

DOCKETED

Docket Number:	15-ALT-01
Project Title:	2016-2017 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program
TN #:	222256
Document Title:	Notification of Funding Modifications to the FY 2016-2017 & 2017-2018 Investment Plan Updates for the ARFVTP
Description:	January 5, 2018 letter to the ARFVTP Advisory Committee notifying members that Energy Commission staff proposed modifications to the funding allocations in the Fiscal Year 2016-2017 and 2017-2018 Investment Plan Updates for the Alternative and Renewable Fuel and Vehicle Technology Program. These modifications were adopted by the Energy Commission at the January 17, 2018 business meeting.
Filer:	Patty Paul
Organization:	California Energy Commission
Submitter Role:	Commission Staff
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CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



January 5, 2018

To: ARFVTP Advisory Committee Members

Re: Modification to the *2016-2017 and 2017-2018 Investment Plan Updates for the Alternative and Renewable Fuel and Vehicle Technology Program*

Dear Advisory Committee Members:

This letter is to notify you of proposed funding modifications to two Investment Plan Updates for the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP).

1. Under the FY 2016-2017 *Investment Plan Update*, staff proposes to reallocate \$3,517,715 from the Biofuel Production and Supply funding category to the Emerging Opportunities funding category. This funding shift will be offset under the FY 2017-2018 *Investment Plan Update* by reallocating \$3,517,715 from the Emerging Opportunities funding category to the Biofuel Production and Supply funding category. There is no net change to these two funding categories over the two fiscal years impacted by this change.
2. Under the FY 2016-2017 *Investment Plan Update*, staff proposes to reallocate \$2,004,582 from the Natural Gas Fueling Infrastructure funding category to the Electric Vehicle Charging Infrastructure funding category.

The specific modifications are summarized in Table 1 and Table 2, with changes shown in bold and underlined font. The modification will be proposed for adoption at a California Energy Commission Business Meeting on January 17, 2018.

Table 1: FY 2016-2017 Funding Summary Table with Proposed Modification

Category	Project/Activity	Original Allocation (in millions)	Proposed Modified Allocation (in millions)
Alternative Fuel Production	Biofuel Production and Supply	\$20	<u>\$16.5*</u>
Alternative Fuel Infrastructure	Electric Charging Infrastructure	\$17	<u>\$19**</u>
	Hydrogen Refueling Infrastructure	\$20	\$20
	Natural Gas Fueling Infrastructure	\$2.5	<u>\$0.5**</u>
Alternative Fuel and Advanced Technology Vehicles	Natural Gas Vehicle Incentives	\$10	\$10
	Medium- and Heavy-Duty Vehicle Technology Demonstration and Scale-Up	\$23	\$23
Related Needs and Opportunities	Emerging Opportunities	\$3	<u>\$6.5*</u>
	Workforce Training and Development Agreements	\$2.5	\$2.5
	Regional Alternative Fuel Readiness and Planning	\$2	\$2
Total		\$100	\$100

*Exact amounts are \$16,482,285 and \$6,517,715, respectively.

**Exact amounts are \$19,004,582 and \$495,418, respectively.

Table 2: FY 2017-2018 Funding Summary Table with Proposed Modification

Category	Project/Activity	Original Allocation (in millions)	Proposed Modified Allocation (in millions)
Alternative Fuel Production	Biofuel Production and Supply	\$19.4	<u>\$22.9*</u>
Alternative Fuel Infrastructure	Electric Charging Infrastructure	\$16.6	\$16.6
	Hydrogen Refueling Infrastructure	\$19.4	\$19.4
	Natural Gas Fueling Infrastructure	\$2.4	\$2.4
Alternative Fuel and Advanced Technology Vehicles	Natural Gas Vehicle Incentives	\$9.7	\$9.7
	Advanced Freight and Fleet Technologies	\$17.5	\$17.5
Related Needs and Opportunities	Emerging Opportunities	\$3.9	<u>\$0.4*</u>
	Workforce Training and Development Agreements	\$3.4	\$3.4
	Manufacturing	\$4.9	\$4.9
Total		\$97.2	\$97.2

*Exact amounts are \$22,917,715 and \$382,285, respectively.

Each year, the California Budget Act appropriates funds to the ARFVTP and establishes fiscal deadlines for the encumbrance and expenditure of those funds. With the exception of Hydrogen Refueling Infrastructure funding, ARFVTP funds must be encumbered within two years after appropriation. As such, FY 2016-2017 funding must be encumbered by June 30, 2018. If FY 2016-2017 funding is not encumbered by this date, it will revert to the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVT Fund) and will become unavailable to be used for the purposes described in the *2016-2017 Investment Plan Update*.

Biofuels Production and Supply Funding Reallocation: On February 17, 2017, the Energy Commission released a Notice of Proposed Awards (NOPA) for solicitation GFO-15-606 for Community-Scale and Commercial-Scale Advanced Biofuels Production Facilities. From this NOPA, a funding applicant formally withdrew two proposals. A portion of the funds allocated for these two projects are being used to fund the remaining passing projects under this solicitation including a new project that was proposed for award in the Second Revised NOPA dated December 7, 2017.

A total of \$3,517,715 from FY 2016-2017 Biofuels funding remains unencumbered. The Energy Commission does not have sufficient time to competitively select a new project for funding prior to June 30, 2018. To preserve this funding for the purposes of the ARFVTP, Energy Commission staff propose reallocating \$3,517,715 in FY 2016-2017 funding from the Biofuel Production and Supply allocation to the Emerging Opportunities allocation with an offsetting reallocation in FY 2017-2018. With this reallocation, Energy Commission staff expects this funding can be successfully encumbered under the Emerging Opportunities funding category prior to the June 30, 2018 encumbrance deadline.

Natural Gas Fueling Infrastructure Funding Reallocation: On December 20, 2016, the Energy Commission released a NOPA for solicitation GFO-16-602 for Natural Gas Fueling Infrastructure. GFO-16-602 made up to \$3.5 million available for projects that established or expanded the infrastructure necessary to store, distribute and dispense compressed natural gas for use in natural gas vehicles; however, the Energy Commission only received and funded \$1.5 million in eligible projects. After funding these projects, \$2,004,582 in FY 2016-2017 Natural Gas Fueling Infrastructure remains unencumbered.

On December 4, 2017, California Energy Commission Chair Robert B. Weisenmiller and California Public Utilities Commission President Michael Picker issued a joint letter to the Los Angeles County Board of Supervisors recommending a moratorium on new connections for natural gas service in the areas of Los Angeles County served by the Aliso Canyon natural gas storage facility. The full text of this letter is enclosed. Given the recommended moratorium in the December 4, 2017 joint letter and the undersubscription in ARFVTP's most recent Natural Gas Fueling Infrastructure solicitation, Energy Commission staff are not confident that the FY 2016-2017 Natural

Gas Infrastructure funds can be successfully encumbered by the June 30, 2018 encumbrance deadline, particularly given that projects in Southern California would need to be excluded from eligibility. Additionally, in support of the Energy Commission's upcoming \$75 million school bus retrofit and replacement program authorized under Senate Bill 110 (Committee on Budget and Fiscal Review, Chapter 55, Statutes of 2017), additional funding is needed for electric vehicle charging infrastructure to support the deployment of electric school buses that will provide air quality and greenhouse gas emission reduction benefits throughout California.

To prevent the unencumbered FY 2016-2017 Natural Gas Fueling Infrastructure funding from reverting to the ARFVT Fund and to preserve this funding for the purposes of the ARFVTP, Energy Commission staff propose transferring \$2,004,582 from the Natural Gas Fueling Infrastructure funding category to the Electric Vehicle Charging Infrastructure funding category. Energy Commission staff expects this funding can be successfully encumbered for Electric Vehicle Charging Infrastructure projects prior to the June 30, 2018 encumbrance deadline.

In order to modify the funding allocations within an adopted investment plan, the modifications must be re-adopted at an Energy Commission Business Meeting. If approved at the January 17, 2018 Business Meeting, these modifications will be incorporated as part of the *2016-2017 Investment Plan Update* and the *2017-2018 Investment Plan Update*. Per statute, the Legislature will be notified of the changes within 30 days.

If you have any questions about these specific funding reallocations or about the ARFVTP in general, please contact Jacob Orenberg, ARFVTP Investment Plan Project Manager, at (916) 654-3888 or jacob.orenberg@energy.ca.gov. The agenda and related materials for the January 17, 2018 Business Meeting will be released to the public and posted on the Energy Commission website no later than January 5, 2018. As always, thank you for your participation and contribution to the ARFVTP.

Sincerely,



John Y. Kato, Deputy Director
Fuels and Transportation Division
AB118@energy.ca.gov

Enclosure

**CALIFORNIA PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3296
www.cpuc.ca.gov

**CALIFORNIA ENERGY COMMISSION**

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov

December 4, 2017

Supervisor Kathryn Barger
Los Angeles County Board of Supervisors (5th District)
Kenneth Hahn Hall of Administration
500 W. Temple St., Room 358
Los Angeles, CA 90012

Dear Supervisor Barger:

On November 28, 2017, the California Public Utilities Commission (CPUC), in conjunction with the California Energy Commission, California Independent System Operator, and the Los Angeles Department of Water and Power, released the Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement. The assessment found that the unplanned outages of three critical natural gas pipelines have raised significant concerns that Southern California Gas Company (SoCalGas) will be unable to meet natural gas demand during peak winter conditions in December 2017 and January 2018.

As you are aware, three pipelines that provide almost half of all import capacity into the Los Angeles region are currently out of service. With the exception of Line 4000, it is unlikely these lines will return to service before spring 2018, further constraining gas service to this region during peak winter months. Although several mitigation measures have been implemented, including using gas from the Aliso Canyon storage field and expanding programs to deploy more smart thermostats that reduce demand, it remains unclear that the actions to date will be sufficient to avoid gas service disruption to noncore customers in Southern California in the event of a colder than normal winter.

The Los Angeles County has made it clear that it does not support the continued operation of Aliso Canyon. However, on the same note, the Los Angeles County has also failed to step up on behalf of its constituents and provide an alternative that would ensure they could still heat their homes in the winter and conduct other necessary household functions.

Consequently, we are writing to recommend that Los Angeles County strongly consider and adopt an interim moratorium on new connections for gas service in areas of the Los Angeles County served by Aliso Canyon. By enacting a moratorium on new connections, the Los Angeles County would alleviate any increase in demand for natural gas by residential, commercial, and industrial customers to avoid further curtailments to existing customers. The Los Angeles

Supervisor Kathryn Barger

Page 2

December 4, 2017

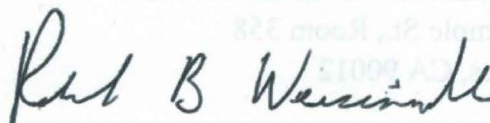
County should further consider other long-term options, such as requiring the use of heat pumps, geothermal, or other heating options for newly constructed homes in the affected area.

The CPUC will continue to monitor the situation for the upcoming winter and work with SoCalGas to provide safe and reliable service to customers. We appreciate the Los Angeles County's cooperation in this matter.

Sincerely,



Michael Picker
President
California Public Utilities Commission



Robert B. Weisenmiller
Chair
California Energy Commission

cc: Supervisor Hilda Solis, Los Angeles County Board of Supervisors (1st District)
Supervisor Mark Ridley-Thomas, Los Angeles County Board of Supervisors (2nd District)
Supervisor Sheila Kuehl, Los Angeles County Board of Supervisors (3rd District)
Supervisor Janice Hahn, Los Angeles County Board of Supervisors (4th District)
Saul Gomez, California Governor's Office
Drew Bohan, California Energy Commission
Edward Randolph, California Public Utilities Commission
Ken Harris, Division of Oil, Gas & Geothermal Resources
Stephen Berberich, California Independent System Operator
David Wright, Los Angeles Department of Water and Power
Patricia Hoffman, U.S. Department of Energy