



Program Opportunity Notice
for
**Buy-Down Incentives for Natural
Gas and Propane Vehicles**

Staff Workshop

California Energy Commission
Sacramento, California
November 30, 2011



Purpose of this workshop

- Present for public comment the draft Program Opportunity Notice (PON) for Buy-Down Incentives for Natural Gas and Propane Vehicles
- This will be the second PON released this year to support alternative fuel vehicle deployment
- Summarize results from the first PON
- Outline proposed changes from the first PON
- Raise questions for which we would like input from stakeholders



Schedule

- Release Draft PON for review November 29
- Conduct PON workshop November 30
- Post Questions and Answers December 5
- Release PON December 8
- Begin accepting reservations December 12



Alternative and Renewable Fuel and Vehicle Technology Program

- \$100 Million per year
- Sunsets in 2016
- Development, production, manufacture, and deployment of alternative and renewable fuels, advanced vehicles, and vehicle efficiency
- Workforce training
- Education and outreach
- Environmental, market and technology assessments



Program Objectives

- Transform California's fuel and vehicle types to help attain the state's petroleum reduction, climate change, and air quality goals
- Provide immediate petroleum reduction, GHG and criteria pollutant benefits
- Provide an impetus for the long-term transition to a clean, low-carbon fuel market
- Create new projects, products and businesses to stimulate jobs and economic development



Investment Plan

- Prepared annually to determine priorities and opportunities
- First Plan covering FY 2008-09 and FY 2009-10 was adopted in April 2009– *\$176 million*
- Second Plan covering FY 2010-11 was adopted in August 2010 – *\$81 million*
- Third Plan covering FY 2011-12 was adopted in September 2011 – *\$100 million*
- Fourth Plan covering FY 2012-2013 is expected to be adopted in late spring 2012 – *\$100 million*



Buy-Down Incentives

- Reduce the purchase or lease price of new on-road natural gas and propane vehicles
- Available on a first-come, first-served basis
- Incentive levels vary depending on the gross vehicle weight and fuel type
- Natural gas and propane are domestically produced lower-cost alternatives to gasoline and diesel
- Natural gas and propane have lower carbon and emission characteristics



1st Program Opportunity Notice

- PON-10-604 was released April 2011
- \$14.5 million was allocated in the 1st and 2nd Investment Plans
 - \$10,190,000 for natural gas vehicles
 - \$2,350,000 for propane vehicles
 - \$2,000,000 for propane school buses
- Funds remaining
 - \$560,000 for natural gas
 - \$1,260,000 for propane
 - \$1,000,000 for propane school buses



Summary Results

Natural Gas	Reserved	Claims	Claims %
Up to 8,500 GVW	157	40	13%
8,501- 14,000 GVW	115	23	8%
14,000 - 26,000 GVW	235	47	15%
Greater than 26,000 GVW	290	178	58%
Total	797	288	94%

Propane

8,501-14,000 GVW	105	18	6%
14,000 - 26,000 GVW	10	0	0%
Total	115	18	6%

Grand Total	912	306
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Detailed Results

- Natural Gas
 - <8,500 GVW
 - 8,501-14,000 GVW
 - 14,001-26,000 GVW
 - < 26,000 GVW
- Propane
 - 8,501-14,000 GVW
 - 14,001-26,000 GVW
- Natural Gas
 - Transit-Connect & Shuttle Bus
 - Shuttle Bus
 - Shuttle Bus
 - 73% Refuse 27% Truck
- Propane
 - Shuttle van & Bus
 - School Bus



2nd Program Opportunity Notice

- New PON expected to be released December 8, 2011
- Reservations tentatively will be accepted starting December 12
- \$16.0 million has been allocated in 3rd Investment Plan
 - \$6,300,000 for light-, medium- and heavy-duty natural gas vehicles
 - \$1,000,000 for light-duty propane vehicles
 - \$3,000,000 for medium- and heavy-duty propane vehicles
- Possible roll-over of funds remaining in PON-10-604



Proposed Changes in 2nd PON

- Still open to OEMs, but OEMs may designate upfitters, as defined in the PON
- Incentives may be used for purchases and leases
- All eligible vehicles must meet ARB 2010 emission standards
- Incentives will be lower
- Maximum incentive amounts (or OEM reservation caps) will be lower
- Monthly reports will include a survey component and must be current to get paid



Proposed Changes in 2nd PON

- Forms have changed
 - Incentives for natural gas and propane may be reserved using one Buy-Down Reservation Form (ARF-1)
 - Payment Claim Form – 180 (ARF-4) has been eliminated
 - Incentive payments will be processed using a new Payment Claim Form – Applicant (ARF-3) and a new Payment Claim Form – Purchaser (ARF-4)
 - All incentives must be clearly specified on Payment Claim Forms



Outstanding Issues

- What is the proper buy-down incentive based on cost-efficiency?
- How do we ensure that the value of the buy-down incentive accrues fully to a lessee?
- What transactional pathway exists between upfitters and OEMs and upfitters and dealers/distributors?
- What mechanisms should be put in place to encourage rapid execution of reserved incentives?
- What documentation must be provided to clearly link a reserved incentive with a delivered vehicle?
- To what extent should vehicle repowering be eligible in future PONs?



Questions and Answers

Written questions or comments regarding this PON may be submitted to Buydownincentives@energy.state.ca.us, or may be delivered or mailed to

Debbie Jones
California Energy Commission
Fuels and Transportation Division
Attn: Buy-Down Incentives PON-XX-XXX
1516 Ninth Street, MS-44
Sacramento, CA 95814

Questions and answers will be posted on the Energy Commission's website at <http://www.energy.ca.gov/contracts/index.html> as part of this PON and will be periodically updated while this PON is active.