

CALIFORNIA ENERGY COMMISSION

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July 16, 2008

The Honorable Christine Kehoe
California State Senate
State Capitol, Room 4038
Sacramento, CA 95814

Dear Senator Kehoe:

Thank you for inquiring about the status of Assembly Bill (AB) 118 (Núñez, Chapter 750, Statutes of 2007). It is my pleasure to provide you with an update on the implementation of our Alternative and Renewable Fuels and Vehicle Technology Program (Program). Our plan is to have the Program up and running by March 2009, but to accomplish this we must complete several important tasks.

First, and foremost, we must develop and implement regulations. On January 30, 2008, the California Energy Commission (Energy Commission) approved an Order Instituting Rulemaking (OIR 06-0130-05) to adopt guidelines, definitions, and other provisions deemed necessary for the administration of the Program. The primary purpose of the rulemaking is to clarify ambiguities in statute and create certainty and transparency in the administration of the Program.

We held our first rulemaking workshop this past Tuesday, July 8, 2008, in which we presented regulatory concepts. We will hold at least one more in early August to discuss draft regulatory language before we submit our proposed regulations to the Office of Administrative Law (OAL) in late August. We expect OAL to approve our regulations and the Secretary of State to publish them no sooner than March 2009.

As called for in the Legislation, we also are preparing an *Investment Plan* that will identify priorities and funding opportunities for the first two years of the Program. An Advisory Committee was established to assist us with the *Investment Plan*. The second meeting of the Advisory Committee was held this past Wednesday, July 9, 2008, and a draft *Investment Plan* has been prepared. We are planning at least one more meeting of the Advisory Committee in early September, after which we will prepare a draft final *Investment Plan* and offer it for public review via a series of workshops throughout the state, with the expectation that the Energy Commission would adopt the *Investment Plan* at a business meeting in late October of this year.

The Honorable Christine Kehce

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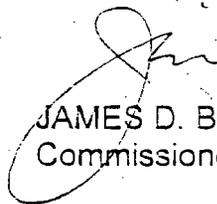
We also are engaged in meetings with representatives from the environmental community, alternative and renewable fuel suppliers, vehicle manufacturers, academic institutions, and other interested stakeholders to better understand how we can most effectively use the AB 118 funds, in concert with the regulatory efforts at the Air Resources Board, to transform California's transportation fuels market. These conversations will be essential in developing the specific mechanisms we will use to solicit project proposals and make funding awards. We envision holding a series of public forums after the *Investment Plan* is adopted by the Energy Commission to seek input on the solicitation packages. This will allow us to be ready to begin soliciting projects and making awards once our regulations are published.

All of these documents can be found on our website at:
<http://www.energy.ca.gov/transportation/>.

I also want to say that we are quite interested in the algae research underway at the University of California at San Diego (UCSD) and other institutions. The Energy Commission has long advocated the need to consider all reasonable alternative and renewable fuel options, whether they are commercially available today or in need of further research, development and demonstration support. We look forward to working closely with the researchers at UCSD and other institutions.

Thank you for your interest. I will arrange for a detailed briefing on the Program at your convenience.

Sincerely,



JAMES D. BOYD
Commissioner and Vice Chair