

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

*Request to Approve Project for a Sales and Use Tax Exclusion<sup>1</sup>*

**Sugar Valley Energy, LLC  
Application No. 22-SM014**

**Tuesday, June 21, 2022**

Prepared By: *Matthew Jumps, Program Analyst*

**SUMMARY**

**Applicant** – Sugar Valley Energy, LLC

**Location** – Brawley, Imperial County

**Industry** – Biomass Processing and Fuel Production

**Project** – New Biomass Processing and Fuel Production Facility (Advanced Manufacturing)

	Recommended for Approval	Total Request
Value of Qualified Property	\$117,647,058.82	\$235,294,117.65
Estimated Sales and Use Tax Exclusion (“STE”) Amount <sup>2</sup>	\$10,000,000	\$20,000,000
<b>Estimated Net Benefit<sup>3</sup></b>		
Estimated Fiscal Benefits	\$35,469,579	\$70,939,159
Estimated Environmental Benefits	N/A	N/A
<b>Total</b>	<b>\$35,469,579</b>	<b>\$70,939,159</b>
Estimated Quantifiable Net Benefit	\$25,469,579	\$50,939,159

	Points Earned
Estimated Fiscal Benefits	3,547
Estimated Environmental Benefits	71
Additional Benefits	180
<b>Total</b>	<b>3,798</b>

**Competitive Criteria Score** – 165

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

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

<sup>3</sup> 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).)

**Agenda Item – 4.A.23**  
**Resolution No. 22-SM014-01**

**Staff Recommendation** – Approval of an award for the purchase of up to \$117,647,058.82 in Qualified Property anticipated to result in an approximate sales and use tax exclusion of \$10,000,000, pursuant to the per-Applicant cap provisions in program regulation Sections 10032(a)(5).

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**THE APPLICANT**

Sugar Valley Energy, LLC (the “Applicant”), is a Delaware limited liability company that formed in 2011. The Applicant plans to build a biomass processing and fuel production facility in Brawley, using sugarcane as a feedstock. The Applicant has its headquarters in Manhattan Beach.

On December 17, 2013, the CAEATFA Board granted the Applicant, then known as California Ethanol and Power, Imperial Valley 1, LLC, an STE award for the purchase of up to \$444,811,275 in Qualified Property for an estimated STE value of \$37,230,704 to construct a facility that converts sugarcane and sweet sorghum into low-carbon, fuel-grade ethanol, bio-methane and electricity.

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 required the Applicant to provide annual reports to the Board on the status of the project during the initial term of the Regulatory Agreement, and provided that at the two-year report, the Board may determine whether to terminate the award.

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.

At the November 16, 2021, board meeting, the Applicant reported that it had made no purchases of Qualified Property. The CAEATFA Board approved 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.

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

California Ethanol & Power, LLC (100%)

The company officers of the Applicant are:

David Rubenstien, President and CEO  
Ronald G. Black, Jr., CFO  
Steve Benson, Chief Agricultural Officer  
Karen Wong, Chief Legal Officer  
Steve Passantino, VP of Finance  
Camille E. Soriano, VP of Marketing  
Nathan M. deBoom, VP of Permitting and Business Development

**THE PROJECT**

Sugar Valley Energy, LLC, is requesting an STE award to build a new biomass processing and fuel production facility located in Brawley (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 anticipates that 52,000 acres of sugarcane will be needed to supply the Facility at peak production. The Applicant has executed a long-term contract for the sale of the ethanol to CHS, Inc., and is currently negotiating a biomethane and electricity off-take agreement with various parties. The Project is anticipated to produce 72.4 million gallons of ethanol fuel, 777 million cubic feet of biomethane, and 42.9 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.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Facility Infrastructure	\$25,926,266
Bagasse Mitigation and Power Equipment	\$52,127,575
Ethanol Equipment	\$75,482,651
Biogas and Wastewater Treatment Equipment	\$23,225,498
Construction Equipment	\$58,532,128
<b>Total</b>	<b><u>\$235,294,118</u></b>

*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, construction of the Facility is expected to begin in October 2022. The Applicant states that it will begin major equipment procurement in 2022, with delivery of all major equipment expected by February 2024. The Applicant expects the Facility to begin commercial operation in late 2025 or early 2026.

**STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

According to the Applicant, all primary permits for the construction and operation of the Facility have been approved, including Imperial County Conditional Use permit, along with corresponding CEQA documentation in the form of an Environmental Impact Report, and an Imperial County Grading permit, and the Applicant states that other permits will be required as the Project moves forward and are expected to be obtained without delays.

**COMPETITIVE CRITERIA SCORE**

The Applicant received 165 Competitive Criteria points as follows:

1. **Environmental Benefits (100 of 100 points)**. The Application has a Project that produces an Alternative Source product, component, or system, and, therefore, 100 points are awarded.
2. **Unemployment (50 of 50 points)**. The Applicant’s Project’s primary Facility is located in Imperial County, which has an average annual unemployment rate of 17.3%.<sup>4</sup> When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 50 points.
3. **Job Creation (0 of 75 points)**. The Applicant anticipates the Project will support a total of 117 production-related jobs at its Facility. CAEATFA estimates that approximately 10.94 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.
4. **California Headquarters (15 of 15 points)**. The Applicant has a California Corporate Headquarters, and, therefore, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant’s Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.

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<sup>4</sup> Unemployment rates are based on data available in December 2021.

6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
  
7. **Emerging Strategic Industry (0 of 75 points)**. The Project’s industry is not in an Emerging Strategic Industry, and, therefore, zero points are awarded.

## **PROJECT EVALUATION**

### **PROJECT BENEFITS**

The Project received a Total Score of 3,798 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 71 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (3,547 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 \$70,939,159, resulting in a Fiscal Benefits score of 3,547.
  
- B. **Environmental Benefits (101 points)**. The Project earned an Environmental Benefits Score of 101. The Applicant received points in the following categories:
  1. **Environmental Sustainability Plan (5 of 5 points)**. The Applicant has an environmental sustainability plan that states goals to create a facility that produces fuel-grade ethanol, renewable energy, and biomethane, while protecting the environment from the effects of renewable energy production.
  
  2. **Energy Consumption (6 of 30 points)**. The Applicant anticipates the Project will result in a 6% reduction in energy consumption compared to the industry standard manufacturing process. The Applicant states it will utilize a diffuser that will consume less energy than the industry standard.
  
  3. **Water Use (30 of 30 points)**. The Applicant anticipates the Project will result in a 78% reduction in water use relative to industry standard manufacturing process. According to the Applicant, the Project’s process to produce undenatured anhydrous ethanol uses 1.7 gallons of water per gallon ethanol compared to a cellulosic ethanol production facility which uses 6 to 10 gallons of water.
  
  4. **Air Pollutants (30 of 30 points)**. The Applicant anticipates the Project will result in a 44% reduction in air pollutants produced relative to the industry standard manufacturing process. The Applicant states that it will install Best

Available Control Technology to limit emissions. The Applicant will also purchase offsets for sulfur oxide (SOx), nitric oxide (NOx), particulate matter (PM10), and volatile organic compound (VOC) emissions.

- C. Additional Benefits (180 points).** Applicants may earn additional points for their Total Score. The Applicant received 180 additional points.
- 1. Production Jobs (0 of 75 points).** The Applicant anticipates the Project will support a total of 117 production-related jobs at its Facility. CAEATFA estimates that approximately 10.94 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 304 construction jobs at its Facility. CAEATFA estimates that approximately 28.41 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 (50 of 50 points).** The Applicant’s Project is located in Imperial County, which has an average annual unemployment rate of 17.3%. When compared to the statewide average annual unemployment rate of 7.89%, the Project location earned the Applicant 50 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 biomass processing and fuel production.
  - 5. Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with Imperial Valley College and the Imperial Valley College Foundation for the purpose of assisting in the training of potential future workers.
  - 6. Industry Cluster (25 of 25 points).** The industry associated with this Application has been identified by the Imperial County Comprehensive Economic Development Strategy as an industry cluster of the region of the Project’s location.
  - 7. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental, vision, bonuses, retirement contributions, duction reimbursement, and paid leave benefits 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,<sup>5</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$350,000.

**RECOMMENDATION**

Therefore, Staff recommends the approval of Resolution No. 22-SM014-01 for Sugar Valley Energy, LLC’s purchase of qualifying tangible personal property in an amount not to exceed \$117,647,058.82 anticipated to result in an approximate STE value of \$10,000,000.

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<sup>5</sup> California Code of Regulations Title 4, Division 13, Section 10036



**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A  
REGULATORY AGREEMENT WITH SUGAR VALLEY ENERGY, LLC**

**June 21, 2022**

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

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$117,647,058.82 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 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.