

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

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

**WM Renewable Energy, LLC  
Application No. 14-SM023**

**Tuesday, January 20, 2015**

Prepared By: *James Shimp*

**SUMMARY**

**Applicant** – WM Renewable Energy, LLC

**Location** – Novato, Marin County

**Industry** – Landfill Gas Capture and Production

**Project** – New Landfill Gas Capture and Production Facility

**Value of Qualified Property** – \$2,004,360

**Estimated Sales and Use Tax Exclusion Amount<sup>2</sup>** – \$168,767

**Estimated Net Benefits** – \$249,507

**Application Score** –

Fiscal Benefits Points:	2,057
<u>Environmental Benefits Points:</u>	<u>421</u>
<b>Net Benefits Score:</b>	<b>2,478</b>

<u>Additional Benefits Points:</u>	<u>75</u>
<b>Total Score:</b>	<b>2,553</b>

**Staff Recommendation** – Approval

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

<sup>2</sup> This amount is calculated based on the average statewide sales tax rate of 8.42%.

**THE APPLICANT**

WM Renewable Energy, LLC (“WMRE” or “Applicant”) is a Delaware limited liability company. WMRE was formed in 2003 for the purpose of bringing landfill gas capture and production capabilities under the umbrella of its parent companies’ broader business pursuits.

The major shareholders (10.0% or greater) of WM Renewable Energy, LLC are:

WM Partnership Holdings, Inc.

The corporate officers of WM Renewable Energy, LLC are:

Mark A. Lockett., President  
Don P. Carpenter, Vice President, CFO and Controller  
James H. Dowland, Vice President  
Paul A. Pabor, Vice President of Renewable Energy  
Devina A. Rankin, Vice President and Treasurer  
Courtney A. Tippy, Vice President and Secretary  
John S. Tsai, Vice President and Assistant General Counsel  
David C. Unger, Vice President  
James A. Wilson, Vice President  
Edward A. Egl, Assistant Treasurer

WM Renewable Energy, LLC is a wholly owned subsidiary of WM Partnership Holdings, Inc., which is a wholly owned subsidiary of Waste Management Holdings, Inc., which is a wholly owned subsidiary of Waste Management, Inc., a publicly-held corporation.

**THE PROJECT**

WMRE plans to construct a 3.93 MW renewable power facility at the Redwood Landfill located in Novato (the “Project”). The Applicant represents that the landfill currently flares approximately 2,100 standard cubic feet per minute of collected landfill gas. Rather than flaring, and thus releasing SO<sub>x</sub>, CO, and NO<sub>x</sub>, the Applicant’s proposed facility will convert the gas into electricity. The conversion involves three steps: collecting and processing biogas, combusting the biogas to generate electricity, and filtering the combustion emissions. The scope of the current application only covers the first stage of the process, in which the facility collects gas from the landfill and filters it to remove particulates, moisture, sulfur, and siloxanes. This process will produce an alternative source landfill gas that will be used to displace fossil fuels that are normally used to generate electricity.

Consistent with CAEATFA policy, the Qualified Property in this Application will be used to produce landfill gas. None of the facility’s power generation equipment is included in this

Application as the electricity generated will be sold to the grid. The Applicant represents that the facility's interconnect is through Pacific Gas and Electric, and that a power purchase agreement is currently being negotiated.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Sulfur removal vessels with piping, measurement devices, skid mounted.	\$225,930
200 HP CycloBlower, 60-ton chiller, and air-cooled heat exchangers	\$833,650
Siloxane removal vessels, piping and measurement devices	\$289,780
Gas Analysis System	\$85,000
Gas conveyance piping and valves from landfill gas collection system	\$120,000
Supervisory, Control, and Data Acquisition infrastructure	\$100,000
Structural Support for machinery, including concrete	\$100,000
Structural Support for piping, including concrete	\$50,000
<b>Total</b>	<b><u>\$2,004,360</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 master regulatory agreement a finalized project equipment list will be prepared detailing the value of the Project equipment acquired and detailing the actual 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, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation, or for other reasons.*

**TIMELINE**

WMRE is currently entering the design phase for the project, with the construction phase slated to last from March 2015 through January 2016. According to the Applicant's estimates, there is an expected commercial operation date of March 2016.

**PROJECT EVALUATION**

**NET BENEFITS**

The total cost of the Qualified Property purchases is anticipated to be \$2,004,360 and the total net benefits are valued at \$249,507 for the Project. The Project received a Total Score of 2,553 points, which exceeds the required 1,000 point threshold and a total Environmental Benefits Score of 421 points, which exceeds the 100 point threshold.

- A. Fiscal Benefits (2,057 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 \$347,143 resulting in a Fiscal Benefits score of 2,057 points for the Project.

- B. Environmental Benefits (421 points).** The Project will result in \$71,130 of total pollution benefits over the life of the Facility resulting in an Environmental Benefits Score of 421 points for the Project. These benefits are derived from the production of biogas, which offsets the use of fossil fuels.
- C. Additional Benefits (75 points).** Applicants may earn additional points for their Total Score. The applicant submitted information and received 75 additional points.
- 1. Permanent Jobs (20 of 75 points).** The Applicant’s Project will support a total of two permanent jobs at its Facility. CAEATFA estimates that one job 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.
  - 2. Construction Jobs (55 of 75 points).** The Applicant’s Project will support a total of seventeen construction jobs at its Facility. CAEATFA estimates that approximately one 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 55 points for the Project.

## **STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

Authority to Construct permits were issued by the Bay Area Air Quality Management District on November 21, 2013. The Applicant is currently waiting to finalize plans for the new facility in January 2015 before applying for all other site development and building permits.

## **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>3</sup> the Applicant has paid CAEATFA an Application Fee of \$1,142.65 and will pay CAEATFA an Administrative Fee up to \$15,000.

## **RECOMMENDATION**

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<sup>3</sup> California Code of Regulations Title 4, Division 13, Section 10036

**Agenda Item – 4.A.2**  
**Resolution No. 14-SM023**  
**Application No. 14-SM023**

Staff recommends approval of Resolution No. 14-SM023 for WM Renewable Energy, LLC's purchase of Qualified Property in an amount not to exceed \$2,004,360 anticipated to result in an approximate sales and use tax exclusion value of \$168,767.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A MASTER  
REGULATORY AGREEMENT WITH WM RENEWABLE ENERGY, LLC**

January 20, 2015

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority” or “CAEATFA”) has received the Application of **WM Renewable Energy, 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 \$2,004,360 over a period of three 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.

**Agenda Item – 4.A.2**  
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**Application No. 14-SM023**

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.