



California Natural Gas Vehicle Coalition

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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 10-ALT-1
1516 Ninth Street
Sacramento, CA 95814-5512

Re: 2011-2012 Investment Plan Draft Staff Report – Docket 10-ALT-1

Dear Investment Plan Team:

The California Natural Gas Vehicle Coalition submits the following comments on the Draft Staff Report of the 2011-2012 AB 118 Investment Plan. We see significant improvements in the content of this report and the process used to develop it thus far. We appreciate the time and effort the Energy Commission staff have put into this Plan.

The California Natural Gas Vehicle Coalition represents the state's natural gas vehicle industry and includes major automobile manufacturers, utilities, heavy-duty engine manufacturers, fueling station providers, equipment manufacturers, and fleet users of natural gas vehicles.

This comment letter addresses the following points: 1. Appreciation for the Energy Commission's strong support for natural gas vehicles; 2. Investing in vehicles should be the priority; 3. Vehicle funding should include light-duty vehicles; 4. We strongly support investments in renewable natural gas; 5. CEC needs a clear strategy for refueling infrastructure investments; and 6. Specific errors in the report which CEC needs to correct.

CNGVC appreciates the Energy Commission's strong support for natural gas vehicles

We recognize that staff's proposed investment of \$12 million in natural gas vehicles is significant and shows strong support for NGVs. We appreciate this very much.

The California Energy Commission has plenty of justification to invest this much and even more funding in natural gas vehicles. CEC's own analysis found that natural gas for transportation exhibited great near- and long-term potential to displace petroleum in California. This analysis of natural gas and NGVs was comprehensive and yielded very

positive projections for fuel displacement in the heavy-, medium-, and light-duty vehicle arena; with the strongest potential to displace diesel in the heavy-duty truck market.

In our comments on the last Investment Plan we elaborated on why investing in natural gas as a transportation fuel made so much sense. Following is a summary of those points which are as true today as they were a year ago: 1) natural gas is an abundant resource in North America, 2) oil prices are high and expected to go higher; 3) natural gas has a significant price advantage over gasoline and diesel; 4) the NGV Industry is growing significantly; 5) each month there are more vehicle options in the heavy-duty, medium-duty, and light-duty markets; and, 6) natural gas offers very competitive clean air and greenhouse gas benefits compared to other fuels.

Investing in vehicles should be a priority

We continue to believe that investing in vehicles is among the best strategies for growing natural gas as a transportation fuel in California. Unlike many other alternative fuels the natural gas vehicle industry has evolved to a point where many fueling stations do not need public funding to support their construction or operation. Private capital is being secured for most CNG fuel station projects where there are enough NGVs present to provide a sustainable demand for the stations fuel. As we have said before increasing the number of NGVs on the road as soon as possible is critical to a healthier and sustainable natural gas fueling network and the continued and greater growth of natural gas vehicle options.

We are very excited about the pending Program Opportunity Notice to fund natural gas vehicles. We are supportive of CEC's efforts to develop a simplified and efficient process for distributing funding in a timely fashion. We look forward to continuing to work with staff to make this approach a successful investment for all Californians as a strong natural gas vehicle industry will generate green jobs, cleaner air, a safer climate, and less dependence upon foreign oil.

Vehicle funding should include light-duty vehicles

For the eighth year in a row the American Council for an Energy-Efficient Economy (ACEEE) rated the Honda Civic GX (natural gas) as the "greenest" car in America. This is just one model but it clearly demonstrates the great performance and potential of natural gas in light-duty vehicle applications. The light-duty sector is expected to grow as evidenced by Fiat's announcement (December 2010) of its intent to bring NGVs to the United States and Ford's announcement (January 2011) that BAF Technologies earned the designation as a Qualified Vehicle Modifier for CNG conversions of Ford product lines.

As with every fuel and technology California is pursuing there are some challenges here. For example we agree that limited product availability is a problem and we are strongly encouraging OEMs to bring more light-duty natural gas vehicles to the California market. As the draft investment plan notes the HOV Lane White Sticker program is a significant

non-monetary incentive to purchase NGVs. We strongly support this program but it is not enough on its own to generate the volume of sales we all want to see in California. The draft investment plan also identifies the cost differential between light duty natural gas and gasoline vehicles as an issue. However the draft investment plan does not mention the demonstrated impact a relatively small incentive award (\$3,000/vehicle) has had in boosting light-duty vehicle sales in the past.

For these reasons we believe CEC should modify the draft investment plan to include light-duty natural gas vehicles as part of the funding strategy for the 2011/12 Investment Plan.

Strong support for renewable natural gas

The California Natural Gas Vehicle Coalition strongly supports the continued development and greater use of renewable natural gas (RNG) also known as biomethane. We have submitted more detailed comments as part of the RNG Industry Action Group. The main points we make in those comments are: support gas quality testing and interconnection; fund multiple projects using different feedstocks; and a general focus on pre-landfilled waste materials makes sense but CEC staff maintain the flexibility to fund landfill RNG projects

CEC needs a clear strategy for refueling infrastructure investments

We are supportive of funding for new natural gas refueling infrastructure and upgrades to existing refueling infrastructure.

We strongly encourage CEC to identify a strategy for refueling station investments. We discussed the following options with staff and continue to believe each strategy has its merits but given the limited funding available CEC needs to pick one strategy: 1) Invest in stations along a heavily trafficked goods movement corridor. 2) Invest in stations in metropolitan areas. 3) Pair refueling station funding with vehicle funding, 4) Place a high priority on funding fueling infrastructure associated with high volume displacement of petroleum fuels, such a fleet operations undergoing conversion from diesel to natural gas, and 5) provide a high priority of on fueling infrastructure that provides public access.

Errors in the report which CEC needs to correct

The natural gas refueling station data you report in the draft Investment Plan [Table 13, page 60] is markedly different than the data our members received from California utilities in December 2010. For statewide public access stations the numbers are very close (129 vs. 130) but your number for private refueling stations seems to be way off. Following is a summary of the data we have:

Utility Area	Total CNG Stations	Public Access Stations
SoCalGas	264	88
SDG&E	31	4
PG&E	129	37
Totals	424	129

Concluding Remarks

In conclusion, we greatly appreciate the support shown for natural gas in the draft investment plan. We respectfully request you modify the draft to address the issues we raise in these comments. We will remain actively involved in this process and we are available to discuss investment strategies with your team whenever it is convenient.

Sincerely,



Tim Carmichael
President

CC: Commisioner Boyd
 Pat Perez
 Charles Smith