Agenda Item – 4.F.1
Resolution No. 20-SM017
Application No. 20-SM017

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

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

ACC Renewable Resources, LLC
Application No. 20-SM017

Tuesday, March 17, 2020

Prepared By: *Matthew Newman, Blue Sky Consulting Group, on Behalf of CAEATFA, with Ashley Emery, Program Manager*

SUMMARY

Applicant – ACC Renewable Resources, LLC

Location – Williams, Colusa County

Industry – Biomass Processing and Fuel Production

Project – New Biomass Processing and Fuel Production Facility (Alternative Source)

Value of Qualified Property – $12,680,000

Estimated Sales and Use Tax Exclusion Amount[2] – $1,060,048

Estimated Quantifiable Net Benefits – $2,045,500

Competitive Criteria Score – 185 points

Application Score[3] –

Fiscal Benefits Points:	1,930
Environmental Benefits Points:	847
Net Benefits Score:	**2,776**
Additional Benefits Points:	70
Total Score:	**2,846**

Staff Recommendation – Approval

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[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 8.36%.
[3] Point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

ACC Renewable Resources, LLC ("ACC RR" or the "Applicant") is a California limited liability company formed in 2019. ACC Renewable Resources, LLC is a wholly owned subsidiary of American Commodity Company, LLC ("ACC"), which is a full-service handler and marketer of milled and paddy rice.

The major shareholders (10.0% or greater) of American Commodity Company, LLC are:	The company officers or American Commodity Company, LLC are:
Christopher P. Crutchfield (25%) Paul C. Crutchfield (25%) Alfred G. Montna (25%) Michael E. Rue (25%)	Christopher P. Crutchfield, President and CEO/Partner Nicole Montna Van Vleck, Board of Directors and Secretary Paul Crutchfield, Board of Directors and Chairman-Audit & Finance

THE PROJECT

ACC RR is requesting a sales and use tax exclusion to build a new biomass processing and fuel production facility in Williams (the "Project"). The Project will convert rice hulls into a gaseous alternative fuel—producer gas—that can ultimately be used for renewable heat and electricity. The Project will use gasification to extract the gaseous fuel from biomass feedstock collected from the adjacent ACC Williams rice hulling facility.

The ACC Williams rice hulling facility previously sent much of its rice hull waste to a biomass combustion plant south of Williams. However, the Applicant explains this facility's PPA expired; as a result, ACC currently lacks an onsite or nearby option for further processing of the rice hull waste. According to the Applicant, other potentially viable off-site options include truck transport to California's Central Valley for use as poultry bedding. However, this approach would result in additional emissions of greenhouse gases (GHG), particulate matter, and other pollutants due to transportation and would not generate any additional benefits from alternative energy production. To eliminate these emissions and the associated truck traffic, ACC has chosen to utilize the rice hulls on-site to produce alternative source fuel.

In addition to producer gas, the facility can be operated to generate biochar as a value-added co-product. Biochar is a material with high levels of fixed carbon that can be used as a soil amendment or for filtration media. According to the Applicant, biochar enhances the soil's biological productivity and its water-holding and fertilizer-holding capacity, which provides crop nutrition and improves plant growth.

The producer gas created at the facility will be used to generate 3,600 kW of electricity, of which 600 kW will be used to power the facility and 3,000 kW will be exported to Pacific Gas & Electric (PG&E) through the Bioenergy Market Adjusting Tariff (BioMAT) program. The portion of the electricity generating equipment needed to prepare the biomass and operate the gasification process is included in the Application.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Biomass Unloading, Storage and Conveyance		$2,500,000
Gasifier and Integrated Thermal Oil Heater		3,480,000
Organic Rankine Cycle Generator		750,000
Biochar Hopper and Conveyance		300,000
Flue Gas Cleanup Hardware		1,200,000
Structures		1,450,000
Base of Plant Equipment (Electrical, Plumbing, Insulation)		3,000,000
	Total	**$12,680,000**

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 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

According to the Applicant, the fabrication of major equipment will begin in February 2020 and site construction will begin in June 2020. Major equipment will start to be delivered to the site in November of 2020. Construction is planned to be completed in April 2021, and commissioning and acceptance testing will happen through July 2021.

COMPETITVE CRITERIA SCORE

In the event that CAEATFA receives Applications in excess of the statutory $100 million cap for that calendar year, the order in which the Applications shall be considered in the same month will be ranked based on five Competitive Criteria.

The Applicant received 185 Competitive Criteria points as follows:

1. **Environmental Benefits (100 points).** The Applicant's Project earned more than zero Total Pollution Benefits points (i.e. had environmental benefits that could be monetized and scored pursuant to the Program's regulations[4]), therefore 100 points are awarded.

[4] California Code of Regulations Title 4, Division 13, Section 10033(c)(4)

2. **Unemployment (50 of 50 points).** The Applicant's Project is located in Colusa County, which has an average annual unemployment rate of 12.9%. When compared to the statewide average annual unemployment rate, which was 4.1% in 2019, the dataset used in the Application, the Project location earned the Applicant an Unemployment Score of 50 points.

3. **Job Creation (20 of 75 points).** The Applicant represents that the Project will support a total of 10 production-related 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 STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.

4. **California Headquarters (15 points)**. The Applicant has a California Corporate Headquarters, therefore 15 points are awarded.

5. **Natural Disaster Relief (0 points).** The Project is not to rebuild or relocate the Applicant's Facility due to a fire, flood, storm, or earthquake identified in the state of emergency proclamation made by the California State Governor within two years of the time of application, therefore zero points are awarded.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be $12,680,000 and the total quantifiable net benefits are valued at $1,882,900 for the Project. The Project received a Total Score of 2,846 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 847 points, which exceeds the 20-point threshold.

A. **Fiscal Benefits (1,930 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 $2,045,500, resulting in a Fiscal Benefits score of 1,930 points for the Project.

B. **Environmental Benefits (847 points).** The Project will result in $897,448 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 847 points for the Project. These benefits derive from the production of producer biogas, which can be used to generate electricity, and offsets the need for use of fossil-fuel produced electricity

C. **Additional Benefits (70 points).** Applicants may earn additional points for their Total Score. The Applicant submitted information and received 70 additional points.

   1. **Production Jobs (20 of 75 points).** The Applicant represents that the Project will support a total of 10 production-related 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 STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 20 points.

   2. **Construction Jobs (0 of 75 points).** The Applicant represents that the Project will support a total of five construction 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 STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.

   3. **Unemployment (50 of 50 points).** The Applicant's Project is located in Colusa County, which has an average annual unemployment rate of 12.9%. When compared to the statewide average annual unemployment rate, which was 4.1% in 2019, the dataset used in the Application, the Project location earned the Applicant an Unemployment Score of 50 points.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, the Colusa County Planning Department issued a Conditional Use Permit (CUP) in November 2019. The CUP application triggered the California Environmental Quality Act (CEQA); upon completion of an Initial Study, the Colusa County Planning Department adopted a Mitigated Negative Declaration. The Applicant plans to submit an application to the Colusa County Air Quality Management District for Authority to Construct in March 2020. The Applicant is expecting approval of its Permit to Construct application in June 2020, and of its Permit to Operate in February 2022.

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,[5] the Applicant has paid CAEATFA an Application Fee of $7,500 and will pay CAEATFA an Administrative Fee of up to $50,720.

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

RECOMMENDATION

Staff recommends approval of Resolution No. 20-SM017 for ACC Renewable Resources LLC's purchase of Qualified Property in an amount not to exceed $12,680,000, anticipated to result in an approximate sales and use tax exclusion value of $1,060,048.

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RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER REGULATORY AGREEMENT WITH ACC RENEWABLE RESOURCES, LLC

March 17, 2020

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority" or "CAEATFA") has received the Application of **ACC Renewable Resources, 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 $12,680,000 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.

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.