

## DOCKETED

<b>Docket Number:</b>	17-ALT-01
<b>Project Title:</b>	2018-2019 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program
<b>TN #:</b>	221828
<b>Document Title:</b>	Clean Energy ARFVTP Investment Plan Update Comments
<b>Description:</b>	N/A
<b>Filer:</b>	System
<b>Organization:</b>	Clean Energy
<b>Submitter Role:</b>	Public
<b>Submission Date:</b>	11/17/2017 4:17:48 PM
<b>Docketed Date:</b>	11/17/2017

*Comment Received From: Ryan Kenny*

*Submitted On: 11/17/2017*

*Docket Number: 17-ALT-01*

## **Clean Energy ARFVTP Investment Plan Update Comments**

*Additional submitted attachment is included below.*



The Honorable Robert Weisenmiller, Chair  
California Energy Commission  
1516 Ninth Street  
Sacramento, CA 95814

November 17, 2017

Re: 2018-19 FY ARFVTP Investment Plan

Dear Chair Weisenmiller:

On behalf of Clean Energy, we would like to submit comments concerning the 2018-2019 Investment Plan Update for the *Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP)*.

As North America's largest provider of natural gas and renewable natural gas transportation fuel with over twenty years of leading industry experience, Clean Energy provides construction, operation and maintenance services for refueling stations nationwide. Headquartered in California, we have a deep understanding of the growing marketplace, and our portfolio includes 533 stations in 43 states, including a significant presence of 165 stations in California.

Already used as a clean, low carbon source of energy around the world, natural gas is abundant and proven to be a cost-saving alternative fuel to diesel and gasoline. Natural gas for transportation fuel strengthens our economy with lower fuel costs, increases our energy security, and significantly benefits our environment by reducing carbon emissions and smog-forming NOx emissions by up to 23% and 90%, respectively, relative to diesel fuel. Carbon emissions are reduced even further – approximately 80% to 90% - when renewable natural gas (RNG) is used to power our engines compared to diesel.

The ARFVTP program has in its history provided incentive funding for natural gas vehicles (NGVs), natural gas fueling stations and for infrastructure. It is imperative that the state, via the CEC and ARB, make it a high priority to use funds to incentivize heavy duty trucks to use low-NOx engines set at the 0.02 g/bhp-hr standard. Powered by conventional or renewable natural gas, or a blend of the two, greater environmental benefits will be achieved than with any electrified system for 1/5<sup>th</sup> to 1/10<sup>th</sup> the cost and far fewer operational and logistical challenges, as natural gas technology can be seamlessly integrated into large natural gas fleet operations such as drayage, goods movement, refuse, transit, and airport operations.

In a review of the draft Report, please consider the following:

- On page 37 of the draft Report, it states, "Given these state goals to divert substantial amounts of organic waste from landfills and the corresponding need for infrastructure to process this organic waste, the ARFVTP will exclude landfill gas projects from consideration." While existing barriers remain for in-state production such as high interconnection, gas quality testing and gas cleanup costs, we are hopeful one day that sufficient in-state production will occur. We are very concerned that such a long-term policy completely ignores the long-term feedstock of organics in landfills – up to 75% diversion or not – for which it will take decades for existing organics to sufficiently decompose. Flaring the biogas would be the new policy rather than capturing it for transportation use.
- On page 41, a discussion occurs about the perceived limitations of biomethane use as a transportation fuel, and suggests going forward "all three aspects of fuel production, distribution and use into one project may ease the barriers" and "to encourage the use..." Please do not mistake this perceived barrier with

those mentioned directly above. We are concerned about any CEC policy which would constrain production incentives in a narrow program requiring all of fuel production, distribution and use while other barriers are not addressed.

- The proposed \$25 million for FY 2018-19 for **Alternative Fuel Production and Supply** is a \$5.6 million increase relative to 2017-18 FY. We applaud the CEC for this commitment and policy momentum going forward, but please keep in mind the biomethane industry is in more need of infrastructure incentives than production because it is not a mature industry in California. This is contrasted with other biofuels like ethanol and biodiesel which are in need of production incentives.
- Page 57 is of “Table 15: Proposed FY 2018-19 Funding for **Alternative Fuel Infrastructure**,” which shows that **natural gas fueling station infrastructure** would not be funded for FY 2018-19, which is a decrease of \$2.4 million from last year. Furthermore, electric charging and hydrogen refueling infrastructure, respectively, would receive modest increases. We believe the proposed reallocation of funding to pick winners and losers at a minimum **should instead remain the same as last year** to encourage further investment, provide long-term business certainty, and to reiterate the support of the CEC for NGVs especially after so much in GGRF will soon become available.
- Page 62 discusses how the **Natural Gas Vehicle Incentive Project** “has \$11.9 million in unspent funds, including \$10.6 million reserved for vehicle incentives and \$1.3 million available for new reservations. The natural gas vehicle incentive allocation has an additional \$19.7 million in unencumbered funds from FY 2016-17 and 2017-18.” It continues to state the CEC “...staff proposes suspending any additional funding for this category in FY 2018-19 until the existing funding is used.”

The legislature clearly expressed their intent this year that a significant portion of GGRF needs to be spent on removing dirty heavy duty diesel vehicles from our roads, and we think this intent extends to other state programs where the opportunity presents itself. Our customer base has expressed strong demand for NGVs, and if this program has difficulty spending these funds then our industry needs to work together with the CEC to remedy the problems. **These existing funds should not only be able to be spent this year, we strongly recommend that the same allocation of \$9.7 million be appropriated in FY 2018-19** since the 12L .02 NOx engine will be available for deployment in early 2018 and their benefits can be realized with this funding.

In addition, the lack of fuel parity cost between RNG and diesel is mentioned as a cause, and it is important to note that with the price of oil increasing and the diesel fuel tax now 20 cents higher, greater cost parity is expected. When you couple this with the expected release of the .02 NOx 12L engine early next year, we expect a wider adoption of NGVs in the heavy duty sector in 2018-19.

Also, we believe a primary barrier is the initial purchase of the heavy duty vehicle and its higher incremental cost relative to diesel trucks. We have found with the HVIP program that a low incremental cost for the 9L .02 NOx engine, for instance, is diminishing demand, as are a host of other potential problems. We will continue to pursue a dialogue with CEC staff in an attempt to remedy this issue. But as we work together, we are concerned about a lack of visibility on the actual program performance and we would like to see all of the relevant data including:

- ✓ Name of applicant (fleet)
- ✓ Date reservation was submitted
- ✓ Date reservation was confirmed (approved) - this is the day that the clock starts for deployment
- ✓ Number of units approved per weight class group
- ✓ Number of units used before expiration deadline
- ✓ Number of units not used, i.e. \$ de-obligated

This would begin to help our industry and the CEC explain the reasons for underperformance.

## **FACILITY MODIFICATIONS**

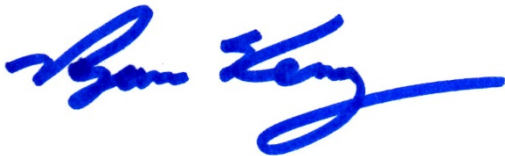
To support the deployment of low NOx natural gas vehicles, Clean Energy also recommends that ARFVTP funds be made available for the modification of existing facilities used for vehicle maintenance and repair to accommodate maintenance of the vehicles. Allowable facility modifications should include, but are not necessarily limited to, the following:

- Installation of building methane detection sensors;
- Electrical shielding;
- Heater element explosion proofing;
- Gas evacuation and ventilation upgrades.

Clean Energy recommends that ARFVTP funding levels for maintenance facility modifications be capped at a maximum of 50% of the project costs, not to exceed a maximum of \$250,000 per facility.

Thank you for considering our views. We look forward to continued discussions and policy considerations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Kenny", with a long, sweeping underline.

Ryan Kenny  
Senior Public Policy & Regulatory Affairs Advisor – Western U.S.  
Clean Energy