



AC PROPULSION INC.

Dedicated to Creating Electric Vehicles that People Want to Drive

www.acpropulsion.com

January 23, 2009

Commissioner James D. Boyd
Commissioner Karen Douglas
Mr. Peter Ward
Mr. Michael Smith
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET

08-ALT-1

DATE JAN 23 2009

RECD. JAN 24 2009

Re: Comments on the AB118 Investment Plan (CEC-600-2008-007-D-REV1)
(Docket No. 08-ALT-I)

Dear Commissioners and CEC staff:

AC Propulsion appreciates the hard work that has gone into the development of the recently released draft AB 118 Investment Plan. We are confident that this program will deliver tremendous benefit to the people and environment of California. Building on our comments submitted to staff in two earlier comment letters (October), we would like to submit the following comments on the draft Plan.

Key Recommendations Regarding Draft AB 118 Investment Plan

1. AC Propulsion strongly supports the draft Investment Plan's recommendations for support of the pre-commercial demonstration and deployment of electric-drive technologies for light-, medium-, and heavy-duty applications. AC Propulsion's electric-drive systems are well positioned to play an important role in demonstrating and deploying battery electric vehicles in the state. However, we would like to recommend that this section of the Plan make a direct reference to vehicle-to-grid (V2G) technologies. We feel V2G programs should qualify for funding under the Super Ultra-Low Carbon category, however, to ensure V2G technologies will be eligible for funding, AC Propulsion asks that the Plan call out support for V2G projects given the multiple reasons stated in our earlier letters.
2. AC Propulsion strongly supports the draft Investment Plan's recommendations for support of upfit and retrofit applications for PHEV and BEV light-, medium-, and heavy-duty vehicles. AC Propulsion is a leader in upfit/retrofit to pure battery electric vehicles, having recently delivered 500 electric drive systems and batteries for BMW Group's MINI E electric vehicle upfit program. BMW approved the MINI E program after testing AC Propulsion's eBox, an EV retrofit of the Scion xB, which convinced them that upfit/retrofit was a cost effective way to move toward EV commercialization.

Support for this category will enable our company to get our technologies into the marketplace and on the road, proving out their efficacy, helping to drive advancements and competition, and creating the market demand that will drive larger scale OEM production.

3. We are concerned that ARB staff's recommendation to CEC staff underestimates the incremental cost of EVs (and therefore the subsidy level at \$5,000) due to questionable assumptions. While not explicitly defined in the draft Plan, there was discussion during the Advisory Committee meeting regarding the appropriate level of subsidy for deployment rebates for electric vehicles. We feel this number should be reconsidered and should take into consideration the differences in costs and benefits of PHEV, BEV, OEM and upfit vehicles.
4. As a California-based company with corporate, R&D, and manufacturing facilities in San Dimas, we strongly support the draft Investment Plan's recommendation for manufacturing and production incentives, including loans, loan guarantees, manufacturing sales tax exemptions, enterprise zones, and local property tax exemptions. These incentives will help AC Propulsion create California-based jobs in the cleantech marketplace as we deliver the products that will help the State meet its petroleum reduction and climate change goals.
5. While discussion by staff and Commissioners acknowledged the importance of programs and funds to address barriers to electric drive technologies, the Plan itself should include more specifics on how or what market barriers will be addressed. While the Non-Greenhouse Gas category is the logical place for funding to address market barriers, and while the Plan makes mention of such key issues, it does not define any specific programs or funding to help in areas such as warranty, and federal safety (FMVSS) standards, as expressed in our earlier letters.
6. Finally, AC Propulsion feels strongly that in order to provide adequate support in line with the critical timing for deployment of electric drive technologies, and to achieve California's ambitious 2050 climate change goals, *the recommended allocation for the "Super Ultra Low Carbon" category should be increased significantly.* We feel this is especially needed given the fact that hydrogen/fuel cell and electric vehicle technologies will be sharing funding in this important category, and together will be responsible for roughly 56% of the CO2 reductions needed in 2050. AC Propulsion recommends increasing the allocation for Super Ultra Low Carbon Fuels/Technology in the draft Investment Plan from 23% of total program funds to 35%. A larger investment by the CEC on the order of roughly \$60 million for the Super Ultra Low Carbon category would also be in line with the large private sector investment being made globally in these technologies, thereby providing a

greater opportunity to leverage investment and attract these resources to California projects and companies.

Thank you for your consideration of these comments. Please don't hesitate to contact us for further discussion of any of these points. Again thank you for your leadership and commitment to the success of this important program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Gage", with a stylized, flowing script.

Tom Gage, CEO