**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions	Rulemaking 11-03-012 (Filed March 24, 2011)

JOINT REPLY COMMENTS OF GENERAL MOTORS, AMERICAN HONDA MOTOR COMPANY, NISSAN NORTH AMERICA, AND TOYOTA MOTOR ENGINEERING & MANUFACTURING NORTH AMERICA REGARDING ELECTRIC DISTRIBUTION UTILITY LOW CARBON FUEL STANDARD CREDIT REVENUE ALLOCATION

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JOINT REPLY COMMENTS OF GENERAL MOTORS, AMERICAN HONDA MOTOR COMPANY, NISSAN NORTH AMERICA, AND TOYOTA MOTOR ENGINEERING & MANUFACTURING NORTH AMERICA REGARDING ELECTRIC DISTRIBUTION UTILITY LOW CARBON FUEL STANDARD CREDIT REVENUE ALLOCATION

General Motors, Honda, Nissan, and Toyota (Joint OEMs) are pleased to have the opportunity to provide our comments on Electric Distribution Utility Low Carbon Fuel Standard (LCFS) credit revenue allocation options. We are providing these comments in response to the February 8, 2012 "Administrative Law Judges' Ruling Providing Guidance on Track 2 Activities" (Guidance). The Guidance requests comments on the allocations of LCFS credits provided to Electric Utilities.

I. Introduction

The latest revision of the proposed LCFS regulation allows electrical distribution utilities to generate LCFS credits when their customers use electricity to fuel Plug-In Electric Vehicles (PEVs). LCFS is expected to be an important mechanism towards reaching the State's long term energy and environmental goals.

This regulation complements multiple initiatives in California to increase the adoption of PEVs.

- Senate Bill 626 directs investor-owned utilities to reduce barriers for the adoption of PEVs and the Commission's Alternative-Fueled Vehicle Proceeding (R.09-08-009) works to characterize and reduce obstacles when installing and charging a PEV.
- Assembly Bill 118 directs the Air Resources Board (ARB) and the Energy Commission (CEC) to invest in advanced vehicle technologies and to develop and deploy the necessary infrastructure to grow and commercialize the market to meet the state's goals for reducing greenhouse gas emissions and petroleum dependence in the transportation sector.
- Governor Brown's Executive Order establishes inspiring targets for the adoption of zero-emission vehicles, including all PEVs, while instructing key California agencies to work with public and private organizations to establish benchmarks to reach those milestones.[1]

Together, these initiatives work to build a robust market by accelerating the adoption of PEVs. As illustrated in ARB's *Vision for Clean Air,* "Early Action" is one of seven key concepts that

[1] Governor Brown's Executive Order (March 23, 2012) can be found at http://gov.ca.gov/news.php?id=17463

provide a foundation for a coordinated solution to California's air quality and climate goals.[2] This particular concept identifies the need to accelerate "*the pace…to develop and deploy zero- and near-zero technologies.*" "Early Action" is a valuable consideration for this proceeding.

As highlighted above, State programs are being designed to grow and accelerate the PEV market. Therefore, the LCFS program should also be designed to increase the adoption of PEVs through the most cost-effective policies. The Joint OEMs believe this can be executed in a phased approached, by allocating near-term funding to support the direct adoption of PEVs.

II. Near-term LCFS credits should directly support the adoption of PEV.

We believe each type of proposal has merit—whether lowering electric rates or overall electric bills, lowering the initial cost of the EVSE, or lowering the cost of the PEV itself—all factors will inherently increase the consideration of PEVs since they address total cost of ownership. We believe the key consideration remains, "*What is the most effective proposal--both in the near-term and the long-term*?"

We strongly agree with comments by, Green Power Institute (GPI), International Coalition for Clean Transportation (ICCT), the Electric Vehicle Service and Equipment Provider (EVSEP) Coalition, and General Motors that an "upfront" rebate is the most effective means of returning LCFS proceeds to PEV owners. Several parties have also noted (both formally and informally) that lowering the initial cost of the vehicle is the most effective at increasing PEV consideration.[3] In particular, ICCT comments throughout the proceeding have characterized the value of reducing the cost of the vehicle citing independent studies on this topic.[4] Automakers have also noted the value of a rebate to lower the cost of the vehicle during workshops held in May 2012.

The Joint OEM recommend using near-term proceeds from the sale of LCFS credits as an additional funding source for the Clean Vehicle Rebate Program (CVRP) to ensure PEV owners

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[2] Vision for Clean Air: A Framework for Air Quality and Climate Planning. Public Review Draft June 27, 2012. http://www.arb.ca.gov/planning/vision/docs/Vision_for_Clean_Air_Public_Review_Draft.pdf

[3] Most comments have identified that a point-of-purchase (or upfront) rebate is the most effective. For the purposes of the Joint OEM proposal, a rebate is expected to be provided to the new PEV owner after the purchase of the vehicle and the necessary forms are completed and submitted to the Clean Vehicle Rebate Program. Therefore, the term is being used more generally and interchangeably with "point-of purchase or upfront" rebate.

[4] The point of purchase rebate and associated research by David Greene is well characterized within ICCT's submission dated June 12, 2012.

have continued and timely access to this successful rebate program.[5,6] The Joint OEMs agree this proposal addresses an underlying theme of the LCFS Proceeding as well as one of the key principals outlined by the Air Resources Board and the Commission—increasing the adoption of PEVs. We believe supporting CVRP is the most effective, and administratively simple, near-term option which can be implemented by using the total proceeds from each of the investor-owned utilities (IOUs) to routinely (e.g. monthly or quarterly) provide funding current and future vehicle incentives through the CVRP. This proposal addresses several considerations:

- **CVRP has low (& known) administrative costs.** We share the same "administrative cost" concerns as many of the other parties, including DRA. It appears the current IOU proposals for executing an "on-bill credit" may use a significant portion of the funding for administrative purposes, in part due to low revenues from a small, yet growing, PEV population. DRA's analysis (*pgs. 2-6*) clearly highlights the challenge of returning meaningful value to customers during the program's outset. DRA further notes "*both bill-credits and annual rebates with low recurring costs are too expensive over a two-year period to meet the ten percent threshold.*"[7] With known administrative costs of 3.3% and allowing for an incremental cost for selling the LCFS credits, we believe the CVRP pathway will be able to return far more of the LCFS proceeds to customers in the near-term.[8] As more PEVs enter the market and LCFS proceeds increase, we believe the program could shift towards addressing incremental benefits of lower fuel cost. As one workshop participant noted, the current proposal for on-bill credits is expected to be "in the noise of a monthly electric bill."[9]

- **Forward sales of LCFS credits is not necessary.** Contrary to the IOUs OPENING COMMENTS (*pg. 3, pgs. 16-17*), the Joint OEM proposal does not require the forward sale or "future credit value" of the LCFS proceeds. The sum total of the proceeds would be routinely deposited into the CVRP program without any need for forward sales. This ensures an administratively simple program which can be executed immediately. In additional,

[5] Currently administered by California Center for Sustainable Energy for the Air Resources Board, CVRP has had to be "supplemented" by the California Energy Commission and ARB/CCSE has taken measures to generate a "waiting" list should the program be oversubscribed.
[6] GM Comments and Recommendations to this proceeding are dated May 14, 2012, May 25, 2012, and June12, 2012.
[7] Ten percent represents DRA's target percentage for administrative costs.
[8] Implementation Manual for FY 2011-12 Clean Vehicle Rebate Program. February 2012. http://energycenter.org/index.php/incentive-programs/self-generation-incentive-program/sgip-documents/doc_download/533-clean-vehicle-rebate-project-implementation-manual
[9] May 22, 2012 workshop. An average customer charging a PEV generating three LCFS credits would receive between $45 and $150 per year (at $15 and $50 per credit, respectively). Without administrative costs, this amounts to $3.75 and $$12.50 per month.

while we appreciate the effort undertaken by the Joint IOUs to characterize the policy objectives for each option (*Tables on page 14-20*), the Joint IOUs incorrectly characterized the vehicle rebate program under the "forward sales" context. For the benefit of the proceeding, we would recommend the IOUs work with each of the parties to more properly characterize each of the proposals using the proposed table. A similar effort is being undertaken in Phase 3 (Submetering Protocol) of the Alternative-Fueled Vehicle Proceeding.[10]

- **Holding Credits should not be allowed.** Several parties, including DRA and NRDC, have suggested one mechanism to address high administrative costs is to allow utilities to hold credits. For example, NRDC states "the utilities should have the authority to hold credits if market prices do not warrant selling." As GM noted in their comments (*6/12/12, pgs 4-5*), this speculation delays PEV owners from realizing any value in the near-term. It is also not clear how "holding credits" would maximize the value of the proceeds since current pricing should incorporate the market's assessment of future pricing considerations. Therefore, PEV owners should not be bound to the interpretations of "market conditions" by any party. The Joint OEM proposal avoids this issue altogether and ensures PEVs owners have continued access to the funding pledged by the State of California through CVRP.

- **Eligibility for CVRP is already defined.** The State of California has already defined vehicle eligibility and amount of the rebate through the CVRP. In terms of "fairness," all eligible PEV owners would have equal access to the rebate. Furthermore, the funding from the LCFS program would ensure current PEV owners have continued access to the rebate. For example, ARB expects the funding proposed for FY2012-2013 to provide rebates for only about half of the vehicles.[11] In contrast, a rebate for Level 2 (240V) electric vehicle supply equipment (EVSE), as discussed by the EVSEPC may exclude those choosing to charge their vehicle with Level 1 (120V). We agree with the IOUs that "*lower-level charging minimizes grid impacts*" and we should not discriminate against Level 1 charging.

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[10] Phase 3 of the Alternative-Fueled Vehicle Proceeding (R.09-08-009) works to establish a "Submetering Roadmap Report". See Commission's Scoping Memo Ruling – Phase 3 dated July 28, 2011 as well as Ruling – Phase 3 dated January 31, 2012.

[11] Air Resources Board AB118 Air Quality Improvement Program Funding Plan for Fiscal Year 2012-12. See page 9. Furthermore, the Energy Commission has allocated $5 million in the Fiscal Year 2012-13 Investment Plan for possible use by ARB to help meet consumer demand.

- **Using CVRP is meaningful and visible.** Several parties, including GPI and NRDC, have addressed the need for a "meaningful rebate." The Joint OEMs believe CVRP is an important and successful California incentive program. As highlighted in GM's comments (*6/12/12, pg 3*), the rebate has had a demonstrable effect on sales for the Chevrolet Volt when it became eligible in February 2012. We believe CVRP has had demonstrable and measurable success.

III. Utility Notification is being addressed.

Several parties, including NRDC (*pgs. 1-2*) and the Joint IOUs (*pg 3, pgs 8-9*) have noted using the LCFS program to ensure utility notification. The Joint OEMs agree utility notification is an important industry consideration where several processes and policies are in place. These include industry education and outreach, OEM and Service Provider protocols to provide address-level information from customers who have agreed to share their information, pilot projects with jurisdictions to communicate when permits are pulled for installations, as well as Senate Bill 859 which provides the utilities with the ability to work with the DMV to obtain address level information for PEVs.[12] While we believe each of the proposals within the LCFS proceeding, including rebates or on-bill credits, is capable of supporting utility notification, we believe utility notification is being addressed in multiple venues. Specifically highlighted by the Joint IOUs (*pg 3, Footnote 8*), utility notification should remain for the purpose of "grid reliability, reliability and safety" in contrast to comments made by some parties, including NRDC, that utility notification may be a tool to increase participation in time-of-use (TOU) rates. Therefore, we believe this proceeding does not need to directly address utility notification, since this issue should continue to be addressed more generally and apart from TOU rates.

IV. Conclusion

We believe the Commission should consider a phased approached to maximizing the value and near-term effectiveness of the LCFS proceeds. The near-term proposal using the LCFS proceeds to support an important State of California CVRP will avoid program delays and ensure PEV owners have equal access to a proven program. As PEVs are more widely adopted, the Commission should reevaluate the program and determine if the proceeds from the sale of credits, the administrative costs, and other considerations (such as the development of a Submetering Protocol) program goals support the transition to an on-bill-credit for PEV owners.

[12] http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0851-0900/sb_859_bill_20110218_introduced.html

General Motors, Honda, Nissan, and Toyota would like to thank the Commission for the opportunity to submit these comments and will continue to work closely with the Commission, the IOUs, and the other parties to ensure the successful commercialization of PEVs while ensuring a safe, reliable electrical grid.

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Respectfully submitted,

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