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CleanFuel USA's Written Comments for AB118 Funding

AB118 is visionary legislation and California leaders are to be commended for instituting such an aggressive program to insure a sustainable market is built for these various fuels. To have this legislation and related funding realize the desired results there will need to be broad acceptance of a menu of alternative energy sources for transportation. This will require a strategy that allows for short term victories while long term solutions are developed. Without measurable results in the first 1-4 years of the project, it will become increasingly difficult to change market behaviors. Change must be fostered to take place early and often to gain the needed momentum to accomplish goals over a 42 year period. There is an old saying: "A long race is won at the beginning" And we believe that applies to the AB118 plan.

In planning and decision making, a holistic solution is a must for fleet managers. Vehicle technology, fueling infrastructure and ample fuel supply collectively are absolutely necessary for the adoption of new fleet vehicle solutions.

As fleets and consumers are drawn to alternatives by rising fuel costs, environmental concerns and regulations, it is important to understand that 2050 goals and objectives cannot provide the type of "here today" vehicle and fuel choices needed for current deployment requirements to achieve petroleum fuel consumption and emission reductions, especially for fleets. Public and private fleet operators need a wide variety of vehicles types, duty cycles, and fuels that have extended vehicle range and access to offsite refueling stations. Fleets also need heavy duty payload capacity and specialized vehicle platforms, as well as affordable vehicles, refueling infrastructure, and overall lower maintenance costs. Never before has the cost of vehicle ownership been more important as fleet sustainability has now become a matter of managing escalating vehicle and fuel costs and dealing with increasing demands of fuel maintenance and exhaust after treatment systems.

ARB has implemented their statewide off road diesel emission reduction regulations and is now on the threshold of adopting *In-Use On-Road Heavy-Duty Diesel Vehicle Regulations* that will require all diesel fleets to reduce their fleet emission averages to new 2007 EPA engine standards by 2010. This will require fleets, including school districts, to deploy one or more strategies to comply with pending regulations; purchasing new AFV's or more expensive clean diesel vehicles that meet the standard, and/or install after treatment PM and NOx filters (cats and traps) under already unsustainable fuel costs, budget restrictions, and economic conditions.

Over the past several years non-renewable alternative fuels such as Propane and CNG have been underutilized. The lack of available R&D funding from government grants, automaker industry partners and private investment has deterred the necessary advancement of Propane and CNG vehicle technology. This has directly impacted California's efforts to cut consumption of dirtier petroleum based fuels, reduce emissions, and fulfill the heavy pent-up demands for AFVs. In addition, renewable fuels such as E85 and Biodiesel have been challenged by Stage-II vapor recovery systems and ASTM fuel standard regulations, which have also slowed efforts to provide biofuels to millions of existing trucks and hundreds of thousands of FFVs.

AB118 specifically designates the inclusion of "Alternative, Renewable & Vehicle Technologies," yet there seems to be an effort by some to bypass and/or abandon currently available alternative fuels and developing AVF technologies in favor of future 2050 technologies. We have experience in this from our past that yields little progress today as we tend to always look for the "Silver Bullet" fuel that we can all get behind and end the reliance on foreign energy sources. This has not and will never work! What we need is a more comprehensive approach that utilizes a menu of fuels approach including those fuels that

are commercially available today as we complete the R&D phases for those fuels of the future. Let us call it a bridge strategy that will give us immediate short and medium term results as we plan out the long term plan! I think it bears mentioning that the alternative fuels industry, including Propane and CNG, have invested millions in vehicle and engine technologies that already meet 2010 standards for HD and medium-duty trucks such as school buses, shuttle buses, utility trucks, and transit buses. As a result, Propane and CNG industry advocates are currently allocating additional investment capital in the latest state-of-the-art engine and fuel system technologies as well AFV hybrid and dual-fuel strategies that will result in some of the cleanest vehicle platforms on record that can run on existing and expanding AFV refueling infrastructure.

The mutual goal of both public and private interests is to meet stated policy goals of petroleum and emission reductions of 20% by 2020 and beyond. In doing the math, this means we need to displace more than 1-million gallons a day of gasoline and diesel. Needless to say we are falling further and further behind with each passing day as we are not even close to displacing 1-million gallons a day, while at the same time fleets and consumers are asking for additional Propane, CNG, Hybrid, FFVs, and Biodiesel vehicle options. Let's call these the "Right Now" choices!!

The Global Climate Change Act of 2006; *establishes "first-in-the-world" regulatory and market based programs to achieve real, quantifiable, cost-effective GHG reductions.* If we neglect to support the millions of dollars of public and private investment over the last few decades in non-renewable alternative fuels and AFVs with AB118 funding, we not only send the wrong message to future industry investors and fleets that have made AFV choices, but we disenfranchise one of our most valued assets to deploy "Right Now" *market based* cleaner technologies - vehicles and fuels. In addition, AB1007 demonstrates the cost effectiveness of alternative fuels and AFVs and points out that investing in additional vehicle offerings is a prudent strategy to achieve reductions in petroleum consumption and emission reduction policy goals.

In the past we have all experienced the elevation of clean vehicles and technologies that were thought to be that "Silver Bullet" approach; the electric car and methanol, just to name a few, only to see them fade off the radar screen as regulations, consumer acceptance, and commercialization efforts failed to materialize. This experience alone should caution the AB118 funding process in trying to advance only 2050 technology goals, which is 42 years into the future! If we just stop and think of what we knew about ethanol, biodiesel, hybrids, and electric car batteries just 5 to 10 yeas ago, this will help us understand that in the next 5 to 10 years we may very well see non-renewable fuels develop renewable fuel characteristics and AFVs that are far cleaner than plug-in electric vehicles or hybrids. Additionally we can simply look around our world and see many other countries deploying an array of technologies with Propane leading the way as the most widely Alternative Fuel, yet in North America it seems to not be on many decision makers radar screen? With mature distribution and logistics already in place and the current economical value it seems to be an easy choice!!

Alternative fuels such as CNG are currently serving as fuel feedstock for hydrogen and duel fuel AFV stations. Propane is a simple C_3H_8 hydrocarbon molecule and is also being considered as a feedstock for hydrogen production and could offer Propane / Hydrogen dual fuel stations for regions of the country where natural gas is not available. The bigger picture objective suggests that we will need a menu of currently available fuels as mentioned above and technologies to achieve near term displacement and emission reductions, as well as move forward with 2050 technologies. Using a parallel strategy in funding both technology paths will provide balance, consumer choice and fulfill the AB118 legislative callouts for alternative fuels. More importantly, including all AB1007 and AB118 strategies will allow past and future government and industry investments to pay increasing dividends of reducing petroleum consumption and emission goals and provide needed revenue to industry technology vendors and automakers as they continue to invest in evolving cleaner technologies.

Suggested Bridging Strategy for AB118 Funding Allocations

Prioritizing funding allocations would suggest that we consider the greatest needs for additional AFV technology offerings and buy-down incentives; related refueling infrastructure, and consumer education/awareness. Statewide, fleets are asking for additional vehicles and fuel options like CNG, E85, Biodiesel, Hybrid, and Propane that are available today and they have expressed interest in additional AFV offerings scheduled for 2009 and 2010 release.

Many fleets have invested in Propane and CNG infrastructure and have ready access to additional Propane. ARB is very close to issuing an Executive Order that will allow for widespread installation of E85 refueling pumps without Stage-II VR, which has been the main market hurdle for E85 refueling access. With the pent up demand for "Right Now" fuels and vehicle technologies, AB118 funding could accelerate new AFV vehicle offerings for Propane, L/CNG and E85 vehicles with added OEM automaker supported programs. The suggested path would open the door to a substantial number of public and private fleets to purchase light-duty, medium-duty and heavy-duty vehicles within the next three to four years. Additionally, continued investment in biofuel infrastructure with a heavy emphasis on California based ethanol and biodiesel production for E10, E85 and Biodiesel blends will also jumpstart market based consumption of cleaner biofuels.

As a suggested bridging strategy approach for funding and program implementation plans; we recommend a **PHASE-IN** roadmap for funding projects to take advantage of both current and future technologies. For example:

Phase I (2009 – 2010) *first two years of funding allocations*
Invest 70% of AB118 funding in "Right Now" fuels and technologies and 30% in future 2050 technologies. This would help set priorities, generate the quickest results and advance suggested bridging strategy approach that will help attract automakers, industry providers, increase fuel production and infrastructure access, while providing fleets and consumers with a wider variety of cleaner fuel and vehicle choices.
Phase II (2011) *third year only*
Allocate 50% to "Right Now" technologies and 50% to 2050 technologies
Phase III (2012 - 2013) *years four and five*
Allocate 30% to "Right Now" technologies and 70% to 2050 technologies
Phase IV (2016 – 2018) *years six and seven*
Allocate 10% to "Right Now" technologies and 90% to 2050 technologies

Year(s)	Right Now Technologies	2050 Technologies	Total
2009 -2010	$84M each year / $168M	$36M each year / $72M	$240M
2011	$60M	$60M	$120M
2012 - 2013	$36M each year / $72M	$84M each year / $168M	$240M
2014 - 2016	$12M each year / $24M	$108M each year / $216M	$240M
7 Year Program	**$324M**	**$516M**	**$840M**

On behalf of CleanFuel USA, our many partners and thousands of customers, we would like to thank the CEC, CARB and the AB118 Advisory committee for the opportunity to share this information. Your efforts on AB 118 are tremendously important work for the citizens of California. Our commitment to you is to advocate a “real world” picture of alternative vehicles and fuels. We have been in this market since 1993 providing vehicle and fuel solutions that that meet or exceed “real world” market demands and we stand ready to insure additional technologies / vehicles achieve commercialization status and that the overall plan for “Right Now” fuels gets executed!

If our company can ever be a resource for additional information, do not hesitate to ask.

We are here to serve, support and create solutions.

Kindest Regards,

Curtis Donaldson
CEO
CleanFuel USA