DELTA LIQUID ENERGY

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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 10-ALT-1
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket No. 10-ALT-1 / 2011-2012 Investment Plan

Delta Liquid Energy is a regional sized propane distribution company headquartered in Paso Robles. We employ 104 people to serve approximately 15,000 customers within a geographic zone encompassing the pacific coast to the Sierras from Fresno south thorough Hemet. We market over 30% of our propane to engine fuel uses including stationary ag uses, schools buses, private and public fleets.

Thank you for the opportunity to comment on the funding allocation for FYE 2011-12. We appreciate the financial support offered through *the Alternative and Renewable Fuel and Vehicle Technology Program.* However, we would like to clear up some misconceptions that apparently preclude the Commission from directing meaningful levels of funding towards the use of propane autogas in California transportation.

To begin-on page 66 of the report, the statement is made "...federal incentives already offer a *sufficient amount of support* for propane infrastructure, as indicated in Table 16." Referencing said table the reader is lead to believe that federal tax credits exist for the installation of propane refueling infrastructure at 50% of the cost up to $50,000 per site. As California taxpayers, we appreciate and agree that the state should be considering leveraging opportunities where ever possible in order to direct funding in a strategic manner.

Unfortunately, for the federal 2011 tax year, the investment into refueling stations only provides a 30% tax credit, limited to $30,000 per station. Further, as of this writing, there is no legislation in Washington that currently addresses extension of these or similar tax credits into tax years beyond 2011. In either case, one must presume the installer is a tax paying entity or that the installer has a federal tax liability large enough to apply this credit against. Also, the credit is not applicable against any state income tax liability. Therefore, tax credits, in and of themselves, are actually *insufficient support* if the state wishes to build a meaningful refueling infrastructure for vehicles operating on propane autogas.

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While the commission correctly noted that capital costs for propane refueling infrastructure can be relatively cost effective ($50,000 per site), that doesn't make the investment opportunity overly attractive to California businesses. Our profits are limited and we have to make capital deployment choices just as the commission is doing in this funding. Not all of our capital can or will go towards building a refueling network. May we suggest that directing more than $500,000 of funding towards propane autogas refueling infrastructure will lead to many more vehicles operating on California highways, using a fuel that is domestically sourced and low emission-thus achieving one of the stated goals of the project, i.e. "To reduce the use of vehicular consumption of petroleum by 15%."

Refueling infrastructure aside, California businesses that would be purchasing fleet vehicles to operate on any alternative fuel are faced with a similar decision as noted above-where to deploy limited capital resources when making the vehicle purchase decision. Does the fleet owner make a decision to pay a premium over and above the base price of a gasoline/diesel powered vehicle without a sense of ROI? Of course not.

While the new vehicle offerings from Roush and CleanFuel USA offer superior performance to propane autogas vehicles of the past, the premium cost to purchase these vehicles is daunting. First cost is critical to fleet purchasers who typically buy in quantities and an option price that represents up to 25% of the base vehicle cost is a non-starter. We acknowledge that there are federal fuel use incentives that expire at the end of 2011 which may be attractive. But federal tax credits for the purchase of propane autogas vehicles expired last year. A long term perspective requires strong support for the vehicle purchase. California must fund the buyer decision to "take the risk" and procure propane autogas powered vehicles instead of gasoline/diesel.

In closing we wish to address the myth regarding "lack of" propane supply. Due to increased supplies derived from natural gas shale deposits, the US is now a net exporter of propane. Production of natural gas provides over 60% of the national supply of propane and this supply is growing. Shale is also indigenous to California and will be exploited within the next five years per recent comments made by Occidental Petroleum (http://oilshalegas.com/kernoilfield.html). In addition, work progresses towards use of DiMethyl Ether (DME) as both an oxygenate and supply extender to US propane inventories. The Propane Education and Research Council (PERC) has placed DME production as the first priority for research under it's *Propane Challenge* outreach. As these supplies enter the marketplace, California is projected to be a net exporter of propane throughout the year-not just during the summer as is now the case. Propane Autogas is a product Californians should be using-not losing.

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We urge the Commission to be more strategic in their deployment of funding to increase the use of propane autogas in California transportation. Propane is the third most widely used fuel in transportation in the rest of the world. It is domestic and provides high energy density. Manufacturing of propane powered vehicles and construction of refueling sites represents new jobs for Californians. Dollar for dollar, funding directed towards propane autogas will provide more vehicles and more infrastructure than any other alternative fuel. We encourage the commission to redirect a minimum of 25% of the 2011/12 budget towards the use of propane autogas in California transportation.

Thank you again for the opportunity to comment.

Sincerely yours,
DELTA LIQUID ENERGY

William Platz
President

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