



November 4, 2014

Robert B. Weisenmiller, Ph.D.
California Energy Commission
1516 Ninth Street, 1st Floor
Sacramento, California 95814

RE: Demonstrating Bioenergy Solutions that Support California's Industries, the Environment, and the Grid (PON-14-305)

Dear Dr. Weisenmiller:

California Dairies, Inc. ("CDI") is pleased to support California Bioenergy LLC ("CalBio") and Lakeview Farms Dairy Biogas ("Lakeview project") in its application to the California Energy Commission under Group 3 of PON-14-305: *Demonstrating Bioenergy Solutions that Support California's Industries, the Environment, and the Grid.*

CDI is the largest dairy cooperative in the state, producing 45% of California's milk. Lakeview Farms Dairy is owned by John "B.J." Schoneveld. B.J. is a member of CDI and serves on CDI's board of directors, as does his colleague, John Bidart, who is a co-founder of CalBio.

Economic Viability

The core issue in advancing digesters is economics. This proposed project furthers the economic viability in two important ways:

- (1) It combines electricity generation with vehicle fuel generation. This is an innovative and important new approach. As a result, the project will be able to secure annual cashflows from the long-term electricity purchase power agreement through the SB 1122 program. In addition the project is also able to benefit from low carbon fuel standard and RIN markets.

It also has an environmental benefit. Even though technologically advanced, the engines emit NOx. Renewable CNG, by replacing diesel engines, removes NOx from the environment, making the project's hybrid approach even more attractive.

Several milk hauling companies have been working with CalBio to use part of the gas from this project and neighboring dairies to power the trucks hauling the milking to our processing facilities. However, we understand that fuel projects alone are too risky to finance, given the volatility of the credits. Combining electricity and fuel makes good sense and adds much-needed stability to the project.

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- (2) The project's second important economic innovation is the development of the first hub and spoke digester operation in California. The Lakeview project and CalBio's commissioned Bidart Old River project are located within a remarkable cluster of modern dairies and together will provide two important anchors. The 2013 USDA-funded study, completed by the California Dairy Campaign (*Economic Feasibility of Dairy Digester Clusters in California: A Case Study*), with CalBio's assistance, focused on this concentration of Bakersfield dairies.

In launching this hub and spoke initiative, CalBio plans to locate the Lakeview project's electrical generator and the fuel processing equipment in centralized locations. Subsequent biogas projects that are part of the same cluster would co-locate generators and share fuel-production equipment—enabling all of the projects to enjoy lower capital expenditures and lower operations and maintenance costs.

Other Advances

Built on the dairy farmers' experience in co-ops, like CDI, the dairies plan to pool their individual interests in the digesters in a cooperative structure. This decreases individual risk and strengthens their joint effort to deliver a financially successful outcome. The dairy farmers also benefit by partnering with professional dairy biogas development firms such as CalBio.

The proposed system will also deliver other important benefits, including a substantial reduction in greenhouse gas emissions and an improvement in dairy operations by lowering manure handling costs and producing valuable, nutrient-rich irrigation water.

I fully support the proposed project and look forward to the success of this groundbreaking effort. If you have any questions at all about my support for this project, please contact me at 559-625-2200 or by email at amikhalevsky@californiadairies.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrei Mikhalevsky".

Andrei Mikhalevsky, CEO
California Dairies, Inc.