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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 Blue Line Transfer Biogenic CNG Facility 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 proportionately split with the CEC if sold during a period of 3 years following termination of the agreement. Blue Line Transfer understood this provision when entering into the agreement, but of course, it was a condition of receiving the grant funding. Because of the discount provision Blue Line Transfer is incentivized to strictly follow the agreement provision of 6 months of operational data collection and submittal of a final report to reduce the time frame during which the value of credits would be shared with the CEC. It should also be noted that the value of credits may decrease going forward to 2020 and the CEC may derive their share 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. Particularly, with small projects such as ours, the transaction costs are substantial and influence the decision as to whether to opt-in; the discount provision serves to add another economic hurdle to helping the State meet its AB 32 goals. The discount provision negatively affects the project economics, creates a disincentive to agree to contract extensions 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.