

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

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

**Southpoint Biogas LLC  
Application No. 23-SM006**

**Tuesday, July 18, 2023**

Prepared By: *Jeannie Yu, Program Analyst*

**SUMMARY**

**Applicant** – Southpoint Biogas LLC

**Location** – Madera, Madera County

**Industry** – Dairy Biogas

**Project** – New Dairy Biogas Facility (Alternative Source)

<b>Value of Qualified Property</b>	<b>Estimated Sales and Use Tax Exclusion (“STE”) Amount<sup>2</sup></b>
\$7,395,283	\$618,246

<b>Estimated Net Benefit<sup>3</sup></b>	<b>Dollar Value</b>	<b>Points Earned</b>
Estimated Fiscal Benefits	\$1,349,080	2,182
Estimated Environmental Benefits	\$506,138	819
Additional Benefits	N/A	137
<b>Total</b>	<b>\$1,855,218</b>	<b>3,138</b>
<b>Estimated Quantifiable Net Benefit</b>	<b>\$1,236,972</b>	

**Competitive Criteria Score** – 157

**Staff Recommendation** – Approval

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<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 8.36%.

<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).)

**THE APPLICANT**

Southpoint Biogas LLC (the “Applicant”) is a California limited liability company that formed in 2018. The Applicant is a new dairy biogas facility headquartered in Visalia. The Applicant is able to obtain its manure digester feedstock through its relationship with California dairy farmers.

The Applicant has secured funding for digester related expenses from the California Department of Food & Agriculture (CDFA) for up to \$3 million in 2019.

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

- CalBioGas Investors I LLC (90%)
- CalBio HoldCo LLC (10%)

Owners of CalBio HoldCo LLC are:

- JRBM Renewables, LLC (27.45%)
- Unigy Holdings, LLC (26.4%)
- Go Ventures Inc. (27.1%)
- BGTF Citrus Common Holdings LLC (10%)

The company officers of the Applicant are:

- N. Ross Buckenham, CEO
- Neil Black, President
- Abdulla Kagalwalla, CFO

**THE PROJECT**

The Applicant is requesting a sales and use tax exclusion (“STE”) award to build a new dairy biogas facility located in Madera (the “Project”). According to the Applicant, the Project will include digester and other related equipment to create biogas that will be conveyed to a non-combustion solid oxide fuel cell to produce power. A portion of the power is consumed to support operations. The Applicant states the production of dairy biogas creates environmental credits, Renewable Energy Credits (“RECs”) and Low Carbon Fuel Standard (“LCFS”) credits. The RECs are sold to an electric vehicle recharger such as BMW, Tesla, ChargePoint or EV-GO, thus creating the LCFS credits. The LCFS credits are sold to obligated parties such as Chevron.

The Applicant anticipates the Qualified Property purchased for the Project will be used to manufacture dairy biogas; consistent with STE Program regulations,<sup>4</sup> the Qualified Property also includes a portion of the power generation equipment used to power the facility for production purposes. The Project’s equipment will consume approximately 50% of the total amount of available energy generated from dairy biogas combustion; therefore, 50% of the power generation equipment is eligible for a sales and use tax exclusion. However, 50% of the power generation equipment is not included in this Application, as it represents the proportion of available energy in the form of electricity that will be sold.

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<sup>4</sup> California Code of Regulations Title 4, Division 13, Section 10031(x)

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Digester	\$2,129,950
Dairy H2S Treatment Plant	\$2,664,853
Fuel Server	\$2,600,480
<b>Total</b>	<b><u>\$7,395,283</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**

The Applicant states the Project schedule is built around three milestones: mechanical completion by July 2023, commercial online by September 2023, and Project completion by September 2023.

**STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

According to the Applicant, it has started the permitting process for all facilities. All permits will be filed with Madera County, Pacific Gas & Electric Company, the San Joaquin Valley Air Pollution Control District, and the Central Valley Regional Water Quality Control Board in 2023 and approvals are expected to be granted the same year.

**COMPETITIVE CRITERIA SCORE**

The Applicant received 157 Competitive Criteria points as follows:

- 1. Environmental Benefits (100 of 100 points).** The Applicant has a Project that produces an Alternative Source product, and, therefore, 100 points are awarded.

2. **Unemployment (42 of 50 points)**. The Applicant’s Project is located in Madera County, which has an average annual unemployment rate of 6.1%.<sup>5</sup> When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 42 points.
3. **Job Creation (0 of 75 points)**. The Applicant anticipates the Project will support a total of three production-related jobs at its Facility. CAEATFA estimates that approximately .29 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.
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 3,138 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 819 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,182 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 \$1,349,080 resulting in a Fiscal Benefits score of 2,182.
- B. **Environmental Benefits (819 points)**. The Project is anticipated to result in \$506,138 of total pollution benefits over the life of the Project, resulting in an

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<sup>5</sup> Unemployment rates are based on data available in October 2022.

Environmental Benefits Score of 819 points. These benefits derive from the production of dairy biogas, which offsets the need for the use of fossil methane.

- C. **Additional Benefits (137 points)**. Applicants may earn additional points for their Total Score. The Applicant received 137 additional points.
1. **Production Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of three production-related jobs at its Facility. CAEATFA estimates that approximately .29 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 (45 of 75 points)**. The Applicant anticipates the Project will support a total of 34 construction jobs at its Facility. CAEATFA estimates that approximately 3.26 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 45 points.
  3. **Unemployment (42 of 50 points)**. The Applicant’s Project is located in Madera County, which has an average annual unemployment rate of 6.1%. When compared to the statewide average annual unemployment rate of 4.3%, the Project location earned the Applicant 42 points.
  4. **Workforce Partnerships (25 of 25 points)**. The Applicant has a partnership with College of the Sequoias and Fresno State University for the purpose of assisting in the training of potential future workers.
  5. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical, health, dental, and vision benefits, bonuses, retirement contributions, education reimbursement, and paid leave to its employees, earning the Applicant 25 points.

### **LEGAL QUESTIONNAIRE**

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

### **CAEATFA FEES**

In accordance with STE Program regulations,<sup>6</sup> the Applicant has paid CAEATFA an Application Fee of \$5,090.28 and will pay CAEATFA an Administrative Fee of up to \$29,581.13.

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<sup>6</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RECOMMENDATION**

Staff recommends the approval of Resolution No. 23-SM006-01 for Southpoint Biogas LLC's purchase of qualifying tangible personal property in an amount not to exceed \$7,395,283 anticipated to result in an approximate STE value of \$618,246.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A  
REGULATORY AGREEMENT WITH SOUTHPOINT BIOGAS LLC**

**July 18, 2023**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Southpoint Biogas 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 \$7,395,283 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

**Agenda Item – 4.A.6**  
**Resolution No. 23-SM006-01**

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.