

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

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

**California Renewable Power, LLC
Application No. 15-SM006**

April 21, 2015

Prepared By: *James Shimp*

SUMMARY

Applicant – California Renewable Power, LLC

Location – Perris, Riverside County

Industry – Biogas Capture and Production

Project – Construction of an Anaerobic Digestion and Biogas Production Facility

Value of Qualified Property – \$13,079,755

Estimated Sales and Use Tax Exclusion Amount² – \$1,101,315

Estimated Net Benefits – \$876,329

Application Score³ –

Fiscal Benefits Points:	1,671
<u>Environmental Benefits Points:</u>	<u>125</u>
Net Benefits Score:	1,796
<u>Additional Benefits Points:</u>	<u>69</u>
Total Score:	1,864

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%.
³ Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

California Renewable Power, LLC (“California Renewable” or the “Applicant”) is a California Limited Liability Company established by CR&R Incorporated (“CR&R”) to develop, finance, and operate anaerobic digestion facilities in California. CR&R is a Southern California waste and recycling company.

The major shareholders (10.0% or greater) of California Renewable Power, LLC are:

David M. Ronnenberg as Trustee of the Ronnenberg Family 2012 Trust dated 12/28/12

The corporate officers of California Renewable Power, LLC. are:

David Ronnenberg, President
Joyce Amato, CFO

THE PROJECT

The Applicant intends to build an anaerobic digestion facility and biogas upgrading system (the “Project”) at an existing CR&R permitted transfer facility in Perris. The site will include an organic materials recovery system to separate out green waste and food scraps for the anaerobic digester. According to the Applicant, an estimated 83,000 tons of organic waste will be diverted from landfills each year, and will instead be used in the anaerobic digester to produce biogas. The biogas upgrading system will then remove carbon dioxide in order to create Renewable Natural Gas (RNG) for use as an alternative transportation fuel. The Applicant plans to use some of the RNG in CR&R’s fleet of waste collection trucks. Agreement has been reached with Southern California Gas Company to inject excess RNG from the Project into its pipeline, subject to meeting specific RNG quality standards.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Anaerobic Biogas Digester System/Equipment	\$8,714,875
Conveyors	\$521,000
Biogas Cleanup System	\$2,359,000
Infeed Conveyor	\$361,040
Grinder and Trommel	<u>\$1,123,840</u>
Total	<u>\$13,079,755</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

Construction of the proposed facility began in 2014 and is slated to be complete by the beginning of 2016.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$13,079,755 and the total net benefits are valued at \$876,329 for the Project. The Project received a Total Score of 1,864 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 125 points, which exceeds the 100 point threshold.

- A. **Fiscal Benefits (1,671 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 \$1,839,848 resulting in a Fiscal Benefits score of 1,671 points for the Project.
- B. **Environmental Benefits (125 points)**. The Project will result in \$137,797 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 125 points for the Project. These benefits derive from the production of biogas, which offsets the need for use of fossil fuels.
- C. **Additional Benefits (69 points)**. Applicants may earn additional points for their Total Score. The applicant submitted information and received 69 additional points.
 1. **Permanent Jobs (30 of 75 points)**. The Applicant's Project will support a total of 23 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 30 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 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 30 points for the Project.

3. **Unemployment (9 of 50 points)**. The Applicant's Project is located in Riverside County which has an average annual unemployment rate of 8.7 %. This is above 110% of the statewide average annual unemployment rate of 7.5%, resulting in an Unemployment Score of nine points for this Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

All required permits for the Project have been obtained.

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,⁴ the Applicant has paid CAEATFA an Application Fee of \$6,539.88 and will pay CAEATFA an Administrative Fee up to \$52,319.

RECOMMENDATION

Staff recommends approval of Resolution No. 15-SM006 for California Renewable Power, LLC's purchase of Qualified Property in an amount not to exceed \$13,079,755 anticipated to result in an approximate sales and use tax exclusion value of \$1,101,315.

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

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER REGULATORY AGREEMENT WITH CALIFORNIA RENEWABLE POWER, LLC

April 21, 2015

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **California Renewable Power, 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 \$13,079,755 over a period of 12.5 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.2
Resolution No. 15-SM006
Application No. 15-SM006

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.