



MICHIGAN STRATEGIC FUND

DATE: December 27, 2018

TO: Senator Jim Stamas, Chair
Senate Appropriations Subcommittee
on General Government

Representative Rob VerHeulen, Chair
House Appropriations Subcommittee
on General Government

Senator Wayne Schmidt, Chair
Senate Commerce Committee

Representative Eric Leutheuser, Chair
House Commerce & Trade Committee

Senator Ken Horn, Chair
Senate Economic Development &
International Investment Committee

FROM: Jeff Mason, President
Michigan Strategic Fund

SUBJECT: Battery Cell Manufacturing Credits Report

As required in Section 434 of Public Act 36 of 2007, the Michigan Business Tax (MBT) Act, the Michigan Strategic Fund shall report on Battery Cell Manufacturing Credit project agreements created under MCL 208.1434(6) before July 1, 2012, and for project agreements amended after December 1, 2011 but before July 1, 2012 under MCL 208.1434(5). Pursuant to this requirement, the attached report is being provided.

Please contact the MEDC Office of Government Relations at 517.335.1847 if you have any questions.

Attachment

cc: Senator Coleman Young II, Minority Vice Chair, Senate Appropriations Subcommittee
on General Government
Representative David LaGrand, Minority Vice Chair, House Appropriations Subcommittee
on General Government
Senator Curtis Hertel, Jr., Minority Vice Chair, Senate Commerce Committee
Representative Darrin Camilleri, Minority Vice Chair, House Commerce & Trade
Committee Senator Rebekah Warren, Minority Vice Chair, Senate Economic Development
& International Investment Committee

**Battery Cell Manufacturing Credits
Report to the Legislature
Activity through December 31, 2018**

Section 434 of the Michigan Business Tax Act, Public Act 36 of 2007, allows the Michigan Economic Growth Authority (MEGA) to enter into agreements to provide tax credits or certificates to stimulate the domestic commercialization and affordability of high-power energy batteries. These are referred to as Battery Cell Manufacturing Credits.

MCL 208.1434(15) requires a report on project agreements created under MCL 208.1434(6) before July 1, 2012 and for project agreements amended after December 1, 2011 but before July 1, 2012 under MCL 208.1434(5). Under MCL 208.1434(5), five companies were granted the authority to enter into agreements with the MEGA. Executive Order 2012-9 transferred all powers and responsibilities from the MEGA to the Michigan Strategic Fund (MSF). No authority exists to award new tax credits against the MBT.

The companies that were authorized by MEGA Resolution are:

- A123 Subsystems, Inc.
- Dow Kokam MI, LLC
- Fortu PowerCell, Inc.
- LG Chem Michigan, Inc.
- Johnson Controls-Saft APS Production Inc.

All five companies have executed agreements with the MEGA. Under MCL 208.1434(5), one company, Xtreme Power, Inc., was granted the authority to enter into an agreement with the MEGA, but the agreement was never executed. Below is the detail for each battery cell project.

A123 Subsystems, Inc. was awarded a Battery Cell Manufacturing Credit by MEGA Resolution, as amended, on April 14, 2009 under MCL 208.1434(5). The Agreement was executed on November 20, 2009. In October 2012, A123 Subsystems, Inc. filed for bankruptcy and a Federal court ordered a bid process to occur. The company was issued tax credit certificates in 2012, 2013, 2014, and 2015.

- By agreement, the company was to create 300 jobs no later than December 31, 2016; as of September 30, 2012, 415 jobs were created and verified through the annual certificate application process.
- By agreement the company was to invest \$200 million in capital investment over four years; as of September 30, 2012, \$266,648,780 in capital investment was reported and verified through the annual certificate application process.

XALT Energy MI, LLC, formerly known as Dow Kokam MI, LLC, was awarded a Battery Cell Manufacturing Credit by MEGA Resolution, as amended, on April 14, 2009 under MCL 208.1434(5). The Agreement, as amended, was executed on November 13, 2009. Since the company was awarded its battery credit, it has gone through a number of name changes and, since December 6, 2013, the company's name is XALT Energy MI, LLC. The Federal Employer Identification Number remains the same as does the location in the City of Midland, in Midland County. The company was issued tax credit certificates in 2012, 2013, 2014, and 2015.

- By agreement, the company was to create 300 jobs no later than December 31, 2018; as of December 31, 2015, 397 jobs were created and verified through the annual certificate application process.
 - Indirect job creation was estimated at 146 jobs.¹
- By agreement the company was to invest \$200 million in capital investment over four years; as of December 2014, \$200,000,000 in capital investment was reported and verified by a third-party audit firm.
 - Indirect revenue as of December 2015, was estimated at \$17,073,704.¹

fortu PowerCell, Inc. was awarded a Battery Cell Manufacturing Credit by MEGA Resolution on March 16, 2010 under MCL 208.1434(5). The Agreement, as amended, was executed on June 14, 2010. The company has not shown progress in its construction. To date, no capital investment, job creation or construction has occurred. No tax credit certificate has been issued.

LG Chem Michigan Inc., formerly known as Compact Power Inc., was awarded a Battery Cell Manufacturing Credit by MEGA Resolution, as amended, on April 14, 2009 under MCL 208.1434(5). The Agreement was executed on November 20, 2009. The company was issued tax credit certificates in 2013, 2014, 2015 and 2016.

- By agreement, the company was to create 300 jobs no later than December 31, 2015; as of December 31, 2015, 409 were created and verified through the annual certificate application process.
 - Indirect job creation was estimated at 143 jobs.¹
- By agreement the company was to invest \$200 million in capital investment over four years; as of December 2014, \$291,069,338 in capital investment was reported and verified by a third-party audit firm.
 - Indirect revenue as of December 2014 was estimated at \$16,867,966.¹

Johnson Controls-Saft APS Production Inc., a joint venture, was awarded a Battery Cell Manufacturing Credit by MEGA Resolution, as amended, on April 14, 2009 under MCL 208.1434(5). The Agreement, as amended, was executed on November 12, 2009.

Since that time, Johnson Controls dissolved its joint venture between Johnson Controls Inc. and Saft Advanced Power Solutions. The company, now known as Johnson Controls APS Production Inc., has set aside all credit agreements related to the battery project and now has the ability to collect vouchers rather than tax credits under PA 292 of 2011.

Xtreme Power, Inc. was awarded a Battery Cell Manufacturing Credit by MEGA Resolution on October 6, 2009 under MCL 208.1434(6). The company did not enter into an agreement with the MEGA.

¹ The Michigan Strategic Fund has utilized the Regional Economic Modeling Inc. (REMI) tool in order to determine an estimate for this legislative requirement. The REMI uses direct job creation numbers, direct capital investment numbers, North American Industry Code Standards (NAICS) and location information to calculate an approximate value for indirect job creation and indirect investment.