

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 5, 2007
REVISED
Staff Report
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: \$35,000,000

Project Name: Pacific Ethanol Stockton, LLC

Project Address: 3028 Navy Drive
City, County, Zip Code: Stockton, San Joaquin, 95206

Project Sponsor Information:

Name: Pacific Ethanol Holding Co., LLC
Address: 5711 N. West Ave.
Fresno, CA 93711
Principals: Neil Koehler, John Miller, Chris Wright, Jeff Mantermach
Contact: Jeff Manternach
Phone: (559) 435-1771

Project User Information:

Name: Same as Project Sponsor
Address: Same as Project Sponsor
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: Stern Brothers & Company
TEFRA Hearing: October 30, 2007

Project Sponsor's principal activity: According to the application, the Project Sponsor owns and operates an ethanol plant in the states of Oregon, Idaho and California.

First Tier Business (Yes/No): Yes

Regulatory Mandate (Yes/No): No

Sources of Funds:

Tax-Exempt Bond Proceeds	\$ 30,000,000
Other Sources	<u>\$127,000,000</u>
Total Sources	\$157,000,000

Uses of Funds:

Acquisition of Land	\$ 5,000,000
Site Preparation	\$ 19,400,000
Construction of Building(s)	\$ 20,590,000
New Equipment Purchase & Installation	\$ 97,375,000
Engineering/Architecture	\$ 6,500,000
Legal Permits	\$ 1,810,000
Cost of Issuance (including discount)	\$ 1,200,000
Interest During Construction	\$ 2,625,000
Other (fire suppression)	<u>\$ 2,500,000</u>
Total Uses	\$157,000,000

Description of Proposed Project: According to the application, the Project Sponsor owns and operates an ethanol plant in the states of Oregon, Idaho and California. The ethanol plants in California will produce “stillage” as a by-product of ethanol production, the majority of which is expected to have no commercial resale value and, thus, to constitute “solid waste.” The stillage will be converted to “wet distillers’ grains”, which will be sold to local animal feeding operations as an animal feed additive. The ultimate disposal is accomplished by removing some of the moisture from the stillage and transporting the wet distillers’ grains to the purchasers. The plants are strategically located to be near the animal operations that consume the by-product. Proceeds of the tax-exempt bonds will be used to finance solid waste disposal facilities that process the whole and thin stillage into commercially saleable animal feed product. The equipment to be purchased will include centrifuges, evaporators, related conveyors and related storage and water-treatment facilities.

(See attached Policy Memo which discusses corn ethanol technology)

Environmental impact:

- **Recycling of Commodities:** According to the application, stillage from the ethanol plant is first run through a centrifuge to remove any remaining liquid, and then put into an evaporator. After finishing this process, it is put into a wet distillers’ grains storage building through a conveyor system. Finally, it is shipped out to customers at a loadout facility. Wet distillers’ grains provide a reasonable livestock feed supplement to California dairies and other animal operations at a reasonable cost.

Other public benefits provided by the project: According to the application, the Project will create approximately 40 full time jobs (total payroll of \$3.2 million annually) as well as 30 jobs during construction. The proposed Project will also generate the following tax revenue:

Property taxes	\$55,000 (annually)
Payroll taxes	\$27,000 (annually)

Local government support: Letters of support have been received from Gary Wyatt, Board Supervisor, District 4 of the County of Imperial and California Assemblymember Greg Aghazarian, Twenty-sixth District.

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 \$35,000,000 in tax-exempt bond allocation on a carryforward basis.

Comment: The Committee on December 5, 2007 awarded the Applicant \$35,000,000 as requested in tax-exempt bond authority for the proposed project. However, the Committee was notified soon after that the Project Sponsor would only need \$30,000,000 in tax-exempt bond allocation to complete the proposed project and that the remaining \$5,000,000 in tax-exempt bond authority will be reverted to the Committee.