

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

Consideration of Rialto Bioenergy Facility, LLC’s Request to Amend STE Resolution 14-SM012 to Change the Participating Party from Anaheim Energy, LLC to Rialto Bioenergy Facility, LLC and to Approve a Time Extension for the Three Year Term of the Master Regulatory Agreement¹

**Rialto Bioenergy Facility, LLC
Application No. 14-SM012**

Tuesday, August 15, 2017

Prepared By: *Ashley Bonnett, Program Manager*

SUMMARY

Applicant – Rialto Bioenergy Facility, LLC (originally applied as Anaheim Energy, LLC)

Location – Bloomington, San Bernardino County (originally Anaheim, Orange County)

Industry – Biogas Capture and Production

Project – New Biogas Capture and Production Facility (Alternative Source)

Value of Qualified Property – \$19,143,601

Estimated Sales and Use Tax Exclusion Amount² – \$1,611,891

Estimated Net Benefits – \$895,499

Application Score –

Fiscal Benefits Points:	1,203
<u>Environmental Benefits Points:</u>	<u>353</u>
Net Benefits Score:	1,556
<u>Additional Benefits Points:</u>	<u>50</u>
Total Score:	1,606

Amount of Time Requested –

- Three years and two weeks, until September 30, 2020, for the Term of the Master Regulatory Agreement (six years and two weeks from the date of initial CAEATFA Board approval)

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

² This amount is calculated based on the average statewide sales tax rate of 8.42%.

REQUEST

In September 2014, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for Anaheim Energy, LLC (“Anaheim”) for the purchase of \$19,143,601 of Qualified Property for the construction of an anaerobic digester that will convert wet organic matter derived from municipal solid waste into biogas (the “Project”). The Master Regulatory Agreement (“Agreement”) initial term provided Anaheim with three years from the date of Board approval to utilize the STE award. The initial term of the Agreement can be extended by the Board upon a finding that an extension is in the public interest and advances the purposes of the program.³

Rialto Bioenergy Facility, LLC (“Rialto” or the “Applicant”) shares the same parent company and also received an STE award in September 2014 to construct a bioenergy production facility in Bloomington, California to produce biogas using anaerobic digestion. The Applicant is requesting the STE award granted to Anaheim be transferred to Rialto and is requesting an extension of the Agreement initial term by three years and two weeks (until September 30, 2020) to accommodate the Project’s relocation to Rialto’s Bloomington facility as a result of a permitting roadblock and Rialto’s assumption of the responsibility for constructing and operating the Project.

According to the Applicant, to date, over \$3.1 million has been spent on the development of the Project. As of June 30, 2017, Anaheim had purchased \$1,106,329.02 of Qualified Property (5.8% of the total Qualified Property approved). In September 2013, Anaheim executed a 20-year power purchase agreement with Anaheim Public Utilities (“APU”), and in January 2015, Anaheim executed a feedstock contract with Republic Services. Air permit applications were submitted in June 2016, but final permits were contingent upon satisfaction of CEQA requirements.

The Applicant represents that, as part of the Project’s CEQA requirements, a city Conditional Use Permit was required. However, the Project’s proximity to residential areas created community opposition to the Project such that Anaheim was unable to secure the Conditional Use Permit after an Anaheim Planning Commission meeting held in August 2016.

As a result, the Project is being relocated to Rialto’s facility located in Bloomington, where Rialto holds a site use agreement with the City of Rialto. The Applicant is currently working with APU to convert the contract from a power purchase agreement to a renewable gas supply agreement whereby 4.5 MW equivalents of biogas will now be produced at the Bloomington facility location and sent to APU via the SoCal Gas grid. The Applicant represents the contract will be presented to the Anaheim City Council at its August 2017 council meeting. Additionally, facility processes, layouts, and equipment selection are being adjusted at the Rialto facility to incorporate additional the feedstock and biogas production that was originally envisioned to take place at a facility operated by Anaheim.

The Applicant represents commercial operation is anticipated in 2020.

³ The provision of the regulations allowing CAEATFA to waive the requirement that all purchases of Qualified Property be made within three years of Application approval is in Regulation Section 10035(b)(1)(A).

About the Applicant

Rialto Bioenergy Facility, LLC, formed in 2013, is a wholly owned subsidiary of Anaergia Services, LLC (“Anaergia”).

The major shareholders (10.0% or greater) of Anaergia are:

UTS Bioenergy Holdings, LLC (88.5%)

The corporate officer of Anaergia is:

Arun Sharma, President

Project Description

Rialto will construct an anaerobic digestion facility that will convert wet organic matter derived from municipal solid waste preprocessed at partnering solid waste haulers’ municipal recycling facilities, as well as liquid wastes, into biogas (the “Project”).

The Applicant will install wet organics processing lines at partnering solid waste haulers’ municipal recycling facilities. The processing lines will utilize Anaergia’s Organics Extrusion Press technology, which the Applicant represents is a high pressure process to recover 95% of the digestible organic material. The processing lines will sort and preprocess solid waste collected from restaurants, wet compactors, theme parks such as Disneyland, universities, grocery stores, produce markets, and food manufacturers to isolate the wet organic material, creating what is called the “wet organic fraction” of the waste. This wet organic fraction will be transported to the anaerobic digestion facility to serve as feedstock, along with liquid wastes and fats, oils, and greases, in the creation of biogas. The biogas will be converted to heat and power, a portion of which will be used to power the facility, and pipeline quality biomethane which will be injected into the pipeline and sold to Anaheim Public Utilities.

Consistent with CAEATFA policy, the Qualified Property will be used to manufacture biogas and includes a portion of the power generation equipment used to power the facility. The Project’s equipment will consume 25 percent of the total amount of energy generated; therefore 25 percent of the power generation equipment is eligible for an STE under the Program. However, the remaining 75 percent of the power generation equipment is not included in this Application as this represents the proportion of electricity that the Applicant will sell to Anaheim Public Utilities.

Agreement Term Extension Request

Rialto has requested that the Agreement initial term be extended from September 16, 2017 to September 30, 2020, to accommodate the Project’s relocation to Rialto’s facility as a result of a permitting roadblock, and has requested the STE award be transferred to Rialto, as Rialto is now the legal entity responsible for constructing and operating the Project.

Staff Evaluation

Rialto has indicated that although the Project experienced a significant site permitting roadblock, a viable path forward is now certain. The Applicant represents that successful contract negotiations will allow the relocation of the Project to the Rialto facility location. Additionally, although Rialto experienced setbacks at its facility as a result of delays in executing feedstock contracts, obtaining air permits that first required details of the anticipated feedstock supply, additional permitting requirements after receiving a Federal grant, Rialto is confident of the revised Project schedule, with commercial operation anticipated in 2020. Rialto represents that feedstock contracts have been negotiated and are near finalization, and that the permitting process is underway, along with the facility's redesign. Based on this information, and the fact that Rialto has recently received the support of the U.S. Department of Energy, staff believes extending the term of the Agreement will allow for the Project to be completed, and is therefore in the public interest and advances the purpose of the program.

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.

Fees

In accordance with CAEATFA Regulations,⁴ the Applicant will pay an Additional Administrative Fee of \$500 because extending the initial term requires a modification to the Applicant's Master Regulatory Agreement.

RECOMMENDATION

Staff recommends the Board approve Rialto Bioenergy Facility, LLC's request to amend resolution 14-SM012 to change all references of Anaheim Energy, LLC to Rialto Bioenergy Facility, LLC to reflect Rialto Bioenergy Facility, LLC's assumption of rights and responsibilities for the Project approved by the CAEATFA Board on September 16, 2014, and to extend the initial term of the Agreement by three years and two weeks to September 30, 2020 as it is in the public interest and advances the purpose of the program.

Attachments

- Attachment A: Rialto Bioenergy Facility, LLC's letter requesting award transfer and waiver (July 26, 2017)
- Attachment B: Anaheim Energy, LLC's staff summary at the time of approval

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

**RESOLUTION AMENDING RESOLUTION NO. 14-SM012 TO APPROVE AND
AUTHORIZE TRANSFER OF SALES AND USE TAX EXCLUSION
FROM ANAHEIM ENERGY, LLC TO RIALTO BIOENERGY FACILITY, LLC AND
APPROVING A TIME EXTENSION FOR THE INITIAL TERM FOR THE MASTER
REGULATORY AGREEMENT**

August 16, 2017

WHEREAS, on September 16, 2014 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 \$19,143,601 of Qualified Property for **Anaheim Energy, LLC** (the “Applicant”); and

WHEREAS, the Project has not been modified since the Authority approved Financial Assistance for Anaheim Energy, LLC on September 16, 2014, except that the facility location has changed; and

WHEREAS, the Applicant has transferred the authority and responsibility to complete the Project as described in the Application to Rialto Bioenergy Facility, LLC; and

WHEREAS, approval for amending the resolution is sought; and

WHEREAS, within three years of the approval by the Authority, the Applicant must make all purchases of the total amount of Qualified Property listed in the approval resolution (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 years of Application approval (Regulations Section 10035(b)(1)(A)); and

WHEREAS, Rialto Bioenergy Facility, LLC has requested a waiver of the requirement to purchase all of the Qualified Property within three years, due to unexpected delays in the Project timeline, extending the term by three years and two weeks to September 30, 2020; 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.

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

Section 1. The September 16, 2014 Anaheim Energy, LLC Resolution No. 14-SM012 is amended to replace all occurrences of Anaheim Energy, LLC to Rialto Bioenergy Facility, LLC.

Agenda Item – 4.C
Application No. 14-SM012

Section 2. The Authority finds that it is in the public interest and advances the purposes of the Authority to extend the initial term of the Agreement to September 30, 2020.

Section 3. Except as specifically amended in Sections 1 and 2 hereof, all provisions and conditions of the September 16, 2014 Anaheim Energy, LLC Resolution No. 14-SM012 shall remain unchanged and in full force and effect.

Section 4. This resolution shall take effect immediately upon its passage.

**Attachment A: Rialto Bioenergy Facility, LLC’s Letter
Requesting Award Transfer and Waiver (July 26, 2017)**



7/26/2017

Deana J. Carrillo - Executive Director
California Alternative Energy and Advanced Transportation Financing Authority
915 Capital Mall, Room 457
Sacramento, CA 95814

RE: Anaheim Energy, LLC – Request for Transfer of Allocation

Dear Ms. Carrillo,

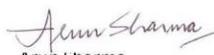
CAEATFA awarded sales and use tax exemption to Anaheim Energy, LLC in 2014. The Anaheim project’s exemption was based on the Facility’s ability to produce up to 4.5MWe of biogas which would be converted to electricity at a project site in Anaheim and sold directly to Anaheim Public Utilities, displacing fossil fuel consumption. The expiration date of award is set for September 16, 2017. Through this letter we request a waiver for time extension through September 2020, and transfer of the award qualified property to Rialto Bioenergy Facility, LLC. The Project’s location has changed but its functions and benefits will remain as described in the 2014 master regulatory agreement.

This document communicates not only the effort undertaken to develop the Anaheim Energy project to this point, it also describes the events that caused Anaheim Energy’s parent company, Anaergia Services, to relocate its function to a different site in the region. Modifications to contracts and project mechanisms are preserving partnerships and planned benefits that will be realized using the Anaheim Energy Qualified Property, though the assets will be added to those of another project which was previously being developed in parallel (Rialto Bioenergy Facility, LLC). Rialto Bioenergy Facility, LLC will assume the Anaheim Energy project’s procurement and biogas production obligations.

Anaheim Energy is making this request to CAEATFA now that the path forward has become certain. We are now confident in the revised project approach due to successful contract negotiations which will allow the relocation of biogas production to the Rialto Bioenergy Facility location, creating a clear path for project success and benefit creation. Economics for the revised project incorporate sales tax exemptions extended to the Anaheim Energy project through CAEATFA, so we hope that CAEATFA agrees that the benefits associated with biogas production will still be realized by the project in its new form, and transfer of qualified property from Anaheim Energy, LLC to Rialto Bioenergy Facility, LLC will be approved along with the time extension required to complete procurement of qualified property.

I hope that CAEATFA finds this report to be a comprehensive accounting of the significant development effort that has been invested in the bioenergy production project. I’m confident that you will find that it supports our requested transfer of qualified property and term extension. Please don’t hesitate to contact me should you have any questions.

Respectfully,


Arun Sharma
President

CC: caeatfa@sto.ca.gov

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T: +1.760.436.8870 F: +1.760.448.6847
www.anaergia.com



Introduction

Anaheim Energy, LLC and its project partners are working to develop a project that will divert food waste from landfill and convert it renewable biogas and ultimately electricity for sale to the community, offsetting fossil fuel consumption and reducing GHG emissions by approximately 30,000 TPY. So far, **Anaheim Energy, LLC has spent over \$3.1M on the development of this renewable bioenergy center** which was to be located on leased property located in the City of Anaheim. Full development of the Project as envisioned required the development of a number of contracts and permits, including: energy offtake contract, feedstock supply agreement, site lease agreement, air permits, a conditional use permit, CEQA approval. All of the required contracts/permits are in varying stages of completion, descriptions of each are included in the “Project Progress” section later in this document.

The project realized development delays, and a significant permitting barrier presented itself in August of 2016 when public opposition to the site location was demonstrated at the City’s planning commission meeting. This strong community pushback caused Anaheim Energy and Anaheim Public Utilities to understand that the project would not be constructed at its proposed location. Seeing value in the benefits and vision of the project, Anaheim Public Utilities and Anaheim Energy worked together to rescue it by not only extending and modifying existing contracts, but also on moving functionality from the Anaheim location to the site of the Rialto Bioenergy Facility (RBF), a move which expands the scope of the Rialto facility by installing qualified property there which was originally intended for the Anaheim site.

Project Progress

As described above, the Anaheim Energy project required significant investment of both time and capital. Major development requirements are shown in Table 1. Descriptions of the milestones, delays realized, and the current status of each of these milestones follow in this section.

Project Element	Original Finish	New Finish
Energy Offtake Contract	9/2013	9/2013
Feedstock Supply Agreement	12/2013	1/2015
Site Lease Agreement	7/2014	5/2016
Investment Tax Credits	9/2014	12/2016
Air Permits	12/2015	NA
Conditional Use Permit	3/2015	NA

Energy Offtake Contract

The Power Purchase Agreement (PPA) which was signed 9/6/2013 committed APU to procure electricity produced by the Anaheim Energy facility for 20 years. APU continues to be eager to purchase energy from diverted organics whether or not the biogas is produced within Anaheim city limits. Anaergia and APU have been working together to convert the contract from a PPA to a Renewable Gas Supply Agreement; Instead of supplying 4.5 MW of electricity directly to the APU grid as envisioned by the existing PPA, 4.5 MW equivalents of renewable biomethane will now be produced at the Rialto project site to be sent to APU via the So Cal Gas grid, displacing fossil fuel consumption at one of APU’s existing electricity generation facilities. Contract modifications have been negotiated, and the revised contract will be presented by Anaheim Public Utilities to the City



Council at the August 2017 Council meeting, where approval is anticipated.

Feedstock Supply Agreement

Feedstock agreements are security documents which guarantee quantity and quality of organic feedstock which the bioenergy facility will convert to biogas over its lifetime. The original feedstock supply agreement was executed with Republic Services in January 2015. Additional feedstock agreements are nearing the end of negotiation now that the project's function and benefits are shifting to the Rialto Bioenergy Facility location.

Site Lease Agreement

Under the new project approach, biogas will be produced for APU at the Rialto Bioenergy Facility, which enjoys the security of a site use agreement with the City of Rialto. The Site lease agreement, originally anticipated 7/2014, was ultimately signed 5/1/2016. Delays were associated with real estate issues and fee schedule.

Air Permit

Anaheim Energy engaged a permitting consultant to develop and submit air permit applications for 12 processes associated with the project site. Permitting was delayed due to upstream delays related to the feedstock agreement, but permit applications were ultimately submitted 6/7/2016. Acknowledgement of application receipt from the South Coast Air Quality Management District (SCAQMD) is included in Attachment 1 as evidence of progress. Final permits were contingent upon completion of CEQA.

Conditional Use Permit / CEQA

The City's Conditional Use Permit (CUP) was required as one of the last steps before detailed engineering and construction could begin, and CUP approval was contingent on satisfaction of CEQA requirements. Anaheim Energy hired an outside partner to manage the CEQA public outreach, which included: website creation and launch, public mailings, and public workshops. The website is located here (<http://www.anaheimsustainabilitycenter.com/>), and sample materials prepared for the public outreach events are included in Attachment 2.

The CEQA public outreach requirement sparked community opposition to the site location, as was documented by the Voice of Orange County in their September 2016 article, which is included as Attachment 3.

Investment Tax Credit / Purchase of Engines

In addition to the above, Anaheim Energy's continued investment and resolute commitment to the project is also shown through the procurement of equipment which was previously reported to CAEATFA. Since ultimate project development had a high probability, this procurement was made at risk in order to secure Federal Investment Tax Credit before the end of 2016.



Engineering

Anaheim Energy invested significant time and resources in both internal and external engineering services as the project moved through the development cycle. Engineering drawings and documents were required for many endeavors including permit applications, construction bidding and cost estimating. Select example drawings are offered as a demonstration of the scope and scale of this endeavor, included in Attachment 4.



Attachment 1
Air Permit Application Receipt





South Coast
Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

RECEIVED
JUN 13 2016

June 07, 2016

Attention : KEVIN S. SULLIVAN
ANAHEIM SUSTAINABILITY CENTER
5780 FLEET ST STE 310, PACIFIC RIDGE
CARLSBAD , CA 92008

Facility ID :182537
Located at: 1300-22 N LAKEVIEW AVE
ANAHEIM , CA 92807
SIC Code :
Contact Person Phone No (760) 436-8870

Re : Acknowledging Receipt of your Application

Thank you for filing your application with the South Coast Air Quality Management District. Your application has been received and assigned to the Permitting Team shown below for review and processing.

You will be further informed about the status of your application once the completeness review is done, and/or upon processing of your application. If you need to contact us regarding your application, please do so by contacting the above phone number and make sure to refer to the above application tracking number. In addition, you can view the status of your application on the Web at <http://www.aqmd.gov/permit>. Click on "Application Tracking on the Web" and enter the application tracking number listed above to check its status.

AQMD PERMIT APPLICATION INFORMATION

(Please refer this information when contacting AQMD for Assistance)

Date: June 07, 2016

Facility ID: 182537

Application Tracking Number	Equipment Description	Team Assigned	Phone Number
585905	ANAEROBIC DIGESTER #1	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585906	ANAEROBIC DIGESTER #2	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585907	BIOGAS CONDITIONING SYSTEM	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585908	HEAT AND POWER, ENGINE #1	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585909	HEAT AND POWER ENGINE #2	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585910	HEAT AND POWER, ENGINE #3	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585911	HEAT AND POWER, ENGINE #4	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585912	OXIDATION FOR CHP ENGINE #1	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585913	OXIDATION CATALYST, ENGINE #2	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585914	OXIDATION CATALYST, ENGINE #3	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585915	OXIDATION CATALYST, ENGINE #4	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388



AQMD PERMIT APPLICATION INFORMATION
South Coast
 Air Quality Management District
 (Please refer this information when contacting AQMD for Assistance)

Date: June 27, 2014
 182537 Copley Drive, Diamond Bar, CA 91765-4178
 (909) 396-2000 • www.aqmd.gov

Facility ID:

Application Tracking Number	Equipment Description	Team Assigned	Phone Number
585916	ENCLOSED FLARE #1	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585917	ENCLOSED FLARE #2	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585918	ORGANIC WASTE PROCESSING	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388
585919	ODOR CONTROL SYSTEM	WASTE MANAGEMENT, PETROLEUM TERMINALS	(909) 396-2388



Attachment 2

Public Outreach documents



COMMUNITY MEETING NOTICE

Anaergia invites you to a community meeting to learn about the Anaheim Canyon Clean Energy project. Anaergia, a global leader in the generation of clean energy, is partnering with Anaheim's solid waste service provider to build a state-of-the-art facility that will convert organic waste into clean energy. The project will dramatically reduce the amount of material that is being trucked to our local landfills, and provide a sustainable and renewable source of energy for the residents and businesses of the City of Anaheim.



Day, Month, 2015
6:00 pm – 7:00 pm
Location Name
Location Address

Refreshments will be served

Please RSVP to Jim Ambroso at Jim.Ambroso@anaergia.com

Projects Benefits

- Provide Anaheim residents and business owners with clean renewable energy
- Reduce dependence on out-of-state sources of energy
- Dramatically reduce greenhouse gas emissions
- Divert tons of solid waste from local landfills
- Reduce the number of truck trips to local landfills
- Create local jobs

Project Site

The project is located in Anaheim's Canyon Industrial zone, situated amongst other industrial businesses. The site is approximately 2.5 miles from the Anaheim Canyon Power Facility and only 3.1 miles from the solid waste facility, making it an ideal location for clean energy generation.

About Anaergia

Anaergia Inc. is a global leader in offering sustainable solutions for the generation of renewable energy and the conversion of waste to resources. Through a proven portfolio of proprietary technological solutions, Anaergia maximizes the generation of renewable energy, diversion of waste from landfill and reduction of greenhouse gases for customers across the municipal, industrial, commercial and agricultural sectors.



GENERAL INFORMATION

Anaheim Canyon Clean Energy is partnering with Republic Services to build an innovative renewable electricity generation project. The facility will reduce the disposal of waste in our landfill and produce a sustainable and renewable source of energy for the residents and business in the City of Anaheim.

The digestion process takes food and other organic material that are typically disposed of in landfills and accelerates their decomposition to create biogas. The biogas produced consists of methane, which will be used to produce energy for Anaheim customers.



Is the project needed?

Yes. California state law (AB 1826) requires the City of Anaheim and other public jurisdictions to arrange for recycling of organic waste beginning January 1st, 2016. In addition, the Renewables Portfolio Standard (RPS) requires Anaheim Public Utilities to produce at least 33% of its energy from renewable sources by 2020.

What are the terms of the project?

Under this public-private partnership, the terms of the agreement to provide this renewable energy is 20 years from the start of commercial operation, which is expected to be January 2017.

How much with the project cost?

The project will be privately funded by Anaheim Canyon Clean Energy. Anaheim Public Utilities will only pay for the energy it receives.



Where is the project located?

The project is located on Lakeview Avenue, in an industrial area of Anaheim. This location is ideal due to the close proximity to Republic Services, who is providing the organic material for digestion. In addition, the project is located close to the City's Canyon Power Plant.

When will the project be constructed?

Project construction is tentatively scheduled to begin in mid-2016 and extend through January 2017.

Will the project go through an environmental review process?

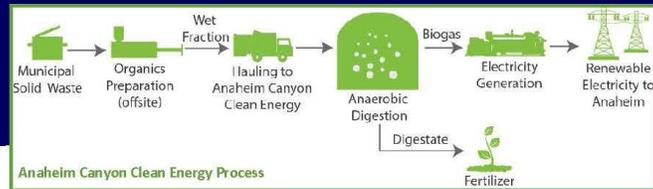
Yes, the project will go through a thorough CEQA environmental review process.



ANAEROBIC DIGESTION

Anaerobic digestion is a reliable cornerstone process of many modern wastewater treatment plants and industrial facilities in which microorganisms break down organic material in the absence of oxygen. The two main products of anaerobic digestion are (1) biogas, a product similar to natural gas; and (2) a solid residual, which can be used as a soil amendment or fertilizer.

Organic waste is material that is biodegradable and comes from either a plant or an animal. Food scraps, manure, biosolids, and fats, oils, and grease (FOG) can all be digested.



How is organic waste converted into clean renewable energy?

Organic waste is converted into clean energy through the anaerobic digestion process. The anaerobic digestion process takes food and other organic material that is typically disposed of in landfills, and accelerates their decomposition to create biogas (methane). This process takes place in a controlled oxygen-free (anaerobic) environment. The methane is used to fuel an electric generator that produces renewable energy, which will supply Anaheim customers.

After the organic waste is converted into renewable energy, what remains?

After organic waste is converted into renewable energy, a solid residue called digestate remains. Digestate can be used as a soil conditioner or fertilizer to be used on golf courses, nurseries, and other agricultural applications.



The Organic Extrusion Press (OREX™) separates organic waste into wet and dry waste

How will Anaheim Canyon Clean Energy get the organic material for the digestion process?

Anaheim Canyon Clean Energy project will prepare the organic material at Republic Services' Anaheim Municipal Recycling Facility (MRF). The offsite organic processing will separate municipal waste in wet and dry fractions. The wet organic material will be used to create biogas, and the dry material will remain at Republic's MRF for disposal.

How much renewable energy will the Anaheim Canyon Clean Energy project produce for Anaheim Utilities?

This project will produce up to 4 megawatts of renewable electricity for Anaheim Public Utilities to help meet the **Renewables Portfolio Standard (RPS)** requirements. The RPS requires Anaheim Public Utilities to produce at least 33% of its energy from renewable sources by 2020.



PROJECT BENEFITS

Anaheim Canyon Clean Energy is partnering with Republic Services to build an innovative renewable electricity generation project. The facility will reduce the disposal of waste in our landfill and produce a sustainable and renewable source of energy for the residents and business in the City of Anaheim.

The project will benefit the City of Anaheim in numerous ways, some of which are highlighted below:

Renewable Energy Generation

4 Megawatts of renewable electricity will be produced for delivery to Anaheim Public Utilities. The renewable energy provided will reduce Anaheim's reliance on out-of-state power. **Anaheim will save \$200,000 in transmission related costs by adopting this project.**



Greenhouse Gas (GHG) Emission Reduction

The Anaheim Energy project anticipates an overall reduction of approximately 33,000 metric tons of greenhouse gas, equivalent to taking more than 7,000 vehicles off the road.



Job Creation

The Anaheim Energy Project will create a combined total of 60 planning, design and construction jobs over the course of two years. In addition, 10 to 12 permanent jobs are projected to be created by the project.

Fertilizer Production

The solid residuals from anaerobic digestion retain nutrients from food waste which include nitrogen, potassium, and phosphate. **These residuals will be beneficially reused for purposes such as agriculture displacement of chemical fertilizers.**



Landfill Diversion



Olinda Alpha Landfill
Brea, California

In total, when the Anaheim Canyon Clean Energy Project is constructed, an additional 300 tons per day of Anaheim's current commercial waste stream will be diverted from the Orange County landfill system. The increased diversion will reduce the amount of solid waste the City of Anaheim currently sends to the landfill prolonging the capacity and useful life of the Orange County Landfill System.



GREENHOUSE GAS

When organic waste is disposed in a landfill it decomposes naturally and becomes a significant source of methane - a potent greenhouse gas with 21 times the global warming potential of carbon dioxide. Landfills are a major source of human-related methane in the United States, accounting for more than 20 percent of all methane emissions.¹ By diverting Anaheim's organic waste from the landfill and sending it through the digestion process, methane will be captured and used for renewable energy.

The Anaheim Energy project anticipates an overall reduction of approximately 33,000 metric tons of greenhouse gas, equivalent to taking more than 7,000 vehicles off the road.



What are Greenhouse Gases?

Gases such as carbon dioxide and methane that trap heat in the atmosphere are called greenhouse gases (GHG).

How will the project reduce greenhouse gas emissions?

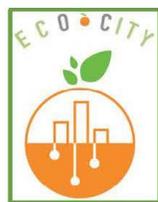
By diverting organic waste to Anaheim Canyon Clean Energy, the organic waste will decompose in a controlled environment, producing methane, which will be captured and used to produce renewable energy.

How will the project help our community meet its greenhouse gas reductions requirements?

AB 1826 requires the City of Anaheim to arrange for recycling of organic waste beginning January 1st, 2016, and the **Renewables Portfolio Standard (RPS)** requires Anaheim Public Utilities to produce at least 33% of its energy from renewable sources by 2020. Anaheim Canyon Clean Energy will provide the City of Anaheim with the infrastructure required to comply with the State's mandate to divert and recycle organic materials from our local landfills, while helping Anaheim Public Utilities meet their RPS goals.

Will the energy being produced by the project provide additional greenhouse gas savings for Anaheim?

As a renewable resource, energy produced from this process will have little to no GHG emissions to mitigate. As a result, Anaheim Public Utilities will be able to reduce its emission obligation by 33,000 tons of carbon dioxide each year. With an estimated market price for emission credits of \$20/ton, this has a valued savings to the department of \$660,000 per year.



Is this project in line with the current "green" efforts by the City?

As a recipient for the Eco City award from the Orange County Chapter of the U.S. Green Building Council, Anaheim is the only municipal-owned water and electric utility in Orange County. The City of Anaheim continues to be committed to purchasing clean, green energy. Adopting the Anaheim Canyon Clean Energy project will enhance and complement the existing portfolio of Anaheim's renewable and clean energy programs.

¹<http://www.epa.gov/foodrecovery/>





Attachment 3

Newspaper Article Demonstrating Public Opposition to Proposed Location



ANAHEIM

Cutting Edge, But Too Close for Residents' Comfort



A rendering of the proposed Anaheim Sustainability Center.

By **THY VO** ([HTTP://VOICEOFOC.ORG/AUTHOR/TVO/](http://voiceofoc.org/author/tvo/))  ([HTTPS://TWITTER.COM/THYANHVO](https://twitter.com/THYANHVO)) September 6, 2016

 **60**
SHARES

 **60**





A proposal to build a facility that turns food waste into electricity in Anaheim is drawing heavy opposition from nearby residents, who fear the energy plant, which will be within 1,500 feet of homes and an elementary school, could expose their families to environmental and safety hazards.

Worries include the possibility of a fire or explosion from a methane gas leak, potential groundwater pollution from the plant's runoff, and the chance that emissions from the facility would harm children. Opponents point to specific examples of leaks and explosions in plants elsewhere.

Meanwhile, advocates for the plant, called the [Anaheim Sustainability Center](http://www.anaheimsustainabilitycenter.com/about-anaergia/), (<http://www.anaheimsustainabilitycenter.com/about-anaergia/>) say such concerns are overblown and that leaks and explosions are extremely rare. They say the process used in these types of facilities, called anaerobic digestion, is not new and is already used in several countries.

Using anaerobic digestion to process food waste solves the problem of methane, one of the worst greenhouse gases, being released into the atmosphere as organic material decomposes in landfills. In anaerobic digestion plants, microorganisms feast on the waste in large water tanks and the methane produced is captured and converted into electricity or natural gas.

The proposal for the Anaheim center, submitted by the Canadian firm Anaergia, estimates that the facility is capable of producing nine megawatts of power at any moment in time.

Opponents, including dozens of residents who live close to the proposed site on Anaheim's border with Placentia and Yorba Linda, turned out in force to an Anaheim Planning Commission meeting last month.

Craig Florer, a resident of Yorba Linda and retired engineer who says he has worked on anaerobic digestion projects, supports the use of anaerobic digestion but opposes the project.

"It's in a local zone of the Santa Ana River...and it's in an active seismic zone...1,200 feet from homes, and 1,800 feet from schools where children are still growing and developing," Florer told the Planning Commission during the Aug. 22 meeting.

"It's a great idea – I support the idea, but they couldn't have picked a worse place," said Florer.

Chances of Accident Are Small, But Real

Agenda Item – 4.C Application No. 14-SM012

The proposed plant would be located on Lakeview Avenue in Anaheim on a 2.2-acre property surrounded by office space and a self-storage facility.



A map of the area surrounding the site of the proposed Anaheim Sustainability Center, which is outlined in red.

Waste that ends up at the plant will first be processed at a nearby Republic Services facility, where the trash is compressed and food is separated from other types of waste. Each day, 45 truck loads would be transported to the Anajerjia plant.

Once the waste is inside the plant, an air treatment system and sealed doors will trap any potential odors said Jim Ambroso, the senior vice president of Anajerjia's Carlsbad-based operations. He describes the anaerobic digestion process as a "slow bubbling," with the pressure inside the tank at only 0.6 pounds per square inch, about 50 times less than a bicycle tire.

Among the safety concerns cited by residents is the possibility of a leak; or worse, an explosion or fire caused by methane gas during this process.

In 2013, an anaerobic digester in the United Kingdom leaked all over <http://www.shropshirestar.com/news/2014/05/30/shropshire-sludge-power-plant-collapses/digestionplant3ae30/> nearby farmland and into rivers. The same facility had another accident in 2014, when an explosion caused a digester to collapse, according to news reports.

However, despite incidents like these, the chances of a methane gas explosion or leak is highly unlikely, provided a facility is built and maintained properly and workers are well-trained.

Methane, which makes up about 60 percent of the biogas produced by the digester, cannot ignite unless it is mixed with a large amount of oxygen. And because the pressure inside the tank is greater than pressure outside the tank, it's more likely that gases would flow out of the tank than for oxygen to push its way inside.

Furthermore, because methane is lighter than air <http://www.pge.com/includes/docs/pdf/shared/environment/pge/cleanair/methane1033.pdf>, in the event that methane does leak from the tank, it would immediately float upward and dissipate into the atmosphere. For an explosion to occur, the methane would need to accumulate in a confined space.

Ambroso points to strict regulations by the National Fire Protection Association, which mandate that any potential source of ignition remain far from methane and require safety devices to stop a fire from spreading, should one occur.

He added that any cracks or leaks in the tank's thick, concrete exterior would be visible and almost immediately detected by the facility's monitoring program. The system would then siphon the methane toward a flare, to burn off the gas and prevent further leakage.

A 2012 study published https://www.icheme.org/-/media/Documents/Subject%20Groups/Safety_Loss_Prevention/Hazards%20Archive/XXIII/XXIII-Paper-67.pdf by the Institute of Chemical Engineers that examined 36 serious accidents at anaerobic digestion facilities worldwide concluded that all of the incidents could have been avoided with better safety training and procedures. In many situations, explosions or accidents occurred during construction or initial testing.

Agenda Item – 4.C Application No. 14-SM012

Five of those accidents were methane explosions, and in each instance industry standards had not been followed, according to the study.

In another example, four men were killed in a 2005 incident in which a reception tank for organic waste had its safety features manually disabled, allowing a dangerous concentration of hydrogen sulfide to escape and kill all four workers instantaneously.

“I realize the likelihood of an accident is small, but the consequences are huge,” Florer said. “They should have picked a less populated area.”

Residents are also skeptical of Anaergia’s claim that the facility would produce no odor, pointing to the process of loading and unloading the waste in and out of the plant.

A small percentage, less than one percent, of the biogas produced by the anaerobic digestion process contains gases other than methane or carbon dioxide, such as hydrogen sulfide, a toxic gas that smells like rotten eggs.

The entire facility would have an air treatment system that includes a three-stage chemical scrubber that neutralizes odors before releasing it to the outdoors, Ambroso said.

“Are you saying it’s 100 percent effective, or is it 98.5 [percent]? Have you measured it?” Asked Planning Commissioner John Seymour at last month’s meeting.

“It’s difficult to measure because our noses are so sensitive,” said Ambroso, drawing jeers from the crowd.

The facility would also be equipped with devices that monitor emissions and automatically send reports to regulators every fifteen minutes, Ambroso said.

A Pressing Need

Whether its composting, mulch or anaerobic digestion facilities, California will need to invest in new waste treatment infrastructure if it wants to achieve its goals for greenhouse gas reduction.

The state sends approximately 30 million tons of waste to landfills each year, of which more than 30 percent could be used for compost or mulch, according to the state recycling and waste management agency, or CalRecycle (<http://www.calrecycle.ca.gov/Recycle/Commercial/Organics/>).

Orange County households dispose of more than 4.9 million tons of food waste each year.

Meanwhile, the state is aiming to recycle 75 percent of all solid waste and divert half of its organic waste from landfills by 2020.

A [new state law](http://www.calrecycle.ca.gov/Recycle/Commercial/Organics/), which went into effect in January and will be phased in over the next five years, requires local governments and businesses to recycle any food, plant or other organic waste they produce.

The state Air Resources Board is also considering a new goal as part of its climate change scoping plan of a [90 percent reduction of organic waste](https://www.arb.ca.gov/cc/shortlived/meetings/04112016/proposedstrategy.pdf) in landfills by 2025.

As of October 2015, there were [12 anaerobic digestion facilities](http://www.calrecycle.ca.gov/Organics/Conversion/ADProjects.pdf) operating statewide, with another nine projects in construction or pending approvals, including the one in Compton where inedible food waste from Kroger grocery stores is turned into electricity.

“If the plan is adopted as proposed, there’s no question that we’re going to need more infrastructure built,” said Clark Williams, an environmental program manager with CalRecycle.

Although the city’s initial study of the project found the project would have few environment impacts, residents, through their efforts at several city council meetings, have forced the city to commission a more extensive impact study.

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The city has hired a consultant, Placeworks, to conduct the environmental review.

Transparency Questions

“Our intent has always been to have the public involved, we’re not trying to hide anything or slide anything through,” Ambroso said.

Still, many residents say they did not hear about the project until about a week before the hearing.

They also question why plans for the project were not publicly discussed earlier, given that the city council approved an agreement in 2013 promising to purchase energy from the company if the sustainability center is built.

“Other cities have put their anaerobic digestion plants at the outskirts of town and near landfills. Rather than put it in the middle of a residential area, my appeal is to relocate the facility to an outlying area,” said Scott Morton, a Yorba Linda resident at last week’s City Council meeting.

Anaergia initially explored building the anaerobic digestion plant next to the Republic Services facility but found the property was too small. Ambroso said the current site allows the facility to stay within Anaheim’s electrical grid.

“I can’t say we have another site in mind,” said Ambroso.

Contact Thy Vo at tyvo@voiceofoc.org (<mailto:tyvo@voiceofoc.org>) or follow her on Twitter @thyanhvo.





Attachment 4

Sample Engineering Documents

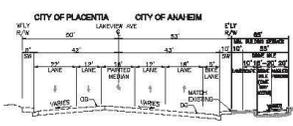


**ANAHEIM SUSTAINABILITY CENTER
ANAEROBIC DIGESTER SITE**

AE Anaheim Energy LLC
1300 & 1322 LAKEVIEW AVENUE
ANAHEIM, CALIFORNIA

Anaerlogia
5780 FLEET STREET STE. 310
CARLSBAD, CA 92008
760-438-8870

JANUARY 2016



LAKEVIEW AVE
FROM STA 88+00 TO STA 87+25




VICINITY MAP
1/8" = 1" = 100'

LOCATION MAP
1/8" = 1" = 100'

SHEET INDEX

GENERAL

- G-1 COVER SHEET AND SHEET INDEX
- G-2 DIMENSIONED NORTH MAP
- G-3 100' GRID MAP WITH 500' INTERVALS
- G-4 GENERAL NOTES AND HYDROLOGIST APPROVATIONS
- G-5

CON.

- C-1 SITE PLAN
- C-2 BRUSH AND UTILITY PLAN
- C-3 SITE ELEVATIONS

LANDSCAPE

- L-1 LANDSCAPE PLAN
- L-2 SIGNAGE PLAN
- L-3 BRUSH PLAN

ARCHITECTURE

- A-1 RECEIVING PROCESSING FACILITY-LOWER LEVEL PLAN
- A-2 RECEIVING PROCESSING FACILITY-MIDDLE LEVEL PLAN
- A-3 RECEIVING PROCESSING FACILITY-TOP PLAN
- A-4 RECEIVING PROCESSING FACILITY-EXTENSION (ELEVATIONS)
- A-5 RECEIVING PROCESSING FACILITY-EXTENSION (ELEVATIONS)
- A-6 RECEIVING PROCESSING FACILITY-SECTION

WATER QUALITY IMPROVEMENTS

- W-1 WASTE QUALITY MANAGEMENT PLAN
- W-2 WASTE QUALITY DETAILS
- W-3 PRELIMINARY MAP EXCERPT

PROPERTY INFORMATION:

ADDRESS:
1300-1322 NORTH LAKEVIEW AVENUE
ANAHEIM, CA 92807

ASSessor'S PARCEL NUMBER: 3432013, 3432014

PROPOSED LAND USE: P-1 - ATTACHED A

ZONING AND DEVELOPMENT STANDARDS:

NORTHEAST AREA SPECIFIC PLAN NO. 84-1 (OP. 94-1)

LAND USE:

EXPANDED INDUSTRIAL AREA (DEVELOPMENT AREA 2)
FLOOR AREA RATIO (FAR): MAX. FAR = 0.4
MINIMUM STRUCTURAL HEIGHT: 10'
MINIMUM SETBACKS:
LANDSCAPE IMPROVEMENTS: SEE SITE LANDSCAPE, UT. DRIVE
REUSE AND PRESERVE:
REUSE AND PRESERVE (SEE WASTE RESOURCES)

MECHANICAL INFORMATION:

GEOTECHNICAL INVESTIGATION REPORT BY GEOTECH CONSULTANTS DATED 10/20/15

SURVEY INFORMATION:

RECENT SURVEY CONTROL INFORMATION PROVIDED BY THE OWNER GROUP WITH MAP AND ASSOCIATED METAL DATA COMPILED FROM AERIAL PHOTOGRAPHS BY BILLY BOON, SURVEYOR, INC DATED 12-8-15

BOUNDARIES: 24-28-84
ELEVATION: 282.600000'

BASE OF MEASUREMENT:

THE BOUNDS OF NORTH 70° 0' 0" WEST AS MEASURED BETWEEN ORANGE COUNTY SURVEY MONUMENTS "TAD" AND "N" SET AS PUBLISHED BY THE COUNTY OF ORANGE.

LEGAL DESCRIPTION:

THAT PORTION OF THE THIRD CLASS LAND ALLOTTED TO F. W. HORN, IN THE COUNTY OF ORANGE OF THE TRACTS OWNED BY SANTA ANA, RECORDED FORECLOSURE DEED BY THE PUBLIC COUNTY OF THE 17TH JUDICIAL DISTRICT OF THE STATE OF CALIFORNIA, CASE NO. 1076, IN THE CITY OF ANAHEIM, COUNTY OF ORANGE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE WEST LINE OF SAID 11-3RD CLASS LAND ALLOTTED TO F. W. HORN, IN 1911 WEST OF THE NORTHWEST CORNER OF BLOCK "F" OF TOWER AS PER MAP RECORDED IN BOOK 31, PAGE 98 OF RECORDS OF THE COUNTY OF ORANGE, CALIFORNIA;

THENCE SOUTH 89° 40' 00" EAST, 107.45 FEET TO THE NORTH WEST CORNER OF THE LAND DESCRIBED IN DEED TO HENRY H. COATES AND WIFE, RECORDED IN BOOK 13, PAGE 148, PUBLIC RECORDS OF SAID ORANGE COUNTY;

THENCE SOUTH 89° 40' 00" EAST 15.51 FEET, ALONG THE WESTERN LINE OF SAID COATES LAND, TO THE EASTERN LINE OF THE WESTERLY 1/2 CORNER OF SAID COATES LAND, BEING THE EASTERN LINE OF SAID COATES LAND, AND EASTERN LINE BEING THE EASTERN LINE OF THAT CERTAIN TRACT AND QUARTY QUARTY LOTS RECORDED IN BOOK 21, PAGE 102 AS INSTRUMENT NO. 20230 (ORIGINAL, OFFICIAL RECORDS OF SAID ORANGE COUNTY, SAID POINT BEING THE POINT OF BEGINNING OF THIS DESCRPTION;

THENCE CONTINUING SOUTH 89° 40' 00" EAST, 262.41 FEET, BEING NORTHERLY LINE TO THE NORTH EAST CORNER THEREOF, THENCE SOUTH 3° 41' 00" WEST, 15.51 FEET, ALONG THE EASTERN LINE OF SAID COATES LAND, THENCE NORTH 89° 40' 00" WEST, 107.45 FEET TO SAID EASTERN LINE OF SAID TRACT AND QUARTY QUARTY LOTS, BEING NORTH OF 20' BOUNDARY LINE, BEING SAID POINT BEING THE POINT OF BEGINNING, CONTAINS A SURFACE OF MORE OR LESS, THIS DESCRIPTION IS NOT INTENDED FOR CONVEYANCE OF REAL PROPERTY.

ENGINEER OF WORK CERTIFICATION

PRINTED NAME: ANTHONY S. DALE
DATE: 12-15-15
ADDRESS: 5780 FLEET STREET STE. 310
CARLSBAD, CA 92008
PHONE: 760-438-8870

G-1



AERIAL VIEW
1/8" = 1" = 100'

NO.	REVISION	DATE	BY	CHKD.

AE Anaheim Energy LLC

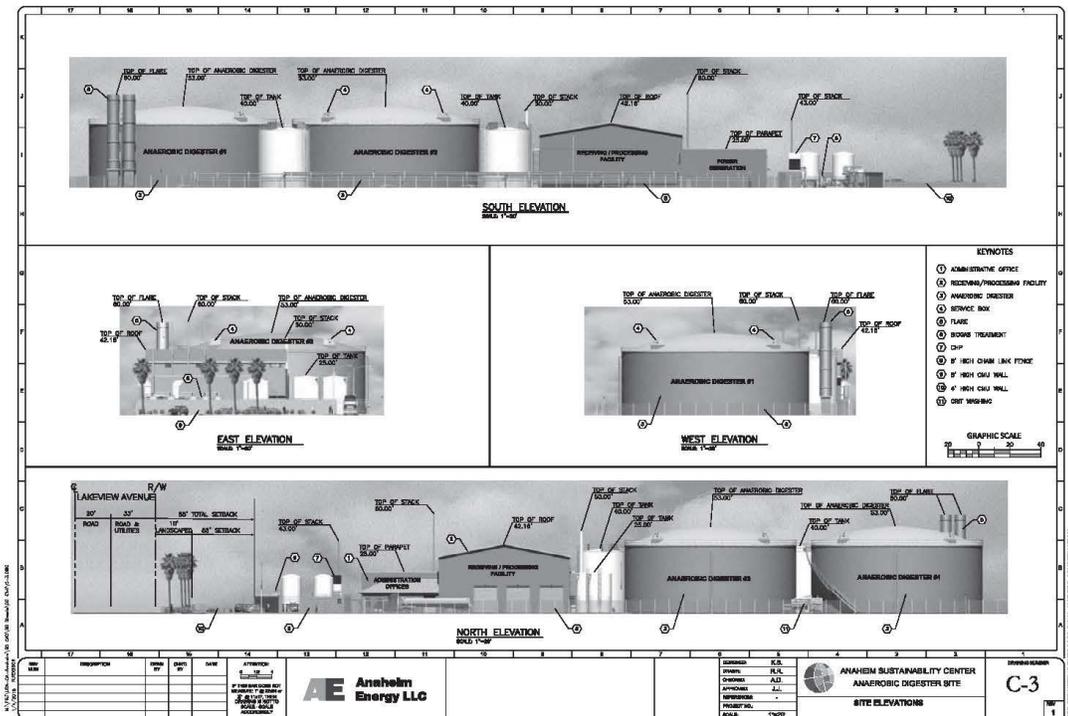
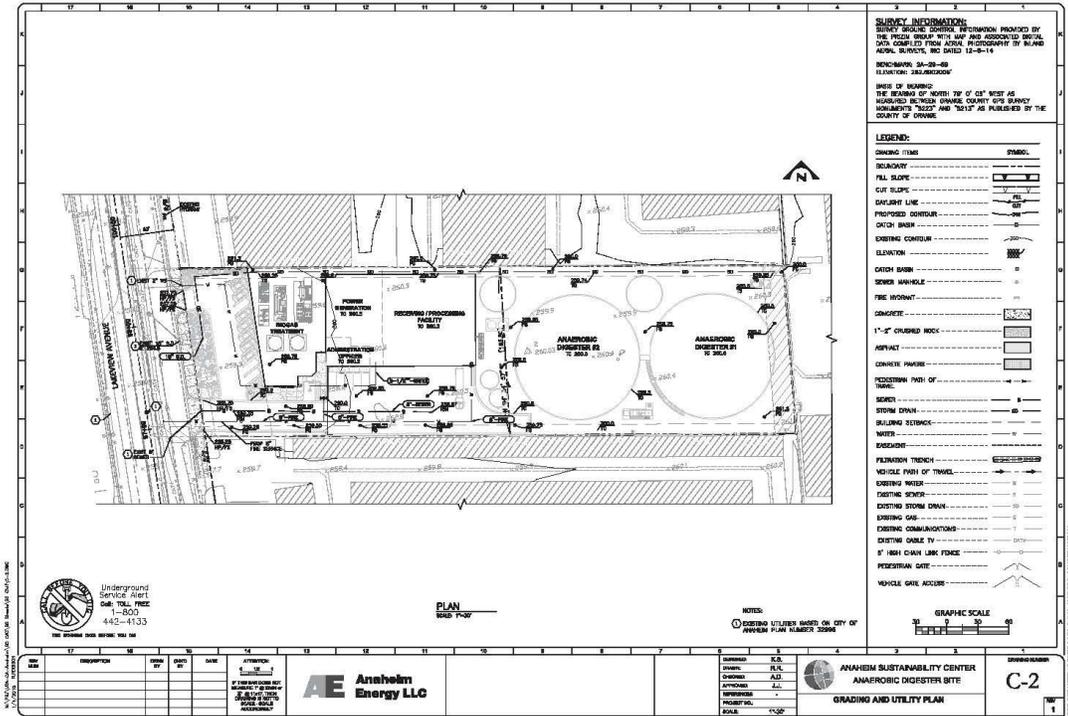
REVISION	DATE	BY	CHKD.

**ANAHEIM SUSTAINABILITY CENTER
ANAEROBIC DIGESTER SITE**

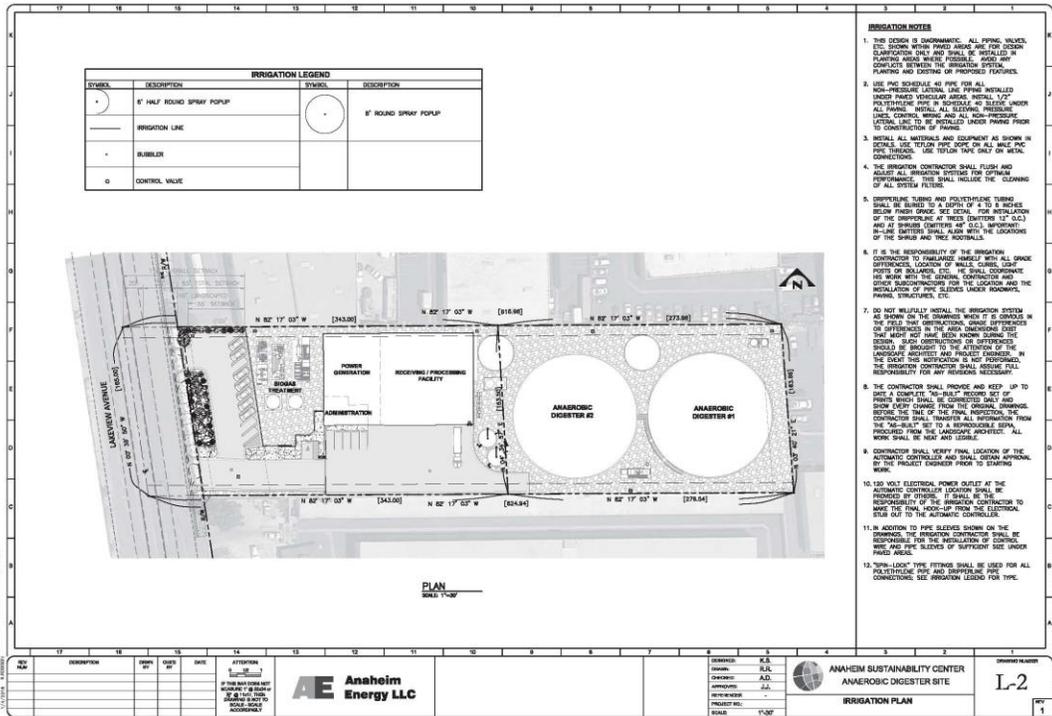
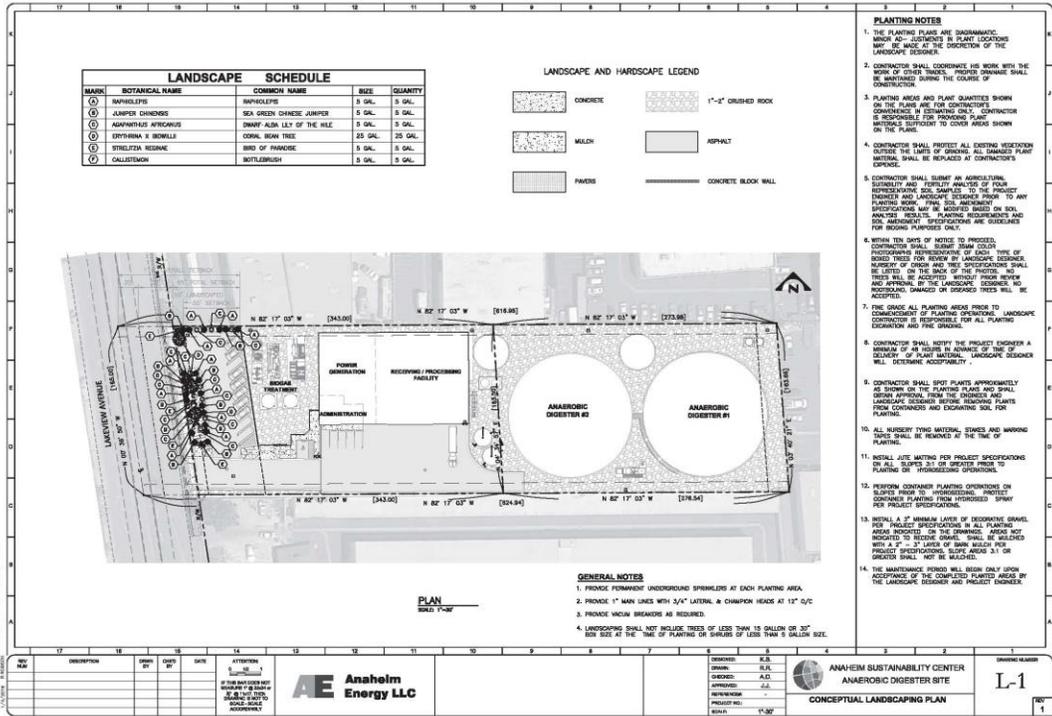
ENLARGED VICINITY MAP

G-2

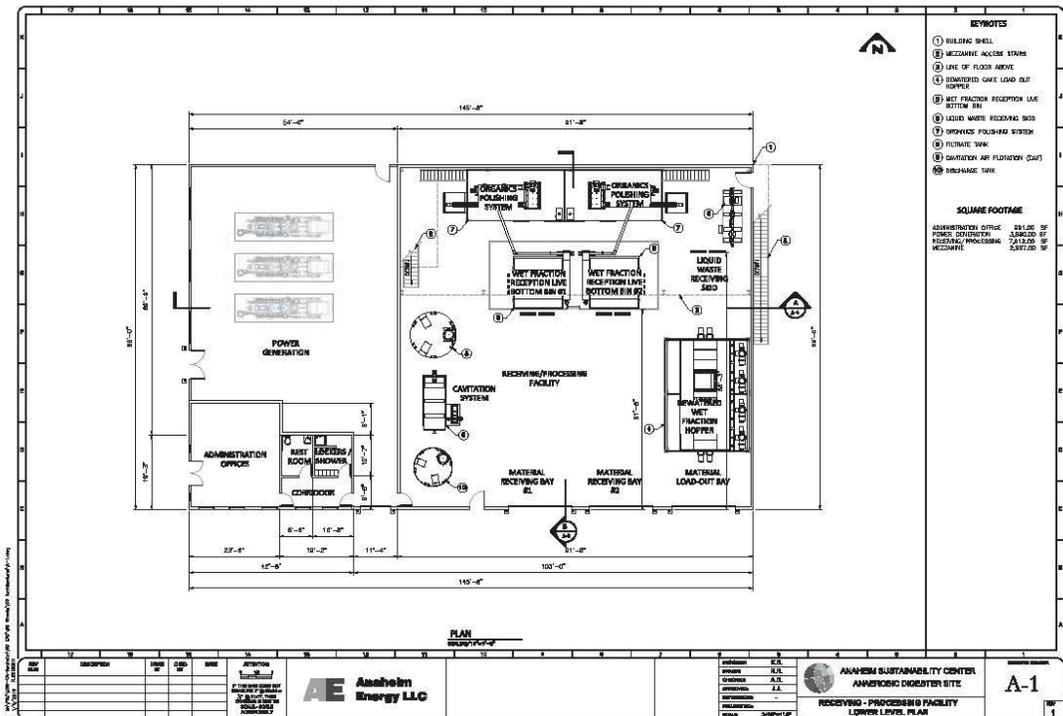
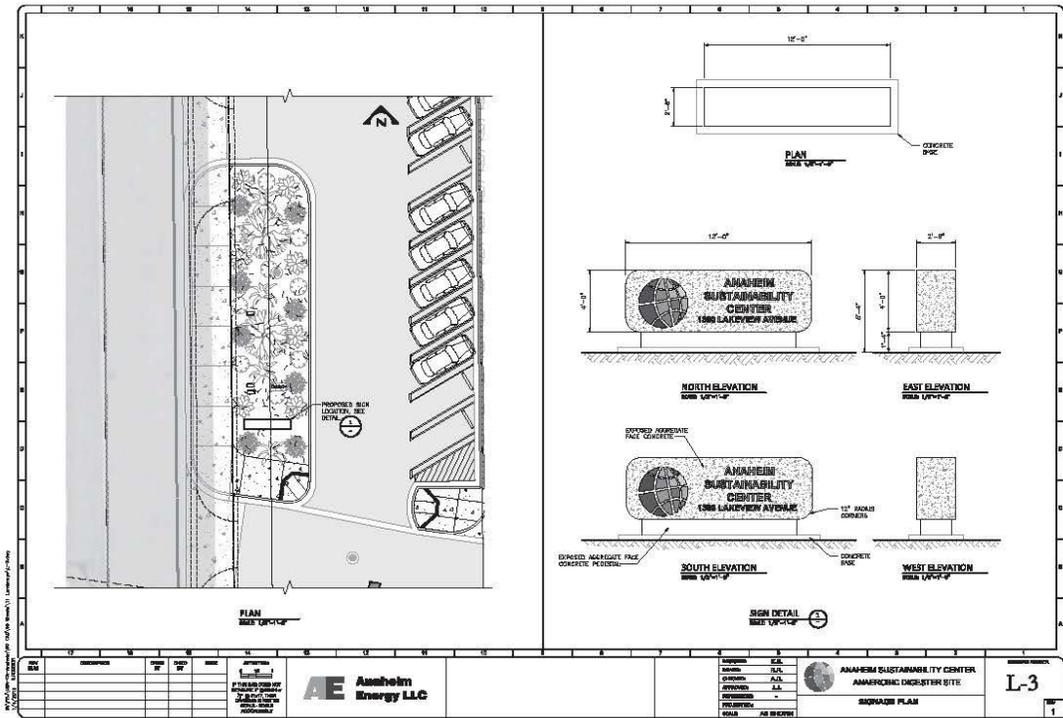
Agenda Item – 4.C Application No. 14-SM012



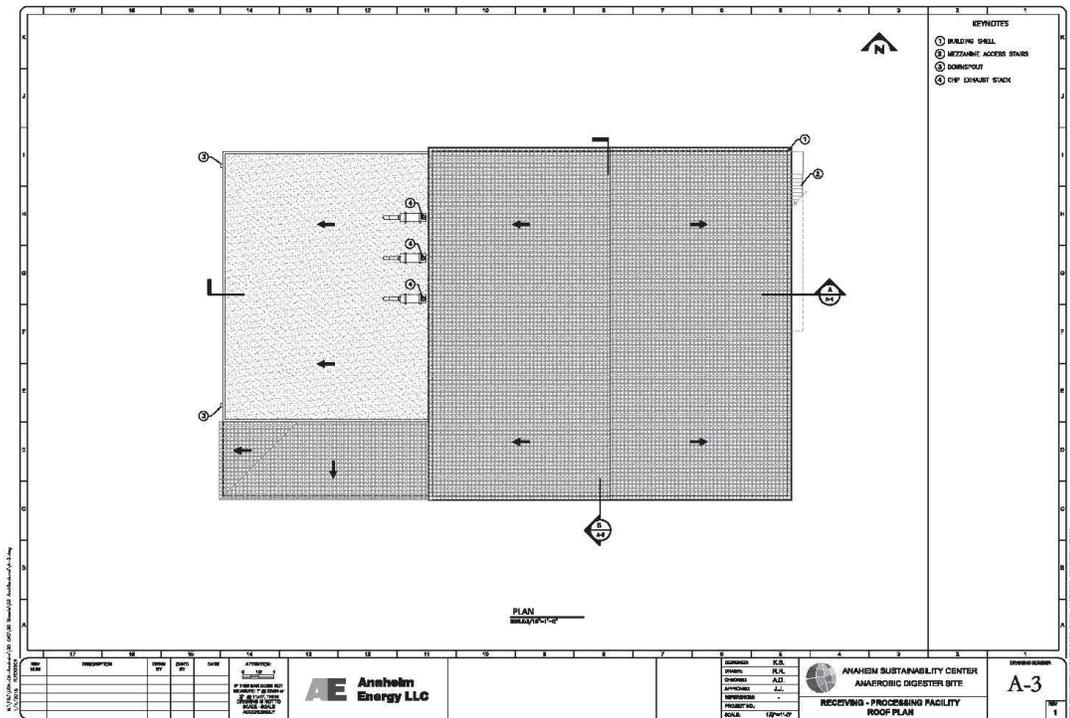
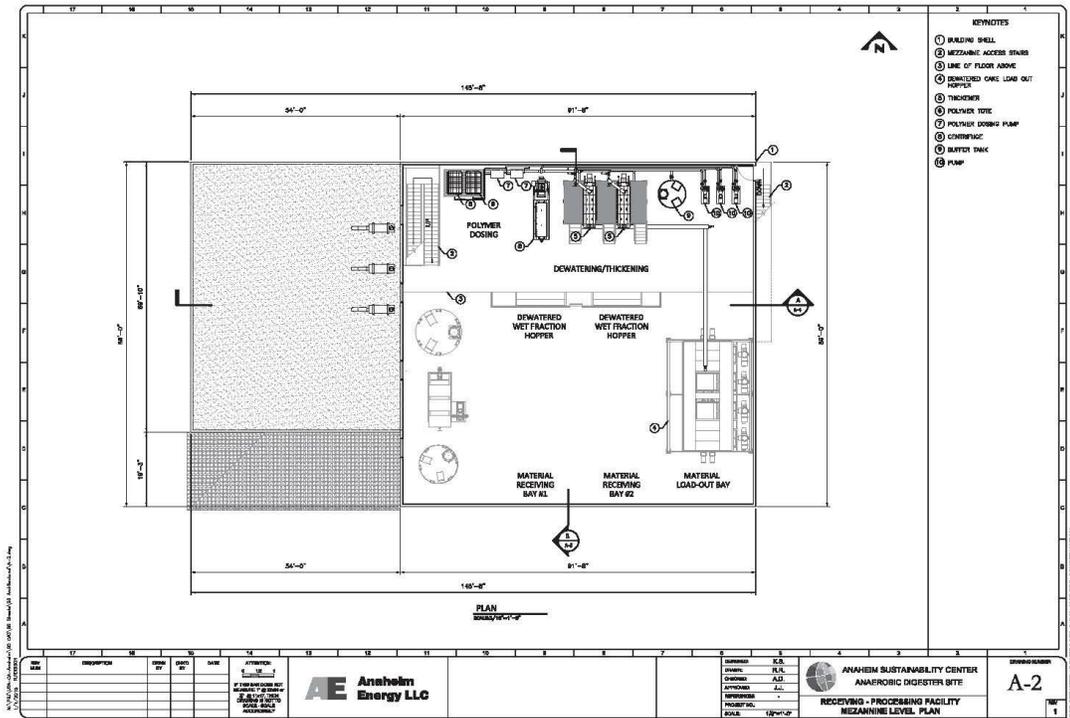
Agenda Item – 4.C Application No. 14-SM012



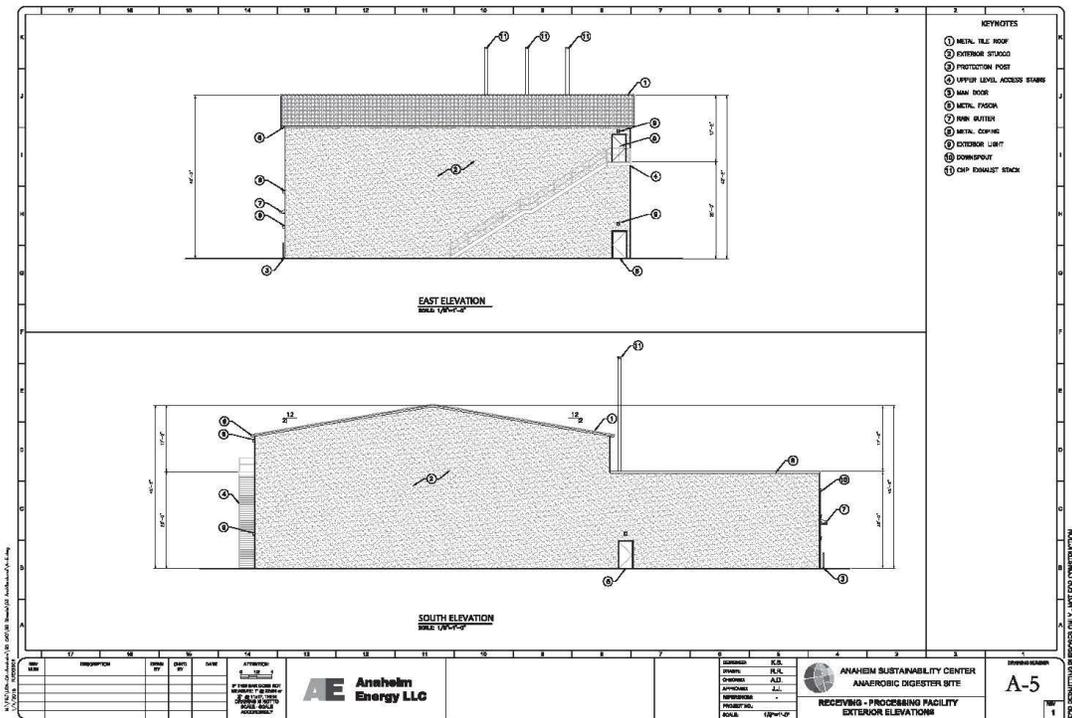
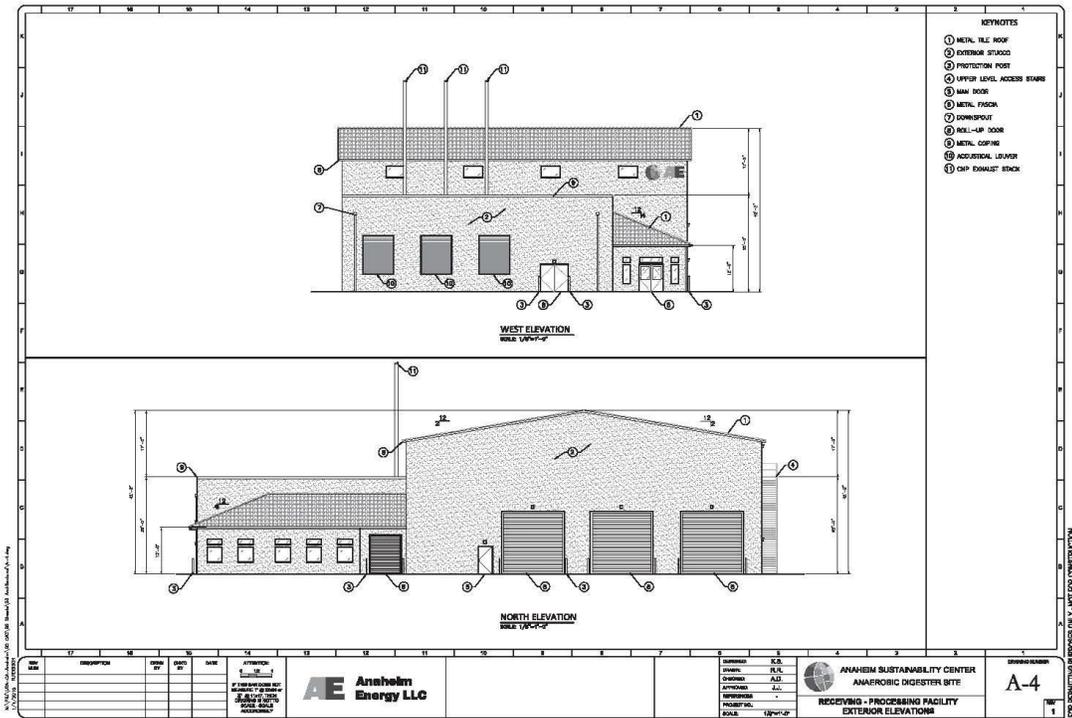
Agenda Item – 4.C
Application No. 14-SM012



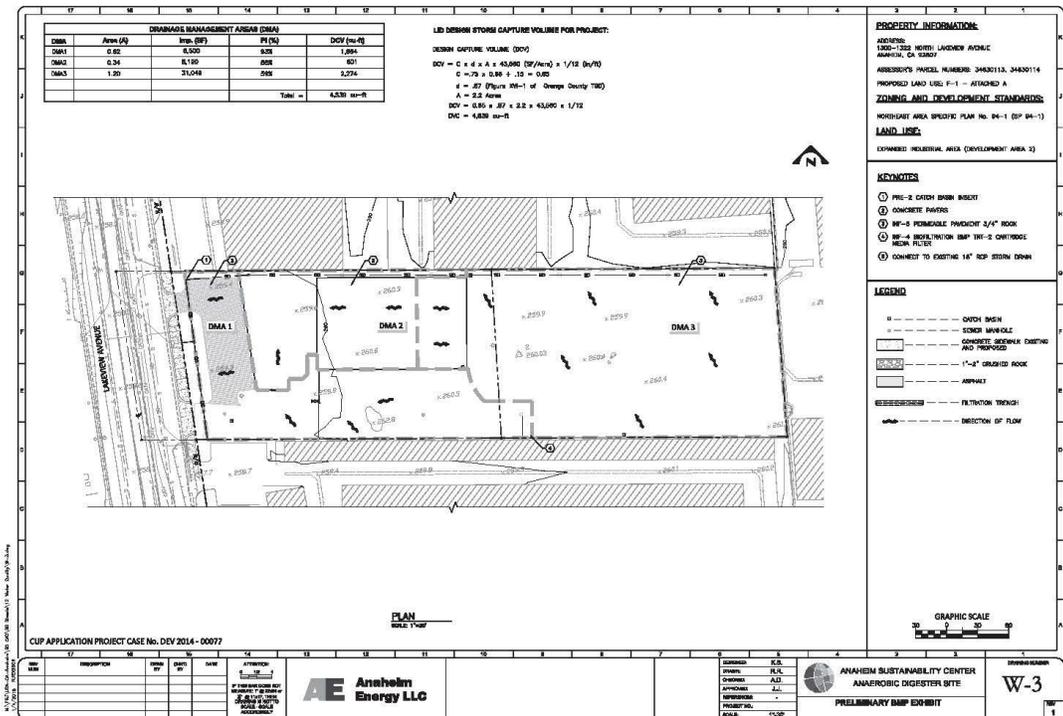
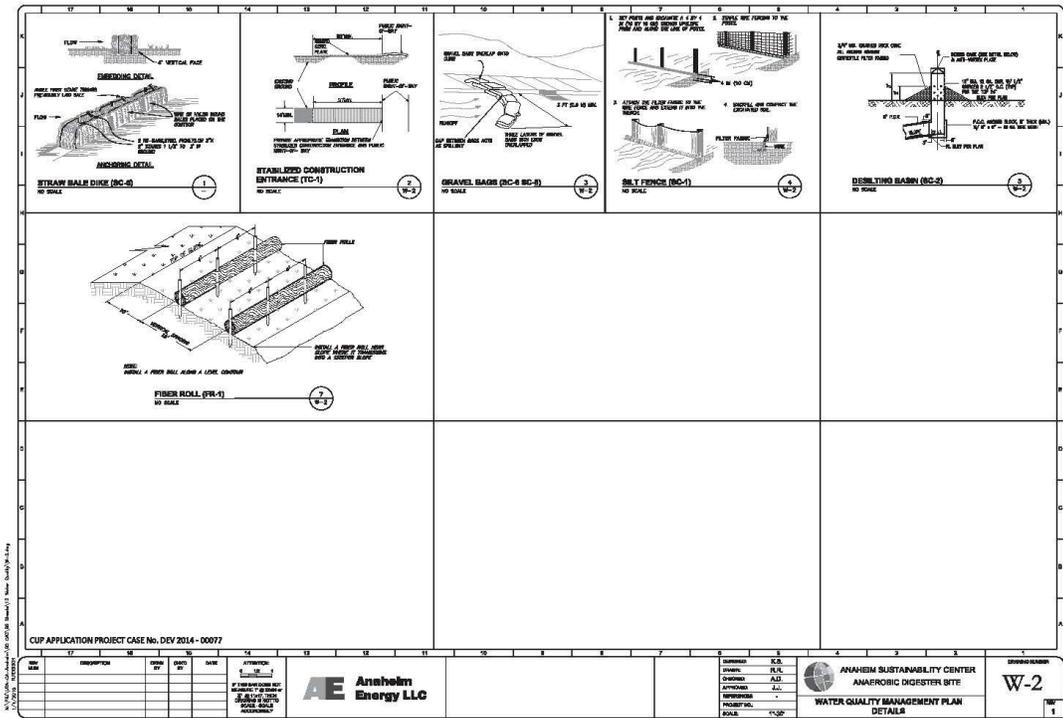
Agenda Item – 4.C
Application No. 14-SM012



Agenda Item – 4.C
 Application No. 14-SM012



Agenda Item – 4.C Application No. 14-SM012



Attachment B: Anaheim Energy, LLC’s Staff Summary at the Time of Approval

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

Request to Approve Project for Sales and Use Tax Exclusion (STE)⁵

**Anaheim Energy, LLC
Application No. 14-SM012**

Tuesday, September 16, 2014

Prepared By: *Ashley Bonnett*

SUMMARY

Applicant – Anaheim Energy, LLC

Location – Anaheim, Orange County

Industry – Biogas Capture and Production

Project – New Biogas Capture and Production Facility

Value of Qualified Property – \$19,143,601

Estimated Sales and Use Tax Exclusion Amount⁶ – \$1,611,891

Estimated Net Benefits – \$895,499

Application Score –

Fiscal Benefits Points:	1,203
<u>Environmental Benefits Points:</u>	<u>353</u>
Net Benefits Score:	1,556
<u>Additional Benefits Points:</u>	<u>50</u>
Total Score:	1,606

Staff Recommendation – Approval

⁵ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

⁶ This amount is calculated based on the average statewide sales tax rate of 8.42%.

THE APPLICANT

Anaheim Energy (“Anaheim” or the “Applicant”), formed in 2013, is a wholly owned subsidiary of Anaergia Services, LLC (“Anaergia”).

The major shareholders (10.0% or greater) of Anaergia are:

UTS Bioenergy Holdings, LLC (88.5%)

The corporate officer of Anaergia is:

Arun Sharma, President

THE PROJECT

Anaheim, in partnership with Republic Services, a residential and commercial waste collector with a municipal recycling facility located in Anaheim, will construct an anaerobic digester that will convert wet organic matter derived from municipal solid waste preprocessed at Republic Services’ municipal recycling facility, as well as liquid wastes, into biogas (the “Project”).

The Applicant will install two wet organics processing lines at Republic Services’ facility. The processing lines will utilize Anaergia’s Organics Extrusion Press technology, which the Applicant represents is a high pressure process to recover 95% of the digestible organic material. The processing lines will sort and preprocess solid waste collected from restaurants, wet compactors, theme parks such as Disneyland, universities, grocery stores, produce markets, and food manufacturers to isolate the wet organic material, creating what is called the “wet organic fraction” of the waste. This wet organic fraction will be transported to Anaheim’s anaerobic digestion facility to serve as feedstock, along with liquid wastes and fats, oils, and greases, in the creation of biogas. The biogas will be converted to heat and power, a portion of which will be used to power the facility, and the remaining power will be sold to Anaheim Public Utilities.

Consistent with CAEATFA policy, the Qualified Property in this Application will be used to manufacture biogas and includes a portion of the power generation equipment used to power the facility. The Project’s equipment will consume 25 percent of the total amount of energy generated; therefore 25 percent of the power generation equipment is eligible for an STE under the Program. However, the remaining 75 percent of the power generation equipment is not included in this Application as this represents the proportion of electricity that the Applicant will sell to Anaheim Public Utilities.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Solids Handling and Digestion	\$ 14,433,747
Biogas Handling	1,040,000
Electrical Generation (25% of total cost)	2,404,754
Site Construction and Processing Accessories	1,265,100
Total	<u>\$19,143,601</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 master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual 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, 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

Anaheim represents that it has secured an option to lease a two acre site in Anaheim for the digestion facility, and that it has already executed a Letter of Intent and is currently negotiating a feedstock agreement with Republic Services. Anaheim expects all major agreements will be in place before the end of 2014. The Applicant anticipates initial construction at Anaheim's digestion facility will commence in June 2015, and installation of the preprocessing equipment at Republic Services' facility is expected to begin in April 2016. Commercial startup is expected to begin in January 2017.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$19,143,601 and the total net benefits are valued at \$895,499 for the Project. The Project received a Total Score of 1,606 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 353 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (1,203 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 \$1,938,411 resulting in a Fiscal Benefits score of 1,203 points for the Project.
- B. Environmental Benefits (353 points).** The Project will result in \$568,979 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits

Score of 353 points for the Project. These benefits derive from displacing the use of fossil fuel through the production of biogas and the avoidance of emissions that would otherwise be produced if the waste was sent to a landfill to decompose.

- C. Additional Benefits (50 points).** Applicants may earn additional points for their Total Score. The applicant submitted information and received 50 additional points.
- 1. Permanent Jobs (20 of 75 points).** The Applicant’s Project will support a total of 15 permanent jobs at its Facility. CAEATFA estimates that approximately two of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Permanent Jobs Score of 20 points for the Project.
 - 2. Construction Jobs (30 of 75 points).** The Applicant’s Project will support a total of 25 construction jobs at its Facility. CAEATFA estimates that approximately three of these jobs will be attributable to a marginal increase in jobs created due to the approved STE resulting in a Construction Jobs Score of 30 points for the Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant represents that Republic Services’ existing solid waste permit for its preprocessing site will require only a modification to reflect the new preprocessing lines, and anticipates the CEQA Conditional Use Permit, with Conditions of Approval and Mitigation Measures, will be finalized by March 2015.

The Applicant also represents that there are other permits and approvals it must acquire for the Project, including local demolition/grading, building, and public site utility permits; South Coast Air Quality Management District air permits; wastewater discharge permits; an interconnection agreement with Anaheim Public Utilities; and a solid waste facility permit from CalRecycle. The Applicant anticipates all of these permits will be in place by December 2015.

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,⁷ the Applicant has paid CAEATFA an Application Fee of \$9,571.80 and will pay CAEATFA an Administrative Fee of up to \$76,574.40.

⁷ California Code of Regulations Title 4, Division 13, Section 10036

RECOMMENDATION

Staff recommends approval of Resolution No. 14-SM012 for Anaheim Energy’s purchase of Qualified Property in an amount not to exceed \$19,143,601 anticipated to result in an approximate sales and use tax exclusion value of \$1,611,891.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH ANAHEIM ENERGY, LLC**

September 16, 2014

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Anaheim Energy, LLC** (the “Applicant”), for financial assistance in the form of a master regulatory agreement (the “Agreement”) regarding tangible personal property utilized in an Advanced Manufacturing process or 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 to acquire Project equipment with an estimated cost not to exceed \$19,143,601 over a period of three years; 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(a)(8)(B).

Section 2. The requested master 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, 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

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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 listed in the semi-annual reports 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.