CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Report from Sugar Valley Energy, LLC, on Status of Project and Consideration of Whether to Terminate a Sales and Use Tax Exclusion Award Pursuant to November 19, 2019, Resolution Approving a Time Extension of the Initial Term for the Master Regulatory Agreement

Sugar Valley Energy, LLC
Application No. 13-SM012

Tuesday, November 16, 2021

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – Sugar Valley Energy, LLC

Location – Brawley, Imperial County

Industry – Biomass Processing and Fuel Production (Advanced Manufacturing)

Project – New Biomass Processing and Fuel Production Facility

Total Amount Qualified Property Approved– $444,811,275

Estimated Sales and Use Tax Exclusion Amount at Approval[1] – $37,230,704

Staff Recommendation – Approval of a resolution to terminate the sales and use tax exclusion award for Sugar Valley Energy, LLC

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[1] This amount is calculated based on the average statewide sales tax rate at the time of initial approval, which was 8.37%.

BACKGROUND

On December 17, 2013, the CAEATFA Board approved a sales and use tax exclusion for Sugar Valley Energy, LLC, (formerly California Ethanol and Power Imperial Valley 1, LLC ("CE&P")) (the "Applicant") for the purchase of up to $444,811,275 in Qualified Property[2] for an estimated sales and use tax exclusion value of $37,230,704 to construct a facility that will convert sugarcane and sweet sorghum ("feedstock") into low-carbon, fuel-grade ethanol, bio-methane and electricity (the "Project").

On November 15, 2016, the CAEATFA Board approved the Applicant for a three-year extension of the initial term of the Regulatory Agreement (until December 17, 2019) to accommodate a new effort to finance and develop the Project after the Applicant's original Brazilian-based financing and engineering teams experienced setbacks due to a decline in the Brazilian economy. At the time, the Applicant states that, with the exception of removing sweet sorghum as a portion of the feedstock, the scope of the Project remains the same as when it was approved in 2013.

On November 19, 2019, the CAEATFA Board approved the Applicant for an additional four-year extension of the initial term of the Regulatory Agreement (until December 17, 2023) to accommodate delays in obtaining project financing required to construct the production facility. The approved resolution requires the Applicant to provide annual reports to the Board on the status of the Project during the initial term of the Regulatory Agreement, and provides that at the two-year report, the Board may determine whether to terminate the award.

The Applicant provided its first status update on the Project at the November 17, 2020, Board meeting.

Attached is the Applicant's second written report pursuant to the resolution passed on November 19, 2019.

THE APPLICANT

The Applicant is a Delaware limited liability company that was formed in 2020 and is located in Imperial County. The Applicant is a wholly owned subsidiary of CE&P.

The major shareholders (10.0% or greater) of the Applicant are:	The company officers of the Applicant are:
CE&P (100%)	David R. Rubenstein, CEO and President Camille E. Soriano, Secretary

[2] All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion Program's statutes and regulations.

On June 15, 2021, the CAEATFA Board approved Resolution No. 13-SM012-03 to amend Resolution No. 13-SM012 to change the Participating Party from CE&P to Sugar Valley Energy, LLC.

THE PROJECT

The Applicant plans to construct a facility that converts sugarcane into low-carbon, fuel-grade ethanol, biomethane, and electricity. The Applicant will pay Imperial Valley farmers a yearly land rent in order to secure a steady supply of feedstock for the Project. The Applicant has executed a long-term contract for the sale of the ethanol to CHS, Inc., and biomethane and electricity to Constellation. The Project is anticipated to produce 68 million gallons of ethanol fuel, 930 million cubic feet of biomethane, and 47 MW of electricity annually. The Project will utilize industrial biotechnology through the yeast-based fermentation of sugarcane juice to form ethanol and carbon dioxide.

The Applicant represents that its Project will be more advanced than other ethanol production facilities due to its efficient use of resources. The Project will utilize the vinasse—the liquid residue left in the distillation of ethanol from sugarcane derivatives—in an advanced anaerobic digester to produce biomethane gas to be placed in the local pipeline. Vinasse digestion is not a common practice among ethanol producers as it is normally simply used as fertilizer. The Applicant will also use bagasse—the leftover biomass—to generate electricity for the Project, which will result in a more sustainable production process by reducing greenhouse gas emissions compared to most ethanol facilities around the country that utilize natural gas for power. Also, the Applicant represents that it will utilize computerized modeling of all the processes within the Facility on a continuous basis to control processes and predict the production outcomes over time, ensuring predictable outcomes in terms of product quantity, quality, and production cost.

WHETHER TO CONTINUE SALES AND USE TAX EXCLUSION AWARD

Pursuant to the November 19, 2019, resolution, because this is the two-year report, the Board may determine whether to terminate the award at this time.

At the time the Application was approved in December 2013, the Applicant stated Project financing was expected to close around March 2014, with construction beginning in Q2 of 2014 for a period of 24 months. In November 2016, the Applicant stated it intended to close on financing by mid-2017 followed by a 24-month construction timeline. In November 2019, the Applicant stated it intended to close on financing by Q1 of 2020 followed by a 31-month construction timeline. In November 2020, the Applicant stated it intended to close on financing by Q1 of 2021 followed by a 30-month construction timeline. As of October 2021, the Applicant shared it intends to close on financing by Q1 of 2022 followed by a 36-month construction timeline. In addition to the difficulties in securing financing, the Applicant previously cited complications with obtaining an Engineering, Procurement, and Construction (“EPC”) firm that would meet the Applicant’s budget.

Staff recognizes that the Applicant has made some progress by executing its EPC contract with Mastec Power Corporation on October 1, 2021, and that the COVID-19 pandemic has affected project timelines for many previously approved Applicants. However, the Applicant has not made any Qualified Property purchases since being approved almost eight years ago, and there is no certainty as to whether financing will close by Q1 of 2022. Because the Applicant still has not secured financing and the estimated timeframe to complete the Project continues to grow, Project purchases likely will extend beyond the current 10-year initial term, and the Applicant likely will require another initial term extension. Given the significant timeline delays and removal of sweet sorghum as a portion of the feedstock from the Project, it is likely the Application values that were used to determine the estimated benefits of the Project and Application score are no longer accurate.

Based on this information, Staff recommends the Board terminate the STE award at this time. The Applicant is welcome to reapply when the Project is ready to proceed.

RECOMMENDATION

Staff recommends that the Board approve a resolution to terminate the sales and use tax exclusion award for Sugar Valley Energy, LLC, pursuant to the Applicant's November 19, 2019, Resolution Approving a Time Extension of the Initial Term for the Master Regulatory Agreement.

ATTACHMENTS

Attachment A:	Sugar Valley Energy, LLC's second written report on the status of the Project
Attachment B:	The staff report from the November 19, 2019, Board Meeting

RESOLUTION TO TERMINATE THE REGULATORY AGREEMENT FOR SUGAR VALLEY ENERGY, LLC

November 16, 2021

WHEREAS, on November 19, 2013, 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 $444,811,275 of Qualified Property for **Sugar Valley Energy, LLC** (the "Applicant"); and

WHEREAS, within three (3) years of approval by the Authority, the Applicant must make all Qualified Property purchases (STE Program 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 (3) years of Application approval (STE Program regulations Section 10035(b)(1)(B)); and

WHEREAS, the Applicant previously requested and received a waiver of the requirement to purchase all of the Qualified Property within three (3) years due to unexpected delays in the Project timeline, extending the term by three (3) years to December 17, 2019; and

WHEREAS, the Applicant previously requested a waiver of the requirement to purchase all of the Qualified Property by December 17, 2019, due to unexpected delays in the Project timeline, extending the term by four (4) years to December 17, 2023; and

WHEREAS, on November 19, 2019, the Authority approved a resolution to extend the initial term of the Agreement to December 17, 2023, on the condition that the Applicant provide annual reports to the Authority on the status of the Project during the initial term of the Agreement, and at the two-year report, the Authority may determine whether to terminate the STE award; and

WHEREAS, the Applicant has provided the two-year report on the status of the Project; and

WHEREAS, the Authority has decided to terminate the STE award pursuant to the November 19, 2019, Resolution Approving a Time Extension of the Initial Term for the Master Regulatory Agreement.

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

Section 1. The Regulatory Agreement for Sugar Valley Energy, LLC, is terminated.

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

Attachment A: Sugar Valley Energy, LLC's second written report on the status of the Project (October 18, 2021)

CE+P
Powering the future

October 18, 2021

California Alternative Energy and Advanced
Transportation Financing Authority (CAEATFA)
915 Capitol Mall C-15
Sacramento, CA 95814

ATTN: Xee Moua

RE: Sugar Valley Energy, LLC Annual 2021 Update

Dear Xee;

Sugar Valley Energy, LLC (the applicant) is pleased to provide the 2021 annual update on our project per the amended Master Regulatory Agreement dated December 9, 2019. As you may recall, the project delays have directly resulted in challenges around financing the project over the past years. To move forward with financing, California Ethanol & Power, LLC (CE+P) needed to partner with a large, established, and credible EPC (Engineering, Procurement and Construction) provider willing to meet our "not to exceed" price for the facility's construction. We are delighted to report that on October 1, 2021, CE+P (the holding company) finalized an agreement with our new engineering and development partner MasTec Power Corp. by signing a 524-page, $620 million EPC agreement to construct Sugar Valley Energy (SVE). The signed EPC agreement is a monumental milestone for SVE and signifies the completion of our pre-development phase as we move into financing.

In addition to the continued success with MasTec, CE+P continues to work with the San Francisco offices of Royal Bank of Canada ("RBC") and Baker Tilly, who has locations throughout California for the Investment Tax Credit, tax exempt and taxable bond offering and equity financing. Oakland based KNN Public Finance LLC continues to provide advisory services. We are finalizing the financing structure and our team is in discussions with several financiers and potential equity investors. We anticipate financial close for Q1 2022.

Notable progress related to the financing of the project include the following:

- Refined the unique financing structure that includes investment-grade tax-exempt debt via a Joint Powers Authority (JPA) structure, taxable debt, federal investment tax credit (ITC) and project and sponsor equity. The highly experienced financing team at RBC is currently facilitating all the required steps to close financing successfully.
- Executed the marketing agreement with $30+ billion in revenue cooperative CHS Inc. to be the exclusive marketer and distributor of ethanol produced at SVE.
- Entered into an Operations & Management (O&M) and Asset Management agreement with IHI Power Services Corp. to manage and operate the facility.
- Engaged Kroll Bond Rating Agency to provide a credit rating for the projects taxable bonds which should arriving in the coming weeks.

California Ethanol & Power, LLC • P.O. Box 3564, Manhattan Beach, CA 90266 • 760.332.8454 • www.californiaethanolpower.com

- Working with Constellation to finalize a marketing agreement for the baseload green electricity and pipeline quality biogas SVE will produce.
- Continuing to recruit Imperial County farmers to grow sugarcane for SVE on an ongoing basis.
- Planting an additional 35 acres of sugarcane, which translates into 135 acres of sugarcane growing. This sugarcane will supply additional feedstock for our project. Agriculture and agricultural jobs are such an enormous part of this project, and we are excited to see partnerships with the local agricultural community come to fruition.
- Generating local jobs with the recent hiring of local design and engineering firms DuBose Design Group and LC Engineering to work on offsite improvements.

The market for ethanol and the low carbon credits generated by this project's ultra-low carbon ethanol remains strong. The pricing for Advanced Biofuel D5 Renewable Fuel Standard ("RFS") RINs, as well as the California Low Carbon Fuel Standard ("LCFS") credits, remain stable and in line with our financial projections. California remains committed to LCFS programs and CARB has shown its commitment to keeping LCFS credits valuable.

The projected schedule for purchasing the qualified property will span most of the construction period currently estimated at about 36 months. There is a committed effort to complete the financial close in Q1 2022. Purchasing of equipment would begin a few months after financial close.

In summary, CE+P has made a tremendous amount of progress in the past year. With several significant milestones completed in the past few months, we are even closer to achieving a financial close. The entire team is excited about recent accomplishments, and the outlook for successful project development is extremely positive.

Sincerely,

David Rubenstein
CEO and President

Attachment B: The Staff Report from the November 19, 2019, Board Meeting

The original award staff summary can be found on the CAEATFA website.

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Request to Approve a Time Extension for the Initial Term of the Master Regulatory Agreement[1]

California Ethanol and Power Imperial Valley 1, LLC
Application No. 13-SM012

November 19, 2019

Prepared By: *Xee Moua, Program Analyst*

SUMMARY

Applicant – California Ethanol and Power Imperial Valley 1, LLC

Location – Brawley, Imperial County

Industry – Biomass Processing and Fuel Production (Advanced Manufacturing)

Project – New Biomass Processing and Fuel Production Facility

Total Amount Qualified Property Approved– $444,811,275

Estimated Sales and Use Tax Exclusion Amount at Approval[2] – $37,230,704

Amount of Time Requested –

- Four years, until December 17, 2023, for the Initial Term of the Master Regulatory Agreement (ten years from the date of initial CAEATFA Board approval)

Staff Recommendation – Approval

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[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 8.37%.

REQUEST

On December 17, 2013, the CAEATFA Board approved a sales and use tax exclusion ("STE") for California Ethanol and Power Imperial Valley 1, LLC ("CE&P" or the "Applicant") for the purchase of up to $444,811,275 in Qualified Property to construct a facility that converts sugarcane into low-carbon, fuel-grade ethanol, bio-methane, and electricity (the "Project"). The Master Regulatory Agreement ("Agreement") initial term provided the Applicant 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.

On November 15, 2016, the CAEATFA Board approved the Applicant for a three-year extension of the initial term of the Agreement from its original expiration date of December 17, 2016 to accommodate a new effort to finance and develop the Project after the original Brazilian based financing and engineering teams experienced setbacks due to the decline in the Brazilian economy.

As of November 1, 2019, CE&P has not purchased any of its Qualified Property. The Applicant is requesting to extend the Agreement's initial term by an additional four years to accommodate delays in obtaining the project financing required to construct the production facility. According to the Applicant, over the past few years, the challenge in finding an engineering, procurement and construction ("EPC") provider has been the primary reason for the delay in purchasing the qualified equipment. An EPC must meet a 'not to exceed price' (NTEP) that supports a successful financing structure. CE&P states it previously engaged three potential ECPs, one based in France and two based in Italy, but they were unwilling to perform detailed engineering and costing work to determine a realistic project price and provide the necessary warranties and guarantees. According to CE&P, once an EPC is solidified, it can secure the overall financing structure for the Project.

On August 8, 2019, MasTec Power delivered a letter to CE&P indicating their confidence in providing an NTEP that meets CE&P's capital budget. MasTec Power Corporation is a wholly-owned division of Mastec, Incorporated, a Florida-based publicly traded (NYSE/MTZ) infrastructure construction company and member of the Fortune 500 with revenues of approximately $7 billion in 2018. CE&P is confident it will receive a certified NTEP figure that will support the financing of the Project.

CE&P was awarded an income tax credit of $10 million on April 11, 2019 under the California Competes Tax Credit Program and a $2.5 million grant from the Imperial Irrigation District. According to the Applicant, it has also partnered with Royal Bank of Canada and Orrick Herrington to incorporate a significant portion of the Project into a Joint Powers Authority financing structure with the California Public Finance Authority. According to CE&P, the structure will significantly reduce the cost of financing the entire Project, and it will allow for the biomass power plant and the wastewater treatment plant to become community assets. CE&P states the ethanol production portion of the project will be financed through the issuance of taxable bonds for the debt and some equity participation. According to CE&P, it is currently interviewing private equity firms that have expressed interest in participating.

CE&P states that the schedule for purchasing the qualified property would span most of the construction period, currently estimated at 31 months. Financial close is expected to take place in Q1 2020, and purchasing of equipment would begin a few months after that. Purchasing of equipment is estimated to take place from March 2020 – June 2020 to September 2022 – December 2023.

THE APPLICANT

CE&P is a wholly owned subsidiary of California Ethanol and Power, LLC, which was incorporated in 2007. CE&P was created as a separate limited liability company to be the borrower and operator for the proposed project.

The major shareholders (10.0% or greater) of California Ethanol and Power, LLC are:	The corporate officers of California Ethanol and Power, LLC are:
David R. Rubenstein	David R. Rubenstein – CEO, President and Co-Founder/Management Committee Member Ron Blake, Chief Financial Officer Larry A. Gilbert, Executive Vice President, Agricultural Operations Steven Passantino, Vice President, Finance Camille E. Soriano, Vice President, Marketing and Public/Investor Relations

THE PROJECT

The Applicant plans to construct a facility that converts sugarcane ("feedstock") into low-carbon, fuel-grade ethanol, bio-methane and electricity. CE&P will pay Imperial Valley farmers a yearly land rent and guaranteed profit in order to secure a steady supply of feedstock for the Project. The Applicant has executed a long-term contract for the sale of the ethanol, bio-methane and electricity to the Royal Dutch Shell Company. The Project will produce 66 million gallons of ethanol fuel, 930 million cubic feet of bio-methane, and 50 MW of electricity annually. The Project will utilize industrial biotechnology through the yeast-based fermentation of sugarcane juice to form ethanol and carbon dioxide.

The Applicant represents that its Project will be more advanced than other ethanol production facilities due to its efficient use of resources. The Project will utilize the vinasse—the liquid residue left in the distillation of ethanol from sugarcane derivatives—in an advanced anaerobic digester to produce bio-methane gas to be placed in the local pipeline. Vinasse digestion is not a common practice among ethanol producers as it is normally simply used as fertilizer. The Applicant will also use bagasse, the leftover biomass, to generate electricity for the Project, which will result in a more sustainable production process by reducing greenhouse gas emissions compared to most ethanol facilities around the country that utilize natural gas for power. Also, the Applicant represents that it will utilize computerized modeling of all processes within the plant on a continuous basis to control processes and predict the production outcomes over time, ensuring predictable outcomes in terms of product quantity, quality, and production cost.

AGREEMENT INITIAL TERM EXTENSION REQUEST

CE&P has requested that the initial term of the Agreement be extended from December 17, 2019, to December 17, 2023 in order to accommodate the continued delays in identifying an appropriate EPC and obtaining the project financing required to construct the production facility.

Staff Evaluation

Despite continued challenges in obtaining the project financing required to construct the production facility, CE&P believes it is in the best position to date with regard to securing funding for the Project. The Applicant is confident that MasTec Power will provide an NTEP that meets its capital budget. Additionally, CE&P has partnered with Royal Bank of Canada and is working to incorporate a significant portion of the Project into a Joint Powers Authority to reduce the cost of financing the Project. Further, staff has considered the fact that there is no public benefit in denying the extension request. CE&P's award would expire and the STE would not be available to grant to other Applicants. CE&P would have to reapply in 2020, reducing the potential STE amount available in 2020, and because the award would be capped, CE&P would have to apply again in subsequent years to fully fund the Application's request. 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 requires a modification to the Applicant's Master Regulatory Agreement.

RECOMMENDATION

Staff recommends that the Board approve California Ethanol and Power Imperial Valley 1, LLC's request to extend the initial term of the Agreement by four years to December 17, 2023 as it is in the public interest and advances the purpose of the program.

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

Attachments

Attachment A: CE&P's Letter Requesting Waiver (November 6, 2019)
Attachment B: CE&P's Staff Summary at the Time of Approval

Agenda Item – 4.A.3

RESOLUTION APPROVING A TIME EXTENSION FOR CALIFORNIA ETHANOL AND POWER IMPERIAL VALLEY 1, LLC'S INITIAL TERM FOR THE MASTER REGULATORY AGREEMENT

November 19, 2019

WHEREAS, on December 17, 2013 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 $444,811,275 of Qualified Property for **California Ethanol and Power Imperial Valley 1, LLC** (the "Applicant"); 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)(A)); and

WHEREAS, the Applicant previously had 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 three years to December 17, 2019; and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase all of the Qualified Property by December 17, 2019, due to unexpected delays in the Project timeline, extending the term by four years to December 17, 2023; 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 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 December 17, 2023.

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

Agenda Item – 4.A.3

Attachment A: CE&P's Letter Requesting Waiver (November 6, 2019)

ce+p

November 6, 2019

California Alternative Energy and Advanced
Transportation Financing Authority (CAEATFA)
915 Capitol Mall C-15
Sacramento, CA 95814

ATTN: Xee Moua

RE: CE&P Imperial Valley 1, LLC Waiver for a Time Extension

Dear Xee;

CE&P Imperial Valley 1, LLC ("CE+P) (the applicant) is respectfully seeking a four year extension of the sales tax exclusion initially awarded on February 28, 2014, extended in November 2016, and is currently set to expire this December 2019.

To date, we have not purchased any qualified equipment due to delays in obtaining the project financing required to construct the production facility. In this letter, we will outline the reasons for delays over the past few years, the extremely positive developments over the past six months, and the current status of the project financing.

The San Francisco offices of Royal Bank of Canada (RBC), our investment banker, is working to incorporate a significant portion of the Project's overall $900 million financing into a Joint Powers Authority ("JPA") financing structure. Our bond counsel, San Francisco based law firm of Orrick Herrington has enlisted California Public Finances Authority (CalPFA), a recognized, established and capable JPA, to participate in our financing.

This structure will significantly reduce the cost of financing the entire Project, and it will allow for the biomass power plant and the wastewater treatment plant to become community assets. These assets should then spur additional business growth within Imperial County. Over the past six months, significant and positive developments in creating this financing structure have occurred, which is highly marketable to municipal bond investors and potential equity investors.

The ethanol section of the facility will be financed through the issuance of taxable bonds for the debt and some equity participation. We are currently interviewing major private equity firms who have expressed interest in participating.

CE+P has had considerable support for this Project, including the California Governor's Office of Business and Economic Development ("GO-Biz"). In April 2019, the Go-Biz program granted the company a $10 million income tax credit, one of the largest awards in this program. The program is designed to encourage the expansion of businesses and to create jobs in California. Also, the Project has received a $2.5 million grant from the Imperial Irrigation District ("IID"), and a $750,000 low-interest loan from Imperial County.

sugarcane - the right renewable resource

P.O. Box 3564, Manhattan Beach, CA 90266 + Phone: (760) 344-1004 + www.californiaethanolpower.com

ce+p imperial valley 1, llc

The location of our facility is in the fertile farming area of Imperial County, California, which provides an ideal location for the feedstock. Imperial is also an economically challenged region that is experiencing 20% unemployment and a poverty rate of 25%. CE+P's ~$600 million cost to build the facility, along with ~$80 million in initial agricultural spending will bring a sustainable, profitable, and reliable crop to the local agricultural community. The facility will create hundreds of recession-proof energy jobs and bring direct and indirect economic benefits not just to this area, but also to the State.

The California Air Resources Board's ("CARB") Low Carbon Fuel Standard (LCFS) mandates a 20% reduction of the carbon intensity of the California transportation fuels pool by 2030. The 2019 reduction mandate is 6.25%, rising to 7.5% in 2020 and continuing annually until meeting the 20% goal. The LCFS mandate will elicit strong and growing demand for the Project's sugarcane ethanol, which is considered an Advanced Biofuel.

CE+P's ethanol will have a very low carbon intensity ("CI"), which has been certified at 22.44 by CARB, and is approximately 70% less than Midwest corn ethanol and about 50% less than imported ethanol from Brazilian sugarcane. This low CI is a key feature making our renewable ethanol extremely valuable under California's LCFS and initiatives to reduce greenhouse gas emissions.

Over the past few years, the challenge to find an Engineering, Procurement and Construction ("EPC") provider is the primary reason for the delay in purchasing the qualified equipment. The EPC must provide a "not to exceed price" ("NTEP") for the construction of the facility that supports a successful financing structure for the Project. CE+P previously engaged potential EPCs, one based in France and two others based in Italy, who were unwilling to perform detailed engineering and costing work to determine a realistic price and necessary warranties and guarantees.

This year CE+P engaged MasTec Power Corporation, a capable and U.S.-based EPC willing to do the necessary work and provide assurances that will meet our timelines. MasTec Power Corporation is a wholly owned division of Mastec, Incorporated (mastec.com), a Florida based, publicly traded (NYSE/MTZ) infrastructure construction company and member of the Fortune 500 with revenues of approximately $7 billion in 2018.

On October 25, 2019, MasTec Power delivered a letter indicating their confidence in providing an NTEP that meets our capital budget (please see the attached). CE+P is confident they will deliver in the coming weeks a certified NTEP figure that will support successful financing. This figure will allow CE+P to obtain complete project financing quickly. The purchase of the qualified equipment would commence shortly thereafter. CE+P and MasTec Power are already working on the documents whereby MasTec Power will enter into an EPC agreement with CE&P IV1, subject to financial close.

The schedule for purchasing the qualified property would span most of the construction period, currently estimated at 31 months. Financial close is expected to take place in the first quarter of 2020 and purchasing of equipment would begin a few months after that. Purchasing of equipment is estimated to take place from third quarter of 2020 to December 2023.

In summary, today CE+P is in the best possible position to date to secure the funding for this Project. The entire team is enthusiastic about recent accomplishments and the positive outlook for successful project development. An extension of the sales tax exclusion beyond 2019 would be of vital support to this Project, and we look forward to working with you and the CAEATFA team in the future.

Sincerely,

David R. Rubenstein
President & CEO

Attachment: Mastec_CE+P Indicative Estimate

Agenda Item – 4.A.3

Attachment B: CE&P'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]

California Ethanol and Power, Imperial Valley 1, LLC
Application No. 13-SM012

Tuesday, December 17, 2013

Prepared By: *Alejandro Ruiz*

SUMMARY

Applicant – California Ethanol and Power, Imperial Valley 1, LLC

Location – Brawley, Imperial County

Industry – Biomass Processing and Fuel Production

Project – New Biomass Processing and Fuel Production Facility

Value of Qualified Property – $444,811,275

Estimated Sales and Use Tax Exclusion Amount[5] – $37,230,704

Application Score[6] –

Fiscal Benefits Points:	1,379
Environmental Benefits Points:	110
Net Benefits Score:	1,489
Additional Benefits Points:	100
Total Score:	1,589

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 8.37%.

THE APPLICANT

California Ethanol and Power, Imperial Valley 1, LLC ("CE&P" or the "Applicant") is a wholly owned subsidiary of California Ethanol and Power, LLC, which was incorporated in 2007. CE&P was created as a separate limited liability company to be the borrower and operator for the proposed project.

The major shareholders (10.0% or greater) of California Ethanol and Power, LLC are: David R. Rubenstein Jeffrey F. Lee	The corporate officers of California Ethanol and Power, LLC are: David R. Rubenstein – CEO, President and Co-Founder/Management Committee Member Ralph Dehrmann, Executive Vice President, Technologies and Operations Larry A. Gilbert, Executive Vice President, Agricultural Operations Steven Passantino, Vice President, Finance Camille E. Soriano, Vice President, Marketing and Public/Investor Relations Jeffrey F. Lee, Manager, Project Development/General Counsel and Co-Founder/Management Committee Member

THE PROJECT

The Applicant plans to construct a facility that converts sugarcane and sweet sorghum ("feedstock") into low-carbon, fuel-grade ethanol, bio-methane and electricity (the "Project"). CE&P will pay Imperial Valley farmers a yearly land rent in order to secure a steady supply of feedstock for the Project. The Applicant has executed a long-term contract for the sale of the ethanol, bio-methane and electricity to the Royal Dutch Shell Company. The Project will produce 66 million gallons of ethanol fuel, 930 million cubic feet of bio-methane, and 50 MW of electricity annually. The Project will utilize industrial biotechnology through the yeast-based fermentation of sugarcane juice to form ethanol and carbon dioxide.

The Applicant represents that its Project will be more advanced than other ethanol production facilities due to its efficient use of resources. The Project will utilize the vinasse—the liquid residue left in the distillation of ethanol from sugarcane derivatives—in an advanced anaerobic digester to produce bio-methane gas to be placed in the local pipeline. Vinasse digestion is not a common practice among ethanol producers as it is normally simply used as fertilizer. The Applicant will also use bagasse, the leftover biomass, to generate electricity for the Project, which will result in a more sustainable production process by reducing greenhouse gas emissions compared to most ethanol facilities around the country that utilize natural gas for power. Also, the Applicant represents that it will utilize computerized modeling of all processes within the plant on a continuous basis to control processes and predict the production outcomes over time, ensuring predictable outcomes in terms of product quantity, quality, and production cost.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Sugarcane reception, preparation and juice extraction		$59,445,660
Sugarcane juice treatment		565,665
Sugarcane juice evaporation		4,180,795
Discontinuous fermentation		15,900,137
Distillation		25,060,585
Dehydration molecular sieve		19,510,864
Stillage concentration		9,019,341
Steam and power generation		46,121,162
Water and condensate system		14,208,828
Product and by-products storage and loading		10,500,307
Waste water anaerobic treatment		93,716,754
Miscellaneous equipment, components and materials		131,715,698
Auxiliary service		14,865,480
	Total	**$ 444,811,275**

Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. Items are rounded to the nearest dollar, and may not add up to the listed total. At the termination of the master agreement a finalized project equipment list will be prepared detailing the value of the Project equipment and the estimated tax benefit realized. Variations from the costs shown in the Application and in this report may occur prior to or following the execution of the master agreement due to changes in costs of certain components of the Project from original estimates, common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.

TIMELINE

The Applicant has secured an option to purchase a parcel of land in the Imperial Valley. Financing is expected to close and provide funding by March 31, 2014. Construction on the Project is expected to begin in the second quarter of 2014 and will proceed over a period of 24 months.

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PROJECT EVALUATION

NET BENEFITS

The total cost of the Qualified Property purchases is anticipated to be $444,811,275. The Project received a Total Score of 1,589 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 110 points, which exceeds the 20 point threshold.

A. **Fiscal Benefits (1,379 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 $51,344,220 resulting in a Fiscal Benefits score of 1,379 points for the Project.

B. **Environmental Benefits (110 points).** The Project will result in an Environmental Benefits Score of 110. The Applicant received points in the following categories:

1. **Environmental Sustainability Plan (20 of 20 points).** The Applicant has an environmental sustainability plan that will track water, energy, solid and hazardous waste generation and air pollution at the facility.
2. **Energy Consumption (30 of 30 points).** The Applicant's manufacturing process will result in at least a 30% reduction in energy consumption relative to the industry standard manufacturing process.
3. **Water Use (0 of 30 points).** The Applicant's manufacturing process will result in a 0% reduction in water use relative to the industry standard manufacturing process.
4. **Solid Waste (0 of 30 points).** The Applicant's manufacturing process will result in a 0% reduction in solid waste produced relative to the industry standard manufacturing process.
5. **Hazardous Waste (30 of 30 points).** The Applicant's manufacturing process will result in a 100% reduction in hazardous waste produced relative to the industry standard manufacturing process.
6. **Air Pollutants (30 of 30 points).** The Applicant's manufacturing process will result in an anticipated 44% reduction in air pollutants produced relative to the industry standard manufacturing process.
7. **Other Pollutants (0 of 30 points).** The Applicant's manufacturing process will result in 0% reduction in other pollutants produced relative to the industry standard manufacturing process.

C. **Additional Benefits (100 of 200 points).** Applicants may earn up to 200 additional points for their Total Score. The Applicant submitted information and received 100 additional points.

1. **Unemployment (50 of 50 points).** The Applicant's Project is located in Imperial County which has an annual average unemployment rate of 29%. This is above

110% of the annual average statewide unemployment rate of 10.6%, resulting in an Unemployment Score of 50 points for this Project.

2. **Permanent Jobs (20 of 75 points).** The Applicant's Project will support a total of 250 permanent jobs at its Facility. CAEATFA estimates that approximately 32 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.

3. **Construction Jobs (30 of 75 points).** The Applicant's Project will support a total of 400 construction jobs at its Facility. CAEATFA estimates that approximately 52 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.

4. **Research and Development Facilities (0 of 25 points).** The Applicant does not have a research and development facility related to the advanced manufacturing process or product located in California.

5. **Workforce Partnerships (0 of 25 points).** The Applicant does not have a workforce partnership with an educational institution.

6. **Industry Cluster (0 of 40 points).** The industry associated with this Application has not been identified as an industry cluster.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant has acquired its Conditional Use Permit from Imperial County, as well as its Authority to Construct Permit from the Imperial County Air Pollution Control District. Before the Project can begin operations, the Applicant will be required to submit a National Pollutant Discharge Elimination System application and a Report of Waste Discharge to the Colorado River Basin Regional Water Quality Control Board. The application for these permits will be submitted at the end of 2013 and are expected to be approved by the first part of 2015, several months before commencing operations.

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,[7] the Applicant has paid CAEATFA an Application Fee of $10,000 and will pay CAEATFA an Administrative Fee of $350,000.

RECOMMENDATION

Staff recommends approval of Resolution No. 13-SM012 for California Ethanol and Power, Imperial Valley 1, LLC's purchase of Qualified Property in an amount not to exceed $444,811,275 anticipated to result in an approximate sales and use tax exclusion value of $37,230,704.

[7] California Code of Regulations Title 4, Division 13, Section 10036

Agenda Item – 4.A.3

RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER REGULATORY AGREEMENT WITH CALIFORNIA ETHANOL AND POWER, IMPERIAL VALLEY 1, LLC

December 17, 2013

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the "Authority" or "CAEATFA") has received the Application of **California Ethanol and Power, Imperial Valley 1, LLC** (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 $444,811,275 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.