

**2017 DAIRY DIGESTER RESEARCH AND DEVELOPMENT PROGRAM
QUESTIONS AND ANSWERS (Q&A)**

June 16, 2017

GENERAL QUESTIONS

1. Is "Attachment 6: Additional Permitting Documents" only scored in the Project Readiness?
Yes, additional permitting documents will be scored as part of the project's readiness. Reference page 27 of the Request for Grant Applications (RGA) "Appendix E: Detailed Scoring Criteria."

2. How does the California Department of Food and Agriculture (CDFA) handle confidential financial information and who has access?
CDFA will determine what information provided by applicants is confidential under the California Public Records Act (Governmental Code 6250, et seq.) and related statutes definition of "confidential or proprietary information." The RGA Appendix C: Confidential Information directs applicants to clearly mark, on each page "confidential/proprietary information" on those documents they feel contain confidential or proprietary information. However, marking documents as "confidential/proprietary information" will not necessarily result in their being treated as confidential if they are not exempt from disclosure under the California Public Records Act.

CDFA treats the applicant's financial documentation as confidential and restricts access (e.g. password protected files) to specific authorized individuals, such as Certified Public Accountants in the CDFA Audit Office in order to conduct the Financial Soundness Review.

3. Are applicants required to comply with the computer system recommendations for using the FAAST system?
While not explicitly required, CDFA strongly encourages all applicants to comply with the FAAST computer system recommendations to ensure applications and attachments are submitted successfully. Reference page 11 of the RGA "How to Apply" for the FAAST computer system recommendations.

4. Does completion of California Environmental Quality Act (CEQA) satisfy the requirements for the Community Impact?
The Community Impact criteria must be addressed by applicants prior to submission of applications. If the above requirements were fulfilled during the process for demonstration of CEQA compliance for the project, applicants must provide supporting documentation referencing page numbers as applicable. Reference page 14 of the RGA "Community Impact" for more information.

5. Can there be two digesters located within a short distance of each other?
The DDRDP does not restrict projects by location. Please note that the "Community Impact" specifications/guidelines will need to be addressed for each project.

6. Can applicants include more than three letters of support?
Page 14 of the RGA "Community Impact" requests that applicants submit "up to three letters of support..." with their application. Applicants may submit more than three letters of support but they will not receive additional points in the scoring criteria.

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7. Is the DDRDP grant solicitation highly competitive?
CDFA anticipates that the grant solicitation will be highly competitive. During the 2015 DDRDP solicitation only half of the applicants that submitted applications received a grant award.

8. If interconnection happens after September 30, 2019 due to utility delays, will the recipient still receive reimbursement? Are there clawback provisions?
DDRDP funds must be encumbered by June 30, 2018 and fully liquidated by June 30, 2020. CDFA may review and consider grant extensions on a case-by-case basis.

CDFA does not have specific “clawback” provisions but will withhold 10% of the grant funds until a Critical Project Review Report, Final Performance Report, Final Invoice, and resolution of any project concerns are completed.

9. Can the grant funds be used as down payment toward a bank loan?
If awarded funds, recipients will be reimbursed for actual, allowable project costs on a quarterly basis. While reimbursement of project costs would not appear to constitute a down payment toward a bank loan, applicants should contract their financial institutions with any questions regarding loans and/or down payments.

10. If applicants decide to resubmit a proposal that did not receive funding during the 2015 DDRDP, what is required for community outreach, letters of support or similar materials?
The “Community Impact” section is a new requirement, per legislation SB 859 (2016). SB 859 states:

“A project cannot receive funding unless the applicant has (1) demonstrated to CDFA that the applicant has conducted outreach in areas that will potentially be adversely impacted by the project; (2) Determined potential adverse impacts of the project, and (3) committed to measures to mitigate impacts.”

If the above requirements were fulfilled during the process for demonstration of CEQA compliance for the project, applicants must provide supporting documentation referencing page numbers as applicable. Refer to page 14 of the RGA “Community Impact” and page 29 “Detailed Scoring Criteria” for more information.

11. Where can applicants find a list of required permits?
Permits will vary depending on the scope and the location of your project. Applicants are responsible for obtaining all necessary permits for the proposed project. Reference page 18 of the RGA “Additional Guidance and Resources” for more information.

12. Cluster hub and spoke models are being planned with digesters on each dairy. Will CDFA confirm that a reasonable and acceptable approach for the cost of a centralized gas upgrading facility or centralized electric generation facility (built with capacity to serve several dairies), as well as the gathering line, is to allocate to each individual dairy digester project its proportional share of the centralized plant’s total cost?
CDFA cannot guarantee that each digester project submitted as part of a cluster will be selected for award. Therefore, the total cost of a centralized facility may not be guaranteed funding. Grant funds cannot be used to fund duplicate equipment or activities that will

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receive funding from the California Public Utilities Commission (CPUC) pilot project authorized by California Health and Safety Code Section 39730.7(d)(2).

13. In "Attachment 1: Project Narrative Template," CDFA states that "Project designs must be approved by a licensed professional engineer." Do submitted drawings need to be stamped by a California registered engineer?

CDFA does not require the project design be stamped by a California registered engineer. However, reference page 18 of the RGA "Project Requirement on Water Quality Protection" for more information about Design Report requirements for digester vessels.

14. Does the FAAST PIN number need to be in the top left corner of every page of the attachments and supporting materials?

At a minimum, the first page for each attachment or supporting materials document (e.g., Attachment 4: Financials, Supporting Materials 1.2, etc.) must include the FAAST PIN number. This requirement will help ensure a consistent review of grant applications.

15. If awarded, will recipients be required to comply with the California Labor Code and Public Contract Code, which includes prevailing wage?

Recipients and CDFA will enter into a grant agreement which is not subject to prevailing wage requirements. CDFA will comply with all necessary California laws to the extent that they apply to grant agreements. Grant recipients must comply with their own organization's policies and procedures.

16. The RGA requires that letters of support be submitted in Times New Roman font size 11. Will CDFA accept letters of support that don't adhere to this requirement?

CDFA understands that it may not be feasible for all of the attachments and supporting materials (e.g., site plan, schematics, and letters of support) to adhere to the font and size requirements established in the RGA. Attachments and supporting materials that do not require specific templates will be accepted even if they do not adhere to the font and size requirements.

17. What are the requirements for completing the community outreach portion of the Community Impact Template? Must all community outreach activities be complete by the time the application is submitted?

All applicants must fulfill the community outreach requirements as specified on page 14 of the RGA. Applicants will be reviewed and scored based on the "Detailed Scoring Criteria" (reference page 29 of the RGA). All community outreach activities must be completed by the time of application submission.

New Questions

18. Can an applicant attach a PDF document that exceeds 25MB in FAAST?

Applicants should attempt to compress files to ensure that a single PDF does not exceed 25MB while ensuring that the document does not degrade or become unreadable. Applicants may split a document into several smaller size files if the PDF exceeds 25 MB and cannot be easily compressed or the quality will degrade or become unreadable.

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19. The RGA states that contractor and consultant fees are limited to labor only. How should applicants describe the costs if the contractor/consultant will charge a flat fee?
For a contractor/consultant charging a flat fee, the cost should be reasonable and include a basis for the flat rate estimate (i.e., length of services, services provided, parts installed, etc.). Additionally, the description of the costs should tie back to the task number identified in the Work Plan.

20. In the FFAST system at various points it asks for data without specifying the time period. Can we assume any of these types of FFAST data questions refer to a one-year period of time?

Example: Estimated energy generation (MWh or MMBtu) Answer: _____

Applicants should assume a one-year period of time for questions in FFAST that request data concerning a proposed project and do not have a specified time frame. Additionally, please include clarifying information, if necessary, in the Project Narrative.

21. Can CDFA define "enforcement action" in regards to the following question in FFAST:

"Does a pending enforcement action of any kind exist against the dairy operation or any of the project partners? If yes, provide explanation."

Enforcement action refers to all civil or other disputes in addition to permitting enforcement action.

22. Does CDFA have predetermined job classifications/trades that should be used for completing the "Localized Economic Benefits" section of the "Community Impact Template"?
No. Applicants should describe the job classifications/trades (e.g., electrician, site foreman, etc.) as best as possible. If a job classification/or trade is not easily recognizable please include a short description of the work the position performs.

TECHNICAL QUESTIONS

1. What is meant by "dry weight"?

Dry weight refers to only the volatile solids fraction of the manure, not including liquids such as urine or flush water. At least 80% of the dry weight of the feedstock for anaerobic digestion must be manure from dairy livestock. Other substrates such as dairy processing wastes include whey, or other agricultural waste, can be added to the feedstock up to 20% dry weight. Reference page 7 of the RGA "Program Requirements" section for more information.

2. Within the Financial Assistance Application Submittal Tool (FFAST) system under "Digester Project Plan and Long-Term Viability" and on the Air Resource Board (ARB) GHG Reduction Calculator, what should applicants use for the herd size?

Applicants should provide the average number of lactating cows housed in freestalls and in open lot corrals, dry cows, replacement calves, replacement heifers, and any other livestock in operation.

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3. How can a dairy with a small herd size be competitive with a large dairy that can generate more methane reductions?
[Dairies with a smaller herd size can be competitive with larger dairies because the ARB GHG Reduction Calculator accounts for each project's GHG Emission Reductions per kg of energy-correct milk production and per grant dollar requested by the applicant. Reference page 13 of the California Air Resources Board Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program 2016-17 for more information.](#)
4. Does the ARB GHG Reduction Calculator account for NO₂?
[No. The ARB GHG Reduction Calculator accounts only for carbon dioxide and methane.](#)
5. Is a project eligible for Bioenergy Market Adjusting Tariff (BioMAT)?
[An electric generation project can participate in the BioMAT process to get a power purchase agreement with their local utility.](#)
6. Can a biogas upgrading technology that is used to upgrade biogas from other sources (not dairy) or outside of California be deemed commercially available in California?
[Please refer to the definition of "commercially available technology" on page 25 of the RGA. With respect to biogas upgrading technology, please submit documentation with your application that the technology being proposed meets the definition of "commercially available technology" \(i.e., that the system has proven operating history, that there are established design/installation procedures, that professional service providers, equipment and spare parts are available\).](#)
7. A farm has a digester system that is currently operating, but which is planned to be decommissioned when a new digester system is built. The new digester system will employ different digester technology from the previous system. Would the new digester system be eligible for a grant since the old one will be decommissioned?
[Reference page 6 of the RGA, upgrades to existing functional dairy digesters to boost emission reductions and energy production are not eligible for DDRDP funds.](#)
8. A farm has an operating digester system. Due to farm expansions, the digester system is now undersized. A second digester, with different digester technology, is planned to accommodate the additional dairy waste. Would the new digester system be eligible for a grant since it would treat waste that cannot be utilized in the first digester?
[The 2017 DDRDP funds are for new or additional methane reductions, applicants will estimate baseline emissions with the ARB GHG Reduction Calculator and must include the GHG reductions already achieved from the existing digester.](#)
9. ARB GHG Reduction Calculator requests Lactose percent but some dairy farmers that ship their milk to processing plants are not required to measure Lactose percent (they have all the other percent measured). In these instances, can applicants estimate the Lactose percent based on similarly situated nearby dairies with the same breed of dairy cows that do have their milk tested for lactose percent?
[CDFA recommends using dairy specific lactose percent data for the energy-corrected milk calculations to be included in DDRDP applications. If a dairy does not measure the percent of lactose, protein or fat, an applicant may enter the default values for standard milk](#)

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(reference page 36 of the [California Air Resources Board Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program 2016-17](#)); use of default values for standard milk should be noted in the Supplemental Material Attachment 5.1.

10. A dairy is currently expanding in size and adding cows to their herd. The digester will be built to accommodate the waste from the final, larger total number of cows. For cow numbers in the ARB GHG Reduction Calculator, should the future expanded cow numbers be accounted for?

Applicants must enter the number of livestock by category based on the average of preceding 12 months data. Reference page 11 in the [California Air Resources Board Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program 2016-17](#) for more details on inputs to be provided for GHG emissions reduction calculations.

11. Can CDFA provide the relative weight in the GHG score, since it is evaluated on four calculations?

The GHG emissions reduction criteria is a comprehensive scoring criteria intended to evaluate the credibility and reasonableness of the overall GHG emissions reduction estimation. These considerations include but are not limited to completeness of the calculation, justifications, and assumptions provided to support inputs to the ARB GHG Reduction Calculator; and, if the technologies proposed will be able to achieve the GHG reductions estimated and are compatible with the dairy operation. Applications will be competitively ranked based on their projected GHG emission reductions. Reference page 28 of the RGA "Detailed Scoring Criteria" for more information.

12. What should be included with the Supporting Material 5.1 - Explanation of Assumptions for GHG Calculations document?

Reference page 15 of the [California Air Resources Board Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program 2016-17](#), "Section C: Documentation." For example, if an applicant uses non-default values for inputs such as for solid separation efficiency, an explanation/justification of non-default values should be included in this section. Explanations of how biogas destruction is apportioned between a primary and secondary destruction devices when two are present should also be included here, as well as explanations for inputs to the boiler worksheet, if applicable. Applicants are welcome to provide any other detailed explanations of inputs to the ARB GHG Reduction Calculator Tool that may be helpful to the Technical Advisory Committee when reviewing project applications and quantification.

New Questions

13. If a proposed project has an existing lagoon that meets the Central Valley Regional Water Quality Board (Region 5) Dairy General Order but is not double-lined (Tier 2); will the existing liner be grandfathered in and qualify for the funding?

Reference page 18 of the RGA, "Project Requirements on Water Quality" for guidance regarding how alternative digester vessel designs will be accepted. CDFA recommends that applicants with an alternative digester vessel design contact the appropriate representatives at the Regional Water Quality Control Board to assist in making that determination.

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14. If an applicant seeks to pilot a three-step system which includes the production of electricity from biogas byproduct; what permits would be required to operate such a system if the electricity would be connected to the grid and would permits need to be acquired prior to the project grant application submission?

Digester projects in California require numerous permits which can vary by the location of the proposed project. Flow chart scenarios for state-issued permits can be found at: <https://www.calepa.ca.gov/files/2016/10/Digester-Documents-2012yr-PermitManure.pdf>

Applicants should also check with the county in which their project is located. More information on permitting and CEQA is found at: <https://www.cdfa.ca.gov/oefi/ddrdp/>

For more information regarding interconnection with an electricity provider contact the local utility provider in the project area.

With respect to power purchase agreements (PPAs), Legislation (SB 1122) amended Section 399.20 of the Public Utilities Code and adds an additional 250 MW of capacity for investor owned utilities to offer feed-in tariff Power Purchase Agreements for eligible bioenergy projects. SB 1122, the California Public Utilities Commission established the BioMAT through Decisions (D.) 14-12-081 and (D.) 15-09-004. Check with the local utility provider to learn more about the status of the BioMAT.

FINANCIAL QUESTIONS

1. Can CDFA provide information about the details of the financial soundness review?
CDFA's Audit Office is comprised of Certified Public Accountants who conduct the financial soundness review. They evaluate whether applicants have provided the requested information as required in the RGA, the level of completeness and validity of the documents being submitted, and identify concerns regarding the financial strength of the dairy and/or the project developer. Additionally, they evaluate the organization's ability to pay for up-front project costs while waiting for reimbursement from CDFA and the ability to fund the project beyond the grant term. Please see page 28 of the RGA "Detail Scoring Criteria" for more information.

2. Page 13 of the RGA "Attachment 4: Financials" states:

"If the project will be a new partnership with little or no history, please submit key financial information from all collaborators (e.g., dairy operators and developer)."

What is meant by "all collaborators"?

A collaborator is any entity that has a financial stake in the project (e.g., bank supporting the project). Subcontractors do not need to be included.

3. What documents does CDFA consider "key financial information" for a dairy operator and developer?
Applicants are responsible for determining what key financial information is necessary to prove an organization's financial strength. Reference page 13 of the RGA "Attachment 4: Financials" for a list of documents that applicants should consider when submitting key financial information to CDFA.

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4. If a publicly traded company or a well-known bank or lender (i.e., with publicly available state or federal filings) is promising to support the project, will their publicly available financial information suffice as evidence of their financial capability to perform their project role?

The publicly available documents for a publicly traded company or financial institution are often voluminous and take considerable time to review. As a result, CDFA's preferred financial documents include a Certified Public Accountant Audit Report (i.e., opinion page and financial statements) and bank or lender loan documents supporting the project.

New Questions

5. Are the following documents acceptable when submitting the "Attachment 4: Financials"?
- a. A letter of commitment from their bank indicating that they are willing and able to commit the promised matching funds to the project
 - b. A promise that if selected for a grant, they are willing to allow CDFA accountants to review, with the farmer and the bank any further necessary details to support this commitment.

Reference CDFA's response to questions 1, 3, and 4 in the Financial Questions section of the Question and Answer document.

6. Are applicants required to include a 10 year financial model showing the project's cash flow and how it can sustain itself in the future based on proven or contracted revenue and cost assumptions?

CDFA does not require financial modeling as part of the 2017 DDRDP application. If applicants determine this information is necessary to demonstrate their organization's financial soundness and strengthens, they should consider including this information.

7. Can a lender financing the digester project take an assignment of the awarded CDFA grant monies?

If awarded funds, CDFA will enter into a grant agreement with the individual/organization identified on the application submitted to FFAST. Any subsequent changes to the recipient must occur with approval from CDFA and will be reviewed, when/if requested, on a case-by-case basis. However, in all cases, CDFA will only reimburse the recipient for actual, allowable project costs on a quarterly basis.

BUDGET QUESTIONS

1. Are lease payments from a developer to a dairy operation an allowable cost?
No, expenditures for leasing land or buildings are unallowable. Reference page 10 of the RGA for more information.

2. If a project is selected for funding, are there limitations in moving funds identified on the Budget Worksheet between cost categories?

There is no threshold for moving costs from one allowable cost category to another, however, grant recipients will be required to notify CDFA in advance and obtain prior approval before moving costs between allowable cost categories. (e.g., Personnel Costs to Equipment Costs). Please note: Design and Engineering costs cannot exceed five percent

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of the total amount requested for DDRDP. Reference page 9 of the RGA for more information on allowable costs.

3. Is a bank loan a form of Matching Funds?
Yes, funds that have been secured in a bank loan are an acceptable form of matching funds.
4. What are examples of "Other" funds on the Budget Worksheet?
The "Other" category is a form of matching funds that does not fall into any of the other cost categories. For instance, funds from a utility district or local government may be classified as "Other."
5. CDFA is requiring a 50% cost share, does this mean that the maximum project budget cannot exceed \$6 million (i.e., \$3 million grant and \$3 million match)?
No, CDFA does not limit the total project budget but requires a minimum 50% match; applicants can provide additional matching funds. Reference page 5 of the RGA "Funding and Duration" for more information.
6. What other GGRF funding sources are there other than DDRDP funds?
At present, CDFA is unaware of other GGRF funding sources. However, if other GGRF funding sources become available applicants would identify those funds in this category.

New Questions

7. Is the utility electric interconnection cost a grant eligible expense? On the grant application is it necessary to identify specific equipment and providers, such as the make and model of the electrical genset and the genset provider?
Utility interconnections costs are allowable costs provided they support the implementation of the digester project. It is not necessary to identify the specific equipment and providers, however if they are known, please provide.