

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

May 26, 2010

Staff Report

**REQUEST FOR A RE-ALLOCATION OF QUALIFIED ENERGY CONSERVATION BOND ALLOCATION
FOR A QUALIFIED ENERGY CONSERVATION BOND PROJECT/PROGRAM**

Prepared by: Brady Hill

Eligible QECB Reallocation Applicant: Department of Water & Power of the City of Los Angeles

Eligible QECB Reallocation Issuer: Department of Water & Power of the City of Los Angeles

Allocation Amount Requested:
Governmental Use: \$35,022,000

Project/Program Information:
Name: Pine Tree Wind Turbine Expansion Project
Project/Program Address: 22500 Jawbone Canyon Road (closest known address)
Project/Program City, County, Zip Code: Cantil, Kern, 93519

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Barclay's Capital
Credit Enhancement: Not Applicable
Private Placement Purchaser: Not Applicable
Public Sale: Investor grade rating of Aa3

QECB Reallocation Category and Type:
Qualified Facility Type: Wind
Mass Commuting Type: Not Applicable
Renewable Resource Type (Rural Development): Not Applicable
Publicly Owned Building Type: Not Applicable
Research Investment Type: Not Applicable
Demonstration Project Type: Not Applicable
Public Education Campaign Type: Not Applicable
Loan/Grant Type: Not Applicable

Qualified Conservation Purpose Requirement:

The Applicant has provided a legal memo from bond counsel confirming that the project/program meets the "qualified conservation purpose" requirement as defined by IRS Notice 2009-29.

Readiness Requirement:

The Applicant has provided a thorough and complete time schedule for the project/program, and the Applicant has certified that the time schedule is a realistic estimate of their project's/program's timeline.

Public Entitlements Requirement:

The Applicant has certified that they have obtained (or will obtain before issuance) all required public entitlements that are required for QECBs to be issued.

Description of Public Benefits:

Estimated Production of Kilowatt Hours of Electricity = 41,193,000 kWh per year

Comments:

Pine Tree Wind Turbine Expansion Project took second place based on their total estimated electricity production. In addition, Pine Tree Wind Turbine Expansion Project will produce 1.18 kWh per year of electricity per dollar of QECB allocation requested. In conclusion, it is second most efficient use of QECB allocation for this May QECB round.

Details of Project Financing:

Estimated Total Project/ Program Cost: \$65,022,000

Sources of Funds:

Qualified Energy Conservation Bond Proceeds	\$ 35,022,000
Clean Renewable Energy Bond Proceeds	\$ 30,000,000
Total Sources	\$ 65,022,000

Uses of Funds:

	<u>QECB Proceeds</u>	<u>CREB Proceeds</u>
Site Preparation	\$ 5,000,000	\$ 6,000,000
Utilities Connection	\$ 2,000,000	\$ 0
Acquisition and Installation of New Equipment:		
(a) Invoice	\$ 17,537,000	\$ 15,000,000
(b) Installation	\$ 5,485,000	\$ 4,500,000
Engineering/Architecture	\$ 5,000,000	\$ 4,000,000
Legal, Permits, etc.	\$ 0	\$ 500,000
Total Uses	\$ 35,022,000	\$ 30,000,000

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 5 out of 22
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$35,022,000 in Qualified Energy Conservation Bond Re-Allocation.

ATTACHMENT A

EVALUATION SCORING:

Qualified Conservation Purpose Points	Maximum Points Allowed	Points Scored
Qualified Facilities	10	5
Mass Commuting Facilities	12	N/A
Rural Development	12	N/A
Publicly Owned Building(s) (also show bonus points here)	10	0
Research Investments	10	N/A
Demonstration Project(s)	10	N/A
Public Education Campaign(s)	10	N/A
Loan/Grant Program	10	N/A
Total Points	22	5

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.