

# Dairy Digester Research and Development Program Phase I

## Summary of Public Comments

*Public Comment Period: November 6, 2014 - November 26, 2014*

Subject Category	Comment Summary	CDFA Response
<b>Eligibility and Project Requirements</b>	Can RNG using truck developer use this money to modify trucks for RNG use?	Clarifications have been provided in 'Eligibility' and 'Project Requirements' sections of the DDRDP Phase I Request for Grant Applications.
	Can a few neighboring dairies be eligible for this funding to build a single digester they all can feed?	
	Is codigestion of other substrates permissible as long as the digester is on a dairy and predominantly uses dairy manure as a substrate?	
	Increased energy production of older systems – allowed?	
	Please clarify who is eligible to apply - dairymen, digester developers, or both?	
	Does your management practice restriction apply to other management methods, such as switching from dry scrape to vacuum method?	
	Is direct pipeline injection of bio-methane eligible under this program, in addition to power generation and transportation fuel use?	
	Are public agencies or private entity-public agency partnerships eligible to apply for funds through this program?	
	Is there a limit on how many separate project/site applications a single dairy owner or developer can submit?	
	Please allow for interconnect costs to be included as an eligible cost through this program. The CDFa could include these costs as supporting project costs and place a percentage cap on those needs.	
Are university dairies eligible?		

<p>The new biogas tariff distinguishes between different categories of digesters: one bring dairy digesters, which cannot introduce off-farm feedstock, and co-digestion projects, which can mix any and all organic waste (including manure). In order to take advantage of additional substrates and associated tipping fees, some dairy digesters may choose to apply for the tariff under the co-digestion category, not as a strictly dairy digester. Will the CDFA grant be available for dairy digesters which are categorized as co-digestion facilities, rather than under the dairy digesters category?</p>	
<p>Is retrofit cost to increase the efficiency (or energy production) from an existing digester facility eligible for this funding?</p>	
<p>Are existing digesters that are out of operation currently, and need financial help to perform repairs/overcome regulatory hurdles to become functional and reduce new GHG emissions, eligible for funding under this program?</p>	<p>CDFA will consider defunct digesters for funding. Explained in 'Eligibility' and 'Program Requirements' under the 'Project requirements' section.</p>
<p>DDRDPA should ensure that funding guidelines do not discourage new projects, especially in cases where an existing, non-operational digester requires retrofits or where a dairy must make retrofits to accommodate a digester in combination with and consistent with meeting other regulatory requirements.</p>	
<p>Since CDFA is proposing probation on covering existing ponds which may greatly delay the start of a new project, if a project could conduct an engineering survey of an existing pond, or install groundwater monitoring wells to evaluate the pond, and if they could certify that the pond is currently protective of water quality, could this satisfy the groundwater protection requirement without building a new, lined or double-lined pond?</p>	<p>Maximizing environmental protection (groundwater) is a requirement of the DDRDP and unlined digester vessels will not be supported through these funds.</p>
<p>Are digesters that process swine manure also eligible, if they produce similar methane reductions?</p>	<p>These funds are currently available for support of dairy digesters in California.</p>
<p>If energy output for a project increases mid-way from the proposed output that became funded, does that affect project eligibility?</p>	<p>Project will only be funded for the amount requested in the initial grant application. CDFA will not fund any cost differences that are incurred due to change of plan. CDFA reserves the right to revoke funding if the new plan results in lowering of overall project quality and environmental, economic, disadvantaged communities' and co-benefits as presented in the original application. The project must continue to meet all eligibility criteria, including environmental protection requirements.</p>
<p><b>Allowable Costs</b></p>	<p>Please develop matching fund criteria to exclude soft costs so all applicants are on a level-playing field, especially under the "in-kind" criteria.</p> <p>Do other state funds qualify as matching funds?</p> <p>Clarified under 'Allowable Costs' and 'Unallowable Costs' sections under 'Project Requirements' of the DDRDP Phase I Request for Grant Applications.</p>

	<p>Can applicants apply for and be awarded both the CDFA grant and other state grants such as from the CEC? If this is allowed, could a portion of the CEC funding apply to the match? Take for example, a project costing \$8.5 million, with a CDFA grant for \$2.5 million; a CEC grant of \$3.5 million; and a developer match of \$2.5 million. In this example, if the CEC funds were included in the match, the match would equal over 70%. However, if not included, the developer's match, while equal to the CDFA grant, would only be 30% of the whole project. The non-CDFA grant money of course would be for a separate part of the project from the CDFA funding (so no double-dipping). Thus, in this example, on the project components funded by CDFA, the developer would in fact be providing a 50% match.</p>	
	<p>Since CDFA proposed not letting incur costs prior to written approval - please clarify if this applies to all money invested in project or only to the part provided by CDFA?</p>	
	<p>If dairyman or developer incurs costs prior to award of CDFA grant on project, does it qualify as matching funds?</p>	
	<p>If not enough projects come through, will money for others be increased to above 50% match?</p>	
	<p>Will any amount over 50% be awarded full 5 points allotted to "Matching Funds"?</p>	
	<p>Is interconnect cost eligible under reimbursed costs? Matching funds?</p>	
	<p>Do Federal funds qualify as matching funds?</p>	
	<p>Please consider accepting assurances from corporate members as adequate match at the time of application submittal, rather than actual cash on hand.</p>	
	<p>Allowable costs for DDRDP funding should be consistent with those costs allowed by the U.S. Treasury in the federal 1603 program (Payments for Specified Energy Property in Lieu of Tax Credits).</p>	
	<p>Suggestion: Other state sources of funding, other than those that are financing from a loan program that requires repayment, should not be eligible as matching funds, whereas, federal funding sources should be eligible as matching funds.</p>	
<p><b>Bio-methane Use</b></p>	<p>Timing of the Feed-in Tarriff law SB1122 is key to the success of dairy digesters to avoid setting an artificially low price for projects that get funded in this cycle into the future. It is also not possible to get letters of commitment from banks without power-purchase agreements, which cannot be obtained currently until SB1122 is implemented.</p>	<p>CDFA is mindful of SB1122 ruling and implementation.</p>

	<p>Project eligibility and application's point values should not be limited to solely energy production (e.g. compressed natural gas) but any use of methane that prevents its release into the atmosphere and that can provide measurable GHG emissions reductions. This could potentially include production of bioplastics from methane, and direct pipeline injection of bio-methane post clean-up and conditioning on site.</p>	<p>CDFA will consider other uses of methane in future funding opportunities. Additional uses for methane are clarified in 'Co-Benefits' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'.</p>
	<p>As the CDFA looks to reduce greenhouse gas emissions, we would like to urge the consideration of methane for alternative energy uses that comply with environmental law. The broader the use of methane, the more opportunities there are for our innovative technologies to be embraced and successful.</p>	
	<p>Technologies producing bio-plastics, feed supplements, fertilizer additives, and cosmetics additives from digester gas are more mature and readily deployable than those converting biogas to fuel. These technologies could offer a more immediate, and often more lucrative, value streams to California farmers. CDFA would be wise to broaden the scope of the RFP to include a diversity of methane derived products that could help our state's farmers and rural economies.</p>	
<p><b>Financial Information</b></p>	<p>Will CDFA keep our financial information confidential?</p>	<p>Clarified in 'Appendix B: Confidential Information' of the DDRDP Phase I Request for Grant Applications.</p>
	<p>The CDFA is going to require financial documents to be submitted with the applications, and we would like to stress the importance of keeping those documents confidential.</p>	
	<p>It is critical to have all financial information protected from Public Records Act requests so that personal and proprietary information is protected, and both electronic and hard copies should be destroyed after a certain time period.</p>	
	<p>Please clarify that an applicant or developer should not have a record of filing bankruptcy in the last 5 years to ensure project completion.</p>	<p>Clarified in 'Financial Soundness' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'.</p>
	<p>The majority of these projects will be newly formed stand-alone legal entities, meaning that there will not be balance sheets, P/L statements or tax returns for the legal entity. A far better yardstick would be the track record of the development team in developing and operating similar projects. This is the same criteria being used for consideration under SB1122 and the about-to-be approved biogas tariff.</p>	

	<p>Special Purpose Entities (SPE) are often created by developers to own a project. Debt and equity investors are brought into this SPE. The funding of this entity is usually contingent upon securing a Power Purchase Agreement and if grants are sought, the award of the grant. As the owner of the project, the SPE would mostly likely be the grant applicant. Because of this funding process, there may be little funds in the SPE, and as a result the balance sheet will have almost no assets. Similarly, as a new entity, there may be no historic tax returns and no historic income statement. To address financial viability, other agencies, such as the CEC, requires letters of commitment for the match funding. Is it possible for a similar approach for the CDFA program? As part of the process, can the providers of the match provide assurances that they have the capital available? Also can the developer and match funders provide historic information on their roles financing similar types of projects?</p>	
	<p>The requirement for applicants to submit three years of company financials should be eliminated; instead, the requirement should focus on more broadly providing evidence of experience of the project team in developing similar projects in California or elsewhere.</p>	
	<p>Applicants should submit a Term Sheet form the Bank or other financing source to eliminate the CDFA having to financially qualify prospective candidates.</p>	
<p><b>Greenhouse Gas Emissions Reductions</b></p>	<p>Since CDFA is specifying a life for the project (minimum 10 years), how can GHG emissions reduction be "permanent"?</p>	<p>Clarified under 'Appendix C: Key Terms and Definitions'.</p>
	<p>What will happen to the GHG emission reduction data the applicant will provide in the application? What will be done with the GHG emission reduction data reported by awardee for 10 years?</p>	<p>Clarified under 'Greenhouse Gas Emissions Reductions Calculations and Reporting' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Applications' 'Application Procedures'. Also see 'Attachment 5: Greenhouse Gas Emissions Reductions' in Appendix A of the Request for Grant Applications.</p>
	<p>Will CDFA provide a standardized method for calculation of GHG emissions reduction? Different calculation methods result in different reduction estimates and may lead to unfair comparisons among projects.</p>	
	<p>Will CDFA provide more details regarding the reporting criteria for GHG emissions reductions to be reported by awardees for 10 years.</p>	
	<p>Is the Air Resources Board's Compliance Offset Protocol (Livestock Projects) applicable to all projects, or does it account for regional climate/regulatory and other differences in the state?</p>	
	<p>Please provide specific detail on how GHG emission data is to be recorded and reported to the CDFA for the ten year reporting period. For example what biogas metering equipment is acceptable and are applicants to follow guidelines as established by existing GHG monitoring bodies or does CDFA have a different set of guidelines project owners are to follow?</p>	
	<p>A standardized method for evaluating the potential GHG reductions of applicant projects should be used so they may be compared fairly to each other; this should be consistent with the California Air Resources Board-endorsed Climate Action Reserve protocols.</p>	

	<p>Mandate one standard that all proposals must use to calculate emissions reductions. This is the only way to ensure comparability and fairness across applicants. Allowing multiple standards will make the reviewers responsible for adjusting emissions calculations for comparison, which could lead to critique and claims of bias. We strongly recommend mandating use of ARB’s Compliance Offset Protocol for Livestock Projects since the funding comes from Cap and Trade auction revenue under AB 32.</p>	
	<p>Please develop a template that each applicant would complete. The template would ask questions about (i) the manure management practices, which is consistent with the protocol and shows the quantity and percentage of the manure that currently enters an anaerobic environment; the applicant would attest to the accuracy of the data provided, (ii) the digester system being used, the percentage of the baseline effluent entering the new system, and the expected biogas produced (which may need some form of independent verification); the applicant would also need to guarantee this digester approach, since a later change could have a significant impact on GHG production, and, (iii) destruction device, with an identification of manufacturer and equipment, and an estimate of the destruction rate, attested to by the developer and reviewed by CDFA. In addition to CDFA’s and ARB’s involvement, an ARB-approved verifier with livestock dairy expertise or a nonprofit with dairy-GHG expertise may be helpful.</p>	
	<p>Are other greenhouse gases, carbon dioxide and nitrous oxide included in the Air Resources Board’s Compliance Offset Protocol (Livestock Projects)?</p>	<p>The protocol currently accounts for carbon dioxide and methane.</p>
<b>Environmental Benefits</b>	<p>Is reduction of hydrogen sulfide emission an environmental benefit of the project?</p>	<p>Hydrogen sulfide emission must be restricted to under safe limits in order to obtain air quality permits and enhance life of energy generator (if used); making them an integral part of the program and not eligible for additional "environmental benefits" points.</p>
	<p>Since permitting requirements for air quality are different for different regions – does going “above and beyond permitting requirements” to be rewarded under the Environmental Benefits category give undue advantage to one region over another? What is “above and beyond” for one, less regulated region may be within permitting requirements for another.</p>	<p>Clarified in 'Environmental Benefits' section under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'. Environmental benefits must go above and beyond permit guidelines as well as the minimum environmental quality requirements for DDRDP Projects as explained in 'Project Requirements'.</p>
	<p>Add to your “co-benefits” points criteria, projects that are located with non-attainment air districts.</p>	<p>Air and water quality benefits beyond standard permits will be rewarded under 'Environmental Benefits'.</p>
<b>Economic Benefits</b>	<p>What is precisely meant by “economic benefits”? Are these jobs? Complementary and related businesses? Other?</p>	<p>Explained in 'Economic Benefits' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'.</p>
<b>Disadvantaged Communities</b>	<p>Include a map to identify DACs.</p>	<p>Background and explanation of DAC benefits and relevant maps have been included in 'Appendix A: Attachment 6 Environmental/Economic Benefits and Impacts to Disadvantaged Communities' of the DDRDP Phase I Request for</p>
	<p>Is DAC inclusion mandatory to apply, or does one simply lose points if they are unable to fulfil those criteria?</p>	

	Is there a reason that projects located in and projects that just benefit a DAC get the same amount of scoring points?	Grant Applications.
<b>Permits</b>	<p>How long does it take get all environmental quality and other permits to be shovel-ready, and will they be ready on time? Is it possible to have all applicants meet a set of minimum criteria to be on a level-playing field in the application, while they continue the process to obtain the actual permits?</p> <p>Is there an approved equipment list to use, especially to help get permits faster?</p> <p>Is it possible to have specific contacts within sister agencies that applicants can get in touch with to help speed up their permits for this program?</p> <p>Can you clarify water quality criteria? Currently existing lagoons can be covered, why isn't this allowed?</p> <p>Require that all environmental work be completed, Negative Declarations, Air Board ATC is issued, Water Board approval is in place. This separates serious projects from "grant fishing expeditions".</p> <p>A developer or Dairyman should not rely on grant funds to arrive before they start their project pre-development work, like engineering and permitting. This has to be done to receive any kind of funding commitment.</p> <p>Due to the many state, regional and local agencies involved in the permitting of a digester, and the fact that many agencies and staffs lack knowledge of animal agriculture, having those agencies identify a specific person(s) for applicants to work with who is trained and educated regarding the science and application of dairy digesters, is highly needed in order to accomplish your proposed time lines.</p>	Currently available guidelines for obtaining permits are in 'Project Readiness: Regulatory Information, Permits and CEQA' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'. Also see 'Project Readiness Resources' under 'Additional Guidance', and 'Scoring Criteria' under 'Review Process'.
	How will the consolidated permitting mechanism developed by Dairy Digester Working Group be employed in this program? Reference to it in the context of the permit portion of the shovel-readiness could be a means to promote its use	Comment noted.
<b>Scoring Criteria</b>	<p>Baseline GHG can be variable for different projects. If not reviewed independently, there can be inadvertently an unfair comparison.</p> <p>During scoring of applications, will CDFR prioritize GHG emissions reductions per CDFR\$ invested over total reductions or reductions per unit volume of milk? This may create unfair comparisons between applicants providing variable matching amounts above minimum.</p> <p>GHG emission verification needs independent expertise especially because projected offsets can be exaggerated. Can you provide examples, if possible, of projected versus actual offsets from a functional digester?</p>	Please see 'Scoring Criteria' under 'Review Process'.

Since shovel readiness requirements will be via a permit checklist, which can potentially provide even-footing for all applicants, lessen points from this criterion to award more points for environmental benefits.

Turn the “Financial Stability and Long-Term Sustainability” criterion into two separate categories: (1) business viability of the developer/operator and (2) financial feasibility of the project/digester itself. These are two very different yet critical components, each of which deserves its own thorough assessment and scoring. For the financial feasibility of the digester/project criteria, explicitly state that you will also be looking at the track record of the technologies being used in the digester. Does the technology have a track record of successful operation in similar situations to those in which it will be used in California, or is it a new technology and/or does it tend to run into operational problems? Any uncertainty in this area will impact the reliability of the projected operational costs and therefore the financial feasibility.

Give more weight to financial stability of developer/operator and to financial feasibility of the digester/project than to shovel readiness. While we recognize shovel readiness is important to get the projects up and running as soon as possible to encumber the funds, we feel strongly that it is more important to get solid, financially feasible projects that are developed and operated by sound businesses. It’s better to take a little longer and have digesters in operation for the long-term than rush to get construction done only to find that the digesters are no longer in operation in five years.

Eliminate or reduce the scoring for work plan and budget, as these should be considered baseline expectations for proposals. Strongly consider eliminating both from scoring and leave only as a baseline expectation for submitting a proposal.

The “Co-benefits” criteria could be considered duplicative. Consider eliminating this criteria and specifying that various benefits of co-benefits should be discussed in their relevant sections. For example, the economic benefits of co-products (such as revenue from selling soil amendments) could be explicitly stated in project/digester financial feasibility section, the environmental benefits of co-products (such as additional emissions reductions) could be explained in the “environmental benefits” section, and any other social or economic benefits (such as jobs or benefits to DACs) could be explained in their respective criteria.

It is unclear to use how the financial feasibility of a project can be assessed if a PPA is not in place at the time of the application.

Use only one metric for scoring a project's GHG emission reduction. We believe the “GHG reduction per \$ CDFA grant money invested” metric is the best option of the three put forth for maximizing both GHG reductions AND the number of digesters receiving funding. The latter is of great importance in bringing down costs for future digesters. Using the total GHG reductions metric will favor large digesters and lead to fewer digesters going online. The GHG emissions/volume of milk metric would eliminate the size bias but would not provide the spur towards efficiency that the emissions/CDFA \$ metric will. This standard, if communicated clearly, will encourage applicants to really think through what amount is necessary to get the project off the ground, instead of simply asking for the maximum amount.

<b>General/Program Framework</b>	Developers should have “site control” of a Dairy project by providing an executed lease for the Digester at the Dairy Site.	Clarified under 'Feasibility of the Digester Project' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'.
	How often will payments be reimbursed for awardees?	Will be clarified to grant awardees at time of contracting.
	Will details of the Technical Advisory Committee Meeting be made public?	These were undertaken during public comment period for Phase I of the DDRDP.
	Is there a separate period for commenting on the final grant solicitation?	
	Will CDFA provide access to an online grant management/submission system?	CDFA will consider an online grant system for future funding opportunities.
	Do co-benefits include environmental benefits, economic benefits, etc.?	Clarified in 'Co-Benefits' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'.
	Will bonus points be awarded to developers based in CA?	Due to the siting of project, site control requirements and subsequent job creation within California, bonus points will not be awarded for companies based in CA. See 'Economic Benefits' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'.
	Is CDFA likely to get more funding or start a long-term plan to fund dairy digesters in CA? \$12 million is a small investment for digester projects.	CDFA is anticipating additional funding for dairy digesters in the next fiscal year at similar amounts, however these determinations have not been finalized.
	If you have till 06/2016 to encumber the funds, why is CDFA aiming for FY2014-15?	CDFA wants to encumber these funds as expeditiously as possible to allow sufficient time for project construction.
	Please provide a 60 day or 90 day application period. 5 weeks is not sufficient time given the short notice of this program and the upcoming holidays.	Notice of Funding Availability will be announced post holiday season.
<b>Suggestions</b>	If future grant opportunities were to occur, consider expanding this program to include the poultry industry.	Comment noted.
	The advertised first round grant application dates you mention are not too aggressive.	
	Because dairy digesters are not yet economically feasible in most areas, incentive funding from DDRDP is necessary to support voluntary construction of these projects and to support progress toward the state's GHG reduction goals.	
	Please do not eliminate projects for negligence regarding formatting criteria, especially for add-on documents such as resumes.	

	Applicants should provide a list of deliverables as part of their workplan and long-term operations and maintenance plans.	Clarified in 'Feasibility of the Digester Project: Work Plan' under 'Project Narrative' in 'Application Sections' in the DDRDP Phase I Request for Grant Application's 'Application Procedures'.
<b>DDRDP Phase II (Research)</b>	What is your timeline for Phase II (Research)?	Phase II will begin in 2015 and announcements will be made via the DDRDP website.
	Suggested ideas for research: (i) Additional uses for digestate, (ii) Improvements in co-digestion process, (iii) Innovative uses for carbon dioxide after it is separated from methane to further minimize greenhouse gas emissions, (iv) effective control technologies for reducing emissions overall, (v) modular-type digester construction systems to make digesters more financially accessible/cost-effective for smaller dairy operations.	Comments noted.