

CALIFORNIA ENERGY COMMISSION

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Dear Advisory Committee Member:

The Energy Commission received the enclosed letter dated April 6, 2010, requesting information regarding the allocation and expenditure of funds under the 2008-2010 Investment Plan. We would like to take this opportunity to respond the specific requests. We also would like to thank Bonnie Holmes-Gen of the American Lung Association, Roland Hwang of the Natural Resources Defense Council, Patricia Monahan of the Union of Concerned Scientists, Daniel Emmet of Energy Independence Now, and John Shears of the Center for Energy Efficiency and Renewable Technologies for their insights and their support of the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP).

The letter contains three specific requests for information regarding: 1) the 2008-2010 Investment Plan, 2) quantified benefits of awards made to date, and 3) the Energy Commission's policy toward entities actively engaged in litigation with the state.

2008-2010 Investment Plan

Attachment 1, "Summary Table," shows the original allocations in the 2008-2010 Investment Plan adopted by the Energy Commission on April 22, 2009, the expenditures from those allocations, and the resulting modified allocations. Attachment 2, "Solicitations and Agreements," details all activities undertaken by the Energy Commission including approved projects, as well as the solicitations and agreements that we expect to complete in the coming months.

Quantified Benefits of Awards

The Energy Commission is unable at this time to quantify the greenhouse gas, employment, petroleum reduction, and environmental justice implications of the projects awarded to date. Health and Safety Code section 44273 (c) requires the Energy Commission, beginning with the 2011 Integrated Energy Policy Report and in subsequent reports adopted thereafter, to prepare an evaluation that will include the following:

- A list of projects funded by the ARFVTP.
- The expected benefits of the projects in terms of air quality, petroleum use reduction, greenhouse gas emissions reduction, technology advancement, and progress towards achieving these benefits.
- The overall contribution of the funded projects toward promoting a transition to a diverse portfolio of clean, alternative transportation fuels and reduced petroleum dependency in California.
- Key obstacles and challenges to meeting these goals identified through funded projects.
- Recommendations for future actions.

We are beginning this evaluation. We had not anticipated that these results would be required any sooner than specified in statute. We simply cannot provide the Advisory Committee with these results at this time nor do we have the resources to accelerate this evaluation.

Energy Commission Policy Toward Entities Engaged in Litigation

The question has been asked as to whether the Energy Commission has a policy regarding funding for entities that are actively engaged in litigating the state's air quality and environmental standards. The First Amendment to the United States Constitution establishes the fundamental right to petition one's government without fear of punishment or reprisal. A policy that would bar entities from applying for or receiving ARFVTP funding based on a particular opinion or point of view against the state that they have asserted in a court of law or other public arena would likely violate this fundamental principal of our democratic form of government. The Transportation Committee is confident in the Energy Commission's technical evaluation of competitive applications to ensure that the projects funded through the ARFVTP program result in measurable achievements towards the goals of decreasing demand of petroleum products, promoting low-carbon fuels and reducing green house gas emissions.

Sincerely,

MICHAEL A. SMITH
Deputy Director
Fuels and Transportation Division

Enclosures

Attachment 1: Summary Table (as of April 26, 2010)

Investment Plan (IP) Categories		FY 08-10 IP Allocations	Funding Activities	Modified IP Allocations
Electric Drive	Passenger PHEV Retrofits	\$3.5M	<ul style="list-style-type: none"> • \$.6125M was used for PHEV conversions of state-owned Priuses • \$2.8875M will be used to cost share in an ARRA-funded electric charging projects 	\$.6125M
	Medium- and Heavy-Duty Demos	\$10M	<ul style="list-style-type: none"> • \$5M is being used to cost share in an ARRA-funded MD demonstration project • \$1M is being used to fund projects out of the \$9.5M solicitation for MD/HD demonstrations • \$3.6M will be used for the upcoming \$7M solicitation for the MD/HD vehicle Center of Excellence • \$.4M is being used to cost share in ARRA-funded electric charging projects 	\$21.1M
	Non-Road Deployment	\$11.5M	<ul style="list-style-type: none"> • \$8.5M is being used to fund projects out of the \$9.5M solicitation for MD/HD demos • \$3M will be used for the upcoming \$6.6M solicitation for the MD/HD vehicle Center of Excellence 	
	Charging Stations	\$12M	<ul style="list-style-type: none"> • \$8.8M is being used to cost share in ARRA-funded infrastructure projects • \$3.2M is being used to fund projects out of the \$13.8M fueling infrastructure solicitation 	\$15.27M
	Manufacturing Facilities	\$9M	<ul style="list-style-type: none"> • \$1M is being used to cost share in an ARRA-funded battery manufacturing project • \$8M is being used for the \$19M vehicle and component manufacturing solicitation 	\$20M
Ethanol	E-85 Fueling Stations	\$5M	<ul style="list-style-type: none"> • \$4M is being used to cost share in an ARRA-funded statewide infrastructure project • \$1M is being used to fund projects out of the \$13.8M fueling infrastructure solicitation 	\$5M
	Ethanol Producer Incentive	\$0	• (New category; funding is provided from other categories)	\$6M
	Ethanol Project Feasibility Studies	\$3M	• \$3M will be used for the \$14.9122M solicitation for new biofuel production facilities	\$14.9122M
	New Waste Feedstock Pilot Plants	\$4M	• \$4M will be used for the \$14.9122M solicitation for new biofuel production facilities	
Biodiesel and Renewable Diesel	Waste Feedstock Plants	\$2M	• \$2M is being used for the \$14.9122M solicitation for new biofuel production facilities	\$4M
	Blending and Storage Terminals	\$4M	• \$4M is being used to fund projects out of the \$13.8M fueling infrastructure solicitation	
Natural Gas	Light-Duty Vehicles	\$2M	• \$2M will be used for the upcoming \$6M solicitation for existing ethanol plants	\$0
	Medium- and Heavy-Duty Vehicles	\$23M	<ul style="list-style-type: none"> • \$11.5 M is being used to cost share in ARRA-funded projects to purchase new HD trucks • \$11.5M is being used to fund projects out of the \$21.5M solicitation for biomethane production 	\$12.123M

Investment Plan (IP) Categories		FY 08-10 IP Allocations	Funding Activities	Modified IP Allocations
	Fueling Stations	\$8M	<ul style="list-style-type: none"> • \$2.327M is being used to cost share in ARRA-funded projects to install new stations • \$5.6M is being used to fund projects out of the \$13.8M fueling infrastructure solicitation 	\$7.927M
	Biomethane Production Plants	\$10M	<ul style="list-style-type: none"> • \$9.9795M is being used to fund projects out of the \$21.5M solicitation for biomethane production 	\$21.4795M
Propane	Medium-Duty School Buses	\$2M	<ul style="list-style-type: none"> • \$2M will be used for the upcoming \$2M solicitation for incentives to purchase propane school buses 	\$2M
Hydrogen	Fueling Stations	\$40M	<ul style="list-style-type: none"> • \$22M will be used for the upcoming solicitation for hydrogen fueling stations • \$.0878M is being used for annual membership in the California Fuel Cell Partnership • \$5.4622M is being used for the \$14.9122M solicitation for new biofuel production facilities • \$11M is being used for the \$19M vehicle and component manufacturing solicitation • \$1.45M will be used for the upcoming \$6M solicitation for existing ethanol plants 	\$22.0878M
Market Development	Workforce Development	\$15M	<ul style="list-style-type: none"> • \$9M was used to expand work training programs through EDD and the community colleges • \$6M will be used to expand a work force program through the Employment Training Panel 	\$15M
	Standards and Certifications	\$4M	<ul style="list-style-type: none"> • \$4M is being used to certify hydrogen fuel dispensers, establish protocols for hydrogen quality testing, and establish fuel specifications for biodiesel at concentrations greater than 20 percent 	\$4M
	Public Outreach/Education	\$1M	<ul style="list-style-type: none"> • \$.45M is being used for the \$14.9122M solicitation for new biofuel production facilities • \$.55M is being used to cost share in ARRA-funded projects to purchase HD natural gas trucks 	\$0
	Sustainability	\$4M	<ul style="list-style-type: none"> • \$2M will be used to advance the understanding and application of sustainability principles • \$2M will be used for the upcoming \$6M solicitation for existing ethanol plants 	\$2M
	Enviro/Market/Tech Analyses	\$2M	<ul style="list-style-type: none"> • \$1.2M will be used for support to the investment plan and program development through NREL • \$.55M will be used for the upcoming \$6M solicitation for existing ethanol plants • \$.25M will be used to expand and implement the STREET model through UC Irvine 	\$1.45M
	Technical Assistance	\$1M	<ul style="list-style-type: none"> • \$1M is being used to provide technical assistance to the Commission 	\$1M
Total		\$176M		\$176M

Attachment 2: Status of Funds (as of April 26, 2010)

Solicitation/Funding Agreement	Subject Area	Solicitation being developed	Solicitation on the streets	Proposals review and funding agreements	Funding Agreement Approved
Funding Agreements					
ICF International	Technical assistance to develop program performance metrics and methodology and communication plan				\$99,997
ICF INC LLC	Technical assistance to evaluate fuel infrastructure, program investments, and market assessments.				\$484,250
TetraTech Inc	Technical assistance to evaluate proposals and provide project trouble shooting				\$400,000
DGS	Convert state-owned Priuses to PHEV				\$612,500
EDD	Workforce Development				\$4,500,000
California Community Colleges	Workforce Development				\$4,500,000
Employment Training Panel	Workforce Development			\$6,000,000	
CDFA	Certify hydrogen dispensing equipment and develop test protocols for biodiesel and hydrogen fuels			\$4,000,000	
Treasurer's Office	Master Interagency Agreement for CAEATFA and CPCFA				\$39,912,200
Treasurer's Office	Subordinate Interagency Agreement for the CalCap Program		No Cost		
Treasurer's Office	Subordinate Interagency Agreement for the Bond Program		No Cost		
Treasurer's Office	Subordinate Interagency Agreement for the California Ethanol Producers Incentive Program		No Cost		
Bevilacqua-Knight, Inc.	Annual Membership in Fuel Cell Partnership				\$87,800

Solicitation/Funding Agreement	Subject Area	Solicitation being developed	Solicitation on the streets	Proposals review and funding agreements	Funding Agreement Approved
SANBAG and Ryder Trucks	ARRA - LNG trucks and LNG/CNG fueling infrastructure			\$9,307,344	
South Coast AQMD	ARRA - Natural gas drayage trucks for Ports of Los Angeles and Long Beach			\$5,142,000	
South Coast AQMD	ARRA - PHEV medium-duty commercial fleet demonstration and evaluation				\$5,000,000
Envia Systems, Inc.	ARRA - Develop and manufacture high energy density lithium batteries for PEVs			\$1,000,000	
ETEC Corporation and Nissan	ARRA - Charging infrastructure for Nissan Leaf deployment in San Diego			\$8,000,000	
DGS and Propel	ARRA - Build and operate E85 retail stations throughout California			\$4,000,000	
Coulomb Technologies	ARRA - Electric charging infrastructure			\$3,417,000	
SMUD	ARRA - Electric charging infrastructure for Chrysler demo in Sacramento			\$100,000	
SMUD	ARRA - Electric charging Infrastructure for GM EV Demonstration in Sacramento			\$553,000	
University of California, Irvine	Expand STREET model			\$250,000	
Eurisko Scientific	PON-09-003 - Biomethane production at the Elk Grove Wastewater Treatment facility			\$1,830,132	
Northstate Rendering Company	PON-09-003 - Biomethane production at the Northstate Rendering facility			\$3,956,150	
Pixley Biogas	PON-09-003 - Biomethane production using dairy manure			\$4,672,798	
High Mountain Fuels	PON-09-003 - Biomethane production at the Simi Valley landfill			\$11,020,419	
NREL	Analytical support for the Investment Plan and Program development			\$1,200,000	

Solicitation/Funding Agreement	Subject Area	Solicitation being developed	Solicitation on the streets	Proposals review and funding agreements	Funding Agreement Approved
	Analytical support to advance the understanding and application of sustainability principles	\$2,000,000			
Solicitations					
ARRA	Cost share with California applicants seeking funding through the American Recovery and Reinvestment Act		Closed		
PON-09-003	Design, construct and operate biomethane production facilities in California		Closed		
PON-09-004	Develop and demonstrate advanced medium- and heavy-duty vehicle technologies			\$9,500,000	
PON-09-006	Develop infrastructure for electricity, E85, biomass-based diesel, and CNG/LNG			\$13,800,000	
PON-09-604	Develop new, biofuel production plants and enhance the operation of existing ethanol production plants (\$14.9122M is included as part of the Master IA with the Treasurer's Office.)		-		
PON-09-605	Develop and expand manufacturing plants to produce alternative fuel vehicles and vehicle components (\$19M is included as part of the Master IA with the Treasurer's Office.)		-		
	Provide financial incentives for California ethanol producers through the CEPIP (\$6M is included as part of the Master IA with the Treasurer's Office.)	-			
	Establish a Center of Excellence to develop and demonstrate advanced ND and HD vehicles	\$6,600,000			
	Buy down incentives for the purchase of propane-fueled school buses	\$2,000,000			
	Expand the network of public-access and fleet-operated hydrogen fueling stations	\$22,000,000			
	TOTALS	\$32,600,000	\$0	\$87,748,843	\$55,612,497



Union of Concerned Scientists

April 6, 2010

Peter Ward, Manager, Alternative and Renewable Fuel & Vehicle Technology Programs
Mike Smith, Deputy Director, Fuels and Transportation Division
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Dear Peter and Mike:

First of all, we'd like to commend you and staff on the Draft Staff Report of the 2010-2011 AB 118 Investment Plan. Clearly, a tremendous amount of hard work and thought went into producing this important document. We look forward to working with you, staff, and commissioners as you finalize this report.

Following up on discussion from the February 11, 2010 Advisory Committee meeting, we would like to reiterate our request for additional information pertaining to the 2008 – 2010 Investment Plan and the program to date. As Advisory Committee members, we need this information to effectively provide input into the 2010 – 2011 Investment Plan development process. Specifically, we would like to request that staff compile the following information and make it available at least one full week in advance of the next Committee meeting:

- Original allocations in the adopted 2008 – 2010 Investment Plan
- Modified allocations to the adopted 2008 – 2010 Investment Plan as of March 2010
- Discussion and explanation of variance between the adopted and modified allocations
- Awards/financial commitments to date, per allocation category, and whether as project grants, loans, loan guarantees, revolving loans, soul source contracts, etc.
- Pending PONs and anticipated financial commitments through the end of 2008 – 2010 Investment Plan period

As you know, we have long supported the AB 118 Program because we believe it is critically important to the state's efforts to meet climate change, air quality, and economic development goals. Having specific information about its current successes would enable

us to communicate the merits of the program to the Legislature, the public, and other stakeholders. Therefore, we ask that CEC quantify the expected benefits in the following areas resulting from the awards/financial commitments made to date under the 2008 – 2010 Investment Plan:

- Greenhouse gas emissions
- Employment/jobs/workforce development
- Petroleum reduction benefits
- Number of projects and resulting benefits to economically disadvantaged regions in California

This information will enable us to advocate for continued funding and support for the program.

Finally, we are interested in a response to the question that was raised at the February 11, 2010 Advisory Committee meeting regarding the state using AB 118 funds to support entities that are actively engaged in litigation with the state.

We look forward to receiving this information in a timely manner and to seeing a staff presentation on this topic at the next Advisory Committee meeting.

Again, we sincerely appreciate staff's achievement in preparing this very thorough Draft Report, and feel the information requested in this letter will enable the Advisory Committee to provide useful guidance and support to the Commission.

Sincerely,

Roland Hwang
Natural Resources Defense Council

Patricia Monahan
Union of Concerned Scientists

Daniel Emmett
Energy Independence Now

John Shears
Center for Energy Efficiency and Renewable Technology

Bonnie Holmes-Gen
American Lung Assoc. of California

cc: Anthony Eggert
Jim Boyd