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November 30, 2011

California Energy Commission
Docket Office, MS-4
Re: 2011 IEPR – LCFS Analysis Docket No. 11-IEP-1L
1516 Ninth Street
Sacramento, CA 95814-5512
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To Whom It May Concern:

On November 14, 2011, the California Energy Commission (Energy Commission) held a Staff Workshop on the Role of Alternative Fuels in California's Transportation Energy Future (the Workshop). The Workshop was held as part of the Energy Commission's 2011 Integrated Energy Policy Report proceeding (2011 IEPR). The California Electric Transportation Coalition (CalETC) appreciates the opportunity to provide these written comments on the Workshop. CalETC's comments focus on issues related to the California Low Carbon Fuel Standard regulations (LCFS), including providing answers to Questions #4 and #7 included in the Workshop Notice.

CalETC supports the LCFS program for California and looks forward to the day this program extends to other states, regions and our nation. The LCFS program is a key policy in the effort to free our state and our nation from total dependence on oil in the transportation sector, encouraging fuel diversity in the sector. Electricity is an attractive alternative fuel from both an economic and environmental standpoint and will play an important role in compliance with the LCFS program in California.

1. Use of LCFS Credit Value

CalETC supports the California Air Resources Board (CARB) in its efforts to grow and transform the market for electricity as a transportation fuel. Utilities in California are supportive and committed to CARB's proposed regulation language[1], specifically to providing LCFS credit value directly back to plug-in electric vehicle (PEV) customers through PEV rates or some other mechanism, within the mandated timeframe.

[1] Staff Report, Appendix A: Proposed Regulation Order, October 2011 (http://www.arb.ca.gov/regact/2011/lcfs2011/lcfsappa.pdf)

2. Energy Commission's PEV Load Forecast

At the Workshop, the Energy Commission presented an overview of the alternative fuel vehicle market, including an outlook for PEV penetration. CalETC's forecasts of PEV market penetration differ from the Energy Commission's forecast. In previous comments to the CEC, CalETC has provided this information:

> CalETC expects that the number of PEVs coming to California will dramatically increase in the next 5 years. Our estimates for PEVs in California are based on information from the major auto makers and twelve external studies by entities including TIAX, Charles River Associates, Electric Power Research Institute and the California Air Resources Board. It should be noted that California is considered a key market for PEVs. Although only about 10 percent of the new vehicles sold in the U.S. are sold in California, California represents approximately 18 percent of the new vehicle market for hybrid vehicles. This factor, along with the impacts of the economic slowdown, was considered in CalETC's projections for PEV sales. In the 2015 timeframe, CalETC PEV projections range from a low of 125,000, mid-range of 250,000-275,000 and high of approximately 450,000. These estimates represent cumulative numbers of vehicles sold between 2010 and 2015 and CalETC believes the mid-range projection to be the most likely.

CalETC would like to better understand the reason for forecast differences.

3. Question #4: The Energy Commission has assumed that all electricity use in the transportation sector will generate LCFS credits that will be available for purchase by obligated parties. Is it reasonable to assume that all of this electricity demand from transit use (such as Bay Area Rapid Transit), and home and public charging of electric vehicles will ultimately be quantified and registered for use in the LCFS program. If not, what portion of this transportation sector electricity demand should be assumed in the analysis? How might California Public Utilities Commission (CPUC) activities associated with electricity charging impact the availability of these credits? Is the Energy Commission staff's assumption of compliance with California's Zero Emission Vehicle (ZEV) program reasonable? If not, should a different estimate of electric vehicles be assumed and, if so, based on what rationale? What would be the potential implications for LCFS (how many additional net credits) if the light-duty electric vehicle forecast were doubled or tripled?

CalETC supports CARB in its commitment to maximizing the number of credits that are available, claimed, and monetized. Providing credits to the EDUs is the best way to advance the ARB's guiding principle of maximizing LCFS credits because (1) EDUs have the administrative capacity to monetize the credits, especially as the market grows and larger-scale administration is needed and (2) as regulated entities, EDUs can ensure that the credit value is passed back transparently.

It is difficult to predict the amount of credits that will be reported and monetized at this time, given that the electric vehicles market is nascent and the LCFS program has not been fully implemented yet. CalETC proposes revisiting this assumption in the future, once the LCFS regulations are fully in place, the market and technologies have had an opportunity to develop, and when the ARB and market participants have had an opportunity to gather more data.

4. **Question #7: To what extent can existing or restructured government regulations (such as air district fleet rules or CPUC regulations) and programs (such as Clean Fuels Outlet, AB 118, AB 32 Cap and Trade, Proposition 1B, and Carl Moyer) increase the development and use of alternative fuels and vehicles in California?**

The ARB's proposed LCFS regulation language strives to promote the development of the electric vehicle market and encourage market transformation by requiring that credit-generating entities pass through the value of the LCFS credits directly to PEV customers. CalETC supports this regulatory policy as a way to support the electric vehicle market. CalETC has worked closely with CARB staff and is very supportive of the proposed regulatory language directing EDUs to pass LCFS credit value directly to PEV customers.

In conclusion, CalETC thanks CEC staff for their willingness to work through these complex issues with stakeholders. We look forward to continuing to work with you.

Thank you for your consideration.

Sincerely,

Eileen Wenger Tutt
Executive Director