

## DOCKETED

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*Comment Received From: California Food Producers*

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## **Proposed Food Production Investment Program**

*Additional submitted attachment is included below.*

February 26, 2018

California Energy Commission  
Dockets Office, MS-4  
Re: Docket No. 18-MISC-01  
1516 Ninth Street  
Sacramento, CA 95814-5512

**RE: Proposed CEC Food Production Investment Program**

The California League of Food Producers (CLFP) appreciates the opportunity to provide comments regarding the California Energy Commission's (CEC) proposed Food Production Investment Program (FPIP). This program is being developed to implement provisions of AB 109 that directed \$60 million in funding for projects that reduce greenhouse gas emissions at California food processing facilities. Many food processors will incur significant compliance costs due to the California Air Resources Board's (CARB) greenhouse gas (GHG) cap-and-trade program and other climate change initiatives and the AB 109 funding will help avoid emissions leakage. CLFP's comments regarding the proposed FPIP funding guidelines are as follows:

- CLFP supports the two-tier funding approach proposed by CEC. The Tier 1 program will provide funding to companies to install proven technologies that will yield immediate energy savings. Tier 2 funding will encourage firms to take risks and demonstrate new and novel technologies that may yield substantial reductions in GHG emissions.
- The project selection criteria should favor food processing facilities currently participating in the GHG cap-and-trade program. These facilities are incurring compliance costs that will increase substantially as CARB seeks to comply with more aggressive emissions reduction targets. As the largest GHG emitters in the sector these firms may have the most potential for reducing emissions in the short run and should be the first in line to receive funding

Second priority should be given to facilities that are subject to CARB's mandatory reporting requirement (annual GHG emissions greater than 10,000 mt) but are not currently in the cap-and-trade program. In this initial round of funding, CEC could consider devoting all of the Tier 1 funds to capped entities but could make the Tier 2 funds available to a larger pool of potential applicants. The objective of FPIP is to achieve the maximum amount of emissions reductions and the most likely way to achieve that goal is to focus on larger food processing facilities. If funding for FPIP continues in the future, then including smaller facilities could be considered.

- Food processors should be allowed to include both direct facility emissions and indirect emissions in their proposals. If the overarching goal is to reduce emissions, then reductions in purchased electricity should also be considered. Funding should also cover water/wastewater projects that result in reductions of indirect or direct emissions. CEC should clarify in the FPIP guidelines whether proposals with bundled projects (e.g. natural gas and electricity components) will be scored as one proposal or whether individual components of a bundled proposal may be accepted or rejected for funding.
- The emissions reductions calculations employed by CEC should be based on the carbon dioxide combustion conversion factors that have been established by CARB and US EPA, and should also include other gasses such as HFC's and CFC's used in food processing refrigeration equipment.
- CLFP does not support the proposed "first-come, first-served" approach to funding projects as recommended by CEC. Although that approach may simplify administration of the program, it may result in some of the most cost-effective projects not being funded as the pool of money available may be depleted by less effective early applications.
- CEC's project selection criteria should focus on the cost-effectiveness of the projects in terms of dollar investment per ton reduction of greenhouse gases. CEC could simply rank all of the projects according to cost effectiveness, or set a cost ceiling that is some multiple of the prevailing auction price for carbon.
- The draft list of technologies eligible for Tier 1 funding prepared by CEC is extensive and should cover most of the types of projects that will be submitted for funding. However, there may be other systems such as co-generation projects that are not on the current list and CLFP suggests that CARB provide some flexibility and consider other technologies on a case-by-case basis.
- The number of awards, spending caps, and financial match requirements proposed by CEC are appropriate. CLFP recommends that if all of the funding for Tier 2 projects is not expended, it should be made available for eligible Tier 1 projects.
- Participants should be allowed to leverage the funding received through FPIP by using incentive funds offered by utilities or other agencies. Companies should be encouraged to seek out all available incentives and be permitted to use this funding as their required match for FPIP funding. CLFP urges CEC to work with the California Public Utilities Commission and utilities to coordinate their programs and project approval timeline with the FPIP process.

- CEC should consider funding projects that include elements beyond just new technologies. Strategic Energy Management (SEM) has proven to be a very effective way to reduce energy consumption, especially when paired with investments in new systems. Although it can be difficult to assign specific reductions in energy use to data collection and analysis, planning, benchmarking, and training activities, but they are instrumental in effective facility energy management. Several utilities are currently piloting SEM programs and there may be opportunities for coordinating project funding with FPIP.
- CLFP members are concerned about the potential for disclosure of commercially sensitive information in the final project reports. Clearly CEC and interested parties need to know if the projects were successful using general performance metrics. However, facilities may be reluctant to share some of their data related to production practices, product formulation, and operations. CEC may consider using a third party to collect data and conduct project evaluations. They could aggregate and report the data in a manner that will not result in the release of confidential information. CEC should establish how sensitive data might be handled in draft the guidelines to allow for stakeholder comment prior to issuance of the final grant solicitation.
- Regarding AB 1550 Communities and the impact of project funding on disadvantaged communities, CLFP is certain that the bulk of the benefits from the program will address these concerns. A large portion of food processing companies are located in disadvantaged communities. They are often a key component in the local economy, generating jobs, local tax revenue, and commercial activity. Improving energy efficiency will not only reduce GHG emissions but will also reduce criteria pollutant emissions which are of great concern to many communities.

CLFP looks forward to working with CEC to implement FPIP and make the best possible use of AB 109 funding. Hopefully this will be the basis for developing a long-term funding stream to support energy efficiency in the food processing sector.

Regards,

A handwritten signature in black ink, appearing to read "Rob Neenan", with a long horizontal flourish extending to the right.

Rob Neenan  
President/CEO