

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: November 20, 2020

Request to Approve Initial Resolution Reflecting Official Intent to Issue Revenue Bonds to Finance a Sewage Treatment and Solid Waste Disposal Facility

Prepared by: *Alison French-Tubo*

Applicant:	SoCal Biomethane, LLC, and/or its affiliates	Amount Requested:	\$13,000,000
		Application No.:	941(SB)
Project Location:	Victorville (San Bernardino County)	Initial Resolution No.:	20-09

Summary. SoCal Biomethane, LLC, and/or its affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$13,000,000 in tax-exempt bonds. Bond proceeds will be used to upgrade existing solid waste digester facilities at a wastewater treatment plant to be able to convert output from the digester into renewable natural gas that can be transported using a natural gas pipeline (the “Project”).

Applicant. The Company was formed on August 7, 2017, and its sole member is SoCal Biomethane Holdco, LLC, which is wholly owned by Anaergia Services, LLC. Anaergia Services, LLC, is wholly owned by UTS Bioenergy, LLC, which in turn is wholly owned by Anaergia US Corporation, which in turn is wholly owned by Anaergia, Inc. The affiliates of SoCal Biomethane, LLC, are Anaergia Services, LLC; UTS Bioenergy Holdings, LLC; Anaergia US Corp.; and Anaergia, Inc. The Company is a small business with zero employees and its affiliates have a total of 220 employees.

The owners of Anaergia, Inc., are:

Andrew Benedek Family	80.0%
Emerson Collective Investments, LLC	8.8%
BDC Capital Inc.	5.0%
Lyles Diversified, Inc.	3.1%
All others (less than 3.0% each)	3.1%
Total:	<u>100.00%</u>

Legal Questionnaire. Staff has reviewed the Company’s responses to the questions contained in the Legal Status Questionnaire portion of the Application. No information was disclosed in the Legal Status Questionnaire portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The Company represents the following: the Project site is already leased from the Victor Valley Wastewater Reclamation Authority (VWVRA) and the Project will be

known as the VVWRA Organics Project. As a result of requirements under SB 1383 (Lara, Chapter 395, Statutes of 2016) as enacted in Chapter 13.1 (commencing with section 42652) of the Public Resources Code, there is an increased state-wide demand for the recycling of organics of all types, including solid waste at the VVWRA wastewater treatment plant. The Project will include upgrades to the existing solid waste digester facilities at the wastewater treatment plant to increase capacity and redundancy. The scope of the Project will also include facility improvements to convert the gas from the digester into renewable natural gas that meets standards to be transported using a natural gas pipeline. This is necessary because the expected increase in digester gas production cannot be handled under the wastewater treatment plant's existing air quality permit to burn the gas produced by the digester onsite.¹ The Project will provide the wastewater treatment plant with a sustainable means of increasing capacity.

Volume Cap Allocation. The Company anticipates applying to the California Debt Limit Allocation Committee for a volume cap allocation in the first quarter of 2021.

Financing Details. The Company anticipates submitting a request to the Authority for final approval to issue private placement tax-exempt bonds. The target date for financing is anticipated to be in the first quarter of 2021.

Financing Team.

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Municipal Advisor to Company: Westhoff, Cone & Holmstedt
Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 20-09 for SoCal Biomethane, LLC, and/or its affiliates for an amount not to exceed \$13,000,000.

Note: An Initial Resolution approval is not a commitment that the California Pollution Control Financing Authority will approve a Final Resolution and bond financing for the proposed Project.

¹ Gas is burned on site, typically adjacent to the digester, to reduce the release of greenhouse gas into the atmosphere and to destroy a flammable gas. Burning the gas, also referred to as flaring, converts the methane (a greenhouse gas with higher warming potential) in the gas into carbon dioxide (a greenhouse gas with lower warming potential).

RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO FINANCE
A SEWAGE TREATMENT AND SOLID WASTE DISPOSAL FACILITY FOR
SOCAL BIOMETHANE, LLC, AND/OR ITS AFFILIATES

NOVEMBER 20, 2020

WHEREAS, the California Pollution Control Financing Authority ("Authority"), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (Division 27 (commencing with section 44500) of the Health and Safety Code) ("Act") to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products and sewage treatment, including resource recovery and energy conversion facilities; and

WHEREAS, SoCal Biomethane, LLC, a Delaware limited liability company (the "Applicant" and, together with its affiliates, the "Company"), has submitted an application (the "Application") requesting that the Authority assist in financing or refinancing the acquisition, construction and/or equipping of a sewage treatment facility and biomethane plant, as more fully described in the Application (collectively, the "Project"), a portion of which will be owned and/or operated by the Company, and have presented an estimate of the maximum cost of such Project as shown in Exhibit "A" attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal and sewage treatment and resource recovery facilities and equipment which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Project be constructed at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Project; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$13,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Project; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an "Affiliate" of the Applicant means any person or entity which controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise. An Affiliate shall also be a "participating party" as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, in one or more series, an aggregate of up to \$13,000,000 principal amount of bonds of the Authority for the Project; including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Project. Each bond shall contain a statement to the following effect:

"Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond."

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the bonds which are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is authorized under Authority Resolution No. 19-01-001 to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Project, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and to meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute "some other similar official action" towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as

amended. It is also intended that this statement of "official action" or "official intent" by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its approval and remain in full force and effect thereafter; provided that, subject to Section 6 above, this Resolution shall cease to be effective on the date three years after the approval date unless the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution. The Authority will consider such extension upon receiving a specific request for such action from the Company, accompanied by any additional information requested by the Authority to supplement the Company's application, and an explanation of the status of the Project.

EXHIBIT A

NUMBER: 941(SB)

LOCATIONS: 20111 Shay Road, Victorville, California

TYPE: Solid Waste Disposal and Sewage Treatment