

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
December 17, 2008**

1. CALL TO ORDER & ROLL CALL

Bettina Redway, Chairperson, called the California Pollution Control Financing Authority (CPCFA) meeting to order at 12:06 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Dave O'Toole for John Chiang, State Controller
Tom Sheehy 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 November 17, 2008 meeting minutes. There were none.

Mr. O'Toole moved approval of the minutes; upon a second, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian reported that staff has been operating in recent weeks with a vacancy in CPCFA's Bond Program. Mike Smith left to pursue his dreams at the California Department of Transportation, Division of Aeronautics. With the limited staff CPCFA has, any staffing vacancy is challenging. Since Mr. Smith left, Doreen Smith has stepped in and taken on extra workload and done so effectively, efficiently and without complaint.

Ms. Redway also thanked Doreen Smith.

The Air Resources Board (ARB) passed its diesel truck regulations last week. Staff is continuing to work with ARB regarding implementing the California Capital Access Program (CalCAP) to assist truckers in meeting the new regulations. Staff is expecting \$40,000,000 to be available which will leverage at least \$340,000,000 in loans. Mr. Paparian was also very pleased that staff was able to align CPCFA's mission and financial expertise with the policy goals of another state agency. The Board will be hearing about this program in the coming months.

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Mr. Paparian also reported that the deployment of funds for the California Underutilized Sites Program (CALReUSE) brownfield cleanup projects will be on hold pending further budget related actions. Staff will work with the CALReUSE Strategic Partners to assess the impact. Staff is also in the process of identifying the number of jobs impacted by the holding of the funds. In addition to the projects already approved, staff is aware of \$60,000,000 in requests for funding pending with the CALReUSE Strategic Partners. The \$60,000,000 is on top of the \$27,000,000 the Board pre-approved should more funding become available. In terms of economic stimulus, staff was told that all the additional projects could break ground with related job creation in 2009 should the budget problems be solved and should additional Proposition 1C funding become available.

CPCFA staff will update the Board on Proposition 1C funding and report on carryforward allocation for the Bond Program for 2009 at the January board meeting. The California Debt Limit Allocation Committee approved a substantial carryforward allocation to CPCFA; staff should be informed of the amount after January 1, 2009.

Mr. Sheehy asked if any of the money for the brownfield clean up has been given to any of the applicants.

Mr. Paparian stated that no money has been distributed and that staff is in the process of working with the Strategic Partners and applicants, including preparing the paperwork.

Mr. Sheehy asked if there will be some sort of communication to the applicants and the Strategic Partners.

Mr. Paparian responded affirmatively.

Mr. Sheehy stated that it is important that the communication states that funding will not be forthcoming until the State balances its budget. It is appropriate to share the situation with the applicants and Strategic Partners.

Mr. Paparian stated that a letter to the applicants and the Strategic Partners will be written.

Ms. Redway asked if there were any other comments or questions from the Board or public. There were none.

4. BUSINESS ITEMS

~~A. CONSIDERATION AND APPROVAL OF AMENDMENTS TO REGULATIONS FOR THE CALIFORNIA CAPITAL ACCESS (CalCAP) PROGRAM~~

B. CONSIDERATION AND APPROVAL OF PERMANENT REGULATIONS FOR THE CALIFORNIA UNDERUTILIZED SITES (CALReUSE) PROGRAM

Presented by Deana Carrillo.

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Staff requested the Board's approval of permanent regulations governing the CALReUSE Program. The CALReUSE Program has been operating under emergency regulations as staff has been navigating through the regular rulemaking process. Staff completed both a 45-day and 15-day public comment period to solicit comments from stakeholders and interested parties. The proposed regulations have been modified from the text of the emergency regulations that were approved by the Board on February 13, 2008. The changes address issues raised by (i) the program's users during the initial round of financing, and (ii) to conform elements of the structure of the CALReUSE Remediation Program due to its funding source (general obligation bonds).

Staff received public comments from three entities during the 45-day public comment period. As previously noted staff modified the regulations and noticed a 15-day public comment period. No comments were received during this time.

Staff recommended the adoption of a resolution to amend the CPCFA regulations for the CALReUSE Program and authorize staff to complete the permanent rulemaking proceedings and other actions related to the CALReUSE regulation revisions.

Ms. Redway asked if there questions or comments from the Board.

Mr. O'Toole asked about the level of certainty that the regulation changes will conform with the Office of Administrative Law (OAL) requirements.

Ms. Carrillo responded that she has worked with the OAL consistently throughout the regulatory process and the staff there has an approach of really wanting to make things work; however, there have been challenges in the past that staff has successfully addressed. When the emergency regulations were passed, staff had to go back to the Board to clean-up the language because of syntax issues. Ms. Carrillo also does not anticipate any substantive issues to the program structure.

Ms. Redway thanked Ms. Carrillo adding that she has done a good job with the CALReUSE program

Ms. Carrillo thanked the Board and expressed her appreciation.

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

Ms. Redway asked if there was a motion.

Mr. O'Toole moved approval; upon a second, the item was unanimously approved.

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

Staff introduced Ken Frisbie with BioFuels Energy, LLC and Steve So with George K. Baum & Co.

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- 1) **BioFuels Energy, LLC and/or its Affiliates** requested approval of an Initial Resolution for an amount not to exceed \$16,700,000 to finance the acquisition of facilities for the collection and treatment of biomethane gas generated at a landfill and the distribution of treated, commercially usable gas. Presented by Doreen Smith.

Ms. Redway asked if there were any additional comments.

Mr. Frisbie stated this project meets the requirements of California climate and energy objectives; the California Green Building Action Plan; California Global Warming Solutions Act; AB 32; the Governor's Executive Order S-06-06; South Coast Air Quality Management District Rule 1110.2; Assembly Bill 970; The Energy Policy Act of 2005; as well as The Energy Improvement and Extension Act of 2008.

Ms. Redway asked if there were any questions from the Board.

Ms. Redway commented that the project is great and she noticed that the company intends to receive carbon and renewable energy credits. Ms. Redway asked if the company is going to be a member of the California Climate Registry or whether the company has plans for an independent auditor, and how will the company calculate the credits.

Mr. Frisbie responded that for the renewable energy credits, there is a firm that calculates and markets the credits for the company. There is a mathematical equation for each megawatt-hour of carbon reduction. There is also a renewable energy credit that is associated with it; the company anticipates using the marketing mechanism to be able to sell the credits.

Ms. Redway asked if the company's firm will also calculate the carbon credits.

Mr. Frisbie responded affirmatively and that the University of California San Diego (UCSD) demanded that they receive the benefit of the credits for half of the term. The project also helps the UCSD meet its green building initiative.

Ms. Redway expressed interest in how it works. The Board understands that people are beginning to trade credits, so it is good to know that credits are a part of the transaction.

Mr. Frisbie stated that UCSD solar represents 1% of reduction off the grid for its power. The product that the company will be transporting to UCSD would result in an 11% reduction. This will help UCSD meet its 15% alternative energy requirement by 2015.

Mr. Sheehy stated that the project looks like a great project and he was pleased that the company was able to come to CPCFA for an Initial Resolution. Mr. Sheehy asked if there was any chance down the road, pending the success of the project, that other companies will be looking into similar projects.

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Mr. Frisbie responded that the tightening of admissions criteria by the Bay Area Air Quality Management District and South Coast Air Quality Management District is making it harder for landfills to do anything with their wasted gas. The company utilizes fuel cells that are carb-compliant to capture and clean the gas. Mr. Frisbie also stated that the company's intention is to move this technology into other communities and landfills

Mr. Sheehy said that the project is terrific, then thanked the company.

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

Ms. Redway asked if there was a motion.

Mr. O'Toole moved approval; upon a second, the item was unanimously approved.

Staff introduced Mark Holmstedt with Westhoff, Cone & Holmstedt.

- 2) **EarthRenew, Inc. and/or its Affiliates** requested approval of an Initial Resolution for an amount not to exceed \$12,780,000 to finance buildings and equipment related to the processing of raw manure to fertilizer. The project is located in Hanford. The company anticipates that the project will provide waste diversion and environmental benefits. Presented by Doreen Smith.

Mr. Sheehy commented that the 225 tons of raw manure per day is a lot of manure.

Mr. Holmstedt explained that a lactating cow produces 120 lbs. of manure per day, but he did not know what the corresponding rate is on a feed lot cow. He thought it might be about the same.

Mr. Sheehy asked if the cows are from the feed lot.

Mr. Holmstedt responded affirmatively.

Mr. Sheehy asked what was unique about the EarthRenew, Inc. Project. Mr. Sheehy thought it is relatively common for agricultural waste manure to be processed and commercially available for the residential market. There are farmers that bring in truckloads of manure and have it spread on their fields.

Mr. Holmstedt explained that there are two things unique to the process. One is that the current process of gathering it as it is drying results in emissions of methane gases to the atmosphere. The land application that Mr. Sheehy described occurs; however, the company is going to scrape the material off and collect all the manure up front so that the methane gas is not going to be naturally emitted into the air. The company is going to process the manure by enhancing the drying action on a much quicker basis. The company does not break down as many of the nutrients, so there is a more concentrated organic compound that will make a better fertilizer. The reduction of the degradation is important because the solid content remaining after the process is a

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little bit greater than if it was done naturally. The greatest benefit of the project is the air pollution reduction component.

Ms. Redway added that the project will not have much water pollution.

Mr. Holmstedt stated that there is an existing plant in Canada; it has been operating for about six months. The company is using that as its business model.

Ms. Redway asked if the project is connected with any expansion of a dairy or if the project is just establishing a different treatment plant for the existing organic waste.

Mr. Holmstedt responded that it is an existing feed lot operation, not a dairy, and it is not contributing to an expansion of a dairy to the best of his knowledge.

Mr. O'Toole asked if the systems that could be financed in California could only serve no more than 20,000 head of cattle.

Mr. Holmstedt responded affirmatively and the company is looking to just service the feed lot's present needs for 2009. The company will have refinements to this data when it comes back to the Board for the Final Resolution. Staff will be able to tell the Board directly whether the facility is going to service 10,000 or 15,000 cattle.

Robert Feyer with Orrick, Herrington & Sutcliffe introduced himself.

Mr. Feyer informed the Board that this is a modular system, so the company may be able to extend the project to numerous locations around California and elsewhere in the country. The waste processing system can take other kinds of biowaste like agricultural waste or any kind of biological waste product. The waste processing system has a lot of potential for solving problems in agricultural areas in the State.

Ms. Redway asked if it was associated with any particular plant.

Mr. Holmstedt responded no.

Ms. Redway asked if there were further questions or comments from the Board or public. There were none.

Ms. Redway asked if there was a motion.

Mr. O'Toole moved approval; upon a second, the item was unanimously approved.

5. PUBLIC COMMENT

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

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 12:26 p.m.

Respectfully submitted,

Michael Papanian
Executive Director