

CleanFUEL USA's Written Comments for AB118 2011-2012 Investment Plan

AB118 is visionary legislation and, as such, California policymakers are to be commended for instituting “*The Alternative and Renewable Fuels and Vehicle Technology Program*” (ARVTP) to insure that a sustainable market is created for the various alternative fuels and vehicle technologies. For the legislation to achieve its desired results of measureable reductions in GHG and petroleum consumption, a proportionate level of funding must aggressively support the deployment of proven alternatives as well as provide a springboard to viable, emerging technologies. Further, to increase its effectiveness, the program should leverage its funding with federally supported strategies, automaker offerings and cost effective infrastructure to maximize quantitative results. California can ill afford to invest a disproportionate level of funding in a “go-it-alone” strategy to build advanced technology micro markets in one or two regions of the state. Said differently, by supporting wildly expensive infrastructure to support limited vehicle offerings and not meet targeted emission and petroleum reductions would be a mistake.

CleanFUEL USA (CFUSA) supports the direction the 2011-2012 Investment Plan is taking. By incorporating a more balanced approach and supporting market-ready technologies such as E85, Biomethane/CNG, Propane-AutoGas, Hybrids, Medium-Heavy Duty Advanced Technologies and workforce development (job training to accelerate technologies that can provide “immediate” GHG reductions and petroleum displacement) the Plan will be vastly more effective.

The mutual goal of both public and private interests is to meet stated policy goals of petroleum and emission reduction levels of 20% by 2020 and beyond. This means California will need to displace more than 1 million gallons of gasoline and diesel each day. Needless to say, the state is currently not even close to hitting this number and, each day, is falling further and further behind.

Propane Market Developments

Propane-AutoGas infrastructure and vehicle offerings have made tremendous strides in the last two years. In this time the industry has gone from being able to offer fleets one (1) school bus and one (1) medium/heavy-duty truck offering to four (4) light-duty trucks, three (3) light-duty vans, two (2) medium-duty cutaway vans chassis, three (3) school bus configurations and two (2) medium/heavy-duty platforms. Over the next twelve (12) months, CFUSA will add the Freightliner medium/heavy-duty S2 chassis and a Capacity Terminal Tractor that will exceed 2010 emission standards. CFUSA also collaborated with the Texas State Technical College and Public Solutions Group on the “*Clean Start*” project, which was awarded \$12.3 million in ARRA funding to build 184 public-access, Propane-Autogas stations in seventeen (17) major markets across the country. In California alone, the *Clean Start* program will help fund 115 vehicles (90 school buses), thirty (30) refueling stations and three (3) vehicle service centers. Collectively, Propane-AutoGas projects were awarded more than \$43M in total ARRA funding for stations, vehicles and education outreach deployment projects.

BioPropane & DME

Dimethyl Ether (DME) will assist propane's biofuel path to market as DME can be easily blended with propane and distributed through propane infrastructure. DME and DME/Propane blends will enhance propane's LCFS and activate participation in RFS2. The Propane industry in the United States has embraced DME fuel market development as a diesel engine fuel replacement strategy as well as propane/DME blends for large spark ignited engines. CFUSA is part of the DME North American Taskforce working with members of the International Dimethyl Ether Association, which is aggressively pursuing DME as a viable transportation fuel. The Taskforce is currently developing the framework for

two (2) demonstration projects that will examine California BioDME fuel production, fuel distribution, refueling infrastructure, engine fuel systems development and analysis and emission reduction values. The first demonstration project will be with the City of Vancouver, Canada and the second demonstration project will target the port of Los Angeles working with, Delta Liquid Energy, Capacity of Texas, CFUSA, CalStart and other organizations working to reduce emission and displace petroleum at the port.

ARFVTP Investment Plan

The level of Propane funding has gone from \$2 million in 2009 to \$3 million in 2010. The proposed 2011 Investment plan increases Propane allocations to \$4.5 million. However, we believe that, given the growing list of OEM vehicle offerings, expanding refueling infrastructure and the legitimate BioDME / BioPropane-Blend paths to market, Propane merits funding near the same level as natural gas.

2011-2012 Investment Plan Recommendations:

CleanFUEL USA has a proven record of accomplishment in working with OEM automakers and chassis/bus builders to facilitate introduction and reentry into the AFV market. As a result, GM, Blue Bird, Collins, Capacity and Freightliner will all be offering factory direct light-duty and medium-heavy duty vehicle platforms up to 33,500 GVWR in 2012. All of this has been accomplished with virtually no government RD&D investment. CFUSA funded 100% of the GM 8.1L EPA/CARB certification medium duty truck and PERC assisted with the Blue Bird school bus development as well as the new 2012 GM 6 liter & 8L liter engine/vehicle projects. With this said, CFUSA believes the following three (3) areas deserve consideration for funding support:

Proposed 2011 – 2011 Propane Funding:

Suggested Funding Area	Program Description	Amount	Allocation
Propane-Autogas Infrastructure	School District & Sites with 24/7 Public Access	30% up to \$30,000	\$1M
Vehicle Incentive Program	School Bus - Type A and C	\$20,000/\$30,000	\$3M
Vehicle Incentive Program	Light-Duty & Medium-Duty, Non-School Bus	\$20,000/\$30,000	\$2M
Vehicle Incentive Program	Medium-Heavy-Duty, Non-School Bus	\$15,000	\$2M

Other Proposed Funding Categories:

- ✓ **\$10M – Innovative Technologies and Advanced Fuels (RD&D)**
- ✓ **\$10M - Medium- and Heavy-Duty Advanced Technology Vehicles (RD&D)**

As fleets and consumers are drawn to alternatives by rising diesel and gasoline fuel costs, environmental concerns and regulations, it is clear that the current 2020 & 2050 goals and objectives cannot provide the type of “right now” vehicle and fuel choices needed to achieve current market demand and deployment requirements. To accomplish this in, both, near and midterm timeframes immediate support of proven, domestic energy sources is needed; especially with regard to school districts and public fleets. In addition, public and private fleet operators need a wider variety of vehicles types, duty cycles, and fuel technologies that have extended vehicle range and access to offsite refueling stations. Fleets also need heavy-duty payload capacity and specialized vehicle platforms, as well as affordable vehicle technologies and refueling infrastructure with overall lower maintenance costs. Never before has the cost of vehicle ownership been more important for fleets and consumers. Sustainability has become a matter of trying to manage escalating vehicle and fuel costs and dealing with regulations and increasing demands of engine maintenance, exhaust after treatment systems, and wildly expensive infrastructure projects with limited vehicle offerings.

Propane-Autogas along with other market ready fuels and technologies provide a bridging strategy that will give California “immediate” and midterm results as technologies and fuels that are more advanced come online. It also bears mentioning that the Propane and CNG industries have invested millions of dollars in vehicle and engine technologies that already meet 2010 standards for light-, medium-, and heavy-duty vehicles. The Propane and CNG industries have also begun to allocate additional investment capital in the latest state-of-the-art engine and fuel system technologies, AFV hybrid strategies and Biofuel strategies that will result in some of the cleanest vehicle platforms on record that will then be able to take advantage of existing (and expanding) AFV refueling infrastructure.

The Global Climate Change Act of 2006; *establishes “first-in-the-world” regulatory and market based programs to achieve real, quantifiable, cost-effective GHG reductions.* If we neglect to support the millions of dollars of public and private investment over the last several years in alternative fuels, we are not only sending the wrong message to taxpayers, future industry investors and fleets that have made AFV choices, but we will disenfranchise one of our most valued assets of “immediate” market based cleaner technologies... vehicles and fuels. In addition, AB1007 demonstrates the cost effectiveness of alternative fuels and points out that investing in additional vehicle offerings is a prudent strategy to achieve reductions in petroleum consumption and GHG reduction policy goals.

Propane is leading the way as the most widely used alternative fuel in the world because of its cost effectiveness and high levels of GHG reductions and petroleum displacement. The propane industry is increasing funding to support the North American motor fuel market’s efforts to increase our nation’s energy independence and climate change policies. With robust domestic fuel production, mature channels of distribution and the world’s largest storage capacity, combined with lower vehicle and infrastructure costs, propane should continue to play a significant role in displacing petroleum-based fuels and reducing GHG emissions more cost effectively than any other current, commercially-viable strategy. Lastly, several Energy Commission reports have pointed out the missing link with propane has always been the lack of available vehicles, that is no longer the case as the industry has answered the call and will continue to support vehicle and infrastructure development as well as other fuel strategies to help meet 2020 and 2050 reduction goals.

On behalf of CleanFUEL USA, our many partners and thousands of customers, we would like to thank the CEC and the Investment Plan Advisory Committee for the opportunity to share this information. Your efforts on AB 118 are tremendously important for the citizens of California and will set an example for others to follow. Our commitment to you is to continue to provide “real world” pictures of alternative vehicles and fuels. We have been in this market since 1993 providing vehicle and fuel solutions that meet or exceed market demands and we stand ready to develop new electric drive and hydraulic hybrid technologies as well as DME and BioPropane fuels.

If our company can ever be a resource for additional information, do not hesitate to ask. We are here to serve, support and, ultimately, create solutions.

Very best Regards,

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-New Business Development-
CleanFUEL USA