

3020 Old Ranch Parkway, Suite 400
Seal Beach, California 90740
562.493.2804 Facsimile: 562.493.4532

James N. Harger
Chief Marketing Officer

www.cleanenergyfuels.com



November 11, 2010

Mr. Peter Ward
Program Manager
Fuel & Vehicle Technology Program
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

DOCKET

10-ALT-01

DATE NOV 11 2010

RECD. DEC 02 2010

Dear Peter,

This is a follow up to my November 3, 2010 letter regarding the grant agreement process we are facing to start station projects with the AB118 Alternative and Renewable Fuel Infrastructure funding opportunity (PON-09-006). A copy of that letter is attached for your reference. In that letter, we requested a waiver to allow work to begin "at risk" prior to finalization of the CEQA process. This approach would allow our pending AB 118 projects to commence construction in a timely manner and ensure their successful completion.

The authorization to incur such costs has been previously approved for our company by the Commission. Copies of the approval to incur pre-award cost letters are attached. In each of these instances and under certain conditions, Clean Energy was approved to begin incurring grant expenditures up to the amount of match share funds.

Clean Energy is requesting approval to begin incurring grant expenditures starting November 15, 2010, up to the approved amount in match share funds only (see list below). We understand the Commission's approval is contingent upon the following condition:

- In order to be reimbursed for pre-award expenditures a grant agreement must be executed between Clean Energy and the California Energy Commission. In the event a grant award is not executed, the Commission will not be liable for payment for any work performed or products delivered as a result of this pre-award letter.

Clean Energy understands the grant agreement will include Terms and Conditions which are standard requirements for grant awards. In the event that the Commission does not enter into a grant contract with Clean Energy in connection with these listed projects, Clean Energy will not pursue any claim or action against the Commission to recover the incurred expenditures.

Location	Approved amount in match share funds requested
14264 Valley Blvd., Fontana	up to \$995,000
26571 Junipero Serra, San Juan Capistrano	up to \$600,000
20500 Madrona Ave., Torrance	up to \$600,000

We appreciate your assistance and input regarding options we have as a subcontractor to the AQMD.

Sincerely,

A handwritten signature in black ink, appearing to read "James N. Harger", written over a printed name and title.
James N. Harger
Chief Marketing Officer

Enclosure

www.cleanenergyfuels.com



November 3, 2010

Mr. Peter Ward
Program Manager
Fuel & Vehicle Technology Program
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

Dear Peter,

I hope you're doing well. Members of my staff suggested I contact you regarding the the grant agreement process we are facing to start station projects with the AB118 Alternative and Renewable Fuel Infrastructure funding opportunity (PON-09-006).

In partnership with the South Coast Air Quality Management District (AQMD), Clean Energy as the primary applicant, was selected for funding which provides \$2.6 million dollars to partially offset the construction costs for ten natural gas fueling stations. Many of these projects are "shovel ready" and include commitments from private and public fleets to purchase natural gas vehicles. The extended time required to develop the grant agreement combined with the inability to incur costs has created potentially fatal issues for some of these project stations and fleet partners. We are requesting assistance your office might be able to provide to help resolve this situation expeditiously, including the consideration of a waiver to allow work to begin at risk prior to finalization of the CEQA process, so that these AB 118 projects can begin their successful completion.

A CEQA analysis is required for each of the ten stations *before* the CEC's board executes the grant agreement. This requires the project developer (Clean Energy) to incur design, engineering and processing costs for each station before a project can be submitted to a local lead agency having jurisdiction over CEQA analysis. CEC staff acknowledges this fact via a recent letter from Ms. Driskell to the AQMD which states, "(b)efore submitting the projects to the local lead agency, Clean Energy Fuels must perform some preliminary engineering work to create an adequate project description for use in the CEQA analysis". Thus, despite the CEC's interpretation of AB 118 and AB 109 that project developers cannot be reimbursed for project costs incurred prior to the formal execution of a grant agreement by the CEC Board, Clean Energy is now being asked by the CEC to incur costs "at risk" prior to the CEC's grant execution, for ten independent station projects. This clearly is a "catch 22" for the project developer.

While Clean Energy is appreciative that during the period before the grant agreement is executed, the CEC staff has authorized the AQMD (and our company) to incur CEQA costs "at risk", it remains unclear if subcontractors to the AQMD, as applicant, would also be allowed to incur costs "at risk." Clean Energy believes such applicants should be extended this benefit as well so that the project developer can properly facilitate the CEC requirements for project approval and execution. The CEQA analysis determination must be submitted to the Commission no later than April 30,

2011. Because fleets are procuring natural gas vehicles and need this infrastructure to fuel, station construction must begin well before April 30, 2011.

The three stations with the most critical timelines are listed below:

1. 14264 Valley Boulevard, Fontana, CA
2. 20500 Madrona Avenue, Torrance, CA
3. 26571 Juniper Serra, San Juan Capistrano, CA

We are therefore asking the CEC to (1) allow Clean Energy to incur costs "at risk" prior to full contract execution. Clean Energy ensures that all projects will comply with CEQA and (2) allow for Clean Energy to start work on projects, using subcontractors as necessary "at risk" prior to full contract execution, to ensure the timely completion of these projects and meet CEQA requirements as needed for grant execution prior to April 30, 2011.

We appreciate your assistance and input regarding options we have as a subcontractor to the AQMD.

Sincerely,


James N. Harger
Chief Marketing Officer

Enclosure

Larry Watkins
South Coast Air Quality Management District
21865 E. Copley Drive
Diamond Bar, CA 91765-4182

Re: CEQA Compliance for SCAQMD's biofuels infrastructure project in partnership with Clean Energy Fuels

Dear Mr. Watkins:

Thank you for meeting telephonically with the Energy Commission staff and Mr. Tim Newman from Clean Energy Fuels on October 7, 2010, to discuss the project's ability to obtain review under the California Environmental Quality Act (CEQA) (Public Resources Code, sections 21000 et seq.). As announced in the notice of proposed awards (NOPA) on May 17, 2010, your project as described in proposal #18 submitted under the Energy Commission's program opportunity notice PON-09-006 was selected for a proposed grant award of \$2,600,000.00. This letter memorializes the points of discussion and understanding in the October 7, 2010, telephonic conference as follows:

- As a responsible agency under CEQA, the Energy Commission cannot approve the award at a business meeting until two things happen: 1) the local lead agency performs a CEQA analysis and makes a CEQA determination on each of the ten proposed stations, and 2) the Energy Commission makes its own independent findings as required by CEQA.
- SCAQMD and Clean Energy Fuels have not yet submitted the proposed natural gas stations for CEQA review by the local lead agency.
- Before submitting the projects to the local lead agency, Clean Energy Fuels must perform some preliminary engineering work to create an adequate project description for use in the CEQA analysis.
- The ten proposed stations may be subject to different levels of environmental analysis under CEQA.
- SCAQMD and Clean Energy Fuels understand that the funds available for the proposed award must be "encumbered" or approved at a business meeting no later than June 30, 2011 or else the underlying appropriation expires. For timely approval at a business meeting, the local lead agency's CEQA determination must be submitted by April 30, 2011.
- SCAQMD will provide quarterly status reports to Debbie Jones at the Energy Commission describing the progress of CEQA compliance. SCAQMD will also provide immediate notification if anything significant occurs which may impact the estimated timeline.
- The Energy Commission will permit SCAQMD to count towards its match share requirement all reasonable costs (excluding costs of any litigation) of obtaining CEQA compliance, which it may incur between the date the NOPA was posted and the grant award is finally executed. To qualify as match share, such costs must be documented consistent with the accounting and audit standards applicable to reimbursable costs under a grant award with the Energy Commission. SCAQMD understands that it incurs all CEQA costs at its own risk, and may not place any

reliance on the Energy Commission's willingness to honor pre-award expenses as match share, should the grant award not be approved.

The Energy Commission hopes that the CEQA process happens quickly and smoothly. Staff looks forward to the lead agency completing its environmental reviews in a timely manner, so that the project can be recommended to the Energy Commission for final approval while the funding is still available.

Sincerely,

Kristen M. Driskell
Staff Counsel

CC: Debbie Jones, Energy Commission

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
(916) 654-4381



October 31, 2003

Ms. Barbara Johnson
Clean Energy Fuels Corp.
3020 Old Ranch Parkway, Suite 200
Seal Beach, CA 90740

Dear Ms. Johnson:

21465

APPROVAL TO INCUR PREAWARD COSTS

Your August 28, 2003, request for approval to begin incurring grant expenditures starting September 1, 2003, up to the approved amount of \$1,911,014.00 in match share funds only is approved. Your approval is contingent upon the following condition.

- In order to be reimbursed for preaward expenditures a grant agreement must be executed between Clean Energy Fuels Corp. and the California Energy Commission. In the event a grant award is not executed, the Commission will not be liable for payment for any work performed or products delivered as a result of this preaward letter.

Your grant agreement will include Terms and Conditions, which are standard requirements for grant awards. Enclosed is a copy of the Terms and Conditions that will be included in your grant agreement. Please familiarize yourself with these conditions prior to starting any grant work.

Sincerely,

JENNIFER ALLEN
CEC Project Manager

Approved:

KAREN A. SHIMADA
Grants and Loans

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
(916) 654-4381



October 31, 2003

Ms. Barbara Johnson
Clean Energy Fuels Corp.
3020 Old Ranch Parkway, Suite 200
Seal Beach, CA 90740

Dear Ms. Johnson:

21464

APPROVAL TO INCUR PREAWARD COSTS

Your August 28, 2003, request for approval to begin incurring grant expenditures starting September 1, 2003, up to the approved amount of \$1,761,350.00 in match share funds only is approved. Your approval is contingent upon the following condition.

- In order to be reimbursed for preaward expenditures a grant agreement must be executed between Clean Energy Fuels Corp. and the California Energy Commission. In the event a grant award is not executed, the Commission will not be liable for payment for any work performed or products delivered as a result of this preaward letter.

Your grant agreement will include Terms and Conditions, which are standard requirements for grant awards. Enclosed is a copy of the Terms and Conditions that will be included in your grant agreement. Please familiarize yourself with these conditions prior to starting any grant work.

Sincerely,

JENNIFER ALLEN
CEC Project Manager

Approved:

KAREN A. SHIMADA
Grants and Loans

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512

(916) 654-4381



October 31, 2003

Ms. Barbara Johnson
Clean Energy Fuels Corp.
3020 Old Ranch Parkway, Suite 200
Seal Beach, CA 90740

Dear Ms. Johnson:

21463

APPROVAL TO INCUR PREAWARD COSTS

Your August 28, 2003, request for approval to begin incurring grant expenditures starting September 1, 2003, up to the approved amount of \$500,000.00 in match share funds only is approved. Your approval is contingent upon the following condition.

- In order to be reimbursed for preaward expenditures a grant agreement must be executed between Clean Energy Fuels Corp. and the California Energy Commission. In the event a grant award is not executed, the Commission will not be liable for payment for any work performed or products delivered as a result of this preaward letter.

Your grant agreement will include Terms and Conditions, which are standard requirements for grant awards. Enclosed is a copy of the Terms and Conditions that will be included in your grant agreement. Please familiarize yourself with these conditions prior to starting any grant work.

Sincerely,


ALAN ARGENTINE
CEC Project Manager

Approved:



KAREN A. SHIMADA
Grants and Loans

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512

(916) 654-4381



October 31, 2003

Ms. Barbara Johnson
Clean Energy Fuels Corp.
3020 Old Ranch Parkway, Suite 200
Seal Beach, CA 90740

Dear Ms. Johnson:

21468

APPROVAL TO INCUR PREAWARD COSTS

Your August 28, 2003, request for approval to begin incurring grant expenditures starting September 1, 2003, up to the approved amount of \$500,000.00 in match share funds only is approved. Your approval is contingent upon the following condition.

- In order to be reimbursed for preaward expenditures a grant agreement must be executed between Clean Energy Fuels Corp. and the California Energy Commission. In the event a grant award is not executed, the Commission will not be liable for payment for any work performed or products delivered as a result of this preaward letter.

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Sincerely,

ALAN ARGENTINE
CEC Project Manager

Approved:

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Sincerely,

Kristen M. Driskell
Staff Counsel

CC: Debbie Jones, Energy Commission