

August 30, 2018

Clerk of the Board  
California Air Resources Board

1001 I Street  
Sacramento, CA 95814

**RE: Proposed Amendments to the Low Carbon Fuel Standard Regulation**

Chair Nichols, Vice-Chair Berg, and Members of the Board,

Coltura appreciates the opportunity to provide comments to the California Air Resource Board (CARB) on the “Second Notice of Public Availability of Modified Text and Availability of Additional Documents and Information” for the proposed amendments to the Low Carbon Fuel Standard (“LCFS”) Regulation (collectively, “2nd 15-Day Changes”). The electricity pathway within the LCFS is an important tool to support the Governor’s goal of placing 1.5 million Electric Vehicles (EVs) on California roads by 2025 and 5 million by 2030. As an organization deeply committed to supporting California’s clean air and climate goals, we provide the following comments on the 2nd 15-Day Change language for the LCFS.

We support redirecting funds from the residential EV charging pathway of the LCFS to a statewide, point-of-sale rebate program for new EV buyers. Based on feedback from the Air Board as well as a broad group of stakeholders, Staff proposed several modifications to enable such a rebate program. In the 2nd 15-Day Changes, Staff proposed the following:

* All electric utilities receiving base residential EV charging credits must contribute a minimum percentage of the credits (or net base credit proceeds) that they receive on behalf of EV owners in their service territory to fund a statewide point-of-purchase EV rebate program for new vehicle purchases or leases.[[1]](#footnote-1)
  + Investor-Owned Utilities (IOUs) are required to contribute 67% of their credits.[[2]](#footnote-2)
  + Large Publicly-owned Utilities (POUs) are required to contribute 35% from 2019 – 2022 and 45% beginning 2023.[[3]](#footnote-3)
  + Medium POUs are required to contribute 20% from 2019 – 2022 and 25% beginning 2023.
  + Small POUs are required to contribute 2% beginning 2023.
* The rebate amount for a particular EV will be calculated based on the vehicle’s battery capacity, mirroring the calculation used in the U.S. federal EV tax credit.
* CARB will assign the base credits in service territories where the utility has not opted in to the LCFS program to the utilities that are participating on a pro-rata basis.

We appreciate Staff’s work on this important program; however, there are still many open questions. We provide the following recommendations to two key issues to ensure the statewide rebate program is designed and implemented effectively to drive EV adoption:

* Implementing the program quickly: Automakers, dealers and many other stakeholders agree that a statewide, point-of-sale rebate is far more effective than the current, fragmented rebate programs available today in certain utility service territories. While we are pleased that the utility coalition has proposed a statewide program, we still have little visibility into the rebate amount or timing as to when the program would be launched. We believe a meaningful statewide rebate should be made available to consumers as quickly as possible, and certainly no later than mid-2019.
  + Recommendation: Utilities should contribute as much as possible into the rebate program, ideally 100% of the residential pathway funds, as this is the most effective way to drive EV sales. Under the current proposal, which holds back ~40% of the funding for other utility programs, stakeholders have little visibility into how those funds will ultimately be used, and there is a strong belief among stakeholders that the money would be better deployed at the point of sale.
* Improving EV affordability equitably: There has been a variety of proposals regarding how to address equity in the proposed use of these funds. An income or MSRP cap on the rebate, for example, have been discussed as potential options. These options, however, would add further complexity to the sales process, as dealers and salespeople would have to explain both the MSRP cap as well as the Clean Vehicle Rebate Project (“CVRP”) income cap to customers at the point of sale.
  + Recommendation: California has already selected an approach to address equity through the income cap levels in the CVRP. We recommend that CARB use the LCFS funding that is currently being set aside for other utility programs (~40%) to fund a bonus incentive for low-income buyers based on the same income levels as the CVRP program. This will dramatically simplify and clarify the sales process, as sales teams can communicate one set of income limits to consumers. Administration of the program will also be greatly simplified, as the administrator of the LCFS rebate program can coordinate with the CVRP administrator to attach the LCFS bonus check onto the CVRP rebate.

Addressing these two issues will optimize the impact of the funding associated with the residential EV pathway and drive far greater EV adoption than the current proposal. We urge CARB to take action in September to implement these recommendations to ensure a successful implementation of the point-of-purchase EV rebate program. California has set bold targets for EV adoption, low carbon fuel use and air quality improvements. It will take smart, focused policy to ensure these targets are achieved. The recommendations in this letter represent a significant step in that direction.

Thank you for your time and consideration in this matter.

Sincerely,

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1. Publicly-owned utility size is determined based on 2017 load served. [↑](#footnote-ref-1)
2. IOUs were directed by the California Public Utility Commission to use 100% of credit value less administrative expenses to provide either a one-time rebate or annual on-bill credit to EV owners in their service territories. [↑](#footnote-ref-2)
3. The two large POUs are Los Angeles Department of Water and Power and Sacramento Municipal Utility District (SMUD). Under the existing regulation, none of the POUs are required to provide a rebate, but SMUD offers a $599 vehicle rebate. [↑](#footnote-ref-3)