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November 13, 2022

California Air Resources Board (CARB)
1001 I Street Sacramento, CA 95814

Subject: Comment regarding Proposed Fiscal Year 2022-23 Funding Plan for
Clean Transportation Incentives.

Dear Chair Randolf and Member of the Air Resources Board,

The Angel Island - Tiburon Ferry Co, is both committed to and excited to become the largest electric ferry vessel in California. We know that this is the right thing to do for our company, the environment, our immediate community and for the larger and often underserved communities of the Bay Area and California. Many other operators in the marine industry are enthusiastic as well, until they begin the process of conversion. I have noticed that many of the operators are opting to do diesel-to-diesel conversions to “push out” conversions to zero emissions. I believe that CARB could help many people with converting to zero emission systems by recognizing and addressing the following issues.

Diesel-to-diesel conversion is a familiar process and does not require the EXTENSIVE plan review that is mandated by the United States Coast Guard (USCG) that a new form of propulsion will undergo. The conversion of diesel to electric is a new type of conversion and is therefore under extreme scrutiny by the USCG to ensure that it is a sound and safe system for the public.

The USCG plan verification and approval process can take many, many months to complete due to their extensive design review requirements. This can easily create conflicting timelines with boat yards, naval architects, and grant deadlines.

The shore side infrastructure for many vessels to go electric requires many hours of discussion and coordination between PG&E and local municipalities, creating additional costs and delays to the overall project. At most the shoreside is only reimbursed at 50% of the eligible items.

The usual calculations for grant reimbursement to vessel owners (Carl Moyer 80-85% and VW 75%) leave a very large delta for operators to cover. There is a far greater cost difference for a diesel to electric conversion than there is for a diesel-to-diesel conversion due to shore side infrastructure and vessel modifications.

For example, on a diesel-to-diesel conversion the overall project cost might be \$585,000. Allowable expenses are around ~76% of the project (\$450,000) which leaves ~24% (\$185,000) to be covered by the operator. The reimbursement for allowable expenses at 85% is \$382,500. This leaves the vessel owner to carry a

debt load of roughly \$252,500 (\$67,500 + \$185,000) as well as paying the other costs upfront while awaiting reimbursement.

The total cost of a diesel to electric conversion is roughly \$4,500,000. Allowable expenses are ~76% (\$3,400,000) leaving ~24% (\$1,100,000) for the operator to cover. The reimbursement of allowable expenses at 85% would be \$2,890,000. This leaves a total delta of \$1,610,000 (\$1,100,000 + \$510,000) for the operator to cover. This is a far greater financial burden than \$252,500. This figure does not include yard delays or interest from loans that will need to be taken out to do the project. For many operators this is too great a financial risk to undertake.

Even on a diesel-to-diesel conversion uncovered but mandatory expenses to complete the project include but are not limited to: haul out, boat yard time, sea trials, interest rates, steering systems, propellers, and shafts. These items need to be included for reimbursement because they are a necessary part of the conversion.

If the grant funding is increased to a higher percentage (95-100%) for overall project costs, including down time (when the vessel is in the yard) particularly if the yard time is greater than a diesel-to-diesel conversion, including sea trials, including planning time (when naval architects will be employed and plans will be discussed with the USCG potentially for extended periods of time), if accrued interest is included or alternatively if CA provided zero interest loans and if the funds were distributed throughout the project verses at the end, then operators would be more enthusiastic with electric conversion.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Margaret McDonogh', written over a horizontal line.

Margaret McDonogh

Owner/Operator