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CLFP Comments on Food Production Investment Program

Additional submitted attachment is included below.

May 24, 2019

Ms. Laurie ten Hope
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

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

Dear Ms. ten Hope:

The California League of Food Producers (CLFP) appreciates the opportunity to provide input and comments on the California Energy Commission's Food Production Investment Program (FPIP). CLFP is a non-profit trade association based in Sacramento representing forty-five major industrial food processing companies with operations in California. Our member companies are primarily canners, freezers, dryers and dehydrators of fruits and vegetables. Additional processor members produce a wide array of olive oils, sauces, snack foods, juices, cheese and dairy products and specialty products.

CLFP fully supports the continuation of the FPIP program and supports changes necessary to ensure it continuation and to strengthen the program against government termination. However, such changes or modifications should keep foremost the goals of the program. FPIP was created to provide grants to California's food processing industry to incent GHG emissions reductions associated with energy use through an accelerated adoption of advanced energy efficiency and renewable energy technologies at California food processing plants.

CLFP cannot stress enough how unique this program is in comparison to other state grant and incentive programs. FPIP was designed specifically with food processors in mind. It is also the only state program that actually directs Cap-and-Trade Auction funds money back to facilities and companies subject to greenhouse gas reporting requirements. Moreover, the program exemplifies streamlining by purposely eliminating the necessity of having the applicant provide a complicated energy savings analysis in favor of requiring a simple submission of measurable GHG emission reductions.

Additionally, the program was specifically designed to accommodate the operational realities of both annual operations and seasonal operations prevalent in California's food processing industry. Moreover, the program was deliberately stripped of superfluous bureaucratic requirements.

For instance, the program intentionally excluded concepts common to utility incentive programs under CPUC authority. For some food processors items such as "Industry Standard Procedure", “free ridership”, “ex ante review”, and “useful life” have been barriers, unnecessarily dooming or otherwise delaying by months/years the approval of worthwhile projects.

It is CLFP’s hope this program becomes the state-wide model for all large industrial incentive/grant programs.

CEC’s perceived need to change the program due to participation levels falling below expectations should not be the basis for either major changes or program termination. Industry’s sluggish participation is more likely due to the food industry’s expectation of a difficult application process based on past experience with grant funding opportunities. CEC needs to increase outreach efforts emphasizing the uniqueness of this streamlined application process. CLFP will work with the CEC staff to advance this message throughout the industry.

CLFP Responses to Questions and Proposed Changes

1. What other technologies should be considered for Tier I or Tier II and why? Provide justification and references for suggested additions.

Expand Eligible On-site Mobile Assets -- The list of eligible technologies under both Tier 1 & 2 do not include mobile technologies. However, one applicant was awarded funding for a Tier 2 electrification project designed to allow stationary reefers to run on electricity instead of diesel. CLFP recommends that CEC consider expanding the eligibility of on-site mobile electrification projects in Tier 2 that encourages encourage projects such as fuel switching, or actual replacement of heavy-duty diesel trucks used as yard vehicles. For instance, though each company may have only 1 or 2 trucks, yard trucks tend to be the oldest and dirtiest. Moreover, there are literally thousands of small to large scale operations (warehouses, packing houses, food processors, farming operations) throughout the valley using yard trucks to move trailers each day, 24/7, during the harvest season and beyond.

Strategic Energy Management (SEM) Program Eligibility - The California Investor Owned Utilities are currently offering Strategic Energy Management (SEM) programs using ratepayer funds to improve energy efficiency of industrial customers and consequently, reduce their greenhouse gas emissions. Objectives of SEM are to improve an organization’s management of energy by 1) integrating energy focused continual improvement practices into existing business operations, 2) implementing energy efficiency projects, and 3) reporting facility-wide energy performance improvement.

SEM programs are not a one-time action but require an on-going commitment to energy management and often result in continuous improvements. Across the country, SEM programs have proven successful for both industrial facilities and ratepayers by significantly reducing energy consumption in the industrial and commercial sectors.[1]

As part of California's SEM program, industries identify and prioritize projects that will save energy and reduce GHG emissions. Participants receive ratepayer funded incentives for reductions in energy and by association GHG emissions resulting from implementing these projects and other actions. More than a dozen food production facilities are actively participating in California's SEM programs. Due to limited state incentive funds, not all identified projects are implemented.

An excellent use of FPIP funds would be to augment California's existing SEM programs. The funds would further incentivize SEM participants to complete projects underway and provide capital to fund additional projects resulting in additional GHG savings. By allowing for the use of FPIP funds for projects identified as part of an SEM program, the state can leverage funds from two public purpose programs to accelerate GHG emissions reductions within the food production sector.

Additionally, CLFP recommends that any food processor currently participating in the SEM program receive preference points acknowledging such or possibly a reduction in matching funds required under either Tiers 1 & 2.

2. Currently, Tier I projects are providing up to 100 percent in match (35 percent minimum required) and Tier II projects are providing up to 20 percent in match (15 percent minimum required). What adjustments, if any, should be made on the match funds requirement?

While the match fund ratio is generous for Tier 2, CEC should consider reductions in the match funding for Tier 1.

3. The Energy Commission is providing three months for the application period. Is this sufficient time? Should the Energy Commission include a second deadline in the solicitation to applicants who need more time to prepare its application?

CLFP supports the proposed changes to the application deadlines. Providing two deadlines will aid companies that require additional time to meet the requirements of the solicitation whether in acquiring match funds or other business-related requirements.

4. What adjustments, if any, should be made on the criterion that provides preference to capped facilities that emit more than 25,000 metric tons of CO2e annually or to uncapped facilities that emit between 10,000 and 25,000 metric tons of CO2e annually?

The CEC as indicated that it is considering reductions in the preference points for capped industries in order to facilitate non-capped companies. CLFP position is strongly in favor of the current

[1,2] Burgess, J et al. 2014, *Industrial Strategic Energy Management Initiative*. Consortium for Energy Efficiency: https://library.cee1.org/content/cee-industrial-strategic-energy-management-initiative/

preference point system which favors capped facilities, as the FPIP was designed by and for food processors. However, CLFP recognizes that anything less than 100% encumbrance of the funds in eligible projects could put the program at risk. Staff is recommending reducing the scoring preference points as follows:

- Reduce capped facilities from 20 points to 10 points
- Reduce uncapped facilities from 10 points to 5 points.

One solution might be to consider dividing the point preference reductions between the two solicitation deadlines. Capped and uncapped facilities that can submit applications to meet the first deadline will be awarded full points. Applicants taking advantage of the second deadline will receive the reduced points.

5. What other program requirements have been a barrier for application (e.g., securing match funding commitment letters)?

In response to this question CLFP provides a number of suggested changes for consideration by CEC:

1. **Reduce the match**. Difficult for entities to come up with 35%. Suggest 15% for Tier I and 10% for Tier II.
2. **Require life span of the project and supporting rational.** Give examples of life spans or expected life spans in the solicitation guidelines.
3. **Require CO2e emissions for entire facility.** Facilities that report emissions to CARB should include the most recent reported values in the application to the CEC. Facilities that do not report emissions to CARB should estimate their emissions per CARB procedures and include that value in the application to the CEC.
4. **Require CO2e savings of project over the life span of the project**. With a clear methodology, this will allow for a clearer comparison between projects and better sense of how a project may relate to emission reductions other facilities
5. **Require electricity and natural gas demand for the previous year for the entire facility.** Same comment as in 4 above.
6. **Clarify the objectives of the M&V program and specify a simple, consistent reporting methodology to present the results.** M&V is important to demonstrate simply and consistently that the project was implemented and present the resulting savings in energy use and GHG emissions. The CEC should consider having one entity perform all of the M&V to allow for a consistent approach and comparable data.

7. **Allow mobile asset projects that "touch" the facility.** Examples of these are electric yard trucks, forklifts, tugs, grid powered truck refrigeration units located at/used by the facility, electrification of truck fleets. All of these can reduce GHG emissions associated with a facility and helps achieve the overall goal of the program.

8. **Encourage traditional renewables**. These also can reduce GHG emissions associated with a facility and helps achieve the overall goal of the program.

9. **Encourage biofuel projects located at the facility**. These also can reduce GHG emissions associated with a facility and helps achieve the overall goal of the program.

10. **Include savings potential in scoring, particularly Tier I projects.** Provide a clear rubric for scoring including point breakout for: CEC $ / ton saved, total saved, and total saved / facility baseline emissions.

Finally, CLFP believes that requiring a statement from applicant of why public funds have made this project possible and would not have been undertaken without state money would be beneficial.

CLFP looks forward to working with the Commission and the FPIP staff to further improve the FPIP.

Sincerely,

JOHN LARREA
Director of Government Affairs