

Attachment A

1. General summary of staff's proposed changes to the *Guidebook*.

The *Guidebook* will be revised to:

- Add an introduction to the *Guidebook* to explain the changes to the Existing Renewable Facilities Program mandated by SB 1250.
- Define the process for finalizing funding award decisions, (including proposed awards of target prices and production incentive caps and proposed denials of funding for that calendar year) to state that they will be presented at an Energy Commission business meeting for approval.
- Senate Bill (SB) 1036, (Perata, Chapter 685, Statutes of 2007), which will be enacted on January 1, 2008. SB 1036 revises the Existing Renewable Facilities Program's allocation of funds from 10 percent to 20 percent of the funds collected for the Renewable Energy program. (However, SB 1036 also reduces the funds collected by the Renewable Resources Trust Fund by 51 percent because available funds from the New Renewable Facilities Program will be transferred to the investor-owned utilities.)
- Emphasize the requirement that the facilities applying for funding need to submit facility-specific data.
- Confirm that information provided in previous years applications may be used in evaluating each facility's current and future funding award applications.
- Include a template that will aid the applicants in applying for confidentiality.
- Require that if an applicant accepts a Funding Award Notice, the awardee must sign two copies of the Funding Award Notice
- Require awardees to submit monthly invoices and third-party verification for every month for each calendar year that they receive a Funding Award Notice regardless of whether the facility actually receives an incentive payment every month of that year.
- Make other conforming changes to the Draft Funding Award Notice and forms.

2. General summary of award decision process.

Staff proposes to revise the *Guidebook* to provide further details on the process that will be used by the California Energy Commission to approve Funding Awards. The following is a general summary of the proposed process:

- Energy Commission staff reviews applications. At this time, staff may request additional information from the applicant and to meet with the applicant. Based on the information submitted by the applicant, staff will recommend a proposed funding award decision to the Renewables Committee.
- The Renewables Committee evaluates staff's proposed decision and either approves the decision, and adopts in whole or in part, amends or modifies the decision, or proposes its own decision.

- The Renewables Committee’s decision will be sent to the applicant in writing and then it will be submitted to the full Energy Commission for approval.
- If the applicant is dissatisfied with the Energy Commission’s decision on their funding award application, the applicant may request that the Renewables Committee reconsider the Energy Commission’s funding award decision as allowed and within the time frames set forth in the *Overall Program Guidebook*.

3. Specific guidebook changes.

Staff is proposing to request the following information in Funding Award Applications. The following shows proposed revisions to Section E of the *Existing Renewable Facilities Program Guidebook, Fourth Edition Pages 6-7* with new text in underline and deleted text in strikeout:

Pursuant to Public Resources Code 25742(eoe) and in order to enable ~~For the~~ Energy Commission to evaluate a facility and establish an appropriate target price and cap, an applicant shall ~~must~~ annually submit the following information for its facility, using form CEC-1250E-1:

1. The cumulative amount of any funds the facility has previously received from the Energy Commission since January 1, 1998, itemized by Energy Commission program. The total funds received from the ERFP do not need to be provided since that information is available to ERFP staff. However, please provide the time frame the facility has been receiving funding from the ERFP.
2. ~~The cumulative amount of any funds the facility has previously received from other state government sources since January 1, 1998, itemized by program or state source. Also provide information on any corresponding costs or losses incurred in connection with such sources/programs, and an explanation of how and why these costs or losses were incurred.~~
3. ~~The amount of funds the facility will receive or is expected to receive from other state government sources through December 31, 2011, and any costs or losses expected to be incurred in connection with the receipt of such funds.~~
4. The value of any past and current federal and/or state tax credits in the previous calendar years ~~since 1998~~. (If the facility qualifies for these tax credits but is or has been unable to take advantage of them, explain the reason[s] why.)
2. ~~The value of any past and current state tax credits in the previous calendar years since 1998. (If the facility qualifies for these tax credits but is or has been unable to take advantage of them, explain the reason[s] why.)~~
5. The facility’s monthly average contract price for energy (in cents per kWh) and capacity (in dollars per kW-yr) under its current power purchase contract. If the monthly average energy price is not constant for all months of the year or is scheduled to change during the application year, please provide specific monthly data.
6. The market value of the facility. A facility’s market value may be based on the facility’s assessed value for property tax purposes. If market value is based on the facility’s assessed value for property tax purposes, please indicate ~~whether~~ the

~~assessment is made by the county and/or another local or state government entity making the assessment.~~ Other calculations for market value may be the facility's net present value of their contract revenue stream, book value, or salvage value. When reporting the facility's market value, please state the basis for this determination.

7. An estimate of the target price needed under the ERFP (in cents/kWh) to ensure the continued operation of the facility through the application year. ~~Also include~~ an explanation of why this target price level is needed, and how the incentive payments from the ERFP will allow the facility to become cost-competitive by December 31, 2011. ~~{Explain how changes in contract prices and/or market conditions relative to previous ERFP incentive levels affect the estimated target price provided by applicant.}~~
8. ~~The estimate of the~~ production incentive cap ~~needed~~requested under the ERFP (in cents/kWh) and an explanation of why this cap level is needed given the facility's circumstances.
9. Total ERFP funding (in \$) needed for calendar year in which the facility is applying.
10. Estimates of the facility's annual generation (in kWh) and capacity factor for the calendar year in which the facility is applying (1) if the facility receives the requested Energy Commission funds AND (2) if the facility does NOT receive any Energy Commission funds at all.
11. A description of the exact use and detailed allocation of the total amount requested for the calendar year in which the facility is applying. Examples of uses of funding include, but are not limited to, procuring additional or higher quality fuel (biomass facilities only), or specific repair or maintenance work at the facility. Please also explain how Energy Commission funds will enable the facility to reach any key milestones, get closer to becoming self-sustaining, and/or produce additional generation.
12. Please explain any deviation between the previous calendar year's estimate of additional generation (with Energy Commission funding) and the actual additional generation for that calendar year. A description of how the goods and services procured with ERFP funds in the previous calendar year have helped the facility become self-sustaining and/or have aided the facility in producing additional generation. Please provide a description of obstacles that the facility faced in the previous calendar year. Additionally, please describe the obstacles that the facility met in the previous calendar year.
13. A description of the facility's planned actions and strategy in the future to (1) increase the facility's capacity factor and generation through 2011 and (2) mitigate any foreseen future risks and overcome obstacles to self-sustainability by 2011. Please provide a detailed description on how the facility would utilize the ERFP funds requested in undertaking these activities and/or overcoming these obstacles.
- ~~22.~~14. An explanation of the environmental, economic, and reliability benefits provided by the operation of this facility after 2006 and a description on how ERFP funds supported those benefits. Please provide facility-specific information. Do not provide broad and general information on how the funding benefits the biomass or solar thermal industry.

4. Stakeholder input.

Staff requests stakeholder input in the following and encourages participants to provide verbal comments at the workshop and/or written comments as described in the workshop notice.

- Comments are encouraged on the questions drafted above which are proposed to become part of the Funding Award Application. General comments on what information the Energy Commission should collect to evaluate the applications are also welcome (for example, is there a topic area that needs to be added?).
- Comments are encouraged on quantitative measurements that could be used to evaluate a facility's need for the requested funding award under the requirements of PRC 25740, et seq., including PRC 25742. For example, benchmark estimates of the cents/kWh needed for maintenance, fuel, and major repairs could be developed for comparison with funding requests. Would this be useful? How would the data be developed?
- Suggestions on how biomass facilities and their fuel suppliers can accurately attest that the fuel procured for each facility conforms to the restrictions imposed by SB 1250.