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April 7, 2009

Commissioners James Boyd and Karen Douglas
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

RE: Docket 08-ALT-01

DOCKET	
08-ALT-1	
DATE	April 07 2009
RECD.	April 07 2009

Dear Commissioners Boyd and Douglas:

Thank you for the opportunity to address a few concerns regarding the propane section of the Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program at the April 6 workshop. Our industry is pleased to be a partner with the California Energy Commission in this important project.

The Western Propane Gas Association represents more than 110 propane companies throughout California. According to the American Petroleum Institute, California is the second largest state in terms of propane sales, with nearly 650 million gallons sold last year. Worldwide, propane is the third most popular engine fuel behind gasoline and diesel, and in California, about 80 million gallons were sold for engine fuel use last year. Propane produces up to 70 percent fewer hydrocarbons than gasoline and also yields more than 10 percent less carbon dioxide and about 20 percent less nitrous oxide than gasoline.

We would like to submit the following seven comments and suggestions on the draft investment plan:

- Increase the amount of funding allocated to propane.** Propane is here and now, in every county in California. No, propane is not a perfect fuel for every application, but we are an ideal option for fleets, especially those already using propane in their operations. Hydrogen and electric vehicles are years away from having viable options like the propane industry currently offers. At yesterday's workshop, representatives from Roush and CleanFuel USA shared details of their current and soon-to-arrive vehicles, and companies such as the Santa Ana-based Impco Technologies are soon to reenter the California market. With pickup trucks and medium-duty trucks to classic yellow school buses and airport shuttle buses, propane is already helping clean the air throughout the state. We recommend the commission increase the propane incentives that will help to immediately pull gasoline and diesel vehicles off California's roadways.
- Expand incentives to include both public and private fleets.** As it is written, private fleets are unable to take advantage of incentives for propane vehicle purchases. Michael Smith indicated the public fleets were specifically included in the propane and natural gas incentive programs because the public fleets were the ones that were currently bringing ideas to the CEC. We believe the private fleets are the ones that could use these incentive dollars the most but have not been vocal in the AB 118 process.
- Maintain flexibility in the investment plan.** At the April 6 workshop, the word "flexibility" was used more than dozen times in comments from the commissioners, advisory committee members, and members of the public. We would urge the commission to consider reallocating funds from categories that will not utilize all their funds to those who have greater needs.
- Include an investment for commercial lawnmowers in the propane incentives.** Propane commercial lawnmowers offer immediate greenhouse gas benefits in some of California's most desperate air quality attainment areas. These mowers are up to 70 percent cleaner than their

traditional gasoline and diesel counterparts, but at this time, they are also several thousand dollars more expensive. Even a modest amount of incentive funding would help offset the incremental cost and help improve air quality.

5. **Add research and development funding to the propane allocation.** There are a number of companies that are eager to enter the California market, but the cost of developing and certifying an engine or retrofit is daunting, especially in these difficult economic times. Staff from the CEC and California Air Resources Board has met on several occasions with representatives from the Propane Education & Research Council, a Washington, D.C.-based organization that provides funding for research and development activities in the propane market. Again, even a modest amount of funding in this area could be leveraged with propane industry funds to result in additional products being certified for the California market.
6. **Combine the propane and natural gas allocations and create a “gaseous fuels” category.** Propane and natural gas technologies are complimentary, and propane is produced through natural gas processing. Our industries could work together to make an even greater impact.
7. **Let us help you.** On a few occasions during yesterday’s workshop, it was clear the staff is stretched to its breaking point in trying to manage the investment program. The Western Propane Gas Association and its sister organization, the Western Propane Education & Research Council, are nonprofit organizations with experience in managing rebate and incentive programs. We would offer our services to help the CEC manage the propane portion of this program.

We are grateful for the opportunity to work with the commission staff on this project and are eager to do our part to help improve California’s air quality through the increased use of clean, efficient propane vehicles. Thank you for your consideration of these issues.

Sincerely,

Lesley Brown Garland
President and CEO