

DOCKETED

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From: [Shawn Garvey](#)
To: [Rillera, Larry@Energy](#)
Cc: [Andy Foster](#); [Lyle Schlyer](#); [Paulk@pacificethanol.net](#); [John. Elizabeth@Energy](#)
Subject: Re: ARFVTP 3103 Regulation
Date: Friday, October 10, 2014 8:49:33 AM

Larry:

Thank you for forwarding this.

I'll imagine this issue is being raised with multiple different entities because the question has come up for several biodiesel and biomethane producers over the last week.

Can you give us an exact status of the reconsideration process for this Special Terms and Conditions? I'm guessing many CEC project partners are under the belief that this provision is under consideration for repeal. I'll also guess that many believe that during the reconsideration process they are temporarily at least relieved from this restriction.

As you are aware, this is a noxious provision for a number of producers who are operating on the tightest of margins (if any, at times) and require the full benefit of credits in order to make their projects pencil.

I might suggest if this has become an issue of concern inside the agency that some type of webinar or hearing is conducted? The lack of clarity on the process could be a significant problem for many partners and the lack of certainty on such an important issue for such a long period of time is a fairly significant obstacle to some developers and has kept others out of the CEC process altogether.

Thoughts? Trying to be helpful. Should the three sectors -- ethanol, biodiesel and biomethane -- request a formal meeting, and with whom?

/shawn

On Thu, Oct 9, 2014 at 4:28 PM, Rillera, Larry@Energy <Larry.Rillera@energy.ca.gov> wrote:

Hi Paul, Andy, and Lyle,

I am contacting you today to seek your input on the Alternative and Renewable Fuel and Vehicle Technology Program's (ARFVTP) 3103 regulation. This regulation has begun affecting some of our projects, so I want to make sure that you are fully informed of its requirements, and allow you the opportunity to let me know if and how it will affect your grant.

If you are not already aware, our Program Regulations contain a provision called the "credit

discount provision.” Pursuant to California Code of Regulations, title 20, section 3103(b), if a company receives an ARFVTP grant and then seeks to sell or trade credits resulting from the grant award, the company will need to discount the value of the credit in proportion to the ratio of our initial funding award to the total project costs. This includes credits generated through California’s Low Carbon Fuel Standard (LCFS), U.S. EPA’s Renewable Fuel Standard, and any cap and trade programs, except for voluntary programs. This credit discount provision is discussed in our Special Terms and Conditions (attached).

As 3013(b) currently reads, credits must be discounted in proportion to the funding received from the Energy Commission for the project, according to the formula below:

$$\text{Value for recipient use} = (\text{Fair market value of credits}) \times (1 - [\text{Commission Share} / \text{Total Facility Costs}])$$

For example, if the fair market value of credits is \$500,000, the total project cost is \$10,000,000, and the total funding awarded by the Energy Commission to the project is \$5,000,000, then the credits after discounting would equal \$250,000. $(500,000) \times (1 - [5,000,000 / 10,000,000])$.

As we understand this provision, if, during the term of the agreement or for a period of three years thereafter, you transfer credits generated by the project during the term of the agreement, you shall demonstrate to the Energy Commission that the value of the credits were discounted properly as described above.

The Energy Commission has issued an Order Instituting Rulemaking to consider amendments to section 3103. The Energy Commission intends to review and potentially eliminate section 3103(b). However, in the meantime, we would like to ask each of you to fill out our 3103 regulation response form, which is attached to this email.

Please respond to this email by **October 23, 2014**. Feel free to contact me at any time for questions or concerns.

Thanks.

Larry Rillera

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The Grant Farm connects renewable energy professionals with public and private grants, loans, incentives and investment.

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