

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

*Consideration of Crimson Renewable Energy, LLC’s Request to Amend Resolution
17-SM047 to Change the Participating Party from Crimson Renewable Energy, LP to
Crimson Renewable Energy, LLC and to Approve a Time Extension for the Initial Term of the
Master Regulatory Agreement¹*

**Crimson Renewable Energy, LLC
Application No. 17-SM047**

Tuesday, June 16, 2020

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Crimson Renewable Energy, LLC (previously applied as Crimson Renewable Energy, LP)

Location – Bakersfield, Kern County

Industry – Biomass Processing and Fuel Production

Project – Expansion of an Existing Biomass and Fuel Production Facility (Alternative Source)

Total Amount Qualified Property Approved– \$21,833,100

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$1,838,347

Amount of Time Requested –

- One year and 10 days, until June 30, 2021, for the Initial Term of the Master Regulatory Agreement (four years and 10 days from the date of initial CAEATFA Board approval)

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 at the time of initial approval, which was 8.42%.

REQUEST

On June 20, 2017, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for Crimson Renewable Energy, LP for the purchase of up to \$21,833,100 in Qualified Property to develop a third generation biodiesel production system to produce biodiesel using trap grease and low quality animal fats in Bakersfield (the “Project”). The Master Regulatory Agreement (“Agreement”) initial term provided Crimson Renewable Energy, LP with three years from the date of Board Approval to utilize its 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.

In December 2018, a Limited Liability Company Articles of Organization Conversion was filed with the California Secretary of State to convert Crimson Renewable Energy, LP to Crimson Renewable Energy, LLC (“Crimson” or the “Applicant”) upon the acquisition of a new subsidiary, SeSequential Biodiesel, LLC. The Applicant is requesting that the STE award be transferred to Crimson and is requesting an extension of the Agreement initial term by one year and 10 days (until June 30, 2021) to accommodate Project delays resulting from construction setbacks and the COVID-19 pandemic.

As of March 2020, Crimson has used the STE to purchase approximately \$17.2 million of Qualified Property (79% of the total Qualified Property approved) and expects production to begin at the end of May 2021. According to the Applicant, the leased Project site previously operated as an oil and gas refinery between the late 1940s and 1980s, causing petroleum hydrocarbon contamination in the soils of various parts of the site. The site owner self-reported the issue to State of California and subsequently entered into a voluntary site cleanup with the San Joaquin Valley Water Quality Control Board (“Water Board”). As such, Crimson was responsible for sampling and testing the soils, and providing the results to the Water Board while it was excavating the site for the Project. Furthermore, because the Water Board had to provide clearance after assessing the soil test results, construction was deferred by approximately one year. The Applicant states that excavation was completed in September 2019 and the foundations for the tanks, equipment, and structures were completed as of January 2020. More recently, as of April 2020, the feedstock and biodiesel tanks have been constructed on the established foundations and approximately 50% of the process area tanks have been completed.

Crimson states that the recent COVID-19 crisis has also adversely affected company plans and the transportation fuels production industry. In addition to low fuel prices and operating losses, the Applicant has encountered a feedstock supply shortage for the production of its biodiesel. According to Crimson, used cooking oil and distilled corn oil supply chains have decreased by 75% and 55% respectively, and more recently, the animal fat supply has been affected as well. The Applicant states that it may face additional issues going into Q4 2020 as the availability of low carbon feedstock that meets winter biodiesel specification becomes limited. As of mid-May 2020, the Applicant has paused the Project to assess the feedstock supply landscape as the nationwide quarantine is steadily lifted.

Crimson projects that COVID-19 will further impact construction as it works to comply with social distancing requirements. Accordingly, Crimson will have to adjust to having fewer

workers on site, and continue construction activities in an isolated but sequential fashion. The Applicant believes that implementation of the process area tanks along with any other construction tasks will be pushed from August 2020 to December 2020 or January 2021, with commissioning concluding around April or May 2021.

THE APPLICANT

Crimson Renewable Energy, LLC is a wholly owned subsidiary of Crimson Renewable Energy Holdings LLC. The Applicant produces biodiesel for the wholesale biodiesel market in the Western United States and markets biodiesel to active California petroleum refiners, major fuel wholesalers, and truck stop operators.

In November 2013, the CAEATFA Board granted Crimson Renewable Energy LP an STE award for the purchase of up to \$14,065,000 in Qualified Property for an estimated STE value of \$1,177,241 to expand its existing biodiesel and glycerin production facility in Bakersfield. Crimson requested a time extension for the STE award at the November 2016 CAEATFA Board meeting due to unanticipated delays in its project timeline. That request was approved by the Board with an extension expiring December 31, 2018. Crimson has since purchased 100% of the approved Qualified Property and completed the project. The project currently under consideration is on the same site and is an expansion of the 2013 project.

The major shareholders (10.0% or greater) of Crimson Renewable Energy Holdings LLC are:
John Grier Revocable Trust (98.5%)

The corporate officers of Crimson LLC are:

John Grier, Chairman & Manager
Harry W. Simpson, President and CEO
Patrick J. Benner, CFO
Tyson Keever, COO
Robert L. Waldron, Treasurer

THE PROJECT

Crimson is developing a third generation biodiesel production system in Bakersfield to produce biodiesel using low-value feedstocks such as trap grease and very low quality animal fats. The Applicant represents that its system will produce fuels that will be well below the California Air Resources Board’s Low Carbon Fuel Standard. The Applicant is currently capable of producing approximately two million gallons of low-carbon biodiesel per month, allowing them to avoid importing biodiesel from other states in order to satisfy demand. The Applicant represents that this new facility will be California’s first third generation commercial-scale biodiesel refinery and capable of producing an additional 12 million gallons of biodiesel annually.

AGREEMENT INITIAL TERM EXTENSION REQUEST

Crimson has requested that the initial term of the Agreement be extended from June 20, 2020 to June 30, 2021 in order to accommodate Project delays resulting from deferred construction and impacts of the COVID-19 crisis.

Staff Evaluation

While Crimson did not anticipate having to remediate the Project site, it willingly cooperated with the State Board and facility owner to ensure it is in compliance with environmental laws. The Applicant has met the standard for all areas of the Project as of January 2020 and represents that the majority of the Project construction has been completed. As mentioned, Crimson has successfully completed building the feedstock and biodiesel tanks and is approximately 50% complete with the process area tanks. According to the Applicant, the process area tanks consist of a pre-treatment process that is now complete, utility equipment that is 80% complete, and a main process structure that is 85% complete. Crimson explains that it had planned on being operational by November 2020, however with the occurrence of COVID-19, a new timetable had to be developed. Furthermore, with the majority of the STE award expended and current plans to remit final payments for Qualified Property purchases by June 2021, Crimson believes it will be able to carry out this expansion.

Based on this information, 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.

CAEATFA FEES

In accordance with CAEATFA Regulations,³ the Applicant has paid an additional fee of \$500 because extending the initial term and transferring the award requires a modification to the Applicant’s Master Regulatory Agreement.

RECOMMENDATION

Staff recommends the Board approve Crimson Renewable Energy, LLC’s request to amend Resolution 17-SM047 to change all references of Crimson Renewable Energy, LP to Crimson Renewable Energy, LLC to reflect Crimson Renewable Energy, LLC’s conversion to a limited

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

liability company, and to extend the initial term of the Agreement by one year and 10 days to June 30, 2021, as it is in the public interest and advances the purpose of the program.

Attachments

Attachment A: Crimson Renewable Energy, LLC’s letter requesting extension and award transfer (May 22, 2020)

Attachment B: Crimson Renewable Energy, LLC’s staff summary at the time of approval

RESOLUTION AMENDING RESOLUTION NO. 17-SM047 TO APPROVE AND AUTHORIZE TRANSFER OF SALES AND USE TAX EXCLUSION FROM CRIMSON RENEWABLE ENERGY, LP TO CRIMSON RENEWABLE ENERGY, LLC AND APPROVING A TIME EXTENSION FOR THE INITIAL TERM FOR THE MASTER REGULATORY AGREEMENT

June 16, 2020

WHEREAS, on June 20, 2017, 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 \$21,833,100 of Qualified Property for **Crimson Renewable Energy, LP** (the “Applicant”); and

WHEREAS, the Applicant has converted into a limited liability company, **Crimson Renewable Energy, LLC**; and

WHEREAS, **Crimson Renewable Energy, LLC**, has the authority and responsibility to complete the Project as described in the Application; 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)(B)); and

WHEREAS, the Applicant 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 one year and 10 days to June 30, 2021; 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 June 20, 2017 **Crimson Renewable Energy, LP** Resolution No. 17-SM047 is amended to replace all occurrences of “**Crimson Renewable Energy, LP**” with “**Crimson Renewable Energy, LLC.**”

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 June 30, 2021.

Agenda Item – 4.C.2

Section 3. Except as specifically amended in Sections 1 and 2 hereof, all provisions and conditions of the June 20, 2017 Crimson Renewable Energy, LP Resolution No. 17-SM047 shall remain unchanged and in full force and effect.

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

Attachment A: Crimson Renewable Energy, LLC’s Letter Requesting Extension and Name Change (May 22, 2020)



17731 Millux Road
Bakersfield, CA 93311
Tel: (861) 617-8620
Fax: (861) 617-8615

May 22, 2020

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)
915 Capitol Mall, Room 538
Sacramento, CA 95814

RE: Extension of Purchase Requirement

Members of the CAEATFA Board,

Crimson Renewable Energy is formally requesting a time extension for the Sales and Use Tax Exclusion Program through June 30, 2021, which will give us sufficient time to complete Phase 2 of the expansion project and conveyance of the remainder of the Qualified Property. Due to our current expiration date of June 20, 2020 we request this issue be addressed at the June 16, 2020 Board Meeting.

The extension is necessary due to construction delays as well as impacts from the COVID-19 Crisis.

Reorganization of Crimson Renewable Energy’s structure since the original application process

The company completed a reorganization due to the tax impacts of becoming an LLC. On the acquisition of SeQuential, a new parent holding company was created and the ownership interests in CRELP were transferred to the Holding company. CRELP was then converted to an LLC so that it could be treated as a single member, disregarded entity for tax purposes. CRELLC is now a wholly-owned subsidiary of CRE Holdings LLC, the new parent. The revocable trust ownership was transferred to CREH without adjustment, i.e. the revocable trust owns 98.5% of CREH the balancing being owned by Pike Capital which is also owned by John Grier. John Grier and his estate is still the 100% beneficial owner of CRELLC through his 100% ownership of CREH.

Construction Delays due to Voluntary Clean-up Agreement with the San Joaquin Valley Regional Water Quality Control Board

The site for this project is located at a former oil and gas refinery which operated from the late 1940s to the 1980s. As a result of these historical operations, there is petroleum hydrocarbon contamination in the soils in various part of the site. This has been self-reported by the Site Owner (Crimson leases this site and is not the site owner) to the State of California and subsequently the site owner entered into a voluntary clean up agreement with San Joaquin Valley Regional Water Quality Control Board (hereinafter referred to as the "Water Board"). AS result of this voluntary cleanup, as Crimson excavated various part of the site for foundations for tanks, structures and equipment for Phase 2 of the expansion project, it was required to take soil samples, have them tested and then send the test results to the Water Board. Crimson would then have to wait for the Water Board to decide what, if any, remediation was required. This result in delays of approximately 1 year versus the original timeline for completion of excavation and foundations. Excavation was finally completed in all areas by September 2019 and foundations for the tanks, equipment and structures in each area were finally completed during October 2019 to January 2020 period.



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As of mid-April 2020, the feedstock and biodiesel tanks were completed and approximately 50% of the process area tanks have been completed. The process areas are broken into three parts: Pre-Treatment Process; Main Process; and Utilities. As of Mid-April 2020, (i) the Pre-Treatment process structure was complete and all equipment for this area has been set in the structure, (ii) 80% of the utility equipment has been set, and (iii) the Main Process structure was 85% complete and approximately 75% of the equipment had been set. SO basically once excavation and foundations were completed, the project could resume its original project timeline and Crimson planned to (i) complete remaining elements of the project by August 2020, (ii) undergo commissioning during August to October 2020, and (iii) achieve operational status by November 2020.

Delays due to COVID-19 Crisis

The COVID-19 Crisis has had hugely negative impacts on the transportation fuels production industry. It is more than just the impact on fuel demand and the resulting low prices and operating losses that petroleum and renewable fuel producers like Crimson are currently suffering from. Additionally, this crisis has also had a huge impact on feedstock supply for biodiesel production with used cooking oil supply decreasing by 75% and Distillers Corn Oil decreasing by 55%. Animal Fat supply has also been disrupted in the past 2 weeks. The plant expansion relies on the availability of these feedstock for its operations. Given that the COVID crisis will continue thru the end of this year and likely into at least part of 2021, this has led to concerns about Q4 supply and availability of low carbon feedstocks that can be used for making biodiesel that meets the winter biodiesel specification requires that cloud point must be below 3C (this means we must severely limit the use of animal fat and other high saturated fat feedstocks from Oct 1 through Apr 1)

Another issue caused by COVID is how to continue construction while maintaining as much as possible the 6-foot social distancing requirements and reducing the risk of COVID infection. We expect to complete the remaining structural elements of the Main Process structure as well as set all of the remaining equipment on the Main Process structure by mid-May. At this point, our original schedule called for piping work to continue on the Main Process and Pre-Treatment structures (i.e. to pipe up all the equipment) and simultaneously install all the electrical and instrumentation. This would entail many people (i.e. 100+) working in close proximity to each other on the Main Process and Pre-Treatment structures. Given the COVID situation, this is problematic.

Consequently, we plan to pause the project entirely starting mid-May for a few months to see how the feedstock supply picture (specifically the supply of UCO and Distillers Corn Oil) evolves as we come out of lockdown. We are also exploring continuing construction but at a much-reduced pace and in a more sequential and segregated fashion (i.e. break up into more discrete areas with smaller teams working and doing piping first, then do the electrical and instrumentation installation). We think in either case, the earliest we could complete construction would be December or January and complete commissioning in April or May 2021.

Current Status on CAEATFA Tax Exclusion

Through December 2019 we have conveyed \$16,081,590 in Qualified Property, and from December through March we have another approximately \$1.073 million in Qualified Property for a total of approximately \$17.155 million. This leaves a remainder of approximately \$4.678 million of the total \$21,833,100 in the original Master Regulatory Agreement. Please see Appendix-A below.



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We anticipate utilizing the remaining \$4.678 million in Qualified Property allotted as we make payments on Phase two equipment and parts that have not yet been invoiced and as we remit payment for phase two equipment through June 2021. As noted above, Crimson Renewable Energy is nearing completion of construction and under normal circumstances, would be able to complete construction by August 2020. But this schedule is no longer possible due to the COVID-19 Crisis. Also as noted above, we now hope to complete construction in December 2020 or January 2021.

We have already vastly exceeded the production goals for Phase One. We originally committed to the California Energy Commission an annual output of 17 million gallons upon completion of Phase One. In 2018 and 2019, we produced nearly 23 million gallons each year. We believe once we can complete construction and commissioning, Phase Two will be equally successful, and once operational, we will achieve our goal of an additional 12 mil gal per year of production from the Phase Two expansion.

Thank you in advance for your consideration of our extension request. Please feel free to contact me with any questions or additional needs.

Sincerely yours,

Harry Simpson

Harry Simpson
President and CEO

office: (720) 475-5409
hsimpson@crimsonrenewable.com



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APPENDIX A

**EXHIBIT A - CUMULATIVE AMOUNTS
 REPORTED TO CAEATFA BY
 CRIMSON RENEWABLE ENERGY LLC**

Period	Actual Cost (not including Admin Fees)
Jul 2017 – Dec 2017	2,266
Jan 2018 – Jun 2018	8,091,696
Jul 2018 – Dec 2018	1,997,809
Jan 2019 – Jun 2019	2,288,370
Jul 2019 – Dec 2019	3,701,450
Jan 1, 2020 – Mar 31, 2020 (estimated) NOT REPORTED as of 4/30/20	1,073,570

Total	<u>\$17,155,161</u>
Under CAEATFA Agreement, CRE to acquire Qualified Property up to:	<u>\$21,833,100</u>
Remainder	<u>\$4,677,939</u>

Attachment B: Crimson Renewable 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)⁴

**Crimson Renewable Energy LP
Application No. 17-SM047**

Tuesday, June 20, 2017

Prepared By: *Melanie Holman, Analyst*

SUMMARY

Applicant – Crimson Renewable Energy LP

Location – Bakersfield, Kern County

Industry – Biomass Processing and Fuel Production

Project –Expansion of an Existing Biomass and Fuel Production Facility (Alternative Source)

Value of Qualified Property – \$21,833,100

Estimated Sales and Use Tax Exclusion Amount⁵ – \$1,838,347

Estimated Net Benefits – \$6,056,996

Application Score –

Fiscal Benefits Points:	3,946
<u>Environmental Benefits Points:</u>	<u>349</u>
Net Benefits Score:	4,295
<u>Additional Benefits Points:</u>	<u>90</u>
Total Score:	4,385

Staff Recommendation – Approval

⁴ All capitalized terms not defined in this document are defined in the Program’s statute and regulations.

⁵ This amount is calculated based on the average statewide sales tax rate of 8.42%.

THE APPLICANT

Crimson Renewable Energy LP (“Crimson” or “the Applicant”) was established in 2006 and produces biodiesel for the wholesale biodiesel market in the Western United States. They have also been marketing biodiesel to active California petroleum refiners, major fuel wholesalers, and truck stop operators for over eight years.

On November 19, 2013, the CAEATFA Board granted Crimson an STE award for the purchase of up to \$14,065,000 in Qualified Property for an estimated STE value of \$1,177,241, to expand their existing biodiesel and glycerin production facility in Bakersfield, California. Crimson requested a time extension for their STE award at the November 15, 2016 CAEATFA Board meeting due to unanticipated delays in their project timeline. This request was approved by the Board with an extension until December 31, 2018. Crimson has purchased approximately 55% of the approved STE amount. The project currently under consideration is on the same site as the 2013 project.

The major shareholders (10.0% or greater) of Crimson Renewable Energy LP are:

John Grier Revocable Trust 98.75%

The corporate officers of Crimson Renewable Energy LP are:

Harry Simpson, President
James Cowan, Controller
John Grier, Chairman

THE PROJECT

Crimson seeks to develop a third generation biodiesel production system on the same site as their existing second generation production system, which received an STE from CAEATFA in 2013, in Bakersfield, California (the “Project”). Crimson produces their biodiesel using low-value feedstocks such as trap grease and very low quality animal fats. Their system produces fuels that the Applicant represents will be well below the California Air Resources Board’s Low Carbon Fuel Standard. The Applicant predicts that by 2019 this new plant will be capable of producing one million gallons per month of low-carbon biodiesel, allowing them to avoid importing biodiesel from other states in order to satisfy demand. The Applicant represents that this new facility will be California’s first third generation commercial-scale biodiesel refinery.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Piping and Tanks	\$ 2,404,000
Process Equipment and Utilities Equipment	14,410,400
Buildings, Structures, Truck Bays	1,967,500
Electrical, lighting, fire suppression	2,858,000
Gas Line	40,000
Lab and other portable equipment (including rolling stock)	153,200
Total	<u>\$ 21,833,100</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 is expected to begin in December 2017 and continue until late 2018. The applicant anticipates the new plant will commence production in March 2019 and be functioning at full capacity by August 2019.

PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be \$21,833,100 and the total net benefits are valued at \$6,056,996 for the Project. The Project received a Total Score of 4,385 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 349 points, which exceeds the 20 point threshold.

- A. **Fiscal Benefits (3,946 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 \$7,253,563 resulting in a Fiscal Benefits score of 3,946 points for the Project.
- B. **Environmental Benefits (349 points)**. The Project will result in \$641,781 of total pollution benefits over the life of the Project resulting in an Environmental Benefits Score of 349 points for the Project. These benefits derive from the production of biodiesel, which offsets the need for use of fossil fuels.
- C. **Additional Benefits (90 points)**. Applicants may earn additional points for their Total Score. The applicant submitted information and received 90 additional points.
 1. **Permanent Jobs (20 of 75 points)**. The Applicant represents that the Project will support a total of 22 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 represents that the Project will support a total of 40 construction jobs at its Facility. CAEATFA estimates that approximately four 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 (40 of 50 points)**. The Applicant's Project is located in Kern County which has an average annual unemployment rate of 11%. This is above 110% of the statewide average annual unemployment rate which was 7.5% in 2014, the dataset used in the application. This results in an Unemployment Score of 40 points for this Project.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

Several permits will need to be secured in order to move forward with this expansion. Crimson Renewable Energy LP anticipates applying for the first of these, the Authority to Construct, in September 2017. Other necessary permits will be the Permit to Operate, grading permits, and Building Permits, the last of which is expected to be received in early 2018.

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,⁶ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee up to \$87,332.

RECOMMENDATION

Staff recommends approval of Resolution No. 17-SM047 Number for Crimson Renewable Energy LP's purchase of Qualified Property in an amount not to exceed \$21,833,100 anticipated to result in an approximate sales and use tax exclusion value of \$1,838,347.

⁶ California Code of Regulations Title 4, Division 13, Section 10036

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER REGULATORY AGREEMENT WITH CRIMSON RENEWABLE ENERGY LP

June 20, 2017

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **Crimson Renewable Energy LP** (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 \$21,833,100 over a period of three (3) 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.