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Draft Outline for Using Business Miles Financing (BMF), to Increase Alternative Fuel Vehicle Sales

With gas prices currently demonstrating the potential to once again effectively strand small businesses by the side of the road and with state and federal budget deficits limiting the ability to sustainably offer incentives for clean alternative fuel vehicles, we offer this outline to suggest a coordinated way of obtaining the leverage tax credits can provide but at a far lower cost.

SB-Cal is working on the second phase of a Bay Area Air Quality Management District research grant dedicated to indentifying and leveraging resources that will accelerate alternative fuel vehicle purchases so as to:

- **Design a sustainable support mechanism to accelerate new alternative fuel vehicles which will in turn...**
- Lower and protect long term fuel costs for U.S. businesses, contractors and employees,
- Act to reduce our need for imported oil with all the security and trade implications that entails,
- Help to maximize the success of both auto manufacturers and local dealers who build and sell alt fuel vehicles and finally and perhaps most importantly,
- Help develop the opportunity for these new vehicles to change how we think about our energy use, to **finally empower Americans to develop a sense of "economic patriotism" where trimming fuel use equals increasing GDP.**

To do this, first by developing a pilot project here in the Bay Area following with sister projects in the Southern California, CT/MASS and Austin, TX areas, we'll frame this design outline in the form of an engine and four separate yet interlinked drive wheels.

The Engine: Actually, there already is a motor pushing several states forward but the "fuel" is unsustainable; tax credits (or rebates), that, here in California at \$5K for each vehicle purchased, can't last. Lowering the cost of funds to spur other interested market players, however, is far more sustainable by using loan guarantees and/or loan loss reserve funds.

This can lower financing costs significantly for a small fraction of what tax credits cost and will spur vehicle sales and higher local sales tax collections which will help to address budget deficits.

Therefore, this project uses grant funding to provide for loan guarantee costs, marketing and administration and will be designed to provide support for 24-36 months after which vehicle component costs should be significantly lower due to economies of scale.



Drive Wheel # 1

Problem: Financing costs for new alternative fuel vehicles are high reflecting the cost of these new vehicles.

The Bay Area BMF pilot project will work with small business lenders that are already eager to provide financing for new alt fuel vehicles. We will negotiate interest rate reductions in return for guaranteeing loans will be repaid. We will leverage lender marketing efforts to local businesses by providing up to \$25K in additional funds per lender as a match to increase their marketing outreach efforts.

- Each lender will use their existing established lending criteria and processes.
- Loan loss reserve fund will mimic current successful guaranteed loan designs
- Marketing match funds will be used to amplify current lender marketing efforts.

Drive Wheel # 2

Problem: Utilities support both electric and CNG vehicles but need to properly coordinate both new rate structures and load management issues.

Utilities can offer lower rates for alternative fuel vehicles in a controlled setting working with BMF participating lenders while also managing load issues to help insure local transformers are protected from overloading on any one street. Lenders benefit by bundling lower alt. fuel costs offered by utilities into the overall ownership cost equation.

- Available preferred rate plans to be part of lender marketing outreach.
- Utilities may use opt-in system for applicants to register for load management.
- EPA calculations for applicant fuel cost reduction provided for lender marketing.

Drive Wheel # 3

Problem: Businesses who want to lower costs and help employees and contractors adopt alternative fuel vehicles need help with identifying advantages and designing employee incentives that work for their specific business.

BMF Lenders and utilities will market to target to area businesses a “package” of coordinated lower interest costs and “fuel” rates along with help calculating the value of lower fuel costs as a part of the overall vehicle cost equation. Vouchers or other payments for business mileage can use more funds for vehicle purchases versus fuel costs. Businesses can offer other incentives from free charging to preferred parking schemes that suit their specific circumstances, adding to the total value proposition.



- BMF will coordinate with Plug-in collaborative to identify target employers.
- BMF will publish case studies of innovative employer incentive efforts
- When employer mileage based vouchers are used, lenders will receive calculations of increased available cash flow for loan payments.

Drive Wheel #4

Local Chambers of Commerce and other business support groups want to support clean transportation especially where existing or new members can be highlighted, but are unsure about how to proceed.

The BMF Project will work directly with local organizations to develop success stories they can publish to highlight their members. See [this recent publication](#) for examples.

- BMF will contact C of C offices within target counties to identify opportunities.
- BMF will provide language for chamber based stories publications noting participating members.
- BMF will work to develop active chambers who will feature participants (including lenders, utilities, dealers and business members), in publicity and events.

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