March 9, 2017

Mr. Sam Wade
Branch Chief
California Air Resources Board
1001 I Street
Sacramento, California 95814

Dear Mr. Wade,

We thank ARB staff for providing the opportunity to provide feedback on their recently proposed revisions to the starch-ethanol pathway application, reporting, and verification requirements. We provide our responses below in italics.

Section I. Changes to the Fuel Pathway Evaluation Process for Ethanol

Simplifying the CI Application Form

Are appropriate units of measurement given for each data collection point?

Yes, although there will be some minor conversion work for some parameters to go from the raw data document to the data collection sheet.

Do the input fields provided in the form align with the feedstock and co-product inventory tracking methods that facilities currently employ?

Yes

Will there be comparable records that verifiers can check to confirm these amounts?

All data provided on the sheet can be traced back to either a document generated by the producer or a third party.

Can the documentation sources referenced be clarified?

We are unclear as to where the sources are listed. Please explain.

Accounting Methodologies for Allocating Fuel Volumes by FPC
Should the accounting methodology for allocating FPCs be included in the Monitoring Plan?

Yes, we believe that the accounting methodology for allocating FPCs be outlined in the monitoring plan assuming that ARB staff agree to review and approve of the approach as well as for verifiers to approve of the approach during validation.

Would third-party verifier assessment of feedstock consumption on a quarterly basis help to minimize risk of credit adjustments at the conclusion of an entire verification period?

No, we believe that quarterly assessment is too frequent and burdensome in terms of cost and time. Assuming that the allocation methodology is established in the monitoring plan, the producer will maintain all records and actions necessary to achieve compliance. Verifiers can perform their assessment at the time of verification.

Are there challenges associated with assessing feedstock consumption and allocating to fuel volumes sold on a quarterly basis?

Producers will likely provide a spreadsheet that summarizes every load of feedstock delivered to the plant, the hauler, the date of delivery, and the weight of the load. This can be formatted on a quarterly basis. Producers also have the ability to report fuel production and the plant’s average yield (bushel/gallon EtOH) on a quarterly basis. Beyond this, feedstock cannot necessarily be “traced” or assigned to specific units of fuel.

Conestoga’s corn and sorghum feedstock are processed together during the ethanol production process. Typically, co-processing facilities abide by the method of allocation whereby the total bushels of corn (or sorghum) processed is divided by the plant’s average yield to allocate the percent of fuel associated with corn feedstock vs sorghum feedstock.

Do stakeholders need additional guidance on allocation methodologies and recordkeeping to ensure compliance?

Yes, we request additional guidance on allocation methodologies if ARB staff envision an approach other than the standard industry practice for allocation as described above. Please provide examples of the specific type of supporting documentation that a verifier would likely request in order to satisfy the proposed requirement that supporting documents “unequivocally associate specific quantities of feedstock consumed with specific volumes of fuel produced over the reported quarter.”

Consideration of Multiple Pathways for Dry, Modified and Wet DGS

How can we ensure that methods for accounting and reporting of the volumes associated with each drying level are accurate and verifiable?
Producers likely can provide dedicated fuel/energy meter data for their dryers. They would also provide records demonstrating mass of co-product/volume of ethanol yields on a monthly basis. Please confirm whether this level of documentation will suffice.

**Consideration of User-Specific Inputs for Feedstock Transportation**

**What are the appropriate default transport distances for corn and sorghum, and the modes offered?**

We will opt for user-defined transport values as transport distances can vary significantly amongst plants. The mode of transport is most likely a semi with a 1,000 bushel capacity.

**What requirements should be included in the verification protocol to ensure that transport distances can be confirmed during validation and recurring verifications for facilities that provided user-specific inputs for feedstock transport distance?**

Transport distances for feedstock deliveries can be confirmed during validation and recurring verification by reviewing summary spreadsheets that track individual loads of feedstock delivered to the plant. Typically, haulers provide the scale house at the plant with a custody transfer slip denoting the origin of the feedstock, volume delivered, date of delivery, etc. This information is then typically transferred to a summery sheet for billing purposes. Transport distance could be calculated based on origin and added to this spreadsheet. When coupled with load volume data, the weighted average transport distance for a given period can be quantified. Verifiers could then randomly sample a statistically significant number of distances, verify using Google Maps (or similar) and confirm the weighted average calculations were done correctly.

**Other Potential Changes to Pathway Application Requirements**

Removing the requirement that producers supply supporting documentation to substantiate what they report in their application and allowing the verifier to request and review this information during pathway validation.

This is a reasonable approach. We ask staff to provide producers with a detailed list of data and documentation that verifiers will request for review in effort to best prepare for validation. We do not want to run the risk of being ill-prepared for validation and experiencing avoidable delays as the result of having to reapply for pathway approval, etc. due to not being aware of the type of information that verifiers will request.

Removing the onetime requirement to demonstrate fuel transport mode and instead require that fuel shipments to CA be verified regularly.

This is a reasonable approach assuming that staff provide producers with examples of documentation that will satisfy verifiers’ requirement to confirm transport mode and producers possess such documentation.
The new process for application review and approval would be: producer submits a simplified version of the application, staff review for completeness, the producer contracts with 3rd party verifier to undergo pathway validation, once validated the pathway goes back to ARB for certification by the Executive Officer. If the application is found to be deficient at the staff review phase, it is rejected and the applicant must reapply with complete information.

Please specify how staff will handle a situation where a verifier conducts the validation and finds incomplete or missing information. Will the producer have a chance to provide the missing information or will staff require the producer to start a new process of application? In our experience, the process of validation innately represents the process whereby missing pieces or gaps in data or supporting documentation are highlighted by the verifier as a “finding” so that the producer can go back to their records, find the missing or clarifying data or document, and provide this information to the verifier in order to close the “finding”. The process is intended to be iterative which ensures the verifier has the maximum amount of information with which to issue their opinion.

Section II. Fuel Reporting

No comments

Section III. Verification

Staff is seeking feedback on holding the following entities responsible for verification: All producers, Opt-in intermediate entities, Importers, and Exporters.

We agree with producers being subject to a one-time pathway validation process and ongoing verifications for Cl. Cl verification should be required on a triennial basis to coincide with federal fuel program requirements for engineering reviews. This then allows the producer to contract with one verifier to perform work to satisfy both RFS and LCFS requirements. In an effort to stay apprised of plant status and performance, Staff might consider inviting producers to submit limited documentation for desk-review purposes on a more frequent basis to demonstrate compliance with their Cl value and to expedite the full verification when due. This should be on a voluntary basis and equate to less work required of the verifier come verification time.

Staff is seeking feedback on the potential third-party verification points identified in Tables 3 and 4 of the Ethanol Discussion Paper.

The verification points in Table 3 relating to requirements for the ethanol producer for initial Cl Determination, validation, and ongoing verification are reasonable. We believe that the monitoring plan mentioned under “Ongoing Verification” requirements be a “living” document whereby it is updated regularly and required all information required to satisfy verification requirements. The verifier should be advised by ARB staff to refer to the monitoring plan to start verification activities. The use of a standardized document that points to where operational and maintenance data and supporting records can be found will help keep verification costs manageable as it will aid in the efficiency of the review. We
also ask that staff clearly define verifier’s objectives and the degree to which they can use their discretion during the verification process in a formal guidance document that is available for public review.

To inform site visit frequency (quarterly, semiannual, annual, triennial), staff is seeking stakeholder feedback regarding the frequency with which activities most likely to impact compliance can potentially change. Are there critical activities that may change frequently, versus activities that are unlikely to change during the course of normal ethanol production and delivery?

Plants constantly monitor and optimize their starch-ethanol production process. The following parameters have the potential to vary year-to-year based on market dynamics: energy use for co-product processing, co-product profile, allocation based on feedstock. Additionally, staff should consider building an approach into their verification program that address operational disruptions that affect the plant’s ability to operate according to their established CI parameters.

Is remote monitoring by a third-party verification body sufficient to detect potential fraud in the supply chain and thereby substitute for more frequent site visits at the production facility?

Please provide more detail as to what would be remotely monitored and at what frequency.

Require Producers to Update their Monitoring Plan Regularly

We recommend that staff allow for the updating of the FPC’s monitoring plan on an interval consistent with verification to accurately reflect changes to metering and monitoring equipment, calibration dates and results, operational disruptions, and other general changes to the fuel production process chain. We understand that the verifier is tasked with confirming that the process chain complies with the description and supporting documentation provided in the original FPC application and will rely on documentation submitted at the time of pathway approval. However, we also see a need for the verifier to understand whether a certain flow meter has been replaced, to view records confirming meters are in calibration, and to understand details of any operational disruptions at the plant that correlated to changes in metering/monitoring, production, or changes in plant or process energy consumption.

Comments Regarding the 10/21/16 ARB Verification Whitepaper

Reasonable Assurance of No Material Misstatement

We are pleased to see that staff propose to stay consistent with verification requirements in the MRR program) whereby the verifier’s objective is to determine whether they have reasonable assurance that no material misstatement exists based on sampling activity and risk analysis using data provided by the producer. We understand that the verifier will issue a positive statement if the sum of all discrepancies, omissions, and misreporting total five percent or less. Please confirm that the five percent value will be calculated based on credits or deficits reported in units of metric tonnes of CO2e.

Allowable CI Variation & Measurement Accuracy
We are concerned that staff have not made an allowance for CI variation due to naturally fluctuation in the process chain and measurement accuracy issues within a certain threshold. We are aware that the CA Cap and Trade program does allow for these instances as long as their aggregate total does not exceed five percent. See guidance in Section 5.6 of Technical Guidance for Offset Verifiers: Verification of Offset Project Reports Oct 2013. https://www.orb.ca.gov/cc/capandtrade/offsets/offset-verification-guidance.pdf. The Cap and Trade program does allow for situations where a meter is found to be out of calibration or fuel invoices vary from period to period, as long as their effect on overall emissions does not exceed the pre-defined threshold. We believe this approach is imperative and needs to be included in the LCFS verification requirements as both of these examples are real-world type scenarios that verifiers will face during verification time and will in-turn come back to LCFS staff querying how they should address them.

Regards,

[Signature]

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