

**MINUTES**

**California Pollution Control Financing Authority  
915 Capitol Mall, Room 587  
Sacramento, California  
December 3, 2007**

**1. CALL TO ORDER & ROLL CALL**

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 11:02 a.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Dave O'Toole for John Chiang, State Controller  
Anne Sheehan for Michael C. Genest, Director, Department of Finance

Staff Present: Michael Paparian, Executive Director

Quorum: The Chairperson declared a quorum

**2. MINUTES**

Ms. Redway asked if there were any questions or comments concerning the October 23, 2007 meeting minutes. There were none.

Ms. Sheehan moved approval of the minutes; upon a second, the motion was unanimously carried.

**3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)**

Michael Paparian began the Executive Director's report commenting that CPCFA staff has been incredibly busy the last few months with taking on new responsibilities, trying to improve procedures, and absorbing staffing changes. He noted that the help of administrative support staff has been instrumental in getting through this, saying that the administrative staff serves as the backbone to a lot of what the Authority does, and they sometimes do not get enough recognition for the good support they provide.

Mr. Paparian then noted that the 2008 meeting schedule announced at the last CPCFA meeting will need to be adjusted due to a conflict with another State Board. Mr. Paparian stated that he will bring a proposed revised meeting calendar to the meeting on December 18, 2007.

Mr. Paparian further reported that at the upcoming December 18 meeting, staff will present proposed emergency regulations for the CalCAP and CALReUSE programs.

## Agenda Item 2.

Staff posted and sent out an outline of the proposed changes to the CalCAP regulations and recently held a conference call session with interested parties. The regulations will address two general areas: first, reducing the growth of the program – it is now approaching \$300,000 a month in direct loan guarantees; and second, staff is planning to clarify other items discovered in recent months.

The CALReUSE regulations are intended to implement the \$60 million grant and loan program allocated to CPCFA as part of the 2006-07 State Budget. Staff will include modifications to the existing site assessment program, including raising the maximum site assessment loan amount. Some issues are creating a lot of interest, including which sites and projects should qualify for grants instead of loans, whether there should be an emphasis on affordable housing for the cleanup grants, and whether grants should be allowed for Superfund sites and former military sites. Board members may hear from interested parties between now and December 18. Staff also expects a number of interested parties to attend and provide comments at the December 18 Board meeting.

Ms. Sheehan asked about the Department of Housing and Community Development Agency item which had been withdrawn from the agenda.

Mr. Paparian replied that staff pulled the item from this agenda and expects to have it on the December 18 agenda. Staff is still working out the logistics of taking money that was allocated from a pot that HCD controls and having it available for CPCFA to control.

Ms. Sheehan asked about the remarketing item that was also pulled from the agenda and whether that item would appear at a future Board meeting.

Mr. Paparian replied that, given the financial markets, the Company will be doing things differently and now does not need Board approval.

## 4. BUSINESS ITEMS

Dave O'Toole, State Controller's Office, said that he would leave the room during the consideration of agenda items 4.A.1. and 4.A.3, due to a potential conflict of interest connected with a former income source of the State Controller's family.

### A. REQUEST TO APPROVE INITIAL RESOLUTIONS REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

Staff introduced Mark Holmstedt, Westhoff, Cone & Holmstedt, Investment Banker for Alameda County Industries.

**Item 4.A.1. Alameda County Industries, LLC and/or its Affiliates** requested approval of Initial Resolution No. 07-12 for an amount not to exceed \$2,065,000 to finance enhancements to a recycling sort belt and improvements to a sort line which will increase recycling capacity. In addition, bond proceeds will be used to fund upgrades of communication equipment associated with rolling stock and collection vehicles. The

## Agenda Item 2.

Company represents that the Project will aid in waste diversion and will provide pollution control benefits. Presented by – Deanna Hamelin.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Bettina Redway, Aye; Dave O’Toole, Abstain.

**Item 4.A.3. Amador Valley Industries, LLC and Pleasanton Garbage Service, Inc. dba Amador Valley Industries, LLC and/or their respective Affiliates,** as co-borrowers, requested approval of Initial Resolution number 07-13 for an amount not to exceed \$5,630,000 to finance the purchase of land, buildings, and equipment. The Project is located in Dublin and Pleasanton (Alameda County). The Project primarily involves the acquisition of CNG collection vehicles for use by Amador Valley Industries and Pleasanton Garbage Service. Additionally, a portion of the funds will be used by Pleasanton Garbage Service to renovate an existing sort-line. Amador Valley Industries will acquire drop boxes, bins, and carts. The Company represents that the Project will provide pollution control benefits. Presented by – Doreen Carle.

Ms. Redway asked if there were any questions or comments.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Bettina Redway, Aye; Dave O’Toole, Abstain.

Mr. O’Toole returned to the room.

Staff introduced Tony Cone, Westhoff, Cone & Holmstedt.

**Item 4.A.2. Shubin Services, Inc. dba Federal Disposal Service and/or its Affiliates** requested approval of Initial Resolution No. 07-11 for an amount not to exceed \$2,045,000 to finance the purchase of a three-acre parcel of land in the City of Corona (Riverside County) on which it expects to construct a compost, food waste, and construction/demolition debris processing facility. This proposed facility will serve various communities within Riverside, San Bernardino, Orange, and Los Angeles Counties. This application is for land financing only, as the construction and equipment costs for the intended facility are not yet known. As the design is completed and permits pursued, the applicant will amend this request to include the additional costs and project details. The Company represents that the Project will aid in waste diversion. Presented by – Deanna Hamelin.

Ms. Redway asked if there were any questions.

Ms. Sheehan stated that her question was answered in the staff summary that this is only for the land and the Company will come back for the rest of the Project.

Mr. Cone responded that the Company would return once those costs are understood. It may be a couple of years, as the permitting process can be quite involved.

## Agenda Item 2.

Ms. Redway asked what is done with the food, compost, and construction debris.

Mr. Cone replied that it is usually just ground up and made it into compost through a variety of systems where it cooks by itself without being in a boiler of any kind. Food waste being added to the blend is a new trend developing that may be seen more commonly, as opposed to food waste being composted separately.

Ms. Sheehan asked if it had been a long time since the Board had seen a land acquisition only, that normally there are vehicles or other items involved.

Sherri Wahl, Treasury Program Manager, replied that this Initial Resolution will eventually be for more than just land, but the current request is to help the Company start the clock so that it can incur those costs. The Company will come back later and amend the Initial Resolution to include a facility and equipment.

Ms. Sheehan clarified that her question, from staff's perspective, that this (land acquisition only) does not come up often.

Ms. Wahl replied that staff does not see it very often, but it is not unheard of, and eventually the facility and equipment will be included in the Initial Resolution.

Ms. Redway asked if there were any other questions or comments from the public.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Dave O'Toole, Aye; Bettina Redway, Aye.

**Item 4.A.4. Garaventa Enterprises, Inc. and/or its Affiliates** requested approval of Initial Resolution No. 07-10 for an amount not to exceed \$12,850,000 to finance land acquisition for construction of a new building, and to acquire equipment. The Project is located in Pittsburg and Concord (Contra Costa County). The Company intends to add to its existing Material Recovery Facility (MRF) to accommodate future single-stream recyclables processing. This project will require the construction of an 88,000 square-foot building that will house a sort-line and the customary attendant equipment. The Company will also purchase an additional parcel in the vicinity of its MRF to house the fleet and vehicle maintenance operation which is currently on the MRF site. Additionally, the Company intends to replace older collection vehicles and provide for its expanding service areas by purchasing automated collection vehicles and carts. The vehicles will be housed at either the Company's Concord corporate yard, its Pittsburg MRF, or its Pittsburg corporate yard. The collection vehicles and carts may be used throughout the Company's service area. The Company represents that the Project will aid in waste diversion and will provide pollution control benefits. Presented by – Doreen Carle.

Ms. Redway asked if there were any questions or comments.

## Agenda Item 2.

Mr. O'Toole commented that the issue description in the staff summary refers to land acquisition, but land acquisition is not included in the list of anticipated costs.

Mr. Cone stated that he will have to get back to the Authority on that issue. The Underwriter had land on the previous description and that may be a hold over from the last bond issue. This Project does not include land acquisition.

Ms. Redway asked if there were any further questions. She then asked if clarification was needed prior to the vote.

Mr. Paparian responded that for an Inducement, it is not necessary.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Dave O'Toole, Aye; Bettina Redway, Aye.

Mr. Paparian clarified the question about land acquisition in the previous item (Shubin Enterprises). He stated that Counsel confirmed that the Company cannot spend more than 25% of bond proceeds on land acquisition, so ultimately there will have to be a three-to-one ratio when the Company comes back for a Final Resolution.

**Item 4.A.5. BlueFire Ethanol Lancaster, LLC and/or its Affiliates** requested approval of Initial Resolution No. 07-14 for an amount not to exceed \$34,200,000 to finance the construction of an ethanol production facility. The Project is located in Lancaster (Los Angeles County). Bond proceeds will be used to construct a three-million-gallon-per-year biomass fueled ethanol production facility which will use landfill diverted green waste and other cellulose debris in an acid hydrolysis conversion technology process. This landfill diverted material will be converted into renewable fuels and energy. The Project will be constructed in Lancaster on a currently undeveloped 10-acre parcel and will involve site improvements, building construction, and the installation of processing equipment. This application represents a technology not previously funded through CPCFA. Staff plans to prepare a policy review for consideration by the Board prior to Final Resolution consideration. The Company represents that the Project will aid in waste diversion and will provide environmental benefits. The Company states that this Project will also generate carbon credits. Presented by – Doreen Carle.

Ms. Redway asked if there were any questions.

Ms. Sheehan asked what lignin is.

There was some discussion. The general consensus was that lignin is a by-product of the composting which can later be burned for fuel.

Mr. Paparian stated that staff will answer questions of this type in the policy review.

Ms. Redway asked if the carbon credits generated would be part of the financing for this.

Mr. Cone responded that any carbon credits generated would be an additional benefit, separate and above other benefits.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Dave O'Toole, Aye; Bettina Redway, Aye.

**B. REQUEST TO APPROVE EXTENSION OF INITIAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS**

Staff introduced Beverly Britton and Sara Rathfon for Pacific Gas and Electric Company (PG&E).

1) **Pacific Gas and Electric Company and/or its Affiliates (PG&E)** requested to further extend Initial Resolution No. 83-21 to preserve its right to issue tax-exempt bonds for an additional \$200,000,000 of qualified costs. PG&E is a public utility company that provides electric and natural gas service throughout most of Northern and Central California. The Company owns and operates two generating units at the Diablo Canyon Nuclear Power Plant. The original Initial Resolution No. 83-21 adopted on December 16, 1983 authorized the issuance of \$107,425,000 in bonds. Subsequent to the original adoption, the IR was amended in 1993 to increase the amount to \$1,410,000,000 and extended to December 31, 1996. Prior to the December 31, 1996 expiration date, the IR was further extended to December 31, 2006. On December 12, 2006 the Authority granted a one-year extension. In 1985, 1987, 1992, and 1993, the Authority issued bonds to finance certain solid waste disposal facilities for PG&E as well as certain sewage disposal and air and water pollution control facilities at Diablo Canyon for a cumulative total of approximately \$1,210,000,000, leaving a balance of \$200,000,000 available under its IR to fund remaining qualified costs. Because the Company's rates for utility service are adjusted periodically to reflect the Company's actual cost of debt, the Company expects that the benefit from lower interest rates associated with these tax-exempt bonds will be passed along to the Company's ratepayers in future rate proceedings. This three-year extension would preserve the 1983 look back for tax purposes. Presented by – Michael Smith.

Ms. Redway asked if there were any questions or comments.

Ms. Sheehan asked for clarification regarding an apparent contradiction relating to the Legal Questionnaire. The staff recommendation states that issues raised in the Legal Questionnaire must be addressed to the satisfaction of the Board. But the Legal Questionnaire section says that no information was disclosed that raises questions concerning the financial viability or legal integrity of the applicant.

## Agenda Item 2.

Sara Rathfon replied that PG&E had submitted an updated Legal Questionnaire with this application and that PG&E plans on doing a full tax and legal analysis should the Company go forward.

Ms. Sheehan further stated that the confusion arises when the Recommendation says “issues raised in the Legal Questionnaire,” but the Legal Questionnaire section says no issues were raised.

Bob Hedrick, CPCFA Legal Counsel, stated that the response to the Legal Questionnaire at this time was looked at only in the light of things that have occurred since the last look. The issues that were outstanding at that time remain outstanding; those would remain to be resolved. But nothing new was brought forward that would preclude the approval of the Initial Resolution extension at this time.

Mr. O’Toole asked if PG&E could quantify or further describe the public benefit relating to the passing on of savings to ratepayers.

Ms. Rathfon replied that PG&E’s cost of capital proceedings is based on actual cost of debt, so lower pollution control financing interest rates would eventually reflect in their cost of capital in the GRC.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Bettina Redway, Aye; Dave O’Toole, Abstain.

Mr. O’Toole left the room for the next item, due to a potential conflict of interest with a former income source of the Controller’s family.

### **C. REQUEST TO APPROVE FINAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS**

- 1) EDCO Disposal Corporation and/or its Affiliates** requested approval of Final Resolution No. 00475 for an amount not to exceed \$31,960,000 to finance primarily the purchase of collection vehicles and containers. The Project is located in the Counties of San Diego, Los Angeles, Riverside, Imperial, San Bernardino, and Orange. Bond proceeds will be used to acquire low-emission collection trucks, loaders, transfer trucks, trailers, and other solid waste vehicles and equipment, and to acquire solid waste carts, bins, and containers. The vehicles, equipment, and containers will be used to service the Borrower’s customers throughout its service area. Bond proceeds will also be used for retrofitting existing sort lines, upgrading utilities, paving, site work, and other minor renovations, that are not “projects” as defined by the California Environmental Quality Act, at one or more sites. The Company represents that the Project will aid in waste diversion and will provide pollution control benefits. Presented by – Doreen Carle.

Ms. Redway asked if there were any questions or comments.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Dave O'Toole, Abstain; Bettina Redway, Aye.

On behalf of EDCO Disposal Corporation, Mr. Holmstedt thanked the Board and staff for their work done in a very short amount of time.

Mr. O'Toole returned for the duration of the meeting.

**D. REQUEST TO APPROVE CONVERSION OF REVENUE BONDS FROM TAXABLE TO TAX-EXEMPT RATE**

Staff introduced Lawrence Tonomura, Banc of America Securities, and Jeff Lockert, Air Products and Chemicals

1) **Air Products Manufacturing Corporation and Air Products Products and Chemicals, Inc.** requested that the Authority approve a Resolution for up to \$47,000,000 to allow conversion of the Bonds from taxable to tax-exempt status upon receipt of volume cap allocation. CPCFA issued bonds in August and September 1997 for the Martinez Facility and the Wilmington Facility for a total of \$57,000,000. Both issues were in a taxable mode and could be converted to tax-exempt upon receipt of volume cap allocation. At that time, the Company contributed a total of \$171,000 to the Authority's Small Business Assistance Fund (SBAF) for the two original taxable financings. In March 1998, \$19,000,000 of the Martinez Bonds converted to tax-exempt. That conversion generated \$70,000 in additional SBAF. The \$47,000,000 conversion is allowed as long as the borrower provides notice to CPCFA and receives California Debt Limit Allocation Committee (CDLAC) volume cap allocation. This conversion would generate approximately \$329,000 in SBAF provided the Company receives \$47,000,000 of CDLAC volume cap. The Company represents that the Project will generate pollution control benefits and environmental benefits. The target date for conversion is January 2008. Presented by – Michael Smith.

Ms. Redway asked if there were any questions or comments.

Ms. Sheehan asked about a time limit for converting from taxable bonds to tax-exempt.

Mr. Tonomura replied that the time limit extends through the maturity of the bonds.

Ms. Sheehan asked whether the time limit could still be preserved in the event of a refunding.

Mr. Tonomura responded that it could not, because the dynamics of the bonds would change. But in this case, the original transaction is left intact, and the bonds can be



## **Agenda Item 2.**

converted until maturity. Air Products has simply been waiting for volume cap allocation.

Ms. Sheehan moved approval of the item. Upon a second, the item passed with the following vote: Anne Sheehan, Aye; Dave O'Toole, Aye; Bettina Redway, Aye.

### **5. PUBLIC COMMENT**

Ms. Redway asked if there were any public comments. There were none.

### **6. ADJOURNMENT**

There being no further business, public comments, or concerns, Ms. Redway adjourned the meeting at 11:36 a.m.

Respectfully submitted,

Michael Papanian  
Executive Director