Energy - Docket Optical System

From: Mike Lewis <mlewis@pearsonfuels.com>
Sent: Friday, January 09, 2015 9:28 AM
To: Scott, Janea@Energy
Cc: Butler, John@Energy; McKinney, Jim@Energy; Smith, Charles@Energy; Freeman, Andre@Energy; Energy - Docket Optical System
Subject: Comments to Docket 14-ALT-01
Attachments: Docket 14-ALT-01 by Pearson Fuels.pdf

California Energy Commission
DOCKETED
14-ALT-01
TN # 74268
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Please accept the attached comments to the docket.

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PEARSONFUELS
FEEL GOOD FUELING UP

Commissioner Janea Scott, ARFVTP Lead Commissioner
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

January 8, 2015

Subject: Comments to the Docket-14-ALT-01

Dear Commissioner Scott:

I am Mike Lewis, co-founder and General Manager of Pearson Fuels in San Diego. As you know, Pearson Fuels built the first E85 fuel dispensing system on the west coast back in 2003, and it still operates today, having dispensed over 1.7 million gallons of E85 to the public. Since then, we have gone on to work with the Air Resources Board (ARB) and the California Energy Commission (CEC) to establish seventeen E85 retail fueling facilities at many existing gas stations around the state. By location, we are the largest distributor of E85 in the state, as we deliver E85 fuel to many government locations, in addition to 23 retail stations. Some of these are branded Pearson Fuels, but many are not. Because of the CEC's previous support we will open another 17 E85 sites within the next 12 months. We also distribute biodiesel and bulk ethanol, and have spent considerable time siting retail hydrogen stations. We are a California company, and we only do business in California.

Pearson Fuels is very aware and focused on aligning the goals of our company with California's AB 32 requirements for 2020, the goals of the Low Carbon Fuel standard (LCFS), the State's Alternative Fuels Plan, as well as the 2050 Climate Change Goals. The ARB's scenarios for meeting those goals make it abundantly clear that E-85 throughput in flex-fuel vehicles must be a substantial contributor to achieve the goals of the plan. Pearson Fuels has gathered considerable experience from these several activities, to the point where we have more 'time in the trenches', and in the successful implementation of various alternative fueling infrastructures, than any other entity in California. That experience of successful retail infrastructure establishment shows our continuing commitment to the state's many ambitious goals and regulations, and the new markets that result. We are consistently reducing use of petroleum by distributing much lower Carbon Intensity (CI) transportation fuels.

I want to bring to the attention of the committee an issue that I feel has overstated the success of the ARFVTP program as it applies to the development of retail E85 sites. Staff updates to the committee indicate previous funding for 161 E-85 stations. Pearson Fuels was the recipient for 19 of those sites and the other 142 sites were all funded for one other E85 distributing company. Pearson's 19 sites will be built on time and an on budget.

Due to the other awardee being unable to perform in a manner consistent with their application, at this point there is every indication that 101 of those sites may not ever be built. This brings us to the issue of the disposition of the $10.1 million encumbered for them. I have stated before, and still have serious concern, that the CEC has no future plans to fund E85 infrastructure, as it has been told that these 101

E85 sites would be built, and therefore no more financial support of the market would be needed for the time being. Unfortunately, the longstanding delay, and the market uncertainty it has caused, has neutralized any momentum experienced in those early days. Instead of the ARFVT Program advancing the establishment of this needed infrastructure, this delay has actually caused 'a slowing' of the activity of that market sector, and the lack of any factual discussion of this impasse, is causing concerns to grow substantively.

It is unfortunate that there is now not even any mention of E85 in the Infrastructure category of the new Draft Investment Plan. According to staff, the funding allocations are "intended to reflect the unique technological and marketplace hurdles" of each fuel. If you fund someone $100,000 per site and they still are unable to get an E85 site built then there are obviously still "marketplace hurdles". In addition, AB 118 calls for the CEC to "develop and deploy technology and alternative and renewable fuels in the marketplace, without adopting any one preferred fuel or technology".

May I suggest that it is not a prudent use of taxpayer funding to make these decisions without strong consideration of cost efficiency. Cost efficiency should be rigorously applied when considering what fuels are eligible for funding as well as how much an applicant intends to spend per station. In the past, the CEC has funded individual hydrogen stations to the tune of over $1.7 million dollars each when Operation and Maintenance funding is also considered. At $70,000 per E85 site (with zero Operation and Maintenance support), one could build 24 E85 sites for the same amount of money. These 24 sites would have many more GHG benefits and LCFS benefits as well as provide at least 300 times the petroleum reduction benefits. If the CEC funds hydrogen stations and not E85 stations how is that not "adopting any one preferred fuel or technology"?

Let us not again fall into the trap of the perfect being the enemy of the good. In 2009 it was projected by the California Fuel Cell Partnership that there would be over 57,000 fuel cell vehicles in California by 2015-2017. The latest projection shows that there 'may' be 6,600 fuel cell vehicles (off by an order of magnitude), but there is certainly no guarantee, if experience can be our guide. Does this dramatic reduction in the long-expected deployment of FCVs cause you no concern as the steward of the public's money?

There are, however, close to one million E85 compatible flex-fuel vehicles in the state right now, with less than 60 retail E85 sites to fuel them. It is no wonder that less than 1% of the fuel used by those flex fuels vehicles is E85. This is more evidence of "marketplace hurdles". With all this being said, I implore the committee to expand the Infrastructure category to include E85 fuel station establishment, as soon as possible. Furthermore, I ask that if in fact the $10.1 million previously allocated for the 101 E85 stations gets returned to the fund, that the committee re-establish that funding, and more, in the E85 Infrastructure category for a future solicitations.

Your time and consideration are much appreciated.

Sincerely,

Mike Lewis
General Manager, Pearson Fuels

cc. John Butler
Charles Smith
Jim McKinney
Andre Freeman