

**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*

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**Eligible QECB Reallocation Applicant:** California Statewide Communities Development Authority

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**Eligible QECB Reallocation Issuer:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Private Activity:** \$107,190,000

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**Project/Program Information:**  
**Name:** Solar Power, Inc.  
**Project/Program Address:** Southern border of White Rock Rd. (between Aerojet Rd. and Prairie City Rd.)  
**Project/Program City, County, Zip Code:** Rancho Cordova, Sacramento, 95742

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**Project Sponsor Information:**  
**Name:** Solar Power, Inc.  
**Principals:** Stephen C. Kircher, Jeffrey G. Winzeler and Alan M. Lefko

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Piper Jaffray & Co.  
**Credit Enhancement:** Not Applicable  
**Private Placement Purchaser:** Not Applicable  
**Public Sale:** Investor letter provided  
**TEFRA Hearing:** April 13, 2010

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**QECB Reallocation Category and Type:**  
**Qualified Facility Type:** Solar  
**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

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**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.

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**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 = 88,337,326 kWh per year

**Comments:**

Solar Power, Inc. Project took first place based on their total estimated electricity production. In addition, the Solar Power, Inc. Project will produce 1.5 kWh per year of electricity per dollar of QECB allocation requested. In conclusion, it is the most efficient use of QECB allocation for this May QECB round.

The Applicant intends to issue the bonds without credit enhancement and with no credit rating. While there is a precedent for the Committee to approve such a structure, staff remains concerned as to the ability for such a issuance plan to succeed. However, staff believes additional approval conditions may ensure a successful bond issuance that would adequately protect both the project and the issuer. Therefore, staff recommends the approval of allocation with the following conditions: 1) the bonds shall be marketed and sold only to qualified institutional buyers, 2) bonds shall be sold in denominations of no less than \$100,000, and 3) no less than three (3) business days prior to issuance, the applicant shall report to CDLAC staff information on all bond purchase commitments. This report shall include the name of the entities entering into such commitments along with copies of their commitment letters and respective amounts.

**Details of Project Financing:**

**Estimated Total Project/ Program Cost:** \$197,230,000

**Sources of Funds:**

Qualified Energy Conservation Bond Proceeds	\$ 107,190,000
Other Sources	\$ 90,040,000
<b>Total Sources</b>	<b>\$ 197,230,000</b>

**Uses of Funds:**

	<u>QECB Proceeds</u>	<u>All Other Sources</u>
Construction of New Building(s)	\$ 0	\$ 6,000,000
Acquisition and Installation of New Equipment:		
(a) Invoice	\$ 90,554,779	\$ 47,040,000
(b) Installation	\$ 0	\$ 35,500,000
Engineering/Architecture	\$ 0	\$ 500,000
Legal, Permits, etc.	\$ 0	\$ 1,000,000
Bond Issuance Expenses (including discount)	\$ 1,837,888	\$ 0
Interest During Construction	\$ 4,078,333	\$ 0
Sinking or Reserve Fund	\$ 10,719,000	\$ 0
<b>Total Uses</b>	<b>\$ 107,190,000</b>	<b>\$ 90,040,000</b>

**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.

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**Total Points:** 10 out of 22  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$58,713,103 in Qualified Energy Conservation Bond re-allocation with the following conditions: 1) the bonds shall be marketed and sold only to qualified institutional buyers, 2) bonds shall be sold in denominations of no less than \$100,000, and 3) no less than three business days prior to issuance, the Applicant shall report information on all bond purchase commitments to CDLAC staff.

**ATTACHMENT A**

**EVALUATION SCORING:**

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

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.