate a demonstration lithium extraction process that can consistently process 30 gpm of geothermal brine and achieve a 93% recovery rate of the lithium. As of April 2024, following its collaboration with Occidental, BHE and Subsidiaries have updated its technology. The DLE pilot test phase is scheduled from April 2024 to July 2025, and the Project is expected to be completed in January 2026. The Applicant states it will continue with commissioning and operations throughout 2026 to gather data on the economic viability of the DLE technology.

Staff has reviewed the Applicant’s extension request and considered that the Applicant has found a path forward by creating a joint venture with a partner that has experience and expertise in lithium recovery. With a technology revamp, which involves transitioning from a conductive and ion exchange process to the use of a proprietary sorbent, a method proven to shorten the time needed for testing and experimentation, the Applicant believes it will be able to demonstrate technology that supports the economical production of battery-grade lithium carbonate or lithium hydroxide. Staff also considered that the Applicant has made equipment purchases and provided a new timeline outlining the various stages of the Project with plans to complete the Project by January 2026.

Based on this information, Staff believes extending the initial term of the Agreement will allow for the Project to be completed, and is, therefore, in the public interest and advances the purposes of the STE Program.

Statue limits the use of CAEATFA’s sales and use tax exclusion to any “participating party” (Revenue and Taxation Code Section 6010.8). Public Resources Code Section 26003(a)(7)(B) defines “participating party” as an entity that seeks financial assistance pursuant to Section 26011.8, which establishes the Sales and Use Tax Exclusion Program. Section 3 of the approval resolution provides that the Applicant is a “participating party” within the meaning of Public Resources Code Section 26003(a)(7).

⁴ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(B)

Amending the resolution to add TerraLithium, LLC, TL BHER Holdings, LLC, BHER TL Tech, LLC as participating parties will allow the proposed Project to continue and the state to receive the estimated benefits of the original Project.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant’s Legal Status portion of the extension request. No information was disclosed concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁵ the Applicant has paid an additional fee of \$2,500 because adding participating parties and extending the initial term qualifies as a modification to the Applicant’s Agreement.

RECOMMENDATION

Staff recommends that the Board approve the Applicant’s request to extend the initial term of the Agreement by one year, six months and 10 days until December 31, 2026, as it is in the public interest and advances the purposes of the STE Program, and the remaining term shall be for a period of six years, six months and 10 days, until December 31, 2028, for providing annual compliance reports.⁶

Staff also recommends that the Board approve the Applicant’s request to amend Resolution No. 22-SM020-01 to add TerraLithium, LLC; TL BHER Holdings, LLC; BHER TL Tech, LLC as participating parties to the Regulatory Agreement.

ATTACHMENTS

Attachment A: BHE Renewables, LLC; Magma Power Company; BHER Minerals, LLC; CE Generation, LLC; TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC.’s letter requesting waiver (October 15, 2024)

Attachment B: BHE Renewables, LLC, Magma Power Company; BHER Minerals, LLC; CE Generation, LLC; TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC.’s staff summary at the time of approval

⁵ California Code of Regulations Title 4, Division 13, Section 10036(c)(1)(B)

⁶ California Code of Regulations Title 4, Division 13, Section 10035(a)(2)

**RESOLUTION APPROVING A TIME EXTENSION FOR BHE RENEWABLES, LLC;
MAGMA POWER COMPANY; BHER MINERALS, LLC; CE GENERATION, LLC;
TERRALITHIUM, LLC; TL BHER HOLDINGS, LLC; AND BHER TL TECH, LLC'S
INITIAL TERM FOR THE REGULATORY AGREEMENT AND AMENDING
RESOLUTION NO. 22-SM020-01 TO ADD TERA TERRALITHIUM, LLC; TL BHER
HOLDINGS, LLC; AND BHER TL TECH, LLC AS PARTICIPATING PARTIES**

December 10, 2024

WHEREAS, on June 21, 2022, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority"), a public instrumentality of the State of California, approved a Sales Tax Exclusion ("STE") in the amount of \$21,434,530 of Qualified Property for **BHE Renewables, LLC and its subsidiary Magma Power Company; BHER Minerals, LLC; and CE Generation, LLC** (the "Applicant"); and

WHEREAS, within three (3) years of approval by the Authority, the Applicant must make all Qualified Property purchases (STE Program regulations Section 10035(b)(1)); and

WHEREAS, upon a finding that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that all purchases of Qualified Property be made within three (3) years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property within three (3) years, due to unexpected delays in the Project timeline, extending the term by one (1) year, six (6) months and ten (10) days to December 31, 2026; and

WHEREAS, granting the waiver will allow the Project to proceed and the state to receive the anticipated environmental and economic benefits that justified the initial approval of the Project in accordance with the law, thereby advancing both the public interest and the purposes of the Program.

WHEREAS, TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC have the authority and responsibility to complete a portion of the Project as described in the Application; and

WHEREAS, the Applicant requests the Authority amend the Regulatory Agreement by amending Resolution No. 22-SM020-01 to include TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC as participating parties;

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

Agenda Item – 4.B.2
Resolution No. 22-SM020-02

Section 1. The Authority finds that it is in the public interest and advances the purposes of the Program to extend the Applicant’s initial term of the Regulatory Agreement to December 31, 2026.

Section 2. Resolution No. 22-SM020-01 dated June 21, 2022 is amended to add TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC as participating parties to the Regulatory Agreement

Section 3. This resolution shall take effect immediately upon its passage.

Attachment A: BHE Renewables, LLC; Magma Power Company; BHER Minerals, LLC; CE Generation, LLC; TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC’s Letter Requesting Waiver (October 15, 2024)



October 15, 2024

Jeannie Yu
Sales and Use Tax Exclusion Analyst
California Alternative Energy and Advanced Transportation Financing Authority

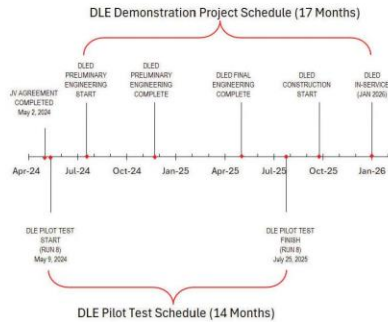
Re: California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) – Sales and Use Tax Exclusion (“STE”) Program Application, Extension Request, Ownership Update and Change in Scope

Dear Ms. Yu:

BHE Renewables, LLC (“BHE Renewables”) proposes the following updates to the Regulatory Agreement for Resolution No. 22-SM020-01 to extend the current Initial Term deadline, update the ownership as the result of entering a joint venture, and updating the scope, along with their respective justifications.

Proposed Extension: Please extend the current deadline from June 21, 2025, to December 31, 2026.

Justification: As part of the joint venture a new technology will be implemented. A pilot test must be conducted for the second time to validate the new process prior to moving to the demonstration scale. Below is the complete updated timeline. Equipment is planned to be purchased between the DLED Preliminary Engineering Start and the DLED In-Service. The timing is dictated by the lead time required for the vendors to complete fabrication and ship the equipment we need to implement the updated technology being used.



Assurance: The project now has two companies invested into this project and are working together toward the goal of having the project complete within the timeline. Using each company’s strengths will help assure the timeline is met. The use of the proprietary sorbent is a more proven method which will shorten the time needed for testing and experimentation.

Proposed Ownership Update: BHE Renewables, LLC and its subs Magma Power Company, BHER Minerals, LLC, and CE Generation, LLC; TerraLithium, LLC, TL BHER Holdings, LLC, BHER TL Tech, LLC.

Justification: BHE Renewables, LLC and Occidental Petroleum Corporation have formed a joint venture creating the new company: TL BHER Holdings, LLC. This new company will be deploying TerraLithium’s

**Agenda Item – 4.B.2
Resolution No. 22-SM020-02**

Direct Lithium Extraction and associated technologies to extract and commercially produce high-purity lithium compounds from geothermal brine. See below for the ownership structure.

| | |
|--|---|
| TL BHER Holdings, LLC owns 100% BHER TL Tech, LLC | |
| BHER Minerals, LLC owns 50% of TL BHER Holdings, LLC | TerraLithium, LLC owns 50% of TL BHER Holdings, LLC |
| Magma Power Company owns 100% of BHER Minerals, LLC | Oxy TL, LLC owns 100% of TerraLithium, LLC |
| CE Generation, LLC owns 100% of Magma Power Company | Occidental Energy Ventures, LLC owns 100% of Oxy TL, LLC |
| BHE Geothermal, LLC owns 100% of CE Generation, LLC | Oxy Energy Services, LLC owns 100% of Occidental Energy Ventures, LLC |
| BHE Renewables, LLC owns 100% of BHE Geothermal, LLC | OXY USA Inc. owns 100% of Oxy Energy Services, LLC |
| Berkshire Hathaway Energy Company owns 100% of BHE Renewables, LLC | Occidental Petroleum Corporation owns 100% of OXY USA Inc. |
| Berkshire Hathaway Inc. owns 91.14% of Berkshire Hathaway Energy Company | |

Proposed Scope Update: BHE Renewables requests the remaining \$17,691,763.58 in approved exclusion of Qualified Property be approved to be used for the purchase of equipment necessary for implementing the new technology for the direct lithium extraction.

Justification: This is still a direct lithium extraction project but using updated technology. The new technology being used requires all the original equipment be removed and new equipment be installed. The equipment does not differ from the approved Qualified Property in the application, but the original equipment must be replaced to the updated technology to properly execute the new process. The goal of DLE Demonstration is to construct and operate a demonstration lithium extraction process that consistently processes 30 gpm of geothermal brine and achieves a 93% recovery rate of lithium (Li) contained in a solution of LiCl, using series of adsorption columns with proprietary sorbent media. Additionally, the project will demonstrate that the technology supports the economical production of battery-grade lithium carbonate or lithium hydroxide. The proprietary sorbent being used is the main difference from the prior method and requires the use of the updated equipment.

Please let me know of any questions or more information we can provide.

Sincerely,



Alan Brown
Vice President

Attachment B: BHE Renewables, LLC; Magma Power Company; BHER Minerals, LLC; CE Generation, LLC; TerraLithium, LLC; TL BHER Holdings, LLC; and BHER TL Tech, LLC’s Staff Summary at the Time of Approval

The original award staff summary can be found [on the CAEATFA website](#).

**Agenda Item - 4.A.1
Resolution No. 22-SM020-01**

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**BHE Renewables, LLC, and its subsidiaries Magma Power Company,
BHER Minerals, LLC, and CE Generation, LLC
Application No. 22-SM020**

Tuesday, June 21, 2022

Prepared By: *Matthew Jumps, Program Analyst*

SUMMARY

Applicant – BHE Renewables, LLC, and its subsidiaries Magma Power Company, BHER Minerals, LLC, and CE Generation, LLC

Location – Calipatria, Imperial County

Industry – Lithium Recovery and Processing

Project – New Lithium Recovery and Processing Facility (Advanced Transportation)

| Value of Qualified Property | Estimated Sales and Use Tax Exclusion (“STE”) Amount ² |
|-----------------------------|---|
| \$21,434,530 | \$1,821,935 |

| Estimated Net Benefit ³ | Dollar Value | Points Earned |
|---|--------------------|---------------|
| Estimated Fiscal Benefits | \$1,836,944 | 1,008 |
| Estimated Environmental Benefits | \$138,939 | 76 |
| Additional Benefits | N/A | 250 |
| Total | \$1,975,883 | 1,334 |
| Estimated Quantifiable Net Benefit | \$153,948 | |

Competitive Criteria Score – 255

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).)

**Agenda Item – 4.B.2
Resolution No. 22-SM020-02**

**Agenda Item - 4.A.1
Resolution No. 22-SM020-01**

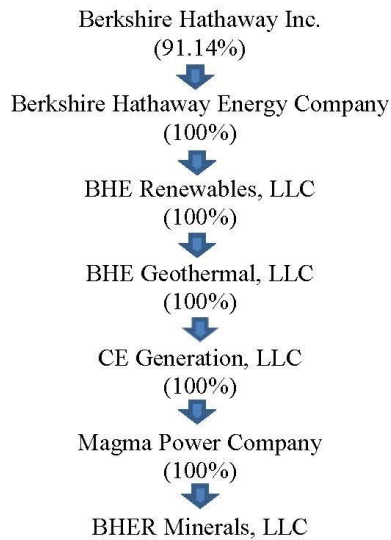
THE APPLICANT

BHE Renewables, LLC, and its subsidiaries Magma Power Company, BHER Minerals, LLC, and CE Generation, LLC (the “Applicant”), are Delaware and Nevada companies that formed in 2011, 1981, 2020, and 1999 respectively. The Applicant are all subsidiaries of Berkshire Hathaway Inc., a publicly traded company on the NSYE under the symbol BRK.A. The Applicant has its corporate headquarters in Urbandale, Iowa.

On August 29, 2011, the CAEMATFA Board granted a subsidiary, CE Obsidian Energy, LLC, of the Applicant’s parent company, Berkshire Hathaway, Inc., an STE award for the purchase of up to \$174,453,978 in Qualified Property for an estimated STE value of \$14,130,772 to construct a geothermal power project in Imperial County. CE Obsidian Energy, LLC, did not make any Qualified Property purchases and its Regulatory Agreement with CAEMATFA ended on December 31, 2019.

The Applicant received a \$6,000,000 matching grant from the California Energy Commission.

The ownership structure of the Applicant is:



The corporate officers of the Applicant are:
Alicia Knapp, President, CEO and Manager
Thomas W. Cross, VP, CFO, Treasurer, and Manager
Rob Berntsen, SVP and General Counsel
Jake S. Anonson, VP
Alan Brown, VP
Jennifer L. Cavanagh, VP
Jeffery B. Erb, Secretary
Robert Bernsten, Manager and VP, General Counsel and Assistant Secretary
Jonathan D. Hale, VP of Taxation
Matthew A. Mitchell, VP
Eric J. Smith, VP
Bryan Whitcomb, VP of Geothermal and Solar Ops
Eric Bowen, VP of Wind and Gas Ops
James C. Galt, AVP and Assistant Treasurer

THE PROJECT

BHE Renewables, LLC, and its subsidiaries Magma Power Company, BHER Minerals, LLC, and CE Generation, LLC, are requesting an STE award to build a new lithium recovery and processing facility located in Calipatria (the “Project”). According to the Applicant, the Project will recover lithium from geothermal brine produced through the Applicant’s geothermal brine

**Agenda Item – 4.B.2
Resolution No. 22-SM020-02**

**Agenda Item - 4.A.1
Resolution No. 22-SM020-01**

and steam production facilities, including existing geothermal facilities and a new facility, which is also before the Board for consideration for an STE award at the June board meeting. That project will produce geothermal brine and steam from the Salton Sea Known Geothermal Resource Area to be used as an alternative source fuel. The Applicant states that the Project will initiate with a lithium recovery demonstration process to demonstrate the viability of extracting lithium from the produced geothermal brine. A subsequent lithium carbonate demonstration process will follow to demonstrate the viability of processing the lithium into battery-grade lithium carbonate monohydrate to be used in lithium-ion batteries for zero-emissions vehicles.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

| | |
|--|----------------------------|
| Lithium Recovery Equipment | 6,668,729 |
| Lithium Carbonate Production Equipment | 14,765,801 |
| Total | <u>\$21,434,530</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 Project is currently under construction and set to be completed for testing and commissioning by the end of 2022 and be fully operational within the first quarter of 2023.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, the appropriate permits and certifications have been issued or approved, including a California Environmental Quality Act Notice of Exemption, an Imperial County Conditional Use Permit, an Acid Tank Scrubber Authority to Construct permit, a Waste Discharge Permit from the Regional Water Quality Control Board, a building permit from Imperial County, and a Construction Trailers and temporary Power Permit. The Applicant states that all permits have been approved for the lithium recovery demonstration process, while an Acid Tank Scrubber Authority to Act and a building permit from Imperial County are being processed for the lithium carbonate demonstration process. Those permits are expected to be approved in 2022.

COMPETITIVE CRITERIA SCORE

The Applicant received 255 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Project that produces an Advanced Transportation technology, and, therefore, 100 points are awarded.
2. **Unemployment (50 of 50 points)**. The Applicant’s Project’s primary Facility is located in Imperial County, which has an average annual unemployment rate of 17.3%.⁴ When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 50 points.
3. **Job Creation (30 of 75 points)**. The Applicant anticipates the Project will support a total of 27 production-related jobs at its Facility. CAEATFA estimates that approximately 3.41 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 30 points.
4. **California Headquarters (0 of 15 points)**. The Applicant does not have a California Corporate Headquarters, and, therefore, zero points are awarded.
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 (75 of 75 points)**. The Project’s industry, lithium recovery, is in an Emerging Strategic Industry, and, therefore, 75 points are awarded.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 1,334 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 76 points, which exceeds the 20-point threshold.

⁴ Unemployment rates are based on data available in December 2021.

Agenda Item – 4.B.2
Resolution No. 22-SM020-02

Agenda Item - 4.A.1
Resolution No. 22-SM020-01

- A. **Fiscal Benefits (1,008 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 \$1,836,944, resulting in a Fiscal Benefits score of 1,008.
- B. **Environmental Benefits (76 points)**. The Project is anticipated to result in \$138,939 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 76 points. These benefits derive from the capacity of lithium batteries in zero-emissions vehicles to store energy, which offsets the use of fossil fuels and carbon dioxide emissions from internal combustion engine vehicles.
- C. **Additional Benefits (250 points)**. Applicants may earn additional points for their Total Score. The Applicant received 250 additional points.
1. **Production Jobs (30 of 75 points)**. The Applicant anticipates the Project will support a total of 27 production-related jobs at its Facility. CAEATFA estimates that approximately 3.41 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 30 points.
 2. **Construction Jobs (30 of 75 points)**. The Applicant anticipates the Project will support a total of 20 construction jobs at its Facility. CAEATFA estimates that approximately 2.53 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 30 points.
 3. **Unemployment (50 of 50 points)**. The Applicant’s Project is located in Imperial County, which has an average annual unemployment rate of 17.3%. When compared to the statewide average annual unemployment rate of 7.9%, the Project location earned the Applicant 50 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 lithium recovery from geothermal brine and lithium carbonate production.
 5. **Workforce Partnerships (25 of 25 points)**. The Applicant has a partnership with Imperial Valley College for the purpose of training workers for lithium recovery operations.
 6. **Industry Cluster (25 of 25 points)**. The industry associated with this Application has been identified by Lithium Valley Commission as a strategic cluster of the region of the Project’s location.

**Agenda Item – 4.B.2
Resolution No. 22-SM020-02**

**Agenda Item - 4.A.1
Resolution No. 22-SM020-01**

7. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, vision, bonuses, retirement contributions, profit sharing, education reimbursement, employee discounts, and paid leave benefits to its employees, earning the Applicant 25 points.
8. **Emerging Strategic Industry (40 of 40 points)**. The Project's industry, lithium recovery, is in an Emerging Strategic Industry, earning the Applicant 40 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,⁵ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$85,738.12.

RECOMMENDATION

Staff recommends the approval of Resolution No. 22-SM020-01 for BHE Renewables, LLC, and its subsidiaries Magma Power Company, BHER Minerals, LLC, and CE Generation, LLC's purchase of qualifying tangible personal property in an amount not to exceed \$21,434,530 anticipated to result in an approximate STE value of \$1,821,935.

⁵ California Code of Regulations Title 4, Division 13, Section 10036

**Agenda Item – 4.B.2
Resolution No. 22-SM020-02**

**Agenda Item - 4.A.1
Resolution No. 22-SM020-01**

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH BHE RENEWABLES, LLC, AND ITS
SUBSIDIARIES MAGMA POWER COMPANY, BHER MINERALS, LLC,
AND CE GENERATION, LLC**

June 21, 2022

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **BHE Renewables, LLC, and its subsidiaries Magma Power Company, BHER Minerals, LLC, and CE Generation, 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 \$21,434,530 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).

Agenda Item – 4.B.2
Resolution No. 22-SM020-02

Agenda Item - 4.A.1
Resolution No. 22-SM020-01

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.