

DOCKETED

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Comment Received From: Emily Rooney

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Food Production Investment Program DRAFT Guidelines

Additional submitted attachment is included below.



April 6, 2018

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

Re: Food Production Investment Program DRAFT Guidelines

To Whom It May Concern:

Agricultural Council of California (Ag Council) is a public policy association representing more than 15,000 farmers across California, ranging from small, farmer-owned businesses to some of the world's best-known brands. Many of our member companies participate in the statewide cap and trade program and could benefit from the Food Production Investment Program (FPIP) currently being drafted by the California Energy Commission (CEC). We thank the CEC for its partnership in the creation of the FPIP and Ag Council appreciates the opportunity to comment on the draft guidelines.

Environmental sustainability is not new to our membership. Agricultural and food processors respond to market forces that require them to achieve certain environmental thresholds and as such, they routinely set internal standards for environmental improvements. Many of our members have the most efficient boilers and equipment available to meet these thresholds and to reduce greenhouse gas emissions, regardless of the current status of the California's cap and trade program.

Food processors participating in the cap and trade program have already invested to minimize their greenhouse gas (GHG) emissions in an effort to reduce costs of the cap and trade program. Ag Council believes the FPIP could be instrumental in incentivizing further, more transformative, GHG reductions throughout the processing industry, if the program is robust and flexible enough to address the unique needs of the industry.

I. Program Design

A) Quantification Methodology

On page four of the draft guidelines, it states that the California Air Resources Board (CARB) GHG quantification methodology is currently under development. Once the quantification methodology is developed, it is expected that all projects funded by GGRF and therefore, FPIP, must use this methodology. However, there is no discussion on timeline or expectations of this methodology.

CEC has created an aggressive timeline, which we support, to get projects funded in an efficient and timely manner. It would behoove CARB and CEC to work together in an expedited effort to get the methodology out in a timely fashion in order for it to be used in the application process for the FPIP.

B) Project Selection Requirements

Program Objectives:

Ag Council supports the two-tiered system created by CEC in an effort to maximize the types of projects funded in the FPIP.

1. Modernization

This tier has a specific list of technologies available for funding through FPIP. Ag Council supports CEC's highlighting of these technologies in an effort to provide certainty for potential applicants. However, we suggest CEC increase flexibility in this area by stating that the technologies available for funding in Tier I are "inclusive, but not limited to," the documented list given that an applicant for funding may have a project meeting the criteria that is not on the list of technologies.

2. Driving the Future

Though a 5 percent GHG reduction in emissions should be the target for awarded projects, we are concerned certain cutting edge "disruptive technologies" may not meet the 5 percent GHG reduction criteria and such projects should not be precluded from funding assistance if funds are available.

Measurement and Verification:

Ag Council recommends broadening eligibility for other important projects that can reduce on-site use of other energy sources such as diesel, propane or other fuels by making the following change.

"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."

Funding:

Ag Council asks CEC to reconsider the 40 percent matching requirements for the project applications. We urge CEC to decrease the minimum match requirement, for example, to 20 percent, for Tier II projects for two reasons:

1. Applicants are taking on significant risk in Tier II projects. A possible alternative to requiring a mandated 40 percent match could be incentivizing an increased match by allowing CEC the flexibility to increase preference points due to the size of the match.
2. Depending on the total cost of the project, a high matching requirement could become a disincentive to invest in Tier II projects because it may be more economically feasible just to purchase allowances on the auction market as opposed to investing in these more expensive technologies.

Additionally, CEC should give itself flexibility to consider assisting in a more meaningful way with larger projects in the Tier II category since it is likely these technologies will be of greater expense. Ag Council recommends making amendments to the Tiers accordingly:

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%	<u>\$2 million - \$8 million</u>	<u>20% of eligible costs</u>

II. Administrative Requirements During Project Implementation

Prevailing Wage

Because projects funded by the Energy Commission are considered public works projects, the FPIP requires that outside contractors shall be paid prevailing wage for their particular trade. The CEC may consider these projects public works projects. However, applicants are not government entities and have separate relationships with independent contractors that are negotiated outside of the terms of the FPIP. This requirement could increase the cost of the project, which counters the incentive the FPIP is hoping to create.

III. FPIP Workshop

On March 29, 2018, CEC held a public workshop on the FPIP in Tulare, California. Ag Council thanks the CEC for hosting a lively and thorough program surrounding eligibility requirements and potential funding criteria. Discussion regarding the program was more in-depth than the DRAFT guidelines provided, so the overall presentation was very helpful. There were a few miscellaneous discussion points worth noting from this workshop:

- **Priority Funding for Capped Entities:** Capped entities are at a competitive disadvantage when compared to their counterparts in other states that do not have to participate in similar programs. Additionally, these companies have already made significant investments in facilities and in the program in an effort to maintain their businesses in California and reduce emissions. Tiers One and Two should be open to all food processors in an effort to reduce GHG emissions industry-wide, which is an underlying goal of the FPIP, with priority funding given to capped entities.
- **NAICS Codes:** Ag Council supports specifying NAICS codes that are eligible for this funding program.
- **Funding requirements:** There was some discussion that labor costs cannot be covered by grant funds nor can they be included in the matching requirements. Labor can be a significant cost in these endeavors, and it is not clear as to the actual determination on this issue. Ag Council urges CEC to allow labor costs to be

included in the grant application process so that the entire cost of the project is truly reflected upfront.

Ag Council thanks CEC for its consideration of our comments. We appreciate the opportunity to continue to work with the Administration to create workable solutions that will reduce GHG emissions throughout the food and agriculture industry. Should you have any questions or concerns, please do not hesitate to contact me at (916) 443-4887.

Sincerely,

A handwritten signature in black ink that reads "Emily Rooney". The signature is written in a cursive, flowing style.

Emily Rooney
President
Agricultural Council of California