



To: Greenhouse Gas Reduction Fund Program

Date: September 11, 2023

From: Wade Crowfoot
Secretary
California Natural Resources Agency

Drew Bohan
Executive Director
California Energy Commission

Subject: GREENHOUSE GAS REDUCTION FUND:
California Energy Commission

EXPENDITURE RECORD FOR FISCAL YEAR 2023-24
Food Production Investment Program

This Attestation Memorandum documents that the California Natural Resources Agency and the California Energy Commission completed the attached Expenditure Record on August 25, 2023, for the Food Production Investment Program. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 to support expenditures from the Greenhouse Gas Reduction Fund.

This Attestation Memorandum and Expenditure Record will be submitted to the California Air Resources Board (CARB) for public posting on the CARB website at www.arb.ca.gov/caclimateinvestments.

Questions on this Attestation Memorandum or Expenditure Record may be directed to Cyrus Ghandi, cyrus.ghandi@energy.ca.gov, and 530-771-7888.

Wade Crowfoot, Secretary
California Natural Resources Agency

Drew Bohan, Executive Director
California Energy Commission

Attachment
Greenhouse Gas Reduction Fund: Expenditure Record

Greenhouse Gas Reduction Fund: Expenditure Record

California Energy Commission
Food Production Investment Program

Authorizing legislation: Items 3360-001-3228 and 3360-101-3228 of Section 2.00 of the Budget Act of 2023, as amended by Ting (Chapter 38, Statutes of 2023), appropriates to the California Energy Commission \$40,000,000 to provide incentives for the Food Production Investment Program (FPIP).

Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.

Agency that will administer funding:

- California Energy Commission (CEC)

Amount of proposed expenditure and appropriation reference:

- The total expenditure is \$40 million, per Items 3360-001-3228 and 3360-101-3228 of Section 2.00 of the Budget Act of 2023 (Ting, Chapter 38, Statutes of 2023).

Estimated amount of expenditures for administering agency administrative costs

- The total expenditure includes \$4 million for State Operations costs.
- Administering agency administrative costs are statutorily limited to \$4 million or 10 percent of the program funds.

If applicable, identify laws or regulations that govern how funds will be used

- AB 1532 (Pérez, Chapter 807, Statutes of 2012), Senate Bill (SB) 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014), and AB 1550 (Gomez, Chapter 369, Statutes of 2016) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.
- AB 398 (E. Garcia, Chapter 135, Statutes of 2017) prioritized energy efficiency and renewable energy for expenditures from the Greenhouse Gas Reduction Fund.
- The Budget Act of 2020 provides direction on the types of projects that should be funded.
- AB 209 established the program and provides direction on how the funds will be allocated to recipients, including requirements for project eligibility and program implementation. All funds will be allocated and managed in accordance with this law.

Continuation of existing Expenditure Record

- This is an update to an existing Expenditure Record. The Expenditure Record elements being updated include the following: amount of proposed expenditure and appropriation reference, intended recipient that will be eligible for funding, and percentage of total funding that will be expended for projects that benefit disadvantaged and low-income communities and low-income households, per CARB guidance.

Project Type(s)

- Energy efficiency and renewable energy.

Describe the projects and/or measures that will be eligible for funding

- Energy efficiency, renewable energy technologies, electrification and other decarbonization technologies at food processing plants that can lead to reductions in GHG emissions.

Intended recipients

- Food processing facilities and related support facilities.

Program structure and process for selecting projects for funding

- Competitive solicitation, evaluation, and selection of projects according to criteria specified in the solicitation manual.

Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

How the expenditure is consistent with the Investment Plan and the Scoping Plan

- AB 1532 (Chapter 807, Statutes of 2012) requires that monies from the Fund be appropriated in a manner consistent with the three-year Investment Plan. The “Cap and-Trade Auction Proceeds Fourth Investment Plan: Fiscal Years 2022-23 through 2024-25” recommends support for energy efficiency and renewable energy projects for residential, commercial, industrial, and public buildings. In addition, the Investment Plan specifically describes and recommends the types of projects that will be funded by expenditures under the Program (e.g., implementation of Sustainable Communities Strategies, transit-oriented development, active transportation). Therefore, the expenditures covered by this record are consistent with the Investment Plan and align with the priorities expressed in the Plan.

- California’s 2022 Climate Change Scoping Plan identified key strategies and recommendations to continue reducing GHG emissions and achieve the goals and purposes of AB 32 and related statutes. The recommended actions for the energy sector include continuing to enhance energy efficiency, and increasing zero carbon distributed generation, and smart-grid technologies.

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Describe how expenditures will facilitate the achievement of GHG emission reductions in the State

- Expenditures will reduce or avoid on-site consumption of fossil fuel-based energy with the goal of reducing GHG emissions by providing grants to support the development of energy efficiency and renewable energy technologies.
- Implementation of these technologies will lead to process improvements or alternatives that reduce electricity, natural gas or fossil fuel use, which will reduce GHG emissions and other emissions.

Explain when GHG emission reductions and/or co benefits are expected to occur and how they will be maintained

- The time required to begin yielding GHG emissions reductions will depend on when the specific projects are installed, but projects are to be completed by 2030.
- It is expected that these projects will maintain GHG emissions reductions for the life of the installed equipment, which could be up to 30 years.

Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency

- Adoption of energy efficiency measures, on-site renewable energy or other decarbonization technologies will reduce electricity and/or fossil fuel use. Reduction of electricity demand during the net peak periods would be beneficial to the grid and could enhance grid resiliency. Reduction of fossil fuel use would reduce criteria pollutants and improve local air quality. Reusing on site wastewater could result in less demand for ground water pumping and reduce demand for water which could benefit local communities.
- California’s food processing industries face stiff out-of-state and international competition. Providing support for updating and improving food production facilities with energy efficiency measures and renewable energy technologies will reduce operating costs and

reduce or avoid on-site fossil fuel use. This could help ensure California's food processing industry remains competitive and operational, and the jobs associated with food production remain in California.

How the project will support other objectives of AB 32 and related statutes

- Implementation of the FPIP will support other objectives of AB 32 and related amendments by reducing local air pollutant emissions through the installation of energy efficiency measures, renewable energy and other decarbonization improvements. Other AB 32 objectives supported may include, but are not limited to:
 - The opportunity for the food processing industry to participate in and benefit from statewide efforts to reduce GHG emissions.
 - The State's efforts to improve air quality by reducing air pollutant emissions associated with fossil fuels combustion. Approximately, 65 percent of the largest GHG emitters in the food processing sector are located in disadvantaged communities. FPIP projects will likely reduce air emissions in these communities.
 - Increase public and private investment toward California's most disadvantaged communities by prioritizing projects in those communities.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations¹ per CARB guidance

- The Investment Targets for Agencies Administering FY 2023-24 Funds do not include a minimum target defined in the FPIP to locate projects within and provide benefits to priority populations, but some projects may meet the criteria for providing benefits to priority populations.
- The CEC anticipates a minimum of 60 percent of the funds will go to projects located in and benefiting priority populations.

Describe the benefits to priority populations per CARB guidance

- These expenditures will result in the installation of energy efficiency, renewable energy and other decarbonization technologies, some of which will be installed in food processing plants located in priority populations. This may result in reduced criteria air pollution emissions and improved air quality through reduced and avoided on-site fossil fuel consumption.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

- The CEC will include preference points in the solicitation for projects located in and benefiting priority populations. The applicant must provide a meaningful explanation of how the project meets CARB's criteria for providing benefits to priority populations.

¹ Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B Funding Guidelines for more information on the definitions of priority populations.

Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens

- The CEC has made preference points available in its application scoring to projects that are located in and benefiting priority populations. Projects may result in reduced or avoided on-site electricity, natural gas and/or other fossil fuels consumption which could result in reduced criteria air pollutant emissions and improved air quality. Applicants who receive these preference points must ensure their projects does not create substantial burdens to disadvantaged communities and low-income communities.

Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.

How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance

- The CEC has over 30 years of experience implementing similar programs and projects. Recipient agreements will include a statement of work, budget, and other documents needed to execute an agreement. CEC staff will track progress for the FPIP projects through active management of the recipients, including the submission of progress reports and invoices (per CARB guidance), with supporting documentation to justify expenditures, on-site verification and evaluation of equipment installations performed by CEC staff. Critical project review meetings will ensure the projects are completed and installed according to the approved grant agreement.

Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion

- Initial estimates of GHG emissions reductions must use the FPIP Quantification Methodology. Applicants are required to include the following information:
 - Baseline energy consumption.
 - Proposed energy efficiency, renewable energy and/or other decarbonization measures(s).
 - Post project electricity and fossil fuel reduction; and associated GHG emission reductions.
 - Estimated annual energy savings (e.g., therms and kWh).

FPIP's cost per ton of GHG reduced is among the top CCI programs. To verify energy savings and GHG emission reductions, recipients may be required to provide an independent evaluation of annual post-project energy consumption for one year after equipment installation (or two complete seasons with a minimum of 6 months for seasonal facilities).

Type of information that will be collected to document results, consistent with CARB guidance

- To determine the job benefits, the CEC will compile data from funding recipients on jobs provided, both the quality and quantity, consistent with CARB guidance.
- The CEC will collect data on project location, baseline and estimated energy usage, energy costs, type of upgrade that was installed, expected quantification period, and other data, as applicable and as specified in CARB guidance.
- Once operational, the CEC will collect information on project outcomes for at least 25 percent of projects, consistent with CARB guidance.

How the administering agency will report on program status

- The CEC will provide regular updates on expenditures, project status, and benefits in reports prepared according to CARB guidance. At a minimum, the reports will include expenditure amounts, current estimates of GHG emission reductions, quantification of other applicable co-benefits (e.g., jobs created, units retrofitted), and other benefits to priority populations. Reports will also include information on project outcomes for at least 25 percent of operational projects after the start of the project with a requirement of one year tracking for year-round facilities or two seasons (minimum 6 months) for seasonal facilities.