

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

Request to Approve Project for Sales and Use Tax Exclusion (STE)¹

**Mendota Bioenergy, LLC
Application No. 14-SM014**

Tuesday, August 19, 2014

Prepared By: *Alejandro Ruiz*

SUMMARY

Applicant – Mendota Bioenergy, LLC

Location – Five Points, Fresno County

Industry – Biomass Processing and Fuel Production

Project – New Biomass Processing and Fuel Production Facility

Value of Qualified Property – \$2,200,000

Estimated Sales and Use Tax Exclusion Amount² – \$185,240

Estimated Net Benefits – \$440,316

Application Score –

Fiscal Benefits Points:	3,222
<u>Environmental Benefits Points:</u>	<u>155</u>
Net Benefits Score:	3,377

<u>Additional Benefits Points:</u>	<u>148</u>
Total Score:	3,525

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 8.42%.

THE APPLICANT

Mendota Bioenergy LLC (“Mendota” or the “Applicant”) is a California limited liability company organized in January 2011 to design, construct and operate the Advanced Biorefinery Center-Mendota Integrated Demonstration Plant (“IDP”) located in Five Points, California. The IDP will produce low carbon intensity transportation fuels, including ethanol and biodiesel.

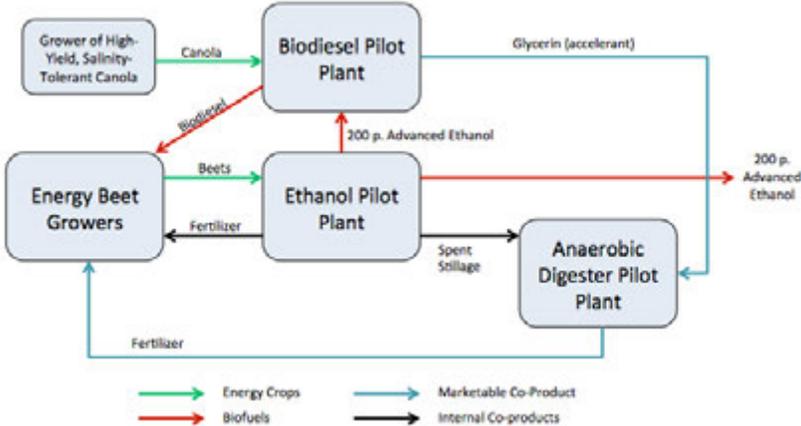
Mendota is a wholly owned subsidiary of Mendota Advanced Bioenergy Beet Cooperative (the “Cooperative”). The Cooperative serves as the sole manager of Mendota.

The major shareholders (10.0% or greater) of the Mendota Advanced Bioenergy Beet Cooperative are:
 William Pucheu
 Rusty Gragnani
 Gary Martin
 Francis Del Testa
 Ellen Des Jardins
 David Santos
 Jill Buford
 Bill Carvalho
 John Diener

The corporate officers of the Mendota Advanced Bioenergy Beet Cooperative are:
 William Pucheu, President and GM
 Rusty Gragnani, Vice President
 Gary Martin, Treasurer
 Francis Del Testa, Secretary

THE PROJECT

Mendota will construct and operate an ethanol production plant that will convert beets into ethanol fuel (the “Project”). Mendota will purchase beets from the Cooperative and Fresno State Farm. Mendota plans to use special enzymes that, according to the Applicant, will result in a decrease in energy consumed by the production process and increase yields by 10 to 15 percent per ton of beets. The Project will produce approximately 1,000,000 gallons of 200-proof ethanol per year that will be sold to local retailers, blenders and fueling stations. The byproducts of the ethanol production process will be used as fertilizer by the beet growers.



The Project is part of the IDP that will be used to test technologies and demonstrate the commercial viability of low carbon intensity transportation fuels. The information gained from the IDP will be used to refine the commercial scale Advanced Biorefinery Center, a \$175 million facility currently under development in Mendota, California.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Easy Energy Modular Energy Production System Skids (Beet Preparation and Processing and Ethanol Fuel Production)	\$ 1,800,000
Beet Washing System	100,000
Rental Equipment	<u>300,000</u>
Total	<u>\$2,200,000</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

The Applicant has begun preparation of the site and anticipates beginning operations in September 2014.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$2,200,000 and the total net benefits are valued at \$440,316 for the Project. The Project received a Total Score of 3,525 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 155 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (3,222 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 \$596,885 resulting in a Fiscal Benefits score of 3,222 points for the Project.

- B. Environmental Benefits (155 points).** The Project will result in \$28,671 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 155 points for the Project. These benefits derive the production of ethanol fuel that will offset the use of fossil fuels, such as gasoline.
- C. Additional Benefits (148 points).** Applicants may earn additional points for their Total Score. The applicant submitted information and received 148 additional points.
- 1. Permanent Jobs (40 of 75 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 resulting in a Permanent Jobs Score of 40 points for the Project.
 - 2. Construction Jobs (60 of 75 points).** The Applicant's Project will support a total of 20 construction 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 Construction Jobs Score of 60 points for the Project.
 - 3. Unemployment (48 of 50 points).** The Applicant's Project is located in Fresno County which has an average annual unemployment rate of 13%. This is above 110% of the average annual statewide unemployment rate which is currently 8.8% resulting in an Unemployment Score of 48 points for this Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant has applied for a construction permit and anticipates that it will be approved in September 2014.

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,³ the Applicant has paid CAEATFA an Application Fee of \$1,100 and will pay CAEATFA an Administrative Fee of \$15,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 14-SM014 for Mendota Bioenergy, LLC's purchase of Qualified Property in an amount not to exceed \$2,200,000 anticipated to result in an approximate sales and use tax exclusion value of \$185,240.

³ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER
REGULATORY AGREEMENT WITH THE MENDOTA BIOENERGY, LLC**

August 19, 2014

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Mendota Bioenergy, 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 \$2,200,000 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.

Agenda Item – 4.A.3
Resolution No. 14-SM014
Application No. 14-SM014

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 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.