

State of California
California Environmental Protection Agency

AIR RESOURCES BOARD

**DRAFT IMPLEMENTATION MANUAL FOR THE ZERO-
EMISSION AND PLUG-IN HYBRID LIGHT-DUTY VEHICLE
(CLEAN VEHICLE) REBATE PROJECT**

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California Environmental Protection Agency

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EXECUTIVE SUMMARY

The Zero-Emission and Plug-In Hybrid Light-Duty Vehicle Rebate Project (Clean Vehicle Rebate Project or CVRP) is intended to encourage and accelerate zero-emission vehicle deployment and technology innovation. The project provides rebates of up to \$5000 for California purchasers or lessees of zero-emission vehicles, including zero-emission cars, trucks, commercial medium- and heavy-duty vehicles, motorcycles, and neighborhood electric vehicles (NEVs), as well as plug-in hybrid electric light-duty vehicles (PHEV). The Clean Vehicle Rebate Project builds upon the success of the Air Resources Board's (ARB) recent Alternative Fuel Vehicle Incentive Program (AFVIP). The Clean Vehicle Rebate Project will be administered and implemented through a partnership between ARB and a Project Manager, selected via a competitive ARB solicitation.

During previous program reviews of ARB's Carl Moyer Program, the California Department of Finance and the Bureau of State Audits have recommended that ARB incentive programs have clear and specific guidelines defining requirements and responsibilities for project administration, implementation and oversight.¹ Clear definitions of project requirements and responsibilities help ensure program transparency and accountability, while safeguarding the integrity of public funds. ARB has used the lessons learned from these program reviews as well as its experience running its longstanding incentive programs in developing the Clean Vehicle Rebate Project Implementation Manual (Implementation Manual).

The Implementation Manual, in conjunction with the Air Quality Improvement Program (AQIP) Guidelines and AQIP Funding Plan for Fiscal Year 2009-10, identifies the minimum requirements for administration, implementation, and oversight of the Clean Vehicle Rebate Project. The draft Implementation Manual is a work in progress and will continue to be refined in coordination with the selected CVRP Project Manager (See Table 1 on Page X for the Clean Vehicle Rebate Project development timeline). The selected CVRP Project Manager will have the opportunity to recommend updates to the Implementation Manual as part of the first phase of project implementation.

¹ The California Department of Finance Evaluation and the Bureau of State Audits Report regarding implementation of the Carl Moyer program can be found at: www.arb.ca.gov/msprog/moyer/audits/audits.htm

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- B. List of Existing Eligible Vehicles and Rebate Amounts
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1 INTRODUCTION

In 2007, Governor Schwarzenegger signed into law the *California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007* (AB 118, Statutes of 2007, Chapter 750). AB 118 created the AQIP, a voluntary incentive program administered by ARB, to fund clean vehicle and equipment projects, air quality research, and workforce training. ARB's appropriation for AQIP projects in the fiscal year (FY) 2009-10 State Budget is \$XX million.

In April 2009, ARB adopted AQIP Guidelines that establish minimum administrative and implementation requirements, providing the overarching rules for how ARB will manage this incentive program. The AQIP Guidelines include the procedures for issuing project solicitations and selecting projects. The Clean Vehicle Rebate Project solicitation has been developed in accordance with the provisions of the AQIP Guidelines.

In April 2009, ARB also approved the AQIP Funding Plan for Fiscal Year (FY) 2009-10 (Funding Plan), which serves as the blueprint for expending FY 2009-10 AQIP funds. The Funding Plan establishes ARB's priorities for the funding cycle, describes the projects ARB will fund in FY 2009-10, and sets funding targets for each project. Under the Funding Plan, AQIP funds will be focused on supporting development and deployment of the advanced technologies needed to meet California's longer-term, post 2020 air quality goals. The Funding Plan establishes the Clean Vehicle Rebate Project as one of the four deployment/commercialization projects funded in AQIP for FY 2009-10.

This document constitutes the ARB's Implementation Manual for the Clean Vehicle Rebate Project (Implementation Manual). The purpose of this incentive project is to encourage and accelerate zero-emission vehicle deployment and technology innovation. The project provides rebates of up to \$5,000 to qualified individuals, businesses, public agencies and entities, and non-profit organizations for the purchase or lease of an eligible vehicle. The Clean Vehicle Rebate Project will be administered and implemented through a partnership between ARB and a Project Manager, selected via a competitive ARB solicitation.

This Implementation Manual, in conjunction with the AQIP Guidelines and AQIP Funding Plan, identifies the minimum requirements for administration, implementation, and oversight of the Clean Vehicle Rebate Project.

2 PROJECT IMPLEMENTATION

2.1 Project Framework

The Clean Vehicle Rebate Project enables the purchaser or lessee of an eligible vehicle to receive a rebate for up to \$5000. After the purchaser or lessee takes ownership and registers the vehicle, they will be eligible for the rebate. The rebate application may be submitted online, downloaded from the Clean Vehicle Rebate Project website and mailed to the Project Manager, or obtained by contacting the Program Manager directly and submitted by mail.

It is important that the Clean Vehicle Rebate Project information be centrally available to the public and other interested parties. In order to achieve this, the Clean Vehicle Rebate Project will have a website which will include an up-to-date list of eligible vehicles as well as the rebate amount for each vehicle, an online rebate application, all supporting documentation and forms, and a real-time running total of available funds remaining in the program. The website will enable the program to be streamlined and provide project transparency.

The vehicle must be purchased or leased on or after XXX. For the purposes of this project, the date of purchase shall be the day of sale. Typically, a sale is deemed completed and consummated when the purchaser of the vehicle has paid the purchase price, or, in lieu thereof, has signed a purchase contract or security agreement and taken physical possession or delivery of the vehicle. For purposes of this program, a vehicle shall be deemed to be leased on the date upon which the lease of the vehicle commences, which is typically-specified in a signed lease agreement. If leased, the vehicle must be leased for a minimum term of 36 months. For leased vehicle, rebates shall only be issued to the person or entity that is financially responsible for the registration of the vehicle.

Key milestones for Clean Vehicle Rebate Project development and implementation are identified in Table 1.

Table 1: Proposed Clean Vehicle Rebate Project Development and Implementation Timeline

Action Item	Date or Time Period
Solicitation for CVRP Project Manager	August 2009
CVRP Project Manager selected	October 2009
CVRP Project Manager develops project webpage, conducts outreach. Implementation Manual and online form finalized.	October-November 2009
Vehicle funding becomes available	December 2009 (until depleted)
Quarterly Status Report to ARB Program Contact	January 2010 – June 2012

This timeline assumes the FY 2009-10 California budget is signed on July 1, 2009; a budget delay would result in a commensurate delay in project tasks.

2.2 Development of Eligible Vehicle List

The List of Eligible Vehicle Models for the Clean Vehicle Rebate Project will be periodically updated as manufacturers submit applications and vehicle models are approved. In order for a vehicle to be eligible for a rebate through this project, the vehicle manufacturer must submit to ARB the Vehicle Eligibility Application in Appendix A and all supporting documentation. ARB will work with the vehicle manufacturer to ensure that all the required documentation is received and request any additional information needed to make an eligibility determination. If the vehicle meets the eligibility requirements set forth in section 4.2 of this Implementation Manual, then ARB will add the vehicle to the List of Eligible Vehicle Models, calculate the rebate amount, and provide the updated list to the Project Manager. Vehicles purchased prior to the vehicle being added to the List of Eligible Vehicles are not eligible for a rebate. Appendix B includes the list of vehicles that are currently eligible for rebates through this program.

2.3 Vehicle Rebate Amounts

Table 2 summarizes the maximum per vehicle rebate amount and the maximum project funding (or funding limits) for each vehicle type. The maximum funding limits for zero-emission motorcycles and commercial vehicles ensure funding is distributed among the vehicle types. Total rebates issued for these vehicle types must not exceed the maximum project funding listed in the Table 2.

Table 2: Clean Vehicle Rebate Project Maximum Rebate Amounts

Vehicle Type	Maximum Rebate Amount	Maximum Project Funding
Zero-Emission Light-Duty Vehicle Type II or III	\$5,000	\$5 million
Type I.5	\$4,000	
Type I	\$3,000	
Plug-in Hybrid Electric Light-Duty Vehicle	\$3,000	
Neighborhood Electric Vehicle	\$1,500	
Zero-Emission Motorcycle	\$1,500	\$1 million
Zero-Emission Commercial Vehicle	\$20,000	\$3 million

The ARB will establish a rebate amount for each eligible vehicle model equal to either 10 percent of the manufacturer's suggested retail price (MSRP) or 50 percent of the incremental difference in cost between the eligible vehicle and a comparable internal combustion engine vehicle, whichever is greater, up to the maximum rebate amount for that vehicle type listed in Table 2. For the purpose of this project, the rebate amount determined by ARB will be considered half of the incremental cost. Specific rebate amounts for each eligible vehicle model will be included in the List of Eligible Vehicle Models and available on the project webpage. Appendix B provides the initial list of eligible vehicles and the corresponding rebate amounts.

Opportunities for Additional Vehicle Cost Buy-Down

Participation in the Clean Vehicle Rebate Project does not preclude a vehicle purchaser or lessee from taking advantage of other incentive opportunities. Rebates could be combined with federal and local agency incentives to help further buy-down an eligible vehicle's incremental cost.

2.4 Distribution of Rebates

The Project Manager, in coordination with ARB, must develop the Clean Vehicle Rebate Project website to provide the public a central location for all information on the project. The Clean Vehicle Rebate Project website will include an online application, a list of eligible vehicles, the eligible rebate amount for each vehicle, and provide a real-time running total of available funds remaining in the program. At any time following the purchase or lease transaction, the purchaser or lessee may submit a rebate application. The rebate application may be submitted online, downloaded from the Clean Vehicle Rebate Project website and mailed to the Project Manager, or obtained by contacting the Program Manager directly and submitted by mail.

Rebates will be distributed on a first-come first-serve basis. If the application is submitted online, a rebate has been reserved and the purchaser or lessee has 14 calendar days to mail (determined by postmark) the required documentation to the Project Manager. If the purchaser or lessee does not submit with required documentation within the 14 calendar days, the funds will be released back to the project and the purchaser or lessee will need to submit another application.

Applications submitted by mail must include all the required documentation to be considered complete and reserve a rebate. Required documentation may include a copy of the sales or lease contract, an itemization of discounts, incentives and credits received, and proof of temporary or permanent vehicle registration. Once the Project Manager has verified the documentation, a rebate check will be issued to the purchaser or lessee.

The rebate for an eligible vehicle will be issued to the qualified recipient in a single allotment. The distribution of this rebate will be made as soon as possible, but no later than 60 days after receipt and verification of the documentation required for approval of the rebate.

2.5 Appeal Process

If a rebate application is denied, the Project Manager shall provide the applicant with the reason for the denial in writing. Any applicants who feel that they have been unfairly denied a rebate may submit an appeal to the ARB Program Contact. Such an appeal must be signed by the applicant and submitted in writing via postal mail within 30 days of the date shown on the written denial letter to:

ARB Program Contact: Ms. Stella Ling-Taylor
Air Quality Improvement Program Section
P.O. Box 2815
Sacramento, CA 95812
Attn: Clean Vehicle Rebate Project Appeals

Appeals made by e-mail, fax or phone will not be considered. A written response to the appeal will be provided by the ARB Program Contact within 60 days of receipt.

3 DUTIES AND REQUIREMENTS

3.1 Air Resources Board

ARB is responsible for:

- Development of the Draft Implementation Manual (the Implementation Manual will be finalized in consultation with the Project Manager).
- Selecting the Project Manager.
- Evaluating and approving vehicles for Clean Vehicle Rebate Project eligibility, and providing the Project Manager an up-to-date list of eligible vehicles. ARB is responsible for working closely with vehicle manufacturers in order to determine vehicle eligibility.
- Participating in regular meetings with the Project Manager to discuss project refinements and guide project implementation.

- Review and approval of project elements provided by the Project Manager, such as the Clean Vehicle Rebate Project webpage, rebate payment verification, and progress reports.
- Distribution of project funds to the Project Manager.
- Project oversight and accountability.
- Meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan (adopted by the Board on April 24, 2009), the Clean Vehicle Rebate Project solicitation, the grant agreement with the Project Manager, and the Clean Vehicle Rebate Project Implementation Manual. The AQIP Guidelines and Funding Plan are available at: www.arb.ca.gov/msprog/aqip/aqip.htm.

ARB shall also designate an ARB Program Contact as the contact person for coordination with the Project Manager. The ARB Program Contact for the FY 2009-10 Clean Vehicle Rebate Project is Ms. Stella Ling-Taylor. Ms. Ling-Taylor can be reached by e-mail at sling-taylor@arb.ca.gov or by telephone at (916) 322-6369.

3.2 Project Manager

The Project Manager is responsible for on-the-ground project implementation, including the following tasks:

- Finalize the Draft Implementation Manual in consultation with ARB.
- Prepare outreach and educational materials in consultation with ARB and conduct the outreach necessary for the project to be successful.
- Develop a user-friendly public webpage which must include, at a minimum:
 1. The list of eligible vehicles and each vehicle's rebate amount.
 2. Ability to submit online rebate applications.
 3. Ability to track total Clean Vehicle Rebate Project funds available and expended in real-time.
 4. All documents and forms related to the project.
- Ensure purchasers and lessees meet all applicable Clean Vehicle Rebate Project requirements.
- Use the criteria in this Implementation Manual to review and approve or disapprove rebate applications.
- Distribute rebate payments to eligible vehicle purchasers and lessees.
- Track expenditure of Clean Vehicle Rebate Project grant funding.
- Closely communicate with the ARB to ensure that the most current list of eligible vehicles is being used.
- Respond to public inquiries regarding the Clean Vehicle Rebate Project.
- Provide a Quarterly Status Report to the ARB detailing rebates redeemed for purchased vehicles. The grant agreement with the Project Manager may specify an electronic format for quarterly reporting, as needed for transparent and effective data tracking.
- Provide ARB a mechanism for receiving three years of annual reports from purchasers and lessees of commercial ZEV's.

- Provide information, upon request, to individuals or organizations that wish to appeal a rebate denial to the Executive Officer.
- Provide ARB with all webpage(s), software or other intellectual property developed or purchased by the Project Manager for the purposes of administering or implementing the Clean Vehicle Rebate Project, if requested.
- Meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan, ARB's Clean Vehicle Rebate Project solicitation, the Clean Vehicle Rebate Project grant agreement with ARB, and this Implementation Manual.

Project Manager responsibilities encompass three phases – project development, project implementation, and project reporting.

Conflict of Interest

The Project Manager may have no interest, and shall not acquire any interest, direct or indirect, which will conflict with its ability to impartially complete the project tasks described above. All applicants must disclose any direct or indirect financial interest or situation which may pose an actual, apparent, or potential conflict of interest with its duties at the time of the Clean Vehicle Rebate Project Manager solicitation. Although applicants are not automatically disqualified due to a potential or appearance of a conflict of interest at the time of the Clean Vehicle Rebate Project Manager solicitation, ARB may consider the nature and extent of any potential or apparent conflict of interest in evaluating the proposal.

3.3 Vehicle Purchaser or Lessee

The vehicle purchaser or lessee is responsible for submitting the rebate application and providing the Project Manager all required documentation. Eligible vehicle purchasers or lessees must accept the rebate directly – the Clean Vehicle Rebate Project does not provide an option to assign the rebate to a lessor (vehicle dealer or manufacturer). To receive a Clean Vehicle Rebate Project rebate, a vehicle purchaser or lessee must:

- Be an individual, business, non-profit, or government entity which is based in California or has a California-based affiliate or be a vehicle manufacturer demonstrating prototype ZEVs or PHEVs in California.
- Submit a rebate application form either online or through the mail.
- Submit the following documentation to the Project Manager:
 1. Proof of temporary or permanent vehicle registration. A copy of the Application for New Vehicle Registration submitted by the dealer to DMV is acceptable proof of temporary vehicle registration if submitted within one year of sale. Local, state and federal agencies and entities may submit other documents with the prior approval of the Project Manager.
 2. A copy of the lease/purchase agreement signed by all parties with an itemization of credits, discounts and incentives received, if applicable.
 3. For individuals, a copy of a current utility billing statement.
 4. For select NEVs as identified on the eligible vehicle list, evidence of sealed maintenance-free batteries and a 24-month warranty.

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5. For rebate applications submitted through the mail, documentation must be submitted with the mailed rebate application. For rebate applications submitted online, documentation must be submitted within 14 calendar days.
 - Maintain insurance as required by law.
 - Notify the Project Manager of new address if there is an address change within the three-year period after the date of purchase or lease.
 - Notify the Project Manager if the vehicle is sold or the lease is terminated within the three-year period after the date of purchase or lease.
 - Not make or allow any modifications to the vehicle's emissions control systems, hardware, software calibrations, or hybrid system. (Violation, VC27156)
 - For purchasers or lessees of commercial ZEVs, submit annual usage surveys for three years. For all other vehicle types, ARB reserves the right to request vehicle usage information at any time within the three years after the rebate is issued.
 - Commit that any emission reductions generated by the purchased hybrid vehicle will not be used as marketable emission reduction credits, to offset any emission reduction obligation of any person or entity, or to generate a compliance extension or extra credit for determining regulatory compliance.
 - Be available for follow-up inspection if requested by the Project Manager, ARB, or ARB's designee for the purposes of project oversight and accountability.

Vehicle purchasers and lessees participating in the Clean Vehicle Rebate Project are expected to keep the vehicle and meet all applicable project requirements for a minimum three year period after the vehicle purchase date. However, resale of a vehicle or return to dealer is allowed within this three year period if necessitated by unforeseen or unavoidable circumstances. If the vehicle is resold, the vehicle purchaser or lessee must assign a prorated portion of their rebate, in an amount equivalent to the original rebate amount divided by 36 months and then multiplied by the number of months remaining in the original 36 month period (rounded to the nearest month), to the new owner or lessee of the vehicle. If the vehicle is returned to the dealer, the same prorated portion of the rebate should be directed to the Project Manager.

Purchase of a vehicle with a Clean Vehicle Rebate Project rebate with the intent to resell the vehicle for financial gain within three years is not allowed. In these cases, the ARB (or its designee) reserves the right to recoup Clean Vehicle Rebate Project funds from the original vehicle purchaser identified on the rebate application and may pursue additional civil or criminal penalties.

4 QUALIFYING VEHICLES

This section discusses the categories of vehicles eligible for grant funding under the Clean Vehicle Rebate Project and the specific criteria that a vehicle model must meet to be considered eligible. Vehicle models will be approved by ARB on a model year basis and placed on a List of Eligible Vehicle Models for rebates. Appendix B provides a list

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of all vehicles currently eligible for rebates and the corresponding rebate amounts. Manufacturers of vehicle models not currently on the list should submit a Vehicle Eligibility Application (Appendix A) to ARB. The vehicle manufacturer is responsible for providing all the required documentation described on the application. ARB will coordinate with the vehicle manufacturers to request any additional documentation needed for eligibility determinations. ARB is responsible for providing the Project Manager the current list of eligible vehicles and the corresponding rebate amounts.

4.1 Eligible Vehicle Categories

There are two general categories of vehicles eligible for grant funding under the Clean Vehicle Rebate Project: zero-emission vehicles (ZEV) and plug-in hybrid electric vehicles (PHEV).

4.1.1 ZEVs

The ZEV category is divided into Full Function Zero Emission Vehicles (FFZEVs), City Zero Emission Vehicles (CEVs) Neighborhood Zero Emission Vehicles (NEVs), Zero Emission Motorcycles (ZEMs), and Zero-Emission Commercial Vehicles.

Full-Function Zero Emission Vehicle (Full Function ZEV or FFZEV)

Vehicles in the FFZEV category are usually electric-drive zero emission passenger cars and light-duty trucks. They are powered by batteries and/or a hydrogen fuel cell and are capable of operation on freeways. FFZEVs may be used in normal passenger car and light-duty truck applications. Current and past FFZEV models include two-seat pickup trucks, two-seat coupes, sedans, sport utility vehicles and minivans.

City Zero Emission Vehicle (City ZEV or CEV)

Vehicles in the CEV category may be similar to FFZEVs and may be suitable for many of the same applications. They are typically equipped with smaller battery packs than full-function BEVs, reducing vehicle production costs. As a result, they are usually smaller in size, seat fewer passengers, and have a shorter driving range (miles that the vehicle can travel when starting with fully charged batteries) and lower top speeds than FFZEVs. Vehicle models that have manufacturer-imposed limitations or restrictions on their operation on freeways will be placed in the CEV category.

Neighborhood Zero Emission Vehicle (Neighborhood ZEV or NEV)

Vehicles in the NEV category are zero emission vehicles that are also categorized as low speed vehicles. California Vehicle Code (CVC) Section 385.5, defines a low speed vehicle as a motor vehicle with four wheels on the ground and an unladen weight of 3,000 pounds or less, that is capable of propelling itself at a minimum speed of 20 miles per hour and a maximum speed of 25 miles per hour on a paved level surface. NEVs may be legally operated on public streets with maximum speed limits of 35 mile per hour or lower. Low speed vehicles are subject to a DOT safety standard (49 CFR 571.500) that

requires ten specific items of safety equipment. Under the Clean Vehicle Rebate Project, NEV manufacturers need not retire or forego California ZEV regulatory credits earned from the production of a vehicle offered for sale in California and the placement of the vehicle into service on or after May 24, 2007.

Zero Emission Motorcycles (ZEMs)

Vehicles in the ZEM category include fully-enclosed zero emission vehicles designed to travel on three wheels and two-wheel electric motorcycles meeting the provisions of CVC Section 400.

Zero-Emission Commercial Vehicle

Vehicles in the commercial ZEV category include electric-drive, zero-emission medium- or heavy-duty trucks (10,000 to 33,000 lbs GVWR) powered by batteries and/or a hydrogen fuel cell. These vehicles are capable of operation on freeways and are most commonly used for heavy idling or stop-and-go operations.

4.1.2 PHEVs

Plug-in hybrid electric vehicle (PHEV)

PHEVs have zero emission vehicle range capability, an on-board electrical energy storage device, an on-board charger, and are rechargeable from an external connection to an off-board electrical source.

4.2 Vehicle Eligibility Criteria

To be eligible for the Clean Vehicle Rebate Project, vehicle models must be ARB certified as new ZEVs or PHEVs and must comply with all applicable federal motor vehicle safety standards (FMVSS) and State safety standards. Vehicles leased or offered for lease for a minimum term less than 36 months are not eligible. A table summarizing the FMVSS for a number of vehicle categories is provided in Appendix C.

Vehicles must meet the following criteria to be eligible for a rebate:

4.2.1 Be new-

To be eligible, the vehicle must be a new vehicle as defined in CVC Section 430.² The Original Equipment Manufacturer (OEM) or its authorized licensee must manufacture the vehicle. Vehicles considered new vehicles solely for determination of compliance with state emissions standards pursuant to Health and Safety Code, Article 1.5, Prohibited Transactions, (Sections 43150-43156) and CVC Section 4000.2, Registration of Out-of-State Vehicles, are not eligible vehicles. If the vehicle is not new, has been re-leased, is the subject of a lease

² Per Section 430 of the California Vehicle Code, a "new vehicle" is a vehicle constructed entirely from new parts that have never been the subject of a retail sale, or registered with the department, or registered with the appropriate agency or authority of any other state, District of Columbia, territory or possession of the United States, or foreign State, province, or country.

assumption or has been transferred into California after previously having been registered out-of-state, the vehicle is not eligible for a rebate through the Clean Vehicle Rebate Project.

4.2.2 Be certified-

The vehicle model, with the exception of ZEMs, must be certified by the ARB as a new alternative fueled vehicle or has received an experimental permit to operate as an advanced technology demonstration program vehicle. The manufacturer must also certify that the vehicle model complies with all applicable federal safety standards for new motor vehicles and new motor vehicle equipment issued by the National Highway Traffic Safety Administration (NHTSA). A table summarizing the FMVSS for a number of vehicle categories is provided in Appendix C. The FMVSS are found in Title 49 of the Code of Federal Regulations (CFR) Part 571. If a written statement and documentation have been previously provided to ARB in the course of applying for ARB approval/certification of the vehicle model, no additional written statement is required.

4.2.3 Performance, emissions, and service thresholds:

- **FFZEVs and CEVs** must be certified as Type I, I.5, II or III ZEVs as defined in the California ZEV Regulation (which is incorporated by reference in Section 1962(e), Title 13, CCR).
- **PHEVs** must meet SULEV emission standards as defined in the California ZEV Regulation (which is incorporated by reference in Section 1962(e), Title 13, CCR).
- **FFZEVs, CEVs, and PHEVs** must be capable of operation on the freeway. The ARB may request that a vehicle manufacturer provide a written statement declaring whether or not the vehicle is capable of operation on the freeway. In order for a vehicle to be considered capable of operation on a freeway, it must be in compliance with CVC Section 22400.³ CEVs may be considered freeway capable assuming they are not subject to any of the circumstances listed below. A vehicle will be presumed not capable of operation on the freeway if any one of the following circumstances apply:
 - The vehicle is a low-speed vehicle as defined by CVC Section 385.5;
 - The vehicle is prohibited by law from being operated on the freeway or is only capable of limited operation on the freeway;
 - The manufacturer has required, or will require, the purchaser or lessee to sign an agreement that limits, or prevents, the operation of the vehicle on the freeway; or
 - There is a written manufacturer's statement or recommendation (which can include the owner's manual for the vehicle) that the vehicle should not be operated on the freeway or should have limited operation on the freeway.

³ CVC Section 22400 (Minimum Speed Law) states that no person shall drive upon a highway at such a slow speed as to impede or block the normal and reasonable movement of traffic.

- **NEVs** must meet the “Neighborhood Electric Vehicle” definition in Appendix A of these guidelines, have been evaluated for baseline performance in accordance with United States Department of Energy (U.S. DOE) NEV America guidelines (successful completion of the NEV America assessment), be equipped with sealed, maintenance free batteries, and be covered by a minimum level of after sales service as described below.
 - Successful completion of the NEV America assessment means the NEV meets: (1) all of the minimum vehicle requirements specified in the NEV America Technical Specifications (Revision 2, dated December 1, 2004), and (2) the acceleration, top speed, and constant speed range performance specification in sections 5.1 through 5.3 of the same document. NEVs that successfully completed the NEV America assessment prior to Revision 2 of the Technical Specifications are still eligible for a rebate provided that the vehicle model applying for incentives is sufficiently similar to the vehicle model that completed the assessment. The Specifications are available at: <http://avt.inl.gov/pdf/nev/nevtechspec.pdf>
 - Each manufacturer must demonstrate to ARB that they have a program to offer convenient and time-sensitive warranty and maintenance service to the vehicle owner. An acceptable service program will have readily available parts, trained service technicians, and the ability to either send a technician to an owner’s home or pick up and transport the vehicle to an authorized repair facility.
- **ZEMs** must meet the “Zero Emission Motorcycle” definition in Section 6 of this Implementation Manual, successfully complete the Zero Emission Motorcycle Evaluation Procedure (Appendix D), have sealed batteries, and be covered by a minimum level of after sales service as described below.
 - Successful completion of the Zero Emission Motorcycle Evaluation Procedure means that a recognized third-party vehicle standards organization has evaluated the ZEM using the procedures contained in Appendix E and the ARB has verified that the ZEM meets the specified range and, where applicable, acceleration requirements.
 - Each manufacturer must demonstrate to ARB that they have a program to offer convenient and time-sensitive warranty and maintenance service to the vehicle owner. An acceptable service program will have readily available parts, trained service technicians, and the ability to either send a technician to an owner’s home or pick up and transport the vehicle to an authorized repair facility.

4.2.4 Warranty provisions-

The vehicle drive train, including applicable energy storage tanks or a battery pack, must be covered by a manufacturer warranty. Prior to approving a vehicle model for addition to the List of Eligible Vehicles, ARB may request that the manufacturer provide copies of representative vehicle and battery warranties and a description of the manufacturer’s plans to provide warranty and routine vehicle service. Warranty provisions must meet the following requirements:

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- **FFZEVs and PHEVs** must require, at a minimum, a warranty of 36 months; the first 12 months of the coverage period shall be a full warranty. If the extended warranty for the remaining 24 months is prorated, the percentage of the battery pack's original value to be covered or refunded must be at least as high as the percentage of the prorated coverage period still remaining. For the purpose of this computation, the age of the battery pack must be expressed in intervals no larger than three months.
- **NEVs and ZEMs** must require, at a minimum, a warranty of 24 months. At least four months of the first 12 months of the NEV/ZEM coverage period shall be a full warranty; the remainder of the first 12 months and all of the second 12 months of the coverage period may be covered under optional (available for purchase) extended warranties and may be prorated. If the extended warranty is prorated, the percentage of the battery pack's original value to be covered or refunded must be at least as high as the percentage of the prorated coverage period still remaining. For the purpose of this computation, the age of the battery pack must be expressed in intervals no larger than three months. Alternatively, a manufacturer may cover 50 percent of the original value of the battery pack for the full period of the extended warranty.

5 PROJECT ADMINISTRATION

5.1 Background

This section defines the respective roles of the ARB and the Project Manager in administering the Clean Vehicle Rebate Project.

5.2 Disbursement of Vehicle Funding to the Project Manager

The success of the Clean Vehicle Rebate Project is contingent upon the ability of vehicle purchasers and lessees to take advantage of the rebates quickly after purchasing or leasing an eligible vehicle. As such, the Project Manager will receive ten percent of Clean Vehicle Rebate Project funding as seed money at project start-up in order to turn around rebate applications quickly. Additional funds will be provided to the Project Manager as needed to quickly and efficiently fulfill rebate requests.

Documentation that 75 percent of previous funding allotments have been issued as rebates will provide the justification for the Project Manager to request additional funds from ARB.

Quarterly Status Report

The Project Manager must provide a Quarterly Status Report to ARB detailing the vehicles and associated rebate amounts assigned and redeemed to date (See Appendix E for a Sample Quarterly Status Report). The Quarterly Status Report must include the following information:

- Number and dollar amount of rebates issued detailed by vehicle, purchase price, other financial incentives received (other than tax rebates) and California air basin.
- Copies of all rebates redeemed during the reporting period.
- Remaining grant funding available.
- Identified problems or concerns.

The Quarterly Status Report provides a mechanism for the Project Manager to justify a need for an additional Clean Vehicle Rebate Project funding from ARB. The Project Manager may request a funding amount up to that needed to pay off rebates for which complete applications have been submitted. The Quarterly Status Report must be submitted at least every three months, but may be provided on a monthly or bi-monthly basis if needed to justify additional funding from ARB.

5.3 Schedule for Disbursement of Administration Funding

The Project Manager may use up to \$X, or the amount committed to in its Clean Vehicle Rebate Project application, whichever is less, for project administration and outreach. The Project Manager shall receive funding for project administration on the following schedule:

- 50 percent of project administration funds at the time the Grant Agreement is signed for outreach, webpage development including online application, and other project start-up costs
- 20 percent of administration funding after half of vehicle funding is expended, and the complete and accurate Quarterly Status Reports demonstrating fund expenditure for these vehicles have been submitted to ARB
- 20 percent of administration funding after all vehicle funding is expended, and the complete and accurate Quarterly Status Reports demonstrating fund expenditure for these vehicles have been submitted to ARB
- 10 percent of administration funding after ARB has received all intellectual property and data needed to ensure continued smooth implementation of the Clean Vehicle Rebate Project (see Sections 5.4 and 5.5, below).

5.4 Intellectual Property

The Project Manager selected via competitive solicitation in 2009 is responsible for implementation of the \$XM Clean Vehicle Rebate Project approved by the Board as part of the AQIP Funding Plan for FY 2009-10. Should the Clean Vehicle Rebate Project receive additional funding in FY 2010-11, the ARB is required to select a Project

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Manager for these future year's funds via another competitive solicitation. The Project Manager selected to administer FY 2009-10 Clean Vehicle Rebate Project is encouraged to apply to manage the Clean Vehicle Rebate Project in subsequent funding years.

Any webpage(s), software or other intellectual property developed or purchased by the Project Manager for the purposes of administering or implementing the Clean Vehicle Rebate Project are the property of ARB. Should a different Project Manager be selected to manage the Clean Vehicle Rebate Project in subsequent funding years, it will be the Project Manager's responsibility to turn over this property and information to the new Project Manager and provide all reasonable and necessary assistance needed to ensure a smooth transition. It is ARB's intention that access to and redemption of rebates be seamless to vehicle purchasers and lessees as the Clean Vehicle Rebate Project transitions to each new fiscal year.

5.5 Vehicle Activity Reporting

The purchasers or lessees of commercial ZEVs that receive a Clean Vehicle Rebate Project rebate must report annually for three years regarding vehicle miles travelled, and fleet location. The Project Manager is responsible for providing ARB with a simple and effective mechanism for requesting and receiving this information from vehicle purchasers and lessees. These mechanisms could include U.S. Mail packages with the reporting form and return envelope to be sent by ARB to the vehicle purchaser or lessee annually, an internet-based system for the vehicle purchaser or lessee to annually report activity, or some other mechanism. ARB will work with the Project Manager to determine the most simple and effective mechanism for ensuring receipt of annual reports. No additional funds will be provided to the Project Manager or vehicle purchaser or lessee to complete this task.

ARB reserves the right to request vehicle usage information, for all other eligible vehicle types, at any time within the three years after the rebate is issued. ARB will coordinate with the project manager to determine the most cost-effective way of retrieving this information.

5.6 Documentation of Administrative Costs

Administrative funds shall only be used for costs associated with project implementation related tasks outlined in the AQIP Funding Plan, the project solicitation, the Implementation Manual, or grant agreement with the Project Manager. Administrative funds shall be used for Clean Vehicle Rebate Project administration and outreach including: Project Manager staff time; consultant fees (if pre-approved by ARB); printing, mailing, and travel costs; project monitoring and compliance expenses; and indirect costs such as general administrative services, office space, and telephone services.

The Project Manager must maintain documentation of Clean Vehicle Rebate Project funds used for administration and outreach, including:

- Personnel documentation must make use of timesheets or other labor tracking software. Duty statements or other documentation may also be used to verify the number of staff and actual hours or percent of time staff devoted to Clean Vehicle Rebate Project administration and outreach.
- Fees for external consultants must be documented with copies of the consultant contract and invoices. All external consultant fees must be pre-approved by ARB.
- Printing, mailing, and travel expenses must be documented with receipts and/or invoices.
- If travel and per diem expenses are used to document project administrative costs funded by the Clean Vehicle Rebate Project, the Project Manager must have an official written policy regarding calculation of these costs. The Project Manager's travel cost calculation criteria must be consistent with its written travel policy.
- If indirect costs are used to document project administrative costs funded by the Clean Vehicle Rebate Project, the Project Manager must have an official written policy regarding calculation of these costs. The Project Manager must maintain documentation for all costs referenced in the indirect cost calculation formula.

The above documentation, records, and referenced materials must be made available for review during ARB or other State agency monitoring visits and audits. These records must be retained for a minimum of two years after submittal of the final Clean Vehicle Rebate Project invoice to ARB.

If the Project Manager charges unallowable costs for project administration or outreach, it shall be required to substitute eligible administration and outreach expenses equal to the dollar amount found ineligible, or return the funds for the unallowable cost to the ARB.

5.7 In-Kind Services

The Project Manager is encouraged to contribute in-kind services to improve the Clean Vehicle Rebate Project's effectiveness. Funds expended on in-kind services must meet all the requirements of Section 5.6 of this Implementation Manual.

5.8 Match Funding

For the purposes of the Clean Vehicle Rebate Project, match funding shall include only those funds contributed by the Project Manager directly to the Clean Vehicle Rebate Project for the purposes of funding rebates for eligible vehicles. Contributions to similar vehicle rebate programs or other air quality incentive projects (or in-kind match) are not considered eligible match funds for the purposes of the Clean Vehicle Rebate Project.

The Project Manager must meet all match funding commitments made in its Clean Vehicle Rebate Project application.

Match funding can only be used to increase the number of eligible vehicles funded. All Clean Vehicle Rebate Project match funding or vehicles funded with match funds must meet the following criteria:

- Funding from other state or federal revenue sources, such as the Carl Moyer Program or other AB 118 programs, may not be counted as match.
- Match funding must meet the same requirements applicable to Clean Vehicle Rebate Project non-match funds, and vehicles purchased wholly or in part with match funding must meet the same requirements as vehicles funded with non-match Clean Vehicle Rebate Project funds.

Documentation of match funding expended on eligible vehicles must be retained for a minimum of three years after the match-funded rebate has been issued.

5.9 Earned Interest

Interest earned by the Project Manager or its designee on Clean Vehicle Rebate Project funds must be reported to ARB. All interest income on Clean Vehicle Rebate Project funds, including both vehicle rebate funds and project administration/outreach funds, must be reinvested in the Clean Vehicle Rebate Project to fund additional rebates for eligible vehicles. The Project Manager is responsible for reporting to ARB on all vehicles funded with interest earned on Clean Vehicle Rebate Project funds.

The Project Manager must maintain accounting records (e.g. general ledger) that tracks interest earned and expended on Clean Vehicle Rebate Project funds, as follows:

- The calculation of interest must be based on an average daily balance or some other reasonable and demonstrable method of allocating the proceeds from the interest-generating account back into the program.
- The methodology for tracking earned interest must ensure that it is separately identifiable from interest earned on non- Clean Vehicle Rebate Project funds.
- The methodology for calculating earned interest must be consistent with how it is calculated for the Project Manager's other fiscal programs.
- Earned interest must be fully expended by June 30, 2012.

Documentation of interest earned on Clean Vehicle Rebate Project funds must be retained for a minimum of three years after it is generated. Documentation of interest expended on eligible vehicles must be retained for a minimum of three years after the interest-funded rebate has been redeemed.

5.10 Oversight and Accountability

Through its administration of longstanding incentive programs such as the Carl Moyer Program, ARB has found that project evaluations and program reviews are essential to

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ensure that incentive program funds are run in accordance with statutory requirements and that State funds are spent transparently and efficiently.

ARB holds the overarching responsibility for Clean Vehicle Rebate Project fund oversight and project accountability. As such, ARB is responsible for monitoring and reviewing the Project Manager's implementation of the Clean Vehicle Rebate Project. The Project Manager must keep all Clean Vehicle Rebate Project related records and information for three years after all funds have been expended and must provide ARB or its designee with access to its Clean Vehicle Rebate Project files and all other requested program information for this three year period.

Responsibilities for Clean Vehicle Rebate Project oversight are as follows:

- ARB has primary oversight responsibility for the Clean Vehicle Rebate Project to ensure transparent and efficient implementation, and that AQIP funds are spent consistent with the requirements of statute, the AQIP Guidelines and Funding Plan, the Clean Vehicle Rebate Project solicitation and grant agreement with the Project Manager, and this Implementation Manual. ARB, or its designee, reserves the right to conduct a site visit, evaluation, review, or audit the Clean Vehicle Rebate Project with a minimum of 48-hour notice for the life of the project grant.
- If the Project Manager detects any potentially fraudulent activity by a vehicle dealer, purchaser, or lessee, it shall notify ARB as soon as possible and work with ARB to determine an appropriate course of action.
- ARB staff or its designees have primary responsibility for conducting program reviews and/or fiscal audits of Clean Vehicle Rebate Project administration and implementation.
- Rebate recipients and the Project Manager must allow ARB, the California Department of Finance, the California Bureau of State Audits, or any authorized designee access, during normal business hours, to conduct Clean Vehicle Rebate Project reviews and fiscal audits or other evaluations. Granting of access includes, but is not limited to, reviewing project records, site visits, and other evaluations as needed. Project evaluations or site visits may occur unannounced as ARB staff or its designee deems necessary.

Project Non-Performance

ARB or its designee has the authority to recoup Clean Vehicle Rebate Project funds which were received based upon misinformation or fraud, or for which a Project Manager, dealership, manufacturer, or vehicle purchaser or lessee is in significant or continual non-compliance with this Implementation Manual or State law. ARB also retains the authority to prohibit any entity from participating in the Clean Vehicle Rebate Project due to non-compliance with project requirements.

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6 DEFINITIONS

“ARB-Certified” for the purposes of the Clean Vehicle rebate Project means a vehicle that has been certified as a ZEV or a PHEV and issued an Executive Order by ARB in accordance with the provisions of the California ZEV Regulation (Section 1962(e), Title 13, CCR)

“ARB Program Contact” is the ARB staff person, named in this Implementation Manual, which serves as the point of contact for coordination with the Clean Vehicle Rebate Project Manager.

“Battery Electric Vehicle” (BEV) means any vehicle that operates solely by use of a battery, or that is powered primarily through the use of an electric battery but uses a flywheel or capacitor that also stores energy to assist in vehicle operation.

“Commercial vehicle” means any vehicle or combination of vehicles defined in Vehicle Code Section 15210(b).

“Demonstration Vehicle” or **“Advanced Technology Demonstration Program Vehicle”** means a vehicle leased as part of a demonstration program as discussed in section 1962(g)(4), Title 13, California Code of Regulations (CCR).

“Earned interest” means any interest generated from State AQIP funds provided to the Project Manager and held in an interest-bearing account.

“Fuel Cell Electric Vehicle” (FCEV) means any vehicle that operates solely by use of a fuel cell, or that is powered primarily through the use of a fuel cell but uses an electric battery, flywheel, or capacitor that also stores energy to assist in vehicle operation.

“Hybrid Electric Vehicle” (HEV) means any vehicle that can draw propulsion energy from both on-vehicle sources of stored energy: 1) consumable fuel, and 2) an energy storage device such as a battery, capacitor, or flywheel.

“Incremental cost” means the difference in cost between the new zero emission or plug-in hybrid electric vehicle and the comparable new gasoline or diesel fueled vehicle that would be purchased to perform the same function.

“In-kind services” means payments or contributions made in the form of goods and services, rather than direct monetary contributions.

“Light-duty truck” means any 2000 and subsequent model motor vehicle certified to the standards in section 1961(a)(1), Title 13, CCR, rated at 8,500 pounds gross vehicle weight or less, and any other motor vehicle rated at 6,000 pounds gross vehicle weight or less, which is designed primarily for purposes of transportation of property or is a

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derivative of such a vehicle, or is available with special features enabling off-street or off-highway operation and use.

“Match funding” means those funds contributed by the Project Manager directly to the Clean Vehicle Rebate Project for the sole purposes of funding additional rebates for eligible vehicles.

“Neighborhood Electric Vehicle” (NEV) means a motor vehicle that meets the definition of “low-speed vehicle” either in section 385.5 of the Vehicle Code or in 49 CFR 571.500 (as it existed on July 1, 2000) and is certified to zero-emission vehicle standards.

“Passenger car” means any motor vehicle designed primarily for transportation of persons and having a design capacity of twelve persons or less.

“Plug-in hybrid electric vehicle” (PHEV), (also known as a Grid-connected HEV or GHEV) means a hybrid electric vehicle which has:

- zero emission vehicle range capability,
- on-board electrical energy storage device with useful capacity equivalent to greater than or equal to ten miles of Urban Dynamometer Driving Schedule (UDDS) range on electricity alone,
- is equipped with an on-board charger, and is
- rechargeable from an external connection to an off-board electrical source.

Note: A light-duty PHEV must be ARB AT-PZEV certified.

“Project Manager” means the entity selected by ARB via competitive solicitation to administer the Clean Vehicle Rebate Project. The responsibilities of the Project Manager are described in Section 2.3 of this Implementation Manual and in the grant agreement between ARB and the Project Manager.

“Type I ZEV” means a ZEV with a UDDS ZEV range of 50 miles or more.

“Type I.5 ZEV” means a ZEV with a UDDS ZEV range of 75 miles or more.

“Type II ZEV” means a ZEV with a UDDS ZEV range of 100 miles or more.

“Type III ZEV” means a ZEV with a UDDS ZEV range of 100 miles or more that is capable of replacing 95 percent of its maximum rated energy capacity in 10 minutes or less.

“UDDS” means urban dynamometer driving schedule as set forth Appendix I of title 40, Code of Federal Regulations, Part 86.

“Zero Emission Motorcycle” (ZEM) means a fully-enclosed zero emission vehicle designed to travel on three wheels or a two-wheeled electric motorcycle meeting the

provisions of CVC Section 400 are motorcycles in the ZEM category. Additionally, ZEMs are designated as either freeway capable or non-freeway capable. Freeway capable ZEMs are those falling under the general definition of “motorcycle” in CVC Section 400(a). Non-freeway capable ZEMS have a maximum speed of 45 miles per hour per CVC Section 400(c).

“Zero Emission Vehicle” (ZEV) means any vehicle certified to zero emission standards.

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