

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

Request to Approve Project for SB 71 Sales and Use Tax Exclusion¹(STE)

**AMERESCO VASCO ROAD LLC
Application No. 10-SM025**

Wednesday, December 15, 2010

Prepared By: *Martha Alvarez*

SUMMARY

Applicant – Ameresco Vasco Road LLC

Location – Livermore, Alameda County

Industry – Landfill Gas

Project – New Landfill Gas Capture and Production Facility

Value of Qualified Property – \$1,828,204

Estimated Sales and Use Tax Exclusion Amount² – \$166,367

Estimated Net Benefits – \$233,306

Application Score –

Fiscal Benefits Points:	2,004
<u>Environmental Benefits Points:</u>	<u>398</u>
Net Benefits Score:	2,402
<u>Additional Benefits Points:</u>	<u>10</u>
Total Score:	2,412

Staff Recommendation – 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 9.1%.

THE APPLICANT

Ameresco Vasco Road LLC (“Vasco Road” or “Applicant”), is a Delaware limited liability company formed in March 2010 and qualified to do business in California. While Ameresco Vasco Road LLC is a wholly owned subsidiary of Ameresco, Inc., all contracts, operational responsibility, and revenue rest with Vasco Road.

The Vasco Road project will be constructed at the Vasco Road Landfill, located in Livermore, California, and will be used to process or manufacture raw landfill gas (“LFG”) into a “green” renewable gas suitable for combustion in an internal combustion engine or turbine for purposes of producing electricity.

Vasco Road is 100 percent owned by Ameresco, Inc. (“Parent Company”).

The major shareholders (10.0% or greater) of the Parent Corporation are:

George P. Sakellaris
CEDE & Co.

The corporate officers of the Parent Corporation are:

George P. Sakellaris – President & CEO, Chairman
David J. Anderson – EVP, Business Development & Director
Michael T. Bakas – Senior VP, Renewable Energy
David J. Corrsin – EVP, General Counsel/Secretary & Director
William J. Cunningham – Senior VP, Corporate Government Relations
Joseph P. DeManche – EVP, Engineering & Operations
Keith A. Derrington – EVP & GM, Federal Operations
Mario Iusi – President, Ameresco Canada
Louis P. Maltezos – EVP & GM, Central Region
Andrew B. Spence – CFO, VP

THE PROJECT

The Vasco Road Landfill is currently flaring approximately 1,600 cubic feet per minute (“cfm”) of collected landfill gas (“LFG”). Vasco Road is designing, permitting and will construct, own, operate and maintain a 4.3 megawatts (MW) landfill gas-to-electricity (“LFGTE”) plant to be located at the Landfill.

There are two major technology components of the process: the processing and conditioning of landfill gas to turn it into biogas; and the burning of the biogas in two internal combustion engines to produce electricity. However, the sales and use tax exclusion will only be used to finance the equipment required for the first portion of the process. This includes piping, valves, vessels, gas skid and other items required for the processing of biogas. The LFG must be cleaned up and processed to remove water, particulates, siloxanes, and other contaminants to produce a clean “green” gas before it can be used to generate electricity for sale.

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Vasco Road has a Gas Purchase Agreement with Republic Services, the landfill owner, to purchase the LFG for use in the proposed plant. Vasco Road has also executed a long term Power Purchase Agreement with Silicon Valley Power for purchase of the renewable energy.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Gas blowers, rotary lobe design & discharge silencer	\$ 253,110
Gas blower enclosures	10,459
Gas dehydration skid-design, cooler, reheater, separator	366,069
Gas blower VFD	31,377
Gas filters, blower suction, prechamber gas, and engine POU	43,522
Air cooled glycol chiller	64,846
Glycol tank	2,228
Plant control panel and software	104,591
Plant instrumentation and O2 sensors	31,377
Methane detectors	13,074
Gas venture meters for each engine	10,459
Plant ventilation, AC equipment	75,000
Gas chromatograph and calibration gas	33,469
Plant manual and control valves	48,307
Condensate knockouts V1 and V2 with demister	26,669
V2 condensate pumps	6,052
Plant air compressor and dryer	16,397
TSA landfill gas cleanup system including heater panel and blowers	550,000
TSA system flare	<u>141,198</u>
Total	<u>\$1,828,204</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 development of the Project is underway and several contracts have closed. The Project is still pending approval on several required permits. The Applicant anticipates procuring the Qualified Property between December 2010 and August 2011. The construction phase of the

Facility will be from November 2011 through July 2012, with an expected commercial operation date of October 2012.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated at \$1,828,204 and the total net benefits are valued at \$233,306 for the Project. The Project received a Total Score of 2,412, which exceeds the required 1,000 point threshold, and a total Environmental Benefits Score of 398, which exceeds the 100 point threshold.

- A. Fiscal Benefits (2,004 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 \$333,415 resulting in a Fiscal Benefits score of 2,004 points for the Project.

- B. Environmental Benefits (398 points).** The Project results in \$66,258 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 398 points for the Project. These benefits derive from the production of biogas, which offsets the need for use of fossil methane.

- C. Additional Benefits (10 of 200 points).** Applicants may earn up to 200 additional points for their Total Score. The applicant submitted information and received 10 additional points.
 - 1. Permanent Jobs (0 of 40 points).** The Applicant's Project will support a total of 1.2³ jobs at their Facility. CAEATFA estimates that none of these jobs will be attributable to a marginal increase due to the approved STE. Thus, the Applicant did not receive any points in this category.

 - 2. Construction Jobs (10 of 20 points).** The Applicant's Project will support a total of 10.25 construction jobs⁴ at their Facility. CAEATFA estimates that approximately 1 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 10 points for the Project.

³ This is a fraction of one job since one full-time operator and a supervisor share their time between several plants in the region.

⁴ In addition to the ten construction jobs, there is a fraction of 1 job since there will be a health and safety officer working on a quarter time basis.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The air permit application for this Project was submitted to the Bay Area Air Quality Metropolitan District in October 2010. The interconnection system impact study (SIS) application has also been submitted to the Pacific Gas & Electric Company.

LEGAL QUESTIONNAIRE

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with CAEATFA regulations,⁵ the Applicant has paid CAEATFA an Application Fee of \$914 and will pay CAEATFA an Administrative Fee of \$15,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 10-SM025 for Ameresco Vasco Road LLC's purchase of Qualified Property in an amount not to exceed \$1,828,204 anticipated to result in an approximate sales and use tax exclusion value of \$166,367.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A TITLE
CONVEYANCE AGREEMENT WITH AMERESCO VASCO ROAD LLC**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or CAEATFA) has received the Application of **Ameresco Vasco Road 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 \$1,828,204 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).

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

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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.