

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

*Request to Approve Project for SB 71 Sales and Use Tax Exclusion (STE)<sup>1</sup>*

**CLEAN WORLD PARTNERS LLC  
Application No. 12-SM011**

**Tuesday, October 16, 2012**

Prepared By: *Cheryl Ide*

**SUMMARY**

**Applicant** – Clean World Partners LLC

**Location** – Sacramento (Sacramento County)

**Industry** – Biomass Processing & Fuel Production

**Project** – New Biomass and Fuel Production Facility

**Value of Qualified Property** – \$11,796,759

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$955,537

**Estimated Net Benefits** - \$226,196

**Application Score<sup>3</sup>** -

Fiscal Benefits Points:	1,023
<u>Environmental Benefits Points:</u>	<u>214</u>
<b>Net Benefits Score:</b>	<b>1,237</b>

<u>Additional Benefits Points:</u>	<u>0</u>
<b>Total Score:</b>	<b>1,237</b>

**Staff Recommendation** – Approval

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

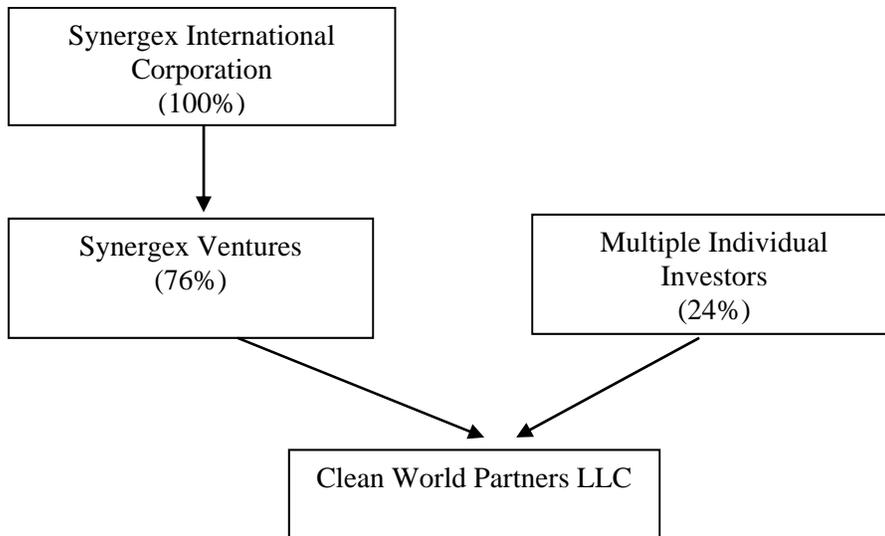
<sup>2</sup> This amount is calculated based upon the average statewide sales and use tax rate of 8.1%.

<sup>3</sup> Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

**THE APPLICANT**

Clean World Partners LLC (“CWP”, “CleanWorld” or “Applicant”) was established in 2009 in California and is headquartered in Sacramento, California. The Project will divert source-separated food waste away from area landfills and use an anaerobic digestion process to convert it into diesel gallon equivalents of renewable natural gas (RNG).

Chain of Ownership of Clean World Partners LLC is as follows:



CWP is 76% owned by Synergex International Corporation and the remaining 26% of the company is owned by multiple individual investors.

The major shareholders (10.0% or greater) of the Synergex Ventures are:

- Michele Wong
- Bill Mooney
- Ken Lidster

The corporate officers of Synergex Ventures are:

- Michele Wong, Chief Executive Officer
- Bill Mooney, Executive Vice President
- Phillip Ranger, Chief Financial Officer
- Terry Carlone, Chief Administrative Officer
- Roger Andrews, Chief Technology Officer
- Roseanne Brill, Vice President of Product Development

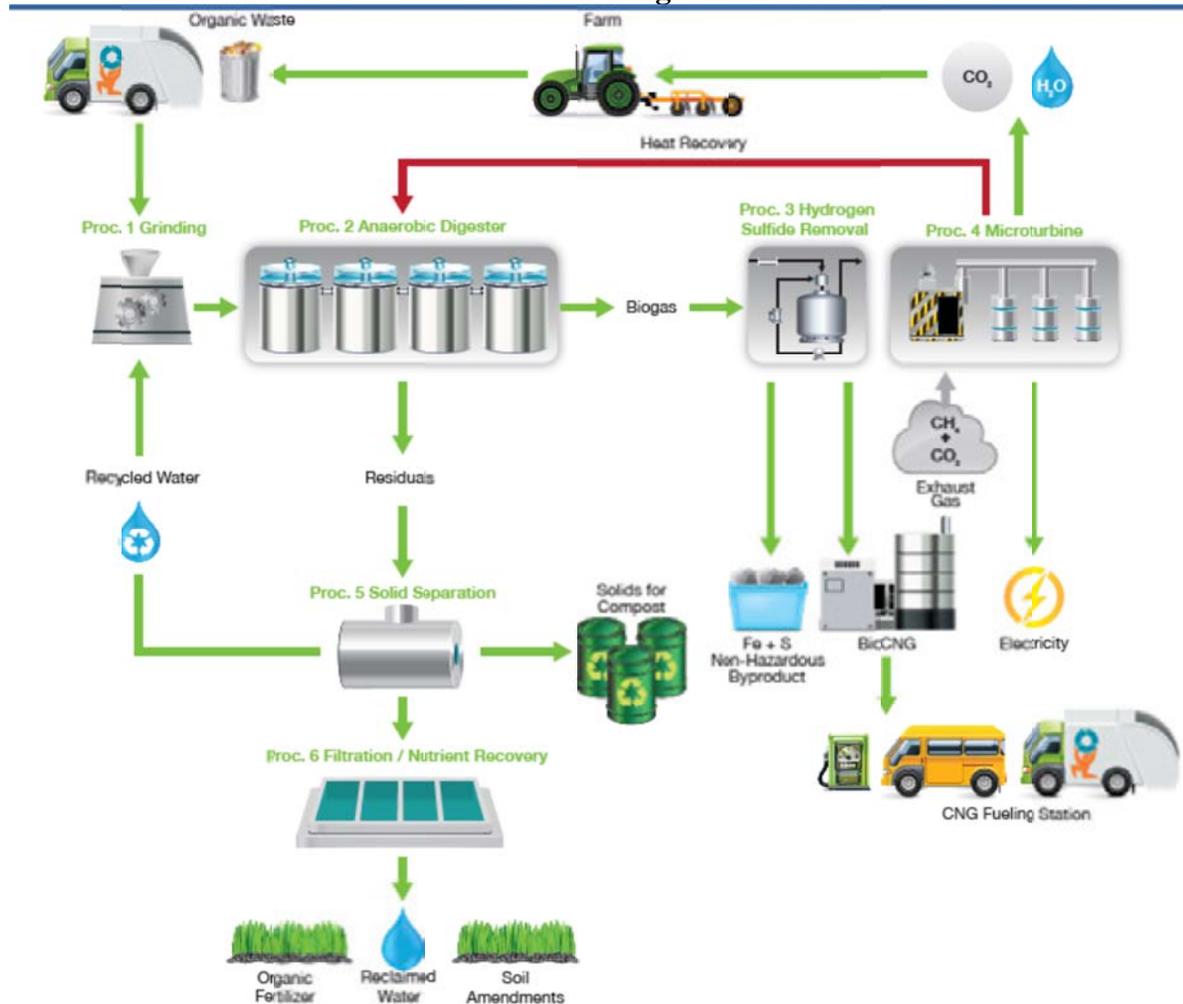
**THE PROJECT**

The Applicant’s Organic Waste Recycling Facility at the South Area Transfer Station (“SATS”) in Sacramento will convert food waste -- collected by Atlas Disposal Industries from area food processing companies, restaurants and supermarkets -- through an anaerobic digestion process to produce renewable natural gas, heat and electricity, as well as fertilizer and high-quality soil amendments.

Phase I of the project will scale-up to process 25-ton-per-day of food waste, and Phase II of the project will increase to 100-ton-per day capacity. When Phase II is complete, Clean World will produce enough RNG to fuel Atlas Disposal Industries' fleet of 20 waste hauling trucks used at the Facility, and make additional RNG available for other local fleets. The process will also generate energy in the form of heat for use at the facility and power to sell to the Sacramento Municipal Utility District (SMUD) under a net metering agreement. A portion of the equipment, which does not qualify for the SB 71 sales and use tax exclusion, is a microturbine that produces electricity.

In addition, CWP has received a \$6 million grant from the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program to assist in financing the project.

**Clean World Partners**  
**SATS Organic Waste Recycling Center/ Natural Gas Fueling Station**  
**Flow Diagram**



**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Anaerobic Digestion System Phase 1	\$2,959,925
Front End Equipment Phase 1 Units	564,987
Control Equipment Phase 1	259,951
Gas Utilization Equipment Phase 1	1,525,282
Back End Effluent Management System Equipment	113,000
Anaerobic Digestion System Phase 2	3,007,777
Front End Systems Phase 2	813,600
Control Equipment Phase 2	415,237
Gas Utilization Equipment Phase 2	1,462,000
Back End Effluent Management System Equipment	<u>675,000</u>
	<u>\$11,796,759</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 conveyance/reconveyance agreement a finalized Project equipment list will be prepared detailing the value of the Project equipment conveyed and reconveyed and detailing the actual tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variations 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 from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.*

**TIMELINE**

The Applicant broke ground on the Project in April 2012 and its anticipated to be completed and in operation by June 2013. CWP and SMUD are in the process of entering into a net metering agreement.

**PROJECT EVALUATION**

**NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$11,796,759 and the total net benefits are valued at an estimated \$226,196 for the Project. The Project received a Total Score of 1,237 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 214 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (1,023 points).** The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes and other indirect fiscal benefits of the Applicant which amounts to an

estimated \$977,083 resulting in a Fiscal Benefits Score of 1,023 points for the Project.

- B. Environmental Benefits (214 points).** The Project will result in an estimated \$204,651 of total pollution benefits over the lifetime of the Qualified Property resulting in an Environmental Benefits Score of 214 points for the Project. These benefits derive from (a) the production of biomass fuel, which offsets the need for fossil fuel derived sources of energy and (b) a reduction of methane emissions from material that would otherwise be sent to a landfill.
- C. Additional Benefits (0 of 200 points).** Applicants may earn up to 200 additional points for their Total Score. The Applicant submitted information and received zero additional points.
- 1. Permanent Jobs (0 of 40 points).** The Applicant's Project will support a total of eight permanent 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 approved STE. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.
  - 2. Construction Jobs (0 of 20 points).** The Applicant's Project will support a total of 16 construction jobs at its Facility. CAEATFA estimates that approximately two jobs will be attributable to a marginal increase in jobs created due to the approved STE. Zero points were awarded because the marginal increase in jobs does not meet the required threshold.

## **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

The Project received an Authority to Construct in May 2012. Other permits required for work will be submitted in late 2012 and/or currently going through revisions with the appropriate oversight agencies.

## **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,<sup>4</sup> the Applicant has paid CAEATFA an Application Fee of \$5,898 and will pay CAEATFA an Administrative Fee of \$47,187.

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<sup>4</sup> California Code of Regulations Title 4, Division 13, Article 2, Section 10036

**RECOMMENDATION**

Staff recommends approval of Resolution No. 12-SM011 for Clean World Partners LLC's purchase of Qualified Property in an amount not to exceed \$11,796,759 anticipated to result in an approximate sales and use tax exclusion value of \$955,537.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE  
CONVEYANCE AGREEMENT WITH CLEAN WORLD PARTNERS LLC**

October 16, 2012

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Clean World Partners LLC** (the “Applicant”), for financial assistance in the form of a conveyance/reconveyance of title agreement (the “Agreement”) regarding tangible personal property for the design, manufacture, production, or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems (“Qualified Property”) as more particularly described in the staff summary and in the Applicant’s Application to the Authority (collectively, the “Project”); and

WHEREAS, the Applicant has requested the Authority to enter into the Agreement transferring title of Project equipment with an estimated cost not to exceed \$11,796,759 over a period of three years; and

WHEREAS, the Agreement will provide that the Applicant will, prior to any use of the Qualified Property, transfer title at no cost to the Authority from time to time as purchases of Qualified Property are made and the Authority will then transfer title back to the Applicant without having taken possession of the Qualified Property; and

WHEREAS, the Applicant believes 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 Qualified Property pursuant to California Revenue and Taxation Code Section 6010.8; and

WHEREAS, approval of the terms of the Agreement and authority for the Executive Director, Deputy Executive Director, or Chair of the Authority to execute the necessary documents to effectuate the Agreement is now sought;

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

Section 1. The Project constitutes a “project” within the meaning of Public Resources Code Section 26003(g)(2).

Section 2. The requested conveyance agreement constitutes “financial assistance” within the meaning of Public Resources Code Section 26003(e)(2).

Section 3. The Applicant is a “participating party” within the meaning of Public Resources Code Section 26003(f).

**Agenda Item 4.B.2**  
**Resolution No. 12-SM011**  
**Application No. 12-SM011**

Section 4. The Executive Director, Deputy 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 Executive Director shall deem appropriate, provided that the amount of the Qualified Property to be purchased may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Agreement between the Applicant and the Authority, as filed with the Authority prior to this meeting, is hereby approved. The Authorized Signatories are hereby authorized and directed, for and on behalf and in the name of the Authority, to execute, acknowledge and deliver to the Applicant the Agreement in substantially the form filed with or approved by the Authority, with such insertions, deletions or changes therein as the Authorized Signatory executing the same may require or approve, and with particular information inserted therein in substantial conformance with the staff summary and in the Applicant’s Application to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Authority understands and agrees that pursuant to the terms of the Agreement, the obligations of the Applicant may, under some circumstances, 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 in order to consummate the Agreement and otherwise effectuate the purposes of this resolution.

Section 7. The Applicant shall assure CAEATFA that all Qualified Property conveyance pursuant to the Agreement shall be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Agreement shall only apply to Qualified Property that the Applicant certifies will be installed, maintained and operated at facilities within the State of California.

Section 9. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project or 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, as defined in CAEATFA Regulations Section 10035(A), is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty days if necessary.