

Questions & Answers

GFO-15-606: Community-Scale and Commercial-Scale Advanced Biofuels Production Facilities

October 24, 2016

ADMINISTRATION/PROCESS

1. ***Now that pre-applications have been approved, when will Applicants have access for full application submittal in the online system?***

The online submittal system for GFO-15-606 full application submittal is now accessible under the title "GFO-15-606 – Phase 2."

FUNDING

2. ***Is the maximum funding per project only limited by the \$3M plus Performance Multiplier calculation? For example, if the annual fuel production capacity was 35M DGE, would the maximum award be \$8,250,000?***

The maximum award available for a project is \$6 million, regardless of production capacity. Please see Addendum 3.

MATCH & ELIGIBLE PROJECT COSTS

3. ***Where personnel rates are increased annually, should applicants only include a line item for the maximum rates used for the final year?***

Yes, on the Direct Labor tab of the Attachment 4 Budget Forms applicants must insert the maximum rate to be charged during the approved term of the agreement.

FULL APPLICATION

4. ***What is the basis of staff's statement that landfill gas (LFG) is a lower priority feedstock in current policy? Given the potential GHG impacts of waste management activities, landfills were identified as an early action regulation under AB32. Which policies are staff referring to that suggest that LFG is a lower priority, and how will this impact the scoring?***

On August 16, 2016, the Energy Commission released addendum #2 for GFO-15-606 which, in part, added language under the Sustainability scoring criterion to prioritize pre-landfilled organic waste streams. Projects using LFG are still eligible under this solicitation. With everything else being equal, proposed projects (using LFG or other feedstocks) that contribute to the diversion of organics from landfills will score higher in accordance with the Sustainability scoring criteria.

In October 2014, Governor Brown signed AB 1826 Chesbro (Chapter 727, Statutes of 2014), requiring businesses to recycle their organic waste on and after April 1, 2016, depending on the amount of waste they generate per week. This law also requires that on and after January 1, 2016, local jurisdictions across the state implement an organic waste recycling program to divert organic waste generated by businesses, including multifamily residential dwellings that consist of five or more units. Organic waste such as green materials and food materials are recyclable through composting and mulching, and through anaerobic digestion, which can produce renewable energy and fuel. Greenhouse gas (GHG) emissions resulting from the decomposition of organic wastes in landfills have been identified as a significant source of emissions contributing to global climate change. Reducing the amount of organic materials sent to landfills and increasing the production of compost and mulch are part of the AB 32 (California Global Warming Solutions Act of 2006) Scoping Plan.

The Energy Commission works closely with CalRecycle to coordinate funding and regulatory efforts in order to meet the State of California's climate change and waste diversion goals.

5. *For a LFG project, where is the applicant scored for the waste management plan's consistency with State organics diversion policies?*

The Sustainability scoring criterion (see Addendum 2) evaluates the degree to which the proposed project utilizes pre-landfilled organic waste streams.

6. *The comments indicate that there is no organics diversion available for the landfill. How would this observation impact the overall score and why?*

See Questions #4 and #5.

7. *In the scoring criteria for Project Readiness and Implementation, what is meant by "The date full production capacity can be expedited"?*

The project may or may not be producing at full capacity by the end of the agreement term; however, the degree to which the date of full production capacity and operation at capacity can be expedited will be evaluated in the Project Readiness and Implementation scoring criteria during full application scoring. The applicant should demonstrate its plan for producing biofuel at the facility's full capacity.

8. *If a single entity without biofuels production experience is submitting several applications, should they identify a single priority project in case the Energy Commission is concerned about their ability to work on projects concurrently?*

The Energy Commission should not be used for vetting projects. All applications will be evaluated in accordance with the evaluation criteria. If the applicant feels that a single project is a priority over another project, this should be clearly noted in all applications affected. If the applicant feels that multiple projects can occur simultaneously, the applicant should clearly explain how the projects can be effectively managed concurrently. Personnel with responsibilities to multiple

projects could be a concern in terms of the applicant's ability to meet deadlines if not adequately addressed in the full application. The Project Readiness and Implementation scoring criteria may be affected by submission of multiple applications.

9. Does the target market in the Marketing Plan section strictly relate to the end user of the biofuel or could it also relate to production side market participants?

While we are unclear what is meant by the term "production side markets", off-take agreements should be with customers that are verifiable transportation users or sellers to these customers (e.g., oil refiners, transportation fuel retailers, etc.). There should be a verifiable chain of custody to the end user. Under the Business Plan—Marketing Plan scoring criterion (VII.C.2), the applicant should discuss both fuel and co-product off-take agreements.

10. Does the Energy Commission have a preferred method for estimating the future estimated value of credits?

No, but the applicant should discuss how they are estimating future values, including but not limited to recent historical values. Clearly this is a source of uncertainty, and somewhat dependent on events outside the control of both the applicants and the Energy Commission.

11. In the scoring criteria for Project Budget and Cost-Effectiveness what is meant by "The project uses existing facilities or infrastructure"?

Projects that leverage public or private investment by using or repurposing existing facilities to lower overall project costs will be scored higher.

12. In the scoring criteria for Project Benefits, if a project has in-state and out-of-state benefits, are applicants encouraged to include only those that occur in California or should they also include out-of-state benefits to show the full impact of the project on the biofuel industry?

Applications should discuss all benefits of the proposed project. Benefits which occur in California should be specifically identified as in-state benefits.

13. We are a public agency that will not request staff time for reimbursement or for matching. We would seek reimbursement/matching status only for direct equipment purchases and publically bid sub-contracts per the state contracting code. Under this scenario, it appears that only the "Equipment" and "Subcontractor" tabs of Attachment 5 would be filled out. The remaining tabs would be left blank. Please confirm this is correct.

Even if items of cost are not included in the budget, applicants should address their commitment of resources to complete the entire proposed project within the project narrative including project management, oversight, and reporting. When filling out the budget, applicants should insert zeroes or "N/A" in sections where neither Energy Commission nor match share funding is being budgeted for the

project. A complete budget must be submitted and applicants are advised to not delete or hide any tabs in the budget document.

- 14. If you have multiple bids for portions of work, and some of bids are not received yet, is it acceptable to enter the “engineers estimate” for the “equipment” and “sub-contractors” tabs of Attachment 5?**

Yes, estimates are acceptable for contractors still under bid. Applicants should note in the project narrative that estimates are being used and provide a rationale for the basis of the estimates and a justification of how these estimates are reasonable.

- 15. The original application document said the files must be in Microsoft XP. However, on the Pre-Application this requirement was removed. Will this be the case with the full application?**

This requirement is removed. Please refer to Addendum 3.

- 16. If a municipality is the applicant, are you asking for a 5-year pro forma statement covering the entire municipal finances?**

The solicitation requests that each applicant provide a five year pro forma statement for the applicant’s firm. The goal is to establish credibility and viability of your enterprise. In order to score well in the evaluation process, the applicant should demonstrate the economic viability of the proposed project. This includes showing financial solvency and liquidity currently or within five years. The five-year pro forma statement should include income and cost information from all sources, and related by-products or co-products, for the enterprise/department encompassing the proposed facility.

If the source of match funding can be secured independent of the municipality’s overall financial health, then the pro forma can be limited to the financial boundaries of this enterprise. It is the applicant’s responsibility to determine whether or not the particular proposed project requires pro forma statements covering the entire municipal finances.

- 17. Must a municipality provide information on “every” pending or filed litigation? A city like Los Angeles could have hundreds.**

Please list only litigation that pertains to or impacts the project’s execution. Explain how the pending or filed litigation affects the applicant’s ability to complete the project. See Addendum #3.

- 18. If the project is unlike any existing ARB LCFS, should the applicant extrapolate existing ARB LCFS data? How should the applicant proceed?**

The Air Resources Board (ARB) website provides carbon intensity values for all generic alternative fuel pathways and specific producer certified pathways. If an approved Low Carbon Fuel Standard (LCFS) pathway is not available, the applicant should comply with the ARB’s calculation methodology guidance discussed on the LCFS website. Other methods for determining the carbon

intensity of a project may be acceptable if they are accurate and reasonable. The applicant must identify all assumptions, methods, and data that went into the calculation.

19. *If there isn't an existing ARB LCFS that is close to the project, how should the applicant complete this section?*

Establishing a proposed fuel's carbon intensity is an essential part of the applicant's business model, and as such, of the application process. A credible life cycle analysis for the proposed fuel is central to the ability to generate carbon credits within the Low Carbon Fuel Standard (LCFS), and is dependent on the engineering design of the facility. Estimating avoided emissions can often be pieced together from existing pathways.

20. *You ask for the total weight of CO2 displaced. Should this be CO2e?*

CO2 and CO2e are interchangeable terms and both are accepted. What is critical to the evaluation team is to provide the total weight of CO2 displaced in metric tons resulting from the proposed project on an annual basis. Use Annual Greenhouse Gas and Carbon Displacement Calculator (Attachment 10) for reference. Report total carbon emissions displaced on an annual basis and substantiate calculations.

21. *If there has not been an ARB LCFS pathway close to the applicant's project, how are they to calculate carbon intensity of project fuel?*

Attachment 10 can be used as a tool to help determine the annual fuel volume conversion and the annual greenhouse gas and carbon displacement of the project. Please see Question #18 for more information.

22. *Does the 30-page limit only apply to the "Project Narrative" (i.e., do the attachments count as part of the 30 pages)?*

Yes. The required attachments listed in the solicitation do not count towards the 30 page limit.

23. *If a municipality is publically bidding the work covered by grant funds in conformance with the California Public Contracts code, contractor profit information may not be available. How should this requirement be complied with?*

Estimates are acceptable.

24. *Is the "project team" considered the municipality, engineer, contractor, construction management/inspectors and equipment suppliers?*

The project team should include the critical personnel needed to complete the project. This may include the individuals listed in your question. It could also include key project partners, Engineering, Procurement, and Construction (EPC) contractors, and technology providers. General contractors providing basic

services such as utility installations, etc. are not considered project partners unless they are also providing key project elements as well.

- 25. *If a municipality is publically bidding several contracts for different portions of the work to multiple sub-contractors who have not been identified yet, how do we treat unidentified subcontractors in the budget?***

Unidentified subcontractors must be listed as “TBD” in the budget, and must include estimated costs for the subcontracted work to be performed.

- 26. *If all project CEQA work is complete, can the applicant attach CEQA documents as a response to Attachment 07? Environmental and health impacts have been analyzed with CEQA, does the work need to be repeated in Attachment 07 questions?***

In accordance with Section VI.G.12, Applicants must complete and submit Attachment 7 with the full application. Failure to complete the worksheet may lead to disqualification of the application. Appropriate supporting documentation, including completed CEQA documents, should also be included as part of the submittal.