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Scale's Comments on Food Production Investment Program (FPIP) Workshop

Additional submitted attachment is included below.

May 12, 2023

California Energy Commission
Docket No. 23-ERDD-05
715 P Street
Sacramento, California 95814
[submitted electronically]

RE: Scale Microgrid Comments on the April 18, 2023 Staff Workshop on the Food Production Investment Program

Scale Microgrid (Scale) appreciates the opportunity to submit comments to the California Energy Commission (CEC) on the April 18, 2023 Staff Workshop on the Food Production Investment Program (FPIP). At the meeting, CEC staff provided an overview of additional FPIP funding provided by the California General Fund. Staff also shared a new vision for FPIP to focus not only on projects that reduce greenhouse gas (GHG) emissions but also on projects and technologies that bring benefits to California's electrical grid.

Scale is excited to bring microgrid solutions in support of these FPIP goals. However, in order to allow for more parties to participate in upcoming FPIP solicitations, Scale encourages the CEC to update its rules related to equipment ownership to reflect new and evolving business models, including third-party ownership models.

About Scale
Scale is a vertically integrated distributed energy platform, with a core focus on designing, building, financing, owning, and operating cutting-edge distributed energy assets that offer cheaper, cleaner, and more resilient power. Our team of energy and financing experts accelerates the adoption of sophisticated distributed energy assets while also directly helping large energy-consuming customers future-proof their businesses. We build the world's most cutting-edge advanced microgrids that are the fundamental building blocks of a clean, resilient, and equitable 21st-century electric grid.

Scale Supports the Inclusion of Microgrids in the FPIP Program
Scale strongly supports the inclusion of microgrids and associated equipment as eligible technologies for FPIP. Microgrids are uniquely positioned to help food producers reduce GHGs by both providing clean energy and facilitating the electrification of manufacturing processes by reducing energy costs. Additionally, microgrids help to reduce the strain on our electric grid by reducing demand during the evening net peak period. Lastly,

while providing resilience is not an explicit goal of FPIP, the security of electricity supply is extremely important to food processing, as products can be sensitive to temperature changes, and ensuring the facilities have backup power in the event of grid outages is critical for food manufacturers.

Scale Encourages the CEC to Allow for Third-Party and Other Diverse Ownership Models for FPIP-Funded Equipment

While microgrids will be an important technology type for achieving FPIP funds, investment in microgrid equipment requires significant capital investments that food processors are unable to make on their own. This is why FPIP funding is crucial to supporting the adoption of climate and grid-supporting technologies in the food processing segment of California's economy.

However, currently, FPIP will only fund projects where the food processor themselves owns the equipment being funded by the grant. This is because the Applicants to FPIP grant funding opportunities (GFOs) must be eligible food processors, and the terms and conditions of the FPIP program require that the "*Title to equipment acquired by the Recipient with grant funds will vest in the Recipient*,"[1] However, requiring the food processing facilities themselves to own the equipment will significantly reduce the number of entities that are able to participate in the program and will limit how far funding can go to support projects.

At the workshop, CEC staff laid out a proposed grant funding cap of $3 million per project and a matching requirement of at least 25%, which is $750,000 for applicants seeking the full funding amount. In scenarios where projects approach or even exceed a total cost of $3,750,000, having match funding in the form of cash, financing, or additional grants that allow for full ownership of equipment can be challenging.

Currently, many customers use a variety of ownership and financing models to make microgrids an economically viable investment. In particular, Scale uses an "as-a-service" model that allows Scale to own equipment installed at a given facility and provides energy and resiliency services to the customer. Customers have full access to the energy produced by the microgrid and equipment is operated in a way that meets customer needs as they evolve over time. The service model typically results in positive cash flow (savings) immediately and requires no capital upfront. Importantly, Scale remains liable for equipment performance and is responsible for equipment maintenance and repair in order to ensure the microgrid meets performance guarantees for the duration of the contract. In addition to the customer benefits outlined above, third-party ownership models allow sophisticated energy professionals to operate assets that provide benefits to the grid and participate in market operations, thus benefiting the grid by providing flexible services. There are many services that microgrid assets can provide including emergency and non-emergency demand response, resource adequacy capacity, and ancillary services. However, microgrids or other energy systems

[1] *Food Production Investment Program (FPIP) Standard Grant Terms and Conditions* at p.17. Available at: https://www.energy.ca.gov/sites/default/files/2020-02/FPIP_Grant_TCs_ada.pdf

owned by host customers and simply maintained by technicians are often not leveraged for these programs due to the energy expertise that is needed to provide these services.

Many customers prefer these third-party ownership options in order to reduce the need for capital expenditures, significant lines of credit for financing, or the risk of facing unexpected costs and liabilities from underperformance or faulty equipment. Expanding FPIP funding to these types of ownership arrangements will allow for additional food processors to install GHG-reducing equipment at their facilities by reducing the aforementioned challenges. Additionally, expanding ownership models can also allow for projects to become economically viable with less funding support from FPIP, allowing for funding to support more projects. For these reasons, Scale encourages consideration of all ownership models for FPIP-funded equipment.

Conclusion
Scale is fully committed to helping California advance energy and decarbonization technologies to support electrical grid reliability and reduce GHG emissions. FPIP is a critical program for ensuring that California's food producers can invest in new advanced technologies and equipment. As FPIP evolves towards supporting microgrids and other technologies with grid benefits, the CEC should allow projects with third-party-owned equipment to participate in the program.

Sincerely,

/s/ Shea Hughes

Shea Hughes
Director of Business Development
Scale Microgrids