



OFFICERS AND MEMBERS OF EXECUTIVE COMMITTEE

CHAIRMAN OF THE BOARD
Jeff Stewart
Blue Star Gas
880 N. Wright Road
Santa Rosa, CA 95407

VICE CHAIRMAN
Phil Jones
Suburban Propane
2874 S. Cherry Avenue
Fresno, CA 93706

SECRETARY-TREASURER
Bruce Thompson
PT Risk Management
10621 S. 51st Street, #101
Phoenix, AZ 85044

IMMEDIATE PAST CHAIRMAN
Pat Walker
Triple "R" Gas
11985 Tyler Road
Red Bluff, CA 96080

PRESIDENT AND CEO
Lesley Brown Garland
WPGA
2131 Capitol Avenue, Suite 206
Sacramento, CA 95816

2131 Capitol Avenue, Suite 206 • Sacramento, CA 95816-5755 • (916) 447-9742 • FAX (916) 447-9740 • TOLL FREE (888) 447-9701

December 10, 2012

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 12-ALT-02
1516 Ninth Street
Sacramento, CA 95814



To Whom It May Concern,

Over the past year, California Energy Commission staff working with the Alternative and Renewable Fuel and Vehicle Technology Program has expressed concerns about the amount of propane vehicle incentive funding that was unused. On October 23, a group of CEC staff met with propane industry representatives to discuss reasons why a significant amount of the propane allocation has gone unused. While vehicle availability was a key issue for the first round of incentives, the main problem identified for the second year of the program involved the requirements in the program opportunity notice (PON-11-603, Buy-down Incentives for Natural Gas and Propane Vehicles) and the processing time required for reservations and payments.

A recent situation that illustrates the current problems with the PON and processing. Phil Englander, a Ford dealer with Galpin Motors Inc., submitted claim forms on eight vehicles on September 26 and claim forms for three additional vehicles on October 10. The DMV documentation was received on those vehicles by CEC on October 11. Over the next 13 days, the claims were in the review process. On October 24, Galpin Motors was notified there were corrections needed on the claims. A day later, those corrections were submitted to CEC. On November 1, the claims were sent to the CEC's accounting office for processing. Due to the amount of time required to process the claims, Galpin was unable to get on the agenda for the November business meeting to secure additional reservations. Because Galpin was unable to obtain new reservations at the November business meeting, the dealership completely lost a three vehicle sale and has another eight vehicles that customers are waiting on pending the incentives. This is more than \$320,000 in revenue for the dealership, not to mention the sales tax and vehicle registration fees the state lost for another month. Mr. Englander provided my office with correspondence and other documentation he submitted to CEC between September 26 and November 1 to illustrate his situation.

There are a few critical issues we have identified through this situation and in interviews with other dealers that have participated in the PON:

1. There is one staff member who must process all claims for both natural gas and propane in addition to other job responsibilities with the CEC. If that staff member is unavailable because of other projects, the claims languish. It has been identified that claims that are complete and do not require corrections are processed quickly. However, it appears that many if not most of the claims in both propane and natural gas require some sort of follow-up.
2. To get on the CEC's monthly agenda, claims must clear and new reservation paperwork must be filed more than a month in advance of the board meeting. Even under the best of circumstances, assuming claims filed are in impeccable order, it is almost impossible for a dealer to clear all the hurdles required to obtain reservations in

consecutive months. We would suggest if the commission is not going to meet more than once a month, the internal processes change so approvals on reservations can be made by staff and be presented to the commission as an informational item at its next business meeting.

3. As we discussed in length during our October 23 meeting with staff, there are significant barriers in PON-11-603 that are hindering vehicle sales: the \$200,000 per OEM reservation limitation in the up to 14,000 GVWR category and the \$400,000 per OEM reservation limitation in the 14,001-26,000 GVWR category. Currently, almost all of the propane vehicles available in California are through Ford, therefore these OEM limitations severely hinder the number of vehicles that can be deployed. Roush, who is manufacturing and installing the propane systems for the Ford vehicles, estimates more than 500 propane vehicles will be sold to California fleets over the next 18 months. However, with the limitations through the program, it would take years to process these vehicles through the CEC's incentive system.
4. In the current solicitation, the OEM is required to be involved as the main point of contact. Again, the propane industry's main vehicle provider at this time is Ford, which authorizes Roush to install the propane systems on its vehicles. Roush is the one actively marketing the propane systems and is monitoring orders and deliveries. Currently, Ford must provide a go-between to handle the reservations system on behalf of Roush dealers. In an effort to streamline this process, it would be better for Roush to be authorized to handle the reservations system on behalf of its products. We believe this change is vital in future solicitations to reduce CEC staff time and deploy incentives faster.

In the current draft of the investment plan, we are grateful the CEC acknowledges that the propane incentive funding has not sat untouched for lack of interest or lack of vehicles, but instead the program has suffered from procedural requirements that could be streamlined and improved through a modified or new solicitation. Our industry members are willing and eager to participate in future discussions on how to deploy these critical incentive funds so we can continue working towards the CEC's ultimate goal of improving air quality by removing high-polluting gasoline and diesel vehicles from California's roadways. Because there is an acknowledgement that the program would be better with administrative changes to the PON, we urge the CEC to take immediate action and make the necessary changes to expedite the distribution of funds.

Thank you for your time and consideration.

Sincerely,



Lesley Brown Garland
President and CEO