September 19, 2016

VIA ELECTRONIC SUBMISSION

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: Comments of Saputo Cheese USA Inc. on the Proposed Amendments to the Mandatory Reporting of Greenhouse Gas Emissions Regulation

Dear Chair Nichols and Members of the California Air Resources Board:

Saputo Cheese USA Inc. ("Saputo") is pleased to provide the following comments in response to the California Air Resources Board's ("ARB") proposed amendments to California's existing Regulation for the Mandatory Reporting Regulation of Greenhouse Gas Emissions ("MRR"). Saputo's comments are provided in response to ARB's July 5, 2016, Notice of Public Hearing, which contained an invitation for interested members of the public to submit written comments in response to the proposed amendments. In particular, Saputo requests that ARB consider a slight modification to the MRR's covered product definition for "deproteinized whey" in order to ensure continued equitable industrial assistance allowance allocation.

Saputo ranks among the top three cheese producers in the United States with extensive operations in California where it operates five manufacturing facilities and employs nearly 1,200 people. Saputo is subject to the MRR as the operator of a facility located in Tulare, CA which produces in excess of 25,000 metric tons of CO^2 emissions annually.

Saputo supports ARB's objective to clarify covered product data definitions and to align those definitions with the actual products produced by industrial entities participating in Cap-and-Trade Program. Saputo agrees with ARB that streamlining product data reporting and product-based benchmarks for the fluid milk and related product manufacturing sectors is an important policy objective. Saputo understands that ARB is

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reviewing benchmarks for certain milk-based products and may propose revised definitions as part of a subsequent 15-day comment period. Saputo respectfully requests that ARB consider revising the definition for "deproteinized whey" and include it in the subsequent 15-day comment period.

Operation of the current definition of deproteinized whey ("DPW") results in disparate treatment of Sweet Dry Whey ("SDW") under the MRR and, in turn, the Cap-and-Trade Program. Saputo believes the current definition of DPW is too narrow and should be broadened to allow SDW to qualify as DPW. The MRR's current definition of DPW requires the powder produced to contain greater than 80% carbohydrate (lactose) levels. As SDW contains approximately 69% carbohydrate (lactose) levels, it technically does not qualify as DPW. This minimum carbohydrate requirement results in Saputo's production of SDW to be ineligible for the industrial assistance that otherwise would be provided by ARB.

Saputo was unable to locate any rationale or other support in the rulemaking record for the inclusion of this minimum carbohydrate requirement in the definition of DPW. Indeed, we believe the minimum carbohydrate requirement creates an arbitrary and unnecessary distinction between DPW and SDW, two very similar products that utilize the same amount of energy in processing. The process used to produce DPW is very similar to the process for SDW. We utilize the same source whey solids as a by-product from cheese manufacturing and a by-product from milk ultrafiltration. From these sources of whey solids and based on prevailing markets, we flex production to produce all whey products at highest return possible. DPW and SDW utilize the same process and equipment to remove water to the point of producing free flowing powder at the same solids level.

The process of making DPW or SDW is nearly identical. Membranes are used in both products. In both cases, whey is introduced to the membrane process just prior to concentration through an evaporator where water is further removed to approximately 55% solids. This is done through the same process on the same evaporator. Both products are stored and cooled through controlled cooling curves in the same storage vessels. From this point, product is introduced to the same powder drier where product is dried from 65% moisture levels to 5% moisture levels to a non-hygroscopic, free flowing powder and packaged on the same packaging equipment. Finished powders have the same moisture levels. It is our belief that these two products should be considered interchangeable by ARB due to being produced from the same available whey solids through the same equipment. Although SDW is not the exactly the same as DPW from a standard of identity perspective (i.e., due to carbohydrate content), it is the same from an energy use and greenhouse gas emissions standpoint. Attached is a diagram depicting the processes for the production of DPW and SDW.

For the foregoing reasons, we request that ARB consider revising the definition of "deproteinized whey" currently located at MRR §95102(b)(38) as follows:

> "Deproteinized whey" means products manufactured through the membrane filtration ~~cold ultrafiltration~~ of sweet dairy whey, removing a portion of the protein from sweet whey to result in a non-hygroscopic, free-flowing and clean flavored powder ~~containing greater than 80% carbohydrate (lactose) levels~~.

Saputo believes revising the definition of DPW in this fashion would advance ARB's objectives in the MRR and Cap-and-Trade Program rulemakings by, among other things, improving the accuracy and comprehensiveness of the covered product data definitions.

Saputo would like to thank the Members of the Board as well as the ARB staff for their consideration of these comments and for their continued efforts to improve the Cap-and-Trade Program and the MRR.

Respectfully submitted,

Ernie Carreiro
Vice President, Whey Operations North America

Enclosure

Sweet Dry Whey vs Deproteinized Whey

Process Step for SDW and DPW	Process Step for WPC	
		Milk
		path for SDW — *Whey* — Cheese Make — *Cheese*
	1	*path for DPW* / *path for WPC* — Ultrafiltration (UF) ..... *fractionation and concentration of whey proteins through membranes to produce WPC*
		Permeate *(lactose, ash, water)* — Retentate *(whey protein, fat, water)*
1		Reverse Osmosis (R/O) ..... *water removal through same membranes*
2		Concentration (Evap) ....water removal through same evaporator
3	2	Crystalizer Tank / Cooling ....crystalzing lactose in same tanks — Silo Intermediate Storage ....WPC liquid silos
4	3	Spray Dryer ....drying on same dryer Tall Form Dryer (TFD) — Spray Dryer ....drying on Multi Stage Dryer (MSD)
5	4	Packaging (line 1) ....25kg bags on same pack line — Packaging (Line 2) .....15 and 20kg bags on its own pack line