

Questions and Answers II
Low Carbon Fuel Production Program (LCFPP)
GFO-19-601
November 15, 2019

The following answers are based on the California Energy Commission's (CEC) interpretation of the questions received. It is the Applicant's responsibility to review the solicitation. The CEC cannot give advice as to whether or not your particular project is eligible for funding, because all proposal details are not known.

ADMINISTRATION/PROCESS

Q.1: In the "Schedule of Products and Due Dates", Task 1 (Administration), should the dates of the kick-off meeting be filled in by the Applicant or the CEC?

A.1: The Applicant should provide an estimated date for the kick-off meeting that fits within the project timeline. The kick-off meeting date may change once a grant agreement is executed.

Q.2: In the budget, how do we add in values for indirect costs and profit if we have not started the contractor bidding process?

A.2: We recognize that not all exact costs are known during the application phase. Best estimates are typically used where exact amounts are unknown. Section 7 of the Terms and Condition covers changes to agreements and a grant Recipient may request a reallocation of budget funding through their assigned Commission Agreement Manager before and after an agreement is executed. Profit is capped at 10% and profit is only allowed for subcontractors.

Q.3: In the budget form, should all the costs and expenses of the project be included, even the ones that will not be funded by the CEC?

A.3: The budget form should include all project costs that the Applicant intends to claim from either CEC or match funding.

Q.4: If we are not using employees as match funding, do we need to fill out the direct labor, fringe benefits, or travel sections in the budget?

A.4: If there will be direct labor, fringe benefits, or travel costs proposed to be funded with either match or CEC funds, those costs should be included in the budget. If the Applicant is not incurring costs for direct labor, fringe benefits, or travel for either reimbursable or match expenses, there is no need to fill these worksheets out in the budget form.

Please do not delete or hide any sections from the budget. All the sections in the budget must be submitted whether there are expenses in it or not.

Q.5: What should be included as fringe benefits? Does this go by the standard definition of any benefits not included in a salary?

A.5: Fringe benefits are employee benefits that supplement an employee's salary. These benefits are determined by the company and may include but are not limited to medical and life insurance, leave credits, a company car, and subsidized meals. These are developed in accordance with generally accepted accounting principles. The CEC reserves the right to request an Applicant's or a subcontractor's fringe benefit rate calculation as needed.

EVALUATION CRITERIA

Q.6: Can changes be made from Pre-Application to Full Application regarding: (1) the amount/type of feedstock, considering that the new feedstock and resulting fuel is eligible; or (2) in-kind match funding?

A.6: Full Applications must be consistent with previously submitted and passing Pre-Application Abstract. Changes to the project made between the Pre-Application Abstract and Full Application submission may be grounds for disqualification, reduced funding, or other actions or reconsideration by the CEC.

For the in-kind example listed in the question, as long as the total amount of match and proportion of cash match of the project does not decrease, changing the amount or source of in-kind match in the Full Application has the potential to remain consistent with the Pre-Application. On the other hand, the amount or type of feedstock may be considered a substantial change to the project, since the feedstock could affect the technology used or the resulting fuel of the project.

Q.7: How does the CEC define nameplate capacity? How should an Applicant measure nameplate capacity for a facility that has been off-line and will be repurposed for fuel production?

A.7: The nameplate capacity, also known as the installed capacity, rated capacity, nominal capacity, or maximum effect, is the full-load sustained output of a facility based on its design.

For facilities that are off-line, the Applicant must fully explain how the facility will be repurposed to meet the minimum requirement of 1 million diesel gallon equivalent (DGE) of new, increased fuel production capacity.

Q.8: For the Project Budget and Cost Effectiveness criteria, Full Applications will be evaluated on the degree to which the proposed project minimizes CEC funding per DGE of ultra-low-carbon fuel produced annually. Would you please clarify this statement? Which calculation methodology or reference material may we use for this evaluation?

A.8: Full Applications must describe the cost-effectiveness of petroleum displacement in terms of Energy Commission dollars per diesel gallon equivalent, which is calculated as the requested CEC funding in dollars divided by the proposed annual production capacity in DGE of the ultra-low carbon fuel (CEC funding requested in \$ / annual fuel production in DGE).

For example, if an Applicant is requesting \$3 million in CEC funds to produce 2 million DGE of fuel, then the cost-effectiveness is \$1.50 per diesel gallon equivalent of ultra-low-carbon fuel produced annually.

Q.9: Our company was established in 2018. So far, it is in the investment stage. The financial plan requires balance sheets and cash flow statements for the last three years as available. Since we have only been in business for a year and half, is there any other document we need to attach?

A.9: The solicitation requests Applicants to provide balance sheet and cashflow statement as available and to include years 2017, 2018, and 2019 if applicable. The goal is to establish credibility and viability of your enterprise. In order to score well in the evaluation process, the Applicant should demonstrate the economic viability of the proposed project. Please refer to scoring criteria #2 (Business Plan, Financial Plan) (page 54).

Q.10: What type of information do you need to prove the technical feasibility of a certain technology?

A.10: Technical feasibility can be proven in several ways. Applicants should provide graphical or flow diagrams to illustrate the technology and process and should provide performance test data for the technology being used to support feasibility claims. Other examples of information to show technical feasibility could include: an approved or temporary Low Carbon Fuel Standard pathway, or citations and references for existing facilities that already operate the technology.

MATCH & ELIGIBLE PROJECT COSTS

Q.11: Can the amount of in-kind match funding be changed after the execution of the agreement in the case that this amount is updated or when other funding is obtained?

A.11: Only by written amendment of the Agreement (see section 7.b of the Terms and Conditions), at the CEC's discretion. The project is still required to meet the solicitation's minimum match requirements when the applicant proposes any match source changes. The CEC will review requests for match source changes on a case by case basis; the match source changes (addition or reduction) are not encouraged but changes may be allowed after agreement execution.

TERMS & CONDITIONS

Q.12: For national labs that are either the prime recipient or a subcontractor to a prime recipient, can the national lab use the U.S. Department of Energy (DOE) specific terms and conditions for the LCFPP that were pre-negotiated with other CEC programs?

A.12: The terms and conditions posted with the solicitation are currently the applicable terms and conditions for all prime grant recipients. It is the prime recipient's responsibility to negotiate agreement terms with its subcontractors, including flow-down requirements as required. The CEC has not negotiated DOE-specific terms for this program for use by either prime recipients or subcontractors. While the CEC reserves the right to negotiate such terms for this program in the future, that process can be time-consuming and may not be possible due to encumbrance deadlines or other issues, so applicants should assume that the terms and conditions posted with the solicitation apply.