

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

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

**Toro Energy of California AA, LLC  
Application No. 24-SM004**

**Tuesday, July 16, 2024**

Prepared By: *Katrina Walters-White, Program Analyst & Jeannie Yu, Program Analyst*

**SUMMARY**

**Applicant** – Toro Energy of California AA, LLC

**Location** – Fresno, Fresno County

**Industry** – Landfill Gas Capture to Renewable Natural Gas

**Project** – New Landfill Gas Capture and Renewable Natural Gas Production Facility  
(Alternative Source)

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount <sup>2</sup>
\$48,500,000	\$4,093,400

Estimated Net Benefit <sup>3</sup>	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$8,341,678	2,038
Estimated Environmental Benefits	\$2,965,647	724
Additional Benefits	N/A	115
<b>Total</b>	<b>\$11,307,325</b>	<b>2,877</b>
<b>Estimated Quantifiable Net Benefit</b>	<b>\$7,213,925</b>	

**Competitive Criteria Score** – 165

**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.

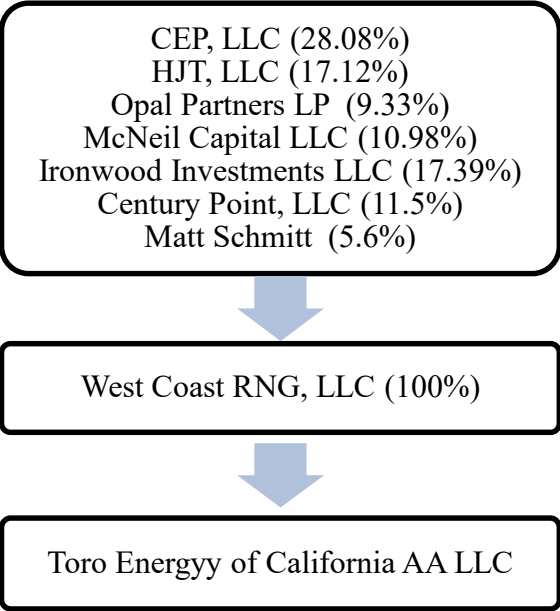
<sup>2</sup> This amount is calculated based on the average statewide sales tax rate of 8.44%.

<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**

Toro Energy of California AA, LLC (the “Applicant”) is a Texas limited liability company that formed in 2015. The Applicant manufactures renewable natural gas for use in the transportation sector to displace diesel usage at its facility, the American Avenue Landfill.

The ownership structure of the Applicant is as follows:



The company officers of the Applicant are:

Kent Hawkins, CEO & President  
Jake Terada, Vice President

**THE PROJECT**

The Applicant is requesting a sales and use tax exclusion (“STE”) award to build a new landfill gas capture (LFG) and production facility located in Fresno (the “Project”). According to the Applicant, the Project will be located at the American Avenue Landfill site owned and operated by the County of Fresno. The Project entails designing, permitting, constructing, and operating a new LFG conditioning system. The landfill is currently flaring over 2 million cubic feet of gas per day (1,800 scfm) equal to approximately 400,000 marketable MMBtu per year. The landfill is at approximately 50% of its permitted trash in place capacity with LFG production expected to increase 50%-100%. The Project will reduce the need to flare supporting the production of more than 3 million diesel gallons equivalent (DGE) of RNG per year at full capacity. The RNG will be sold to compressed natural gas (CNG) stations connected to the natural gas pipeline utility grid system and dispensed into heavy duty vehicles. According to the Applicant, most RNG consumed in California is being imported. As such, the Project will reduce California’s reliability on imported products and the Applicant’s product is expected to have a low carbon fuel standard carbon intensity rating of at least half when compared to the average imported LFG.

**ANTICIPATED COSTS OF QUALIFIED PROPERTY**

The anticipated Qualified Property purchases are listed below:

Guild 2 Stage Process Equipment	\$14,000,000
Flair Equipment	\$2,500,000
Site Electrical and Piping, Connecting Equipment, and Site Work	\$13,000,000
Project Compressors	\$12,000,000
Pipeline Material for Gas Pipeline Lateral	\$4,000,000
Point of Receipt Equipment	\$3,000,000
<b>Total</b>	<b><u>\$48,500,000</u></b>

*Note: The Qualified Property purchases reported in the Application and shown here in staff’s report are estimated costs. In accordance with 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**

Procurement of the Qualified Property is expected to begin as of early as August/September 2024, with an expected installation of mid-year 2025. The installation of the Qualified Property is estimated to take approximately eight months and to be completed in Q4 of 2025. The Applicant will have a start-up time frame of 90 days post installation to ensure the equipment is working to PG&E specifications.

**STATUS OF PERMITS/OTHER REQUIRED APPROVALS**

According to the Applicant, it has received a conditional use permit and the CEQA approvals from the County of Fresno in April 2024. The Applicant expects to receive its air permit by September 2024, with the grading permit to follow in Q1 of 2025.

**COMPETITIVE CRITERIA SCORE**

The Applicant received 165 Competitive Criteria points as follows:

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

2. **Unemployment (50 of 50 points)**. The Applicant’s Project is located in Fresno County, which has an average annual unemployment rate of 7.2%.<sup>4</sup> When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant 50 points.
3. **Job Creation (0 of 75 points)**. The Applicant anticipates the Project will support a total of 10 production-related jobs at its Facility. CAEATFA estimates that approximately 1.64 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 2,877 points, which exceeds the required 1,000-point threshold, and a total Environmental Benefits Score of 724 points, which exceeds the 20-point threshold.

- A. **Fiscal Benefits (2,038 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 \$8,341,678, resulting in a Fiscal Benefits score of 2,038.
- B. **Environmental Benefits (724 points)**. The Project is anticipated to result in \$2,965,647 of total pollution benefits over the life of the Project, resulting in an

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<sup>4</sup> Unemployment rates are based on data available in December 2023.

Environmental Benefits Score of 724 points. These benefits derive from the production of biogas, which offsets the need for the use of fossil methane.

C. **Additional Benefits (115 points)**. Applicants may earn additional points for their Total Score. The Applicant received 115 additional points.

1. **Production Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of 10 production-related jobs at its Facility. CAEATFA estimates that approximately 1.64 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 (40 of 75 points)**. The Applicant anticipates the Project will support a total of 125 construction jobs at its Facility. CAEATFA estimates that approximately 20.44 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 40 points.
3. **Unemployment (50 of 50 points)**. The Applicant’s Project is located in Fresno County, which has an average annual unemployment rate of 7.2%. When compared to the statewide average annual unemployment rate of 4.6%, the Project location earned the Applicant 50 points.
4. **Benefits and Fringe Benefits (25 of 25 points)**. The Applicant states it provides medical and health benefits, bonuses, profit sharing, dependent care & assistance reimbursement, transportation subsidies, education reimbursement 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 STE Program regulations,<sup>5</sup> the Applicant has paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee up to \$194,000.

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<sup>5</sup> California Code of Regulations Title 4, Division 13, Section 10036

**RECOMMENDATION**

Staff recommends the approval of Resolution No. 24-SM004-01 for Toro Energy of California AA, LLC's purchase of qualifying tangible personal property in an amount not to exceed \$48,500,000, anticipated to result in an approximate STE value of \$4,093,400.

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A  
REGULATORY AGREEMENT WITH TORO ENERGY OF CALIFORNIA AA, LLC**

**July 16, 2024**

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Toro Energy of California AA, 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 \$48,500,000 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

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.