

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis Exempt Facility Project Pool March 21, 2007 Allocation

Exempt Facility Bonds are tax-exempt private activity bonds that are issued by state and local governmental agencies to finance primarily solid waste disposal and waste recycling facilities. The tax-exempt bonds provide facility owners with low cost financing in the form of lower interest rate than a conventional loan. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve to meet their mandated requirements to protect and enhance the environment. Exempt facility projects also benefit the communities by creating new jobs.

The California Debt Limit Allocation Committee (“Committee”) is responsible for administering California’s annual tax-exempt private activity bond program, known as “the annual State ceiling”. For calendar year 2007, California’s State ceiling is \$3.098 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as “Program Pools”, including the Exempt Facility Project Pool. For calendar year 2007, the Committee reserved \$440 million, or 14.2%, of the State ceiling for the Exempt Facility Project Pool. The \$440 million of bond authority will be allocated in five allocation rounds during calendar year 2007. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business¹ under Regulatory Mandate², 2) Non-first Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, and 4) All other Applications for Exempt Facilities.

The Committee awarded a total of \$321,425,000 for exempt facilities on March 21, 2007. This represents 73% of the \$440 million Exempt Facility Project Pool and 10.3% of the 2007 \$3.098 billion State ceiling. The March 21, 2007 allocation was awarded to a two issuers, the California Pollution Control Financing Authority and the California Statewide Communities Development Authority for six exempt facility projects located in California. Of the six projects, four are First Tier Projects under Regulatory Mandate and two are First Tier Projects not under Regulatory Mandate. The projects are solid waste disposal and/or recycling facilities, which includes the construction of new facility or the expansion of existing facility, and the purchase of more efficient and cleaner fuel burning equipment. In addition, the six projects are expected to create over 160 full time jobs as a result of these allocations as well as 450 temporary jobs.

March 21, 2007 Allocation Benefit of Exempt Facility Program

Allocation Amount Round 1	First Tier Project Under Regulatory Mandate	Non-First Tier Project Under Regulatory Mandate	Total Exempt Facility Projects
\$321,425,000	4	2	6

¹ “First Tier Business” means (1) a business that (a) is primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste, (b) is a privately-held or employee-owned entity whose ownership interests are not available to members of the public, and (c) has fewer than 3,000 employees (together with affiliates), based on the average employees per pay period during the most recent twelve (12) months before submittal of an Application; or (2) a business which is not primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste that is classified as a small business under regulations of the California Pollution Control Financing Authority (CPCFA) (Title 4, California Code of Regulations, Sections 8001-8083).

² “Regulatory Mandate” means a local, state or federal government mandate such as the California Public Resources Code, Section 40000 et seq. (“AB 939”), a local public health department notice and order, a Regional Water Quality Control Board issued cease and desist order, or similar directive.

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First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
The Ratto Group of Companies	\$42,600,000	<p>According to the application, the Project Sponsor intends to purchase land and an existing building at which it will house a portion of its collection fleet and will acquire waste collection vehicles and waste containers. The vehicles may be housed from time to time at any of the Project Sponsor's operating locations and the containers will be located at various customer locations throughout the Project Sponsor's service area. The Project Sponsor's service area consists of the Cities of Santa Rosa, Rohnert Park, Windsor, Ukiah, Clear Lake, Novato, and Mariposa and portions of the unincorporated Counties of Mariposa, Marin, Sonoma, Lake and Mendocino. The proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB 939.</p>
Green Waste Recovery, Inc.	\$38,305,000	<p>According to the application, the Company provides solid waste collection, hauling and disposal, and recycling. The proposed Project involves the following:</p> <ul style="list-style-type: none"> • <u>Site A.1. – 625 & 645 Charles Street, San Jose, Santa Clara, 95112</u> • <u>Site A.2. – 565 Charles Street, San Jose, Santa Clara, 95112</u> - According to the application, the Project Sponsor intends to purchase collection vehicles and containers to fulfill its new residential greenwaste hauling contract with the City of San Jose. In addition, the Project Sponsor will reorganize and expand its existing materials recovery facility (MRF) to more efficiently process both recyclables and municipal solid waste and create a new vehicle maintenance facility. The proposed Project also includes the purchase of an additional parcel of land and street sweeper equipment necessary to fulfill its contractual obligations. The Project Sponsor also intends to purchase additional collection vehicles and containers to be used in various unincorporated areas of Santa Clara County. <p><u>Site B. – 375 Industrial Road, Watsonville, Santa Cruz, 95076-5118</u> - According to the application, the proposed Project consists of the purchase of new bio-diesel powered collection vehicles for residential and commercial hauling within Santa Cruz County.</p> <p>According to the application, the Project Sponsor's service area consists of franchised areas which include the Cities of San Jose, San Juan Batista, Woodside, Portola Valley and Petaluma, the Counties of Santa Clara and Santa Cruz and approximately 60 plus other political subdivisions in the greater Bay Area in which the Project Sponsor offers debris box service. The proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB 939. Approximately 25 employees will be hired to staff the operations in the new MRF</p>
CR&R, Inc.	\$34,615,000	<p>According to the application, the proposed Project involves the upgrade and improvements to its materials recovery facility and various recycling operations located within Orange, Los Angeles, Riverside and San Bernardino Counties to accommodate the growth in their service areas. The Project Sponsor will purchase additional sorting lines, balers, loaders, crushers, a street sweeper and related waste processing equipment, making site improvements to allow for new efficiencies and the acquisition of additional new California Air Resources Board compliant low emission waste collection vehicles and containers system wide. The proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB 939.</p>

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First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
California Waste Solutions, Inc.	\$25,905,000	<p>According to the application, the Company provides solid waste collection, hauling and disposal, and recycling. The proposed Project involves the following:</p> <ul style="list-style-type: none"> • <u>Site A. – 1005 Timothy Drive, San Jose, Santa Clara, 95133-1043</u> - According to the application, the City of San Jose has contracted with the Project Sponsor to collect, sort and process residential recyclables within a portion of the City of San Jose (Districts A & C). At present, the recyclables are collected by Norcal Waste Systems and delivered to the Project Sponsor for processing. Under the new contract, the Project Sponsor will be responsible for collection of the recyclables. The Project Sponsor anticipates expansion of its collection activities to include commercial recyclables within the San Jose metropolitan area. The proposed Project consists of the acquisition of new trucks, bins, containers and carts. New sort line equipment will be added to its Timothy Street, San Jose address and possibly its 10th Street and Wood Street addresses in Oakland. • <u>Site B. – 1655 Berryessa Road, San Jose, Santa Clara, 95133</u> - In addition, the Project Sponsor may need to acquire an additional site within the City of San Jose for truck storage and maintenance as well as additional material processing. <p>The proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB 939.</p>

First Tier Projects NOT Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
CalPlant I	\$100,000,000	<p>According to the application, the proposed Project consists of the purchase of 276 acres of land and the construction of a 300,000 square feet facility that will recycle 265,000 tons of grown rice straw, an annually renewable agriwaste, which will be used to manufacture a highly competitive formaldehyde free medium density fiberboard (MDF) to substitute wood based products. The primary raw materials are grown rice straw and a polymeric Methylene Diphenyl Diisocyanate resin binder. The Project Sponsor has executed a 15 year material supply and service contracts. In addition, the Project Sponsor has executed a 15 year agreement with a forest products company to purchase and distribute 100% of the Project's 150 million square feet of MDF manufactured annually. The equipment will be purchased from Metso Panelboard, the world's leading technology and equipment supply-company within the forest products industry. Such equipment includes straw handling, defibrator system, wax system, drying, ducts/cyclones, storage, fiber cleaning, mat forming, forming conveying/prepressing, press infeed, saw and sanderdust transport, fuel handling/thermal fluid and steam, high voltage distribution, fire protection, press outfeed, sanding, sawing, packaging and rolling stock. Each production element associated with converting raw material into fiber, blending it with resin binder, forming it into mats, pressing it into boards, and sanding and sawing into finished panels will be done with established machine designs configured in a well-accepted process arrangement. Installation and construction contract has been executed with CH2M Hill Lockwood Green. The Project will serve the Counties of Butte, Colusa, Glenn, Sacramento, Sutter, Tehama, Yolo and Yuba. According to the application, the Project will create approximately 115 full-time jobs as well as 450 temporary jobs.</p>

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First Tier Projects NOT Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
<p>EnerTech Environmental California, LLC</p>	<p>\$80,000,000 (supplemental award 3/21/07) (\$80,000,000 original award on 12/13/06)</p>	<p>According to the application, the proposed Project involves the construction of a facility on approximately 6.2 acres adjacent to the City of Rialto’s Waste Water Treatment Plant that will process municipal sewage sludge (“biosolids”) generated by the City of Rialto Waste Water Treatment Plant and municipalities of the southern California region into a high-grade fuel known as renewable E-fuel. The Project will include three structures which would include the main process structure which would house most of the process equipment including pumps, heat exchangers, centrifuges, and process heater. The second structure would be the location of the administration building and laboratory. The third structure would be a maintenance building for the facility. This facility will provide a long-term solution to the problems of biosolids waste disposal encountered by municipalities in the southern California region while simultaneously creating a renewable energy source that serves as a replacement for fossil fuel.</p> <p>The proposed Project will have a design capacity to process approximately 675 wet tons per day of biosolids (on approximately 25% solids content) and will produce approximately 100 tons per day of renewable E-fuel pellets. This renewable E-fuel would be transported and utilized off-site to various cement kiln operators or other industrial users in the area. E-fuel is a renewable fuel and would partially replace fossil fuels currently being used at these plants. The process essentially takes sewage sludge and cleanly converts it to renewable fuel via heat and temperature. There are no waste byproducts from the process and the sludge is disposed of forever via the fuel product.</p> <p>The Project Sponsor is contracting with HDR Design Build, Inc. to design and construct the biosolids facility that will use the Project Sponsor’s patented SlurryCarb Process to convert waste to energy. Similarly, the Project Sponsor has entered into an operations and maintenance agreement with North American Energy Services (NAES) to assist the Project Sponsor regarding the operations of the regional facility pursuant to a long-term contract with the Project Sponsor. The Project Sponsor will oversee the daily operations of NAES, and the Project Sponsor will have ultimate responsibility and obligation to ensure that the proposed Project meets all operating requirements and complies in all material respects with the terms of the bond financing. All permits, contracts, leases, etc. will be in the name of the Project Sponsor and not in the name of the operator. According to the application, the Project will create approximately 15-20 full time jobs.</p>