

Memorandum

To: Chair Weisenmiller
Commissioner Scott
Commissioner Douglas
Commissioner Hochschild
Commissioner McAllister

Date: January 12, 2018

From: Allan L. Ward, II
Assistant Chief Counsel, Transaction Unit
Chief Counsel's Office

Subject: Proposed California Environmental Quality Act Compliance
Regarding *Funding Modifications to the 2016-2017 and 2017-2018 Investment Plan Updates for the Alternative and Renewable Fuel and Vehicle Technology Program*

At the January 17, 2018 Commission business meeting, staff from the Commission's Alternative and Renewable Fuel and Vehicle Technology Program ("ARFVTP") plan to propose *Funding Modifications to the 2016-2017 and 2017-2018 Investment Plan Updates for the Alternative and Renewable Fuel and Vehicle Technology Program* ("2016-2017 and 2017-2018 Investment Plan Updates") for the Commission's consideration and approval.

For purposes of complying with the California Environmental Quality Act Compliance ("CEQA," Public Resources Code § 21000 et seq.), I recommend the Commission find that approving the 2016-2017 and 2017-2018 Investment Plan Updates is not a "project" for purposes of CEQA.

Under CEQA, a "project" means "an activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment..." (Pub. Resources Code § 21065.) The definition of "project" does not include:

The creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. [14 Cal. Code of Regulations § 15378.]

The 2016-2017 and 2017-2018 Investment Plan Updates meets this exception to the definition of a "project" under CEQA because it only proposes funding for categories of activities. Decisions to fund specific projects will be made in the future through competitive solicitations or other selection mechanisms. Because no commitment to any specific project is made in the 2016-2017 and 2017-2018 Investment Plan Updates, approving it will not cause a direct or reasonably foreseeable indirect change in the environment.

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**

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**CALIFORNIA ENERGY COMMISSION**

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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

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December 4, 2017

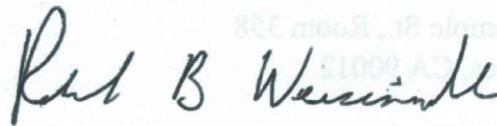
County should further consider other long-term options, such as requiring the use of heat pumps, geothermal, or other heating options for newly constructed homes in the affected area.

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

STATE OF CALIFORNIA

STATE ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

IN THE MATTER OF:

Docket No. 15-ALT-01 and 16-ALT-02

**2016-2017 AND 2017-2018
INVESTMENT PLAN UPDATES FOR
THE ALTERNATIVE AND RENEWABLE
FUEL AND VEHICLE TECHNOLOGY
PROGRAM**

FUNDING MODIFICATIONS TO THE
2016-2017 AND 2017-2018 INVESTMENT PLAN UPDATES

WHEREAS, Assembly Bill 118 (Núñez, Chapter 750, Statutes of 2007) established the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP) to be administered by the California Energy Commission, with a goal to “develop and deploy innovative technologies that transform California’s fuel and vehicle types to help attain the state’s climate change policies” (Health and Safety Code §44272(a)). The same law also directs the California Energy Commission to develop and annually update an investment plan that will determine priorities and opportunities for the ARFVTP (Health and Safety Code §44272.5(a)); and

WHEREAS, Assembly Bill 8 (Perea, Chapter 401, Statutes of 2013) extended the collection of fees supporting the ARFVTP through January 1, 2024; and

WHEREAS, the California Energy Commission adopted the *2016-2017 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program* at the April 13, 2016, Energy Commission Business Meeting and adopted the *2017-2018 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program* at the April 12, 2017, Energy Commission Business Meeting. The *2016-2017* and *2017-2018 Investment Plan Updates* include proposed funding allocations for a portfolio of fuels and technologies designed to advance the goals of the ARFVTP; and

WHEREAS, staff of the California Energy Commission will develop solicitations, grants, and other types of agreements in the current and ensuing fiscal years to implement these funding allocations; and

WHEREAS, the California Energy Commission has considered the application of the California Environmental Quality Act (CEQA) to the funding modifications to the *2016-2017* and *2017-2018 Investment Plan Updates*, and concludes, in accordance with staff's findings contained in the January 12, 2018 Memorandum, that the funding modifications do not constitute a "project" for purposes under CEQA because it fits within activities excluded from the definition of "projects" under CEQA, including the "creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment" (14 California Code of Regulations Section 15378(b)(4)). The *2016-2017* and *2017-2018 Investment Plan Updates* propose funding for categories of activities, but decisions to fund specific projects will be made in the future through competitive solicitations or other selection mechanisms; and

WHEREAS, Health and Safety Code §44272.7(c) requires the California Energy Commission to, "...within 30 days, notify the Joint Legislative Budget Committee and all relevant policy and fiscal committees of the Legislature if a significant modification to the final investment plan update is approved."

THEREFORE BE IT RESOLVED, the California Energy Commission hereby finds the funding modifications to the *2016-2017* and *2017-2018 Investment Plan Updates* not to be a project under CEQA, adopts the funding modifications with any errata approved at the January 17, 2018 Business Meeting, and directs Energy Commission staff to notify the Joint Legislative Budget Committee and all relevant policy and fiscal committees of the Legislature of the modifications to the *2016-2017* and *2017-2018 Investment Plan Updates* pursuant to Health and Safety Code section 44272.7(c).

CERTIFICATION

The undersigned Secretariat to the Commission does hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted at a meeting of the California Energy Commission held on January 17, 2018.

AYE:

NAY:

ABSENT:

ABSTAIN:

Cody Goldthrite
Secretariat