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March 14, 2013

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 12-ALT-02
1516 Ninth Street
Sacramento, CA 95814-5512

Re: 2013-2014 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program (Docket No. 12-ALT-02)

Dear Energy Commission, Staff, and Advisory Committee Members:

Thank you for the opportunity to comment on this draft of the 2013-2014 Investment Plan Update (Docket 12-ALT-02). As a developer of compressed natural gas (CNG) refueling infrastructure for light-duty natural gas vehicles (NGVs), VNG is keenly interested in the Energy Commission's ongoing efforts to transition California's vehicles to cleaner, alternative fuels, including natural gas – an alternative fuel which has perhaps the greatest current potential for mass-market adoption due to historic lows in natural gas prices.

VNG intends to build a nationwide network of CNG refueling stations to support the widespread use of light-duty NGVs by fleets, and eventually the mass-market consumer segment. Our first stations will provide fleets with CNG fueling services co-located within existing gasoline stations, which will provide the type of retail-oriented, conveniently-located fueling experience that will be necessary to encourage the subsequent adoption of NGVs by everyday consumers. VNG has relationships with station owners representing more than 8,000 potential retail sites nationwide, and anticipates being particularly active in California due in part to the history of strong, sustained incentives for NGV purchases in the State.

Like many other CNG infrastructure developers, we believe that incentives for building CNG stations are less important than incentives for purchases of NGVs. So long as there are sufficiently large fleets of light-duty NGVs on the road, VNG and other private companies can justify significant capital investments in fueling stations without support from the Energy Commission. Moreover, building sufficient volumes of demand for light-duty NGVs will be critical for encouraging automakers to move from current small-volume conversions and upfits to high-volume production of these vehicles – a move which could result in near-term incremental cost reductions of over two thirds and facilitate the unsubsidized, mass-market adoption of light-duty NGVs by everyday consumers.[1]

[1] National Petroleum Council. "Future Transportation Fuels Study – Natural Gas Analysis." 1 Aug 2012. http://www.npc.org/FTF-report-080112/Natural_Gas_Analysis-080112.pdf

Thus, VNG strongly supports continued funding of the Buy-Down Incentive Program at its current level of $12 million, as well as the move to dedicate this funding exclusively to NGVs (instead of a split between NGVs and propane vehicles). However, in order to make this funding more effective in getting more light-duty NGVs on the road – and thus facilitating greater private investment in CNG infrastructure and increased automaker production of light-duty NGVs – we have two recommendations:

1. **Remove Per-OEM, Per-Reservation Limits:** The previous Program Opportunity Notice (PON-11-603) for the Buy-Down Incentive Program limited each original equipment manufacturer (OEM) to $200,000 per reservation for light- and medium-duty (<14,000 lbs) NGVs. For NGV pickups weighing 10,000 lbs. and receiving $8,000 rebates, this translates into just 25 vehicles per reservation. We believe there are fleets that could potentially convert 100 or more vehicles at a time given the opportunity, and these types of large fleet purchases could be critical to catalyzing investments in light-duty NGV market development in the State. Automakers that are aggressively pursuing the NGV market should be rewarded with greater access to incentives, and not be limited by artificial caps on their participation in the program.

2. **Increase "Bang for the Buck" Through a Reverse Auction or Similar Mechanism:** While the rebate levels for each vehicle weight class are generally appropriate, it is also possible that large fleet purchases could achieve lower per-vehicle costs and thus require less per-vehicle incentives to be economically viable. The Energy Commission should consider offering a portion of the funds set aside for NGVs via a reverse auction or similar mechanism that would allow fleets to compete to purchase the most NGVs for the least per-vehicle rebate. This would increase the overall "bang for the buck" of the program and further encourage larger fleets to apply for funding.

VNG looks forward to working with the Energy Commission on the ongoing implementation of the AB 118 program and achieving the goal of widespread use of low-cost, clean-burning natural gas as a vehicle fuel throughout the State.

Sincerely,

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