

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

***Request to Approve a Time Extension for the
Initial Term of the Regulatory Agreement¹***

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

Tuesday, February 20, 2024

Prepared By: *Katrina Walters-White, Program Analyst*

SUMMARY

Applicant – Brightmark Vlot RNG LLC

Location – Chowchilla, Madera County

Industry – Dairy Biogas Production

Project – New Dairy Biogas Production Facility (Alternative Source)

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

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

Amount of Time Requested –

- Requesting a one (1) year and fifteen (15) day extension, until March 31, 2025, for the Initial Term of the Regulatory Agreement (a total of four (4) years and fifteen (15) days from the date of initial CAEATFA Board approval of March 16, 2021)

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 regulation

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”) award for Brightmark Vlot RNG LLC, formerly known as Chowchilla RNG LLC, (the “Applicant”) for the purchase of up to \$29,698,976 in Qualified Property to build a new dairy biogas production facility in Chowchilla (the “Project”). The Regulatory Agreement (“Agreement”) initial term provided the Applicant with three (3) years from the date of CAEATFA Board approval to utilize its STE award.³

On September 21, 2021, the Applicant requested a name change from Chowchilla RNG Energy, LLC to Brightmark Vlot RNG, LLC. The STE award was originally approved for Chowchilla RNG Energy, LLC, but Brightmark Vlot RNG, LLC later purchased the Project, therefore, the STE award was transferred under the new name, Brightmark Vlot RNG, LLC.

As of November 2023, the Applicant has used the STE award to purchase approximately \$25,500,000 of Qualified Property (86% of the total Qualified Property approved). The Applicant is requesting to extend the Agreement initial term by one (1) year and fifteen (15) days to accommodate delays in engineering and permitting.

According to the Applicant, the onset of the Project has been affected by significant engineering and permitting delays. Although a substantial amount of the qualified property has been purchased, the delayed engineering scope will require the Applicant to purchase materials and obtain permitting by the end of 2024.

The CAEATFA Board can extend the initial term of the Agreement upon a finding that an extension is in the public interest and advances the purposes of the STE Program.⁴

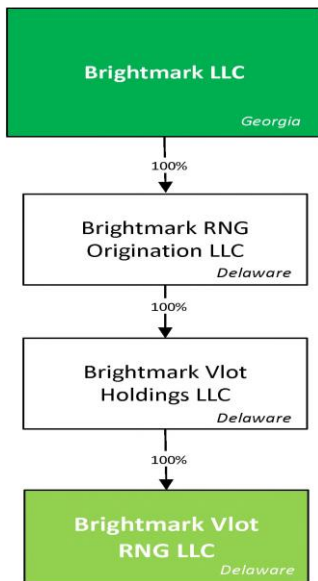
THE APPLICANT

Brightmark Vlot RNG LLC (the “Applicant”), is a Delaware limited liability company that formed in 2021 and is located in San Francisco, CA. The Applicant is a wholly-owned subsidiary of Brightmark Vlot Holdings LLC.

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)(B)

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



The company officers of the Applicant are:

G. Robert Powell - CEO
Justin Goldstein - CFO
Sujay S. Parikh - General Counsel & Secretary
Monique B. Lane - Asst. Secretary
Joseph Atkinson - Vice President
Craig Murphy - Vice President
Gerrud Wallaert - Vice President

THE PROJECT

The Applicant requested an STE award to build a new dairy biogas production facility located in Chowchilla (the “Project”). The Applicant explains the Project will convert organic dairy manure and wastewater effluent generated at the Vlot Calf Ranch in Chowchilla. The organic waste will then be converted using an anaerobic digester into biogas, which will be used to produce renewable natural gas (“RNG”). The Applicant states the Project is expected to produce over 360,000 MMBTU per year of RNG, which will be sold in California for use in conditioned natural gas vehicles. According to the Applicant, the Project will be connected to a Pacific Gas & Electric Company pipeline via a gathering system owned by California Gas Gathering, an affiliate of the California Energy Exchange Corporation.

AGREEMENT INITIAL TERM EXTENSION REQUEST

The Applicant has requested that the initial term of the Agreement be extended from March 16, 2024, to March 16, 2025, in order to accommodate engineering and permitting delays.

Staff Evaluation

Staff took into consideration that the Applicant had to conduct additional engineering, which has affected the timeline to procure equipment. To ensure that the project remains on track, the Applicant has made plans to purchase the remaining equipment within six months. Although substantial engineering and permitting delays pushed back the Project’s timeline, the Applicant

has purchased a significant portion of the equipment, and the final commissioning is expected for early 2025. The scope of the project has not changed.

Based on this information, Staff believes extending the initial term of the Agreement 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 \$2,000 because extending the initial term qualifies as a modification to the Applicant's Agreement.

RECOMMENDATION

Staff recommends that the Board approve the Applicant's request to extend the initial term of the Agreement by one (1) year and fifteen (15) days to March 31, 2025 as it is in the public interest and advances the purposes of the STE Program.

Attachments

Attachment A: Brightmark Vlot RNG LLC's letter requesting waiver (November 28, 2023)
Attachment B: Brightmark Vlot RNG LLC's staff summary at the time of approval

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

**RESOLUTION APPROVING A TIME EXTENSION FOR
BRIGHTMARK VLOT RNG LLC’S INITIAL TERM FOR
THE REGULATORY AGREEMENT**

February 20, 2024

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 \$29,698,976 of Qualified Property for Brightmark Vlot RNG 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 has requested 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 one (1) year and fifteen (15) days to March 31, 2025; 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 Program to extend the Applicant’s initial term of the Regulatory Agreement to March 31, 2025.

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

**Attachment A: Brightmark Vlot RNG LLC's Letter
Requesting Waiver (November 28,2023)**

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

November 28, 2023

California Alternative Energy and
Advanced Transportation Financing Authority
915 Capitol Mall,
Sacramento, CA 95814
Attn: Xee Moua
Email: xee.moua@treasurer.ca.gov

RE: Brightmark Vlot RNG LLC — CAFATFA Grant Extension

Dear Xee,

Per our last semi-annual report to CAEATFA, Brightmark Vlot RNG LLC ("Brightmark") has used 86% of its sales and use tax exclusion award.

To-date, Brightmark has purchased Twenty-five Million, Nine Hundred and Forty-four Thousand, Fifty-two Dollars and Ninety-two Cents (\$25,944,052.92) of Qualified Property. The award is set to expire on March 16, 2024.

Please accept this letter as a formal request to extend our award until March 31, 2025, and to be considered at CAEATFA's February 20, 2024 Board Meeting.

This extension is necessary due to significant engineering and permitting delays affecting the RNG facility. The substantial majority of engineered items and major equipment have been ordered, and most of the material spending on the project is complete. However, the delayed engineering scope requires Brightmark to continue procurement of bulk and field materials well into 2024. Final commissioning is now scheduled for early 2025.

To ensure that the project remains on track, the remaining materials for project construction shall be ordered within the next six months to ensure construction remains on track throughout 2024. Miscellaneous and contingency materials may be ordered in early 2025.

The scope of this project has not changed. Throughout the term of this Regulatory Agreement, the Company agrees to acquire up to \$29,698,976 of tangible personal property that at least fifty percent (50.0%) of its use is either (1) to process recycled feedstock that is intended to be reused in the production of another product or using recycled feedstock in the production of another product or Soil amendment, or (2) is 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 or for advanced manufacturing facilities from one or more vendors for the Project, as described in the Application.

[Signature Page Follows]

Reimagine Waste

Agenda Item – 4.A.9
Resolution No. 21-SM028-02

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

Thank you for your consideration in this time-sensitive matter.

Regards,

Digitally signed by
Gerrud Wallaert
DN: cn=Gerrud Wallaert, o=Brightmark Vlot RNG LLC

Date: 11/28/2023

Brightmark Vlot RNG LLC

By: Gerrud Wallaert

Its: Vice President

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

The original award staff summary can be found [on the CAEATFA website](#).

Agenda Item – 4.G.28
Resolution No. 21-SM028
Application No. 21-SM028

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

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Chowchilla RNG Energy, LLC
Application No. 21-SM028**

Tuesday, March 16, 2021

Prepared By: *Matthew Jumps, Program Analyst*

SUMMARY

Applicant – Chowchilla RNG Energy, LLC

Location – Chowchilla, Madera County

Industry – Dairy Biogas Production

Project – New Dairy Biogas Production Facility (Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$29,698,976	\$2,524,413

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$6,589,610	2,610
Estimated Environmental Benefits	\$1,496,092	593
Additional Benefits	N/A	73
Total	\$8,085,702	3,276
Estimated Quantifiable Net Benefit	\$5,561,289	

Staff Recommendation – Approval

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

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

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

THE APPLICANT

Chowchilla RNG Energy, LLC (the “Applicant”), is a Delaware limited liability company that formed in 2020. The Applicant is owned by Starwood Energy Group Global, LLC, which is a private investment firm focused on energy infrastructure.

The company officers of the Applicant are:
Himanshu Saxena, Chief Executive Officer
Madison Grose, Senior Managing Director and General Counsel
David Arbia, Chief Financial Officer
Jeffrey Delgado, Managing Director
Alex Dabenko, Managing Director

THE PROJECT

Chowchilla RNG Energy, LLC, is requesting an STE award to build a new dairy biogas production facility located in Chowchilla (the “Project”). The Applicant explains the Project will convert organic dairy manure and wastewater effluent generated at the ~~Wot~~ Calf Ranch in Chowchilla. The organic waste will then be converted using an anaerobic digester into biogas, which will be used to produce renewable natural gas (“RNG”). The Applicant states the Project is expected to produce over 360,000 MMBTU per year of RNG, which will be sold in California for use in conditioned natural gas vehicles. According to the Applicant, the Project will be connected to a Pacific Gas & Electric Company pipeline via a gathering system owned by California Gas Gathering, an affiliate of the California Energy Exchange Corporation.

ANTICIPATED COSTS OF QUALIFIED PROPERTY

The anticipated Qualified Property purchases are listed below:

Buildings	\$1,132,290
Combined Heat & Power Plant	\$3,517,788
Manure Pretreatment	\$1,748,406
Anaerobic Digester Equipment	\$13,191,557
RNG Plant Equipment	\$10,108,935
Total	<u>\$29,698,976</u>

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

TIMELINE

According to the Applicant, the engineering for the Facility is expected to be completed by July 2021, and construction is expected to be completed by June 2022. The Applicant anticipates the Project will be operational by the end of June 2022.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

According to the Applicant, all required permits have been secured.

PROJECT EVALUATION

PROJECT BENEFITS

The Project received a Total Score of 3,276 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 593 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,610 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$6,589,610, resulting in a Fiscal Benefits score of 2,610.
- B. **Environmental Benefits (593 points)**. The Project is anticipated to result in \$1,496,092 of total pollution benefits over the life of the Project, resulting in an Environmental Benefits Score of 593 points. These benefits derive from the production of dairy biogas, which offsets the need for the use of fossil methane.
- C. **Additional Benefits (73 points)**. Applicants may earn additional points for their Total Score. The Applicant received 73 additional points.
 - 1. **Production Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of eight production-related jobs at its Facility. CAEATFA estimates that approximately 0.74 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.
 - 2. **Construction Jobs (35 of 75 points)**. The Applicant anticipates the Project will support a total of 88 construction jobs at its Facility. CAEATFA estimates that approximately 8.09 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 35 points.

3. **Unemployment (13 of 50 points)**. The Applicant's Project is located in Madera County, which has an average annual unemployment rate of 10.2%.⁴ When compared to the statewide average annual unemployment rate of 9.1%, the Project location earned the Applicant 13 points.
4. **Benefits and Fringe Benefits (25 of 25 Points)**. The Applicant states it provides medical, health, dental, vision, bonuses, pension plans, retirement contributions, profit sharing, dependent care and assistance reimbursement, education reimbursement, employee discounts, and paid leave to its employees, earning the Applicant 25 points.

LEGAL QUESTIONNAIRE

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

CAEATFA FEES

In accordance with CAEATFA Regulations,⁵ the Applicant has paid CAEATFA an Application Fee of \$10,000, and will pay CAEATFA an Administrative Fee of up to \$118,795.90.

RECOMMENDATION

Staff recommends the approval of Resolution No. 21-SM028 for Chowchilla RNG Energy, LLC's purchase of qualifying tangible personal property in an amount not to exceed \$29,698,976, anticipated to result in an approximate STE value of \$2,524,413.

⁴ Unemployment rates are based on data available in October 2020.

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

Agenda Item – 4.G.28
Resolution No. 21-SM028
Application No. 21-SM028

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

March 16, 2021

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of Chowchilla RNG Energy, LLC (the “Applicant”), for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10030(a), with the Applicant for the Project; and

WHEREAS, the Applicant has estimated the Project has an estimated cost not to exceed \$29,698,976 over a period of three years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

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

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the amount of the

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Resolution No. 21-SM028-02

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Resolution No. 21-SM028
Application No. 21-SM028

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.