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Phase II Draft Grant Funding Opportunity - DROUGHT RESPONSE DOCKET 15-WATER-01, WATER ENERGY TECHNOLOGY PROGRAM

Additional submitted attachment is included below.

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September 1, 2015

Sent via email to: docket@energy.ca.gov

Pamela Doughman
California Energy Commission

SUBJECT: DROUGHT RESPONSE DOCKET 15-WATER-01, WATER ENERGY TECHNOLOGY PROGRAM

Dear Ms. Doughman:

The Bay Area Biosolids to Energy Coalition (BAB2E) supports the Governor's directive from Executive Order B-29-15 to invest in the deployment of innovative water management technologies. We appreciate the opportunity to comment on the proposed Water Energy Technology (WET) Program, specifically the proposed $16 million allocation in competitive grant funding for Phase 2 WET Program eligible projects in the commercial, industrial, and residential Sectors. Following are comments in response to specific input requested by the Energy Commission.

1. *How can this draft GFO best complement efforts to reduce on-site GHG emissions and improve water efficiency in the commercial, industrial, and residential sectors? What specific changes would you suggest to the GFO to best accomplish this?*

   There are a number of ways to improve the draft GFO, with some additional recommendations given in other numbered responses below. In general, the Energy Commission could improve the draft GFO by developing a program that is broad and flexible enough to consider the range of new and emerging technologies that may have significant benefits once replicated. Additional restrictions or language limiting new technologies may not meet the program goals to accelerate deployment of innovative water and energy saving technologies. As a general example, the Energy Commission has added the word "significant" in front of greenhouse gas reductions, which is not included in the Governor's Executive Order, nor is it included in the proposed Air Resources Board (ARB) *Funding Guidelines for Agencies that Administer California Climate Investments*. It is understood that GHG reduction is a project requirement and quantification could be used to prioritize funding, but there is concern about the Energy Commission adding an undefined term to the program in a way that could unduly prevent new technologies that are truly innovative from competing for needed funds. We continue to suggest that this word be dropped from the program description.

2. *What specifications and/or criteria are needed to ensure the purpose, instructions, and eligibility requirements are clear?*

   It is unclear what quantification methodology will be required for applicants to explain project GHG emission reductions and co-benefits. The ARB has not yet posted quantification materials or methodology for this

program on their website, or finalized their guidelines to funding agencies. It is difficult to comment on specific criteria when Phase 2 comments on this GFO are due today and the ARB document is still draft.

3. *What grant award amounts would be most appropriate and what percentage of the project cost would this represent?*

We strongly recommend a grant cap of $5 Million for industrial projects under Phase 2 with a 50% cost share, or GFO language that clearly provides the Energy Commission with flexibility to increase the grant award cap. Possibly, this flexibility is intended on page 7 of the first bullet under item 4, stating that the "Energy Commission reserves the right to increase …the maximum award amounts and percentage of overall project cost described in this section…" Other sections of the draft GFO state that the maximum award is capped at $1 Million. We recommend a higher grant cap or explicit flexibility to increase the cap in order to meet funding needs for innovative industrial projects.

Raising the grant cap from $1 M to $5 M does not obligate awards in this amount, but it does give the Energy Commission flexibility to provide adequate grant funds for innovative industrial projects that may cost significantly more than $ 2 M, and can be deployed across California and meet the Governor's intent. This is especially critical for the new WET program given draft GFO language that prevents a project from receiving any other grant awards from the Greenhouse Gas Reduction Fund (GGRF). The $1 M grant cap without the ability to apply any other GGRF awards may severely limit the intent to accelerate deployment of innovative industrial water and energy saving technologies. We do not want a duplication of funding programs, but since this new program is intended to fund *innovative technology* that is *commercially available* yet *not widely deployed*, higher grant caps and funding levels are needed.

As stated in our previous comment letter of June 12, 2015, innovative technologies that have not yet been commercially deployed often need significant financial investment to move forward. In order for these innovative technologies to be deployed commercially across California, they must successfully cross the "valley of death" phase of technology investment, which requires significant capital investment. For many innovative industrial technologies, a $1 M grant is not even adequate for a successful pilot or demonstration facility, let alone broad commercialization. As stated in our May 28, 2015 comment letter to the State Water Resources Control Board on their adoption of the State Fiscal Year 2015-2016 CWSRF Intended Use Plan (attached), we frequently see a desire by funding agencies to try to spread limited grant funds to many projects, which may be admirable from an equitable allocation perspective, but possibly ineffective for actually achieving implementation of the desired innovative water and energy saving technologies. While this initial round of funding is limited to $30 M for the entire program, it is hoped that future rounds will receive larger program budget allocations through the GGRF, as the cap-and-trade program is anticipated to provide Billions of dollars in state revenue over the coming years. Again, we ask that the Energy Commission consider a higher grant cap or the flexibility to award a higher grant cap, preferably up to $5 M with a 50% cost share.

4. *How can this phase of the WET Program best bring benefits to disadvantaged communities*?

While we understand that SB 535 required CalEPA to identify disadvantaged communities (DACs), we are concerned about the use of CalEnviroScreen 2.0 as the tool for determining DACs and allocation of funds. The Bay Area is home to 17% of the state's residents living in poverty and yet, according to CalEnviroScreen, less than 3% of its residents live in disadvantaged communities. We see a different picture when other State guidelines and DAC definitions are used, such as the California Department of Water Resources (DWR) definition of DAC from the 2015 Proposition 84 IRWM Guidelines. This specifies DACs with an annual median household income (MHI) that is less than 80 percent of the Statewide annual MHI (PRC Section 75005(g)). This information is provided in an on-line DAC mapping tool showing data layers by census place, census tract, and census block group http://www.water.ca.gov/irwm/grants/resources_dac.cfm

We understand that CalEnviroScreen encompasses more than just income, but are concerned that it may be underrepresenting disadvantaged communities in the Bay Area. Will this GFO also add the ARB criteria from the Step 2 process for determining benefits to DACs? Specifically, should this GFO also include or allow

criteria for a project providing direct, meaningful and assured benefits to a DAC (Step 2) as listed in Appendix 2.A-5 of the June 16, 2015 draft Air Resources Board *Funding Guidelines for Agencies that Administer California Climate Investments*, Volume 2?

5. *What is the capability of obtaining utility data for pre- and post-energy and wateruse? If utility data are not available, how will pre- and post-results be documented*?

   Industrial facilities, such as water and wastewater treatment facilities, have significant capability to obtain energy and water data. To that end, requiring three years of post-project monitoring by an independent third party to show GHG emission reduction and energy and water savings is concerning due to additional time and costs that it would add to a project. Many water and wastewater treatment facilities are accustomed to gathering and analyzing utility data and certifying water quality test results to regulatory agencies. Possibly, an authorized representative of a public water or wastewater facility could provide a similar signed certification for data that are available (water and energy savings), taking the place of monitoring by an independent third party for this information.

   We acknowledge that not every project that can meet the program intent involves an improvement in efficiency to existing processes with a simple before and after calculation. In these situations, it is unlikely that there will be meters that will provide readouts of energy and water use. New methods and technologies that replace current GHG generating methods and processes, such as replacing truck transport with an on-site technology, should be eligible and considered, and may need alternative methods to calculate and demonstrate baseline and post-project utility and emission data. In this case, engineering calculations citing references to formulas and assumptions can be used to show GHG emission reductions, as well as water and energy savings.

We believe that California is a leader in new innovation and we encourage the State to use this opportunity to move new water and energy technology forward. We strongly encourage the Energy Commission jointly with the Department of Water Resources (DWR) and the Water Board to develop a program that is broad and flexible enough to consider the range of new and emerging technologies that will have significant benefits once replicated and deployed across California, and to seek and provide adequate grant funding for projects, both now and in future budget years.

Thank you for considering these comments.

Sincerely,

Paul Kelley

Paul Kelley
Executive Director
Lead agency for the Bay Area Biosolids to Energy Coalition

Attachment: May 28, 2015 comment letter from the BAB2E Coalition to the State Water Board

Bay Area Biosolids to Energy

(925) 756-1900 · bayareabiosolids.com

May 28, 2015

Sent via email to: commentletters@waterboards.ca.gov

The Honorable Felicia Marcus, Chair
and Members of the State Water Resources Control Board
c/o Jeanine Townsend
Clerk to the Board
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

SUBJECT: 6/2/2015 BOARD MEETING ITEM 8: CONSIDERATION OF A PROPOSED RESOLUTION TO ADOPT THE STATE FISCAL YEAR 2015-16 CLEAN WATER STATE REVOLVING FUND INTENDED USE PLAN

Dear Chair Marcus and Members of the Board:

The Bay Area Biosolids to Energy Coalition appreciates the opportunity to comment on the State Water Resources Control Board's potential adoption of the State Fiscal Year 2015-2016 Clean Water State Revolving Fund Intended Use Plan (IUP). We support the proposal to promote efforts to address climate change by directing principal forgiveness funds toward projects addressing water and energy efficiency, mitigation of stormwater runoff, or sustainable project planning, design, or construction. One change we would like the Board to consider is an increase in the principal forgiveness cap from $2.5 million up to $5 million. We understand that the overall principal forgiveness funds are limited (estimated $30 million for the Federal Fiscal Year 2015 Grant), and we also understand that there are projects with significant funding needs. We believe that raising the cap does not obligate this amount in principal forgiveness for projects, but rather gives flexibility to provide additional subsidization that may be needed for eligible projects.

The Bay Area Biosolids to Energy Coalition is comprised of 19 wastewater agencies working together to implement a regional biosolids management solution that maximizes the renewable energy potential in biosolids and minimizes greenhouse gas emissions. The Coalition has selected an innovative hydro thermal water oxidation technology to implement and has been exploring financing options and seeking grants. Unfortunately, this new technology is not a good fit for existing state or federal grant funding opportunities. Without adequate financial assistance, implementing this cutting-edge project will result in biosolids management costs that are two to three times higher than current options, and therefore, not likely to get approval from the public agency decision makers. The Coalition needs both good financing terms and grants in order to implement this project. A Clean Water State Revolving Fund (CWSRF) loan and $5 million in principal forgiveness could allow the Coalition to implement this technology, and pave the way for a new and beneficial approach to biosolids management for agencies throughout California.

The current principal forgiveness proposal in Table 4b in the IUP offers up to 50% of total project costs with a $2.5 million cap. While 50% sounds significant, there are only 5 of 39 Green Project Reserve (GPR) projects identified in Table 2 of the IUP that are less than $5 million in total financing costs. Twelve of the 39 GPR projects are $10 million or less. We frequently see a desire by funding agencies to try to spread limited grant funds to many projects, which is admirable from an equitable allocation perspective, but may not be effective from a financial need perspective for implementing innovative GPR projects.

The CWSRF is a critical financial tool for public agencies, and we are pleased by the additional authorities and subsidization options now available to the State Water Resources Control Board. Please consider maximizing these opportunities for projects that can provide new innovation and help California meet its water and energy efficiency goals and address climate change issues. Thank you for your consideration of these comments.

Sincerely,

Gary W. Darling
General Manager, Delta Diablo
Lead Agency for the Bay Area Biosolids to Energy Coalition

JS/GWD:dj

cc: District File No. P.10089.03.04
Chron File