

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: January 23, 2008**  
**Executive Summary**  
*Request for Initial Resolution Approval*

Prepared by: *Michael Smith*

<b>Applicant:</b> BioEnergy Solutions, LLC	<b>Amount Requested:</b> \$3,700,000
	<b>Application No.:</b> 807 (SB)
<b>Project Location:</b> Riverdale (Fresno County)	<b>Initial Resolution No.:</b> 08-01

**Type of Business:** BioEnergy Solutions, LLC, and/or its Affiliates (the “Company”), organized in the state of California on September 22, 2006, is 100% owned by American Dairy Parks, LLC, which in turn is owned 50% each by David Albers and Kim Albers. BioEnergy Solutions, LLC, intends to capture and sell biogas which will ultimately be used to create electricity.

**Project Description:** The Company intends to construct and install a waste manure digester on a leased parcel that requires site preparation located at the Vintage Dairy in Fresno County. The waste manure digester will capture biogas resulting from the breakdown of the manure. PG&E has entered into a contract to purchase the Company’s biogas from which it will create electricity. The project entails the purchase of a digester and a gas upgrade plant in addition to piping, agitator pumps, and the construction of a manure processing pit.

**Pollution Control and/or Waste Diversion:** The Company represents the Project will generate the following pollution control benefits.

**Waste Diversion.** Waste cow manure will be recycled as biogas.

**Ratepayer or Other Benefits.** This project’s output will assist PG&E in meeting its mandate to provide 20% of its power from renewable sources by 2010.

**Environmental Benefits:** The Company represents that the Project is designed to generate the environmental benefits described below.

**Air Quality.** Manure decomposition generates volatile organic compounds, yet dairy farms are not required to capture or destroy them. However, this project is designed to capture and eliminate approximately 80% of the compounds generated at this dairy.

**Water Quality.** This project includes the installation of a tier one double liner in the anaerobic digester which replaces four earthen lagoons. Tier one double liners provide superior protection of ground water resources.

**Energy Efficiency.** The gas provided to PG&E from this project is a heretofore unused source of renewable energy.

**Recycling of Commodities.** This project is designed to capture the currently unused BTU (British Thermal Unit) properties of cow manure.

**Safe Disposal of Solid Waste.** This project facilitates compliance with the General Order Waste Discharge Requirement for Existing Milk Cow Dairies.

**Climate Change.** The applicant is not currently a member of the California Climate Registry but is considering membership. However, this project is designed to result in quantifiable reductions of methane and carbon dioxide, and will generate carbon credits which will be sold to

offset the project's costs. The project is designed to produce approximately 200,000 cubic feet of methane daily which will enter a pipeline for power production rather than be released into the atmosphere.

**Permits:** The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

**Financing Details:** The Company anticipates a negotiated tax-exempt, weekly reset, variable rate bond issue with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least "A-" by Fitch Rating Agency or equivalent. The target date for financing is early 2008.

**Financing Team:**

**Underwriter:** Westhoff Cone & Holmstedt  
**Bond Counsel:** Orrick Herrington & Sutcliffe  
**Financial Advisor:** Andrew S. Rose  
**Issuer's Counsel:** Office of Attorney General

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

**Staff Recommendation:** Staff recommends approval of Initial Resolution No. 08-01 for BioEnergy Solutions, LLC and/or its affiliates for an amount not to exceed \$3,700,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*

**BIOENERGY SOLUTIONS, LLC  
AND/OR AN AFFILIATE**

**Bond Amount: \$3,700,000**

Application No. 807(SB)

January 23, 2008

**STAFF SUMMARY – CPCFA**

**Prepared by:** *Michael Smith*

**ISSUE:**

BioEnergy Solutions, LLC and/or its Affiliates (the “Company”) requests approval of Initial Resolution No. 08-01 for an amount not to exceed \$3,700,000 to purchase equipment and for site preparation and improvements.

**CDLAC Allocation.** The Company anticipates applying for CDLAC allocation in early 2008. In light of the fact that the project involves a technology not previously approved for funding, CDLAC cannot act on the request until CPCFA completes a new technology policy review. Staff will complete the new technology policy review and submit it to the Authority prior to bringing forward any request for approval of a final resolution on the project.

**BORROWER:**

BioEnergy Solutions, LLC, organized in the state of California on September 22, 2006, is 100% owned by American Dairy Parks, LLC which in turn is owned 50% each by David Albers and Kim Albers. BioEnergy Solutions, LLC, (the “Company”) intends to capture and sell biogas which will ultimately be used to create electricity. The Company has five employees.

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

**Prior Actions and Financings.** Agrifab, Inc. and Vintage Dairy (a California General Partnership of which David Albers owns 25%) were issued \$5,800,000 in bonds in September 2003. All required principal and interest payments have been made in a timely manner.

**PROJECT INFORMATION:**

The Company intends to construct and install a waste manure digester on a leased parcel that requires site preparation located at the Vintage Dairy in Fresno County. The waste manure digester will capture biogas resulting from the breakdown of the manure. PG&E has entered into a contract to purchase the Company’s biogas from which it will create electricity. The project entails the purchase of a digester and a gas upgrade plant in addition to piping, agitator pumps, and the construction of a manure processing pit.

The anticipated Project and issuance costs are listed below:

New Equipment .....	\$3,250,000
Site Preparation .....	250,000
Financing Costs .....	200,000
<b>Total:.....</b>	<b><u>\$3,700,000</u></b>

**POLLUTION CONTROL AND/OR WASTE DIVERSION:**

The Company represents that the Project will generate the following pollution control benefits.

**Waste Diversion.** Waste cow manure will be recycled as biogas.

**Ratepayer or Other Benefits.** This project’s output will assist PG&E in meeting its mandate to provide 20% of its power from renewable sources by 2010.

**ENVIRONMENTAL BENEFITS:**

The Company represents that the project is designed to generate the environmental benefits described below.

**Air Quality.** Manure decomposition generates volatile organic compounds yet dairy farms are not required to capture or destroy them. However, this project is designed to capture and eliminate approximately 80% of the compounds generated at this dairy.

**Water Quality.** This project includes the installation of a tier one double liner in the anaerobic digester which replaces four earthen lagoons. Tier one double liners provide superior protection of ground water resources.

**Energy Efficiency.** The gas provided to PG&E from this project is a heretofore unused source of renewable energy.

**Recycling of Commodities.** This project is designed to capture the currently unused BTU (British Thermal Unit) properties of cow manure.

**Safe Disposal of Solid Waste.** This project facilitates compliance with the General Order Waste Discharge Requirement for Existing Milk Cow Dairies.

**Climate Change.** The applicant is not currently a member of the California Climate Registry but is considering membership. However, this project is designed to result in quantifiable reductions of methane and carbon dioxide, and will generate carbon credits which will be sold to offset the project’s costs. The project is designed to produce approximately 200,000 cubic feet of methane daily which will enter a pipeline for power production rather than be released into the atmosphere.

**PERMITTING & ENVIRONMENTAL APPROVALS:**

The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

**ANTICIPATED TIMELINE:**

The Company commenced site improvements and equipment purchases in November 2007 and plan to complete the project by March 19, 2008.

**FINANCING DETAILS:**

The Company anticipates a negotiated tax-exempt, weekly reset, variable rate bond issue with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is early 2008.

**FINANCING TEAM:**

**Underwriter:** Westhoff Cone & Holmstedt  
**Bond Counsel:** Orrick Herrington & Sutcliffe  
**Financial Advisor:** Andrew S. Rose  
**Issuer’s Counsel:** Office of Attorney General

**RECOMMENDATION:**

Staff recommends approval of Initial Resolution No. 08-01 for an amount not to exceed \$3,700,000 for BioEnergy Solutions LLC and/or its Affiliates.

Initial Resolution No. 08-01  
Application No. 807 (SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO  
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR  
BIOENERGY SOLUTIONS, LLC AND/OR ITS AFFILIATES**

January 23, 2008

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 ("Act") to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, BioEnergy Solutions, LLC, a California limited liability company (the "Applicant"), and/or its affiliates (collectively, the "Company") has submitted an application (the "Application") requesting that the Authority assist in financing the acquisition and construction of facilities for treatment and disposal of solid waste originating at dairy farms, as more fully described in the Application (collectively, the "Project") to be owned and 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 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 acquired 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 \$3,700,000 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, an aggregate of up to \$3,700,000 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 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 bond proceeds to finance the Project; (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 hereby authorized 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.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on January 23, 2011 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:** 807SB  
**LOCATION:** 12103 West Elkhorn Ave., Riverdale, CA 93656  
**TYPE:** Solid Waste Disposal  
**AMOUNT:** Up to \$3,700,000