

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

***Request to Approve an Extension of the
15% Purchase Requirement Timeframe¹***

**Ameresco Chiquita RNG, LLC
Application No. 21-SM022**

Tuesday, August 16, 2022

Prepared By: *Stefani Wilde, Program Analyst*

SUMMARY

Applicant – Ameresco Chiquita RNG, LLC

Location – Castaic, Los Angeles County

Industry – Landfill Gas to Renewable Natural Gas Production

Project – New Raw Landfill Gas to Renewable Natural Gas Production Facility
(Alternative Source)

Total Amount Qualified Property Approved – \$27,722,495

Estimated Sales and Use Tax Exclusion Amount at Approval² – \$2,356,412

Amount of Time Requested –

- Nine months, until June 16, 2023, for the 15% purchase requirement timeframe (two years and three months from the date of initial CAEATFA Board approval)

Staff Recommendation – Approval

¹ All capitalized terms not defined in this document are defined in the Sales and Use Tax Exclusion 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 Ameresco Chiquita RNG, LLC (the “Applicant”) for the purchase of up to \$27,722,495 in Qualified Property to build a new LFG-to-RNG production facility located at the Chiquita Canyon Landfill located in Castaic (the “Project”). The Regulatory Agreement (“Agreement”) provided the Applicant with 18 months from the date of CAEATFA Board approval to purchase or execute purchase orders for at least 15% of the total Qualified Property amount approved.³

As of July 2022, Ameresco Chiquita RNG, LLC has not used any of the STE to purchase Qualified Property. The Applicant is requesting to extend the 15% purchase requirement timeframe by nine months to accommodate delays related to permitting with Los Angeles County.

The CAEATFA Board can extend the 15% purchase requirement timeframe upon a finding of extraordinary circumstances and that an extension is in the public interest and advances the purposes of the STE Program.⁴

The Applicant states it has experienced delays in the permitting process with Los Angeles County which were exacerbated by the COVID-19 pandemic, and that there were discrepancies regarding the types of permits and applications that would be required in order for the Applicant to move forward with the project. According to the Applicant, it has come to a resolution with Los Angeles County and has submitted its application for approval. The estimated timeframe for approval is between three and nine months, and is the reason the Applicant requested a nine-month extension.

THE APPLICANT

Ameresco Chiquita RNG, LLC (the “Applicant”), is a Delaware limited liability company that formed in 2019. The Applicant is wholly owned by Ameresco, Inc., a publicly traded company on the New York Stock Exchange under the ticker AMRC. The Applicant will produce renewable natural gas (“RNG”) from raw landfill gas (“LFG”) at the Chiquita Canyon Landfill located in Castaic.

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

Ameresco, Inc. (100%)

The company officers of the Applicant are:

George Sakellaris, President & CEO
Doran Hole, Treasurer
Dave Corrsin, Secretary

³ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)

⁴ California Code of Regulations Title 4, Division 13, Section 10035(b)(1)(A)

THE PROJECT

Ameresco Chiquita RNG, LLC, requested an STE award to build a new LFG-to-RNG production facility located at the Chiquita Canyon Landfill located in Castaic. The Applicant plans to construct a new LFG-to-RNG treatment system that will remove pollutants and particulates from the LFG in order to produce RNG suitable for use in the natural gas pipeline. In 2010, the Applicant completed construction of an LFG-to-energy (“LFGTE”) project that produces approximately 8MW of renewable energy. The Applicant explains that electricity generated from the LFG is sold to the Southern California Public Power Authority, and any excess LFG is flared. Rather than continuing to flare excess LFG, the Applicant will upgrade the LFG to RNG, which will then be injected into a Sempra Energy transmission pipeline. The Applicant also states that the new LFG-to-RNG plant will be powered by the existing LFGTE plant.

15% PURCHASE REQUIREMENT TIMEFRAME EXTENSION REQUEST

The Applicant has requested that the 15% purchase requirement timeframe be extended from September 16, 2022 to June 16, 2023, in order to accommodate delays related to permitting with Los Angeles County.

Staff Evaluation

According to the Applicant, it has experienced delays related to permitting applications and processes with Los Angeles County. There was some uncertainty about the types of permits and analyses that needed to be completed prior to purchasing any Qualified Property. Although the circumstances were unforeseen, the Applicant states it has come to an acceptable agreement with Los Angeles County, and has completed all necessary documentation. According to the Applicant, its application has been completed and submitted to the county, as of May 2022, and may take up to nine months for approval. The Applicant states that all funding is currently secured, and it expects to begin making purchases toward the 15% requirement by December 2022, at the earliest, and June 2023, at the latest. Project completion is estimated to be no later than the second quarter of 2024.

Based on this information, Staff believes these are extraordinary circumstances, and that extending the 15% purchase requirement timeframe will allow for the Project to be completed, and is, therefore, in the public interest and advances the purposes of the STE 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 STE Program regulations,⁵ the Applicant has paid an additional fee of \$1,500 because extending the 15% purchase requirement timeframe qualifies as a modification to the Applicant's Agreement.

RECOMMENDATION

Staff recommends that the Board approve the Applicant's request to extend the 15% purchase requirement timeframe by nine months to June 16, 2023, as the Applicant has demonstrated extraordinary circumstances, and it is in the public interest and advances the purposes of the STE Program.

Attachments

- Attachment A: Ameresco Chiquita RNG, LLC's letter requesting waiver (May 12, 2022)
- Attachment B: Ameresco Chiquita RNG, LLC's staff summary at the time of approval

⁵ California Code of Regulations Title 4, Division 13, Section 10036(c)(1)(A)

**RESOLUTION APPROVING AN EXTENSION OF
AMERESCO CHIQUITA RNG, LLC’S 15% PURCHASE REQUIREMENT
TIMEFRAME UNDER THE REGULATORY AGREEMENT**

August 16, 2022

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 a Sales Tax Exclusion (“STE”) in the amount of \$27,722,495 of Qualified Property for **Ameresco Chiquita RNG, LLC** (the “Applicant”); and

WHEREAS, within 18 months of approval by the Authority, the Applicant must purchase or execute purchase orders for at least 15% of the total amount of Qualified Property listed in the approval resolution (STE Program regulations Section 10035(b)(1)); and

WHEREAS, upon a finding of extraordinary circumstances and that it is in the public interest and advances the purposes of the Program, the Authority may waive the requirement that the Applicant must purchase or execute purchase orders for at least 15% of the total amount of Qualified Property within 18 months of Application approval (STE Program regulations Section 10035(b)(1)(A)); and

WHEREAS, the Applicant has requested a waiver of the requirement to purchase or execute purchase orders for at least 15% of the Qualified Property amount within 18 months due to unexpected delays in the Project timeline, extending the term by nine (9) months to June 16, 2023; and

WHEREAS, the Applicant has demonstrated extraordinary circumstances as to why it cannot meet the 18-month 15% purchase requirement timeframe; 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 these are extraordinary circumstances and that it is in the public interest and advances the purposes of the Program to extend the Applicant’s deadline to meet the 15% purchase requirement to June 16, 2023.

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

Attachment A: Ameresco Chiquita RNG, LLC's Letter Requesting Waiver (May 12, 2022)



111 Speen Street, Suite 410
Framingham, MA 01701
508.661.2200
ameresco.com

May 12, 2022

CAEAFTA
915 Capitol Mall, Room 538
Sacramento, CA 95814
caeatfa@sto.ca.gov

RE: Extension request Sales and Use Tax Exclusion ("STE") Program

To whom may concern:

On behalf of the Ameresco Team, we would like to thank you for your approval of the Sales and Use Tax Exclusion for our landfill gas to renewable natural gas project named, **Ameresco Chiquita RNG LLC**.

I am writing to request a 9 month extension (June, 16th, 2023) to the Purchase Requirement, thereby requiring Ameresco Chiquita RNGLL to purchase or execute purchase orders totaling \$3,956,228.

The reason for the extension request is rooted in complexities and resulting delays (exacerbated by the pandemic) in achieving agreement with LA County as to what permitting process and application was necessary for LA County Project approval. Recently, Ameresco and the County have come to an agreement on the pathway, information and application required and we have completed the application and required analysis. The Application is now submitted and the County estimates 3-9 months for approval. Our extension request mirrors the County's approval estimate.

Schedule

To date, the general scope of the project has not changed and Ameresco has invested over \$500k in non-qualifying time and resources in developing this project. We are funded and eager to place all orders that will get this project completed as well as meeting the Qualifying Purchase Requirement. The following chart demonstrates the estimated Qualifying Purchase timeline based on County approval times.



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Date	Action
5/10/2022	County application submitted
9/16/2022	Original Minimum Purchase Obligaion Deadline
11/16/2022	LA County Approval - Earliest
12/16/2022	Execution of Minimum Purchase Obligation - Earliest
6/16/2023	Execution of Minimum Purchase Obligation - Latest
6/16/2023	Requested - Extended Minimum Purchase Obligation deadline
12/16/2023	Completion of Project - Earliest
6/16/2023	Completion of Project - Latest

Commitment

Ameresco is committed to this Project and would point to our track-record in meeting the Purchase Requirements which we have done without extensions at the Keller and Forward sites.

Ameresco will be following this letter with a check for \$1,500 pursuant to program regulation section 10036(c)(1)(A).

Thank you in advance for your continued support and understanding.



Jeff Stander
Senior Project Developer

Enclosures: Legal Status Questionnaire,
Ownership Information

Attachment B: Ameresco Chiquita RNG, LLC’s Staff Summary at the Time of Approval

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

Ameresco Chiquita RNG, LLC
Application No. 21-SM022

Tuesday, March 16, 2021

Prepared By: *Stefani Carruth, Program Analyst*

SUMMARY

Applicant – Ameresco Chiquita RNG, LLC

Location – Castaic, Los Angeles County

Industry – Landfill Gas to Renewable Natural Gas Production

Project – New Raw Landfill Gas to Renewable Natural Gas Production Facility
(Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$27,722,495	\$2,356,412

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$6,300,673	2,674
Estimated Environmental Benefits	\$3,244,711	1,377
Additional Benefits	N/A	73
Total	\$9,545,384	4,124
Estimated Quantifiable Net Benefit	\$7,188,972	

Staff Recommendation – Approval

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

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

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(e)(6).)

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THE APPLICANT

Ameresco Chiquita RNG, LLC (the “Applicant”), is a Delaware limited liability company that formed in 2019. The Applicant will produce renewable natural gas (“RNG”) from raw landfill gas (“LFG”) at the Chiquita Canyon Landfill located in Castaic.

The major shareholders (10.0% or greater) of the Applicant are:
Ameresco, Inc. (100%)

The company officers of the Applicant are:
George Sakellaris, President & CEO
Doran Hole, Treasurer
Dave Corrsin, Secretary

THE PROJECT

Ameresco Chiquita RNG, LLC, is requesting an STE award to build a new LFG-to-RNG production facility located at the Chiquita Canyon Landfill located in Castaic (the “Project”). The Applicant plans to construct a new LFG-to-RNG treatment system that will remove pollutants and particulates from the LFG in order to produce RNG suitable for use in the natural gas pipeline. In 2010, the Applicant completed construction of an LFG-to-energy (“LFGTE”) project that produces approximately 8MW of renewable energy. The Applicant explains that electricity generated from the LFG is sold to the Southern California Public Power Authority, and any excess LFG is flared. Rather than continuing to flare excess LFG, the Applicant will upgrade the LFG to RNG, which will then be injected into a Semptra Energy transmission pipeline. The Applicant also states that the new LFG-to-RNG plant will be powered by the existing LFGTE plant.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Gas blowers	\$300,000
Gas dehydration skids	\$685,000
Gas separation equipment	\$18,882,543
Thermal oxidizer and enclosed flare	\$998,281
DeOxo and thermal swing adsorption dryer	\$1,650,203
Electric transformer, switchboard, and motor control center	\$2,520,205
Controls, instruments, gas analyzers, and valves	\$1,471,000
Gas separation support equipment	\$565,263
Chiller and ambient coolers	\$250,000
Spare parts	\$400,000
Total	<u>\$27,722,495</u>

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Note: The Qualified Property purchases reported in the Application and shown here in staff's report are estimated costs. At the termination of the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

TIMELINE

The Applicant states that the Facility is currently in the design phase, and is moving into the permitting phase. The Applicant anticipates site construction to begin in Quarter 3 of 2021, with the Qualified Property to be placed in service by Quarter 4 of 2022.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

The Applicant states that a Land Use Planning Permit Amendment will most likely not be required. The Applicant anticipates submitting an air permit application with the South Coast Air Quality Management District in March 2021 and building permits and National Pollutant Discharge Elimination System permits in July 2021. All permits are expected to be approved by September 2021.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 4,124 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 1,377 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,674 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 \$6,300,673, resulting in a Fiscal Benefits score of 2,674.
- B. **Environmental Benefits (1,377 points).** The Project is anticipated to result in \$3,244,711 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 1,377 points. These benefits derive from the production of RNG from raw LFG, which removes the need for flaring excess raw LFG.

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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 four production-related jobs at its Facility. CAEATFA estimates that approximately 0.37 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 (20 of 75 points)**. The Applicant anticipates the Project will support a total of 27 construction jobs at its Facility. CAEATFA estimates that approximately 2.46 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 20 points.
3. **Unemployment (28 of 50 points)**. The Applicant's Project is located in Los Angeles County, which has an average annual unemployment rate of 11.6%. When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant 28 points
4. **Benefits and Fringe Benefits (25 of 25 Points)**. The Applicant states it provides medical, health, dental, vision, bonuses, retirement contribution, dependent care & assistance reimbursement, education reimbursement, gym subsidies, employee discounts, and paid leave to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

Staff reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of this Applicant.

CAEATFA FEES

In accordance with CAEATFA Regulations,⁴ the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$110,889.98.

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

⁵ Unemployment rates are based on data available in October 2020.

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RECOMMENDATION

Staff recommends the approval of Resolution No. 21-SM022 for Ameresco Chiquita RNG, LLC's purchase of qualifying tangible personal property in an amount not to exceed \$27,722,495, anticipated to result in an approximate STE value of \$2,356,412.

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Agenda Item – 4.G.22
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**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A
REGULATORY AGREEMENT WITH AMERESCO CHIQUITA RNG, LLC**

March 16, 2021

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Ameresco Chiquita RNG, 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 \$27,722,495 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

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the Project as the Authorized Signatories deem appropriate, provided that the amount of the qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.