CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis
Exempt Facility Project Pool
July 16, 2008 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 lower interest rate than 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 to meet their mandated requirements to protect and enhance the environment. Exempt facility projects also benefit the communities by creating new jobs.

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 2008, California's State ceiling is $3.107 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 2008, the Committee reserved $430 million, or 13.8%, of the State ceiling for the Exempt Facility Project Pool. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business[1] under Regulatory Mandate[2], 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 $26,130,000 for an exempt facility project on July 16, 2008. This represents 6.1% of the $430 million Exempt Facility Project Pool and 0.8% of the 2008 $3.107 billion State ceiling. The July 16, 2008 allocation was awarded to the California Statewide Communities Development Authority for one exempt facility project located in California. The project is a First Tier Project under Regulatory Mandate. This project is a facility for the local furnishing of electric energy or gas, which includes the construction of a new facility, and the purchase of new equipment.

<u>July 16, 2008 Allocation Benefit of Exempt Facility Program</u>

Allocation Amount Round 4	First Tier Project Under Regulatory Mandate	First Tier Project Not Under Regulatory Mandate	Non-First Tier Project Under Regulatory Mandate	Non-First Tier Project Not Under Regulatory Mandate	Total Exempt Facility Projects
$26,130,000	1	0	0	0	1

[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 Project Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
Microgy, Inc.	$26,130,000	According to the application, the project will use anaerobic co-digestion. This process utilizes dairy manure solids and other agricultural- and food-based residuals. Specifically, the facilities will utilize a proven above-ground, fully-mixed, thermophilic co-digestion technology to produce renewable natural gas. According to the application, the project will produce approximately 601,000 MMBtu/year of renewable natural gas. PG&E will purchase the renewable natural gas under the terms of a 10-year gas purchase agreement with the Project Sponsor so as to produce electricity to help meet California's renewable portfolio standards. PG&E will distribute the electricity to customers in its service territory. In addition, the Project Sponsor will not acquire land for the project. The facilities will be located directly on the sites of the Project Sponsor's dairy partners: plots of land owned directly by the Project Sponsor's dairy partners. The Project Sponsor has entered into a long-term lease agreement with the dairy partners for plots of land adequate to accommodate the construction and operation of the project components. Moreover, approximately 180,000 sq. ft. will be consumed by the footprint of the Renewable Energy Facility. Within each layout, the area is dominantly comprised of the following equipment: 4 Anaerobic Digesters, above ground steel, 65' diameter; 2 Liquid Substrate Tanks, 30' diameter; 3 Maintenance Buildings, each with an area of approximately 1,800 square feet; 1 Gas Treatment and Compression Area located on a 50' X 50' concrete pad. The following equipment will be installed or purchased: 4 Anaerobic Digesters; 2 Liquid Substrate Tanks; 1 Maintenance Building; 1 Manure Slurry Vessels; 1 Utility Water Tank, above ground steel, volume of 145,000 gallons; 1 Gas Treatment and Compression Area located on a 50' X 50' concrete pad; Driveway Access; 1 Hot Water Boiler; 1 Flare; 2 Honey Vacs to collect manure from the dairy free stalls for transport to Microgy's digester facility. In addition, according to the application, the project will directly or indirectly serve the Riverdale area, the Fresno County area and communities served by PG&E gas and/or electric service. Interestingly, the Project Sponsor's thermophilic, above-ground, fully-mixed co-digestion technology was developed in Europe. According to the application, the Project Sponsor holds the exclusive license to market the technology in North America. Approximately two dozen applications of the technology have been in operation in Europe for approximately 15 years. In addition, the Project Sponsor has been operating three applications of the technology on three Wisconsin dairies for approximately three years. According to the application, the Project Sponsor has been operating an additional application of its technology in Stephenville, TX for approximately 15 months, and they have three additional projects under construction in Texas. The project included in this application represents the first application of the Project Sponsor's technology in California.