Agenda Item - 4.A.10
Resolution No. 26-SM005-01

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Board Meeting Date: Tuesday, September 15, 2026

***Request to Approve Project for a Sales and Use Tax Exclusion*[1]**

Diatomic Williams, LLC
Application No. 26-SM005

Prepared By: *Lindsay Guthrie, Program Analyst*

SUMMARY

Applicant: Diatomic Williams, LLC

Location: Williams, Colusa County

Industry: Syngas Manufacturing

Project: New Syngas Manufacturing Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion ("STE") Amount[2]
$20,219,300	$1,718,641

Estimated Net Benefit[3]	Dollar Value	Points Earned
Estimated Fiscal Benefits	$2,638,372	1,535
Estimated Environmental Benefits	$5,036,195	2,930
Additional Benefits	N/A	148
Total	**$7,674,567**	**4,613**
Estimated Quantifiable Net Benefit	$5,955,926	N/A

Competitive Criteria Score: 170

Staff Recommendation: Approval

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[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).)

THE APPLICANT

Diatomic Williams, LLC (the "Applicant") is a subsidiary of NCT Holdco, LLC and was formed in Delaware as a limited liability company in 2025. Headquartered in Oakdale, Minnesota, the Applicant specializes in producing hydrogen rich syngas for power generation, along with a biocarbon co-product used in municipal water treatment and gold mining applications.

The major shareholder (10.0% or greater) of the Applicant is:

- NCT Holdco, LLC (100%)

The major shareholder (10.0% or greater) of NCT Holdco, LLC is:

- Ettore, LLC

The corporate officers of the Applicant are:

- James A. Mennell, CEO
- Douglas D. Rohall, CFO

THE PROJECT

Diatomic Williams, LLC requests a sales and use tax exclusion ("STE") award to build a new syngas facility located in Williams (the "Project"). The Project will convert California-sourced agricultural waste biomass, primarily nut shells and similar orchard residues into hydrogen-rich syngas using a thermochemical pyrolysis-and-reformation process. The resulting syngas can be used as a substitute for fossil-fuel-derived hydrogen or syngas in industrial, energy, and chemical applications, and will be combusted on site to generate electricity.

In addition to syngas, the Project will produce a high-purity biocarbon co-product. Biocarbon can be used as a coal-replacement reductant in metals production, as a feedstock for granular and powdered activated carbon in drinking water and wastewater treatment, and as a soil amendment.

The Applicant is also pursuing California Low Carbon Fuel Standard (LCFS) credits and/or Renewable Hydrogen Refueling Credits, along with federal tax incentives including the IRA Section 45V clean hydrogen production tax credit and IRA Section 45Q carbon oxide sequestration credits.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases		Cost
Pyrolizer System		$1,125,000
Reformer System		$1,125,000
Water Boiler - Reformer		$250,000
Combustor - Reformer		$1,800,000
Combustor - Pyrolizer		$1,800,000
Roll Crusher		$80,500
Raw Storage Reclaimer		$150,000
Crushed Storage Reclaimer		$95,000
Belt Conveyors		$47,000
Drag Conveyors		$120,000
Screw Conveyors		$85,000
Cooling Screw Conveyors		$275,000
Bucket Elevators		$220,000
Airlocks		$64,000
Dampers		$74,000
Fans		$275,000
Screening Station		$185,000
Bagging Stations		$87,500
Expansion Joints		$72,000
Refractory Ductwork		$146,250
Stainless Steel Ductwork		$441,750
Combustor/Selective Non-Catalytic Reduction System		$2,400,000
Baghouse - Particulate Control		$625,000
Stack		$320,000
Front-end Loader		$350,000
Fire Suppression System		$93,750
Piping		$318,750
Electrical and Instrumentation		$3,168,750
Structural Supports		$242,550
Foundations		$3,937,500
Spare Parts Inventory		$245,000
	Total	**$20,219,300**

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. In accordance with the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

Timeline
The facility site is currently in the pre-construction development phase. Construction is expected to start in October of 2026. Commissioning and Qualified Property placed-in-service date is expected in Q4 2027.

Status of Permits/Other Required Approvals
According to the Applicant, the CEQA/Conditional Use Permit has been approved. The Colusa County Air Pollution Control District (APCD) Authority to Construct permit is expected to be issued in Q2 2027. Colusa County land use and building permits are expected to be issued prior to the start of construction. The Stormwater (NPDES Construction General Permit) will be filed with the State Water Resources Control Board prior to ground disturbance.

COMPETITIVE CRITERIA SCORE

The Applicant received 170 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 (50 of 50 points).** The Applicant's Project is located in Colusa County, which has an average annual unemployment rate of 13.1%.[4] When compared to the statewide average annual unemployment rate of 5.5%, the Project location earned the Applicant 50 points.

3. **Job Creation (20 of 75 points).** The Applicant anticipates the Project will support a total of 12 production-related jobs at its Facility. CAEATFA estimates that approximately one of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 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.

[4] Unemployment rates are based on data available in March 2026.

7. **Emerging Strategic Industry (0 of 75 points).** The Project's industry is not in an Emerging Strategic Industry, as defined by CAEATFA, therefore, zero points are awarded.

PROJECT EVALUATION

Project Benefits
The Project received a Total Score of 4,613 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 2,930 points, which exceeds the 20-point threshold.

1. **Fiscal Benefits (1,535 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 $2,638,372, resulting in a Fiscal Benefits score of 1,535.

2. **Environmental Benefits (2,930 points).** The Project is anticipated to result in $5,036,195 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 2,930 points. These benefits derive from the annual expected energy generation capacity of the syngas and diversion of biomass waste from open burning and landfills.

3. **Additional Benefits (148 points).** Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 148 Additional Benefits points.

   A. **Production Jobs (20 of 75 points).** The Applicant anticipates the Project will support a total of 12 production-related jobs at its Facility. CAEATFA estimates that approximately one of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.

   B. **Construction Jobs (40 of 75 points).** The Applicant anticipates the Project will support a total of 67 construction jobs at its Facility/Facilities. CAEATFA estimates that approximately seven 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 40 points.

   C. **Unemployment (50 of 50 points).** The Applicant's Project is located in Colusa County, which has an average annual unemployment rate of 13.1%. When compared to the statewide average annual unemployment rate of 5.5%, the Project location earned the Applicant 50 points.

D. **Non-CA Environmental Benefits (13 of 40 points).** The Applicant's total value of out-of-state non-greenhouse gas emissions pollution benefits are valued at $43,082.77 resulting in a Non-CA Environmental Benefits Score of 13 points for the Project.

E. **Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental & vision benefits, bonuses, pension plans, retirement contributions, education reimbursement, and paid leave to its employees, earning the Applicant 25 points.

LEGAL STATUS QUESTIONNAIRE

The Applicant indicated they had nothing to report for the questions contained in the Legal Status portion of the Application. Staff conducted a broad online search of publicly available sources, including SEC Form 10-K filings and OSHA records, as well as other relevant sources as appropriate, and did not find any matters affecting the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,[5] the Applicant paid CAEATFA an Application Fee of $10,000 and will pay CAEATFA a total Administrative Fee of $80,877.20 should the Applicant be approved for an award. Upon execution of the Regulatory Agreement, the Applicant shall pay $40,438.60.

RECOMMENDATION

Staff recommends the approval of Resolution No. 26-SM005-01 for Diatomic Williams, LLC's purchase of qualifying tangible personal property in an amount not to exceed $20,219,300 anticipated to result in an approximate STE value of $1,718,641. The initial term of the Regulatory Agreement will be for a period of five years, until September 15, 2031, and the full term shall be for a period of 12 years, until September 15, 2038, for providing annual compliance reports.

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

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A REGULATORY AGREEMENT WITH DIATOMIC WILLIAMS, LLC

September 15, 2026

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority") has received the Application of **Diatomic Williams, 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 $20,219,300 over a period of five (5) 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 that do not affect eligibility, 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 for up to an additional thirty (30) days, if necessary.