



August 27, 2024

Clerk's Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted electronically via: <https://ww2.arb.ca.gov/applications/public-comments>

Re: Proposed Amendments to the Low Carbon Fuel Standard Regulation

Dear Chair Randolph and Honorable Board Members:

This letter is submitted on behalf of Los Angeles Department of Water and Power, Pacific Gas and Electric Company, Sacramento Municipal Utility District, San Diego Gas & Electric Company, Southern California Edison Company, Burbank Water and Power, Pasadena Water and Power, and the Northern California Power Agency ("the CA Utilities"). We appreciate this opportunity to comment on the Proposed Low Carbon Fuel Standard Amendments ("15-day changes").

The CA Utilities are also members of the California Electric Transportation Coalition ("CaETC") and support the positions taken in the CaETC Board Letter that was submitted on August 27, 2024. The CA Utilities urge CARB to adopt all the recommendations outlined in the CaETC Board Letter. In addition, these comments focus on a key issue not addressed therein pertaining to the potential assignment of base credits to Original Equipment Manufacturers ("OEMs" or "automakers"). To summarize, the CA Utilities urge CARB to resolve these critical issues to ensure that the final regulation is clear and efficacious:

- Establish that individual and aggregate utility holdback credits will not be reduced if the Executive Officer redirects credits from the Clean Fuel Reward ("CFR") program to OEMs.
- Establish a one-time deadline of March 15, 2025, for the Executive Officer's determination whether to reallocate base credits to the OEMs and clarify that utility contributions to the CFR would cease.
- Ensure Board oversight of the Executive Officer's discretion to reallocate base credits to the OEMs.

These issues are discussed further below, accompanied by proposed redline changes to the relevant sections of the 15-day changes in Appendix A and the CalETC Board Letter in Appendix B.

I. Discussion

The CA Utilities support many provisions in the Proposed Regulation Order, as discussed in comments filed through CalETC in February 2024. However, the CA Utilities share significant concerns about the newly proposed option for the Executive Officer to assign base credits to OEMs. The CA Utilities also remain concerned about the omission of key clarifications and revisions to the 45-day proposed amendments necessary to ensure effective implementation, as detailed in the CalETC Board letter in Appendix A.

Reallocating the base residential credits away from the utilities – the fuel providers that are required to spend at least half of their funds on equity projects – to the non-fuel supplying automakers that will use the funds to incentivize the purchase of new cars, is a significant departure from both CARB’s and the state’s equity goals. The proposal in the 15-day changes to provide the option for allocation of electric distribution utility (“EDU” or “utility”) base residential credits to the automakers is contrary to the intent and purpose of the LCFS and sets a concerning precedent. The entire premise of the LCFS is that clean fuel providers earn credits for the production and supply of low-carbon fuels, and high-carbon fuel providers must purchase credits to offset the carbon-emitting fuels from which they profit at the cost of all Californians, especially those in disadvantaged communities. By allocating credits to the automakers – entities that are not fuel providers – CARB is directly undermining the premise of the regulation. Siphoning credits earned by a clean fuel provider such as utilities disincentivizes low-carbon fuel suppliers from further investing in low carbon fuel technologies, infrastructure, and programs.

The CA Utilities are particularly concerned that throughout the robust, deliberative, and multi-year regulatory process, this concept has neither previously been introduced nor vetted. We urge CARB to reconsider the potential consequences of such a drastic change before adopting this language. However, if CARB does go forward, specific changes must be made to the 15-day changes to maintain the integrity of the LCFS program and ensure that the utilities will be able to effectively administer programs funded by LCFS proceeds, as discussed below.

1) CARB Should Establish that Individual and Aggregate Utility Holdback Credits Will Not Be Reduced if the Executive Officer Redirects Credits from the Statewide Clean Fuel Reward Program to the OEMs

The Draft Order provides that, “If the Executive Officer directs base credits to eligible OEMs, the requirements of section 95483(c)(1)(A)2. do not apply.”¹ Put simply, the requirements for EDU contributions to the CFR do not apply. However, those requirements include a table specifying the EDUs’ contribution towards the statewide program:

¹ Draft Order, at section 95483(c)(1)(B).

EDU Category	% Contribution
Large Investor-owned Utilities	50%
Large Publicly-owned and Medium Investor-owned Utilities	25%
Medium Publicly-owned Utilities	10%
Small Publicly-owned Utilities and Small Investor-owned Utilities	0%

The requirements provide a level of clarity regarding proportionality that is absent from the carveout for OEMs. There is no mention of how base credits would be redirected from the EDUs to support the OEM allocation. For example, according to the table above, small publicly owned utilities and small investor-owned utilities have 0% contribution to the statewide program. Without additional clarity on the contribution process, there is concern that CARB will take 45% from each EDU's base credits to support the OEMs effectively reducing the holdback credits available to many utilities.

The determination of individual EDU allocations is based on section 95486.1(c)(1)(A), or the ratio of non-metered residential EVs assigned to an EDU over total number of non-metered residential EVs. Under the proposed 15-day changes, if the total base credit equals 100 million metric tons ("MMT"), OEMs will get 45 MMT, and EDUs will get the remaining 55 MMT. For example, if large POU's make up approximately 10% of the base credits they would receive 5.5 MMT for holdback. In contrast, under the 45-Day proposal, large POU's would contribute 25% to CFR and keep 75% or 7.5 MMT for holdback.

This scenario would significantly affect EDUs. For example, a medium-sized utility like Burbank would expect to receive 25% fewer credits, even though their contribution to the CFR program would cease. This would make it difficult, if not impossible, for some EDUs to conduct their holdback and equity holdback programs. Because all of Burbank's TE programs and infrastructure projects are funded by LCFS proceeds, a reduction in the credits could result in:

- Fewer investments in TE customer programs and public TE infrastructure projects.
- An impact on electric rates, if ratepayer funds need to be used to partially fund the TE programs and projects.

Similarly, SMUD, as a large POU, would expect to contribute 25% of its base credits to the CFR and retain 75% for holdback under the proposed regulation. However, if 45% of SMUD's base credits were reassigned to OEMs, the holdback percentage would drop to 55%. Like many POU's, SMUD's transportation electrification programs are primarily supported through LCFS credit revenues. Such a reduction would, for example, challenge already stressed budgets and jeopardize SMUD's ability to maintain transportation electrification programs, expand EV charging infrastructure, increase electric mobility investments in low-income and equity communities, and avoid or limit rate impacts from distribution grid upgrades to support long-term growth in EV charging.

This problem is even more exaggerated for small POUs such as the City of Ukiah, the City of Lompoc and the City of Lodi. Under current regulation, small POUs are not required to remit any percentage of their credit proceeds to the CFR and if the regulation is adopted as written, they will receive 45% fewer credits.

Therefore, CARB should (1) establish in the regulation that individual and aggregate utility holdback credits will not be reduced as a result of this directive, and (2) clarify in the regulation that in redirecting credits to the OEMs, the Executive Officer would allocate only that portion of the credits dedicated for CFR according to the table in section 95483(c)(1)(A)(2), but not to exceed 45% of the total base credits. The CA Utilities propose such clarifications in Appendix A.

2) The Regulation Should Establish a Deadline of March 15, 2025, for the Executive Officer's Discretion to Reallocate Base Credits to the OEMs and Clarify that EDU Contributions to CFR Would Cease

Should the final order allow the Executive Officer the discretion to allocate base credits to OEMs, a shot clock is necessary to provide certainty and transparency regarding the Executive Officer's decision and the impact on the CFR program. It must be clear in the regulation that this potential allocation is a one-time option that must be executed by March 15, 2025. If it is not executed by March 15, 2025, this option expires. This deadline is necessary for the utilities to develop and implement the proposed statewide eMDHD CFR program without the looming possibility that some unknown percentage of funds may be redirected at any future time via a nontransparent and arbitrary process. In addition, the CFR Governance Agreement requires medium and large EDUs to transfer credit proceeds to the CFR program by March 31. In addition, if this provision is enacted CARB must clarify no further contributions to the Clean Fuel Reward program shall be made, and the administrator of the Clean Fuel Reward program shall implement the windup procedures set forth in the statewide program Governance Agreement.

Requiring the Executive Officer's decision by March 15 will ensure that the EDUs have enough time to initiate a timely transfer of credit proceeds to the CFR program, if needed. To remedy this situation, the CA Utilities request that CARB modify §95483(c)(1)(B) as shown in Appendix A.

3) The Regulation Should Ensure Board Oversight of the Executive Officer's Discretion to Reallocate Base Credits to the OEMs

Reallocating the base residential credits away from the utilities – the fuel providers that are required to spend at least half of their funds on equity projects – to the non-fuel supplying automakers that will use the funds to incentivize the purchase of new cars, is a huge departure from both CARB's and the state's equity goals. As such, checks and balances are needed in the form of ongoing Board oversight. There is precedent for Board oversight of program implementation in the current regulation under §95483(c)(1)(A)(2) regarding the utilities' implementation of the CFR program:

The Executive Officer will review the implementation of any Clean Fuel Reward program, including the actual credit value contribution of each utility to the program, and present a report to the Board by January 1, 2027, with recommendations for further increasing utility contributions to the Clean Fuel Reward program.

Given that the EDUs' implementation of the CFR could essentially be replaced via an OEM allocation of base credits, then so too should the CARB Board have oversight here. Specifically, the final order should require the Executive Officer to review the implementation of any OEM program and present a report to the Board annually, beginning January 1, 2027, with recommendations for continuing or decreasing allocations to the OEMs. To remedy this situation, the EDUs request that CARB modify §95483(c)(1)(B) as shown in Appendix A.

II. Conclusion

The CA Utilities appreciate the opportunity to provide comments on this important regulation. Due to the severity of the changes proposed by CARB in the 15-day changes and the criticality of having clarity on these changes to effectively administer the eMDHD CFR and utility holdback programs, the utilities request that CARB staff address each of these issues in detail in the next round of 15-day changes.

Respectfully,

The CA Utilities

cc: Rajinder Sahota
Matthew Botill
Jordan Ramalingam

Appendix A
Proposed Revisions to Draft Order

Proposed text deletions are in bold and strikethrough (~~**abcd**~~)

Proposed text additions are in bold and underlined (**abcd**)

Appendix A

Proposed Revisions

The CA Utilities propose the following modifications to the Draft Order (additions in underline and deletions in ~~strikeout~~ format; numeration follows that of the Draft Order):

Section 95483(c)(1)

- A. *Base Credits to EDUs.* The EDU or its designee is the credit generator for base credits for the portion of residential EV charging assigned to that EDU by the Executive Officer, except for any portion of base credits that the Executive Officer assigns to OEMs pursuant to section 95483(c)(1)(B). ~~If the Executive Officer assigns a portion of base credits to OEMs pursuant to section 95483(c)(1)(B), the EDUs are assigned the remaining base credits.~~ The EDU may authorize a third party to sell the EDU's credits. The EDU or its designee must meet the requirements set forth in paragraphs 1. through 5. below, and 95491(e)(5).
- B. *Base Credits to OEMs.* No later than March 15, 2025, ~~the~~ the Executive Officer may reallocate some or all of the EDUs' credits that would have otherwise been allocated to the Clean Fuel Rewards contributions, not to exceed ~~direct up to~~ 45% of base credits, to eligible OEMs, if the share of new zero emission vehicle sales for model year 2024 zero emission vehicles certified under California Code of Regulations, title 13, section 1962.2 is less than 30 percent. If the Executive Officer directs base credits to eligible OEMs, the following provisions apply:
- i. Each EDU's base credits shall be reduced by no more than the percent contribution for the applicable EDU category as specified in section 95483 (c)(1)(A)2.
 - ii. ~~The~~ The requirements of section 95483(c)(1)(A)2 ~~do not~~ shall no longer apply.
 - iii. No further contributions to the Clean Fuel Reward program shall be made, and the administrator of the Clean Fuel Reward program shall implement the windup procedures set forth in the statewide program Governance Agreement.
 - iv. The OEM is the credit generator for base credits for the portion of residential EV charging assigned to that OEM by the Executive Officer pursuant to 95486.1(c)(1)(A).
 - v. The OEM must meet the requirements set forth in paragraphs 1. through 3. below, and 95491(e)(5).
- C. *OEM Eligibility.* The OEM must identify itself to the Executive Officer as eligible to generate base credits. The Executive Officer may revoke the eligibility of an OEM to generate base credits if it fails to sell base credits and spend the proceeds within three years of base credit issuance. An OEM must submit any request to change base credit generation eligibility status for base credit generation by the end of the first month of the prior quarter.
- D. *Reporting Requirements.* The Executive Officer shall review the implementation of any OEM program and present a report to the Board annually, beginning January 1, 2027, with recommendations for continuing or decreasing allocations to the OEMs. Documentation of adherence to the following restrictions must be included in the annual report submitted pursuant to section 95491(e)(5)(A).

Appendix B
CalETC Board Letter



August 27, 2024

Honorable Chair Liane Randolph and Honorable Board Members California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Re: Proposed 15-day Change Amendments to the Low Carbon Fuel Standard Regulation

Submitted to <https://ww2.arb.ca.gov/applications/public-comments>

Dear Chair Randolph and Honorable Board Members:

CalETC appreciates this opportunity to SUPPORT the Low Carbon Fuel Standard (LCFS) regulation and provide feedback for CARB Board member consideration. As discussed in detail below, CalETC largely supports the proposed draft regulation order ("draft order") August 12, 2024, version ("15-day changes"). However, we are urging CARB to make critical modifications to the regulation in order ensure that the utilities will be able to effectively administer the programs funded by LCFS proceeds. Attached to this letter is our February 20 letter which we are resubmitting as Appendix B and slightly changed recommended amendments in Appendix A. The changes we request are critical to ensuring the success of the LCFS program. Below we also provide additional justification for the recommendations in our February 20 letter.

CalETC is a non-profit association committed to the successful introduction and large-scale deployment of all forms of electric transportation including plug-in electric vehicles of all weight classes, transit buses, port electrification, off-road electric vehicles and equipment, and rail. Our board of directors includes Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison, Northern California Power Agency, and the Southern California Public Power Authority. Our membership also includes major automakers, manufacturers of zero-emission trucks and buses, developers and operators of charging stations and other industry leaders supporting transportation electrification. CalETC supports and advocates for the transition to a zero-emission transportation future to spur economic growth, fuel diversity and energy independence, ensure clean air, and combat climate change. This letter is submitted on behalf of the CalETC board of directors and covers issues specific to the utility interests in LCFS. Also see our joint letter with the EV Charging Association for our comments on the non-utility provisions in the 15-day change package.

Over the past few years, the CalETC board has worked closely with the CARB LCFS staff to provide suggested amendments to the LCFS regulations. We appreciate the tremendous effort and accessibility of CARB staff during the extensive public process regarding this regulation.

Additional rationale for our February 20 letter recommendations:

1. **Requesting a clearer list of eligible Holdback Programs.** The current list of proposed holdback projects is confusing. Utilities and their regulators need this list to be as clear as possible to help remove any ambiguity for staff and decisionmakers at CARB, CPUC, and Publicly Owned Utilities (POU). The Appendix to our February 20 letter provides our recommended amendments and detailed justification (See Appendices A and B to this letter). These recommendations also consider the needs of the dozens of medium and small EDUs in California that are at a very different stage of EV program implementation than the large EDUs. These recommended edits are necessary to make the project review and approval process simpler and to help the utilities implement equity projects:

Having one list instead of the current two lists improves clarity and allows for the implementation of more equity projects such as vehicle grid integration projects for low-income individuals and others who meet the equity definition.

Allowing eMHDVs anywhere in California to clearly count as equity is necessary as the current language is open to interpretation. Improving clarity here will allow projects supporting eMHDVs (e.g., grid side upgrades, panel upgrades, the eMHDV Clean Fuel Reward etc.) to count as equity. See Appendices A and B for more on this topic.

Requiring large IOUs¹ to utilize their holdback credit revenues to fund a minimum of three program options is necessary as there are increasingly diversified needs in transportation electrification over large service areas. Including this requirement to fund a minimum of three program options will help ensure that the large IOUs consider these diverse needs and will prevent a situation in which the large IOUs are compelled to spend all of their holdback funds on one program. The list of holdback expenditures is appropriately lengthy, in part, to meet the diverse and varied needs of priority communities and address equity. For example, the holdback list allows spending on light-, medium- and heavy duty EVs and off road EVs too. Proceeds also can be spent on projects for chargers, vehicle-grid integration, grid side upgrades, ridesharing, transit, EV rebates, micromobility, reskilling and workforce development and others. All of these are important projects. Requiring spending on at least three programs will ensure programmatic diversity and equity. CalETC proposes to limit this requirement to only the large IOUs as the other EDUs may not have enough funds to do three programs, especially with low credit prices. See Appendix A for recommended edits.

The project list should preserve a narrowly focused project category for direct multilingual education, and outreach serving equity communities. The preservation of this category is not intended to include general marketing or advertising. It is only intended to allow for multilingual education and outreach to equity communities for specific projects. The 15-day changes allow this for automaker programs, but not the EDU holdback programs. Deleting

¹ Under the proposed definitions, this would only include SCE and PG&E.

the multilingual education and outreach project category in the regulation will hurt efforts by many EDUs to reach hard-to-serve markets who speak little or no English, many of whom are low-income individuals. See Appendix A for recommended edits.

The project list should explicitly allow for upgrades to electric panels, which are prerequisites to transportation electrification for many customers living in older buildings that have not had recent updates. Upgrades to panels can have other benefits but are primarily to enable transportation electrification. Naming this clearly in the regulation will also help develop equity projects to serve low-income individuals with panel upgrades. See [Appendix A](#) for recommended edits.

For simplicity and clarity, *the project list should be consolidated under the recommended projects for electric mobility solutions* as there are two list items that appear to overlap regarding mobility alternatives. See [Appendix A](#) for recommended edits.

The list of agencies that may be consulted in the creation of workforce development projects should be expanded to include other pertinent entities, such as California Community Colleges, community-based organizations, and POU Governing Boards.

CalETC thanks CARB Staff for harmonizing the definitions of equity communities and individuals in the proposed amendments with those detailed in AB 841 and CPUC Decision D.20-12-027. However, the language requires a slight modification. AB 841 defines this as "a community located on lands belonging to a federally recognized California Indian tribe, " and *the proposed order should align with AB 841 in order to ensure simplicity*. Note the proposed amendments include term "state and federally recognized" instead of the AB 841 language.

"Off Road Vehicle" should be defined in LCFS for clarity because it is not obvious that vessels, aircraft, and other transportation or mobile sources qualify under that term. Off-road vehicle projects are needed in many areas including construction sites, factories, warehouses, seaports, railyards, airports and farms. Adding a definition will improve the clarity of the holdback program's list of eligible projects. See [Appendix A](#) for recommended edits.

2. **Requesting an increased cap on administrative costs for utility Holdback Programs and statewide Clean Fuel Rewards.** While we appreciate that CARB increased the administrative costs for electric distribution utility (EDU) holdback programs to seven percent, we do not support this change, and request 1) that the seven percent administrative cost cap for utility holdback programs be raised to ten percent and 2) the five percent administrative cost cap for the electric medium-and heavy duty vehicle Clean Fuel Reward be raised to ten percent. We note this recommendation is a simpler solution than the recommendations from our previous letter (see [Appendix B](#)):
 - a. As we explain in [Appendix B](#), administrative cost caps are a complex issue. And this issue has not been workshopped. Given the complexity, we recommend maintaining

the current 10 percent administration cost cap on holdback programs and statewide Clean Fuel Reward. It is important to note that the CPUC has decades of experience in regulating billions of dollars in energy efficiency program portfolios and their requirements on administrative costs, marketing, education and outreach costs, and related costs are both thoughtful and strict. They require a ten percent administrative cost cap for energy efficiency programs which is appropriate for CARB's regulation of LCFS programs too. Additionally, as the EDU's LCFS programs grow in size and amount spent, we expect many projects will be added, and many additional partners (community-based, equity-oriented organizations) will be engaged. In that scenario, the EDUs may require a cap of more than 10 percent for holdback programs. Regarding examples on why a 10 percent administrative cost cap is needed for utility holdback programs please see August 27 letters to CARB from individual utilities. Also, the February 20 letter to CARB from CalETC ([Appendix B](#)) provides additional justification, and [Appendix A](#) in this letter on this topic is slightly different than our proposed amendments in our February 20 letter.

- b. The proposed statewide Clean Fuel Reward for electric medium and heavy duty EVs (eMHDVs) is a new program that should not be hampered by a five percent administrative cost cap especially since this market is complex with many submarkets and types of customers that will be hard to reach with rewards. We note that CARB's concerns about administrative costs were addressed when the CPUC authorized the utilities to implement the Clean Fuel Reward in 2019, finding that "a 10% cap of administrative funds is generally within the range of spending for other customer programs the utilities implement," and ordered SCE in Resolution E-5015 to "administer no more than 10% of the total Clean Fuel Reward program budget on administrative and marketing, education, & outreach spending, which must include all administrative spending related to the Clean Fuel Rewards program." The CPUC found that including ME&O in the 10% cap was reasonable for a program of this size; the potential scale of the Clean Fuel Reward is no larger today than it was in 2019, and the same rationale should apply today. In addition, the utilities should not have a lower cap (i.e., five percent) for this program than the automakers (i.e., seven percent) for a similar program for light duty EVs. An additional rationale for our recommendation is in [Appendix B](#).
3. **Clarifying that Publicly Owned Utilities must spend 50% of holdback funds on equity projects, consistent with the intent in the 45-day package.** Appendix E in the 45-day LCFS proposed order gives the rationale for 50%, and we understand that 50% allocation was CARB's intent. This change is necessary to eliminate the inconsistency. Moreover, maintaining a 50% equity spending requirement is appropriate for POUs, as further detailed in [Appendix B](#) to this letter.

4. **Update the EDU definition based on 2022 sales data, clarifying that San Diego Gas & Electric Company is a “medium-sized” utility under the regulation for all the reasons listed in [Appendix B](#).** Appendix E in the 45-day LCFS proposed order gives the rationale for San Diego Gas & Electric Company (SDG&E) as a medium-sized EDU, and we understand that was CARB’s intent. In general, CARB should use GWh definitions consistent with the 2022 EDU annual sales data in the California Energy Commission’s 2023 Integrated Energy Policy Report’s Planning Forecast. This report makes clear that SDG&E is a medium-sized utility with a similar volume of sales as the Los Angeles Department of Water and Power. We recommend small POUs be defined as having less than 5,000 GWh annual sales. See proposed amendments in [Appendix A](#).
5. **Exempt holdback programs administered by EDUs with less than 2000 GWhs of annual sales from a cap on administrative costs, or make them subject to a higher cap, such as 20%.** While small EDUs can design and implement programs specifically tailored to their community needs, administrative costs for these EDUs may naturally result in a higher percentage of costs due to the small scale of programs and the utility’s limited staff resources, particularly if the definition of administrative costs is expanded. We do not support the alternative solution of having a process where small EDUs would seek an exemption (EO approval) due to the cost and time burden. Small EDUs have very different LCFS program needs due to their very small size and lack of budget and staff.
6. **Make edits to the regulation that will assist smaller utilities, potentially allowing them to participate in LCFS.** See the rationale for our proposal in [Appendix B](#) and proposed amendment in [Appendix A](#). Our proposal would support approximately twenty small rural utilities who cover about one percent of California to opt-into LCFS.
7. **Modifying the utility reporting requirements to better track deployment of funds to impacted communities, align with the reporting framework required by the California Public Utilities Commission (CPUC), and simplify reporting for smaller utilities.** See the rationale for our proposal in [Appendix B](#) and proposed amendment in [Appendix A](#). CARB and the CPUC currently measure equity in very different ways, and our proposal would harmonize with how this is done by the two agencies. In addition, our proposal benefits the POUs with a simpler, more practical way to report compliance with the LCFS equity provisions.

CalETC appreciates the opportunity to provide comments on this important regulation. If you have any questions, please do not hesitate to contact me at any time.

Best,

A handwritten signature in black ink, appearing to be 'LR', followed by a horizontal line.

Laura Renger
Executive Director

cc: Rajinder Sahota
Matthew Botill
Jordan Ramalingam

Appendix A (note: slightly different than CalETC's February 20th letter)

New or updated Defined Terms to be added to the Regulation's Definitions and Acronyms

~~[New term] "EDU Program Administrative Costs" are all costs associated with implementing LCFS-funded programs incurred by an EDU to pay for its staff, 3rd party implementers, non-incentive implementation costs (rebates processing, application verification, etc.) websites, application portals, and other direct program costs required to operate the program. EDU Program Administrative Costs do not include marketing, education and outreach costs.~~

[Updated term] "Clean Fuel Reward" is a statewide program established by EDUs to provide a reduction in price ~~on new light duty EV purchases or leases~~ for new and/or used commercial medium- or heavy-duty electric vehicles that are not subject to the High Priority and Federal Fleets requirements as specified in, title 13, California Code of Regulations, section 2015(a)(1) in California. The Clean Fuel Reward is funded exclusively through LCFS proceeds generated by EDUs from electricity fuel.

[New term] "Commercial vehicle" for the purposes of this program means any vehicle used by a business, public or governmental agency, or non-profit to carry people, property, or hazardous materials.²

~~"Rural Area" means a census tract with at least 75 percent of its population identified as rural non urban by the latest US Census data.~~

[New term] "Off road vehicle" is a piece of equipment that is moved over distances in order to transport goods or people from one physical location to another and is not primarily operated on roads established for automotive transport (e.g. fields, waterways, construction sites, airports, airways, etc.).

Recommendations for edits to the holdback program

5. *Restrictions on the Use of Holdback Credits.* Documentation of adherence to the following restrictions must be included in the annual report submitted pursuant to section 95491(e)(5)(A).
 - a. *Holdback Credit Equity Projects.* Effective January 1, 2022~~5~~, at least 75 percent in year one, 40 percent in year two, and 50 percent in subsequent years of holdback credit ~~proceeds~~ annual spending for large and medium investor owned EDUs and 50 percent of holdback credit annual spending for all other EDUs must be used to support transportation electrification for underserved individuals and

² HVIP FY22-23 Implementation Manual, Definitions, page 52 [HVIP-FY22-23-Implementation-Manual.pdf \(californiahvip.org\)](https://californiahvip.org)

communities. Any project from sections 95483(c)(5)(a)(i), (viii), or (xi) shall be considered a holdback credit equity project; all other projects described in this paragraph may be considered holdback credit equity projects provided they are for the primary benefit of or primarily serving disadvantaged communities and/or low-income communities and/or rural areas or low-income individuals eligible under California Alternative Rates for Energy (CARE) or Family Electric Rate Assistance Program (FERA) or the definition of low-income in Health and Safety code section 50093 or the definition of low-income established by a POU's governing body or a community in which at least 75 percent of public school students in the project area are eligible to receive free or reduced-price meals under the National School Lunch Program, or a community located on lands belonging to a ~~state and~~ federally recognizes California Indian tribe.

If an EDU fails to spend the required percentage on equity projects in a calendar year, the shortfall of spending, in dollars, will be added to their total equity spending requirement for the following year.

~~a.~~

~~b.~~ EDUs must use their holdback credits to implement additional projects that further transportation electrification efforts in California. Project costs may include incentives; infrastructure installation; administration; marketing, education, and outreach (ME&O); evaluation; and other cost categories as needed. Equity projects as defined in this paragraph must be selected from the options of projects listed in i-x below. Non-equity projects may be selected from the options on this list, or any alternative provided the EDU meets the requirements of 95491(e)(5) without further CARB approval. The large investor-owned utilities must implement at least three different holdback projects. Equity holdback project options are listed below: ~~These projects may include:~~

- ~~i.~~ Electrification and battery swap programs for school or transit buses.
- ~~ii.~~ i. Electrification of drayage trucks as well as other medium-, heavy-duty, or off-road vehicles including school and transit buses.
- ~~iii.~~ ii. Investment in public EV charging infrastructure and EV charging infrastructure in multi-family residences.
- ~~iv.~~ iii. Investment in electric mobility solutions, such as EV sharing and ride hailing programs.

- ~~v.~~ Multilingual marketing, education, and outreach designed to increase awareness and adoption of EVs and clean mobility options and including information about: the environmental, economic, and health benefits of EV transportation; basic maintenance and charging of EVs; electric rates designed to encourage EV use; and local, state, and federal incentives available for purchase of EVs.
- vi. *[Revised Subsection v. renumber as iii]* ~~community education events located within communities listed in 95483(c)(1)(A) designed to increase awareness and adoption of EVs and clean mobility options, and outreach in coordination with community-based organizations, including but not limited to neighborhood canvassing, community listening sessions, and needs assessments, focused in communities listed in 95483(c)(1)(A), to inform the development of projects and programs tailored to community needs. including information about: the environmental, economic, and health benefits of EV transportation; basic maintenance and charging of EVs; electric rates designed to encourage EV use; and local, state, and federal incentives available for purchase of EVs.~~ Education and outreach do not include general marketing or advertising campaigns.
- ~~vii.~~
- ~~viii.~~ ~~iv.~~ Additional rebates and incentives ~~for low-income individuals~~ beyond existing local, federal and State rebates and incentives ~~including the Clean Fuel Reward~~ for: purchasing or leasing new or previously owned EVs; installing EV charging infrastructure in residences, including panel and service upgrades; ~~promoting use of public transit and other clean mobility solutions;~~ and offsetting costs for residential or nonresidential EV charging.
- v. Investing in, or promoting the ~~Promoting~~ use of, and additional incentives for use of public transit and other clean mobility solutions, via charging equipment or infrastructure for the following categories such as:

- I. EV sharing and ride hailing programs,
- II. Electrification of public transit and school buses, including battery swap programs, and
- III. Use or ownership of neighborhood electric vehicles, eBikes, eScooters, eMotorcycles, and other micromobility solutions.
- IV. Charging equipment or infrastructure for any of the above.
- vi. Re-skilling and workforce development for transportation electrification and electric vehicle infrastructure applications, developed in coordination with the California Workforce Development Board, ~~or~~ local workforce development agencies, a community-based organization, a California Community College, or a workforce strategy adopted by the Board of a POU.
- vii. Investments in grid-side distribution infrastructure necessary for ~~medium and heavy duty~~ EV charging.
- viii. Transportation Electrification projects that are identified in, or consistent with, a Community Emission Reduction Plan created in response to AB 617.
- ix. Support for vehicle-grid integration with projects such as:
 - I. Encouraging the optimization of EV charging through education in the following areas: peak demand, rate pricing, grid emergencies, potential power shutoffs, infrastructure deferral, renewable integration, and/or other signals and grid needs to provide grid and customer benefits.
 - II. Providing program incentives to encourage driver participation in monitored/managed charging, demand response, or vehicle-to-

load / vehicle-to- grid applications.

III. Supporting the deployment and installation of bidirectional charging equipment.

IV. Other innovative approaches to promoting and managing EV charging and discharging provide benefits to customers and the grid.

X. Hardware and software that decrease the cost of or avoid updates to infrastructure, including load management software or outlet splitting.

~~vii.~~xi. Alternatively, EDUs, in coordination with local environmental justice advocates, local community-based organizations, and local municipalities, may develop and implement other projects that promote transportation electrification in disadvantaged and/or low-income communities and/or rural areas or for low-income individuals. These alternative projects are subject to approval by the Executive Officer. Applications submitted to the Executive Officer must include, and will be evaluated for approval based on, a complete description of the project, demonstration that the project promotes transportation electrification in disadvantaged and/or low-income communities and/or rural areas or provides increased access to electric transportation for low-income individuals, and evidence that the project was developed in coordination with local environmental justice advocates, local community-based organizations, and local municipalities.

b. ~~*Additional Reporting Requirements for Holdback Credit Equity Projects.*~~ As part of annual reporting required pursuant to section 95491(d)(3)(A)5., EDUs must include a discussion on how their portfolio of holdback credit equity projects is consistent with the findings and recommendations of the SB 350 Low Income Barriers Study, Part B report prepared by CARB (rev. Feb. 2018), incorporated herein. This discussion must include, as applicable, a description of how the projects:

support increased access to clean transportation and mobility options; consider, and to the extent feasible, either complement or build upon existing CARB, other State, or local incentive projects to diversify and maximize benefits from statewide investments; demonstrate partnership and support from local community based organizations; and meet community identified clean transportation needs.

~~b. Other Holdback Projects. Holdback projects that are not specified in subsection 95483(c)(1)(A)6.a. must follow the requirements specified in 95491(e)(5). Below are examples of pre-approved uses for these other holdback credit proceeds:~~

~~i. Investments in grid side distribution infrastructure necessary for EV charging.~~

~~ii. Support for vehicle grid integration with projects such as:~~

~~I. Encouraging the optimization of EV charging through education in the following areas: peak demand, rate pricing, grid emergencies, potential power shutoffs, infrastructure deferral, renewable integration, and/or other signals and grid needs to provide grid and customer benefits.~~

~~II. Providing program incentives to encourage driver participation in monitored/managed charging, demand response, or vehicle to load / vehicle to grid applications.~~

~~III. Supporting the deployment and installation of bidirectional charging equipment.~~

~~IV. Other innovative approaches to promoting and managing EV charging and discharging that provides benefits to customers and the grid.~~

~~iii. Hardware and software that decrease the cost of or avoid updates to infrastructure, including load management software or outlet splitting.~~

b. Administrative Costs of Holdback Credit Equity Projects. With the exception of EDUs with annual sales of less than 2000 GWh, EDU Program administrative costs to support the ~~development and~~ implementation of holdback credit equity projects excluding start-up costs (those costs associated with setting up the program and incurred prior to issuing incentives), must not exceed 10.7 percent of total spending on holdback credit equity projects annually unless the EDU contracts with a community-based organization, and the exceedance is approved in advance by the Executive Officer. The request for administrative cost exceedance for a calendar year must be submitted by September 30th of the prior year. The request must include, and will be evaluated for approval based on, a complete description of the equity projects planned by the EDU, an estimate of total administrative costs relative to total spending on the projects, and evidence that the community-based organization is a non-profit organization focused on serving disadvantaged and/or low-income groups.

Within 30 days of receiving a request for higher administrative costs, the Executive Officer will inform the EDU of its decision in writing. If the request is rejected the Executive Officer will provide a rationale for the decision. If the rejection is due to insufficient information, the EDU may resubmit the request after addressing the deficiencies identified in the Executive Officer decision.

Recommended amendments on administrative cost

§95483(c)(1)(A)(4) Combined Administrative and marketing, education and outreach costs, excluding start-up costs (those costs associated with setting up the program and incurred prior to issuing rewards), to support any Clean Fuel Reward program funded by LCFS credit proceeds may not exceed 5.10 percent of LCFS credit proceeds contributed to the Clean Fuel Reward program annually, unless approved in advance by the Executive Officer.

§95483(c)(1)(A)(4)(a) A request to exceed 5.10 percent administrative and marketing education and outreach costs must be submitted by the administrator of the Clean Fuel Reward program to the Executive Officer by September 30 of the prior year.

Recommended edits to the definition of “Electrical Distribution Utility.”

§95481. Definitions and Acronyms

“Electrical Distribution Utility” means an entity that owns or operates an electrical distribution system, including:

- (1) a public utility as defined in the Public Utilities Code section 216 (referred to as an Investor-Owned Utility, or IOU); or
- A. “Large Investor-owned Utility” means an IOU with annual load served equal to or more than 10,000 25,000 Gigawatt-hours (GWh) in 2017 2022;
- B. “Medium Investor-owned Utility” means an IOU with annual load served of less than 10,000 25,000 GWh and equal to or more than 700 15,000 GWh in 2017 2022;

- C. “Small Investor-owned Utility” means an IOU with annual load served equal to or less than ~~700~~ 15,000 GWh in ~~2017~~ 2022.

or

- (2) a local publicly owned electric utility (POU) as defined in Public Utilities Code section 224.3;
- A. “Large Publicly owned Utility” means a California POU with annual load served equal to or more than ~~10,000~~ 15,000 Gigawatt-hours (GWh) in ~~2017~~ 2022;
- B. “Medium Publicly owned Utility” means a California POU with annual load served of less than ~~10,000~~ 15,000 GWh and equal to or more than 7005,000 GWh in ~~2017~~ 2022;
- C. “Small Publicly owned Utility” means a California POU with annual load served of less than ~~700~~ 5,000 GWh in ~~2017~~ 2022. Or
- D. (C) an Electrical Cooperative (COOP) as defined in Public Utilities Code section 2776

Recommended amendments for a new Small EDU program

[New provision – exact location TBD] §95483(c)(1)(A) XXXX Proceeds from non-opt-in EDU base credits that were allocated to the Large EDUs beginning with the deposit of Q2 2019 credits through the deposit of Q2 2024 credits and the transferred to the Clean Fuel Reward program pursuant to section 95483 (c)(1)(A) may be transferred by the Clean Fuel Reward Program Administrator to small EDUs opted in to the LCFS program by March 31, 2025. Any base credit proceeds reallocated in this manner must be spent by the recipient small EDU in accordance with sections 95491 (e)(5) and 95483 (c)(1)(A). The Executive Officer must approve the Clean Fuel Reward Program Administrator’s plan for distribution of previously unallocated base credit proceeds prior to any transfers.

Appendix B- CalETC Board's February 2024 Letter

February 20, 2024

Honorable Chair Liane Randolph and Honorable Board Members California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Re: Proposed Amendments to the Low Carbon Fuel Standard Regulation

Submitted to <https://ww2.arb.ca.gov/applications/public-comments>

Dear Chair Randolph and Honorable Board Members:

CalETC appreciates this opportunity to SUPPORT the Low Carbon Fuel Standard (LCFS) regulation and provide feedback for CARB Board member consideration. As discussed in detail below, CalETC largely supports the proposed draft regulation order ("draft order"), however, we are urging CARB to make some modifications to ensure that the utilities will be able to effectively administer the programs funded by LCFS proceeds. These changes are critical to ensuring the success of the LCFS program.

CalETC is a non-profit association committed to the successful introduction and large-scale deployment of all forms of electric transportation including plug-in electric vehicles of all weight classes, transit buses, port electrification, off-road electric vehicles and equipment, and rail. Our board of directors includes Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison, Northern California Power Agency, and the Southern California Public Power Authority. Our membership also includes major automakers, manufacturers of zero-emission trucks and buses, developers and operators of charging stations and other industry leaders supporting transportation electrification. CalETC supports and advocates for the transition to a zero-emission transportation future to spur economic growth, fuel diversity and energy independence, ensure clean air, and combat climate change. This letter is submitted on behalf of the CalETC board of directors and covers issues specific to the utility interests in LCFS.

Over the past few years, the CalETC board has worked closely with the CARB LCFS staff to provide suggested amendments to the LCFS regulations. We appreciate the tremendous effort and accessibility of CARB staff during the extensive public process regarding this regulation.

I. Executive Summary of CalETC Utility Comments

CalETC requests specific changes to the draft order to ensure that the utilities will be able to effectively administer programs funded by LCFS proceeds. These changes include: (1) ensuring that the cap on administrative costs for both holdback programs and the statewide California Clean Fuel Reward (CCFR) program is clearly defined and set at a reasonable amount; (2) simplifying and clarifying the language in the proposed regulation pertaining to utility “holdback” (holdback) programs; (3) clarifying that Publicly Owned Utilities must spend 50% of holdback funds on equity projects, as opposed to 75%; (4) clarifying that San Diego Gas and Electric is a “medium-sized” utility under the regulation; (5) making edits to the regulation that will assist smaller utilities, potentially allowing them to participate in LCFS; (6) modifying the utility reporting requirements to better track deployment of funds to impacted communities, align with the reporting framework required by the California Public Utilities Commission (CPUC), and simplify reporting for smaller utilities; (7) requesting that the regulation allow the Executive Officer to approve certain modifications to the CCFR that can improve program responsiveness and efficacy; and (8) requesting implementation assistance on the Credit Clearance Market (CCM). All of these modifications are discussed in Section II, below.

CalETC supports many provisions in the draft order including, but not limited to: (1) the current program design with utilities generating the “base” LCFS residential credits; (2) the provision of more credits to the utility holdback programs; and (3) the establishment of a statewide medium-and-heavy-duty electric vehicle rebate program for new and used vehicles. A detailed description of the rationale behind CalETC’s support positions is included in Section III, below.

II. CalETC Requests the Following Important Changes to the Draft Order

CalETC respectfully requests that the following changes be made to the Draft Order:

(1) CalETC opposes the proposed 5% cap on administrative costs for both holdback programs and the statewide California Clean Fuel Reward and recommends that the cap remain at 10%

Based on how utilities currently track and report program administrative costs, the reduction of allowable administrative costs for utility holdback programs from 10% to 5% in the proposed amendments will make it extremely difficult, if not impossible, to administer these programs. Given their focus on addressing the most underserved individuals and communities, utility holdback programs are necessarily more expensive to operate than broad, unrestricted incentive programs given higher levels of customer support and additional expenses like income verification needed to ensure the funding is reaching the people that most need it. Additionally, smaller utilities may only be able to implement a portfolio of small programs that will never benefit from the economies of scale that larger programs achieve. While there is an option in the Regulation that allows the utilities to exceed the administrative cost caps with advanced approval from the Executive Officer, this is likely to create administrative challenges for CARB and utility staff if each utility must make a request each year that they expect to exceed the proposed 5% cap.

CalETC acknowledges, however, that there may be differences in how CARB Staff and the electrical distribution utilities (EDUs) interpret “administrative costs” as this is not a defined term in the Regulation. While CARB Guidance 20-03 does provide some insight into what might be considered administrative costs, it appears to be inclusive only of the utility’s administrative staff costs (salary, benefits, training, travel, etc.) and does not mention other program-specific costs that have typically been reported as “administrative costs” in past and current utility LCFS programs to CARB and the CPUC . These include critical program activities such as third-party administrative costs, rebate processing fees, applicant and income verification costs, website licenses and fees, and other direct, but non-incentive, program costs. It has been customary for the IOUs to report all these additional costs as “administrative costs” to both CARB and the CPUC in their annual LCFS reports based on the history of discussion in various CPUC Decisions and their experience with other customer programs.³

So, while it may be possible to implement utility Holdback programs with a 5% administrative cost cap under the narrow definition considered in Guidance 20-03, CalETC recommends that, with the exception of small EDUs that have annual electricity sales of less than 2000 GWh, the cap on equity holdback administrative costs should revert to 10% as allowed in the current Regulation, and that the definition should be expanded to include all associated program administrative costs, with the exception of start-up costs and education and outreach costs. Start-up costs, defined as set-up costs that occur before any incentives can be paid, are already excluded from the CCFR. Because costs before program launch are almost 100% administrative, it is nearly impossible to meet any administrative cap in the year a program is being set up. For small EDUs, CalETC proposes that they are not subject to a cap on administrative costs. To this end, CalETC has proposed a definition of EDU Program Administrative Costs in Appendix B that should be included in the Definitions and Acronyms section of the Regulation.

For small EDUs, CalETC proposes that they are not subject to a cap on administrative costs, or are subject to a higher cap, such as 20%. While Small EDUs are able to design and implement programs specifically tailored to their community needs, administrative costs for these EDUs may naturally result in a higher percentage of costs due to the small scale of programs and the utility’s limited staff resources, particularly if the definition of administrative costs is expanded. The 2000 GWh exemption makes sense as a natural break in utility sizes when looking at 2022 CEC data on total electricity sales. While there is a process for EO approval of administrative costs exceeding 10%, the process would place yet another administrative burden on small EDUs to go through the process annually and require additional LCFS Staff time. Furthermore, the process requires a contract with a community-based organization, which is limiting. Many small EDU equity projects incorporate partnerships and collaboration with a CBO without a formal contract.

To further illustrate how other program operating costs are different than the definition of administrative costs in Guidance 20-03, consider the investor-owned utilities (IOUs) energy efficiency program portfolios, which have administered billions of dollars of incentive funds

³ See D.14-12-083, D.20-12-027, and CPUC Resolution E-5015.

throughout the state with oversight from the CPUC, are operated under guidelines established in the Energy Efficiency Policy Manual⁴. As shown in the Table below, Appendix C of the Energy Efficiency Policy Manual lists the cost caps (hard requirements) and targets that the CPUC established for the operations of these programs.

Appendix C Table: Energy Efficiency Policy Manual APPENDIX C Cost Category Caps

Budget Categories	Cap	Target
Utility program administrative costs	10%	
Third-party / Gov't partnership administrative costs		10%
Marketing & outreach costs		6%
Direct implementation non-incentive (DINI) costs		20%
Evaluation, measurement & verification (EM&V) costs	4%	

In addition to being separate from ME&O costs, administrative costs, as defined in the Energy Efficiency Policy Manual, explicitly exclude third party implementer fees, and also exclude direct implementation non-incentive (DINI) costs (which include activities such as software licenses, rebate processing, contractor training, etc.). CalETC's request to expand the definition of administrative costs to include things such as third-party implementer costs and DINI costs while imposing a cap of 10% is more conservative than the requirements of the Energy Efficiency Policy Manual while still allowing the utilities the budgets needed to effectively operate their LCFS-funded programs.

CalETC has confirmed with CARB staff that ME&O costs for holdback are not included as part of administrative costs in any LCFS guidance document. In addition, as noted above, the CPUC does not include ME&O as part of administrative costs for other programs, including current LCFS programs. We recommend that ME&O should be excluded from administrative costs in the new LCFS regulation to reduce uncertainty and improve clarity. See Appendix B for our proposed amendments.

With this expanded definition of administrative costs, CalETC also recommends that the allowable cost cap for the statewide Clean Fuel Reward, which currently includes ME&O costs, be reverted to 10% from the 5% that is in the proposed regulation. While CARB Staff have expressed reasonable concerns that the potential size of the Clean Fuel Reward could allow for very large administrative and ME&O budgets, it should be noted that these same concerns were addressed when the CPUC authorized the utilities to implement the Clean Fuel Reward in 2019, finding that "a 10% cap of administrative funds is generally within the range of spending for other customer programs the utilities implement," and ordered SCE in Resolution E-5015 to "administer no more than 10% of the total Clean Fuel Reward program budget on administrative and marketing, education, & outreach spending, which must include all administrative spending related to the Clean Fuel Rewards program." The CPUC found that including ME&O in the 10% cap was reasonable for a program of this size; the potential scale of the Clean Fuel Reward is no larger today than it was in

⁴ Version 6 located at [6442465683-ee-policy-manual-revised-march-20-2020-b.pdf \(ca.gov\)](https://www.cpuc.ca.gov/6442465683-ee-policy-manual-revised-march-20-2020-b.pdf)

2019, and the same rationale should apply today. Further, we do not believe that either the Clean Fuel Reward or holdback programs will grow so large in the near term that the administrative costs will be too large. CARB will be doing another LCFS rulemaking in a few years and should closely monitor administrative costs and address if there is a problem.

Therefore, the proposed amendment's 5% cap should be rejected, and instead should revert to 1) the 10% allowable administrative costs for utility equity holdback programs, excluding startup costs and ME&O, as this is currently accepted by both CARB and the CPUC, 2) the 10% cap on allowable combined administrative and ME&O costs for the Clean Fuel Reward programs, as authorized in the current version of the LCFS Regulation and concurrent CPUC Resolutions, and 3) a more expansive definition of administrative costs that explicitly excludes ME&O should be added to the regulation. CalETC has provided recommended language for the relevant sections of the Regulation in Appendix B that implement these recommendations. Additional details on administrative costs should continue to be in an updated guidance document.

(2) CalETC recommends simplifying and clarifying the language in the proposed regulation pertaining to utility holdback programs

CalETC supports the staff's efforts to develop a recommended list in the proposed regulation of activities for holdback projects to make it easier for all stakeholders (e.g., the CPUC, CARB Staff, municipal utility governing boards, and utility program developers) to have a clear understanding of how CARB intends utility LCFS Holdback funds to be used. While we appreciate that many new project types have been included in the proposed amendments at the recommendation of CalETC and its members, several updates to the Holdback project list in the proposed amendments are needed for the sake of simplicity and to provide clarity on what is or is not considered a holdback equity project while also providing consistency of interpretation through the regulation itself.

The proposed amendments contain two lists: one which CARB Staff has indicated must be used for equity projects and another which are "good ideas" for non-equity projects. However, this makes it unclear if a utility could implement a project on the "equity" list – such as deploying charging stations at a multifamily property – as part of its non-equity project spending, and it also implies that a project on the "good ideas" list – such as optimized EV charging – could not be considered as counting towards a utility's equity spending requirements even if that project was directly reducing the energy bill of a low-income customer. Further uncertainty exists around the incentivization of medium- and heavy-duty (MDHD) vehicles: should projects supporting MDHD electrification only be considered equity projects if the vehicles are domiciled, or fueling located in, impacted communities, or always be considered equity projects since the pollutants from these vehicles disproportionately impact equity communities (i.e., disadvantaged rural, tribal and low-income communities) regardless of where they are domiciled or fueled?

CalETC recommends that the two lists be consolidated into one and that project spending be considered towards the utilities' equity allocation compliance requirements if it benefits the communities and individuals defined in the equity holdback section. To ensure that the utilities are only deploying projects that CARB supports for equity communities and individuals, CalETC

recommends that the single project list must be used for equity projects and may be used for non-equity projects in addition to other non-equity projects that further transportation electrification in California as defined by 95491(e)(5). This approach is more straightforward, minimizes opportunity for conflicting interpretations, and provides certainty on expectations around CARB's priorities while still allowing flexibility for utilities to propose non-equity programs that are best suited to their specific service areas and customers. CalETC also recommends that any project that furthers the deployment of electric MDHD vehicles be considered as an equity project, as the electrification of trucking almost always benefits low-income individuals and disadvantaged communities with criteria pollutant and GHG reductions even when the primary charging / ownership location is outside of the disadvantaged community, low-income community, tribal area, or rural area (See CalETC's comments on the definition of rural in bullet 8 below).

Additionally, CalETC recommends several smaller changes to the proposed regulation below with proposed amendments in Appendix B:

1. The regulation should include a requirement for large IOUs (SCE and PG&E in CalETC's comments below) to utilize their holdback credit revenues to fund a minimum of three program options as there are increasingly diversified needs in transportation electrification over large service areas. Including this requirement to fund a minimum of three program options will help ensure that the large IOUs consider the diverse needs of their customers and are not compelled by stakeholders to focus on a single project.
2. While we agree with the proposed regulation's deletion of broad-based ME&O (e.g., television and radio), the regulation, rather than Guidance Document 20-03, should clearly allow ME&O for specific projects.
3. The project list should explicitly allow for upgrades to electric panels, which are prerequisites to transportation electrification for many customers living in older buildings that have not had recent updates. Upgrades to panels can have other benefits but are primarily to enable transportation electrification.
4. For simplicity and clarity, the project list should be consolidated on the recommended projects for electric mobility solutions as there are two list items that appear to overlap regarding mobility alternatives.
5. The project list should preserve a narrowly focused project category for direct multilingual education and outreach serving equity communities. The preservation of this category is not intended to include general marketing or advertising. It is only intended to allow for multilingual education and outreach to equity communities.
6. The list of agencies that may be consulted in the creation of workforce development projects should be expanded to include other pertinent entities, such as California Community Colleges, community-based organizations, and publicly-owned utilities (POUs) Governing Boards.
7. CalETC thanks CARB Staff for harmonizing the definitions of equity communities and individuals in the proposed amendments with those detailed in AB 841 and CPUC Decision D.20-12-027. However, the language requires a slight modification. AB 841 defines this as

"a community located on lands belonging to a federally recognized California Indian tribe."⁵ The proposed amendments include "state and federally recognized".

8. The definition of "rural" needs to be updated as the U.S. Census Bureau no longer reports rural percentages for census tract population. The Census Bureau now defines rural as "all population, housing, and territory not included within an urban area."⁶
9. "Off Road Vehicle" should be defined for clarity because it is not obvious that vessels, aircraft, and other transportation qualify under that term. CalETC has provided recommended edits to this section of the proposed amendments in Appendix B to this letter.

(3) CalETC requests clarification that POUs must spend 50% of holdback funds on equity projects, as opposed to 75%

CalETC notes a discrepancy between the proposed LCFS requiring 75% of holdback funds for equity projects compared to Appendix E "Purpose and Rationale for Low Carbon Fuel Standards Amendments," which calls for 50% for POUs. We recommend that POUs have a 50% requirement for equity holdback. We understand there are almost 30 POUs that have opted into LCFS and potentially another fifteen could opt in. The POUs are very diverse and represent specific and limited territories within the State, with a wide variety of populations, EV densities, rural/urban splits, percentages of DACs and community needs. POUs are also uniquely in tune with local needs. Designing and implementing effective transportation electrification programs for low-income, rural and/or disadvantaged communities can be challenging, and the uptake and timing of projects is difficult to predict. In addition, there will be natural fluctuations in program spending year-to-year, and an annual requirement of 50% allows for better planning to maximize the impact of equity spending. In addition, we recommend the 50% equity requirement for the three small IOUs (instead of the 75% in the proposed LCFS). These small IOUs are not opted into LCFS, and a 75% equity holdback requirement creates practical challenges at start up that make it difficult for them to opt-in to LCFS.

(4) CalETC requests clarification that San Diego Gas and Electric is a "medium-sized" utility under the regulation

CalETC notes that the regulatory package has conflicting information regarding the size of San Diego Gas and Electric (SDG&E) and its requirements under CCFR and holdback programs. Specifically, in *Appendix E: Purpose and Rationale of Proposed Amendments for the Low Carbon Fuel Standard Requirements*, CARB staff states, "San Diego Gas & Electric is re-defined to have a comparable contribution to the statewide program to similarly sized public utilities." However, this change is not in the proposed regulation. In discussion with CARB staff, we understand that they intend to categorize SDG&E as the same size as Los Angeles Department of Water and

⁵ Bill Text: CA AB841 | 2019-2020 | Regular Session | Amended | LegiScan at 1601.(e)(5)

⁶ See <https://www.census.gov/programs-surveys/geography/guidance/geo-areas/urban-rural.html>

Power based on their similar total 2022 electricity sales (annual GWh). CalETC supports these two utilities having the same contribution to the CCFR in the final LCFS, as their size is very similar, and SDG&E is substantially smaller than the two large IOUs. This change will allow SDG&E to have more meaningful holdback programs.

CalETC may have further comments on the definition of EDUs based on annual GWhs in the future, as we understand that staff plans to propose amendments to these definitions (e.g., improved data, new thresholds for large, medium, and small EDUs) in an upcoming 15-day comment period.

(5) CalETC requests edits to the regulation that will assist smaller utilities, potentially allowing them to participate in LCFS

CalETC requests the LCFS include a program to encourage small EDUs who have not opted into LCFS to do so and expand programs by small EDUs who have recently opted in. There are over 50 EDUs in California, and we understand from staff that about thirty have opted in to LCFS. Our proposal would support approximately twenty small rural utilities who cover about one percent of California.

We propose that the LCFS have new regulatory language that allows the CCFR Steering Committee to work with the Executive Officer to design one-time grants to incent the small, mostly rural EDUs that have not yet opt into the LCFS to opt-in and also to provide additional funding to EDUs that have recently opted in. The goal of the program would be to have almost all California utilities participate in the LCFS and provide holdback programs to provide better coverage in underserved areas.

Specifically, we request funding for our recommended program to come from funds that non-opt in EDUs have been providing to the CCFR since 2020 per Section 95486.1 (c) (1) (A) paragraph 2.⁷ Our informal survey of these small EDUs found that they often only have a handful or a few hundred EVs which is not enough to justify a program. Under our proposal, a start-up grant would be enough for a small EDU to start or expand a basic program to help their customers and CARB would provide approvals and oversight to the CCFR Steering Committee and Program Administrator. Our recommended amendment is in Appendix B.

(6) CalETC requests the regulation modify the utility reporting requirements to better track deployment of funds to impacted communities, align with the reporting framework required by CPUC, and simplify reporting for smaller utilities

CalETC appreciates the areas where CARB Staff have made efforts to harmonize the regulatory and reporting requirements of the LCFS Regulations with other regulatory bodies, such as the CPUC. One such area was increasing the equity allocation requirement of utility Holdback

⁷ All base credits for any EDU that is not eligible to receive base credits pursuant to this provision will be allocated to the Clean Fuel Reward program pursuant to section 95486.1(c)(1)(A) paragraph 2.

programs for the Large IOUs from 50% to 75%. Yet, while increasing the equity requirement to 75% appears to align with the CPUC's requirements in D.20-12-027, CARB and the CPUC currently measure this metric in very different ways. CARB counts percent of proceeds earned in a calendar year, which was clarified by guidance document 20-03 to include percent of proceeds either spent or encumbered (i.e., budgeted or set aside) to an equity program. The CPUC, however, counts spending that occurs during the calendar year, regardless of when the credits were earned. This is subtle but, as a result, the IOUs are often reporting entirely different data to demonstrate compliance to each agency in their annual reports⁸.

Tracking compliance against the percentage of annual proceeds creates many operational difficulties. For example, if the combination of on-road EV charging and credit prices-- both of which are beyond the utilities' control -- evolve over a year such that a utility generates double the proceeds it expected to generate, then a utility may be faced with two options to maintain compliance based on percent of annual proceeds: double the spending of its in-market programs or encumber those funds, without actually spending them, in some combination of those programs. The first may not be practical as it is difficult to increase operational capacity of a program in real time; the second achieves compliance but it does not necessarily allow the utility to assess where it should best allocate its holdback funds in the coming calendar year as they will have been encumbered to a specific program for the sake of compliance.

Tracking on how LCFS proceeds are actually returned to Californians, is a more effective metric to track how LCFS dollars actually flow to benefit underserved communities over time and is consistent with the metric used by the CPUC to ensure compliance⁹. However, in recognition that the balance between equity and non-equity spending may necessarily vary in a given year, the regulation should specify that any "underspend" in annual equity spending will carry over to the next calendar year(s) in the form of increased equity spending requirements.¹⁰ The recommended language has been provided in Appendix B as part of the updates to the holdback program section.

Compliance based on spend, when coupled with the rollover of any "underspending" on equity in a given year, also helps smaller utilities, by providing an option, to save up holdback proceeds for several years to accumulate a large enough bank to implement a program without "pre-deciding" how to allocate their funds into a program until they are ready to spend them, in addition to the option of saving up for large equity spending projects through the rollover provision. Further, compliance based on spend makes it easier to account for the reality of utility programs, which often have both equity and non-equity recipients, as the utilities can simply report how much of the annual spend went to each type of recipient in a calendar year, rather than managing set asides in intra-program budgets.

⁸ See Decision D.14-12-083 Ordering Paragraph 4, requiring reporting on annual expenditures.

⁹ Decision D.20-12-027 Ordering Paragraph 1

¹⁰ For example, if a large IOU spent \$10 million in one year, \$7.5 million of that would be required for equity. However, if only \$7 million was spent on equity (70%), the \$500,000 underspend would be added to the following year's compliance such that they would need to spend 75% plus \$500,000.

Therefore, CalETC recommends that the utility holdback project equity allocation requirements be updated to percent of annual spend rather than percent of annual proceeds. Further, CalETC proposes that if a utility underspends on equity projects in a given year, the amount that it underspends will be carried forward to the next year. This aligns the LCFS Regulation's requirements with the obligations that the CPUC has already placed on the IOUs, improves tracking of how LCFS funding is actually being deployed into impacted communities, and simplifies accounting for CARB, CPUC, and utility staff. CalETC has proposed language that would implement these recommendations in Appendix B to this letter as part of its other recommendations for updates to the holdback section.

(7) CalETC requests that the regulation allows the Executive Officer to approve certain modifications to the CCFR that can improve program responsiveness and efficacy

The LCFS is a powerful tool for incentivizing the adoption of low carbon technologies to support the technologies called for in the 2022 Scoping Plan. Because the Scoping Plan calls for the adoption of new zero emission technologies, the LCFS regulatory framework must allow for some flexibility in response to changing market conditions and needs. As such, CalETC respectfully requests that the final regulation allow the Executive Officer to make modifications to the electricity provisions of the LCFS, including the ability to add tools other than rebates or new technologies (such as financing assistance) to the statewide Clean Fuel Reward program if requested by the Clean Fuel Reward Steering Committee. CalETC also respectfully requests that such exception requests from the Executive Officer be handled expeditiously, and staff be adequately resourced to handle these exceptions.

(8) CalETC requests implementation assistance on the Credit Clearance Market (CCM)

CalETC's members include large EDUs who will be impacted by the CCM. We respectfully ask for a guidance document (or, if appropriate, a user guide or FAQ) on the mechanics of the CCM. For example, what do deficit/credit holders functionally do once a CCM / Advanced Crediting phase is declared? Also, given the proposed increase from ten million to thirty million credits in the CCM, we request further discussion regarding possible practical issues down the road if only a small number of EDUs are trying to transact such a large volume in a mandatory compressed timeframe.

III. CalETC largely supports the proposed order

CalETC applauds CARB's efforts to amend this important and complicated regulation. In particular, CalETC supports the following provisions of the proposed order:

(1) CalETC supports the continued allocation of base residential charging credits to the electric distribution utilities (EDUs) which fund important statewide and individual utility programs

CalETC strongly supports the continued allocation of the residential base credits generated by electricity used to fuel electric vehicles to the electric utilities. This is appropriate and leads to the most efficient, equitable, and market-stimulating distribution of the proceeds.

1. *The utilities are subject to extensive regulatory oversight, ensuring that the proceeds are spent in a manner that aligns with the state's goals.*

The electric utilities are subject to extensive reporting and compliance requirements, ensuring that the distribution of LCFS proceeds is open and transparent. Furthermore, the utilities have a duty to serve all customers, including populations that have been slower to adopt EVs including those residing in disadvantaged communities (DAC), low-income renters and multi-unit dwellings (MUD). Residents of DACs and MUDs are utility customers, and as such the utilities are incentivized to assist those customers in transitioning to electric transportation. The electric utilities can use the proceeds gained from base residential credits to establish holdback programs that enable charging at MUDs, for renters, and in equity communities. Similarly, utilities can leverage credits generated across the entire customer base to fund programs incentivizing adoption in DACs and low-income communities. Utilities are the only entity able to use credits generated from residential light-duty EV charging to support heavy-duty or off-road vehicle electrification, an increasingly urgent issue in decreasing the transportation sector's air pollution and greenhouse gas emissions.

California's electric utilities are uniquely positioned to support and enable additional load from electric vehicles because electric vehicle load is flexible and when used off peak makes more efficient use of the electric system which puts downward pressure on electric rates for all other customers. Because of this, California's electric utilities are the only entities that have the primary goal of ensuring accessible infrastructure and affordable electricity, making them uniquely positioned to receive and manage base residential credits.

2. *The electric utilities have been a long-time partner in the state's decarbonization efforts and are by definition located in California.*

Unlike other entities, the electric distribution utilities (EDUs) must always be located locally, within California, to provide a critical and essential service. The size of utilities varies dramatically, with the larger utilities having the staff and resources necessary to work cohesively with the other EDUs to efficiently run statewide programs. Some examples of efforts to collectively enable market transformation include programs in energy efficiency, renewable energy and most recently, the California Clean Fuel Reward. The utilities are equipped to handle the very large-scale proceeds generated by the LCFS. They are experienced, efficient administrators and have a long history of designing large-scale, stable successful programs and have shown they can quickly implement statewide and individual utility programs.

Additionally, all Californians have an electric utility provider and are used to working with their utility to support their energy needs. This name recognition and familiarity is necessary for getting reluctant customers to adopt new technologies. Finally, the electric utilities have provided service to their customers for decades and will continue to serve their territories for

many decades to come, providing the stability needed to positively contribute to the wholesale market transformation required by the switch to electrified transportation.

3. *Electric utilities are able to implement programs that address the needs of all aspects of electric vehicle adoption and at the scale needed to support CARB's scoping plan.*

Unlike other important players in the electric vehicle industry, electric utilities can administer programs involving all aspects of the transportation electrification ecosystem. The utilities can provide rebates for chargers, rates designed to incentivize adoption, vehicle incentives, grid upgrades to support increased beneficial electrification, and have decades of experience implementing programs targeted to benefit lower-income and disadvantaged customers. Having the ability to address all aspects of electric vehicle adoption allows for flexibility in how the money is spent. Furthermore, a properly designed program can afford the utilities the ability to act quickly and to adjust program design when external factors change. This is increasingly important as state, local and federal funding sources and tax breaks tend to shift over time.

Electric utilities also provide service to all electric vehicle segments and classes. The utilities serve light, medium- and heavy-duty vehicles, individually owned vehicles, last-mile vehicles, and fleets. With the increase of electrification, upgrades to the electric grid will be necessary. Utilities will need information about the location of all electric vehicles so that they can adequately upgrade the grid and provide vehicle/grid integration services. Finally, serving all vehicle classes allows the electric utilities to provide programs for both the light-duty and medium-and-heavy-duty sectors. This allows the utilities to utilize the funding from the sectors that are first to electrify (light-duty) to incentivize and support the sectors that are harder to electrify (e.g., medium-and-heavy-duty).

Allowing the utilities to receive the residential base credits also supports individual utility programs which are necessary for meeting local needs and hard-to-reach markets such as medium- and heavy-duty EVs, off-road EVs and infrastructure for renters (homes, apartments, etc.) that are identified in the Scoping Plan, Advanced Clean Cars, and Advance Clean Fleets. Individual utility programs can be nimble and respond to the complex, ever-changing incentive landscape for EV and infrastructure incentives.

4. *Keeping the current structure prevents a complicated system where both utilities and non-utilities receive base residential credits.*

The current structure supports large-scale, statewide programs linked to the State's equity and climate goals. Diluting the credits coming to utilities makes both individual utility and large-scale statewide programs very difficult to implement and harder for CARB to regulate. Also, the current structure enables and funds active utility involvement, especially for small POUs, and encourages more small EDUs to join LCFS and create custom programs to support their customers. The current LCFS is a well-crafted system that allows site-hosts, automakers, charging providers and utilities to all receive LCFS credits.

CalETC also supports the proposed provision requiring entities “generating credits from electricity to use all credit proceeds to further transportation electrification efforts in California and include in their annual compliance report an itemized summary of efforts and costs associated with meeting this requirement.” Ensuring that all the proceeds from the electricity LCFS credits are put back into programs and projects that incentivize the adoption of transportation electrification is essential to effectuating the goals of CARB’s Scoping Plan.

(2) CalETC supports staff’s proposal for EDUs to spend more of their LCFS proceeds on holdback programs

Under the proposed order § 95483(c)(1)(A)(2), the required contribution to CCFR and remaining allocation to holdback programs would be changed as follows:

EDU Category	Holdback Allocation (%)	
	Proposed	Previous
Large Investor-owned Utilities	50	33
Large Publicly Owned Utilities	75	55
Medium Investor-Owned Utilities	75	75
Medium Publicly Owned Utilities	90	75
Small Publicly Owned Utilities and Small Investor-owned Utilities	100	98

CalETC strongly supports these changes, with the exception discussed above regarding San Diego Gas and Electric. Funding from base residential credits for holdback programs and CCFR are directly linked. With the proposed regulation increasing holdback funding percentages, the percentages allocated to the CCFR will decrease. This change is appropriate because the proposed CCFR is for the much smaller market of medium- and heavy-EVs vs. the larger light-duty market in the current CCFR.¹¹ Similarly, removing very small EDUs from contributing to the CCFR is appropriate because a two percent contribution is not meaningful and results in administrative inefficiencies for both the CCFR Program Administrator and the very small EDUs.

(3) CalETC supports the proposed shift in the California Clean Fuel Reward (CCFR) from being a reduction in the purchase or lease price of new light-duty electric vehicles (EVs) to being a reduction in the purchase or lease prices of new electric medium- and heavy-duty EVs

CalETC supports CARB’s proposed amendments that will transition the statewide Clean Fuel Reward program from an incentive for all new passenger EVs to one that will support the adoption of electric MDHD vehicles in the coming decade. We also agree that the new Clean Fuel Reward

¹¹ The California Energy Commission anticipates that the adoption of medium- and heavy-duty vehicles as follows: 27,000 by 2025, 155,000 by 2030 and 377,000 by 2035. See Assembly Bill 2127 Second Electric Vehicle Charging Infrastructure Assessment Revised Staff Report.

should be in line with the needs of CARB's Scoping plan - and primarily benefiting equity communities - and believe the new proposal¹² achieves this goal. However, as the Clean Fuel Reward Program Administrator (SCE) has commented, minor updates to the vehicle eligibility in the proposed amendments are needed to ensure that that new Clean Fuel Reward program can effectively implement CARB's ambitious plans for the commercial vehicle sector.

For example, in *Appendix E: Purpose and Rationale of Proposed Amendments for the Low Carbon Fuel Standard Requirements*, CARB Staff states that the "Clean Fuel Reward will change from a universal new light-duty EV rebate to be focused on new and used rebates for medium- and heavy-duty trucks." However, the proposed amendments define the Clean Fuel Reward as applying only to new vehicles. CalETC believes that "used" was accidentally omitted from the proposed amendments and has provided recommended language that includes used vehicles in Appendix B to this letter.

Additionally, CalETC is concerned that definitions for medium-or-heavy duty vehicle in the proposed amendments do not necessarily align with CARB's stated intentions. Defining these solely by weight class, as the current proposed amendments do, means that the Clean Fuel Reward program may be required to provide incentives for all vehicles that have a GVWR greater than or equal to 8,501, which includes many passenger vehicles such as the Rivian line of products, the extended range Ford F-150 Lightning, the electric Chevrolet Silverado, and the electric Hummer to name a few. Based on CARB Staff's published rationale, CalETC believes these vehicles should be incentivized by the Clean Fuel Reward only if they are purchased for use as commercial vehicles. CalETC agrees with the Program Administrator's proposal that the definition of Clean Fuel Reward be updated to specify that it is for commercial vehicles only, and the Regulation should also include a definition for commercial vehicle in the Definitions and Acronyms section for clarity and completeness. For consistency, CalETC proposes that the LCFS Regulation adopt the same definition for commercial vehicles utilized by the Hybrid and Zero-Emissions Truck and Bus Voucher Incentive Project (HVIP). Both these definitions are included in Appendix B to this letter, and CalETC believes that these minor modification to the proposed amendments will empower the new Clean Fuel Reward program to be a vital tool in the state's efforts to decarbonize heavy-duty trucking.

¹² "Clean Fuel Reward" is a statewide program established by EDUs to provide a reduction in price on new light-duty EV purchases or leases for new medium- or heavy-duty electric vehicles that are not subject to the High Priority and Federal Fleets requirements as specified in, title 13, California Code of Regulations, section 2015(a)(1) in California.

CalETC appreciates the opportunity to provide comments on this important regulation. If you have any questions, please do not hesitate to contact me at any time.

Best,

A handwritten signature in dark ink, appearing to be 'LR', with a long horizontal flourish extending to the right.

Laura Renger
Executive Director

cc: Rajinder Sahota
Matthew Botill
Jordan Ramalingam
Jacob Englander

