



September 27, 2021

Tony Brasil
Branch Chief, Transportation and Clean Technology
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

RE: Public Workshop on Draft Regulatory Language and Updated Cost Assumptions for the Advanced Clean Fleets Regulation

Dear Mr. Brasil:

San Diego Gas & Electric Company (“SDG&E”) appreciates the opportunity to comment on the California Air Resources Board’s (“CARB”) Public Workshop, held September 9, 2021, on ***“Draft Regulatory Language and Updated Cost Assumptions for the Advanced Clean Fleets Regulation”***.

SDG&E is a regulated public utility company providing energy service to 3.6 million people through 1.4 million electric meters and 873,000 natural gas meters in a service area that spans 4,100 square miles in San Diego and southern Orange County in California. SDG&E is also a champion of transportation sector decarbonization and supports the development of the Advanced Clean Fleets (“ACF”) regulation to help California achieve its aggressive emissions reduction goals for greenhouse gases (“GHG”) as well as criteria and toxic air pollutants from mobile sources. More broadly, CARB’s objectives align with SDG&E’s commitment to sustainability. In October 2020, SDG&E released *“Building a Better Future: Our Commitment to Sustainability,”* a sustainability strategy detailing climate change-conscious goals in environmental stewardship, clean transportation, grid modernization, community engagement, and company operations. Earlier this year, SDG&E also announced a climate pledge of reaching net zero GHG emissions—not only SDG&E’s own direct emissions, but also those generated by our customers’ consumption of energy—by 2045.

Related to the ACF draft regulation, SDG&E offers recommendations below on:

- Vehicle Exemptions
- Consideration of Engine Hours in Addition to Vehicle Miles Traveled
- Agency and Stakeholder Collaboration on Clean Transportation Infrastructure

The establishment of the ACF regulation for California is an important complement to the first of its kind Advanced Clean Trucks (“ACT”) regulation directing truck manufacturers to transition from diesel to zero-emission vehicles (“ZEV”). The ACF regulation is a necessary, landmark effort that will help drive the transition to ZEVs for the medium-duty and heavy-duty (“MD/HD”) vehicle sector. Reducing emissions from the transportation sector, which remains the largest source of GHG emissions in the state accounting for nearly 40 percent of total statewide emissions, is critically important to achieving California’s economy-wide carbon neutral target. This focus on MD/HD vehicles is important because of the substantial emissions impact of MD/HD vehicles, on a per vehicle basis, including on communities that are located near the facilities and along the corridors that these vehicles frequent. The ACF and ACT regulations help put California on track to meeting its GHG and air quality goals and set a standard for the nation and for global efforts to address these issues.

SDG&E also applauds the nearly \$2.5 billion ZEV funding package in the 2021 California Budget (SB 129, Chapter 69, Statutes of 2021), which provides historic allocations to CARB and the California Energy Commission (“CEC”) for the decarbonization of MD/HD vehicles through purchase incentives and support for refueling infrastructure. This includes CARB’s Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (“HVIP”) to assist fleet operators in purchasing ZEV and advanced technology trucks and buses. Achieving the state’s clean transportation goals will hinge upon well-crafted incentives like HVIP, matched with a system of complimentary regulations and corresponding infrastructure buildout to support widespread ZEV adoption.

The SDG&E Fleet. SDG&E operates a fleet of approximately 1,700 over-the-road vehicles, including approximately 300 alternate fueled vehicles (of which approximately 220 are electrified), which support the clean, safe, and reliable delivery of energy to customers across SDG&E service territory. As part of its Sustainability Strategy, SDG&E has committed to operate a 100 percent zero-emission fleet by 2035, including interim goals of electrifying 100 percent of our light-duty fleet and transitioning 30 percent of our overall fleet to ZEV by 2030. SDG&E also obtained CALSTART’s Sustainable Fleet accreditations in 2020 and 2021. The fleet currently includes seven sedans that are fully Battery Electric Vehicles (“BEV”), 74 Plug-in Hybrid Electric Vehicles (“PHEV”) of various types and 64 larger work-trucks that include Electric Power-Take-Off (“ePTO”) capabilities. SDG&E is actively acquiring additional electrified units as they come available and sees its commitments to clean transportation as fully aligned with CARB’s and the State’s clean fleets goals.

Regarding the draft regulatory language released for comment on September 9 (in particular, the “**High Priority and Federal Fleet Requirements**” portion), SDG&E respectfully offers the following recommendations to help strengthen the regulation:

Vehicle Exemptions

CARB should include vehicle exemptions for classes and types of vehicles for which commercially proven models have yet to come to market and expand the current exemptions to provide additional solutions for near-zero emission vehicles (“NZEV”).

In Section 95692.2, CARB offers language regarding exemptions and extensions, and SDG&E agrees that these should be limited and well defined. As the regulation language currently stands, CARB offers three categories of exemptions: backup vehicle exemptions, daily mileage exemptions, and emergency response vehicle exemptions. SDG&E recommends that CARB consider including exemptions for classes and types of vehicles for which commercially proven models have yet to come to market. Ideally, the exemption process would not be on a vehicle-by-vehicle basis, but by weight and type of vehicle (e.g., heavy duty 10-yard dump trucks with gross vehicle weight ratings (“GVWR”) above 60,000 lbs. or medium duty 37’ bucket trucks with GVWRs between 18,000 lbs. and 25,000 lbs.). SDG&E’s concern is that exemptions requested on a vehicle-by-vehicle basis state-wide could not be processed by CARB staff in a timely manner.

SDG&E also recommends that CARB expand the current exemptions in the proposed ACF regulation to provide additional solutions for companies to use a NZEV or non-ZEV to meet compliance when a ZEV unit is not available from suppliers that meets the needs of the unit for jobs required of the unit. For example, the ACT rule (in relevant part) requires the sale of zero-emission or near zero-emission heavy-duty trucks starting with model year 2024, and the share of zero-emission sales required for each vehicle group increases over time to model year 2035. The regulation is structured as a credit and deficit accounting system, where a manufacturer accrues deficits based on the total volume of on-road heavy-duty trucks sales within California beginning with model year 2024 vehicles. NZEVs are part of this credit/deficit system. As CARB put it in its ACT workshop, in reaching the ZEVs as a percentage of annual sales goals, a manufacturer would get “Partial credit for plug-in hybrids with minimum all electric range”.¹

¹ California Air Resources Board. Advanced Clean Fleets Regulation Workshop, March 2 and March 4, 2021 [PowerPoint Presentation, slide 12]. https://ww2.arb.ca.gov/sites/default/files/2021-02/210302acfpres_ADA.pdf.

CARB should include a similar, consistent approach in the ACF Rule. For example, the High Priority and Federal Fleets requirements outline an ownership requirement, which provide increasing percentages of a group that must be ZEV by a given date (starting with group 1, year-end 2025). Consistent with the ACT rule, CARB should consider allowing fleet owners to receive partial credit for plug-in hybrids with minimum all electric range in meeting interim required percentages.

Finally, the ACF regulation provides exemptions for fleets that have deployed vehicles to provide emergency response in supporting services including electricity and natural gas. SDG&E supports the inclusion of an emergency response exemption because utilities increasingly perform functions related to public safety, emergency, disaster response, and other similar crisis-related functions as one of their core functions. These functions are critical and have tremendous impact on the ability of SDG&E and utilities in general to provide customers with safe and reliable service within their respective service territories.

CARB Should Consider Engine Hours in Addition to Vehicle Miles Traveled

SDG&E reiterates its recommendation that CARB consider gathering data on engine hours for vehicles instead of only vehicle miles traveled. Many MD/HD vehicles, including specialty utility vehicles, require significant power for more than driving to and from a job site. These vehicles also perform specialty operations while at the work site and therefore have significant energy requirements that fleets must be able to meet, in addition to the energy requirements to drive the vehicles. By considering engine hours, CARB staff can achieve more accurate analyses around market readiness related to battery sizes and vehicle build challenges, as well as appropriate charging infrastructure planning.

CARB Should Continue Fostering Agency and Stakeholder Collaboration on Clean Transportation Infrastructure

As SDG&E has underscored in previous ACF comments, and as this proceeding and the ACT regulatory proceeding have made apparent, the need for collaboration among agencies and stakeholders to ensure sufficient clean transportation infrastructure to support deployment of clean fleets in California is incontrovertible.

SDG&E Infrastructure Investments. SDG&E has an established and ongoing commitment to clean transportation innovation by incentivizing and promoting the adoption of electric and other clean vehicles, and through infrastructure buildout. In the San Diego region, GHG emissions from the transportation sector contribute to over 50 percent of total emissions and represent a considerable regional challenge. Through its Power Your Drive (“PYD”), Priority Review Programs, and Power Your Drive for Fleets² programs, SDG&E has helped enable the transition to transportation electrification by building electric vehicle (“EV”) charging stations in workplaces, multi-unit dwelling, ride and drives, and several industry related sectors. Over the past decade, SDG&E has developed a robust portfolio of EV charging infrastructure programs to support the electrification of a full spectrum of vehicles and equipment – light, medium and heavy-duty, including trucks, school buses, transit buses, and forklifts. To date, SDG&E has built roughly 3,500 chargers at over 250 sites and in the coming years expects to build thousands more to help meet California’s ambitious clean transportation goals. Overall, more than 30 percent of SDG&E’s charging installations have been in underserved communities.

Specific to this regulatory proceeding, SDG&E’s PYD for Fleets is building the charging infrastructure needed to electrify trucks, buses, forklifts and other MD/HD electric vehicles and equipment (on-road and off-road class 2-8 vehicles) at customer sites throughout SDG&E’s service area. SDG&E works with fleets from the initial infrastructure planning stage through to design, construction, and ongoing site maintenance. In

² SDG&E’s MD/HD program, approved in D.19-08-026, is now referred to as “Power Your Drive for Fleets” to allow for cohesion between SDG&E EV programs and better communication with SDG&E customers. The program name has been communicated to stakeholders and was announced at SDG&E’s Program Advisory Council (“PAC”) meeting in October 2020.

addition, SDG&E has developed a new EV rate for vehicle charging outside of single-family homes designed to benefit fleet operators for their charging-related electricity costs.³

SDG&E has several pilot projects under SB 350 (Chapter 47, Statutes of 2015), including infrastructure to support MD/HD and forklifts at the Port of San Diego, green shuttles, and electric ground support equipment San Diego International Airport. SDG&E also broke ground in 2021 on a five-year vehicle-to-grid pilot in partnership with the Cajon Valley Union School District in East San Diego County. The project connects electric school buses to bi-directional DC fast chargers, thereby allowing these vehicles to absorb clean energy during the day and return power to the grid in the evening when solar energy starts to taper off.

This past year, SDG&E joined forces with key regional stakeholders to create the Accelerate to Zero Emissions (“A2Z”) collaborative dedicated to curbing air pollution and climate change through clean transportation. In July, a diverse group of local leaders announced the launch of A2Z at a press conference and released the findings of a gap analysis, which identified barriers to widespread adoption of ZEVs, particularly in underserved communities. The report also quantifies for the first time how many EV chargers and hydrogen fueling stations are needed for the region to meet its share of California’s clean transportation goal: eight (8) million ZEVs on the road by 2030.

SDG&E is working diligently to expand the charging infrastructure network in its territory. As the fueling needs of expanding clean fleets grow, agencies must continue to focus on removing barriers to infrastructure development for MD/HD vehicles through coordination and planning, particularly among CARB, CEC, and the California Public Utilities Commission. Utilities will play an integral role in facilitating the statewide ZEV infrastructure network needed to support an unprecedented rollout of clean MD/HD fleets. Similarly, communication between fleet operators and utilities will be crucial to ensure grid capacity and energy supply are able to meet the energy demands of decarbonized fleets as they grow. And on a grander scale, vehicle manufacturers (OEMs), fleet operators, utilities, charging station vendors, policy makers, and others will need to engage in ongoing, meaningful coordination to ensure the many moving parts of the ZEV ecosystem can come together to yield the desired outcomes.

In Conclusion

The current rate of transition to a decarbonized transportation sector is largely dependent on the rate of customer adoption of ZEVs. To spur that transition in the MD/HD sector, the ACF regulation will play an important role in helping to push the market in the state’s desired direction. SDG&E reiterates its support for the goals and direction of the draft regulation and looks forward to a collaborative process with CARB and MD/HD sector stakeholders to elaborate the ACF regulation.

Sincerely,

/S/

Kirstie Raagas
Clean Transportation Business Development Manager
San Diego Gas & Electric

³ The electric rate levels presented for SDG&E on pg. 19 of the Draft Advanced Clean Fleets Total Cost of Ownership Discussion Document appear to use SDG&E’s general Medium and Large Commercial AL-TOU and AL-TOU2 rates as inputs, rather than the new EV-High Power rate. The majority of separately-metered MD/HD EVs in SDG&E service territory are expected to take service on EV-High Power, which may produce a lower cost of electricity than general service rates.