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E85 Infrastructure Support Missing

Additional submitted attachment is included below.

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Notes to Docket – CEC Advisor Committee Meeting and Public Workshop 1/21/16

I would like to first of all thank you for holding the event and for adding some discussion to the Investment Plan Update regarding the current status and thinking related to the development of E85 Infrastructure in California. Some of the reasons the CEC has stated for not funding E85 are: ***very low cost retail gasoline prices*** make for a difficult business proposition to sell E85 on an energy equivalent basis, and previously funded projects ***"have proceeded with fewer stations than originally proposed or have not yet proceeded at all"*** (page 55 of the draft ARFVTP Investment Plan for 20016-17).

First let me address the stated reason that E85 allegedly makes for a difficult business proposition. Our E85 station in San Diego, which has been open now for 12 years, had its best E85 sales this year selling almost 448,000 gallons of E85 out of one dispenser. This best selling year was an increase of 73% over the next best years which were 2013 and 2014. Sales increases are visible across the spectrum of the stations we supply wholesale.

Secondly, on the day before the workshop, crude oil set a 16 year record low and the E85 at our San Diego site was being sold retail for $1.89/gal while the San Diego average gasoline price was $2.85 per gallon. This is 66% of the cost of gasoline and more than overcomes the 71% energy equivalent basis. The bottom line is that the RFS is working to make E85 more financially viable via RINS and the LCFS is working to make E85 more financially viable via LCFS credits. These programs are working as they are s designed to and I strongly disagree that E85 makes for a difficult business proposition. If that were the case my company would not have been the third fastest growing business in San Diego in 2014.

The second stated reason to justify no E85 funding is that previously funded projects have proceeded with fewer stations than originally proposed or not at all. For the record I spoke in front of the Committee and reminded them why that was the case. Several years ago a series of grant funding was allocated nearly exclusively to one company (awarded funds for 186 E85 retail fuel stations) over several years, despite the very slow progress of establishing those E85 retail fueling locations. Pearson Fuels submitted proposals for every CEC solicitation that included E85 infrastructure; however we saw 14 awards in a row for E85 infrastructure awarded to the same company.

I attended the Business Meeting on May 31, 2012 and made extensive comments on the record to the effect that giving 100% of the grant funding to one company could at least give the impression of preferential treatment. I went on to very specifically point out that not only did the awardee not have the match fund required to complete the work in their 10 different submittals considered for encumbrance that day but they did not even have the match funding to complete the projects that they had been previously awarded in ARV-10-002 and even ARV-09-006 before that from two years earlier.

Ultimately the Commission confirmed the awardee on all 10 submittals for $10.1m, $100,000 for each station. Later we were happy to have more funds put into the category and we were also awarded $1.35M to build 19 stations with a CEC contribution of $71,053 a piece. Of those 19 sites awarded to Pearson, as of the date of this letter, 12 of them are open, 4 are in permitting and 3 are in development.

It is my understanding is that with their grant ARV-10-002 for 10 stations from back in 2010, the other awardee has not made sufficient progress to build all those to give the CEC confidence in even executing the agreement from PON 11-602 approved at the Business Meeting back on 5/31/12. I strongly agree with the CEC's hesitation on that point. But to now say that E85 infrastructure development should not be supported because projects, ***"have proceeded with fewer stations than originally proposed or have not yet proceeded at all"*** is to forget how we got to that point and frankly to not take responsibility for the CEC's role in it.

The Table showing past investments for all funding categories, page 20, still shows that the CEC has funded 158 E85 stations, but does not mention that the majority of those stations have not been built, and most will likely never be completed. Pearson Fuels was the recipient of funding for 19 of those sites and the other 142 sites were all funded to another E85 distributing company. Pearson's 19 sites will all be built and on budget. The 'hiatus' from consistent funding in the Program that has resulted from the uncertainty of the largest E85 infrastructure project, has had an extremely detrimental effect on the market momentum to provide this low-carbon, alternative fuel to the more than one million Fuel Flexible Vehicles now on the streets in California. Many of these vehicles are located in poor Air Quality regions and Disadvantaged Area Communities (DACs). Not everyone can afford a Tesla, Natural Gas or a Fuel Cell car but many thousands of low-income Californians are right now driving Flex Fuel Vehicles and are forced to burn gasoline in them every day because no E85 fueling sites are nearby.

The CEC's rational for not supporting E85 applies even more so to other, more speculative alternative fuels. However, these perceived barriers are not resulting in reduced funding to those 'favored fuels' in a like manner. According to staff, the funding allocations are ***"intended to reflect the unique technological and marketplace hurdles"*** of each fuel. These hurdles still exist for E85 Infrastructure.

I encourage the Energy Commission, with the use of its contractor NREL, to undertake a ***mid-program analysis and review*** to understand what projects were actually established, what benefits have accrued, and what the current and future outlook for these fuels is based on the solid results (Petroleum Reduction and Greenhous Gas Reduction) of the projects funded by the ARFVTP. Informing this Program consistently, is perhaps the most essential aspect to assure that the efforts of the program are properly targeted, and that the funding meets with the best opportunity areas for success. Its importance cannot be overstated.

It is my strong belief that these alternatives should be pragmatically evaluated and compared with the other alternative fuels in a way that does not add ethereal value to esoteric long-term benefits but instead is grounded in the real world. If in fact such an evaluation is done in the format described above, I am confident that E85 will stand up well against the competitive fuels in both Petroleum and Greenhouse Gas Reduction. As a result I continue recommend that you reconsider your lack of E85 infrastructure funding for this fiscal year.

Sincerely,

Mike Lewis- Co-Founder
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