CHRYSLER

August 15, 2008

Ms. Mary D. Nichols, Chairman
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, California 95812

Dear Chairman Nichols:

Subject: <u>Comments on the 15-Day Notice of Proposed Modifications to the ZEV Regulations - Released July 25, 2008</u>

Chrysler LLC appreciates the opportunity to provide the following comments on the staff's 15-Day Notice on revisions to the 2008 Amendments to the California Zero Emission Vehicle Regulations. Additionally, Chrysler supports the comments submitted by the Large Volume Manufacturers who are most affected by these changes.

Chrysler understands the challenges before the Board and we recognize the efforts of Staff to consolidate the vast amount of information that forms the basis for these changes, but Chrysler believes the scope of the changes are more far reaching than those supported by the findings and recommendations of the Expert Panel Review.

Regarding the 15-Day Notice, Chrysler would appreciate further consideration of the following two issues in light of the information provided.

Travel Provision Proportionality

Chrysler understands and acknowledges the concept of proportionality within the travel provision introduced at the ZEV Board Hearing. However, as proposed, this change will require substantial adjustment to compliance and product plans. Allowing sufficient lead time to adjust these plans will ensure successful implementation of this concept.

Chrysler therefore recommends the travel provision proportionality concept be adopted no earlier than 2012 model year. This proportionality change will have significant impact on product plans and vehicle allocation. A major constraint to adjusting for near-term volume changes for these advanced technology vehicles is the supply of their components. These vehicles are assembled with new and advanced technology components coming from a very specialized and limited supply base. They are tied to complex supply agreements with other suppliers and/or vehicle manufacturers, and adjusting for immediate volume change is extremely difficult, and in some instances, impossible.

In addition, we believe that it was not ARB's intent to make major, immediate changes to the 2009 – 2011 phase of the ZEV mandate that is already underway, but to focus changes towards the 2012 and subsequent model years. After all, the 2009 model year is already in production, 2010 model year planning and investment has already been committed and is in process of being implemented, and 2011 model year planning and investment is being finalized. This illustrates how adopting this change for 2009 model year retrospectively would have dire consequences.

ZEV Credit Value for Neighborhood Electric Vehicles (NEVs)

The value of NEVs in improving air quality is widely accepted. Chrysler LLC and Global Electric Motors (GEM®) have committed and sustained resources to research, develop, continuously improve and support these vehicles over the past 10 years to make them a major contribution to the ZEV program. The NEV fleet in California has grown to represent the largest concentration of battery electric vehicles in the world and have contributed to the success of California's program.

Chrysler appreciates the fact that staff has recognized the positive environmental benefits of NEVs by increasing the credit level from 0.15 to 0.30. However, Chrysler believes further consideration of other factors would technically justify increasing NEV credit to a minimum of 0.50.

Air quality improvement alone, due to NEV use relative to other advanced PZEVs, provides justification for the credit increase. One third of NEV owner's yearly tailpipe emissions are eliminated simply by the avoidance of cold starts during the short trips taken. As the majority of hydrocarbon emissions from a typical gasoline engine are produced in the first minute of operation, a NEV is able to eliminate this event completely – identical to the characteristics of any ZEV.

NEVS replace cars and trucks for two out of three vehicle trips, averaging approximately 3,000 miles per year for GEM® commercial customers and 1,200 miles per year for residential customers. These vehicles also have extremely versatile configurations that increase the trend to zero emissions. The new GEM® e6 is a 6-passenger electric vehicle with excellent ingress/egress, providing great potential for one NEV to replace the trips of multiple conventional vehicle users.

An example of the disproportionate credit value between NEVs and plug-in hybrids (PHEVs) provides the basis for a higher NEV credit level. A "P10" PHEV achieving an all-electric range of 10 miles per day (assuming daily recharge) accumulates 3,650 all-electric miles annually. This vehicle has a credit value of 1.57 in 2012 model year. In contrast, a commercial GEM® accumulating 3,000 all-electric miles annually only earns a credit value of 0.30. Additionally, NEVs could arguably be considered to provide equivalent or better air quality benefit to a P10 PHEV. Since the gasoline engine of the PHEV kicks in after 10 miles of the all electric range operation, customers may be less inclined to plan their trips knowing this back-up gasoline system is available, allowing continued driving in non-electric mode.

In addition, the recent credit basis or “hinge point” increase from 3 credits to a Type IV at 5 credits further devalues NEVs. This 67% increase in the base credit requirement alone, if applied proportionately to the current 0.30 NEV credit, would essentially increase the value of NEVs to 0.50.

Summary

In conclusion, Chrysler proposes that adoption of the proportional credit travel provision commence no earlier than the 2012 model year to allow sufficient lead time to adjust product plans. In addition, the credit level for NEVs should be increased to a minimum of 0.50 to reflect their true environmental benefit.

If you have any questions regarding these comments, please contact Chris Bostwick at (248) 512-0478 or cb41@chrysler.com.

Sincerely,

Reginald Modlin

Director
Environmental Affairs
Chrysler LLC