



CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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DAVID L. MODISETTE, EXECUTIVE DIRECTOR & CEO

October 20, 2014

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Chairman Nichols & Board Members
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: CMUA's Comments on the Proposed 2014 ZEV Amendments

Dear Chair Nichols & Board Members:

The California Municipal Utilities Association (CMUA) thanks the Air Resources Board (ARB) for the opportunity to provide comments on proposed revisions to the Zero Emissions Vehicle (ZEV) rule. The ZEV rule has undergone many amendments since it was adopted by the Board in 1990. Our concerns focus on the proposed amendments to the ZEV rule for the five Intermediate Vehicle Manufacturers (IVMs), and the overall reduction in actual ZEVs and Transitional ZEVs (TZEV), such as plug-in hybrid electric vehicles (PHEV), from 2018 to 2025. We also see a need to accelerate the deployment of ZEVs and TZEVs in California sooner than later.

As you know, CMUA protects the interests of California's community-owned utilities and represents its members' interests on both energy and water issues. Our members are committed to local economic development, including job creation, and have an excellent track record in providing reliable electricity at low rates. CMUA members have also demonstrated leadership on environmental issues like climate change, including the Cap and Trade Program, meeting the 33 percent Renewable Portfolio Standard by 2020, and have a solid record in expanding energy efficiency programs, and supporting the development of ZEVs and related infrastructure.

With today's changing automotive market and consumers demanding greater fuel efficient vehicles, rising conventional gasoline and diesel fuel prices, and a need for significant shift in transportation fuels to renewable electricity and hydrogen in California, now is not the time to reduce the number of ZEVs and the accompanying greenhouse gas (GHG) reductions.

CMUA members are committed to supporting the plug-in electric vehicle (PEV) charging infrastructure. Some of our members are taking a leadership role in siting stations for workplace charging and within highway corridors to reduce range anxiety, and provide businesses in California with a viable alternative clean fuel, while reducing GHGs and other pollutants.

With Governor Brown's 2023 goal of placing a million ZEVs and near-zero emission vehicles on California's roadways, and his goal of 1.5 million electric vehicles on the road by 2025, it is imperative that vehicle manufacturers produce the cleanest fuel powered vehicles sooner to allow for charging infrastructure expansion. Our largest members, Sacramento Municipal Utilities District (SMUD) and the Los Angeles Department of Water & Power (LADWP) have actively worked with the auto manufactures to provide electric vehicle charging stations, and inform their utility customers of the advantages/benefits of driving an all-electric vehicle. Millions of dollars has been spent by local utilities to develop PEV charging stations, including DC fast chargers, upgrading the charging network, evaluate vehicle grid integration, and energy storage on the local distribution grid, while working to maintain electric grid reliability and low cost charging options for their customers.

Our utility members would like to see more ZEVs on California's roadway sooner and believe the ARB's staff report bases the current amendments without providing adequate support. Specifically, CMUA has concerns over the following issues:

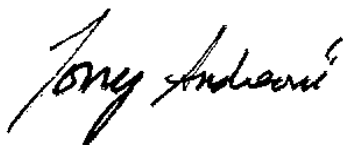
- The proposed ZEV amendments create added uncertainty for our members that have invested in infrastructure. Local electric utilities want more PEVs in the market to justify making additional charging infrastructure investment. Reducing the total volume of PEVs will cause uncertainty in the market and reduce our local utilities desire to invest in charging infrastructure.
- The proposed ZEV amendments send the wrong message to companies (small businesses in California) that are developing PEV service companies, and also send the wrong signal to further PEV deployment.
- Today, battery and energy storage technologies continue to advance, and viable energy storage batteries for vehicles are on the market. We expect to see energy storage technologies continue to grow to increase electric miles driven. Specifically, electric range on ZEVs will improve each year as the battery industry continues to advance cell technology.
- Many vehicle manufacturers, including the Large Vehicle Manufacturers (LVM), and smaller companies like Tesla are meeting the current ZEV standard. Reducing the LVM's potential amount of ZEVs over the next 11 years in California will not help California reach its total PEV deployment goal and GHG reduction goals. In reference to Figure 1, on page 9 of the 2014 ARB ZEV Staff report, the proposed amendments reduce TZEVs and ZEVs on the road from IVMs by roughly 50 percent by 2025.

- From Table 1, on page 5 of the 2014 ARB ZEV Staff report, staff suggests that a “global revenue threshold of \$40 billion” be used to establish an indicator of the automaker’s ability to bring advanced technology vehicles to the market – comparing the global revenues from IVMs and the LVMs global revenue. How can this proposed threshold be used as an indicator of a company’s ability to develop new products for the California market? Comparing IVMs to LVMs is not appropriate; instead the ARB should compare the financial capacity of IVMs and their parent companies to the actual cost of launching PEV programs. Smaller businesses in California, with less annual revenue earned are producing ZEVs and creating jobs in our state today. Many businesses and start-up companies (some with very limited funding) are looking to launch new automotive product lines in California. The IVMs have billions of dollars in cash on hand to invest in clean vehicles, and if needed, can raise money to invest in California’s programs the same way start-up businesses have. Furthermore, the IVMs are already delivering PHEVs in other countries. For example, Volvo and Mitsubishi are delivering thousands of PHEVs in Europe and Asia.

Electricity provides significant advantages over other clean transportation fuels – and improvements in air quality occur in every community. We suggest that the ARB reconsider the global revenue threshold in the proposed ZEV rule amendments, and consider reducing the timeline for IVMs to comply with the ZEV regulation, perhaps deploying complying vehicles by 2020 or sooner and keeping the ZEV percentages the same, or provide greater incentives for producing ZEVs in 2016 & 2018.

California recently reached a major milestone with 100,000 PEVs sold, with the help from the mandate, and from incentive funding for purchasing PEVs and for charging infrastructure. However, more must be done to reach the aggressive goals set by this administration if we are to meet Governor Brown’s goal of 1.5 million electric vehicles by 2025, expand electric vehicle charging station infrastructure, and reach California’s ambitious GHG reduction goals.

Sincerely,

A handwritten signature in black ink that reads "Tony Andreoni". The signature is written in a cursive, flowing style.

Tony Andreoni, P.E.
Director of Regulatory Affairs

cc: Richard Corey, Executive Officer
Alberto Ayala, Deputy Executive Officer
Annette Hebert, Division Chief, ECARS