THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2007
Executive Summary
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN EXEMPT FACILITY PROJECT

Prepared by Walter Akiyama.

Applicant:	California Statewide Communities Development Authority

Allocation Amount Requested:	$80,000,000

The amount of allocation requested is supplemental to the $80,000,000 of allocation the Project received in December 13, 2006. According to the Project Sponsor, additional allocation is needed due to sizing, return, and structural requests of the private placement purchaser, as well as increased costs due to design change and engineering costs.

Project Name:	**EnerTech Environmental California LLC**
Project Address:	501 E. Santa Ana Avenue
City, County, Zip Code:	Rialto, San Bernardino, 92376

Project Sponsor Information:	
Name:	**EnerTech Environmental, Inc.**
Address:	675 Seminole Ave., Suite 207 Atlanta, GA 30307
Principals:	Kevin Bolin, Clifford Gould, Farah Reynolds, Robert Dohoney, and James R. Miller
Contact:	Clifford B. Gould
Phone:	(404) 355-3390
Project User Information:	
Name:	**EnerTech Environmental California LLC**
Address:	501 E. Santa Ana Avenue Rialto, CA 92376
Contact:	Same as Project Sponsor
Phone:	Same as Project Sponsor
Project Financing Information:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriter:	Not applicable
Credit Enhancement Provider:	Not applicable
Private Placement Purchaser:	Deutsche Bank

Description of Proposed Project: 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.

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. The process essentially takes sewage sludge and cleanly converts it to renewable fuel via heat and temperature. There are no waste byproducts from the process and the sludge is disposed of forever via the fuel product.

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.

First Tier Business (Yes/No): Yes

Legal Questionnaire: No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends that the Committee approve the supplemental request of $80,000,000 in tax-exempt bond allocation.

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March 21, 2007
STAFF REPORT
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PROJECT USER INFORMATION:

Name: **EnerTech Environmental California LLC**
Address: 501 E. Santa Ana Avenue
Rialto, CA 92376
Contact: Same as Project Sponsor
Phone: Same as Project Sponsor

PROJECT FINANCING INFORMATION:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not applicable
Credit Enhancement Provider: Not applicable
Private Placement Purchaser: Deutsche Bank

TEFRA Hearing: February 6, 2007

MINIMUM REQUIREMENTS:

- ***Applicant must demonstrate that there will be more public benefits if the project is financed with tax-exempt bond financing than with any other means of financing:*** According to the application, if taxable bonds were used to finance the proposed Project the interest expense would be increased by approximately 2% and the average annual debt service would increase by approximately $2,000,000. The reduced interest rates provided by a tax-exempt financing significantly reduce the cost of the essential service that the project provides.

- ***California Environmental Quality Act (CEQA) review process must have commenced at the time of Application and appeal period must have expired prior to allocation. In addition, Applicant must provide applicable discretionary use permits and approvals:*** According to the application, the Final Environmental Impact Report was completed by the City of Rialto in December 2004. In addition, the Project Sponsor has identified and has obtained all required discretionary approvals and construction permits for the proposed Project.

- ***Submittal of Private Placement Purchaser:*** Deutsche Bank

EVALUATION CRITERIA:

- ***First Tier Business (yes or no):*** Yes

- ***Regulatory mandate:*** According to the application, the proposed Project is NOT under regulatory mandate.

- ***Description of project, renovation or new construction, the number of square feet to be constructed/renovated:*** 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.

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- ***Project Sponsor's principal activity:*** According to the application, the Project Sponsor's principal activity is the collection, recycling and disposal of solid waste.

- ***Estimated total development cost:*** $176,250,000

- ***Sources of Funds:***

Tax-Exempt Bond Proceeds	$160,000,000
Other Sources	$ 16,250,000
Total Sources	$176,250,000

- ***Uses of Funds:***

Site Preparation	$ 6,100,000
Construction of New Building(s)	$ 6,800,000
Utilities Connection	$ 6,500,000
New Equipment Purchase	$ 39,000,000
New Equipment Installation	$ 17,750,000
New Equipment Other (Commissioning Costs, working capital, construction insurance, development costs)	$ 18,000,000
Engineering/Architect	$ 9,000,000
Legal, Permits, etc.	$ 4,000,000
Bond Issuance Expenses	$ 9,000,000
Interest During Construction	$ 30,000,000
Interest Income During Construction	$ (3,000,000)
Other (Technical License Fee, Reserve, Host Fee)	$ 34,100,000
Total Uses	$176,250,000

- ***Environmental impact:***
  1) Air Quality: According to the application, the proposed Project creates lower emissions than the process of using biosolids as a land application. Thus creating a reduction in the volatile air emissions being released directly into the atmosphere.
  2) Water Quality: According to the application, the proposed Project will decrease the biosolids land application, thereby reducing the seepage of contaminants to the ground water.
  3) Energy Efficiency: According to the application; the proposed Project will provide local area cement kilns with a clean burning and cost efficient alternative and renewable fuel for use in place of non-renewable fuels at their plants.
  4) Recycling of Solid Waste: According to the application, the proposed Project will decrease the amount of biosolid waste that is applied to land. Currently, some landfills use biosolids as an "Alternative Daily Covering"[1] and soil amendment; however, many municipalities have

[1] Cover material other than earthen material placed on the surface of the active face of a municipal solid waste landfill at the end of each operating day to control vectors, fires, odors, blowing litter, and scavenging (approved by the CA Integrated Waste Management Board).

ended the practice and it is anticipated that other municipalities also will stop using biosolids for land application.

5) Consumer Cost Savings or Efficiencies: According to the application, the proposed Project will give the local public agencies a sustainable long-term solution that will reduce costs for biosolids disposal, resulting in savings to the local taxpayers served by those public agencies.

- ***Leveraging:*** The estimated total project cost is $176,250,000 of which $16,250,000 is taxable bonds, and $160,000,000 will be new issue tax-exempt bond debt. The amount of tax-exempt bond debt represents 91% of the total project cost.

- ***Local government support:*** Letters of support have been received from Michael T. Hogan, General Manager, Encina Wastewater Authority; Gary E. Hackney, Manager, Inland Empire Utilities Agency; Michael Sullivan, Biosolids Recycling Coordinator, County of Sanitation Districts of Los Angeles County; Bradley Baxter, Director of Public Works, City of Rialto; Brian S. Nakamura, Public Works Director, City of Riverside; and John A. Perry, Director, City of San Bernardino Municipal Water Department.

- ***Other public benefits provided by the project:*** According to the application, the Project will create approximately 15-20 full time jobs.

COMMENTS:

1. According to the application, the Project Sponsor is a First Tier Business NOT under state or federal regulatory mandates.

2. According to the application, the Project Sponsor is contracting with a qualified and experienced third-party vendor to operate the biosolids facility for the term of the bonds. The operator of the facility will be hired and managed by the Project Sponsor to oversee and control the subsequent operation with the Project Sponsor having ultimate discretion, control and responsibility for ensuring that the biosolids facility complies with all of its obligations and commitments, including all covenants under 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.

3. According to the application, the proposed Project will provide a more environmentally friendly means of disposal as an alternative to landfilling, land application or incineration. In addition, the Project will generate a renewable energy component for municipalities as part of a diverse biosolids management and disposal strategy.

4. According to the application, the Project will create approximately 15-20 full time jobs.

RECOMMENDATION:

Staff recommends that the Committee approve the supplemental request of $80,000,000 in tax-exempt bond allocation.

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