

Part I: GUIDELINES FOR IMPLEMENTING AN EXPANDED STATEWIDE ZERO EMISSION VEHICLE INCENTIVE PROGRAM (ZIP I AND ZIP II)

Part I-A. A Revised Zero Emission Vehicle Incentive Program Pursuant To Health And Safety Code Sections 44260-44265 (ZIP I)

1.0 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. The statewide ZEV Incentive Program is the result of Assembly Bill 2061 (AB 2061) which was sponsored by Assemblyman Alan Lowenthal of Long Beach and signed by Governor Gray Davis on September 30, 2000 (see Appendix A). This program provides grants up to \$9,000 for the purchase or lease of an eligible ZEV between October 1, 2000 and December 31, 2002. This program was modified by AB 1390 (Statutes of 2001, Firebaugh), effective January 1, 2002.

Part 1 of this document presents guidelines for implementing an expanded statewide ZEV incentive program and consists of two sections, Part 1-A and Part 1-B. Part 1-A is a revision of Guidelines for a Zero Emission Vehicle Incentive Program Pursuant to HSC 44260-44265 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal) which were originally approved by the Air Resources Board (Board or ARB) at its December 7, 2000, public meeting and released by staff in February 2001. The revision incorporates program modifications pursuant to AB 1390 and additional program modifications proposed by staff. The ZEV incentive program described in this section, Part 1-A, will be referred to as "ZIP I" to distinguish this program from a new ZEV incentive program funded by the Budget Act of 2001. Guidelines for implementing the new ZEV incentive program, which will be referred to as "ZIP II", can be found in Part 1-B, which follows.

ZIP I will provide 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 allotments 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. All of the funds will be used for grants, and none will be used for program administration.

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. At a December 7, 2000 public meeting, the Board considered and approved staff's proposed guidelines, with some modifications, with Resolution 00-38, (See Appendix B). With Board approval of the guidelines, ARB staff had implemented the program almost immediately. A timetable for implementation of the program is shown in Table 1-A-1, below. ARB, CEC, the local air quality management and air pollution control districts (local air districts or districts), and bill proponents have been committed to a quick, successful implementation of the program.

Table 1-A-1: Timetable for ZIP I Implementation

December 7, 2000	ARB public meeting to consider approval of original guidelines.
December 15, 2000	Began taking applications
February 1, 2001	Began distributing grants
January 1, 2002	Effective Date of AB 1390 modifications to the program
April 25, 2002	Revised guidelines approved by the Board at the April 25-26, 2002 Public Hearing

1.1 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.

1.2 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 they 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 carbon dioxide (CO₂) and other greenhouse gases. Vehicles powered by grid electricity will increase the diversity of California's fuel consumption 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 returned to the Board with its recommendations on how to address these issues on January 25, 2001.

1.3 Need for Incentives

Government incentives are one way to address vehicle cost. 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.

2.0 ZIP I PROGRAM ADMINISTRATION

This chapter describes how ZIP I will 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.

2.1 Program Administration

The enabling legislation, AB 2061, 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 guidelines, ARB staff has consulted with the CEC, local air districts, legislative bill sponsors, automakers and other stakeholders interested 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 C. 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 that 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.

2.2 Energy Commission and Air District Incentive Programs

Since 1996, vehicle "buy-down" incentives as well as infrastructure incentives were available in some areas of the State. In the South Coast Air Basin, the Mobile Source Air Pollution Reduction Committee (MSRC) provided these types of incentives. In the rest of the State, these incentives were co-funded by CEC, and available in air districts providing matching funds. These buy-down incentives reduced the capitalized cost of the ZEV, and the lease payments were recalculated on the reduced cost of the vehicle. These incentives, while awarded to the consumer, were transferred through the lessor. These incentives were available for vehicles that met specific performance criteria and are certified to applicable Federal Motor Vehicle Safety Standards (FMVSS)¹.

As a result of this program, the CEC has gained valuable knowledge and experience in the elements necessary to conduct a successful statewide incentive program. Recently, the CEC in partnership with automakers, local air districts, and the MSRC has launched a pilot program, The Efficient Vehicle

¹FMVSS are found in Title 49 of the Code of Federal Regulations (CFR) Part 571

Program, with \$5 million in funding from the Governor's 2000/2001 budget. Grants varying by county and can provide up to \$1,000 for efficient gasoline vehicles such as hybrid electric vehicles and up to \$3,000 for dedicated natural gas vehicles purchased or leased to individuals and fleet buyers. These incentives are provided through the manufacturer at the time of purchase or lease on a first-come, first served basis.

Close coordination between the administration of the ZEV Incentive Program and the Efficient Vehicle Program has been and will continue to be critical.

2.3 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 an ongoing ZEV Incentives Working Group (Working Group). This Working Group will be composed of interested air districts, the MSRC, CEC, the Department of General Services' Office of Fleet Administration (DGS), legislative 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 a web site, www.zevinfo.com, in addition to the information provided by the ARB, CEC, local air districts, DGS (for public agencies), and other web sites. The web site 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 the family of clean cars with special emphasis on zero emission vehicles, their availability, attributes, incentives and benefits. Many consumers find it more difficult and time-consuming to navigate through government web sites that contain information on a wide variety of programs and issues.

The web site www.zevinfo.com allows 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 is given specific information on eligibility and how to apply, including the ability to download the application and instructions. Planned web site upgrades include additional links to clean car-related web sites, e-mail links to program staff that can provide assistance, and a listing of dealers that sell or lease ZEVs. In addition, the customary Manufacturer Suggested Retail Price

(MSRP) and lease price for each ZEV will be posted on the web site to give consumers a baseline price for the vehicles. Other improvements are forthcoming.

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

2.4 Program Manager

An ARB Program Manager will administer the statewide ZEV Incentive Program. The Program Manager will be responsible for administering the program in a manner 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 vehicle dealers to assist the buyer in receiving all other incentives that may apply to the vehicle (buy-down, infrastructure, etc).

2.5 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 the web site 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 will be provided on the amount of total funding available, vehicle eligibility, and the maximum grant that is available for each qualified

vehicle. Information on vehicle sales contacts, as well as staff at local air districts, CEC, and DGS will also be provided to ensure that prospective consumers are able to get as much assistance as needed to facilitate their participation in the program.

Assignment of Grant to Participating Lessors

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 36 months. The lessor for the consumer would handle this transaction. This option would result in the entire grant going directly to the lessor. The lessor would 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.

At the time of the lease transaction, a lessor (or authorized representative) would contact the Program Manager for a voucher number for the qualifying vehicle using a toll free telephone number established by the Program Manager. 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 by the Program Manager either on the telephone or by fax. It is the responsibility of the Program Manager to ensure that the applicant is qualified under the program. A voucher number will guarantee that the lessor will receive the total grant amount, provided that the lease is executed with the applicant and the required documentation is submitted.

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 C. 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 Manager, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, along with an itemization of discounts, incentives and credits received, 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 total grant amount will be sent to the lessor. A voucher number assures the lessor that it will receive payment, as long as the

lessor submits a complete application and the required supporting documentation.

Payment of Grant to Vehicle Lessee/Owner (Direct Payment)

A consumer who is purchasing or leasing an eligible ZEV can apply for direct payment of the grant that typically will be distributed in three allotments over a 36-month period.

At the time of, or following, the purchase or lease transaction, an applicant or sales/lessor representative would contact the Program Manager to receive a voucher number for the eligible vehicle. Each voucher number will represent the total grant amount for the eligible 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/lessor representative by the Program Manager either on the telephone or by fax. It is the responsibility of the Program Manager at this time to ensure that the applicant is qualified under the program. A voucher number will guarantee that the applicant will receive the grant in three allotments over a 36-month period, provided that the purchase, or lease, is executed with the applicant and a complete application and the required supporting documentation is submitted.

Once a voucher number has been issued, the applicant will submit the application to the Program Manager, along with the required documentation of the purchase or lease, such as a copy of the sales or lease contract, along with an itemization of discounts, incentives and credits received, 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 allotment will be sent to the lessee. What a grant recipient must do to receive the second and third grant allotments is described in 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 applicant shall submit a completed application and required documentation to the Program Manager. In such cases, applicants do not need to obtain voucher numbers prior to submitting applications.

Distribution of 2nd and 3rd Grant Allotments

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 grant recipient prior to making subsequent grant distributions. To simplify this process, the Program Manager will send each grant recipient a reminder letter requesting that any changes in information be provided regarding vehicle ownership and owner address along with a copy of the current vehicle registration.

4. Annual Reports from Participating Lessors

The Program Manager will send a letter on a quarterly basis to participating lessors with grant assignments requesting status information on a specific list of vehicles that received grants at the beginning of the previous 12-month period. The Project Manager is requesting that information be provided for any changes in the status of the vehicle lease and vehicle lessees and addresses.

5. Assignment of Benefits to New Lessees/Owners.

As mentioned earlier, the intent of this program is to place ZEVs in the 2000-2002 timeframe and to reduce the cost of a ZEV over a 36-month period. With that said, the ARB realizes that some ZEVs may be sold or returned to a dealer within the 36-month period. 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 its sole discretion; return the unused grant amount should it no longer wish to make the vehicle available for lease in California.

6. Statewide Availability

This grant is available statewide to all eligible consumers. However, the 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 (EV) 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 EVs. 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.

7. Appeal Process

If an applicant is denied a grant, the Program Manager will provide the applicant with the 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.

3.0 ELIGIBILITY CRITERIA

This chapter describes which applicants and vehicles are eligible for the grants provided by this program.

The program was originally authorized to provide grants to individuals, local governments, state agencies, nonprofit organizations, and private businesses purchasing or leasing an eligible ZEV. Federal agencies are not identified in the enabling legislation, AB 2061, and were excluded from the program prior to January 1, 2002. However, AB 1390, which became effective January 1, 2002, expands the program by making public agencies (replacing state agencies) eligible for grants. Public agencies may include local, regional, state and federal government agencies and entities.

To be considered eligible, vehicles must meet all of the criteria specified in Section 3.2, below. Using the criteria specified in Section 3.2, ARB staff has created an Initial List of Eligible Vehicle Models (See Appendix D). ARB will maintain the list of eligible vehicle models to reflect new additions, as they become available. It is the responsibility of the vehicle manufacturer to provide the ARB with sufficient information to make a determination regarding a vehicle model's eligibility.

Vehicles discussed below can be separated into three different categories. They include Full Function Zero Emission Vehicles (FFEV), City Zero Emission Vehicles (CEV) and Neighborhood Zero Emission Vehicles (NEV). FFEVs are freeway capable, are required to meet numerous FMVSS, and have much of 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 California Vehicle Code (CVC) Section 385.5. NEVs 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 ZIP I.

3.1 Criteria for Applicant Eligibility

Per AB 2061 and AB 1390, the following applicants are eligible grant recipients:

- ◆ An individual (i.e., a retail or private customer/consumer),
- ◆ A local government entity or agency,
- ◆ A state government entity or agency (replaced January 1, 2002, with public agency)
- ◆ As of January 1, 2002, be a public agency which may include local, regional, state and federal government agencies and entities
- ◆ A nonprofit organization, or
- ◆ A private business.

For a leased ZEV, ARB staff would clarify that the grant applicant shall be the person or entity financially responsible for registration of the vehicle.

3.2 Criteria for Vehicle Eligibility

A qualified recipient may be provided with a maximum available grant for a new zero emission light-duty car or truck eligible for the program.² In order to be eligible to receive a grant under the ZIP I program, 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, if the vehicle is to be utilized solely for a demonstration program, have received the applicable waivers from the National Highway Traffic Safety Administration (NHTSA); 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 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.

² 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 up to a maximum of \$9,000.

1. New Vehicle

To be eligible, the vehicle shall be a new vehicle as defined in Section 430 of the California Vehicle Code³, 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.

To be eligible, the Original Equipment Manufacturer (OEM) or its authorized licensee must manufacture a vehicle. Therefore, a conversion of a conventionally fueled vehicle that had previously been subject to a retail purchase would not be eligible. 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.

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 New ZEV. A zero emission light-duty truck shall be a vehicle in the vehicle class light-duty truck and a model that ARB has certified as a New ZEV.

For a vehicle model that is not yet ARB-certified as a New ZEV, the OEM or its authorized licensee 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 procedures⁴ is submitted. Staff recommends that manufacturers of new vehicle models, in particular models not previously available for sale in California, contact the DMV Registration Operations Division to ensure that the vehicle model meets California registration and safety requirements.

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.

³ 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.

⁴ 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.”

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. 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.

4. Registration with the Department of Motor Vehicles (DMV) for Use In California

To be eligible, the vehicle must be registered with DMV for use in California. Appropriate proof of temporary or permanent vehicle registration must be submitted with the grant application. 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 Program Manager.

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). The FMVSS are safety standards for new motor vehicles and new motor vehicle equipment issued by the National Highway Traffic Safety Administration (NHTSA). The FMVSS are found in Title 49 of the Code of Federal Regulations (CFR) Part 571. A table summarizing the FMVSS for a number of vehicle categories is provided in Appendix H. 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 NHTSA or

that the manufacturer has submitted the appropriate applications or required notifications to NHTSA.⁵

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 CVC 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. In order for a vehicle to be considered capable of operation on a freeway, it must be in compliance with CVC Section 22400. 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 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.

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. Vehicles currently owned or previously owned by a person or entity that is not the vehicle manufacturer, an authorized dealer, or their financing company shall not be considered an eligible previously leased vehicle. Previously leased vehicles that have been substantially upgraded may be eligible to receive up to \$9,000 depending on their incremental cost as determined by the CEC.

New technologies include, but are not limited to, advanced batteries or power electronics. For purposes of this program, replacement of spent batteries with

⁵ 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).

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 must 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 watt hour per kilogram (whr/kg), watt per kilogram (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.

8. Specialty Fleet Versions

The eligibility of specialty fleet vehicle models based on an eligible passenger car or light-duty truck model will be determined on a case-by-case basis. The electric United States Postal Service vehicle model that is based on the Ford electric Ranger truck is an example of a specialty fleet vehicle model.

9. Vehicle and Battery Warranty

To be eligible, a vehicle, including battery pack, must be covered by a manufacturer warranty for a minimum of 36 months. At a minimum, a full warranty shall be provided for the first 12-months of the coverage period. If the warranty for the remainder of the coverage period 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. Where a vehicle lease period is less than 36 months, the vehicle and battery pack warranties may be for the duration of the lease period. For vehicle purchases and lease periods greater than 36 months, manufacturers are encouraged to provide or offer extended warranties. Prior to approving a vehicle model for addition to the List of Eligible Vehicles, the Program Manager may request the manufacturer to provide copies of representative vehicle and battery warranties and a description of the manufacturers' plans to provide warranty and routine vehicle service.

4.0 INCENTIVE STRUCTURE AND ALLOCATION

This chapter describes staff's plan for distributing the grant, how the amount of the grant will be calculated, and allocating the grant funds.

4.1 Distribution of Assigned Grants for Leased Vehicles

If the grant recipient has assigned the grant to the vehicle lessor, the entire 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 applications and grant distribution requests and making the grant distributions. However, grant distributions shall be made by the Program Manager no less frequently than quarterly, except if the lessor requests otherwise.

4.2 Distribution of Grants for Purchased Vehicles and Non-Assigned Grants for Leased Vehicles

Typically, the grant for an eligible vehicle will be distributed to the qualified recipient in three equal allotments, one allotment for each of the first, second and third 12-month periods, if applicable, after vehicle purchase or lease.⁶ 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 distribution 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 grant will be provided for the first 12-month period of the purchase or lease. The distribution of this first allotment of the grant will be made as soon as possible, but no later than 60 days, after receipt and

⁶For a vehicle lease term of 24 months or less, but more than 12 months, the grant will be made in two equal allotments.

verification of the documentation required for approval of the grant application.

- ◆ Up to \$3,000 of the 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 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 grant allotments will be equal to one third of the grant. For example, If the grant is \$9,000, then each allotment will be \$3,000. If the grant amount is calculated to be \$6,000, then each allotment will be \$2,000. If the grant is \$3,000, then each allotment will be \$1,000.

4.3 Grant Calculation

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. AB 2061 further specifies that up to \$3,000 of the available grant funds may be provided for each of the first, second and third 12-month periods of the lease or purchase of vehicle.

AB 2061 defines the incremental cost as the amount determined by the CEC as the reasonable difference between the cost of the ZEV and the cost of a comparable gasoline or diesel-fueled vehicle. CEC staff will provide ARB staff with a description of its methodology for determining the reasonable incremental costs of an eligible vehicle model and a list of incremental cost determinations for existing eligible vehicle models.⁷

The ARB will establish a maximum grant for each eligible vehicle model. The maximum grant shall be equal to "the maximum available grant", up to \$9,000, except if a vehicle is leased for less than 36 months. If a vehicle is leased for less than 36 months, the maximum grant shall be equal to "the maximum available grant", up to \$9,000, multiplied by the lease term in months and divided by 36 months. The ARB will include the information on the maximum grant for each eligible vehicle model in its List of Eligible Vehicle Models (See

⁷ Currently, the CEC determines a similar incremental cost of EVs for use in the AB 1782 program.

Appendix D.). 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.

4.4 Allocation of Grants

AB 1390 specifies that the Board may reserve, allocate, and reallocate funds to any eligible grant recipient. The Board may also reduce or eliminate the ZIP I grants if the Board determines that the recipient received grants from the Budget Act of 2001. Furthermore, the Board is to periodically review grant applicants and the award of grants to ensure, to the greatest extent possible, that all grant funds are used.

The ZIP I grant may be reduced or eliminated if the total amount of state grants received for the eligible vehicle would exceed 50% of the actual cost of the vehicle for the applicant. Local program grants may be used to augment the ZIP I grants.

5.0 SUMMARY

In summary, the incentive program provided by AB 2061, and modified by AB 1390, is a positive step towards supporting the ZEV market in California. It provides grants to reduce the incremental cost of new ZEVs from 2000 to 2003. ZEVs will be more affordable for the general public, public 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 ZEVs. This program was intended to encourage manufacturers to increase the number of EVs 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 2061 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.

A summary of program activity through December 31, 2002 is provided in Appendix G.