

## DOCKETED

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### ARFVTP: 3103 Regulation Response Form

1. What are the possible impacts for your project with the credit discount provision and the timeframe for when you expect to generate credits.

The economics of the City of Napa anaerobic digestion/biomethane fuel project are very challenging and the possibility of realizing revenue from LCFS credits and RINs is key to a positive cash flow. As we understand it, revenue from credits generated during the term of the agreement would be discounted proportionately based on the CEC funded fraction of the total project budget if sold during a period of 3 years following termination of the agreement. The CEC has expressed interest in substantially prolonging the agreement for the purpose of receiving data over a longer time frame than required by the solicitation (6 months), which the City of Napa would support, if it were not for the substantial financial cost that a contract extension would cause, although the actual cost can't be predicted as it is a market. The discounting of credits generated by entities that "opt-in" to the LCFS has the effect of subsidizing conventional fuel producers and penalizing low carbon intensity fuel producers, an irony that wouldn't seem to be the intent. It should also be noted that the value of credits may decrease going forward to 2020 and the credits may be discounted during the period that credits are most lucrative. The CEC should also understand that there are significant transaction costs involved in participating in these programs in the form of establishing a carbon intensity with CARB and fulfilling reporting requirements. The discount provision negatively affects the project economics, creates a disincentive to agree to a longer term agreement and interjects an additional aspect into the decision to bank or sell credits.

2. We would also like to provide you the opportunity to provide a statement for our record.

The discount provision can significantly affect project economics, creates a disincentive to agree to a longer term agreement or a contract extension, and interjects an additional aspect into the decision to bank or sell credits. The City of Napa supports eliminating this provision from the ARFVTP grant agreement.