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August 11, 2008
CL08-0134

Mr. James Goldstene
Executive Officer
Air Resources Board
1001 I Street
Sacramento, CA 95812-2815

Dear Mr. Goldstene,

Subject: Mitsubishi Motors' Comments Regarding the 2008 Amendments to the California Zero Emission Vehicle Program Regulations – Modifications as directed by the Air Resources Board at the March 27, 2008 Public Hearing

On behalf of Mitsubishi Motors North America and Mitsubishi Motors Corporation, Mitsubishi Motors R&D of America (Mitsubishi) submits the following comments regarding the 2008 Proposed Amendments to the California Zero Emission Vehicle Program Regulations – Modifications as directed by the Air Resources Board (Board) at the March 27, 2008 Public Hearing.

Mitsubishi Motors is concerned that its proposal for an optional "Gold to Silver" was misconstrued by ARB Staff and no action was taken. This is opposite the stated intentions of the Board who clearly directed ARB Staff to include this proposal in the "15 Day Changes." See the following excerpts from the March 27, 2008 Public Hearing:

- During the Hearing, the Board made a clear request to implement the "Gold to Silver" proposal which was reviewed twice by Chief Deputy Executive Officer Cackette for a total of three separate discussions:

1. The original motion from Board Member D'Adamo and acknowledgement from Chairperson Nichols:

BOARD MEMBER D'ADAMO: [Air Resources Board Public Hearing March 27, 2008 Transcript (Transcript) page 249, line 10 – 13] "And then this one seemed like something we ought to credit. And that is Mitsubishi's request to allow conversion of gold into the silver category. That seemed reasonable."

CHAIRPERSON NICHOLS: (Transcript page 249, line 14 – 15) "Right. That was an interesting point, yeah."

2. Chief Deputy Executive Officer Cackette summarizes and promises to take action – Chairperson Nichols again acknowledges: (Discussion from Transcript page 261, line 24 through page 263, line 15)

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: "I don't know what the Mitsubishi issue was."

CHAIRPERSON NICHOLS: "They want to be able to gain gold credits. And you convert them to silver when they --"

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: "I mean normally if you have a gold credit, you can spend it down the line, you can spend it on a lower metal quality. You know, silver plus silver. But I think the problem is that since they're intermediate, they don't generate gold credits. And we'll just -- we could go back and look at the rule and make sure that if that's the case, that we create some way where they -- if they make gold vehicles, they get credit for gold vehicles, and then they could use them anywhere."

CHAIRPERSON NICHOLS: "That's what, well, I thought people did, just -- I mean we've assumed that Tesla would get credit for their vehicles."

MR. PATTERSON: "The point is the discontinuity between gold and silver. Silver could get seven credits, where a gold vehicle could get a maximum of five. There needs to be a conversion factor between gold and silver."

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: "Analisa's going to jump on this one."

SUSTAINABLE TRANSPORTATION TECHNOLOGY BRANCH CHIEF (Analisa) BEVAN: "What Mr. Patterson is talking about is that in certain cases if there's a plug-in hybrid electric vehicle introduced in the 2009 to 2011 timeframe, it has a multiplier of three, which pops its credit if it's got -- if it's earning, say, two credits, it makes it six. And that's much more than a gold vehicle, which Mitsubishi make, which would be earning about three credits. So they're asking that we take a look at that inequity, given that they don't need gold credits as an intermediate manufacturer."

CHAIRPERSON NICHOLS: "Right. Is the staff agreeable to doing that?"

SUSTAINABLE TRANSPORTATION TECHNOLOGY BRANCH CHIEF BEVAN: "We'll look at that."

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: "Yeah, we could certainly look at that and make a proposal in the 15-day change."

CHAIRPERSON NICHOLS: "Okay. All right. Fine."

3. After the Board's final motion passes, Chief Deputy Executive Officer Cackette reconfirms and again promises to take action – Chairperson Nichols again acknowledges: (Discussion from Transcript page 300, lines 3 - 11)

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: "On my list there was one -- we weren't certain if you included in that the Mitsubishi issue about the gold credits. And --"

CHAIRPERSON NICHOLS: "I think we asked you to look at that in the context of the future."

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: "That 15-day?"

CHAIRPERSON NICHOLS: "Fifteen-day, yes."

- The proposal for "Gold to Silver" multiplier was not limited to intermediate volume manufacturers (IVMs) [see previous letter CL08-0127 dated March 26, 2008]. **It is a simple, open-ended option for any manufacturer to convert extra "Gold" credits to "Silver" with a multiplier to ensure the intrinsic value of the pure electric vehicle is maintained. This over-compliance provides both a benefit to air quality and the advancement of pure electric vehicles.** Since it is not limited to IVMs, no "additional program complexities" would be incurred – the multiplier is no different from any other credit multiplier already included in this regulation. This is also supported by my testimony at the March 27, 2008 public Hearing (see Transcript page 206, line 20-23).

ARB Staff attempted to address the credit value inconsistency between AT-PZEVs and "pure EVs" by reducing the AT-PZEV multiplier from 3.0 to 1.25 [Title 13, Section 1962.1(c) (7) (B)]. While this action was directionally correct, ARB staff made numerous small revisions to increase the AT-PZEV credit values including revising Section 1962.1(c) (6) (B) 1. The net effect of these changes is AT-PZEVs can earn up to 3.125 ($2.5 \times 1.25 = 3.125$) ZEV credits – still greater than Type I, 1.5 and II pure electric vehicles.

As we previously requested, to incentivize production of "pure ZEVs" in excess of regulatory requirements and correct this discontinuity in the ZEV credit structure, **ARB staff should obey the Board's direction and establish a Gold to Silver multiplier.** To correct the numerical credit disparity between AT-PZEVs and pure EVs, we propose the multiplier should be a minimum of 1.75; therefore, a Type I ZEV would receive 3.5 Silver credits compared to 3.125 credits for the P40 AT-PZEV.

Clearly, Mitsubishi Motors believes that mass produced battery electric vehicles will be available in the near future and we hope our proposed changes correct the inconsistency within the ZEV Mandate.

If you have any questions regarding these comments, please feel free to contact me at (714) 372-9510 or david.patterson@na.mitsubishi-motors.com.

Sincerely,



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Regulatory Affairs & Certification
Mitsubishi Motors R&D of America, Inc.

- cc: Thomas Cackette, Chief Deputy Executive Officer of the Air Resources Board
Robert Cross, Chief, Mobile Source Control Division
Analisa Beven, Chief, Sustainable Transportation Technology Branch
Mary Nichols, Chairman
Air Resources Board Members
Lori Andreoni, ARB Clerk