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Submitted On: 12/16/2022  
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**NCPA Comments on the CEC's Clean Hydrogen Program Proposal**

*Additional submitted attachment is included below.*



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**Subject: Northern California Power Agency Comments on Clean Hydrogen Program  
Docket Number 22-ERDD-03**

The Northern California Power Agency (NCPA)<sup>1</sup> appreciates the opportunity to provide these comments regarding the California Energy Commission’s (CEC) Clean Hydrogen Program. As noted by the CEC in its draft 2022 IEPR Update,<sup>2</sup> the current California budget year commits \$100 million toward establishing “a hydrogen program to provide financial incentives to in-state low carbon hydrogen production through electrolysis or biofuels using renewable energy.”<sup>3</sup> NCPA supports this effort and applauds the Commission for shaping a proposal that meets these fundamental objectives.

NCPA offers the following answers to the questions posed to industry during the recent Clean Hydrogen Program workshop on November 1.

**Questions for Stakeholders Regarding Scope**

- 1. Are the proposed topics a feasible and impactful approach for promoting clean hydrogen’s role in helping California achieve deep decarbonization? If not, what are your recommendations?*

The proposed topics in the Clean Hydrogen Program proposal represent a feasible approach for promoting the deployment of clean hydrogen in California. Efforts in California to deploy hydrogen should be focused on expanding the productive capacity of hydrogen inside

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<sup>1</sup> NCPA is a not-for-profit California joint powers agency whose members include the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District, and who collectively serve nearly 700,000 electric consumers in Central and Northern California.

<sup>2</sup> CEC Docket 22-IEPR-01

<sup>3</sup> CEC Draft IEPR Update, November 2022, Page 84.

California. In the near term, the CEC program can be most effective by helping to reduce the cost of capital investment that could be quickly deployed to produce hydrogen. At this point, the U.S. Department of Energy (DOE) “Hydrogen Shot” is focused on bringing down the long-term cost of producing hydrogen. California can better focus on spending the \$100 million available from the state budget by having the CEC fund projects that can produce hydrogen at scale today, and leave the question of reducing the cost of hydrogen production in the long-term to DOE.

- 2. Are the proposed scales and funding allocation feasible and effective? Are there other scales, technological parameters, and funding levels that we should consider?*

In general, the proposed scale and funding allocation for the \$100 million program appears to be feasible and effective. However, given that project funding from federal IIJA-related projects will not likely be available until 2024 at the earliest, the CEC may wish to consider redirecting the proposed \$20 million allocation for federal cost sharing. Instead, to take full advantage of projects that can be available in 2023, adding \$20 million to the \$40 million already proposed to fund large-scale centralized hydrogen production projects will facilitate further development of hydrogen production capacity in California.

Regarding funding approaches, NCPA recommends using competitive grants in this regard, as it will provide a more straightforward manner to fund commercially available technologies, such as electrolyzers.

- 3. What types of technologies are sufficiently mature to support widescale production and use of clean hydrogen? Would a stronger focus on pilot-scale technologies support cost-effective clean hydrogen production?*

Electrolyzers are sufficiently mature to support widescale production and use of clean hydrogen. The CEC and others have identified that the deployment of electrolyzers could spur the use of hydrogen for transportation and power generation. The issue at hand is the cost of such equipment, which could be addressed by the availability of financial incentives from the CEC’s Clean Hydrogen Program. Funding through the Clean Hydrogen Program could significantly increase hydrogen production capability and support the reduction in emissions for the transportation and power generation sectors. This effort would be supported by further reductions in production costs resulting from the DOE work.

### **Questions for Stakeholders Regarding Proposed Requirements and Considerations**

- 1. How should we weigh different benefits, and which should we be prioritizing the most?*

Considering that all of the \$100 million for this program comes directly from the California State Budget, all the funding should be made available to projects located exclusively in California and constructed with local labor resources. Doing so ensures that all residual benefits will

remain in California, including support for building California jobs and a growing tax base that will support future General Fund expenditures.

*2. How do water concerns impact the success of the prospective projects?*

To the extent practical, the CEC should articulate a preference for prospective projects that utilize recycled or treated wastewater and not impact potable water resources. Given the growing demand for water across the state and ongoing drought conditions, any project requiring the use of water should strongly be encouraged to rely on wastewater.

*3. What criteria should the CEC consider for equity benefits?*

The CEC could consider including scoring criteria in the awarding process to identify how the hydrogen will support equity communities.

*4. Should CEC set requirements regarding end use (offtake agreements, commitment letters)?*

The CEC should consider requirements that seek and evaluate a projects technical feasibility, financial projections, and labor qualifications completing similar projects and operational activities.

*5. What safety considerations should CEC include as requirements?*

These issues will be addressed in the project permitting and approval phases.

*6. Are there permitting concerns, and if so, how should they be addressed in future solicitations?*

Proposed hydrogen production projects being sited at locations with existing permits and/or similar operations should be prioritized.

## **Conclusion**

NCPA is committed to the increased use of hydrogen for power generation and transportation needs, as our members look to reduce their carbon footprint. We appreciate the CEC's thoughtful approach in developing its Clean Hydrogen Program proposal and trust that these comments will provide additional insights to help the CEC finalize a program that will reduce carbon emissions and benefit all Californians.

December 16, 2022

NCPA Comments to California Energy Commission Regarding Clean Hydrogen Program, Docket 22-ERDD-03

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Respectfully submitted,

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

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