



California Natural Gas Vehicle

February 16, 2009

Via Email: docket@energy.state.ca.us

California Energy Commission
Dockets Unit
Docket No. 08-OIR-1
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

RE: Docket No. 08-OIR-1 – AB 118 Regulations

Dear Commissioners Douglas and Boyd:

The California Natural Gas Vehicle Coalition (CNGVC) is pleased to submit the following comments on the proposed regulations for the Alternative and Renewable Fuel and Vehicle Technology Program established pursuant to AB 118. The CNGVC includes natural gas utilities, manufacturers of natural gas engines and vehicles, component part manufacturers, fuel providers, and fleet operators of natural gas vehicles.

The natural gas vehicle industry has an important role to play in helping the state meet its near-, intermediate- and long-term greenhouse gas emission reduction goals. No other alternative fuel has more vehicles on the road and fueling stations available than natural gas, yet the potential for expansion is great. Conventional natural gas meets the 2020 LCFS target today, and biomethane derived from landfill gas, animal waste and waste water is a near-zero GHG super ultra low carbon fuel that can displace a significant portion of the dominant fuels in California's future. And the price of natural gas on a gallon equivalent basis is markedly lower than either gasoline or diesel and the least expensive alternative fuel available.

We look forward to the implementation of the Alternative and Renewable Fuel and Vehicle Technology Program and support the proposed regulations. We hope you will consider our several brief comments on the proposed regulations.

Section 3101.5(b)(2)(A): We strongly support this provision, which gives preference to projects that "maximize the use of waste stream materials as their feedstock." On its face, this phrase obviously includes feedstocks used to produce biomethane, such as the biomass component of municipal solid waste, animal waste, and waste water. Our only concern is that page 8 of the Initial Statement of Reasons (ISOR) states that use of waste streams as feedstocks "helps alleviate costs and issues associated with disposal of municipal, agricultural and forest-related waste streams," as if to suggest that only waste materials that are not disposed will receive preference.

Certainly the diversion of municipal, agricultural and forest waste materials from landfills to fuel production processes achieves this goal, and we agree that the state's waste management policies should continue to maximize waste diversion from landfills. But existing landfills contain

vast amounts of untapped biogas and more will be generated in the future even with progressive diversion policies. The CNGVC wishes only to ensure that the CEC also regards landfilled biomass materials as waste stream materials that should receive a preference when used as feedstock for the production of biogas as a transportation fuel.

Section 3101.5(b)(2)(H): As above, we support this provision and wish only to ensure that the CEC includes biomethane among the fuels that would receive a preference pursuant to the provision. Page 9 of the ISOR cites as an example an E-85 station that could guarantee that a portion of its fuel comes from a much lower carbon fuel than conventional ethanol, such as cellulosic ethanol. In exactly the same way, a fuel provider that can demonstrate that a portion of its natural gas is derived from extremely low carbon biomethane should receive a preference.

Section 3103: The CNGVC strongly supports the provision in subdivision (a) that allow a project to receive funding for that portion of a project that exceeds what is required in order to comply with a federal, state or local law, rule or regulation. We also support the language in subdivision (b) that allows a project that generates credits to be funded by AB 118, provided the credits are generated only by that portion of the project not funded by AB 118. The alternative approach -- to disqualify a project from generating credits even if it receives only a small amount of AB 118 funding -- would unfairly punish very worthy projects based on the receipt of only a very small percentage of overall funding from AB 118.

We do have a concern with the second sentence in subdivision (a):

If a project is one that helps the proposing entity meet a performance requirement mandated by local, regional, state, or federal law, rule, or regulation, the project shall not be eligible for funding.

This sentence follows logically from the prior sentence, i.e. AB 118 funds should not be used to fund a project that is required by existing laws or rules, nor should AB 118 funds be used on a project if the funding thereby enables an applicant to meet a performance standard required by law or rule. But there are logical limits to this provision. Many projects will be required to meet completely unrelated rules -- for example, building standards or fires safety -- often set by local agencies. The fact that a project applicant, in the course of the project, complied with these rule, should not disqualify the applicant from AB 118 funding: the rules are unrelated to the purposes of AB 118, and compliance with the rules would be incidental to the funding. We urge the CEC to amend this sentence to disqualify funding only for projects that substantially contribute to the applicant meeting a performance standard related to the purposes of AB 118 or related air quality rules.

Technical corrections: Two sections of the proposed regulations refer to sections of AB 118 that were subsequently amended by AB 109. The regulations inadvertently retain the reference to AB 118 instead of the references that were changed in AB 109. Specifically:

- Section 3100 should refer to HSC 44272(d), not (c).
- Section 3101.5(a) should refer to HSC 44271(a)(1), not (a)(2).

Please feel free to contact me at 916-448-1015 or pete@pricecon.com if you wish to discuss these matters further. We look forward to the timely implementation of these regulations and the Alternative and Renewable Fuel and Vehicle Technology Program.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Price". The signature is written in a cursive style with a large initial "P".

Pete Price
Executive Director

cc: Ms. Susan Brown, Advisor to Commissioner James Boyd
Ms. Diane Schwyzer, Advisor to Commissioner Karen Douglas
Mr. Peter Ward, CEC