

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Rialto Bioenergy Facility, LLC
Application No. 21-SM019**

Tuesday, March 16, 2021

Prepared By: *Matthew Jumps, Program Analyst*

SUMMARY

Applicant – Rialto Bioenergy Facility, LLC

Location – Bloomington, San Bernardino County

Industry – Biogas Capture and Production

Project – Expansion of Existing Biogas Capture and Production Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$38,259,725	\$3,252,077

Estimated Net Benefit ³	Dollar Value	Points Earned ⁴
Estimated Fiscal Benefits	\$5,647,833	1,737
Estimated Environmental Benefits	\$4,876,767	1,500
Additional Benefits	N/A	70
Total	\$10,524,600	3,306
Estimated Quantifiable Net Benefit	\$7,272,523	

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.5%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

⁴ Dollar values and point values in the staff summary may not add up correctly due to rounding in the Application worksheet.

THE APPLICANT

Rialto Bioenergy Facility, LLC (the “Applicant”), is a Delaware limited liability company that formed in 2013. The Applicant is a wholly owned subsidiary of Anaergia Services, LLC, which has a global presence in the waste recovery industry.

On September 16, 2014, the CAETFA Board granted the Applicant an STE award for the purchase of up to \$14,722,168 in Qualified Property for an estimated STE value of \$1,239,607 for a new biogas capture and production facility in Bloomington. On the same date, the CAETFA Board granted its sister company, Anaheim Energy, LLC, an STE award for the purchase of up to \$19,143,601 in Qualified Property for an estimated STE value of \$1,611,891 for a new biogas capture and production facility in Anaheim. This award was transferred to the Applicant on August 15, 2017, after Anaheim Energy, LLC, was unable to secure the necessary permits for the Anaheim location, and the project was relocated to the Applicant’s Bloomington location. The Applicant completed the projects in 2020.

The Applicant has received six grants from California state and local agencies: four grants from the California Energy Commission totaling \$16 million, one grant from CalRecycle for \$3 million, and one grant from South Coast Air Quality Management District for \$16 million.

The major shareholders (10.0% or greater) of Anaergia Services, LLC, are:
UTS Bioenergy Holdings, LLC (88.5%)

The company officers of the Applicant are:

Arun Sharma, President
Yaniv Shcerson, Vice President

THE PROJECT

Rialto Bioenergy Facility, LLC, is requesting an STE award to expand its existing biogas capture and production facility located in Bloomington (the “Project”). The existing facility uses an anaerobic digester to convert organic waste from diverted municipal solid waste and wastewater biosolids. The Applicant states that the Project, in collaboration with Waste Management and W.M. Lyles Co., will expand the existing facility’s intake capacity of organic waste by 256.5 tons per day to produce approximately 290,000 MMBTU per year of renewable natural gas (“RNG”). The RNG will be transferred to Waste Management by way of a new RNG pipeline, which will connect to existing Southern California Gas Company pipelines for use as vehicle fuel.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Pyrolysis System	\$15,000,000
Anaerobic Digester Equipment	\$8,000,000
Biomethane 3rd Train	\$4,500,000

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Biomethane Combined Heat and Power System	\$3,816,341
Pumps	\$500,000
Concrete and Concrete Reinforcement (Rebar)	\$540,000
Control Systems	\$500,000
Electrical Wiring and Power Distribution Components	\$200,000
Instrumentation	\$350,000
Energy Storage System	\$1,500,000
Mechanical Pipelines/Flanges/Valves	\$1,225,000
Metal Work	\$120,000
Asphalt	\$200,000
Pipe Insulation	\$20,000
Piping and Pipe Fittings/Accessories	\$400,000
Post Digestion System	\$162,000
Foundation and Site Base	\$426,384
Organics Reception Bins	\$600,000
Laboratory Equipment	\$200,000
Total	<u>\$38,259,725</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 Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated 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, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

According to the Applicant, the final phase of the expansion of the existing Facility is already in progress. The Applicant states the Project is expected to finish construction by the second quarter of 2021.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states it has secured an Authority to Construct permit from the South Coast Air Quality Management District and is in the process of completing testing requirements at the Facility by early first quarter of 2021. According to the Applicant, the Project will be covered under the already secured Stormwater General Construction National Pollutant Discharge Elimination System permit and that it has also secured the required Certificate of Occupancy and Business License from the City of Rialto. The Applicant also states the Project is already covered under a Final Environmental Impact Report approved under the California Environmental Quality Act in March 2018.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 3,306 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,500 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (1,737 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$5,647,833, resulting in a Fiscal Benefits score of 1,737.
- B. **Environmental Benefits (1,500 points)**. The Project is anticipated to result in \$4,876,767 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,500 points. These benefits derive from the production of biogas, which offsets the need for the use of fossil methane.
- C. **Additional Benefits (70 points)**. Applicants may earn additional points for their Total Score. The Applicant received 70 additional points.
 1. **Production Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of four production-related jobs at its Facility. CAEATFA estimates that approximately 0.58 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.
 2. **Construction Jobs (20 of 75 points)**. The Applicant anticipates the Project will support a total of 15 construction jobs at its Facility. CAEATFA estimates that approximately 2.19 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.
 3. **Unemployment (0 of 50 points)**. The Applicant's Project is located in San Bernardino County, which has an average annual unemployment rate of 8.2%.⁵ When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant zero points.
 4. **Research and Development Facilities (25 of 25 points)**. The Applicant has verified that it has a facility located in California that performs research and development functions related to biogas capture and production.

⁵ Unemployment rates are based on data available in October 2020.

5. **Benefits and Fringe Benefits (25 of 25 Points).** The Applicant states it provides medical, health, dental, vision, bonuses, retirement contributions, and paid leave to its employees, earning the Applicant 25 points.

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 of up to \$153,038.90.

RECOMMENDATION

Staff recommends the approval of Resolution No. 21-SM019 for Rialto Bioenergy Facility, LLC's purchase of qualifying tangible personal property in an amount not to exceed \$38,259,725, anticipated to result in an approximate STE value of \$3,252,077.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH RIALTO BIOENERGY FACILITY, LLC**

March 16, 2021

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Rialto Bioenergy Facility, LLC** (the “Applicant”), for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10030(a), with the Applicant for the Project; and

WHEREAS, the Applicant has estimated the Project has an estimated cost not to exceed \$38,259,725 over a period of three years; and

WHEREAS, the Applicant asserts 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 Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The 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 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 Authorized Signatories deem appropriate, provided that the amount of the

qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may 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 to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to 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 is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.