

M e m o r a n d u m

Date: July 26, 2019

To: Matthew Botill
Branch Chief
California Air Resources Board

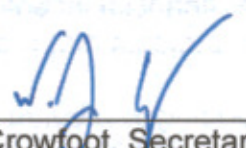
From: Wade Crowfoot
Secretary
California Natural Resources Agency

Drew Bohan
Executive Director
California Energy Commission


Subject: Greenhouse Gas Reduction Fund: California Energy Commission Expenditure Record for Fiscal Year 2017-2018 and Fiscal Year 2018-2019 – Food Production Investment Program

This attestation memo documents that the California Natural Resources Agency and the California Energy Commission completed the enclosed Food Production Investment Program expenditure record on July 26, 2019. The expenditure record is consistent with the statutory requirements of Government Code Section 16428.9 and with California Air Resources Board *Funding Guidelines for Agencies that Administer California Climate Investments* to support expenditures from the Greenhouse Gas Reduction Fund.

This attestation memo and expenditure record are being submitted for public posting on the CARB website at www.arb.ca.gov/caclimateinvestments. Questions may be directed to Cyrus Ghandi via email at cyrus.ghandi@energy.ca.gov or phone at 916-327-1506.



Wade Crowfoot, Secretary
California Natural Resources Agency



Drew Bohan, Executive Director
California Energy Commission

Enclosure (1) Greenhouse Gas Reduction Fund: Expenditure Record

Greenhouse Gas Reduction Fund: Expenditure Record

California Energy Commission
Food Production Investment Program

Authorizing legislation: Item 3360-101-3228 of Assembly Bill (AB) 109, Budget Act of 2017 (Ting, Chapter 249, Statutes of 2017), appropriates \$60,000,000 to the California Energy Commission to provide grants, loans, or any financial incentives to food processors to implement projects that reduce greenhouse gas (GHG) emissions.

Item 3360-101-3228 of Senate Bill (SB) 856, Budget Act of 2018 (Chapter 30, Statutes of 2018), appropriates \$64,000,000 to the California Energy Commission to provide grants, loans, or any financial incentives to food processors to implement projects that reduce GHG emissions.

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

<input type="checkbox"/> Agency that will administer funding	<ul style="list-style-type: none"> ▪ California Energy Commission
<input type="checkbox"/> Amount of proposed expenditure and appropriation reference	<ul style="list-style-type: none"> ▪ The total expenditure is \$124 million, per Item 3360-101-3228 of the Budget Act of 2017 (Ting, Chapter 249, Statutes of 2017) and Item 3360-101-3228 of the Budget Act of 2018 (Chapter 30, Statutes of 2018).
<input type="checkbox"/> Estimated amount of expenditures for administering agency administrative costs	<ul style="list-style-type: none"> ▪ The total expenditure includes \$6.2 million for State operations costs. ▪ Administering agency administrative costs are statutorily limited to \$6.2 million or 5 percent of the program funds.
<input type="checkbox"/> If applicable, identify laws or regulations that govern how funds will be used	<ul style="list-style-type: none"> ▪ AB 109 established the program and requires the funds provide grants, loans, or other financial incentives to food processors to implement projects that reduce GHG emissions. ▪ SB 856 provides additional funding to provide grants, loans, or other financial incentives to food processors to implement projects that reduce GHG emissions. ▪ AB 1532 (Pérez, Chapter 807, Statutes of 2012), SB 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014) and SB 859 (Committee on Budget and Fiscal Review, Chapter 368, Statutes of 2016), 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.

<input type="checkbox"/> Continuation of existing Expenditure Record	<ul style="list-style-type: none"> ▪ This is an existing program that has an existing Expenditure Record.
<input type="checkbox"/> Project type(s)	<ul style="list-style-type: none"> ▪ Energy efficiency and renewable energy
<input type="checkbox"/> Describe the projects and/or measures that will be eligible for funding	<ul style="list-style-type: none"> ▪ Energy efficiency, renewable energy technologies, or both at food processing plants that can lead to reductions in GHG emissions.
<input type="checkbox"/> Intended recipients	<ul style="list-style-type: none"> ▪ Food processing facilities
<input type="checkbox"/> Program structure and process for selecting projects for funding	<ul style="list-style-type: none"> ▪ Competitive grant solicitation, with evaluation and selection of projects according criteria specific in the solicitation manual, and in alignment with the program guidelines.

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.

<input type="checkbox"/> How the expenditure is consistent with the Investment Plan and the Scoping Plan	<ul style="list-style-type: none"> ▪ AB 1532 requires that monies from the Fund be appropriated in a manner that is consistent with the three-year Investment Plan. The “Cap-and-Trade Auction Proceeds Second Investment Plan for Fiscal Years 2016-17 through 2018-19” recommends funding for energy efficiency and renewable energy in the industrial sector, which includes food processing. The Energy Commission’s investments will improve energy efficiency, increase the use of renewable energy, or both for California’s food processing industry. As a result, on-site consumption of fossil fuel based energy will be reduced or avoided. Therefore, the expenditures covered by this record are consistent with the Investment Plan and align with the priorities expressed in the Plan. ▪ California’s 2017 Climate Change Scoping Plan identified key strategies and recommendations to continue reducing GHG emissions, and achieve the goals and purposes of AB 32. The recommended actions for the industrial sector, such as food processing, include increasing energy efficiency, reducing fossil fuel use, and maximizing air quality co-benefits.
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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.

<input type="checkbox"/> Describe how expenditures will facilitate the achievement of GHG emission reductions in the State	<ul style="list-style-type: none">▪ 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 deployment of high efficiency and renewable energy technologies.▪ Implementation of these technologies will lead to process improvements or use of fossil fuel alternatives that reduce electricity, natural gas use, or both, which will reduce GHG emissions and may reduce other emissions.
<input type="checkbox"/> Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained	<ul style="list-style-type: none">▪ The time required to begin yielding GHG emission reductions will depend on when the specific projects are installed, but projects are to be completed by 2024.▪ It is expected that these projects will maintain GHG emission 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.

<input type="checkbox"/> Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency	<ul style="list-style-type: none">▪ Adoption of energy efficient or on-site renewable energy technologies will reduce demand for electricity from the grid or natural gas. Reduction of electricity demand could reduce stress on the electric grid, especially during peak periods, thus enhancing grid resiliency. Reduction of natural gas demand may reduce criteria pollutants, which improves local air quality.▪ California's food processing industries face stiff out-of-state and international competition. Providing support for updating and improving food production facilities with energy efficient and renewable energy technologies will reduce operating costs and reduce or avoid on-site natural gas use. This could help ensure California's food processing industry remains competitive and operational, and the jobs associated with food production remain in California.
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<input type="checkbox"/> How the project will support other objectives of AB 32 and related statutes	<ul style="list-style-type: none">▪ Implementation of the Food Production Investment Program (FPIP) will support other objectives of AB 32 and related amendments by reducing local air pollutant emissions through the installation of energy efficient technologies, renewable energy technologies, and other energy related improvements. Other AB 32 objectives supported may include, but are not limited to:<ul style="list-style-type: none">○ 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.○ Public and private investment toward California’s most disadvantaged communities by prioritizing projects in those communities. Approximately 65 percent of the largest GHG emitters in the food processing sector are located in disadvantaged communities.
<input type="checkbox"/> Percentage of total funding that will be expended for projects that are located in and benefit priority populations ¹ per CARB guidance	<ul style="list-style-type: none">▪ The Investment Targets for Agencies Administering FY 2017-18 and 2018-19 Funds do not include a minimum target defined for 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 Energy Commission anticipates a minimum of 10 percent of the funds will go to projects located in and benefitting priority populations.
<input type="checkbox"/> Describe the benefits to priority populations per CARB guidance	<ul style="list-style-type: none">▪ These expenditures will result in the installation of energy efficiency technologies and renewable energy technologies, some of which will be installed in food processing plants located in priority populations. This may result in reduced criteria air pollutant emissions and improved air quality through reduced or avoided on-site natural gas consumption.

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 for more information on the definitions of priority populations.

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

▪ The Energy Commission 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.

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 administering agency has made preference points available in its application scoring criteria 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 project does not have 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 Energy Commission 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. Commission staff will track progress for the FPIP 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 Energy Commission staff. Critical project review meetings will ensure the projects are completed and installed according to the approved grant agreement.

<p><input type="checkbox"/> Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion.</p>	<p><input type="checkbox"/> Initial estimates of GHG emission reductions must use the FPIP Quantification Methodology. Applicants are required to include the following information:</p> <ul style="list-style-type: none">○ Baseline energy consumption.○ Proposed energy efficiency, renewable energy measure(s), or both.○ Post project electricity and natural gas use reduction; and associated GHG emission reductions.○ Estimated annual energy savings (therms and kWh). <p>To verify energy savings and GHG emission reductions, recipients may be required to provide annual post-project energy consumption for one year after equipment installation (or two complete seasons with a minimum of 6 months for seasonal facilities).</p>
<p><input type="checkbox"/> Type of information that will be collected to document results, consistent with CARB guidance</p>	<p><input type="checkbox"/> The Energy Commission expects to collect data on project location, benefits to priority populations, pre- and post-project energy use data and supporting GHG reduction calculations to CARB, type of technologies installed and replaced, expected quantification period, and any other data necessary to accurately track the results of the project as described in the grant agreement, and as specified in CARB's guidance.</p>
<p><input type="checkbox"/> How the administering agency will report on program status</p>	<p><input type="checkbox"/> The Energy Commission 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.</p>
