

**BEFORE THE HEARING BOARD OF THE
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

In the Matter of

SOUTH COAST AIR QUALITY
MANAGEMENT DISTRICT,

Petitioner,

v.

ORGANIC ENERGY SOLUTIONS
[Facility ID No. 184672], R3
SUSTAINABILITY

Respondent.

Case No 6089-2

DECLARATION OF
KYLE GRANOWSKI

South Coast AQMD Rules 201, 203(a)

Hearing Date: August 19, 2026

Time: 9:00 a.m.

Place: 21865 Copley Drive
Diamond Bar, CA 91765

I, KYLE GRANOWSKI, declare and state:

- 1 I am the Chief Operating Officer of R3 Sustainability ("R3") who has been working with East West Bank to complete the sale of the Organic Energy Solutions ("OES") San Bernardino facility located at 2586 Shenandoah Way, San Bernardino, California ("Facility") to R3. In my capacity as the Chief Executive Officer of R3 I am personally familiar with the Facility and all associated operations.
- 2 This Declaration is submitted on behalf of R3 and OES in connection with the Petition for Stipulated Order for Abatement (Petition) (Case No 6292-1) filed by Petitioner South Coast Air Quality Management District (District). The facts set forth herein are known by me to be true and correct and I could and would so testify under oath if called as a witness.
- 3 R3 and its technical consultants have worked diligently with representatives of South Coast AQMD, including counsel and engineers, to address the Facility's compliance with AQMD Rules 201 and 203(a).
- 4 OES operates an anaerobic digestion facility that converts food waste into renewable biogas and renewable energy. Anaerobic digestion is a recognized method of organic waste management that mitigates methane emissions,

recovers biogas and reduces greenhouse gas emissions associated with landfill disposal. The Facility supports California's statewide goals for diversion of organic waste from landfills and recovery of renewable resources. By processing organic waste in a controlled anaerobic digestion system, the facility reduces methane generation that would otherwise occur from landfill disposal and provides a beneficial use for organic materials that would otherwise require disposal.

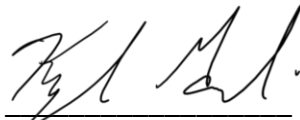
- 5 This is a transformational project. Upon completion this project allows one of California's largest public utilities to make progress towards the CPUC requirement under SB1440, enacted in 2018. Additionally, this project provides a pathway for local jurisdictions to meet their SB1383 diversion of organics from landfills per CalRecycle mandate. When completed, this project will reliably provide up to 1,500 standard cubic feet per minute of renewable natural gas from the anaerobic digestion of organic food waste. To further highlight the importance of this project it was the first ever SB1440 Offtake Agreement approved by the CPUC.
- 6 R3 has been leading the operation of the OES Facility for East West Bank since May 21, 2026. Over that time, R3 has made dramatic improvements that are enabling the OES Facility to operate in a more wholesome, predictable and professional manner. The result of these improvements is the Facility's ability to better serve the community through the ability to process more organics that are diverted from landfill. Improvements made to date include:
 - Developing and implementing an intentional worksheet to record, monitor and respond to operational process issues,
 - Increasing digester operability from 66% to 100%,
 - Increased the number of customers providing feedstock from 4 to 6,
 - Increased biogas production from 0 to 365,000 standard cubic feet per day, and
 - Increased the quantity of feedstock received from 5000 to 24,000 gallons per day.
- 7 Prior to May 2026, R3 had no operational involvement with the Facility, but was able to discern the following from conversations with prior OES management. In December 2019, Phase One of the Facility was constructed. The Phase One facility operated under a "research permit" and only included a single anaerobic digester tank and limited ancillary equipment.
- 8 In October 2022, Phase Two of the Facility was commissioned, expanding the capacity of the plant by adding (2) additional anaerobic digester tanks, (3) hydrolysis tanks, feedstock receiving tank, nutrient systems, (2) cogeneration systems, and other minor equipment. Phase One and Two designs were optimized to produce an organic fertilizer byproduct, with energy production as a secondary objective. Due to operational and commercial challenges, the fertilizer byproduct processes never performed well enough to run the plant at full capacity.

- 9 As part of the air quality permitting process the Facility was to complete source testing of the engine exhaust streams under normal operating conditions. The inability of the plant to run at full capacity impacted its ability to generate sufficient volumes of fuel necessary to sustain the operation of both engines for source testing. As a result, source testing of the engines was not completed by OES.
- 10 In the latter portion of 2023, on the heels of passage of SB1440, OES pivoted the operational objective for the Facility to produce RNG for injection into the SoCalGas system rather than generating electricity for the grid.
- 11 In May 2024, OES responded to the inaugural SB 1440 solicitation by SoCal Gas and completed final offtake agreement negotiations.
- 12 During the period leading up to May 2024 and following the CPUC approval of the SoCalGas/OES Gas Offtake agreement the Facility was not fully operational. As a result, the Facility was reportedly unable to complete a representative source test in accordance with the conditions of the Permits to Construct issued by South Coast.
- 13 In February 2025, CPUC approved the SoCalGas/OES Gas Offtake Agreement, becoming the first approved gas offtake for RNG under SB1440 in the State of California.
- 14 In March 2025, East West Bank initiated protective financial advances for the operational and business needs of the OES facility.
- 15 In June 2025, East West Bank initiated process to sell the OES project and associated Facility.
- 16 In September 2025, R3 submitted an initial offer letter to East West Bank to purchase the Facility.
- 17 In February 2026, East West Bank identifies R3 as the preferred bidder for the acquisition of the OES project and Facility.
- 18 In April 2026, R3 and East West Bank execute Letter of Intent to Acquire and Upgrade Organic Energy Solutions. Simultaneously, R3 initiates corrective operational actions under a Consulting Agreement with East West Bank to advance the project towards financial close.
- 19 In April 2026, R3 learns that existing permits to construct issued by South Coast AQMD were denied for an alleged failure to submit certain information.
- 20 Later in April 2026, R3/East West Bank and SoCalGas conduct an initial meeting to discuss change of control and other facility related matters.
- 21 In May 2026, R3 contacted ALL4 Environmental to commence discussions regarding potential pathways to resolve air quality permitting and compliance issues for the Facility.
- 22 In May 2026, ALL4 contacted Erika Chavez of South Coast AQMD to initiate process for administrative relief and engage South Coast AQMD staff to develop pathway for compliance.
- 23 R3 is NOT acquiring the facility, instead R3 has created a Special Purpose Entity ("SPE") called R3 Halo Infrastructure Partners ("R3 Halo") that will

acquire and upgrade the facility. That is the actual entity that will be named in the permit as the owner and operator. R3 Sustainability will continue to provide management support and operational services to R3 Halo under a Management Services Agreement over the 2-year construction and 15-year term of the SoCalGas offtake agreement.

- 24 In June 2026, R3 formed a new Special Purpose Entity, R3 Halo Infrastructure Partners LLC.
- 25 R3 received and submitted a Change of Control/Assignment Consent Request to SoCalGas.
- 26 In July 2026, the Change of Control by SoCalGas was negotiated and is anticipated to be approved by September 2026.
- 27 East West Bank and R3 Halo are expected to reach financial closure on the change of ownership in September 2026, at which time R3 Halo will assume full control of OES Facility.
- 28 R3/OES have reviewed the proposed conditions identified in the Proposed Findings and Decision as presented to the Hearing Board. R3/OES can and intends to operate the Facility in accordance with the proposed conditions.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this Declaration was executed at Centennial, Colorado on August 14, 2026.

A handwritten signature in black ink, appearing to read 'Kyle Granowski', written over a horizontal line.

Kyle Granowski