

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

***Request to Amend Resolution 21-SM028 to Change the Participating Party from
Chowchilla RNG Energy, LLC, to Brightmark Vlot RNG LLC¹***

**Brightmark Vlot RNG LLC
Application No. 21-SM028**

Tuesday, September 21, 2021

Prepared By: *Matthew Jumps, Program Analyst*

SUMMARY

Applicant – Brightmark Vlot RNG LLC
(sales and use tax exclusion originally approved for Chowchilla RNG Energy, LLC)

Location – Chowchilla, Madera County

Industry – Dairy Biogas Production

Project – New Dairy Biogas Production Facility (Alternative Source)

Total Amount of Qualified Property Approved – \$29,698,976

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$2,524,413

Staff Recommendation – Approval of an amendment to Resolution No. 21-SM028 to change the participating party from Chowchilla RNG Energy, LLC, to Brightmark Vlot RNG LLC, in the Regulatory Agreement.

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

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

REQUEST

On March 16, 2021, the CAEATFA Board approved a sales and use tax exclusion (“STE”) for Chowchilla RNG Energy, LLC (“Chowchilla RNG”), for the purchase of up to \$29,698,976 in Qualified Property to build a new dairy biogas production facility located in Chowchilla (the “Project”). As of June 30, 2021, Chowchilla RNG has not yet used the STE to purchase Qualified Property.

Chowchilla RNG submitted a request to change the participating party on the STE award approval resolution and the Regulatory Agreement to Brightmark Vlot RNG LLC (the “Applicant”), because Brightmark Vlot RNG LLC purchased all or substantially all of the assets of Chowchilla RNG Energy, LLC.

THE APPLICANT

The Applicant is a Delaware limited liability company that formed in 2021 and is located in San Francisco. The Applicant is a wholly owned subsidiary of Brightmark Vlot Holdings LLC.

The major shareholders (10.0% or greater) of the Applicant are:

Brightmark Vlot Holdings LLC (100%)

The major shareholders (10.0% or greater) of Brightmark Vlot Holdings LLC are:

Brightmark RNG Origination LLC (100%)

The company officers of the Applicant are:

G. Robert Powell, CEO

Scott R. Healy, CFO

Zeina El-Azzi, VP

Sujay S. Parikh, General Counsel &
Secretary

John R. Keller, VP

Daniel A. Marks Jr., VP

Craig Murphy, VP

Monique B. Lane, Assistant Secretary

THE PROJECT

The Applicant has provided updates to the Project description, demonstrating that the scope of the approved Project remains within the scope of the Project approved by the Board. The Project will be located in Chowchilla, and will use anaerobic digester technology to process manure and generate pipeline-grade renewable natural gas (“RNG”), which will be sold into the transportation sector. The Applicant states the Project will be adjacent to the Vlot Calf Ranch cow milking facility, for which the Applicant has secured a 20-year plus feedstock agreement. The Applicant expects the RNG production plant will process 367,656 tons of manure each year from approximately 35,000 cows and calves. The Project is planned to commence operations in Q1 2023 and is expected to produce approximately 899 MMBTU of pipeline grade RNG per day, or 328,135 MMBTU per year when fully operational.

STAFF EVALUATION

Statutes limit the use of CAEATFA’s STE to “any participating party” (Section 6010.8(a) of the Revenue and Taxation Code). A “participating party” is defined as an entity that seeks financial assistance (Section 26003(a)(7)(B) of the Public Resources Code) as part of the STE Program (Section 26011.8 of the Public Resources Code). Section 3 of Resolution No. 21-SM028 provides that Chowchilla RNG is a “participating party” within the meaning of the STE Program.

The Applicant has requested to change the participating party from Chowchilla RNG Energy, LLC, to Brightmark Vlot RNG LLC in order to continue with the Project as originally intended because Brightmark Vlot RNG LLC has purchased all or substantially all of the assets of Chowchilla RNG and is now the entity responsible for completing the Project and purchasing Qualified Property. Staff has reviewed Applicant’s updates to the application materials and has determined that the Project will remain within the scope approved on March 16, 2021.

Amending the resolution to change the participating party to Brightmark Vlot RNG LLC in the Regulatory Agreement will allow the proposed Project to continue and the state to receive the estimated benefits of the original Project.

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 changing a participating party qualifies as a modification to the Regulatory Agreement.

RECOMMENDATION

Staff recommends that the Board approve the Applicant’s request to amend Resolution No. 21-SM028 to change the participating party from Chowchilla RNG Energy, LLC, to Brightmark Vlot RNG LLC in the Regulatory Agreement to reflect Brightmark Vlot RNG LLC’s purchase of the Project.

Attachments

- Attachment A: Brightmark Vlot RNG LLC’s letter requesting a change to the name of the participating party (August 25, 2021)
- Attachment B: Brightmark Vlot RNG LLC’s staff summary at the time of approval

³ California Code of Regulations Title 4, Division 13, Section 10036(c)(1)

**RESOLUTION AMENDING RESOLUTION NO. 21-SM028 TO CHANGE THE
PARTICIPATING PARTY FROM CHOWCHILLA RNG ENERGY, LLC,
TO BRIGHTMARK VLOT RNG LLC**

September 21, 2021

WHEREAS, on March 16, 2021, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”), a public instrumentality of the State of California, approved Resolution No. 21-SM028 granting a sales and use tax exclusion award for **Chowchilla RNG Energy, LLC**, for the purchase of up to \$29,698,976 of Qualified Property; and

WHEREAS, Brightmark Vlot RNG LLC (the “Applicant”) has purchased the Project and is the entity responsible for completing the Project; and

WHEREAS, the Applicant has the authority and responsibility to complete the Project as described in the Application; and

WHEREAS, the Applicant requests the Authority to amend the Regulatory Agreement by amending Resolution No. 21-SM028 to change the participating party to Brightmark Vlot RNG LLC.

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

Section 1. Resolution No. 21-SM028 is amended to change the participating party from Chowchilla RNG Energy, LLC, to Brightmark Vlot RNG LLC in the Regulatory Agreement.

Section 2. This resolution shall take effect immediately upon its passage.

**Attachment A: Brightmark Vlot RNG LLC's Letter
Requesting an Amendment to the Resolution**



1725 Montgomery Street, Fl 3
San Francisco, CA 94111
Brightmark.com

August 25, 2021

VIA EMAIL: Matthew.Jumps@treasurer.ca.gov

Matthew Jumps
STE Program Analyst
California Alternative Energy and Advanced
Transportation Financing Authority (CAEATFA)
915 Capitol Mall
Sacramento, CA 95814

Re: Sales and Use Tax Exclusion Program

Dear Mr. Jumps,

CAEATFA has approved Chowchilla RNG Energy, LLC for the Sales and Use Tax Exclusion Program (the "STE Program") in connection with a project it anticipated developing in Madera County (the "Vlot Project"). Brightmark Vlot RNG LLC ("Brightmark") is acquiring the rights to develop the Vlot Project and has entered into an agreement with Chowchilla RNG Energy, LLC to assume its rights in connection with the STE Program.

This is a formal request for Brightmark to be the participant in the STE Program as related to the Vlot Project in place of Chowchilla RNG Energy, LLC. As such, this request is to amend the existing Regulatory Agreement with Chowchilla RNG Energy, LLC, and the required ancillary documents, so that Brightmark Vlot RNG LLC is the party thereto. There will be no formal name change with the Secretary of State as the entity Chowchilla RNG Energy, LLC is not affiliated with Brightmark and will be transferring the rights to participate in the STE Program to Brightmark Vlot RNG LLC.

Please do not hesitate to contact my colleague Amy DePree at 415-582-6741 with any questions.

Regards,

Brightmark Vlot RNG LLC

Zeina El-Azzi
Vice President

**Attachment B: Brightmark Vlot RNG LLC’s
Staff Summary at the Time of Approval**

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

Request to Approve Project for a Sales and Use Tax Exclusion⁴

**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 ⁵
\$29,698,976	\$2,524,413

Estimated Net Benefit ⁶	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

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

⁵ This amount is calculated based on the average statewide sales tax rate of 8.5%.

⁶ 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%.⁷ 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,⁸ 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.

⁷ Unemployment rates are based on data available in October 2020.

⁸ 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

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.