CR&R INCORPORATED
environmental services

June 19, 2015

Members of the Board
c/o Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments to Re-Adoption of the Low Carbon Fuel Standard – Proposed 15 Day Regulation Order

Members of the Board:

CR&R Environmental Services (CR&R) is pleased to provide the following comments and recommendations regarding the above referenced proposed regulation order. We appreciate the opportunity to provide our input to the modification of this extremely important set of regulations for the State of California.

As you may be aware, CR&R is a privately held integrated waste management company based in Southern California serving some 45 cities and jurisdictions, with 3 million residential and 5,000 commercial customers. CR&R has launched a renewable energy division where we have heavily invested in an anaerobic digestion (AD) project in the City of Perris (Riverside County). CR&R has chosen AD as our technology of choice to help our cities and customers meet the State's new organics recycling goals that are phasing in between now and the year 2020. From a feedstock of our collected green and food waste we will be generating approximately one million diesel gallon equivalents (dge) of renewable natural gas (RNG) per year per phase. We have four phases permitted in Perris that will collectively generate 4 million dge per year of RNG at full build out. The RNG we generate will initially fuel our own fleet of CNG trucks with subsequent phases planned to be further processed to be injected into the SoCal Gas pipeline per Rule 30 specifications.

We are grateful for the considerable financial investment the State has made in our Perris AD project. Namely, the California Energy Commission ($4.52 Million), South Coast AQMD ($500,000), and CalRecycle ($3 million) have made Phase 1 and 2 of our project possible. As you are well aware, leading edge technology is expensive and our approximately $60 million dollar investment in Phase 1 and 2 was made possible only with this type of public assistance. We anticipate completion of Phase 1 in November of this year.

On the operations side, when developing our operating budget for the Perris AD project, we relied on the availability of two key carbon incentives, RFS2 and LCFS, to enable us to generate an economic return. **We are concerned that the proposed LCFS amendments delay our ability to monetize LCFS credits which will significantly impact our project's economic viability.**

We have the following specific concerns with the proposed modifications:

1) **The requirement for 2 years of energy consumption data required under the registration process for Tier 2-LookUp Table Pathway CNG 005 listed in Table 6.**

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The proposed amendments require that CR&R register the project under Tier2-LookUp Table Pathway CNG005 which, among other requirements, calls for the submission of energy invoices for a period no less than **2 years** per 95488(4)(D)(1). Once the registration is approved for that specific CI, the LCFS credits will be generated retroactively based on the fuel production since startup of operations. Furthermore, 95488(4)(E), states that to obtain final approval, the CI chosen has to be approved by the Executive Officer. However, there is no deadline set for the Executive Officer to make this determination. **Our interpretation is that applicants will not be able to sell the LCFS credits generated until at least 2 years after the registration of the project, causing a significant impact on the cash flow of the project.**

In order to resolve this we suggest two solutions:

1. *That CARB reduces the amount of required energy invoices that have to be submitted to one quarter.*
2. *That there is a limit of 30 days for the Executive Officer to make his determination once the energy invoices, and all the other required documentation, is submitted.*

2) The possibility that will have to halt LCFS credit generation when transitioning from the current regulation to the new regulation.

Our financial pro-forma was based on existing rules where producers start generating LCFS credits upon starting operations. As our plant is expected to come online in November 2015, we expect to register our project under Method 2 CNG005 and start generating credits soon after start-up under the existing regulations. The proposed regulations require that we re-register the facility under the Tier2-LookUp Table Pathway prior to the sunset date of December 2016. **Our interpretation is that at the time of re-registration, applicants will have to halt the generation of LCFS credits until the re-registration is approved. This will cause a hiatus in the planned income from LCFS credits as it was included in our pro-forma.**

In order to resolve this issue, we recommend:

When a project's registration is approved and is generating LCFS credits, the project's registration requirements are grandfathered in under the new regulations with the new respective CI index and therefore there would not be a hiatus in LCFS credit generation.

3) The CI Index for the Temporary FPCs for Indeterminate CI are very high. The production of CNG from an anaerobic digester is included in the Biomethane CNG pathway listed in Table 7.

If we were to be required to use a temporary pathway due to the LCFS cash flow implications of item 1 above, we would have to default to a CI that unrealistically high as compared to the published CARB pathways for anaerobic digester. While we understand that these values need to be conservative, there is no explanation of how these CI were created.

In order to resolve this issue, we suggest:

Isolate the CNG production from anaerobic digesters from this category. Furthermore, explain the determination of these values.

We very much appreciate the opportunity to comment. Please do not hesitate to contact us if you have any questions regarding these comments.

Sincerely,

P.P. [signature]

Paul Relis
Senior Vice President
CR&R Environmental Services

cc:
Mary Nichols - California Air Resources Board
Howard Levenson - CalRecycle
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