



April 21, 2009

The Honorable Karen Douglas
Chair, California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

DOCKET

08-ALT-1

DATE April 21 2009

RECD. April 22 2009

Re: AB 118 DRAFT INVESTMENT PLAN FOR THE ALTERNATIVE AND RENEWABLE FUEL AND VEHICLE TECHNOLOGY PROGRAM.

Dear Chair Douglas:

The California Electric Transportation Coalition (CaETC) supports the Draft AB 118 Investment Plan for the Alternative Fuel and Vehicle Technology Program, dated April 2009.

CaETC commends the CEC staff and the Transportation Committee for their efforts to balance multiple goals and objectives, and the requests of multiple stakeholders. While we support the Draft Investment Plan, we believe that several issues need clarification, and some expansion of the language in the Draft Plan to provide this clarification would be extremely helpful.

We will focus our comments on the **Electric Drive** section of the Draft Investment Plan.

Below is a summary of the categories of Electric Drive proposed for funding and the funding amounts (two year allocation for FY 2008-09 and 2009-10):

Plug-In Hybrid Electric Passenger Vehicle Retrofits for Local and State Government	\$3.5 Million
Medium- and Heavy-Duty Hybrid RD&D Projects	\$10 Million
Non-Road Deployment Applications	\$11.5 Million
Charging Infrastructure	\$12 Million
Manufacturing Facilities and Equipment	\$9 Million
Total	\$46 Million

1. Coordination with the Federal Economic Stimulus Funds/Projects.

The federal American Recovery and Investment Act of 2009 (ARRA) provides significant funding opportunities for investments in on-road and non-road electric transportation technologies and infrastructure. California may be able to attract millions of dollars of this federal stimulus money into the State if it can act quickly and provide the required matching funds.

We have met with CEC staff on this issue, and we understand that the staff agrees that AB 118 funds can and should be used as match funding to attract federal stimulus funds to the maximum extent possible. However, it is unclear at this time just how this will be accomplished.

There are three issues here: (1) how can the timing of the federal funding and the state funding be coordinated such that AB 118 funds can be used as match?

And, (2) do the eligible funding technologies/projects in the Draft Investment Plan match with the eligible funding technologies/projects in the Federal Economic Stimulus? For example, if some Electric Drive infrastructure is not eligible under the Draft Investment Plan, then does this mean that AB 118 funds cannot be used as match for these projects? (see Issue #2 below)

Another example: if light-duty vehicle RD&D is not eligible under the Draft Investment Plan, does that mean that AB 118 funds cannot be used as match with for these projects? (see Issue #3 below) Is this what the CEC intends?

CalETC believes it would be beneficial to increase the eligibility and flexibility in the Electric Drive categories to clarify that these funds can take advantage of opportunities to attract federal stimulus funds.

(3) Is there sufficient flexibility in the Draft Investment Plan funding categories to shift funding between categories to take advantage of the opportunity to attract federal funding?

CalETC asks that the CEC clarify these issues and questions, and if necessary add additional language to the Draft Investment Plan to achieve the flexibility needed to take advantage of the opportunity to attract federal stimulus funding.

2. Charging Infrastructure.

This is probably the most important category in the Electric Drive section of the Draft Investment Plan. The Draft Plan appears to have a focus on public charging infrastructure, and it is not clear if other types of charging infrastructure are eligible for funding. We would ask the CEC to clarify that all types of charging infrastructure are eligible.

For example, it is not clear if the most important charging infrastructure, home and fleet-based charging, is eligible for incentives or other funding. Most charging will take place at these home based locations, and incentives are needed to reduce the cost of this infrastructure to consumers and fleet-owners.

Another important sector for infrastructure is multi-family charging infrastructure, so that people that live in multi-family housing units can have the option of owning a plug-in vehicle and charging it at their homes. Workplace charging infrastructure is also important, so that people can drive to their workplace and have a place to plug in. Lastly, there are significant opportunities for GHG and petroleum reduction using non-road electric transportation technologies (including: truck stop electrification; alternative marine power; electric standby transport refrigeration units; electric forklifts; tow tractors; turf trucks, airport ground support equipment; etc), and charging infrastructure for these applications should also be eligible.

CalETC recommends that funding for charging infrastructure should be expanded to include home and fleet-based charging infrastructure, multi-family charging infrastructure, workplace charging infrastructure, and non-road electric vehicle charging infrastructure.

3. Add Light-Duty PHEV and EV RD&D Projects.

The Draft Investment Plan is proposing to fund Medium and Heavy Duty Hybrid RD&D Projects. This money is not for incentives for the purchase of these vehicles (ARB is providing purchase incentives), but for “research, development and demonstration projects that will lead to improved performance and reduced cost for the next generation of medium and heavy-duty hybrid systems”.

CalETC believes and recommends that this category be expanded to include Light-duty vehicle PHEV and EV Projects. Just like the Medium and Heavy-Duty Hybrids, this would be limited to projects that will lead to improved performance and reduced cost for the next generation of PHEV and EV systems and components.

4. Non-Road Deployment Applications.

This category needs some additional clarification about what non-road electric vehicles and equipment is eligible. The label in the box at the end of this section on page 15 says “Ports and Truck Stop Electrification”, so it sounds like those are eligible. And the text makes reference to some other technologies as well, including truck refrigeration units and forklifts.

CalETC believes that this category should be clarified to include all the technologies mentioned above, plus: electric tow tractors, burden and personnel carriers, turf trucks, sweepers, scrubbers, and burnishers, and airport ground support equipment.

5. CEC Access to Information about Advanced Battery Development.

CalETC had previously recommended that the CEC use AB 118 funds to join advanced battery research and development consortiums, as a way to gain an in-depth knowledge of the efforts to improve performance and reduce cost of these batteries. These advanced batteries are the critical factor in the success of plug-in vehicles. Unfortunately, this is not included in the Draft Investment Plan. CalETC recommends that the Draft Investment Plan include funding for the CEC to join advanced battery consortiums. This is not a costly item.

6. Manufacturing Facilities and Equipment.

The Draft Investment Plan says this category is to encourage manufacturers of plug-in vehicles and components to locate their operations in California. Incentives of up to \$2 million are expected to be awarded to as many as five project plants.

CalETC supports this recommendation.

7. PHEV Retrofits

Is the CEC proposing that PHEV retrofits which do not meet State air quality standards, or federal crash testing, be eligible for financial incentives?

There is no reference in the Draft Investment Plan to these retrofit PHEVs having to meet State and Federal air quality standards, or safety certification (i.e. crash testing). There is a reference to the ARB rulemaking on PHEV retrofit standards, but ARB staff points out that under the draft standards it is only when a company has made 101 retrofits and higher (Phase 3) that the vehicles have to be certified to meet State air quality standards. ARB staff also says that there are no federal safety standards for these retrofit kits.

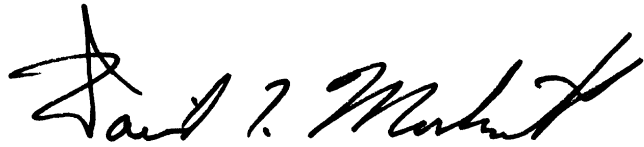
There is also a reference in the Draft Investment Plan to a waiver that ARB has provided to A123 Systems for 500 Toyota Prius retrofits. ARB staff points out that these are research vehicles, which do not necessarily meet State air quality standards. Should \$10,000 grants be provided for "research vehicles"?

The Draft Investment Plan proposes a grant of \$10,000 per vehicle. In comparison the ARB is proposing a grant of only \$3,000 for PHEVs provided by OEMs, and the OEM vehicles would clearly meet State and Federal air quality standards, be safety certified, and come with warranties for consumers.

CalETC believes that financial incentives should only be provided to PHEV retrofits that meet State air quality standards and that have passed federal safety certification (i.e. crash testing). We also recommend that the grant amounts for these retrofit PHEVs and new OEM PHEVs be similar.

In conclusion, CalETC supports the Draft Investment Plan, but we believe that some additional clarification and expansion of the language in the Plan to address the issues raised above, would allow California to take maximum advantage of the opportunity to attract federal stimulus funding, and to more fully capture the benefits of Electric Drive technologies and infrastructure.

Sincerely,
California Electric Transportation Coalition

A handwritten signature in black ink, appearing to read "David L. Modisette". The signature is fluid and cursive, with a large initial "D" and a stylized "M".

David L. Modisette
Executive Director

DLM/kmg

cc: Members, California Energy Commission
Mike Smith
Peter Ward
Tim Olson