

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**RNG Moovers, LLC
Application No. 21-SM030**

Tuesday, May 18, 2021

Prepared By: *Stefani Carruth, Program Analyst*

SUMMARY

Applicant – RNG Moovers, LLC

Location – Chowchilla, Madera County; Pixley, Tulare County, Madera; Madera County

Industry – Dairy Biogas Production

Project - New Dairy Digester Facilities (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$29,475,049	\$2,505,379

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$5,965,660	2,381
Estimated Environmental Benefits	\$1,322,255	528
Additional Benefits	N/A	93
Total	\$7,287,915	3,002
Estimated Quantifiable Net Benefit	\$4,782,536	

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

RNG Moovers, LLC, (the “Applicant”) is a Delaware limited liability company that formed in June 2020 as a special purpose entity created specifically for four new dairy projects in the Central Valley. Its majority owner, Mavrix, LLC, has been processing and selling renewable natural gas (“RNG”) since 2012.

The major shareholders (10.0% or greater) of the Applicant are:
Mavrix, LLC (95%)

The company officers of the Applicant are:

Sheila Miller Burkholder, President
Sean Reavis, Vice President
Matt Harnish, Corporate Secretary
Edgar Castro, Treasurer

THE PROJECT

RNG Moovers, LLC, is requesting an STE award to build new dairy digesters at four existing dairies located in Chowchilla, Madera, and Pixley, by covering existing lagoons and purifying biomethane into RNG, which will then be injected into the natural gas pipeline and eventually sold into the state’s renewable-fuel vehicle market (the “Project”). According to the Applicant, the four dairies of Soares Dairy, Costa View Dairy, Cow Palace Dairy, and Red Top Dairy have existing anaerobic digesters and lagoons already in place. However, the Applicant states this Project is designed to include a covered lagoon digester and a gas processing system at each of the four dairies in order to purify the biogas into RNG. The Applicant states the injection point of the Project will interconnect with the California Energy Exchange (“CEE”), with all four dairies injecting RNG through a pipeline across the Soares Dairy property and into the CEE gathering station. From there, CEE will send the RNG into the Pacific Gas & Electric gas pipeline, where it will be sold into the state’s renewable-fuel vehicle market. The Applicant states it expects the Project will produce over 328,000 MMBtu of RNG per year, which translates into the same amount of fuel that would be consumed by 3,750 passenger vehicles per year.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Foundations, Weather Control, Facility Water and Electric, Equipment for Natural Gas Injection, Digester Materials, and Manure Handling Equipment	\$12,246,421
Digester Infrastructure Materials	\$3,504,281
Equipment for Biogas Upgrading Into RNG	\$13,174,347
Gas Interconnection Metering, Valves, and Related Equipment for Injection Site	\$550,000
Total	<u>\$29,475,049</u>

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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

The Applicant states that the injection point of the Project is the first priority. The Interconnection Agreement with CEE has been executed, all permits received, and construction began in December 2020. The Applicant expects to have the injection site completed and ready for operation in June 2021. Soares Dairy and Costa View Dairy are both being constructed simultaneously with the injection site and are scheduled to be completed and ready for commissioning in June 2021 and November 2021. Cow Palace and Red Top Dairies will be the final portion of the Project, with construction completion anticipated for the first quarter of 2022.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The following permitting timelines for each location were provided by the Applicant:

	Injection Site		
	Agency	Status	Expected Receipt
Conditional Use Permit	Madera County	Approved	Received
Authority to Construct Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
Dust Control Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
County Grading Permit	Madera County Building Dept	Approved	Received
Building Permit (erosion control, water)	Madera County Building Dept	Approved	Received
CEQA	San Joaquin Valley Air Pollution Control District	Not required	Not required

	Soares Dairy		
	Agency	Status	Expected Receipt
Conditional Use Permit	Madera County	Approved	Received
Authority to Construct Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
Dust Control Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
County Grading Permit	Madera County Building Dept	Approved	Received
Building Permit (erosion control, water)	Madera County Building Dept	Approved	Received
CEQA	San Joaquin Valley Air Pollution Control District	Not required	Not required

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Costa Views Dairy			
	Agency	Status	Expected Receipt
Conditional Use Permit	Madera County	Approved	Received
Authority to Construct Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
Dust Control Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
County Grading Permit	Madera County Building Dept	Approved	Received
Building Permit (erosion control, water)	Madera County Building Dept	Approved	Received
CEQA	San Joaquin Valley Air Pollution Control District	Not required	Not required

Cow Palace Dairy			
	Agency	Status	Expected Receipt
Special Use Permit	Tulare County	Approved	Received
Authority to Construct Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
Dust Control Permit	San Joaquin Valley Air Pollution Control District	Approved	Received
County Grading Permit	Tulare County Building Dept	Submitted on 3/31/21 awaiting approval	Expected 5/14/21
Building Permit (erosion control, water)	Tulare County Building Dept	Submitted on 3/31/21 awaiting approval	Expected 5/14/21
CEQA	San Joaquin Valley Air Pollution Control District	Not required	Not required

Red Top Dairy			
	Agency	Status	Expected Receipt
Conditional Use Permit	Madera County	Engineering and permit drafting	9/30/2021
Authority to Construct Permit	San Joaquin Valley Air Pollution Control District	Engineering and permit drafting	9/30/2021
Dust Control Permit	San Joaquin Valley Air Pollution Control District	Will apply upon ATC receipt	10/15/2021
County Grading Permit	Madera County Building Dept	Will apply 09/07/21	10/15/2021
Building Permit (erosion control, water)	Madera County Building Dept	Will apply 9/07/21	10/30/2021
CEQA	San Joaquin Valley Air Pollution Control District	Not required	Not required

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 3,002 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 528 points, which exceeds the 20-point threshold.

- A. Fiscal Benefits (2,381 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 \$5,965,660, resulting in a Fiscal Benefits score of 2,381.
- B. Environmental Benefits (528 points).** The Project is anticipated to result in \$1,322,255 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 528 points. These benefits derive from the production of dairy biogas, which offsets the need for use of fossil methane and the avoidance of methane emissions that would otherwise be released by the manure.
- C. Additional Benefits 93 points).** Applicants may earn additional points for their Total Score. The Applicant received 93 additional points.

 - 1. Production Jobs (0 of 75 points).** The Applicant anticipates the Project will support a total of five production-related jobs at its facilities. CAEATFA estimates that approximately 0.43 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 (30 of 75 points).** The Applicant anticipates the Project will support a total of 55 construction jobs at its Facilities. CAEATFA estimates that approximately 4.96 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 30 points.
 - 3. Unemployment (13 of 50 points).** The Project's primary facilities are 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. 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 the production of dairy biogas.

⁴ 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, a pension plan, retirement contributions, profit sharing, dependent care & assistance reimbursement, transportation subsidies, education reimbursement, gym subsidies, 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 \$117,900.19.

RECOMMENDATION

Staff recommends the approval of Resolution No. 21-SM030 for RNG Moovers, LLC's, purchase of qualifying tangible personal property in an amount not to exceed \$29,475,049 anticipated to result in an approximate STE value of \$2,505,379.

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

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

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WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of RNG Moovers, 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 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has estimated the Project has an estimated cost not to exceed \$29,475,049 over a period of three (3) 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

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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.