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July 26, 2008

California Energy Commission
Dockets Office MS4
Docket # 08-OIR-1
1516 Ninth Street
Sacramento CA 95814-5512

DOCKET	
08-OIR-1	
DATE	JUL 26 2008
RECD.	JUL 31 2008

Re Potential Flaws in AB118 Funding Initiatives

Dear Sir or Madam,

The availability of \$120 million per year for 7 years (or 7 ½, depending on what document one reads) has been highlighted in all presentations to date. It has been stated that funds will be available in March 2009. Depending on what "funding will be available" means, the program could handicap California entities in their search for funds to launch commercial projects in a variety of ways. If "funding will be available" means that checks will be delivered, the penalties will be substantial. If the phrase means that Requests for Proposals (RFPs) will be issued, the impact will be devastating.

The problem is that funds must be available to California firms, and available in the proper form, for those firms to compete with entities in the other states for money being made available by the Federal Government. The most egregious example is the current USDOE program for which applications are due in December 2008, and which will provide 80/20 Debt/Equity Federal loan guarantees. The source of the equity has to be identified in the application. If historic practice is repeated, aid from California arriving after the application deadline may very well just be used to offset Federal obligations.

Another manifestation of this same problem exists in the benefits made available under the 2008 Farm Act from the USDA. If historic patterns hold, applications for those programs would be due in March-May, but because the obligations are being met through CCC, the funds legally are available October 1, 2008 (no appropriation needed) and thus the application deadlines for the program could be much earlier. The benefits through this program are also 80/20 Debt/Equity Federal loan guarantees. As the programs stand, a California program beginning in March may result in California entities being unable to participate in the Federal program because they have not accumulated the full 20% equity needed or worse have used their California benefits to offset Federal program costs.

Formulation of the California Funding must be structured to allow entities from the State to use the money available to capture the Federal benefits for use locally. I realize that this subject is officially part of the Investment program schedule to be taken up once the Regulatory program is

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complete, but perhaps a parallel investigation is in order to maximize the benefits to State businesses. The results of that process could then be formally presented when the Regulatory process is completed, rather than waiting until that time to begin formulating the Investment program.

As always I would be pleased to help bring more money to California, and there are a variety of mechanisms that might be used to accomplish that goal in this case.

Yours truly,

A handwritten signature in cursive script, appearing to read "R.H. Walker".

Robert H. Walker, President
SWAN Biomass Company