

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Chowchilla RNG Energy, LLC
 Application No. 21-SM028**

Tuesday, March 16, 2021

Prepared By: *Matthew Jumps, Program Analyst*

SUMMARY

Applicant – Chowchilla RNG Energy, LLC

Location – Chowchilla, Madera County

Industry – Dairy Biogas Production

Project – New Dairy Biogas Production Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$29,698,976	\$2,524,413

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$6,589,610	2,610
Estimated Environmental Benefits	\$1,496,092	593
Additional Benefits	N/A	73
Total	\$8,085,702	3,276
Estimated Quantifiable Net Benefit	\$5,561,289	

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).)

THE APPLICANT

Chowchilla RNG Energy, LLC (the “Applicant”), is a Delaware limited liability company that formed in 2020. The Applicant is owned by Starwood Energy Group Global, LLC, which is a private investment firm focused on energy infrastructure.

The company officers of the Applicant are:

- Himanshu Saxena, Chief Executive Officer
- Madison Grose, Senior Managing Director and General Counsel
- David Arbia, Chief Financial Officer
- Jeffrey Delgado, Managing Director
- Alex Daberko, Managing Director

THE PROJECT

Chowchilla RNG Energy, LLC, is requesting an STE award to build a new dairy biogas production facility located in Chowchilla (the “Project”). The Applicant explains the Project will convert organic dairy manure and wastewater effluent generated at the Vlot Calf Ranch in Chowchilla. The organic waste will then be converted using an anaerobic digester into biogas, which will be used to produce renewable natural gas (“RNG”). The Applicant states the Project is expected to produce over 360,000 MMBTU per year of RNG, which will be sold in California for use in conditioned natural gas vehicles. According to the Applicant, the Project will be connected to a Pacific Gas & Electric Company pipeline via a gathering system owned by California Gas Gathering, an affiliate of the California Energy Exchange Corporation.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Buildings	\$1,132,290
Combined Heat & Power Plant	\$3,517,788
Manure Pretreatment	\$1,748,406
Anaerobic Digester Equipment	\$13,191,557
RNG Plant Equipment	\$10,108,935
Total	<u>\$29,698,976</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 engineering for the Facility is expected to be completed by July 2021, and construction is expected to be completed by June 2022. The Applicant anticipates the Project will be operational by the end of June 2022.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, all required permits have been secured.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 3,276 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 593 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,610 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 \$6,589,610, resulting in a Fiscal Benefits score of 2,610.
- B. **Environmental Benefits (593 points)**. The Project is anticipated to result in \$1,496,092 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 593 points. These benefits derive from the production of dairy biogas, which offsets the need for the use of fossil methane.
- C. **Additional Benefits (73 points)**. Applicants may earn additional points for their Total Score. The Applicant received 73 additional points.
 - 1. **Production Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of eight production-related jobs at its Facility. CAEATFA estimates that approximately 0.74 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 (35 of 75 points)**. The Applicant anticipates the Project will support a total of 88 construction jobs at its Facility. CAEATFA estimates that approximately 8.09 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 35 points.

3. **Unemployment (13 of 50 points).** The Applicant’s Project is located in Madera County, which has an average annual unemployment rate of 10.2%.⁴ When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant 13 points.
4. **Benefits and Fringe Benefits (25 of 25 Points).** The Applicant states it provides medical, health, dental, vision, bonuses, pension plans, retirement contributions, profit sharing, dependent care and assistance reimbursement, education reimbursement, employee discounts, 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,⁵ the Applicant has paid CAEATFA an Application Fee of \$10,000, and will pay CAEATFA an Administrative Fee of up to \$118,795.90.

RECOMMENDATION

Staff recommends the approval of Resolution No. 21-SM028 for Chowchilla RNG Energy, LLC’s purchase of qualifying tangible personal property in an amount not to exceed \$29,698,976, anticipated to result in an approximate STE value of \$2,524,413.

⁴ Unemployment rates are based on data available in October 2020.

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

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH CHOWCHILLA RNG ENERGY, LLC**

March 16, 2021

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Chowchilla RNG Energy, 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 \$29,698,976 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

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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.