ARRO AUTOGAS

3/27/2013

Mr. Charles Smith, Project Manager
California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Docket Number 12-ALT-02

Dear Mr. Smith:

ARRO Autogas is a California company dedicated to the sales and distribution of propane as a transportation fuel throughout the western states. We are developing a network of publicly accessible, 24 hour/7 day per week Autogas refueling sites, primarily located at gasoline stations as well as other convenient locations. This is an investment we are making with private resources and have not asked for public funding support for infrastructure from the AB 118 program. At this writing, we have developed ten retail refueling locations in California where fleets using propane autogas can refuel their vehicles. More information on ARRO Autogas is available through our website: www.arroautogas.com.

Our customers include early adopters of propane autogas including ThyssenKrupp, Direct TV, Prime Time Shuttle, Roadrunner Shuttle as well as a number of southern California school districts. Many of these fleets have accessed the vehicle resources afforded by AB 118 funding over the course of the past several cycles. The modest funding support of this program has proved a valuable incentive for these fleets to “try propane” (thus transitioning to natural gas based fuels) for the first time. These early adopters have become committed customers. We believe these fleet users are prepared to increase their investment in lower carbon, lower fuel cost propane powered vehicles and anticipate using AB 118 funds to help defray the additional costs they incur to purchase these new vehicles.

In addition, the manufacturers of these vehicles have observed an increased level of interest in their products due to these incentives. Roush CleanTech continues to add to their portfolio of propane powered options for Ford vehicles and plan on offering not only the van based products (E-150 through E-450) but the majority of the pickup based vehicles (F-250 through F-650). Several of the Roush platforms actually meet SULEV emission targets and are eligible for HOV lane access.

Another manufacturer, CleanFuel USA has developed a fuel system for the GM 4500 series 6.0 liter engine and is prepared to offer the Freightliner medium duty series truck specifically designed to operate on propane autogas. CFUSA has experienced greater levels of sales and have reported future product development once the Freightliner enters the market this August.

Over 500 Bluebird school buses fueled by propane autogas now deliver children throughout the southern portion of the state. These school buses, purchased with incentive funding from the AB 118 program as well as other local funding sources, provide the opportunity for these school districts to utilize a lower-carbon, natural gas derived fuel that also provides fiscal relief in the form of greatly reduced fuel costs. My point is-none of this activity would take place without the “lubrication” that incentive funding from the AB 118 program currently provides.

So imagine my dismay at the apparent lack of aspiration staff is exhibiting to meet the short and near term energy portfolio and environmental goals of AB 118. Rather, declaring long term desires of electrification, the CEC is prepared to allocate tens of millions of tax payer dollars towards hydrogen infrastructure and fuel cell vehicle development, with little more than hope these vehicles will make a viable market. This ongoing, annual “investment” comes at the expense of meaningful outlays in clean, domestic, affordable hydrocarbon fuels such as propane and natural gas - fuels that provide economic activity and create jobs for Californians today. Perhaps the market for Zero Emission Vehicles (ZEVs) fits an important niche, but it is not an unlimited market - nor one that mere funding alone could translate into mass market acceptance.

Further, I am personally incensed with staff’s opinion that if the propane industry can’t spend its miniscule allocation of dollars on vehicle incentives, then for this investment plan year, CEC should forego allocating <u>any</u> additional dollars toward propane. It was stated that the allocations are a zero-sum proposition, so I suggest some of the allocation for the above “hoped-for” fuels and vehicles be placed back into the allocation for propane Autogas vehicles - which provide fuel cost relief, economic development and carbon reduction.

The money allocated to propane vehicles was made available from the Vehicle Buy-Down Incentive Program (VBDIP), a mechanism designed to provide incentive funding quickly to the market place – and to date its usage has been somewhat successful. However, this incentive mechanism can and should be adaptable and flexible to best fit all vehicle offerings. Staff should also be aware that long-standing CARB certification procedures preclude the swift rollout of a wider variety of propane powered vehicles - thus limiting consumer choices. This negatively affects the vehicle production and purchase process for fleets and individuals. Despite these two circumstances of which staff should be aware, the propane industry bears the blame and the consequences of reduced funding. This situation appears quite hypocritical.

We appreciate that staff has recently relaxed the procedures in which funding can be obtained for the purchase of propane powered vehicles. We clearly see that there is pent up demand that this program modification could resolve, but where will the next dollar come from once the funding from past allocations is exhausted? Is staff prepared to guarantee that if demand for propane vehicle incentives is not fulfilled in the upcoming plan year, then additional funds will be made available from other allocations that are not being spent-say from the money allocated to FCVs? Or should we expect that the propane industry be “zeroed out” again for the 2014-15 Investment Plan?

The State Energy Resources Conservation and Development Commission in its Integrated Energy Policy Report recommended that alternative fuels (including propane autogas) comprise 20 percent of on-road transportation fuels by 2020. The CEC and ARB adopted the Alternative Fuels Plan, after a long process for collecting viable market information and input from affected industries - why not adhere to your Plan?

Additionally, Assembly Bill 32 (Núñez, Chapter 488, Statutes of 2006), established a goal of reducing greenhouse gas emissions to 1990 levels by 2020, and Executive Order S - 3 - 05 has established a goal of reducing greenhouse gas emissions to 80 percent below 1990 levels by 2050. We submit that greater use of propane in California transportation is a cost efficient, lower emission, California produced near term solution to this challenge.

Mr. Smith, your team only has seven years. Continuing to allocate well over 35% of the money allocated to towards electrification of transportation, while “zeroing out” the allocation for fuels within your adopted portfolio approach will not achieve your 2020 goal. We request that funding for propane vehicles be re-instituted at past levels (at a minimum) and strong consideration be given to increasing the level of incentive per vehicle to further push the market as it gains a foothold.

Again, we thank you for the opportunity to provide comments, and for your careful consideration of our request.

Sincerely yours,
ARRO Autogas

William Platz
President

cc: Assemblyman Katcho Achadjian
Lesley Garland
Chairman Robert Weisenmiller
Commissioner Karen Douglas
Deputy Executive Director Randy Roesser
Program Manager Jim McKinney
John Butler
Karen Douglas