

Responses to Questions and Answers
Advanced Vehicle Technology Manufacturing Solicitation

PON-11-604

March 8, 2012

ADMINISTRATION/PROCESS

1. ***We are evaluating whether the existing building we are in can support expansion or if we need to move to a new facility. Can we change project location after the application is submitted? After the Notice Of Proposed Award (NOPA)? After the grant is awarded at a business meeting? After work has begun under the grant agreement?***

Yes. However, please note the following:

- Applications will be evaluated and scored based on project readiness (Scoring Criteria 5), which includes control of the project site and ability to comply with California Environmental Quality Act (CEQA) in a timely manner.
- CEQA is site-specific. Therefore, a change in the project site will trigger a new CEQA review.
- The Energy Commission must comply with its CEQA obligations before it can award projects at a business meeting. Changing locations before the business meeting could delay approval while the new site undergoes CEQA review.
- If the site changes after grant execution, the Energy Commission may require the grantee to stop work while it reviews the new site under CEQA. The new CEQA analysis may require a formal amendment to the Agreement

2. ***Must all attachments be printed and returned with the application, or just the ones in which the applicant has had to place information regarding the application?***

The applicant is highly encouraged to submit all responses and requisite documentation as part of their application. The solicitation states (Section 19) that “Applications may be rejected and not considered for funding if any application requirement listed in section 15 is missing or incomplete.”

3. ***We believe the CEC might be the lead agency for our project. Who should we approach to confirm this and what documentation do we need to submit to the CEC for that purpose?***

If the Energy Commission is the lead agency, then it will contact successful applicants after the Notice of Proposed Awards to confirm this role and obtain any additional information needed. Attachment L is the only documentation required for the Commission as lead agency at the time of application.

However, under scoring criterion #4, applicants should also provide documents from the *local* agency (usually the city or county in which the project is located) confirming their role in CEQA, including that they will not perform any CEQA review. The type of documentation that will suffice from the lead agency is flexible. For example, an e-mail or letter from the lead agency, or, if they will not provide one, a letter from the applicant documenting the phone conversation with the lead agency regarding CEQA, are all acceptable documents.

4. ***Will double sided printing of the application and attachments be acceptable?***

Yes.

5. ***Will the Executive Summary count as part of the 20 pages of the Narrative?***

No, but the Executive Summary is limited to two (2) pages.

6. ***Can a "Table of Contents" be exempt from the 20 page limit of the Narrative?***

No, the Table of Contents will count toward the 20 page limit.

7. ***With respect to eligible equipment purchases, would projects be ranked differently than purchases of items meeting a stricter definition of "manufacturing equipment?" For example, would purchases of tooling or assembly line equipment be ranked higher than building or testing an end product such as a component or vehicle?***

Applications are evaluated, scored, and ranked based upon the responses provided by an applicant against the criteria identified in Attachment B.

8. ***What is meant on Page 3 by “...the agreement will end before the first commercially available vehicle will be sold?” You state clearly that for complete vehicle manufacture, the grant should conclude before commercial sale of vehicles. We wanted to confirm that for vehicle component manufacturing, agreements could extend beyond this time.***

It is the intent of the Energy Commission to time the end of an agreement for work with a recipient after the equipment installation work and test or prototype vehicle production is completed but before the commercial sale of any vehicle occurs. Projects that manufacture components are not subject to this timeline. However, all projects must be completed before March 31, 2016.

9. ***Are there a target number of awards?***

There are not a target number of awards. The minimum request is \$1 million and the maximum is \$10 million. The number of awarded projects will be determined by the highest ranking projects and the total amount of funds available under this solicitation.

10. ***We are a vehicle component manufacturer, we build parts. With respect to the statement, “...the agreement will end before the first commercially available vehicle will be sold. Prototype or test vehicles that will not be sold are eligible for project funding.” What about components?***

Manufacturing components are eligible for funding. The language in the solicitation regarding agreements for prototype or test vehicles that will end before that first commercial vehicle is sold would not apply to eligible vehicle component manufacturers.

11. ***Can letters of commitment come from customers?***

Letters of commitment must come from match share and key project partners. For vehicle component manufacturers, this may include customers (e.g. the complete vehicle manufacturer).

12. ***When and how are funds distributed?***

Funds are distributed on a reimbursement basis after a recipient submits a payment request form to the Energy Commission (in accordance with Section 17 of the Terms and Conditions (Attachment K)). Recipients may submit a payment request as frequently as monthly.

13. ***Are we required to list employees and salaries? Can we list job classifications without the names of personnel?***

Applications that do not identify personnel by name are acceptable, where the personnel is unknown or uncertain. Identify the personnel as “To Be Determined” (TBD). However, specific names are required for invoicing when seeking reimbursement and must be identified before that person can begin work for which it seeks reimbursement.

FUNDING/MATCH

14. ***The pre-application workshop mentioned \$10 million is available and an additional \$35 million may be added. Can you clarify?***

The solicitation identifies \$10 million in the fiscal year (FY) 2011-2012 Investment Plan (IP) for manufacturing.

The solicitation also identifies that up to an additional \$35 million may be added to this solicitation. Of this \$35 million, \$20 million may come from the FY 2012-13 IP for manufacturing. The \$20 million will not be available until the investment plan is approved in May 2012 and funding becoming available in July 2012.

The balance of funds – that is \$35 million less \$20 million – or \$15 million, may come from other areas of the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP) and added to this solicitation.

15. ***If our company provides the full match share, how do we do the letter of commitment? If our own company is providing the 50% or greater match, do we need a letter of commitment from ourselves or from our investors?***

No. Letters of commitment are from external match share partners and key project partners. The Energy Commission wants assurance that match share partners are aware of and support funding the proposed project. Applicants who are providing their own match should document this in their application but do not need to submit a letter of commitment.

16. ***In past proposals the Energy Commission recommended that equipment be generally placed in the match category. In this solicitation it appears that equipment purchases with Energy Commission funds are allowed and encouraged, could you please clarify?***

The purpose of the solicitation is to fund eligible manufacturing equipment acquisition, installation, and requisite testing.

17. ***In Attachment A the cover page under match funds the document states that prior investments can be used as match funds. Can you clarify what type of prior investments and verify that this is expenditures after the NOPA but before the signing of the grant agreement?***

“Prior investments” refers to investments made before the proposed project, such as real property including land, equipment, materials, or facilities, and can be counted towards match share in proportion to their direct use for the proposed project. The value of the match share contribution is based on documented fair market values, book values, or rental values and is depreciated or amortized over the term of the project and based on its value to the project, using standard accounting principles. The applicant must demonstrate the value of the real property, labor, and materials to be used as match share funding in direct proportion to the proposed project.

Prior investments in product research or development including intellectual property are not eligible as match.

Recipients may also count as match share, funds expended after the NOPA is released, but before execution. However, expended match share funds are incurred at the Recipient’s own risk, and must conform to the requirements of the solicitation and the grant terms and conditions.

18. ***Can the manufacturing building itself be considered “equipment” and be purchased with grant funds?***

A building facility is not considered equipment and therefore cannot be purchased with Energy Commission funds.

19. ***Can a building be purchased with only match funds and that amount applied in this solicitation and grant agreement?***

Match share funds can be used to purchase a building used to manufacture eligible complete vehicles or eligible components. The value of the building purchased, as documented by the purchase price and amortized over the term of the project and based on its value to the projects may count towards match share.

20. ***If the bidder is submitting a co-funding proposal in parallel to a non-State agency, whose outcome is not known at the time of Energy Commission proposal submission but will be known before the September business meeting, can the amount of co-funding requested from the non-State agency be identified as cost share? Implicit in this is the understanding that if the Energy Commission makes an award and the co-funding proposal is not funded, the Energy Commission award would then be withdrawn, or reduced to the level of co-funding the bidder might be able to show from other sources.***

An applicant can identify as match share the amount requested from a non-state agency conditioned upon the final determination of the non-state agency to award funds.

All eligible applications are scored, ranked, and identified in a NOPA. If an applicant fails to demonstrate match share funding, the applicant will be deemed ineligible. The next eligible applicant identified in the NOPA may be considered eligible for funding if funds are available.

21. ***Can funds be used for equipment and manufacturing people to set up the plans and equipment, floor plans, procedures and methods?***

Yes. Funds may be used for manufacturing equipment and the requisite labor needed to install and test the equipment.

22. ***Can you elaborate on what constitutes “in-kind” matching?***

In-kind match refers to contributions that are not cash, such as labor, equipment, or facilities.

23. ***Can you please explain the impact of AB1314 on when match funding can begin to be considered?***

Assembly Bill 1314 (Wieckowski, Statutes of 2011, Chapter 487), effective January 1, 2012, amends the ARFVT Program to allow an applicant to count as match funds those project costs incurred after the Energy Commission notifies the applicant that its project has been proposed for an award but prior to execution of the grant agreement. Pre-execution match expenditures are made at the applicant's own risk.

The Energy Commission is not liable for applicant's costs if the grant is not approved, if approval is delayed, or if the match expenditure is not allowable under the terms and conditions of the grant or applicable federal cost principles incorporated by reference into the grant agreement. All match expenditures must conform to the requirements in the terms and conditions of the grant agreement. Recipients will be required to document and verify pre-execution match expenditures, and provide a synopsis of

project progress, in the first monthly progress report and invoice to the Energy Commission after grant execution.

The Energy Commission will not reimburse for costs incurred before final execution of the grant agreement.

24. *Is the value of working capital from a company eligible as match share?*

Yes, to the extent that it is directly related to the grant-funded project.

25. *Is development engineering used on the production line eligible as match share funding?*

Yes.

26. *We propose to expend significant engineering resources toward redesigning and designing new electric vehicle components so that we improve the overall manufacturing efficiency (design for manufacture). Can these engineering development labor costs be covered with Energy Commission funding, match funding, or both?*

Engineering development labor costs to improve the product manufacturing efficiency are eligible as match share.

27. *Can tooling and retooling costs be considered as part of equipment purchases?*

Yes, if the items purchased are more than \$5,000.00 and have a useful life of more than a year. Otherwise, these costs should be included in the appropriate category. Tooling and retooling may be covered by Energy Commission funds.

28. *We wish to add additional, non-mandated safety equipment into our electric vehicle as part of the redesign for manufacturing. Can these costs be covered with Energy Commission funding, used as match funding, or both?*

IF the equipment is part of the manufacturing line of a complete eligible vehicle, this is eligible, and could be either match or Energy Commission share. Costs for the parts for the vehicle may be counted as match share.

29. *Can manufacturing facility leases and rent be covered with Energy Commission funding, match funding, or both?*

These expenses are eligible as match share only.

30. ***As long as prototype vehicles are not sold, can the full costs of materials, manufacturing, and labor be covered with Energy Commission funding, match funding, or both?***

The value of working capital and material supply are eligible as match share.

Installation and equipment/line testing labor and manufacturing equipment are eligible as Energy Commission share and/or match share.

31. ***For matching funds purposes, can we count money spent on the product to be manufactured on the manufacturing line, such as working capital for materials and components?***

Yes.

ELIGIBILITY

32. ***Under section 7 of the application manual our read about prototype vehicles is that prototype vehicles can be funded if they are built on a new or additional assembly line, in order to validate the performance of that line, as long as those same prototype vehicles are not sold, are a new model that has not been sold elsewhere before and that solicitation or match funds do not pay for certification testing. Is this correct and if not can you state which parts of our understanding are incorrect?***

Eligible projects for funding include the manufacture of complete eligible vehicles, as defined, including test or prototype vehicles. Section 7 of the Application Manual states that agreements with the Energy Commission “will be structured in such a manner that the agreement will end before the first commercially available vehicle will be sold. Prototype or test vehicles that will not be sold are eligible for project funding.”

33. ***Can the financial statements and documentation of match funds that accompany the application be placed in an appendix and marked as confidential without having the application rejected on grounds of containing confidential information?***

No. The solicitation states (Section 11) that “No confidential information will be accepted either through the application process or through the implementation of the funding award.” The solicitation further states (Section 14) that “Applications will be rejected and not considered for funding if...the application contains confidential information.”

34. ***Can we use the grant money to help us meet ISO 9001 certification? The money would be used to hire a quality control team, new software, computers, cabinets and supplies needed for meeting ISO certification standards.***

Yes, if it is part of pilot manufacturing lines, manufacturing line retooling, the expansion of existing manufacturing lines, or the addition of a new manufacturing line used for manufacturing components of eligible vehicles for the drivetrain or powertrain system or alternative fuel system, or complete eligible vehicles, then funds can be used for it.

35. ***Our start-up company is in the process of commercial scale-up of marine hybrid propulsion systems for vessels in the 50 - 250-foot range. Typical diesel fuel reduction, along with the associated diesel particulate and GHG emissions is on the order of 35%. Would an investment in an existing plant to add manufacturing lines to build the lithium ion batteries and assemble and test the complete marine hybrid "powertrains" qualify for grant program PON-11-604?***

The manufacture of lithium ion batteries for non-road vehicles including marine vessels, may be an eligible project.

36. ***Is development, manufacturing, or testing of pre-commercial vehicles or components allowable if these are identified as necessary precursor steps toward commercial manufacturing? Examples of such pre-commercial activities could be development and performance testing of proof-of-concept prototypes (allowed in past solicitation rounds under this program), or refinement of previously-developed proof-of-concept EV components, subsystems, or electric vehicles themselves, to improve their performance or manufacturability.***

Eligible projects must either manufacture complete eligible vehicles or eligible components. Section 7 specifies that grants will be awarded only for the procurement and installation of manufacturing equipment. This section also identifies funded activities that do not include pre-development or refinement of proof-of-concepts. However, an applicant may identify as match share any non-state funds used for this pre-development work associated with a manufacturing line as proposed in the project.

- 37. *Would development of vehicles or related facilities to demonstrate linear motor propulsion technology qualify for funding under this program? A linear motor, installed into a rail segment or a roadway, could use electric power from the grid to move rail vehicles or trucks in a zero emission mode. Specifically, would funding be allowed to share the cost of installing such linear motor systems, designing and building specialized electric vehicles to operate on linear motor power, and/or performing a sequence of demonstrations to prove that the linear motor system offers sufficient performance to meet commercial needs (e.g., for goods movement).***

Applications that propose to solely demonstrate technology without establishing a pilot manufacturing line, manufacturing line retool, the expansion of existing manufacturing lines, or the addition of a new manufacturing line used for manufacturing complete eligible vehicles would be an ineligible project.

The installation of linear motor systems in the field is ineligible.

The manufacture of complete eligible vehicles and vehicle components for eligible vehicles, including electric vehicles that operate on linear motor systems, is eligible.

- 38. *I have a question relating to the location and actual operation of the manufacturing line. Can we set up a manufacturing line with company that already has a manufacturing line? Our project partner has extra space that we would like to leverage.***

There is no restriction in setting up a manufacturing line with project partners. However, the applicant is the direct recipient of reimbursable grant funds. It is the responsibility of the applicant to specify in the application how the funds will flow to the project partner i.e. staff, subcontract, etc.

39. ***Page 3 of the manual identifies several examples of funded activities that are eligible and not eligible. Can you clarify what is meant by engineering work? It appears that engineering work associated with designing and bringing up the manufacturing line would be reimburse-able. Could you please clarify if other product engineering that does not fall into this category (e.g. engineering such as product design) would still be reimburse-able. Our read is that product engineering should not be a part of any project or application, except for where it is explicitly tied to design or bring-up of the manufacturing line, but we wanted to be sure on this.***

Under ineligible activities for funding, engineering studies is work that is a stand alone work that is not associated with the specific installation of manufacturing equipment. Engineering work required as part of the specific installation of equipment or design of the line for the production of complete vehicles or vehicle components as identified in the solicitation are eligible. Engineering of the product that will be manufactured is not eligible.

40. ***We want to do a two phase improvement in manufacturing line and are already in production. Could we use Energy Commission funds to revamp our entire manufacturing production process as a new project to address a new model year?***

Yes. However, the grant agreement must end before the Recipient manufactures their first commercial vehicle from the improved manufacturing process.

41. ***Page 3 of application manual states that “Prototype testing to meet certification protocol” is an ineligible activity. If we are doing internal testing for performance standards or internal validation of the products that will be manufactured using the acquired manufacturing equipment, would they be eligible?***

Yes.

42. ***Our manufacturing line is in California, but we have some components manufactured outside of California. Would the tooling or equipment used to manufacture components outside of California that we hold title to be eligible for funding?***

In Section 9 of the Application Manual states that “The Energy Commission will fund the costs of manufacturing equipment and the costs of equipment installation at manufacturing facilities *in California.*”

- 43. *Regarding prototype testing, would prototype testing for other purposes qualify? For example, proof-of-concept demonstration that needed to be performed to attract customers and develop the market, would that qualify?***

To be an “Eligible Project” for this solicitation, proposed projects must be located in California and fit into at least one of the categories listed below:

“Pilot manufacturing lines, manufacturing line retooling, the expansion of existing manufacturing lines, or the addition of a new manufacturing line used for manufacturing complete eligible vehicles.

Pilot manufacturing lines, manufacturing line retooling, the expansion of existing manufacturing lines, or the addition of a new manufacturing line used for manufacturing components of eligible vehicles for the drivetrain or powertrain system or alternative fuel system.”

To the extent the proposed project would establish a pilot manufacturing line to manufacture a complete vehicle or vehicle components, prototype testing may be an eligible expense if it is not used to meet certification protocol.

- 44. *Would a non-commercial manufactured vehicle be an acceptable activity? That is manufacture, build, and tests a pre-commercial vehicle prior to commercial sale or manufacture a prototype/test vehicle.***

Yes.

- 45. *With respect to design and prototyping software, is this an allowance expense to improve our process?***

These are eligible expenses if they are associated with installation of manufacturing equipment as proposed in the project.

- 46. *Is the manufacture of vehicle chargers eligible?***

Yes. This will be made clear in an addendum to be released shortly.

- 47. *We manufacture on-board hydrogen fuel systems to enhance fuel system of an automobile. With respect to testing to meet certification protocol, can you elaborate on what is meant?***

The Energy Commission will not fund the testing of your product/system to meet relevant certification protocol.

48. ***We build on-board fuel systems and want to know what is included in the definition of alternative fuel. What is the definition of alternative fuel propulsion system?***

In Section 6, "Alternative Fuel means electric, compressed natural gas, liquefied natural gas, liquefied propane gas, E- 85, biogas, biodiesel, and hydrogen." An alternative fuel propulsion system uses one or any combination of these fuels to move an eligible vehicle.

49. ***Does production engineering and 3-D modeling qualify as eligible expenses?***

Yes, if related to the production and modeling for the manufacturing line and not the end-product.

50. ***We have noted that Energy Commission funding stops when first production comes off the line. We are already in production for Model Year 2012 and the solicitation specifies "expansion of existing manufacturing lines" is an eligible activity. Since we are trying to dramatically improve production efficiency in multiple steps with multiple manufacturing and subassembly lines, are all activities eligible for funding (Energy Commission/match) except those resulting in actual "production for sale"?***

Yes.

51. ***What about process improvements that occur during "production for sale" activities - would those be eligible?***

Yes. However, if the process improvements are for the manufacture of complete eligible vehicles, then it is contemplated that the agreement would end before "production for sale" activities begin with the improved processes.

52. ***There is a specific exclusion on funding manufacturing for existing Energy Commission projects. If our existing project is complete by the time a new contract is signed, can the funds then be used to support volume manufacturing of products which were developed under a previous Energy Commission project?***

Yes. However, it is not clear what is meant by the term "to support volume manufacturing of products" and how funds would be used. As such, a complete response cannot be provided without additional information.

- 53. We provide a dimethyl ether (DME) fuel solution for customers in the heavy-duty trucking, agricultural, and construction industries through fuel system conversion kits. Would the manufacturer of a DME fuel system conversion kit be eligible? Are the expenses associated with certifying the conversion kit with the California Air Resources Board eligible for funding?**

DME is eligible, as will be made clear in an upcoming addendum.

- 54. Is prototype testing for applicant's internal processes and performance standards eligible for funding?**

Testing of the acquired manufacturing equipment and the manufacturing line would be eligible.

- 55. On page 3 of the Application Manual, you state that prototype or test vehicles that will not be sold are eligible for project funding. Is the same true for prototype components of alternative fuel vehicle retrofit kits?**

Alternative fuel vehicle upfitters or conversion equipment/components are eligible, and are not subject to the limitation on commercial sale.

- 56. Can funds be used to reconfigure existing space for manufacturing and assembling the product?**

Yes. Funds can be used to make minor building facility modifications to accommodate the installation of the manufacturing equipment and line.

SCORING

- 57. *In the scoring criteria Section 7 Economic Benefits regarding location of economically distressed areas, do applicants that locate in economically distressed areas get more points?***

No. Applicants should simply identify if the proposed project is located in an economically distressed area such as an enterprise zone or a manufacturing enhancement area. Applications will be evaluated and scored based upon the response or lack of response to identifying this information. More information can be found below:

United States Small Business Administration: Economically Distressed Area Maps:

http://hepgis.fhwa.dot.gov/hepgis_v2/GeneralInfo/Map.aspx

California Department of Housing and Community Development: Enterprise Zones and Manufacturing Enhancement Areas:

<http://www.hcd.ca.gov/>

Governor's Office of Business and Economic Development:

<http://business.ca.gov/>

- 58. *Should we include unemployment information?***

An applicant should include unemployment data where the project is located. This information will be submitted as part of the application and will be evaluated and scored as part of Attachment B, Section 7 Economic Benefits.

- 59. *Can we identify any potential site within an enterprise zone, with respect to CEQA without committing to any one site, as there is a really long lag time between the NOPA and project start.***

A project site can be sited anywhere in California regardless of an area identified as being in an economically distressed area including an enterprise zone. CEQA requires a site-specific analysis. See the answer to Question 1 for more information on CEQA.

- 60. *In the scoring criteria, you specify that a building layout plan be included. How does it have to be included and in what form?***

A simple facility or building layout plan that identifies the manufacturing line and major work areas are sufficient. The layout plan does not have to be a detailed engineering plan. The layout plan will be used to identify the process flow and provide an orientation to evaluators with respect to the proposed activities and equipment placement.

OTHER

- 61. *How will funding from this Solicitation take into consideration or interact with SB71 as administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)? Specifically, will advanced vehicle technology equipment that benefits from a grant under the current Solicitation still be eligible for CAEATFA consideration? Alternatively, will equipment that benefits from CAEATFA funding be excluded from grants under the Solicitation? Are there any other types of interactions between the two programs contemplated by CEC?***

CAEATFA, under the authority of SB 71 (Padilla, Ch. 10, Stats. 2010) provides eligible projects financial assistance in the form of a sales and use tax exclusion on property used for the "design, manufacture, production, or assembly" of either advanced transportation technologies or alternative energy source products, components or system, as defined.

This solicitation highly encourages applicants to seek eligibility for consideration under the SB 71 program.

Equipment that could receive a benefit in funding through CAEATFA under SB 71 is not excluded from funding under this solicitation. See Attachment N "Equipment Special Condition."

At this time there are no other types of interactions between the ARFVTP and the SB 71 that are being contemplated by the Energy Commission.

- 62. *What is meant by "own and operate" in Section 15?***

"Own and operate" refers to identifying the entity(ies) that will hold title to and operate the manufacturing equipment or manufacturing line funded under the grant agreement.