

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis Exempt Facility Project Pool December 13, 2006 Allocation

Exempt Facility Bonds are tax-exempt private activity bonds that are issued by state and local governmental agencies to finance primarily solid waste disposal and waste recycling facilities. The tax-exempt bonds provide facility owners with low cost financing in the form of an interest rate lower than that of a conventional loan. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve in meeting their mandated requirements to protect and enhance the environment. Exempt facility projects also benefit the communities by creating new jobs. Under the leadership of State Treasurer Philip Angelides, the Committee has redirected the award of allocation to smaller companies in order to assist their communities in meeting their environmental mandates.

The California Debt Limit Allocation Committee (“Committee”) is responsible for administering California’s annual tax-exempt private activity bond program, known as “the annual State ceiling”. For calendar year 2006, California’s State ceiling is \$2.891 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as “Program Pools”, including the Exempt Facility Project Pool. For calendar year 2006, the Committee reserved \$421 million, or 14.5%, of the State ceiling for the Exempt Facility Project Pool. The \$421 million of bond authority will be allocated in five allocation meetings during calendar year 2006. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business¹ under Regulatory Mandate², 2) Non-first Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, and 4) All other Applications for Exempt Facilities.

The Committee awarded a total of \$111,725,000 for exempt facilities on December 13, 2006. This represents 27% of the \$421 million Exempt Facility Project Pool and 3.9% of the 2006 \$2.891 billion State ceiling. The December 13, 2006 allocation was awarded to two issuers, the California Pollution Control Financing Authority and the California Statewide Communities Development Authority for four exempt facility projects located in California. Three of the projects are First Tier Projects under Regulatory Mandate and one is a First Tier Project not under Regulatory Mandate. The projects are solid waste disposal and/or recycling facilities, which includes the construction of new facilities or the expansion of existing facilities, and the purchase of more efficient and cleaner fuel burning equipment. In addition, two projects are expected to create over 38 full time jobs as a result of these allocations.

December 13, 2006 Allocation Benefit of Exempt Facility Program

Allocation Amount Round 5	First Tier Projects Under Regulatory Mandate	First Tier Projects Not Under Regulatory Mandate	Total Exempt Facility Projects
\$111,725,000	3	1	4

¹ “First Tier Business” means (1) a business that (a) is primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste, (b) is a privately-held or employee-owned entity whose ownership interests are not available to members of the public, and (c) has fewer than 3,000 employees (together with affiliates), based on the average employees per pay period during the most recent twelve (12) months before submittal of an Application; or (2) a business which is not primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste that is classified as a small business under regulations of the California Pollution Control Financing Authority (CPCFA) (Title 4, California Code of Regulations, Sections 8001-8083).

² “Regulatory Mandate” means a local, state or federal government mandate such as the California Public Resources Code, Section 40000 et seq. (“AB 939”), a local public health department notice and order, a Regional Water Quality Control Board issued cease and desist order, or similar directive.

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First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
Mid Valley Disposal, Inc.	\$1,1320,000	According to the application, the proposed Project consists of the purchase of a 10 acre site in the City of Kerman on which it intends to construct two buildings which will house a material recovery facility, a maintenance shop and related equipment. This facility will provide a central location from which the Project Sponsor will collect and process waste from collection areas in Fresno County and the Cities of Mendota, San Joaquin, Coalinga, Huron, Avenal and Home Gardens. It is possible that any waste collection related equipment could be housed from time to time at one of the applicant's two corporate yards in the Cities of Coalinga and Avenal. The Project Sponsor has certified that the proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB939.
Garden city Sanitation, Inc.	\$22,445,000	According to the application, the Project Sponsor was recently awarded a new franchise agreement with the City of San Jose for the collection and disposal of the City's residential waste in Districts A & C. The proposed Project involves the acquisition of land (3.37 acres) and buildings (19,700 sq. ft. and 30,600 sq. ft.) that will allow for administration, truck maintenance, washing and storage. The proposed Project will purchase collection vehicles, drop boxes, bins, and carts to support the solid waste collection effort. The Project Sponsor has certified that the proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB939.
Valley Vista Services, Inc.	\$7,960,000	According to the application, the proposed Project involves the purchase of new natural gas fueled collection vehicles, barrels, carts, bins, and loaders. The Project will operate from its 13 acre site in the City of Industry at which it stores and maintains its fleet. The Project collects both residential and commercial waste from the Cities of El Monte, Diamond Bar, La Puente, Industry, Pasadena, Pomona, Vernon, Hacienda Heights, Monterey Park, Los Angeles, Walnut and Claremont and various portions of the unincorporated area of Los Angeles County. The Project is designed to increase recycling throughput from the company's existing client base and to accommodate an ever increasing volume. According to the application, the Project will create approximately 18 full time jobs. The Project Sponsor has certified that the proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB939.

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First Tier Projects Not Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
EnerTech Environmental California LLC	\$80,000,000	<p>According to the application, the proposed Project involves the construction of a facility on approximately 6.2 acres adjacent to the City of Rialto’s Waste Water Treatment Plant that will process municipal sewage sludge (“biosolids”) generated by the City of Rialto Waste Water Treatment Plant and municipalities of the southern California region into a high-grade fuel known as renewable E-fuel. The Project will include three structures which would include the main process structure which would house most of the process equipment including pumps, heat exchangers, centrifuges, and process heater. The second structure would be the location of the administration building and laboratory. The third structure would be a maintenance building for the facility. This facility will provide a long-term solution to the problems of biosolids waste disposal encountered by municipalities in the southern California region while simultaneously creating a renewable energy source that serves as a replacement for fossil fuel.</p> <p>The proposed Project will have a design capacity to process approximately 675 wet tons per day of biosolids (on approximately 25% solids content) and will produce approximately 100 tons per day of renewable E-fuel pellets. This renewable E-fuel would be transported and utilized off-site to various cement kiln operators or other industrial users in the area. E-fuel is a renewable fuel and would partially replace fossil fuels currently being used at these plants.</p> <p>The Project Sponsor is contracting with HDR Design Build, Inc. to design and construct the biosolids facility that will use the Project Sponsor’s patented SlurryCarb Process to convert waste to energy. Similarly, the Project Sponsor has entered into an operations and maintenance agreement with North American Energy Services (NAES) to assist the Project Sponsor regarding the operations of the regional facility pursuant to a long-term contract with the Project Sponsor. The Project Sponsor will oversee the daily operations of NAES, and the Project Sponsor will have ultimate responsibility and obligation to ensure that the proposed Project meets all operating requirements and complies in all material respects with the terms of the bond financing. All permits, contracts, leases, etc. will be in the name of the Project Sponsor and not in the name of the operator. According to the application, the Project will create approximately 15-20 full time jobs.</p>