State of California California Natural Resources Agency

M e m o r a n d u m

To: Robert P. Oglesby
Executive Director

Date : October 14, 2011

Telephone: CALNET (916) 654-4628

From : **California Energy Commission -** PAT PEREZ, Deputy Director,
Fuels and Transportation Division
1516 Ninth Street
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Subject: RECOMMENDATION TO APPROVE A $2,231,878 AUGMENTATION TO THE SOLARIA CORPORATION CLEAN ENERGY BUSINESS FINANCING PROGRAM LOAN (LOAN NUMBER 009-10-CEB) TO BE CONSIDERED AT THE NOVEMBER 16, 2011 BUSINESS MEETING

Summary of Item

The Solaria Corporation (Solaria) was approved at the September 15, 2010 Business Meeting for a $753,992 Clean Energy Business Financing Program (CEBFP) loan to purchase and install equipment to expand the in-state manufacture of concentrated solar photovoltaic panels. The loan was increased to the full requested amount of $2,768,122 at the December 29, 2010 Business Meeting after additional American Recovery and Reinvestment Act – State Energy Program (SEP) CEBFP funds became available. Solaria has requested a loan increase to the maximum allowable amount of $5,000,000 to purchase additional manufacturing equipment to further increase annual production by an estimated 8 MW and improve cost-competitiveness at Solaria's Fremont, CA manufacturing facility. Additional loan funds are now available since Quantum Fuel Systems Technologies Worldwide, Inc. requested to withdraw from its CEBFP loan agreement in September 2011.

The SEP Guidelines and the CEBFP Program Announcement specify a maximum loan amount of $5 million.

Justification for Action Requested

Solaria is an eligible CEBFP borrower and has requested additional funding. The CEBFP Announcement states on page 7 that "eligible highest scoring applications that pass all pass/fail criteria are given first priority for funding based on their point scores." Solaria scored 70 out of 90 on their CEBFP application. They are the fourth highest scoring awardee out of the five remaining awardees and are the second highest scoring awardee requesting additional funding.

State Assistance Fund for Enterprise, Business and Industrial Development Corporation (SAFE-BIDCO) has underwritten both the original Solaria loan and the proposed Solaria loan augmentation. For the augmentation, SAFE-BIDCO analyzed the cash flow, collateral, and capacity of Solaria. The analysis determined there was adequate projected cash flow coverage to pay the Energy Commission loan, but inadequate collateral to cover the loan principal in the event of default. The SAFE-BIDCO Loan Committee reviewed the above information as well as current and historical financial information and unanimously approved the loan augmentation on September 22, 2011. On October 5, 2011, SAFE-BIDCO recommended the approval of this augmentation in an Action Memorandum addressed to Energy Commission staff.

It is the opinion of SAFE-BIDCO that the Energy Commission is incurring additional risk due to the inadequate collateral coverage. However, the revised projected cash flow coverage appears to be reasonable and adequate and Solaria has historically been able to attract additional venture capital funds.

Project Manager
Marcia Smith, Special Projects Office

Oral Presentation
Staff will be prepared to discuss this recommendation and to respond to questions at the Business Meeting.

Business Meeting Participants
Marcia Smith, Special Projects Office
Jacob Orenberg, Special Projects Office

Commission Action Requested
Approve the $2,231,878 loan augmentation for loan 009-10-CEB and authorize the Deputy Director of the Administrative and Financial Management Services Division to execute the loan augmentation.

PAT PEREZ, Deputy Director
FUELS AND TRANSPORTATION DIVISION

Pros:

- Will grow in-state solar energy manufacturing capacity that could be used in Energy Commission programs for renewable energy.
- Staff estimate that the increased annual production enabled by this funding will produce an additional 12,000,000 kWh per year of renewable energy when installed, promoting the Energy Commission's Loading Order.
- Annual production will offset carbon dioxide emissions by an estimated 4,140 tons per year when installed, enabling California to meet the goals of AB 32.

Cons:

- Solar manufacturers nationwide are being closely scrutinized, particularly those with government funding, as a result of bankruptcy of Solyndra. While staff continue to carry out thorough financial due diligence to try to ensure only loans for the strongest projects are approved, risk perception remains high.
- In the event of default, there may be insufficient collateral to cover the balance of the loan.