

October 24, 2017

Ms. Lucina Negrete
Branch Chief, Innovative Strategies Branch
Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, California 95812

RE: Comments on October 9, 2017 Public Workshop on developing a Beneficiary Mitigation Plan under the Volkswagen Environmental Mitigation Trust

Dear Ms. Negrete:

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments to the California Air Resources Board (ARB) on the Beneficiary Mitigation Plan (Plan) being developed to guide expenditure of California's \$423 million allocation of the Volkswagen (VW) Environmental Mitigation Trust. PG&E supports the concepts presented by staff that align with the state's transportation goals and SB92's direction to utilize a portion of the funds in disadvantaged communities (DACs) and provide public transparency, and offer the following comments for your consideration.

Role of Utilities: By providing alternative transportation fuel infrastructure and supply, California's utilities can play an important role to maximize the impact of the NOx mitigation funds and to ensure that near-term reductions are achieved. PG&E supplies electricity and conventional natural gas as a transportation fuel that eliminates or significantly reduces vehicle tailpipe NOx emission reductions in California. As regulatory initiatives spur the addition of renewable natural gas into the fuel supply, a co-benefit will be to reduce greenhouse gas emissions through methane capture and combustion.

Investment Priorities: PG&E recommends that the Plan prioritize investments in technologies and sectors where multiple sources of funds and incentives can be leveraged, including those allocated from the GGRF and those available from utilities. This will maximize the benefit of funds available for NOx mitigation, advance the state's greenhouse gas emission reduction goals, and accelerate California's transition to alternative fuels.

Role of Electricity: Funding light-duty transportation electrification and hydrogen fueling equipment projects will advance zero-tailpipe emissions vehicle incentives. Additionally, upon approval by the California Public Utility Commission (CPUC), PG&E's FleetReady Program,

which was filed in January 2017 pursuant to SB350, could provide matching funds in 2018 or early 2019 to support installation and extended maintenance of electricity charging infrastructure to support: a) Class 4-8 school bus electrification, b) EV charging infrastructure at freight hubs, and c) electrification of rail yard and port equipment. Much of this infrastructure development is likely to be in DACs, which will also satisfy the legislative direction provided in SB92.

Role of Renewable Natural Gas: Funding natural gas vehicle incentives will advance near-term NOx reductions by gaining a ten-fold reduction in NOx emissions when used for commercially available near-zero-emissions engines. This can serve as a bridge to achieve the state's zero-tailpipe emissions goals. The CPUC is guiding SB1383 pilot projects where dairy-digesters capture methane emissions that would otherwise be released. Directing renewable natural gas like this for use in the medium and heavy-duty transportation sectors will, in addition to reducing NOx emissions from fuel switching, help advance the state's short-lived climate pollutant reduction goals and also generate low carbon fuel standard (LCFS) credits, making the projects more affordable and serve as a beachhead for additional projects.

Encourage Beachhead Markets: During low-carbon transportation funding plan workshops, ARB staff has proposed using a 'beachhead' approach to identify and leverage key early markets to encourage the utilization of technologies that can mature, broaden their application and become increasingly affordable as markets grow. We recommend that ARB pursue this approach to advance alternative fuel use in the Plan.

Local Administration when appropriate: We support local administration of Plan funds when appropriate and recommend that projects that require infrastructure installation be coordinated with utility infrastructure plans guided by the CPUC to maximize public benefits.

We trust that you will find these comments beneficial as you develop your Plan. Please let me know if you have additional questions.

Sincerely,

/s/

Linus Farias

Cc: Peter Christiansen, ARB
Lisa Williams, ARB