

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM**

Meeting Date: June 23, 2010

Request for Final Resolution and

Request for Tax-Exempt Bond Allocation Approval

Prepared by: *Doreen Smith*

Applicant:	BioFuels Energy, LLC and/or its Affiliates	Amount Requested:	\$14,800,000
Project		Application No.:	00818 (SB)
Location:	San Diego (San Diego County)	Final Resolution No.:	00499
		Prior Actions:	IR 09-02 approved 2/25/2009

Summary. BioFuels Energy, LLC and/or its Affiliates (the “Company”) requests approval of a Final Resolution for an amount not to exceed \$14,800,000 to finance the cost of acquiring, constructing and installing certain pollution control facilities for the collection, treatment, storage and disposal of biomethane gas generated at a sewage treatment plant. The Company anticipates that the project will provide waste diversion, air quality, recycling benefits, energy efficiency, and climate change benefits.

Borrower. BioFuels Energy, LLC was organized on July 18, 2007 in the State of Delaware. The nature of the business is renewable energy. The Company has common ownership with BioFuels Energy Management, LLC.

The principal stockholders of the Company are as follows:

BioFuels Energy Management, LLC.	90%
Various Individuals/Trusts (less than 3% each)	<u>10%</u>
Total:	<u>100%</u>

Legal Questionnaire. The 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.

TEFRA. The TEFRA hearing was held on June 11, 2010. There were no comments received in support of or in opposition to this Project.

Prior Financings. None.

Project Description. The objective of the project is to transform an environmentally damaging resource (methane) which is currently being flared at the San Diego Point Loma Wastewater Treatment Plant. The plant flares biogas, which is comprised of approximately 63% methane plus hydrogen and carbon dioxide. The biogas comes from the existing methane gas collection system which currently takes unused anaerobic digester biogas and flares it.

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The project will clean contaminants out of the biogas and convert the biogas into a product that is close to natural gas specifications. The purified and compressed biogas would then be input into the local utility natural gas pipeline, under the California Public Utilities Commission (CPUC) rules for “directed biogas”. Directed biogas is a renewable fuel that will be nominated and delivered, pursuant to power purchase agreements, to the University of California, San Diego and the City of San Diego via the utility natural gas pipeline, for use as fuel cells.

The fuel cells will displace customers’ current usage of fossil based electricity. Essentially, the community that generates the waste stream will enjoy the beneficial attributes of the renewable energy from the same waste stream while reducing their carbon footprint. The Company estimates that this project will result in the reduction of over 12,000 tons/year of carbon dioxide emissions.

The Company plans on leasing property from the City of San Diego at the sewage treatment plant upon which the purification equipment will be located.

Bond proceeds will be used for the acquisition and installation of new equipment which includes (1) a gas purification system capable of cleaning the anaerobic digester biogas generated by the Point Loma Wastewater Treatment Plant, (2) a 300kW fuel cell which will provide a majority of the electricity for the gas clean-up system, and (3) a gas interconnection system to the existing natural gas pipeline.

The anticipated Project and issuance costs are listed below:

Purification Equipment and Compressors	\$6,750,000
Other Equipment and Parts	483,000
Chromatograph	70,000
Interconnection	2,375,000
Installation	1,630,000
City of San Diego costs	250,000
Other/contingency	500,000
Bond Issuance Costs	290,000
Interest	1,252,000
Other Debt Service Reserve	<u>1,200,000</u>
Total:	<u>\$14,800,000</u>

Note: The Project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations 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 from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

Local Government. Letters of Support were received from the following government representatives:

- Jerry Sanders, Mayor – City of San Diego (Attachment A)
- Kevin L. Faulconer, Council President Pro Tem – City of San Diego (Attachment B)

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Air Quality. The project will result in a reduction of greenhouse gas emissions. The potential emission reductions at the Point Loma site have been calculated by assuming that the amount of methane gas at the flare stack may be reduced on average by \$1.1 million standard cubic feet per day.

Energy Efficiency. More efficient fuel cells at a heat rate below 8,000 Btu's per kilowatt hour will effectively replace at least 4.2 MWs of less efficient utility generation units.

Recycling of Commodities. The potent methane gas that is currently being flared is captured, purified, and compressed then it is distributed back into the community to allow customers to purchase and use a renewable energy product. This energy product will replace fossil fuel based natural gas that would otherwise be utilized.

Climate Change. Carbon and renewable energy credits will be generated from this project as a result of the displacement of fossil fuels with a renewable energy product.

Other. The Project assists with meeting the following objectives and requirements:

- California Green Building Action Plan Executive Order S-20-04 (at UCSD).
- California Global Warming Solutions Act AB 32.
- AB 970 which calls for the creation of more energy and demand programs through utilization of California Public Utilities Commission Self-Generation Incentive Program.
- The Energy Policy Act of 2005 (H.R.6).
- The Energy Improvement and Extension Act of 2008 (H.R. 6049)

Permitting and Environmental Approvals. The Point Loma site currently has Use Permits, Solid Waste Facilities Permits, Waste Discharge Permits, Storm Water Discharge Permits, and a Title V Operating Permit, all in compliance with the requirements of the California Environmental Quality Act (CEQA). The project is consistent with all of the requirements and constraints associated with the existing permits and regulations.

Financing Details. This proposed financing is a private placement with a Qualified Institutional Buyer (QIBs as defined in SEC Rule 144 under the Securities Act of 1933). A Private Placement to Accredited Investors in minimum denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof. The bonds can be converted to other units as provided in the Indenture; with investor letter at time of bond closing and must be consistent with the Authority's guidelines for sale of bonds rated below BBB--/BBB-/Baa3 by S&P, Fitch and Moody's, respectively. The Bonds will be secured by revenues of the Project, including from power

purchase agreements executed in connection with the cleaned biogas produced by the Project, and a first lien security interest in the Project.

Financing Team.

Private Placement Agent: George K. Baum & Company

Bond Counsel: Squire, Sanders & Dempsey LLP

Issuer’s Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Final Resolution No. 499 and Volume Cap Allocation Resolution No. 08-242-07 for an amount not to exceed \$14,800,000 for BioFuels Energy, LLC and/or its Affiliates.

FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO THE FINANCING OF POLLUTION CONTROL FACILITIES
FOR BIOFUELS ENERGY, LLC
AND/OR AFFILIATES

June 23, 2010

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), has received the application of BioFuels Energy, LLC, a Delaware limited liability company (the “Borrower”), requesting financial assistance in an aggregate principal amount not to exceed \$14,800,000 to (1) finance the cost of acquiring, constructing and installing certain pollution control facilities for the collection, treatment, storage and disposal of biomethane gas generated at a sewerage treatment plant located at 1902 Gatchell Road, San Diego, California, including facilities functionally related and subordinate thereto, (2) pay capitalized interest with respect to the financing, (3) fund a debt service reserve fund, if necessary, with respect to the financing and (4) pay certain costs of issuance in connection with the financing (collectively, the “Project”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue bonds in an amount not to exceed \$14,800,000 to assist in the financing of the Project; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower under a loan agreement or loan agreements between the Authority and the Borrower; and

WHEREAS, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought;

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

Section 1. The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act.

Section 2. Pursuant to the Act, two series of Bonds of the Authority, to be designated generally as the “California Pollution Control Financing Authority Pollution Control Revenue Bonds (BioFuels Energy Project) Series 2010A” (the “Series A Bonds”) and “California Pollution Control Financing Authority Pollution Control Revenue Bonds (Biofuels Energy Project) Series 2010B” (the “Series B Bonds” and together with the Series A Bonds, the “Bonds”), or such alternate designation as may be approved by the Executive Director of the

Authority, in an aggregate principal amount not to exceed \$14,800,000, is hereby authorized to be issued; provided that the purchasers of the Bonds execute an investor letter substantially in the form attached to the Indenture (hereinafter defined).

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds of each Series, at any time prior to December 31, 2010 by negotiated sale, at such price and at such interest rate or rates as he may determine.

The following documents:

(i) a loan agreement relating to each series of the Bonds (each, a “Loan Agreement”), between the Authority and the Borrower:

(ii) an indenture relating to each series of the Bonds (each an “Indenture”), between the Authority and the trustee named in the Term Sheet (the “Trustee”);

(iii) a bond placement agreement (the “Placement Agreement”) among the Authority, the Treasurer of the State of California and G.K. Baum and Company, as placement agent (the “Placement Agent”), and approved by the Borrower; and

(iv) the preliminary limited offering memorandum relating to the Bonds (the “Preliminary Limited Offering Memorandum”)

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the form of credit enhancement for the Bonds) in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture and the Placement Agreement and by delivery thereof in the case of the Preliminary Limited Offering Memorandum.

Section 5. The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, 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.

Section 6. The dates, maturity dates (not exceeding 50 years from the date of issuance), interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 7. The Placement Agent is hereby authorized to distribute the Preliminary Limited Offering Memorandum to persons who may be interested in the purchase of the Bonds.

The Placement Agent is hereby directed to deliver a copy of the final limited offering memorandum (as finally executed, the “Limited Offering Memorandum”) to all actual purchasers of the Bonds.

Section 8. The Bonds of each series, when so executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds of each series by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed, if requested by the Placement Agent on behalf of the purchasers of the Bonds, to deliver the Bonds of each series, when duly executed and authenticated, to The Depository Trust Company, New York, New York, in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Bonds to The Depository Trust Company, on behalf of the purchasers thereof, upon payment of the purchase price thereof.

Section 9. The Authority hereby dedicates and confirms its allocation to the Bonds of a portion of its private activity bond limit, as previously received, carried forward or to be received from the California Debt Limit Allocation Committee in an amount up to the total aggregate principal amount of the Bonds, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Bonds.

Section 10. As requested by the Borrower, the Authority hereby waives the requirement for an in-furtherance certificate relating to the waste disposal facilities portion of the Project pursuant to Section 44533(b) of the Act.

Section 11. Each officer of the Authority, acting alone, is hereby authorized and directed, acting alone, to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale or delivery of the Bonds, and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Placement Agreement and the Limited Offering Memorandum. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation, any certifications, including, a tax certificate.

Section 12. The provisions of the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings” adopted by the Authority on May 26, 2010, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

Section 13. This resolution shall take effect immediately on its passage. The adoption by the Authority of this final resolution for the Borrowers shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the

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Project or in any application for any required permission or authority to construct or operate the Project.

EXHIBIT A

SUMMARY OF BOND TERMS

Name of Issue	California Pollution Control Financing Authority Pollution Control Revenue Bonds (BioFuels Energy Project) Series 2010A and Series 2010B
Amount of Issue	not to exceed \$14,800,000
Issuer	California Pollution Control Financing Authority (the “Authority”) Sacramento, California
Borrower	BioFuels Energy, LLC, and/or affiliates
Project	The Project consists of facilities for the collection, treatment, storage and disposal of biomethane gas generated at the City of San Diego Point Loma Wastewater Treatment Facility for conversion to a renewable gas product to be used to generate electricity, including facilities functionally related and subordinate thereto.
Placement Agent	G.K. Baum & Company
Trustee	To Come
Bond Counsel	Squire, Sanders & Dempsey L.L.P.
Maximum Bond Term	Not to exceed 15 Years
Type of Sale	Private Placement – to Accredited Investors in minimum denominations of \$250,000 with investor letter at time of bond closing and must be consistent with the Authority’s guidelines for sale of bonds rated below BBB--/BBB- /Baa3 by S&P, Fitch and Moody’s, respectively.
Security	The Bonds to be secured by revenues of the Project, including from power purchase agreements executed in connection with the cleaned biogas produced by the Project, and a first lien security interest in the Project
Denominations	Initially, \$250,000 or any integral multiple of \$5,000 in excess thereof; can be converted to other units as provided in the Indenture.

Agenda Item – 4.B.1.

Financing Structure	Fixed Rate
Maximum Interest Rate	12%
Letter of Credit	None
Other Credit Enhancement	None
Anticipated Bond Rating	None
Type of Financing	Tax Exempt pollution control revenue bonds
Prepared by:	Harriet M. Welch, Esq.

THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

RESOLUTION NO. 08-242-07

**A RESOLUTION DEDICATING FOR USE OF A PORTION OF THE 2008 STATE
CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR AN
EXEMPT FACILITY PROJECT**

WHEREAS, the California Pollution Control Financing Authority (“CPCFA”) has received an application (“Application”) from BioFuels Energy, LLC (“Project Sponsor”) for approval of the issuance of revenue bonds; and

WHEREAS, on June 23, 2010, CPCFA approved Final Resolution No. 499 (“Final Resolution”) authorizing the issuance of up to \$14,800,000 of its solid waste disposal revenue bonds (BioFuels Energy, LLC Project) Series 2010A and Series 2010B (“Bonds”); and

WHEREAS, in seeking CPCFA approval of the Final Resolution, the Project Sponsor represented certain facts and information concerning the project to CPCFA which were relied upon by CPCFA in approving the Final Resolution; and

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) has previously transferred to CPCFA a portion of the 2008 State Ceiling on Qualified Private Activity Bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, for use by CPCFA to issue bonds or other obligations in a manner consistent with CDLAC’s policies and procedures. Accordingly, capitalized terms not otherwise defined shall have the meanings ascribed to them in the “Procedures of the California Debt Limit Allocation Committee Implementing the Allocation of State Ceiling on Private Activity Bonds” (“CDLAC Procedures”); and

WHEREAS, it is appropriate for CPCFA to confirm the use of a portion of the 2008 State Ceiling on Qualified Private Activity Bonds allocated to CPCFA (“CPCFA Allocation”) to the issuance of the Bonds as set forth in the Final Resolution;

NOW, THEREFORE, CPCFA resolves as follows:

Section 1. CPCFA Allocation in the amount of \$14,800,000 is hereby dedicated to the issuance of the Bonds. The dedicated CPCFA Allocation may be used only by the Project Sponsor and only for the issuance of Bonds for the Project, as specifically described in Exhibit A, and consistent with the terms of the Final Resolution. All of the terms and conditions of Exhibit A, and the Final Resolution are incorporated herein as though set forth in full (this resolution, the Final Resolution and Exhibit A, collectively “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor and all its respective successors and assignees, will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and shall require reconsideration by the CPCFA before the Allocation may be used for the Project.

Section 4. The CPCFA Allocation dedicated by this Resolution shall automatically revert to CPCFA unless the Bonds for the Project have been issued by CPCFA by the close of business on **September 23, 2010**. In a case of extreme hardship, the Executive Director may extend this date by up to five (5) business days.

Section 5. Within twenty-four (24) hours of issuing the Bonds, CPCFA shall notify CDLAC by facsimile communication to the fax number listed in Section 24 of the CDLAC Procedures that the Bonds have been issued. This facsimile notice shall identify the Project Sponsor, the project or program, the date and amount of the Bonds issued.

Section 6. Within fifteen (15) calendar days of the Bond closing, CPCFA or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting a completed Report of Action Taken in a form prescribed by and made available by CDLAC.

Section 7. Any differences between the amount of Bonds issued and the amount of the CPCFA Allocation dedicated in Section 1 of this Resolution shall automatically revert to CPCFA. If at any time prior to the expiration date set forth in Section 7 hereof the Project Sponsor determines that part or all of the CPCFA Allocation dedicated in Section 1 of this Resolution will not be required by the Project by that date, the Project Sponsor shall promptly give notice to CPCFA.

Section 8. In consideration of the CPCFA Allocation dedicated in Section 1 of this resolution, the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Project Sponsor expressly agrees that the terms and conditions of this Resolution may be enforced by CDLAC or CPCFA through an action for specific performance or any other available remedy, provided however, that CDLAC and CPCFA agree not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, CPCFA shall ensure that the Bond documents, as appropriate, expressly provide that CDLAC is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 9. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by CDLAC or CPCFA.

Section 10. This Resolution shall take effect immediately upon its adoption.

RESOLUTION NO. 08-242-07
(AN EXEMPT FACILITY PROJECT)
EXHIBIT A

1. Project Sponsor: BioFuels Energy, LLC
2. Application #: 00818(SB)
3. Project User: BioFuels Energy, LLC
4. Project Name: BioFuels Energy, LLC
5. Location: San Diego County
6. Private Placement Agent: George K. Baum & Company
7. The Private Placement Agent at the time of issuance will be the same as represented in the application.
8. Amount of Allocation: \$14,800,000

ATTACHMENT A



JERRY SANDERS
MAYOR

May 11, 2010

Mr. Michael Paparian
Executive Director
California Pollution Control Finance Authority (CPCFA)
915 Capitol Mall, Room 457
Sacramento, CA 95814

RE: Point Loma Wastewater Treatment Facility/Fuel Cell Project

Dear Mr. Paparian:

The City of San Diego supports BioFuel Energy LLC's ("BFE") request for the issuance of tax-exempt CPCFA bonds to assist in funding a beneficial reuse project at the City of San Diego's Metropolitan Wastewater Department's Point Loma facility. The facility's excess digester gas, that is now being flared, will be captured and sold through existing infrastructure to natural gas customers. This reuse will reduce air pollutants and greenhouse gas emissions as well as augment the City's budget, thereby reducing ratepayer costs. Accordingly, the City has entered into a ten year Gas Sale and Purchase Agreement with BFE to accomplish that objective.

Specifically, BFE will pay the Metropolitan Wastewater Department, for the approximately 1.3 cubic feet per day of flared digester gas, based on the energy content of the renewable fuel or about \$260,000/year or \$2.6 M over the ten year term. The City will also save approximately \$78,000/year over the ten years for the renewable energy that it buys from BFE under the South Bay Power Purchase Agreement.

The City is pleased as a byproduct of a competitive solicitation, BFE was able to assemble an experienced team to utilizing existing , well-proven processes and technologies in a creative configuration that allows the City, the community, and our environment to benefit by putting the digester gas to use in ultra clean fuel cells. Our past analysis of options for this gas has indicated that without a concept like BFE's, which utilizes the purified gas in off-site highly efficient fuel cells with no capital loss to the City, the utilization of the Point Loma purified biomethane would not be financially feasible. Consequently, the City has also entered into a ten year Power Purchase Agreement for the installation of a 1.4 MW renewable fuel cell at its South Bay Water Reclamation Plant with further environmental and economic advantages. This portion of the project will partially be financed with taxable CPCFA bonds.

ATTACHMENT A

Mr. Michael Paparian
May 11, 2010
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We thank the California Pollution Control Finance Authority in advance for giving this project every consideration possible including allowing this project to be on the June 23, 2010 Final Resolution hearing.

Sincerely,

A handwritten signature in blue ink, appearing to read 'JSL', is positioned above the printed name.

JERRY SANDERS
Mayor

ATTACHMENT B



COUNCIL PRESIDENT PRO TEM KEVIN L. FAULCONER

SECOND DISTRICT
CITY OF SAN DIEGO

May 4, 2010

Mr. Michael Paparian
Executive Director
California Pollution Control Finance Authority
915 Capitol Mall, Room 457
Sacramento, CA 95814

Re: Point Loma Wastewater Treatment Facility/Fuel Cell Project

Dear Mr. Paparian:

As the Councilmember representing the district that includes the Point Loma Wastewater Treatment Plant, I fully support BioFuel Energy LLC's (BFE) request for the issuance of tax exempt CPCFA bonds to assist in funding a crucial project at the City of San Diego's Metropolitan Wastewater Department's Point Loma facility. The facility's excess digester gas, which is now being flared, will be put to good use in the community in a way that will create jobs, reduce criteria air pollutants and greenhouse gas emissions and provide revenue to the City.

Accordingly, the City has entered into a ten-year Gas Sale and Purchase Agreement with BFE to accomplish that objective. Specifically, BFE will pay the Metropolitan Wastewater Department for the approximately 1.3 cubic feet per day of flared digester gas, based on the energy content of the renewable fuel, totaling about \$260,000 per year or \$2.6 million over the ten-year term. The City will also save approximately \$78,000 per year over ten years for the renewable energy that it buys from BFE under the South Bay Power Purchase Agreement. It is clear that the BUDG project is a benefit to our local government's budget.

As a byproduct of a competitive solicitation, BFE was able to assemble an experienced team to utilize existing, well-proven processes and technologies in a creative configuration that allows the City, the community, and our environment to benefit by putting the digester gas to use in ultra clean fuel cells. The City's past analysis of options for this gas indicated that, without a concept like BFE's, which utilizes the purified gas in off-site highly efficient fuel cells with no capital loss to the City, the utilization of the Point Loma purified biomethane would not be financially feasible. Consequently, the City has also entered into a ten-year Power Purchase Agreement for the installation of a 1.4 MW renewable fuel cell at its South Bay Water Reclamation Plant with further environmental and economic advantages. This portion of the project will partially be financed with taxable CPCFA bonds.

ATTACHMENT B

Mr. Michael Paparian
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May 4, 2010

I appreciate the California Pollution Control Finance Authority for giving this project every consideration possible, including allowing this project to be on the June 23, 2010, Final Resolution hearing.

Sincerely,

A handwritten signature in blue ink that reads "Kevin L. Faulconer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kevin L. Faulconer
Council President Pro Tem
Second District

KLF:mta