



AC PROPULSION INC.

Dedicated to Creating Electric Vehicles that People Want to Drive

www.acpropulsion.com

April 17, 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 April 17 2009

RECD. April 22 2009

Re: Comments on the AB118 Investment Plan (CEC-600-2009-008-CTF)
(Docket No. 08-ALT-1)

Dear Commissioners and CEC staff:

AC Propulsion appreciates the hard work that has gone into development of the AB 118 Investment Plan. We are certain the program will have a lasting positive impact on the economy, infrastructure, and environment of California. AC Propulsion has submitted to staff three earlier comment letters (two in October 2008 and one in January 2009) on the Plan and would like to submit the following comments on the latest revised draft Plan issued on April 8, 2009.

Key Recommendations Regarding Revised Draft AB 118 Investment Plan:

1. AC Propulsion strongly supports the revised draft Plan's separation of electric-drive vehicles and hydrogen fuel cell vehicles under the Super Ultra Low Carbon category and the increased funding for electric drive vehicles to \$46 million. AC Propulsion's electric-drive systems are well positioned to play an important role in demonstrating and deploying battery electric vehicles in the state.
2. AC Propulsion recommends that pure battery electric vehicle upfits/retrofits be explicitly listed as eligible for upfit and retrofit funding. While AC Propulsion supports the revised draft Investment Plan's recommendations for support of upfit and retrofit applications electric vehicles, we feel limiting the \$3.5 million set aside for electric vehicle retrofits just to plug-in hybrid vehicles is needlessly limiting and inconsistent with the intent of AB 118. Upfits and retrofits of vehicles based on battery electric platforms are proven feasible approaches. 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. Expanding eligibility in this category to include battery electric upfits and retrofits will enable our company to get this technology into the marketplace and on the road, proving out its efficacy, helping to drive advancements and competition, and

creating the market demand that will drive larger scale OEM production.

3. AC Propulsion recommends the pre-commercial research, demonstration and deployment of electric-drive technologies for medium- and heavy-duty applications also include light-duty applications. We believe RD&D for this sector to be just as important as for medium- and heavy-duty vehicles.

4. AC Propulsion recommends the pre-commercial RD&D electric-drive category make a direct reference to vehicle-to-grid (V2G) technologies. We feel V2G programs should already qualify for funding under this 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.

5. AC Propulsion is 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 an 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.

5. As a California-based company with corporate, R&D, and manufacturing facilities in San Dimas, AC Propulsion strongly supports the revised 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.

6. AC Propulsion suggests the Plan include more specifics on how or what electric-drive market barriers will specifically be addressed. Discussion by staff and Commissioners has acknowledged the importance of programs and funds to address barriers to electric drive technologies. 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.

Thank you for your consideration of these comments. Please do not 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,



Tom Gage, CEO