

**Questions and Answers
for the
Alternative and Renewable Fuel and Vehicle Technology
Program Solicitations:
PON-09-604 and PON-09-605
April 27, 2010**

Grants and Loans

1. Does the applicant indicate if they are applying for a grant or a loan; is it left up to the Energy Commission?
 - a. The applicant should indicate their funding mechanism preference, but the Energy Commission will make the final determination based upon program eligibility rules. Generally, grants are for pre-development projects only and loan guarantees and bond awards are for commercialization projects.
2. Is there a ceiling on awards?
 - a. No.
3. What type of funding should a feasibility study ask for?
 - a. Grant.
4. What is the schedule for bond funding? How can applicants set up a schedule if bonds will take an indefinite amount of time?
 - a. The schedule for bond funding will be determined during negotiations with potential lenders. The schedule bond applicants submit should anticipate a start date of 12/1/2010, and detail the steps to project completion in three years or less. Bond repayment may exceed three years, and is anticipated to continue past project completion. Please see question 9 for more details on bond project scheduling.
5. Does funding through the Treasury need to be pursued through the Energy Commission?
 - a. The State Treasurer's Office does have other funding options and mechanisms available, but for purposes of these solicitations, funding would need to be pursued through the Energy Commission by the application deadline.
6. How are grant funds disbursed?
 - a. Funds are disbursed through a reimbursement process. Once expenses have been incurred a payment request may be submitted to the Energy Commission. Payment requests will be reviewed for compliance with the budget, and to ensure expenses have been incurred. Once the request is approved funds will be sent to the Recipient.

7. When will clarification information about what qualifies as grants and what qualifies as loans be published?
 - a. Within the next week or two.
8. How can applicants plan for phase 1/phase 2 projects where phase 1 needs a grant and phase 2 needs a loan? Any other guidance that can be provided in regards to timing on a paired project? What would be the latest date that Energy Commission would be looking at for the start of a project?
 - a. The Energy Commission is not entertaining the concept of paired or contingent projects, in these solicitations. The Energy Commission will not award a grant for some activities, and a loan for other activities, for projects – or phases of projects – that are directly related to each other. If the applicant already has sufficient detail about the development or “phase 2” project to prepare a competitive application, then it is likely that the pre-development or “phase 1” project will not qualify for a grant. Whether or not the applicant should bundle the two phases together is the applicant’s decision based on what it thinks makes the strongest proposal given all of the evaluation criteria. On the other hand, if the outcomes and conclusions of the phase 1 work are necessary before the phase 2 project can be detailed sufficiently for an application, then the phase 2 project may not be mature enough to be competitive in these solicitations. Applicants should weigh carefully the scope of the projects they are proposing, and submit a single application for the specific activities for which it is seeking funding.
9. What is the potential duration for bonds? Can bond projects potentially exceed the December 2013 date?
 - a. There are many factors that require consideration in the development of bond financing, including, but not limited to, hiring the appropriate financing team, assessing project risk, evaluating financial terms and conditions, and the application of credit enhancements. All of these factors could affect the bond duration, and because terms will be negotiated during the issuance process, potential bond durations are not known. Bond projects could potentially exceed the December 2013 date depending on when financing is in place. The three-year clock for project completion for AB 118 projects will begin when financing has been secured through the State Treasurer’s Office. Please see question 4 for more details on bond project scheduling.
10. Will the lenders be the same as under the current CalCAP?
 - a. There is a current list of lenders for the CalCAP program, however, lenders can be regularly added or deleted from the list.
11. For the loan guarantee program, does the loan have to be from a commercial bank? Or could the loan guarantee be applied to a loan from a private syndicate?

- a. The loan must come from the list of CalCAP authorized lenders.
12. What is the estimated interest rate for loans?
- a. Interest rates will be commercial and will vary according to the lending institution and qualifications of the applicant. More information can be found at <http://www.treasurer.ca.gov/cpcf/calcap.asp>. Details on the AB118 CalCAP program are not yet on the website, but general information, including a list of participating lenders, is.
13. What is not reimbursable?
- a. Only those items allowed in the budget (Personnel, Fringe, Travel, Supplies, Equipment, Contractual, Other and Overhead) are reimbursable. This does not include any profit.
14. Will the Energy Commission perform audits?
- a. The Energy Commission reserves the right to audit expenditures of all grant and loan-funded projects. The Energy Commission will also monitor and evaluate project outcomes. The project agreements will include reporting, accounting and document retention requirements. .
15. How much time will be available to repay loans?
- a. Loan repayment usually depends on the useful life of the equipment. Details would need to be worked out with the lender.
16. Is a \$5 M grant acceptable, if requested and not approved, can a lesser award be made?
- a. There is not maximum cap on grant funding so a grant application can come in requesting \$5 M, however, cost effectiveness will be considered during scoring. The Energy Commission reserves the right to negotiate the award amount, however, this is usually only done when there are limited amount of funds remaining.
17. Can funds be used to buy equipment or tools for public works projects?
- a. Yes
18. Could the funds cover the lease of a building? If so, for how long?
- a. Yes, for so long as the expenses are incurred within the term of the agreement if it is necessary for the project.
19. Are grant funds received from the Energy Commission taxable under CA or Federal Income tax?
- a. Recipients with tax questions should consult the Internal Revenue Service and the Franchise Tax Board.
20. Is there any more detail on what the terms of a loan guarantee would be under the CAEATFA program – length of the guarantee, rates, costs, etc?

- a. Applicants should consult the California Capital Access Program (CalCAP) website for loan guarantee program elements and the list of eligible CalCAP Lenders. Applicants may consult with these lenders on the loan terms, interest rates, and fees charged as these vary from lender to lender.

Budget and Match Funding

21. What can be used for match?
 - a. You can count anything as match that you would count in the budget category such as personnel, fringe, contractual, equipment, subcontractors, etc. All funds must be expended during the term of the agreement to count as match. Land and large equipment can be counted at a prorated rate.
22. Can new or existing equipment be used for match?
 - a. The whole cost of new equipment can be used, if purchased during the term of the grant. Existing equipment can be, if used for the project. The value of existing equipment needs to be prorated.
23. Does the Energy Commission have a template or sample letter applicants can use to show match?
 - a. No. A letter should contain the amount of match, commitment of provider, a statement that the signatory has the ability to commit to and complete the match and a timeline of when funds would be available.
24. Can money spent after the submission of proposals but before the NOPA is released be used for match?
 - a. No, anything expended before the agreement is in place would not be counted as match.
25. What type of verification documentation is needed to show match funding?
 - a. If funds are coming from a partner, a commitment letter would be acceptable. If funds are coming from applicant themselves, just stating what type of funds (cash, in-kind, etc.) is acceptable. If such funds are not made available to the project after an agreement has been signed, the awardee would be responsible for providing the match.
26. Can in-kind support be used as match only after the grant is awarded?
 - a. Yes.
27. Can CEQA costs be used as match?
 - a. Expenditures for preparation of CEQA documentation may be counted as match only if funds are expended during the term of the grant. CEQA litigation costs, however, may not be counted as match.
28. Can real estate developer concessions be used as match if improvements were made prior to the grant term?

- a. No. Nothing prior to the execution of the agreement can be included in the budget.
29. If a real estate landlord makes tenant improvements on a facility for us, can that be treated as match?
- a. Yes if the improvements and their value are documented.
30. Could AB 2766 funds be used for match?
- a. Because the funds are not available yet, they could not take that information into account as far as scoring. But use of them could be negotiated later as replacement for match listed in the proposal.
31. Can intellectual property be used for match?
- a. No, because match funding must be spent during the project term, previous expenditures in intellectual property may not be used as matching contribution to a grant.
32. Can match be figured for a large company doing analysis by using their billing rates?
- a. Yes.
33. Can matching funds be provided to the project as in kind match as the number of hours provided to the project at consultant's usual rates.
- a. Yes.
34. Is the entire value of a one-year lease eligible as match?
- a. If 100% of the lease is in support of the project and no other activities, the entire value may be eligible as match. Otherwise, the value of the lease should be pro-rated.
35. How can a company become a lender for CalCAP?
- a. Interested parties should contact CPCFA, which administers the CalCAP program, for information on qualified lenders. Lenders are posted on their website.
36. Does a company that is providing match funding need to be California Business?
- a. No. It is not a requirement for them to be. There is only the requirement for the applicant to have a California business presence.
37. How are salaries factored into the budget? Do they have to be considered as the match or will the AB 118 funds cover 50% of salaries for the planning and part of the production phase?
- a. Salaries can be counted as match or can be funded with AB118 funds, if the expenditures occur during the term of the agreement. This can only be used for salaries when the person is working on the funded project.

38. Please clarify: In the budget, applicant should "limit the funding source to match funds." Page 13, Section 15.F.
- a. Funds necessary for permits, insurance and similar items can only be included in the budget as match.
39. If a company currently has an internal division. If that company were to spin this business out as a separate subsidiary, and then have that separate subsidiary act as a key partner under the grant and then contribute the intellectual property (IP) the original company has done so far for our next generation advanced power train (electric motor, motor controller, and additional electronics), would we be able to count the IP as match as long as the contribution happens after the grant award?
- a. No, since the expenditures in the IP were made prior to the project term, it would be ineligible as match. If the key partner were contributing the power train, then the value of the power train itself may be eligible as match, but not the past expenditures in the IP to develop the power train.

Eligibility

40. What would make you ineligible for the CalCAP program?
- a. If the project doesn't qualify for a loan it would make you ineligible.
41. Are joint applications acceptable?
- a. Partners are acceptable, but you must have a primary applicant. Agreement will be binding with one entity and then other entities can be included.
42. Is it acceptable if the applicant is out-of-state but the partners are in-state?
- a. The program requires that the applicant have a business presence in CA. One way to show applicants business presence is through registration with the Secretary of State.
43. Is Secretary of State Registration needed by May 20, or just prior to award of the grant?
- a. Registration is required before the agreement can be executed.
44. Does the applicant need to be a manufacturer? Or can a partner be the manufacturer? Are out-of-state partners acceptable?
- a. It is not required that the applicant be a manufacturer. It would be acceptable if the manufacturer were a partner in the project. Out of state partners are acceptable.
45. Are non-profit organizations eligible?
- a. Yes.

46. Can a newly incorporated or registered company be used for this solicitation?
 - a. Yes
47. Can the corporate office or one of the key subcontractors be based outside of the US?
 - a. Yes. The only requirement is that the applicant has a business presence in California.

Applications and Process

48. How are funds distributed when proposal scores are tied?
 - a. To date this has never been an issue, scores have never tied.
49. Does an exact project site need to be completely decided upon prior to May 20? Or just city location?
 - a. The exact site doesn't need to be chosen, but such uncertainty will be reflected in the project scoring.
50. Is the 40-page limit for the Project Narrative and Scope of Work a combined total or the total for each separate document?
 - a. The 40 page limit is a combined total.
51. Does confidential information included in VOLUME 2 count toward the 40-page page limit? Can a project get around that by including the confidential material in an appendix?
 - a. Yes, it does count toward the page limit.
52. Please clarify whether or not the Energy Commission would like us to submit the prevailing wage compliance certificate (Attachment J) with the application. If not, how would you like to see us address the issue of prevailing wage? If so, do you have any comments on what you're looking for?
 - a. Yes, Attachment J should be submitted with the application. Attachment K provides information on compliance with prevailing wage requirements under California law.

Projects

53. When should we anticipate a project will start?
 - a. Within a month of the business meeting. Approximate business meeting times are listed in the solicitation.
54. Does biofuel production include expanding of existing facilities other than just ethanol?
 - a. Yes, expanding or improving upon any alternative fuel facility will be acceptable.

55. Regarding feedstocks, what is the definition of waste? Does product have to be purely a waste product with no current value, or is agricultural waste with a current small value eligible?
 - a. Evaluation will be done on a case-by-case basis.
56. Are fuels for propeller aircraft eligible? Are aviation or jet fuels eligible?
 - a. The production of fuel for aviation is not eligible for funding under this solicitation. Aircraft fuels and technologies are not included in AB 118.
57. Is it true that CHP units cannot be used if electricity is put on the grid?
 - a. No, electricity can be used for process energy, but it depends on the percent used for process and the percent used for transportation fuel. Electricity is a viable co-product.
58. Are on- and off-road, electric power train vehicles eligible?
 - a. Yes.
59. On multiphase projects, can the 6-month data collection period be done before the loan? After the grant?
 - a. Each project, whether funded by a grant or loan, will have its own 6-month data collection period. No projects will be funded by both grants and loans.
60. How many proposals does Energy Commission think it will fund from each solicitation?
 - a. We can't anticipate how many and what types of projects we will receive, but to give a reference, under the biomethane solicitation there was \$21.5 M available and 4 projects were recommended for funding, some small and some large.
61. Please clarify "non revenue-producing start-up steps."
 - a. Per addendum 2, this is no longer considered a pre-development step and therefore will no longer be eligible for grant funding.
62. If equipment is funded with a grant for a pre-development stage, and then goes on to be used in the commercial process, does Energy Commission have to be reimbursed for those funds?
 - a. Title to equipment acquired by the grant recipient with grant funds shall vest in the grant recipient. Typically, grant recipients may continue to use equipment purchased with AB 118 funds as long as the use is consistent with the intent of the original grant agreement. At the end of the grant agreement, an arrangement will be made between the Energy Commission and the grant recipient for the equipment to be used as directed for a period of time that will be negotiated. Please refer to the draft Terms and Conditions posted within the solicitation documents.
63. Could Energy Commission set up a forum so people can find partners?

- a. Energy Commission will post the sign-in and call-in sheets plus contact information for anyone who sends a request immediately following the workshop.
64. Will Energy Commission post past successful applications?
- a. Anyone can request copies of specific applications, but Energy Commission does not recommend using them as examples because solicitation requirements change.
65. Can multiple projects be included in one application?
- a. No, submit multiple applications.
66. For the purposes of this proposal, how do we define our "project"? Do we describe only the pre-development tasks we'll perform with the Energy Commission grant funds, or do we need to map out the entire project -- from pre-development through EIR and construction -- even if we seek only pre-development costs?
- a. The emphasis of the proposal should be placed on the activities being carried out using CEC funds, but an overview of the entire project should be included to provide context for the proposal.
67. How will the total project period be calculated? Can it include the planning phase, opening of the plant and first year of production?
- a. The project period begins with a signed financing agreement and ends no later than three years from the date financing is secured. The actual project period will be determined during negotiations, and may be adjusted to reflect the length of time it takes to secure financing. The project proposal may cover any phase of the project, but it should reflect the type of funding requested. For instance, the project period should focus on the planning phase for grant applications, and the commercial phase for loan guarantee or bond applications.
68. If a project is requesting funding for pre-development engineering design studies as opposed to construction or commercialization funding -- does the project count as a "public work" for the purposes of determining whether or not we need to pay prevailing wages?
- a. The Energy Commission's use of the term "pre-development" should not be used to determine whether or not a project or activity is subject to state prevailing wage law. The question of whether the Energy Commission's funding of engineering and design converts an otherwise private development project into a public work is governed by California Labor Code section 1720, and includes work performed during the design and preconstruction phases of construction. Specific questions about the applicability of California prevailing wage law should be presented to the California Department of Industrial Relations.

69. For the purposes of this proposal, how does the Energy Commission define "project team members" and "key partners"? Please be explicit as to the definition as this has needed clarification in the past.
- a. Project team members are those that contribute cash or in-kind match funding and provide a crucial, non-replaceable component of the project. Key partners are those that are important to the project's success, but play a role that can be filled by another entity, such as a sub-contractor, or a station that distributes the fuel produced by the project.

Future Solicitations

70. For phased projects, will funds be available in the future.
- a. We cannot pre-allocate funds for future years.

CEQA

71. Regarding environmental review (ie CEQA), since review needs to be done prior to the start of a project term, can the cost of it be prorated and used as match?
- a. All funds in the budget, which includes both match, and Energy Commission share, must be expended within the term of the agreement. If funds for anything cannot be expended within the term of the agreement it cannot be counted as match. For those projects that require CEQA review to be complete before the Energy Commission can approve the project, CEQA costs will not be able to be used as match.
72. Please provide clarification on statement that EIR will have to be met prior to the Energy Commission approving the grant. Seems to contradict language that "environmental impact feasibility studies" can qualify for grant funding which generally don't require an EIR.
- a. CEQA will need to be complied with prior to the approval of any project that may have a significant physical effect on the environment. The Energy Commission may award grant funding to pre-development projects where the purpose is to analyze the technical, economic and environmental impact feasibility of a future project. The grant funding would be limited to the research and analysis, and would not support any aspect of an actual development project that would have a significant effect on the environment.
73. Compliance with CEQA—how to handle it with early stage projects?
- a. The Energy Commission has the responsibility to consider potential environmental impacts of its project approvals, and to mitigate any significant environmental impacts where feasible. The specific scope of that responsibility can only be determined on a case-by-case basis, depending on

the nature of the project being considered for funding and whether another public agency will serve as the lead agency.

74. Regarding field test projects, is CEQA compliance needed?
- a. See answer to #73. The answer depends on whether the specific project may potentially adversely affect the physical environment.
75. For CEQA compliance, if the applicant outlines the whole process, but has not yet had the official sign off, will that be sufficient or be considered non-responsive?
- a. Applicants are strongly encouraged to provide a detailed description of any known plans for CEQA compliance. However, CEQA is not complied with until any required environmental documentation is completed and/or certified.

Sustainability

76. How should we calculate the GHG score for manufacturing projects? Should we look at commercialization of the technology for the GHG score or look at the project itself?
- a. Applicants should provide the GHG information for the product coming out of the manufacturing facility or the GHG score that will be achieved after commercialization of the technology.
77. How do we write about the benefits for sustainability if we are requesting funding for a feasibility study (pre-development work). How would we calculate the GHG score for this type of project?
- a. Describe the GHG score and the sustainability elements of the commercial plant.

Biofuel Production (PON-09-604)

78. Are CHP projects eligible for funding under this solicitation?
- a. Yes, provided that they are integral to a fuel production project and the electricity sold back to the grid is a co-product and not the primary product.
79. For PON-09-604 can the fuel produced be used for anything or does it have to be transportation related?
- a. No, fuel must be used for transportation. It cannot be used for big electricity projects, but electricity sold back to the grid is an eligible co-product.

Manufacturing (PON-09-605)

80. Would a project that involves making and selling charging infrastructure for electric vehicles and plug in hybrids, especially the chargers and the software that controls them be eligible for this solicitation?
 - a. Yes.
81. If funds are sought for the plant, renting the space which is the plant, and/or all tools and equipment which will be inside the plant -- then the applicant must seek the loans / bond? None of these expenses can be addressed by the matching grant monies?
 - a. Correct, unless the project is pre-development which includes things such as feasibility studies, analysis, performance tests, etc. the applicant should seek a loan.