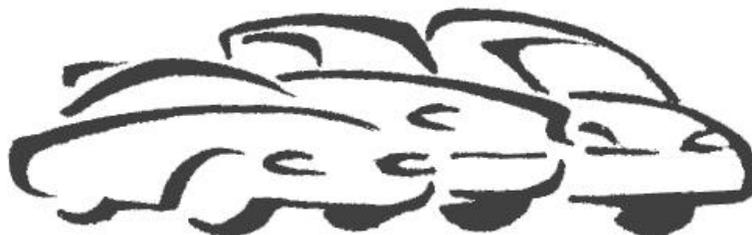


**State of California  
California Environmental Protection Agency**

**AIR RESOURCES BOARD**

**PROPOSED GUIDELINES FOR**

**A ZERO EMISSION VEHICLE INCENTIVE PROGRAM  
PURSUANT TO HEALTH AND SAFETY CODE SECTIONS 44260-44265  
(AB 2061, Statutes of 2000, Lowenthal)**



**November 28, 2000**

This document has been reviewed by the staff of the California Air Resources Board (BOARD). Publication does not signify that the contents necessarily reflect the views and policies of the Board.

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## CHAPTER I.

### INTRODUCTION

Zero emission vehicles (ZEVs) are an integral part of California's efforts to meet health-based air quality standards. Incentives for the purchase of new ZEVs are an important element in the effort to commercialize ZEVs.

This report presents the draft guidelines for the implementation of the ZEV Incentive Program. The ZEV Incentive Program is the result of Assembly Bill 2061 (Lowenthal) signed by Governor Gray Davis on September 30, 2000. This program will provide a total of \$18 million in grants to reduce the incremental cost of new ZEVs over the next three years. Individual grants totaling up to \$9,000 may be provided in three installments over a 36-month period. These grants are available to qualified private and public consumers who purchase or lease a new ZEV between October 1, 2000, and December 31, 2002.

\$18 million is available for grants. All of the funds will be used for grants, and none will be used for program administration. If each recipient is awarded the full \$9,000, this program would support 2,000 vehicles.

The purpose of the program is to make the price of a full-service electric vehicle comparable to that of a conventionally fueled vehicle, spurring the electric vehicle market in California. This is important for supporting a critical ramp-up period needed for the 2003 ZEV requirement.

The program will be developed and administered by the California Air Resources Board (Board or ARB) in conjunction with the State Energy Resources Conservation and Development Commission (Energy Commission or CEC). The guidelines establish the administrative process and vehicle eligibility. The guidelines will be considered at a Board hearing on December 7, 2000. When the Board approves the guidelines, ARB will then implement the program almost immediately. A timetable for implementation of the program is shown in Table 1, below. ARB, CEC, the local air quality management and air pollution control districts (local air districts or districts), and bill proponents are committed to a quick, successful implementation of the program.

**Table 1**  
**Timetable for AB 2061 Implementation**

December 7, 2000	ARB hearing to consider approval of guidelines.
December 15, 2000	Target date to begin taking applications
February 1, 2001	Target date to begin distribution of grants.

## **A. Background**

Air quality in California has improved dramatically over the past 25 years, largely due to continued progress in controlling pollution from motor vehicles. Faced with ever more stringent regulations, vehicle manufacturers have made remarkable advances in vehicle technology. Several thousand zero-emission vehicles (battery-electric vehicles) are now in everyday service on California roads, and the latest conventional internal combustion engine vehicles achieve emission levels that seemed impossible just a few short years ago.

Despite this progress, however, air quality in many areas of the state still does not meet federal or state health-based ambient air quality standards. Mobile sources still are responsible for well over half the ozone-forming emissions in California, and passenger cars and small trucks are responsible for a significant portion of the mobile source contribution. State and federal law requires the implementation of control strategies to attain ambient air quality standards as quickly as practicable.

## **B. Air Resources Board's Zero Emission Vehicle Program**

In 1990, the ARB adopted the Zero Emission Vehicle (ZEV) program as part of the Low Emission Vehicle regulations. The ZEV program is an integral part of California's mobile source control efforts, and is intended to create a market for advanced technologies that will secure increasing air quality benefits for California now and into the future. ZEVs have significant long-term benefits because they have no emission control equipment that can deteriorate or fail, and generate only minimal "upstream" refueling and fuel cycle emissions.

ZEVs also have the capability to provide comprehensive energy benefits. High-efficiency ZEVs result in significant reductions in emissions of CO<sub>2</sub> and other greenhouse gases. Vehicles powered by grid electricity will increase the diversity of California's fuel supply and reduce our dependence on imported oil. In addition, electric drive vehicles have the potential to be powered by renewable sources of energy such as wind, hydropower, or solar energy.

At its September 2000 meeting, the Air Resources Board unanimously adopted a resolution affirming that the ZEV program is an essential component of the State's long-term air quality strategy. Staff was directed to review the regulation and propose appropriate modifications to address issues such as the current lack of ZEV availability/ramp-up, market demand, public education, infrastructure needs, manufacturer costs and incentives to assure successful penetration of ZEVs into the market. ARB staff will return to the Board with its recommendations on how to address these issues in January 2001.

### **C. The Need for Incentives**

One way to address vehicle cost is by using government incentives. Incentives are commonly used to promote the introduction of new technology that will benefit society. Because ZEVs are a relatively new technology and are currently produced in limited quantities, they are more expensive than conventional vehicles. To enhance vehicle marketability in the near term and to assist in the transition to large volume production, it is vital to provide support, both monetary and non-monetary, in the form of vehicle and infrastructure incentives.

## CHAPTER II.

### PROGRAM ADMINISTRATION

This chapter provides staff's recommendations for how the program should be administered. Specifically, this chapter outlines roles and responsibilities of the Program Manager, how the program will operate from the consumer's perspective, including how consumers will get information about the program, how they will apply for grants and how grants will be distributed.

#### **A. Program Administration**

The legislation specifies that ARB will administer the program in consultation with the Energy Commission. In addition, the legislation provides the opportunity for air districts to voluntarily administer the program within their jurisdiction.

ARB has the primary responsibility for administering the program. In developing the proposed guidelines, ARB staff has consulted with the CEC, local air districts, legislative bill sponsors, automakers and other stakeholders in the development of this program. Coordination among all parties is essential for an effective, seamless, consumer-friendly program.

Air districts may voluntarily administer the grant program within their jurisdiction. However, air districts must use the guidelines adopted by ARB, including the forms in Appendix B. In addition, AB 2061 does not provide any funds to either ARB or air districts to administer the program.

An air district interested in administering the program should submit a letter to the Program Manager, signed by the Air Pollution Control Officer, stating the district's desire to administer the program. This letter should identify district staff who will be responsible for the program, and whether the district will augment these funds. The Program Manager will work with each interested district to assist it in developing its program, and will develop a mechanism for the transfer of grant funds. Districts administering the program will be responsible for approving all applications, allocating grant funds, providing documentation to ARB, and verifying vehicle registration in subsequent years.

#### **B. CEC and Air District Incentive Programs**

Vehicle "buy-down" incentives are currently available in many areas of the State. In the South Coast, these incentives are provided by the Mobile Source Air Pollution Reduction Committee (MSRC). In the rest of the State, these incentives are co-funded by CEC, and available in air districts that provide matching funds. These buy-down incentives reduce the capitalized cost of the ZEV, and the lease payments are recalculated on the reduced cost of the vehicle. The incentives, while awarded to the consumer, are transferred through

the lessor. These incentives are available for vehicles that meet specific performance criteria and are certified to applicable Federal Motor Vehicle Safety Standards (FMVSS).

Since 1996, the Energy Commission has partnered with local air districts and automakers to provide zero-emission vehicle buy-down and infrastructure incentives for vehicles leased or purchased. As a result, the CEC has gained valuable knowledge and experience in the elements necessary to conduct a successful statewide incentive program and is developing an expanded pilot incentive program with \$5 million in funding from the Governor's 2000/2001 budget. This new efficiency-based program is designed to create a statewide market-based program that will provide incentives and information on comparable vehicle technologies for all vehicle technologies and class types including ZEVs. This program will potentially include a variety of efficient vehicle types such as hybrid electric vehicles and alternatively fueled vehicles.

Close coordination between the administration of AB 2061 and the new Efficient Vehicle Program is critical.

### **C. Coordination Between Incentive Programs**

The ARB, CEC and local air districts are working towards a statewide coordinated vehicle incentive program that can be implemented through a single, seamless application process. Staff recommends that coordination of incentive programs be achieved through on-going communication and cooperative development of public information products.

Implementation of the ZEV Incentive Program will include establishment of an ongoing Working Group. This group may be formed as an extension or expansion of existing air district incentive program working groups if appropriate. This Working Group will be composed of interested air districts, the MSRC, CEC, the Department of General Services' Office of Fleet Administration (DGS), bill sponsors, automakers and other interested parties. The Working Group will meet quarterly to discuss the status of the program, implementation issues, and share information. One of the goals of the Working Group is to ensure that all entities have the most up to date information on incentive programs and to ensure that the public receives complete and accurate information about all incentive opportunities available.

It is important that information on all incentive programs be centrally available at [www.zevinfo.com](http://www.zevinfo.com), in addition to the information provided by the ARB, CEC, air district, DGS (for public agencies), and other web sites. [www.zevinfo.com](http://www.zevinfo.com) is likely to be the easiest for a consumer to use, as it is primarily established to provide easy and up-to-date information on just zero emission vehicles, their availability, attributes, incentives and benefits. Many consumers find it more

difficult and time-consuming to navigate government web sites that contain information on a wide variety of programs and issues.

www.zevinfo.com will allow potential consumers to indicate the type of vehicle they are interested in purchasing or buying and the city where they live; and then the consumer would be given specific information on eligibility and how to apply, including the ability to download the application and instructions. Links to appropriate web sites to obtain additional information as well as e-mail links to program staff that can provide assistance would also be included along with a listing of dealers who sell or lease ZEV. In addition, the customary MSRP and lease price for each ZEV will be posted on the web site to give consumers a baseline price for the vehicles. Staff has a multitude of ideas about additional ways that www.zevinfo.com can be designed to assist dealers and customers.

Information will also be available through ARB's 1-800-END-SMOG information line. Operators of the 1-800-END-SMOG will use the www.zevinfo.com web site to provide information about available incentive programs and direct callers to the appropriate staff person at ARB ,CEC, or local air district staff.

#### **D. Program Manager**

The ZEV Incentive Program will be administered by an ARB Program Manager. The Program Manager will be responsible for administering the program consistent with the guidelines adopted by the Board.

The duties of the Program Manager will include, but not be limited to the following:

- ◆ Review applications for eligibility
- ◆ Approve or disapprove grant applications
- ◆ Verify that all required information has been submitted prior to grant distribution
- ◆ Authorize grant distribution
- ◆ Track program status, including funding allocation
- ◆ Submit quarterly reports on program status to the Executive Officer
- ◆ Recommend changes to the guidelines, as needed
- ◆ Prepare outreach and educational materials
- ◆ Work with CEC, local air districts, MSRC, and DGS to ensure consistent implementation of the program throughout the State
- ◆ Provide information, upon request, to individuals or organizations that wish to appeal a grant denial to the Executive Officer
- ◆ Coordinate with CEC, MSRC, air districts, DGS and dealers to assist the buyer in receiving all other incentives that may apply to the vehicle (buy-down, infrastructure, etc).

## **E. Overview: Grant Payment Process**

Staff has structured the application process so that consumers can assign the grant to a participating lessor or receive the grant payments directly from the ARB.

At any time, a potential consumer can access [www.zevinfo.com](http://www.zevinfo.com) or 1-800-END-SMOG to get information on program eligibility. Both of these resources will be designed to assist consumers with their purchase or lease decisions. Information would be provided on the amount of total funding available, vehicle eligibility, and the total grant amount that is available for each qualified vehicle. This information would be updated on a weekly basis. Information on vehicle sales contacts, as well as staff at local air districts, CEC, and DGS would also be provided to ensure that the prospective consumer is able to get as much assistance as needed to facilitate their participation in the program.

### **1. Assignment of Grant to Participating Manufacturers**

The grant assignment option is a mechanism that allows consumers to sign over the grant to the lessor in exchange for a lower monthly lease price. In order to assign the grant to the participating lessor, the vehicle must be leased not purchased. It would also be an option for vehicles that are leased with an option to buy at the end of the lease period, if the lease period is at least three years. This transaction would be handled by the lessor for the consumer. This option would result in the entire grant distribution going directly to the lessor. The Lessor would then reduce the capitalized cost of the ZEV by the entire grant amount. It is anticipated that most consumers will find this the easiest option to use, if they are leasing a vehicle from a participating lessor.

At the time of the lease transaction, a lessor (or their sales representative) would contact the Program Manager, who would then provide a voucher number for each qualifying vehicle. Each voucher number will represent the total grant amount for the qualifying vehicle. Obtaining this voucher number would constitute a "pre-authorization" of grant approval. To simplify the process, the voucher number will be provided to the lessor by the Program Manager either on the phone or by fax. It is the responsibility of the Program Manager at this time to ensure that the applicant is qualified under the program, such as the determination that the vehicle is not being leased to a federal agency. A voucher number will guarantee the lessor will receive the entire grant allocation, provided that the lease is executed with the applicant and the required documentation is submitted. Consumers and their sales representatives will be provided with a phone number to request voucher numbers, which will be established by the Program Manager.

Once a voucher number has been issued, the consumer can complete the lease agreement. The lessor will reduce the lease obligation by the total grant amount.

The lessor will submit the completed application, which has been signed by both the applicant and lessor, along with an Assignment of Grant Form that is included in Appendix A. The applicant must also check and initial the box on the application form indicating that he or she has assigned the grant benefits to the lessor. Lessors can also use their own Grant Assignment form, as long as it has been approved in advance by the Program Manager.

The lessor will submit the application to the Program Manger, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, and appropriate proof of temporary or permanent vehicle registration. Once the application with the valid voucher number and required documentation is received, a check for the entire grant amount will be sent to the lessor. A voucher number assures the lessor that they will receive payment, as long as they submit the application and required documentation.

## 2. Payment of Grant to Vehicle Lessee

A consumer that is purchasing or leasing a qualifying ZEV can apply for direct payment of the grant.

At the time of, or following, the purchase or lease transaction, an applicant (or their sales representative) would contact the Program Manager to receive a voucher number for the qualifying vehicle. Each voucher number will represent the total grant amount for the qualifying vehicle. Obtaining this voucher number would constitute a "pre-authorization" of grant approval. To simplify the process, the voucher number will be provided to the applicant or sales representative by the Program Manager either on the phone or by fax. It is the responsibility of the Program Manager at this time to ensure that the applicant is qualified under the program, such as the determination that the vehicle is not being leased to a federal agency. A voucher number will guarantee the applicant will receive the entire grant allocation over three years, provided that the purchase or lease is and the required documentation is submitted. Applicants and their sales representatives will be provided with a phone number to request voucher numbers, which will be established by the Program Manager.

Once a voucher number has been issued, the applicant will submit the application to the Program Manger, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, and appropriate proof of temporary or permanent vehicle registration. Once the application with the valid voucher number and required documentation is received, a check for the first grant amount will be sent to the lessee. To receive the 2<sup>nd</sup> and 3<sup>rd</sup> checks, please refer to section 3 below.

This program is retroactive to October 1, 2000. Therefore, if an eligible ZEV has been purchased between October 1, 2000 and the date of program implementation, the application process described above should be followed.

### 3. Grant Distributions for 2<sup>nd</sup> and 3<sup>rd</sup> year of Continued Vehicle Ownership

For those customers who receive grant payments directly and have not assigned the benefits to the lessor, the Program Manager is required to verify continued California vehicle registration to the grantee prior to mailing out subsequent grant distributions. To simplify this process, the ARB Program Manager will send each buyer a reminder letter requesting that any changes in information be provided (vehicle ownership, address, etc).

For automakers with grant assignments, the ARB Program Manager will send the lessor a reminder letter on a quarterly basis that lists the vehicles for which the ARB Project Manager is requesting that any changes in information be provided (vehicle ownership, change in lessee, address, etc.) This application can be filled out at the time of purchase or lease or after purchase or lease has been completed.

### 4. Assignment of benefits to new owners.

As mentioned earlier, the intent of this program is to place early ZEVs in the 2000-2002 timeframe and to offset the cost of an ZEV over three years. With that said, the ARB realizes that some ZEVs may be sold or returned to a dealer within the three-year timeframe. Staff recommends that the grant remain with the vehicle if it is sold or re-leased. If this occurs, a new owner or lessee can request a continuation or transfer of the grant benefit.

For those vehicles that were leased under the assignment of grants option, the lessor will continue to provide the grant benefit in the form of reduced lease payments to the new customer who re-leases the vehicle. A lessor may, at their sole discretion, return the unused grant amount should they no longer wish to make the vehicle available for lease in California.

### 5. Statewide Availability

This grant is available statewide to all eligible consumers. However, ARB acknowledges that several areas of the State have taken many actions to become "EV Ready." Areas such as the South Coast, Bay Area, and Sacramento have made significant public investments in electric vehicle infrastructure and incentive programs. In particular, the MSRC has been a leader in this area. As a result of these programs, there now exists considerable unmet interest in electric vehicles. These are also the areas with some of the most challenging air quality problems.

The ARB encourages these "EV Ready" areas to continue their supportive activities such as infrastructure development, public education and buy-down incentives.

## 6. Appeal Process

The Program Manager will provide any applicant denied a grant a reason for the denial in writing. Any applicants who feel that they have been unfairly denied a grant may submit an appeal to the ARB Executive Officer. Such an appeal must be submitted to the ARB Executive Officer within 30 days of the date shown on the written denial letter. The appeal must be made in writing, and be signed by the applicant. Appeals made by e-mail, fax or phone will not be considered. A written response to the appeal will be provided by the ARB Executive Officer within 60 days of receipt.

## **CHAPTER III.**

### **ELIGIBILITY CRITERIA**

This chapter describes staff's plan for determining which applicants and vehicles are eligible for the grants provided by this program.

The program may only provide grants to individuals, local government, state agencies, nonprofit organizations, and private businesses purchasing or leasing an eligible ZEV. Federal agencies are not identified in AB 2061: therefore, they will not qualify as a grant recipient and should not apply.

Vehicles must meet all of the criteria that are specified in Section B, below, to be considered eligible vehicles for the purposes of this program. Using the criteria specified in Section B, ARB staff has created an Initial List of Eligible Vehicle Models (contained in Appendix B). ARB is aware of several additional vehicle models that will likely be eligible for the program. They have not been listed in Appendix B pending ARB certification as a zero emission vehicle. ARB will maintain the list of eligible vehicle models to reflect new additions, as they become available. A vehicle manufacturer will have the burden of providing sufficient information to ARB staff to make a determination regarding a vehicle model's eligibility.

Vehicles discussed below can be separated into three different categories. They include, Full Function Electric Vehicles (FFEV), City Electric Vehicles (CEV) and Neighborhood Electric Vehicles (NEV). FFEVs are freeway capable, meet all FMVSS requirements, and have the same functionality as the typical passenger car or light-duty truck on the road. CEVs have some of the features of FFEVs, but are generally much smaller and exhibit lower vehicle performance; however, it is likely that CEVs will be eligible for the grant. NEVs are Low Speed Vehicles (LSV) as described in Vehicle Code Section 22400. These vehicles have a top speed of 25 miles per hour and are not permitted on roads with speed limits exceeding 35 miles per hour. NEVs are therefore not freeway capable and are not eligible for a grant.

#### **A. Criteria for Applicant Eligibility**

Per AB 2061, an applicant must meet one of the eligibility criteria listed below to qualify as a grant recipient:

- be an individual ( i.e., a retail or private customer/consumer),
- be a local government entity or agency,
- be a state government entity or agency ,
- be a nonprofit organization or,
- be a private business.

## **B. Criteria for Vehicle Eligibility**

AB 2061 specifies that this program will provide the maximum allowable grant to any qualified recipient for the purchase or lease of a new zero emission light-duty car or truck eligible for the program. It further specifies that in order to be eligible to receive a grant, a zero emission vehicle shall meet all of the following criteria:

- be purchased or leased on or after October 1, 2000, and on or before December 31, 2002;
- be registered with the Department of Motor Vehicles (DMV) for use in this state;
- meet all applicable federal and state safety standards, or, in the case where vehicles of a particular vehicle model are to be utilized solely for a demonstration project, have the applicable waivers for those vehicles from the National Highway Traffic Safety Administration (NHTSA) or have submitted the appropriate applications or required notifications to NHTSA;
- be capable of operation on the freeway, as determined by the ARB, in conjunction with the CEC; and
- any other criteria established by the ARB.

### **1. New Vehicle**

To be eligible, the vehicle must be a new vehicle as defined in Section 430 of the California Vehicle Code<sup>1</sup>, except one circumstance provided for by AB 2061. For purpose of this program, AB 2061 specifies that “new zero emission vehicle” shall include previously leased vehicles that have been determined by the ARB to have been substantially upgraded with new technologies, including, but not necessarily limited to, advanced batteries or power electronics. What would constitute a substantial upgrade with new technologies will be addressed below.

### **2. Zero Emission Light-Duty Car or Truck**

To be eligible, the vehicle must be a zero emission light-duty car or a zero emission light-duty truck. For purposes of this program, a zero emission light-duty car shall be a vehicle in the vehicle class passenger car and a model that ARB has certified as a Zero Emission Vehicle. A zero emission light-duty truck shall be a vehicle in the vehicle class light-duty truck and a model that is ARB has certified as a Zero Emission Vehicle. ARB will maintain a list of eligible vehicle models for purposes of this program.

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<sup>1</sup> 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.

For a vehicle model that is not yet ARB-certified as a Zero Emission Vehicle, the manufacturer may apply to ARB for the necessary certification. It is ARB staff's experience that the approval process typically takes two to four weeks, provided a complete application with the results of applicable test procedures<sup>2</sup> is submitted.

For the purposes of this program, a vehicle in a vehicle class other than passenger car and light-duty truck shall not be considered an eligible vehicle. Therefore, a vehicle that is classified as a motorcycle, a medium-duty vehicle, or a heavy-duty vehicle would not be an eligible vehicle.

### 3. Date of Purchase or Lease

To be eligible, the vehicle must be purchased or leased on or after October 1, 2000, and on or before December 31, 2002. For purposes of this program, the date of purchase shall be the day of sale. 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 a vehicle commences, as specified in a signed lease agreement.

### 4. Registration with the Department of Motor Vehicles for Use In California

To be eligible, the vehicle must be registered with the Department of Motor Vehicles for use in California. The appropriate proof of temporary or permanent vehicle registration must be submitted with the grant application.

### 5. Applicable Federal and State Safety Standards

It is the responsibility of the vehicle manufacturer to provide ARB with a written statement and documentation regarding whether or not vehicles of a particular vehicle model meet all applicable federal and state safety standards, including any applicable Federal Motor Vehicle Safety Standards (FMVSS). 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.

In the case where vehicles of a particular vehicle model are to be utilized solely for a demonstration project, the written statement must include documentation that the applicable waivers for those vehicles have been received, from the

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<sup>2</sup> The results of tests specified in, and in conformance with, "California Exhaust Emission Standards and Test Procedures for 2003 and Subsequent Model Zero-Emission Vehicles, and 2001 and Subsequent Model Hybrid Electric Vehicles, in the Passenger Car, Light- Duty Truck and Medium-Duty Vehicle Classes, Adopted August 5, 1999."

NHTSA or that the manufacturer has submitted the appropriate applications, or required notifications to NHTSA.<sup>3</sup>

## 6. Capable of Operation on the Freeway

For the purpose of this program, the ARB may request a vehicle manufacturer to provide a written statement on whether, or not, vehicles of a particular vehicle model are capable of operation on the freeway. Per Vehicle Code Section 22400 (Minimum Speed Law), no person shall drive upon a highway at such a slow speed as to impede or block the normal and reasonable movement of traffic. A vehicle must be capable of being driven in compliance with this section to be considered as being capable of operation on a freeway; therefore, NEVs are not eligible for this grant. CEVs may be considered freeway capable assuming they are not subject to any of the circumstances listed below.

A vehicle shall 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 Section 385.5 of the California Vehicle Code;
- 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.

## 7. Previously Leased Vehicle that has been Substantially Upgraded with New Technologies

ARB will determine on a case-by-case basis whether or not a previously leased vehicle has been substantially upgraded with new technologies and may be an eligible vehicle for the purposes of this program. An eligible, previously leased vehicle shall not include a vehicle that is currently owned, or has previously been owned, by a person, or entity that is not the vehicle manufacturer, an authorized dealer, or their financing company. Previously leased vehicles that have been substantially upgraded may receive as much as \$9,000 depending on their incremental cost as determined by the CEC.

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<sup>3</sup> The application or notification required by applicable FMVSS including Part 555 –Temporary Exemptions from Motor Vehicle Safety Standards (Effective 1-29-73) and Part 591- Importation of Vehicles and Equipment Subject to Federal Safety, Bumper and Theft Prevention Standards (Effective 3-28-90).

New technologies include, but are not limited to, advanced batteries or power electronics. For purposes of this program, replacement of spent batteries with batteries of equivalent performance or application of upgrades that do not provide substantial increase in battery or vehicle performance will not be considered substantial upgrades with new technologies.

For purposes of this program, only the vehicle manufacturer or an authorized dealer/service provider may perform the upgrades to the vehicle. The vehicle manufacturer is encouraged to submit, as expeditiously as possible, sufficient information to enable ARB to determine if a substantial upgrade with new technologies has been, or will be, made to a previously leased vehicle. Only one submittal of information is required if the manufacturer has made, or plans to make, essentially the same upgrade to one or more previously leased vehicles of the same vehicle model. The submittal must be made in writing to the ARB and include, at a minimum, the following information:

- a summary description of the changes that have been, or will be, made and the effect the changes will have on battery and vehicle performance, operation or durability;
- for battery upgrades, include whr/kg, w/kg and manufacturer's estimated cycle life specifications for the battery modules to be installed as well as those to be replaced;
- for drive systems, provide manufacturer's specifications including peak and continuous power rating of the new and replaced drive systems;
- a list of the parts/components replaced or, to be replaced, and the retail value of such parts/components, if new;
- a list of the new parts/components installed, or to be installed, and the retail value of each part/component;
- the manufacturer's total cost to upgrade the vehicle, with parts, labor and overhead cost identified;
- the retail value of the previously leased vehicle before the upgrade and the retail value when the vehicle was new; and
- a comparison of the retail value of the upgraded vehicle to the retail value of a comparable new vehicle.

## **CHAPTER IV.**

### **INCENTIVE STRUCTURE**

This chapter describes staff's plan for distributing the grant, how the maximum allowable grant amount will be calculated and how a coordinated vehicle incentive for state and local government ZEV incentive programs may be achieved.

#### **A. Distribution of Assigned Grants for Leased Vehicles**

If the qualified recipient has assigned the grant to the vehicle lessor, the entire maximum allowable grant amount will be provided to the lessor, or to the lessor's financing company. The Program Manager will work with a participating lessor to establish mutually agreeable procedures and schedules for submitting grant distribution requests and making the grant disbursements. However, grant disbursements shall be made by the Program Manager no less frequently than quarterly, except if the lessor requests otherwise.

#### **B. Distribution of Grants for Purchased Vehicles and Non-Assigned Grants for Leased Vehicles**

The maximum allowable grant for an eligible vehicle will be distributed to the qualified recipient in three allotments, one allotment up to \$3,000 for each of the first, second and third 12-month periods, if applicable, after vehicle purchase or lease. The monies for the second and third allotments, if applicable, shall be reserved and disbursed as early as practicable in the second and third 12-month periods, respectively. The reserved monies will be released and made available for other eligible vehicles if the required documentation and verification for grant disbursement is not received within the applicable 12-month period.

The three grant allotments shall be distributed in the following manner:

- Up to \$3,000 of the allowable grant will be provided for the first 12-month period of the purchase or lease. The release of this first payment of the grant will be made as soon as possible, but no later than 60 days, after receipt and verification of the documentation required for the grant disbursement application.
- Up to \$3,000 of the allowable grant remaining will be provided for the second 12-month period after vehicle purchase or lease. The release of this second allotment of the grant will be made as soon as possible after receipt and verification of any required documentation establishing continued eligibility of the vehicle for purposes of this program. Such documentation must be submitted during the second 12-month period.

- Up to \$3,000 of the allowable grant remaining will be provided for the third 12-month period after vehicle purchase or lease. The distribution of this third and final allotment of the grant will be made as soon as possible after receipt and verification of any required documentation. Such documentation must be submitted during the third 12-month period.

Each of the three program payments will be equal to one third of the maximum allowable grant. For example, If the maximum allowable grant amount is \$9,000, then each allotment will be \$3,000. If the maximum allowable grant amount is calculated to be \$6,000, then each payment will be \$2,000. If the maximum allowable grant amount is \$3,000, then each payment will be \$1,000.

### **C. Calculation of Maximum Allowable Grant**

AB 2061 specifies that the "maximum available grant for any qualified recipient shall be the amount equal to 90 percent of the incremental cost of the vehicle above one thousand dollars," up to nine thousand dollars (\$9,000). The incremental cost is defined as the amount determined by the CEC as the reasonable difference between the cost of the zero-emission vehicle and the cost of a comparable gasoline or diesel-fueled vehicle. Currently, the CEC determines a similar incremental cost of electric vehicles for use in the AB 1782 program.

The Energy Commission will provide the ARB with a description of their methodology for determining the reasonable incremental costs of an eligible vehicle model and a list of incremental cost determinations for existing eligible vehicles.

The ARB will establish a maximum allowable grant for a vehicle of an eligible vehicle model. The maximum allowable grant shall be that amount calculated by subtracting one thousand dollars from the reasonable incremental cost and multiplying the remaining incremental cost by 0.90, up to \$9,000. The ARB will include the information on the maximum grant amount that may be available for an eligible vehicle model in its List of Eligible Vehicle Models when CEC has provided the incremental cost determination. As provided for in this program's enabling legislation, local air districts may augment the grant.

It will be a challenge to determine the incremental cost of a previously leased vehicle that has been substantially upgraded with new technologies. The vehicle manufacturers of such vehicles are encouraged to work cooperatively with CEC and ARB to arrive at an appropriate incremental cost.

## **CHAPTER V.**

### **SUMMARY**

In summary, the incentive program provided by AB 2061 is a positive step towards supporting electric vehicles in California. By providing a total of \$18 million in grants to reduce the incremental cost of new ZEVs over the next three years, these vehicles will be more affordable for the general public, state and local government agencies, and private fleets.

Incentive programs such as the one created by AB 2061 are essential to increase sales volumes and reduce the cost of EVs. This program may also encourage manufacturers to increase the numbers of electric vehicles available between the years 2000-2002. This is important for developing the momentum necessary to support the 2003 market.

However, AB 2061 alone will not achieve all of our goals. Other incentives such as access to high occupancy vehicle lanes, decreased vehicle license fees, and preferential parking are also valuable for making ZEVs more attractive to consumers. In addition, continued support for the current incentive and infrastructure programs is encouraged. These programs need to work in tandem with new programs coming on board in order to achieve our mutual goals of a sustainable market for ZEVs. ARB recommends that districts continue to provide additional funding to complement grants provided under AB 2016, where appropriate. This includes "buy-down" funds, as well as funds designed to offset costs of infrastructure installation. The Program Manager will work with local agencies to ensure that all available incentives are rolled into one consolidated package. Finally, it is our goal to make this program seamless and consistent statewide so that it is easy for consumers, air districts, dealers and manufacturers to use.

# **Appendix A**

## **Assembly Bill 2061**

BILL NUMBER: AB 2061 CHAPTERED

BILL TEXT

CHAPTER 1072

FILED WITH SECRETARY OF STATE	SEPTEMBER 30, 2000
APPROVED BY GOVERNOR	SEPTEMBER 30, 2000
PASSED THE ASSEMBLY	SEPTEMBER 1, 2000
PASSED THE SENATE	AUGUST 31, 2000
AMENDED IN SENATE	AUGUST 31, 2000
AMENDED IN SENATE	AUGUST 30, 2000
AMENDED IN SENATE	JUNE 26, 2000
AMENDED IN ASSEMBLY	MAY 26, 2000
AMENDED IN ASSEMBLY	MAY 1, 2000

INTRODUCED BY Assembly Member Lowenthal  
(Coauthor: Assembly Member Scott)

FEBRUARY 22, 2000

An act to add Chapter 8.6 (commencing with Section 44260) to Part 5 of Division 26 of the Health and Safety Code, relating to air pollution, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2061, Lowenthal. Zero-emission vehicles: alternative diesel fuel.

(1) Existing law contains various provisions relative to air pollution control.

This bill would create a grant program for the purchase and lease of zero-emission vehicles, as defined, in the state, to be developed and administered by the State Air Resources Board, in conjunction with the State Energy Resources Conservation and Development Commission. The program would provide grants to specified recipients in an amount equal to 90% of the incremental cost above \$1,000 of an eligible new zero-emission light-duty car or truck, as defined.

This bill would appropriate \$18,000,000 from the General Fund to the State Air Resources Board for allocation for the purposes of the bill.

(2) Existing law authorizes the State Air Resources Board, among other things, to adopt and implement motor vehicle fuel specifications for the control of air contaminants and the sources of air pollution.

This bill would appropriate \$500,000 from the General Fund to the State Air Resources Board for allocation for grants to air pollution control districts and air quality management districts for fiscal years 2000-01, 2001-02, and 2002-03. The bill would require districts receiving grants to use these funds to offset the

incremental operating costs of alternative diesel fuel, as defined, and as used in heavy-duty vehicles and equipment, as specified.

(3) The bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Chapter 8.6 (commencing with Section 44260) is added to Part 5 of Division 26 of the Health and Safety Code, to read:

#### CHAPTER 8.6. ZERO-EMISSION VEHICLE GRANTS

44260. The state board, in conjunction with the State Energy Resources Conservation and Development Commission, shall develop and administer a program to provide grants to individuals, local governments, state agencies, nonprofit organizations, and private businesses, to encourage the purchase or lease of a new zero-emission vehicle.

44261. (a) The maximum available grant for any qualified recipient, as determined by the state board, shall be an amount equal to 90 percent of the incremental cost above one thousand dollars (\$1,000) of a new zero-emission light-duty car or truck eligible for the program.

(b) For the purposes of this chapter:

(1) "Incremental cost" means the amount determined by the State Energy Resources Conservation and Development Commission as the reasonable difference between the cost of the zero-emission vehicle and the cost of a comparable gasoline or diesel fueled vehicle.

(2) "New zero-emission vehicle" shall include previously leased vehicles that have been substantially upgraded, as determined by the state board, with new technologies, including, but not necessarily limited to, advanced batteries or power electronics.

44262. Grants made pursuant to this chapter shall be distributed in the following manner, in amounts as determined by the state board:

(a) Up to three thousand dollars (\$3,000) of the available grant funds may be provided for the first 12-month period of the lease or purchase of the vehicle.

(b) Up to three thousand dollars (\$3,000) of the remaining available grant funds may be provided for the second 12-month period of the lease or purchase of the vehicle.

(c) Up to three thousand dollars (\$3,000) of the remaining available grant funds may be provided for the third 12-month period of the lease or purchase of the vehicle.

(d) No grant funds shall be provided following the third 12-month period of the lease or purchase of the vehicle.

44263. In order to be eligible to receive a grant under this chapter, a zero-emission vehicle shall meet all of the following criteria:

(a) Be purchased on or leased on or after October 1, 2000, and on or before December 31, 2002. For purposes of this subdivision, a vehicle shall be deemed to be leased on the date upon which the lease of the vehicle commences.

(b) Be registered with the Department of Motor Vehicles for use in this state.

(c) Meet all applicable federal and state safety standards, or, if the vehicle is to be utilized solely for a demonstration program, have received the applicable waivers from the National Highway Traffic Safety Administration.

(d) Be capable of operation on a freeway, as determined by the state board in conjunction with the State Energy Resources Conservation and Development Commission.

(e) Any other criteria established by the state board.

44265. (a) The grant program described in this chapter may be administered by a local air management district or air pollution control district on a voluntary basis, provided that the district administers the program based upon the guidelines developed by the state board in conjunction with the State Energy Resources Conservation and Development Commission pursuant to subdivision (b) of Section 44264.

(b) Any district that voluntarily administers this grant program is authorized to provide grants from its own funding sources in an amount of five hundred dollars (\$500) to one thousand dollars (\$1,000) or more per year for each qualified zero-emission vehicle registered within the boundaries of its territorial jurisdiction.

SEC. 2. The sum of eighteen million dollars five hundred thousand dollars (\$18,500,000) is hereby appropriated from the General Fund to the State Air Resources Board for expenditure as follows:

(a) Eighteen million dollars (\$18,000,000), without regard to fiscal year, to implement Chapter 8.6 (commencing with Section 44260) of Part 5 of Division 26 of the Health and Safety Code.

(b) Five hundred thousand dollars (\$500,000) for grants for fiscal years 2000-01, 2001-02, and 2002-03 to air pollution control districts and air quality management districts.

(b) An air pollution control district or air quality management district that receives a grant under this section shall use these funds to offset the incremental operating costs of alternative diesel fuel, as defined in subdivision (d), and as used in heavy-duty vehicles and equipment. For the purposes of this section, heavy-duty vehicles and equipment include, all of the following:

(1) On-road motor vehicles with a gross vehicle weight rating exceeding 14,000 pounds.

(2) Off-road equipment with engines that exceed 50 horsepower.

(3) Marine vessels.

(4) Locomotives.

(5) Stationary agricultural pump engines.

(6) Forklifts.

(7) Airport ground support equipment.

(c) Grants under this section shall be awarded only to air pollution control districts and air quality management districts that apply for funds under this section. These grants shall not be used to fund engine research and development, certification testing, training, or operational controls.

(d) As used in this section, "alternative diesel fuel" means a fuel emulsion that, when used in a conventional diesel engine, reduces oxides of nitrogen emissions by at least 10 percent and particulate matter emissions by at least 15 percent as compared to the 10-percent aromatic reference fuel as defined in subdivision (g) of Section 2282 of Title 13 of the California Code of Regulations. The emissions characteristics of any alternative diesel fuel shall be determined by the State Air Resources Board based on data submitted by the producer of the fuel in accordance with data and testing protocols specified by the State Air Resources Board. Alternative diesel fuel shall not increase toxic emissions and shall have hydrocarbon emissions that are at least 25 percent lower than the engine exhaust emissions standard.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to achieve early introduction of zero-emission vehicle technologies for the purposes of meeting federal and state air quality standards as soon as possible and providing grants for alternative diesel fuel, it is necessary that this act take effect immediately.

## **Appendix B**

### **Application Forms and Example Correspondence**



**Application Form (form 1)**  
**Zero Emission Vehicle Incentive Grant**  
 Pursuant to Health and Safety Code Section 44260  
 Complete and Submit to:  
 California Air Resources Board  
 1001 I Street  
 Sacramento, California 95814  
 Attention: Program Manager  
 1-800-xxx-xxxx

Obtain from ARB  
 Voucher Number:

<b>A. VEHICLE LESSEE/OWNER INFORMATION</b>		
Name:		
Agency/Company (if applicable):		
Street Address:		
City:	State:	Zip Code:
Phone Number:	Fax Number:	
E-mail Address (optional):		

<b>B. PAYMENT INFORMATION:</b>		
<input type="checkbox"/> <b>Direct Payment to Owner or Lessee</b>		
<input type="checkbox"/> <b>Payment Assignment to Lessor (complete and submit form 2)</b>		
Please check one of the boxes below:		
<input type="checkbox"/> Private Individual, Sole Proprietor (please provide SSN)	Social Security Number:	<input type="text"/>
<b>OR</b>		
<input type="checkbox"/> State Government Agency <input type="checkbox"/> Local Government Agency <input type="checkbox"/> Non-profit Organization <input type="checkbox"/> Corporation <input type="checkbox"/> Partnerships, Estates or Trusts (please provide Federal Taxpayer ID Number)	Federal Taxpayer Identification Number:	<input type="text"/>

<b>C. VEHICLE INFORMATION</b>	
Make and Model of ZEV:	Vehicle Identification Number (VIN):

**I hereby certify that all information provided in this application and any attachments are true and correct.**

Printed Name:	
Signature:	Date:

ARB Approval:	
Printed Name:	Title:
Signature:	Date:



## Assignment Form (form 2)

Obtain from ARB  
Voucher Number:

**Complete and Submit  
with the Application Form (form 1) to:  
California Air Resources Board  
1001 I Street  
Sacramento, California 95814  
Attention: Program Manager  
1-800-xxx-xxxx**

1. I am a resident of the State of California.
2. I am leasing a "new zero-emission vehicle" as defined in Section 44261, of the California Health and Safety Code. The Vehicle Identification Number (VIN) is set forth below.
3. The lease of this new zero-emission vehicle commences on the date set forth below, which is on or after October 1, 2000 and on or before December 31, 2002.
4. This new zero-emission vehicle is or shall be registered with the California Department of Motor Vehicles for use in California.
5. I understand that Sections 4426-44265 of the California Health and Safety Code provides zero-emission vehicle grants to purchasers or lessees of zero-emission vehicles. I hereby assign my rights to these grants to \_\_\_\_\_ . I understand that, in consideration of this assignment, my lease fee has been reduced by an amount equal to the amount of the grants assigned to \_\_\_\_\_ over the lease period of the vehicle.

Vehicle Identification Number:
Date on which lease commences:
Customer Signature:

Lessor:		
Lessor Address:		
City	State:	Zip Code:
Contact Person:		Phone Number:
Federal Taxpayer Identification Number:		

By submitting this form through the lessor or dealer, you are assigning the entire grant amount to the lessor. This will allow the lessor to reduce the three-year lease price of the qualifying vehicle by the total grant amount, giving you a lower monthly lease price. The participating lessor will then be responsible for any tax consequences associated with the grant incentive.

To assign the grant, complete and submit the following items to the Air Resources Board:

- The Assignment Form (form 2)
- The Application form (form 1)
- A copy of the lease/purchase agreement
- A copy of the vehicle registration



## Instructions for Redeeming your Zero Emission Vehicle Incentive Grant

**You have two options for redeeming your voucher.**

**1) "Payment Assignment to Lessor "**

If you lease the ZEV, you can assign the total grant amount to a participating lessor. The participating lessor would then receive the entire grant amount directly from the Air Resources Board. This will allow the lessor to reduce the three-year lease price of the qualifying vehicle by the total grant amount, giving you a lower monthly lease price. If you choose this option, complete and submit the following items to the Air Resources Board:

- The Assignment Form (form 2)
- The Application form (form 1)
- A copy of the lease/purchase agreement
- A copy of the vehicle registration

**2) "Direct Payment to Owner/Lessee"**

You can send the Application Form (form 1) to the ARB along with the information specified below and receive a check for the eligible amount each year for three years. This grant may be taxable so please contact your tax professional or the Internal Revenue Service for additional information. If you choose this option, complete and submit the following items to the Air Resources Board:

- The Zero Emission Vehicle Application form (form 1)
- A copy of the lease/purchase agreement
- A copy of the vehicle registration

If you choose Direct Payment to Owner/Lessee and you continue to own or lease the vehicle for the full program term, the ARB will send you a letter each year, reminding you to apply for your ZEV incentive money. At that time, you would complete the form provided to you and send it to the ARB, along with a copy of the vehicle registration for that year. If you change addresses during the three-year period, please provide the ARB with your new address as soon as possible.

To receive the total grant amount, you must continue to own or lease the vehicle for the entire three-year program period. If you decide to sell or end your lease, please contact the ARB Program Manager.

## Appendix C

### Initial List of Eligible Vehicle Models For the AB 2061 ZEV Incentive Program\*

#### Part 1: New Vehicles<sup>4</sup>

Make and Model	Incremental Cost
Chrysler EPIC EV NiMH van	17,905
Ford Ranger EV Pb-A truck	23,265
General Motors EV1 Pb-A coupe	11,925
General Motors EV1 NiMH coupe	\$21,925
General Motors S-10 Pb-A truck	\$18,067
General Motors S-10 NiMH truck	30,577
Toyota RAV 4 NiMH sports utility	21,395
Solectria Force Pb-A	18,935

#### Part 2: Previously Leased Vehicles with Substantial Upgrades<sup>5</sup>

Make and Model	Increment Cost

\* The incremental costs listed are from the CEC's September 18, 2000 Program Advisory Notice for the Vehicle License Fee Exemption for Alternative Fueled Vehicles (SB 1782)

<sup>4</sup> The Honda EV Plus is not listed here because the manufacturer has indicated to ARB staff that no new vehicles of this vehicle model will be released prior to the 2003 model year.

<sup>5</sup> None at this time