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Agricultural Energy Consumers Association comments

Please see attached comments.

Additional submitted attachment is included below.

Agricultural Energy Consumers Association

April 6, 2018

California Energy Commission
Docket Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Docket No. 18-MISC-01
Food Production Investment Program

Agricultural Energy Consumers Association (AECA) appreciates the opportunity to provide comments regarding the Draft Staff Report and Draft Guidelines for the Food Production Investment Program. AECA represents the energy interests of major food producers and food processors in California.

AECA has actively participated in the Food Processors Working Group and generally supports the direction of the CEC's FPIP. The program and ongoing funding provided by the legislature is critical for the state's vital food processing sector. Food processors face significantly higher energy and fuel costs as a direct and indirect result of California's ambitious climate policies. This program was conceived to help food processors reduce energy related costs and GHG emissions production, remain competitive with the sector's out-of-state competition and avoid emissions leakage.

AECA provides the following specific comments on the Draft Guidelines.

1) Measurement and Verification (M&V) (page 4)
AECA recommends broadening eligible energy system retrofits to include the reduction of other fossil fuel use as follows:

"All targeted equipment and systems for retrofits must reduce GHG emissions through on-site reductions in electricity, natural gas, and/or other fossil fuels or through the use of low global warming refrigerants."

This critical addition will allow eligibility for important projects that can reduce on-site use of other energy sources such as diesel, propane, or other fuels.

2) Solicitation Procedures (Page 6)

AECA recommends changes to the Tier 1 and Tier 2 funding levels as follows:

Table 1: Funding Tiers

Tier	Percent of FPIP Funds Available	Award Size	Minimum Match
I	Up to 100%	$100,000 - $3 million	40% of eligible costs
II	Up to 50%	$2 million - $8 million	20% of eligible costs

Decreasing the minimum match to Tier II funding is necessary to provide an incentive for companies to undertake larger projects that utilize advanced or cutting-edge technologies and achieve significant GHG reductions. To achieve the significant reductions sought by Tier II, awards will also need to be higher, as suggested above.

3) Prioritization

Under the Draft Guidelines, Tier I projects are limited to only capped entities and Tier II projects are open to all food processors. AECA is perplexed by these eligibility requirements. There has been broad agreement by the food processing sector that both programs should be available to all food processors, but funding availability should be prioritized based on impact from state climate policies, as follows:

1st Priority: Capped facilities (over 25,000 tons)
2nd Priority: Facilities listed on CARB's GHG mandatory reporting or other facilities of companies with capped facilities
3rd Priority: All other food processing facilities

This prioritization is critical to ensure facilities and companies facing the most direct compliance obligations and cost impacts are first in line to receive funding. This prioritization is also fully consistent with the negotiations that led to the creation of the program as part of the Cap & Trade Program extension. These changes are also necessary to allow effective bundling of projects in Tier I.

4) 5 Percent Reduction (page 6)

The Draft Guidelines currently include a definition of significant GHG reduction as 5 percent facility wide. This definition is unnecessary and will lead to unfair advantages for smaller facilities who can achieve higher percentage reductions more easily than larger facilities, even though larger facilities may achieve far greater reductions, but that represent a small overall percentage. Total GHG reductions and GHG reductions per dollar awarded are better metrics, are fully consistent with prioritization, and should be utilized in both programs.

5) List of Technologies

AECA agrees with a list of eligible technologies for Tier I, however, Tier I funding should not be limited to just those listed technologies. **Other technologies that are consistent with Tier I program goals and requirements should also be permitted.** Inclusive is appropriate to ensure viable technologies are not excluded.

6) Bundling

The Draft Guidelines exclude bundling among multiple facilities in Tier I, but allow for it in Tier II. This is counter-intuitive. By their nature, the technologies listed in Tier I are conducive to bundling both within individual facilities and across multiple facilities owned by the same company. Larger, more complex Tier II projects, by their nature, are more likely to be site specific and do not avail themselves well to bundling across multiple facilities. **AECA strongly recommends bundling be allowed in Tier I and can be removed in Tier II.**

7) Separate Solicitations/Phased Allocations (page 7)

AECA strongly discourages the CEC from conducting separate solicitations or phased allocations for Tier I and Tier II programs. Both Tier I and Tier II programs should move forward simultaneously and in unison to fully gauge initial interest and demand for both types of project. The CEC has adequate authority to move funding between the Tiers to adjust based on an actual demand. This can only effectively be accomplished if both programs are solicited at the same time.

Allocation of funding in phases is also not efficient. All funds should be made available during the initial solicitation. If funds remain, a second solicitation can be initiated as proposed. **AECA strongly recommends that this language be removed from the Draft Guidelines.**

8) Preference Points (Page 10)

The scoring criteria should directly reflect higher scoring for proposals that provide higher match, and that provide benefits to disadvantaged and low-income communities. Preference points are also not needed where purchases are made from a California-based vendor.

Higher proposed matching funds will be reflected in project proposals when GHG reductions per dollar of award are considered.

Equally important, benefits to disadvantaged and low-income communities should be directly reflected in the scoring for impacts and benefits. This is an important criterion under California's Climate Investment Program and should be directly reflected in project scoring criteria, not limited to a few preference points.

Preference points for purchasing technology through a California based middle man (vendor) provides little, if any, direct benefit to projects or the state and simply does not warrant special consideration.

9) Use of the term "disruptive" (various pages)

The Draft Guidelines use the term "disruptive" in several places throughout the report.

"Disruptive cutting-edge technologies," "disruptive technologies," and "disruptive GHG emission reductions" are all referenced. AECA believes this to be confusing and unnecessary. AECA suggests this term be removed and the guidelines use the following terms:

"Advanced technologies" and "significant GHG emission reductions"

AECA appreciates the opportunity to provide these comments and looks forward to a successful implementation of the program.

Sincerely,

Michael Boccadoro

Michael Boccadoro
Executive Director