

PROGRAM OPPORTUNITY NOTICE

**Alternative and Renewable Fuel
and
Vehicle Technology Program**

**PON Number
PON-10-604**

Subject Area:

**Buy-down Incentives for Natural Gas and
Propane Vehicles**

APPLICATION PACKAGE

April 13, 2011



Jerry Brown, Governor

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PROGRAM OPPORTUNITY NOTICE AND APPLICATION PACKAGE

Alternative and Renewable Fuels and Vehicle Technology Program

Subject Area: Buy-down Incentives for Natural Gas and Propane Vehicles

1. **Release Date:** April 13, 2011
2. **Proposal Due Date:** Continuous until April 1, 2013 at 4:00 pm or until all the available funds have been exhausted, whichever occurs first.
3. **Purpose**

This Program Opportunity Notice (PON) is to announce that funding is available and reservations are now being accepted for buy-down incentives for specific classes of natural gas and propane on-road vehicles. Incentives will be provided at varying levels depending on the class of vehicle.

The incentives will reduce the high initial price of natural gas and propane vehicles to assist public and private fleets and individual consumers in making the decision to purchase and utilize vehicles powered by non-petroleum, lower-carbon, alternative and renewable fuels.

4. Availability of PON Documents and Information

This PON and all supporting documents and forms can be found at <http://www.energy.ca.gov/contracts/index.html> under "Current Solicitations." Interested parties may also sign on to the electronic mailing list on this webpage to be notified of any changes to this PON. For those parties without Internet access, copies of this PON can be obtained by contacting:

Jennifer Masterson
California Energy Commission
Grants and Loans Office
1516 Ninth Street, MS-1
Sacramento, CA 95814
Telephone: (916) 654-4606

5. Background

Assembly Bill 118 (Núñez, Chapter 750, Statutes of 2007), created the Alternative and Renewable Fuel and Vehicle Technology (ARFVT) Program. The statute, subsequently amended by AB 109 (Núñez, Chapter 313, Statutes of 2008), authorizes the Energy

Commission to develop and deploy alternative and renewable fuels and advanced transportation technologies to help attain the state's climate change policies. The Energy Commission has an annual program budget of approximately \$100 million and provides financial support for projects that:

- Develop and improve alternative and renewable low-carbon fuels;
- Optimize alternative and renewable fuels for existing and developing engine technologies;
- Produce alternative and renewable low-carbon fuels in California;
- Decrease, on a full-fuel-cycle basis, the overall impact and carbon footprint of alternative and renewable fuels and increase sustainability;
- Expand fuel infrastructure, fueling stations, and equipment;
- Improve light-, medium-, and heavy-duty vehicle technologies;
- Accelerate the commercialization of vehicles and alternative and renewable fuels including buy-down programs through near-market and market-path deployments;
- Retrofit medium- and heavy-duty on-road and non-road vehicle fleets;
- Expand infrastructure connected with existing fleets, public transit, and transportation corridors; and
- Establish workforce training programs, conduct public education and promotion, and create technology centers.

The statute requires the Energy Commission to adopt an annual investment plan to determine funding priorities and opportunities and describe how program funding will be used to complement other public and private investments. The Energy Commission adopted its first investment plan at the April 22, 2009, Business Meeting. A copy of the first *Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program* (CEC-600-2009-008-CTF) can be found at <http://www.energy.ca.gov/2009publications/CEC-600-2009-008/CEC-600-2009-008-CTF.PDF>. The Energy Commission adopted its second investment plan on August 11, 2010. A copy of the *2010-2011 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program* (CEC-600-2010-001-CMF) can be found at <http://www.energy.ca.gov/2010publications/CEC-600-2010-001/CEC-600-2010-001-CMF.PDF>. The Energy Commission has begun a proceeding to develop its third investment plan. A copy of the staff draft of the *2011-2012 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program* can be found at <http://www.energy.ca.gov/2011publications/CEC-600-2011-006/CEC-600-2011-006-SD.PDF>.

6. Eligible Applicants

This PON is open to original equipment manufacturers (OEMs). OEMs may designate vehicle dealers and distributors to apply on their behalf. In this case, the dealer and distributor must submit with the reservation form a letter signed by the OEM designating them as their agent for this PON.

7. Eligible Vehicles

Incentives are available through this PON only for **new on-road natural gas and propane** vehicles that **meet all emission requirements** of the Air Resources Board (ARB) and that **are fully warranted** by the original equipment manufacturer. The ARB maintains a complete list of all vehicles that are certified and approved for sale in California. This list is located on the ARB website at <http://www.arb.ca.gov/msprog/onroad/cert/cert.php>. To be eligible, a given vehicle must be on this list as certified or approved for that model year; however, **all heavy-duty vehicles must be certified to 2010 ARB emission standards.**

8. Funding Information

The maximum funding available for all incentives in this PON is \$14,540,000. The Energy Commission reserves the right to increase funding in this PON up to \$30,000,000. Incentive reservations are available on a first-come, first-served basis.

The maximum funding available through this PON by vehicle fuel type and weight is as follows, although the Energy Commission may redirect funds between categories as demand requires:

- \$10,190,000 for natural gas vehicles, excluding school and transit buses
- \$2,350,000 for propane vehicles, excluding school and transit buses
- \$2,000,000 for propane school buses

The tables below show the available incentive amounts by vehicle type and gross vehicle weight (GVW).

Natural Gas and Propane Vehicles

GVW (lbs)	Incentive Amounts	
	Natural Gas	Propane
Up to 8,500	\$3,000	\$3,000
8,501 – 14,000	\$8,000	\$6,000
14,001 – 26,000	\$20,000	\$10,000
26,001 & greater	\$32,000	N/A

Propane School Buses

GVW (lbs)	Incentive Amounts
Up to 14,000	\$15,000
Greater than 14,000	\$20,000

Applicants may apply for more than one incentive using a single reservation form (For more information, please refer to **Application Process** below). The maximum incentive amount that may be requested by any one OEM with a single reservation is:

- Up to \$575,000 per reservation for natural gas and propane vehicles up to 16,000 lbs GVW
- Up to \$1,300,000 per reservation for natural gas vehicles greater than 16,000 lbs GVW
- Up to \$500,000 per reservation for propane school buses.

For OEMs that designate a vehicle dealer/distributor to apply as their agent for reservations, the sum of the reservation amounts requested by the OEM-designated vehicle dealers or distributors cannot exceed the maximum incentive amount that can be requested by a single OEM.

The Energy Commission will close this PON on April 1, 2013, or when all the available funds have been exhausted, whichever occurs first.

9. Program Requirements

The incentives available through this PON can only be used to directly buy down or reduce the purchase price of eligible vehicles.

Purchasers must register the eligible vehicle(s) in California and agree to operate the eligible vehicle(s) on the designated fuel in California (at least 90 percent of the time) for a period of 3 years.

The incentives available through this PON may be used in conjunction with natural gas and propane vehicle purchase incentives available from other entities. In this event, **the combined incentives cannot exceed the differential price of the eligible vehicle compared to its gasoline or diesel counterpart with similar trim levels**, based on the Manufacturer's Suggested Retail Price (MSRP).

The incentives available through this PON also may be used in conjunction with purchase incentives available from other entities for new clean diesel vehicles in excess of 14,000 pounds GVW. In this event, the purchaser may use a vehicle purchase incentive from another entity to apply to part or all of the base price of a new clean diesel vehicle and use a vehicle purchase incentive through this PON for the natural gas or propane vehicle differential cost. Purchasers that combine incentives must demonstrate compliance with any requirements of other incentives that are used to purchase an eligible vehicle.

10. Application Process

The incentives available through this PON will be provided on a first-come, first-served basis using the reservation and payment process described below. The Energy Commission's strong preference is for original equipment manufacturers (OEM) to apply for incentive reservations and have the OEMs either coordinate with their dealer and distributor networks, or designate their dealers/distributors to reserve incentives on behalf of the OEM. The OEMs and OEM-designated dealers and distributors shall

ensure that incentives are included at the point of sale as part of the negotiated price for the vehicle and that all documentation is properly prepared and submitted to the Energy Commission. In addition, the Energy Commission's vehicle buy-down incentive amount shall be clearly stated on the sales documents.

To apply for an incentive, applicants must first complete the **Buy-Down Incentive Reservation Form** shown in Attachment A. One (1) original and one (1) copy of the completed and signed form must be mailed or hand delivered to:

Debbie Jones
California Energy Commission
Fuels and Transportation Division
Attn: Buy-Down Incentives PON-10-604
1516 Ninth Street, MS-44
Sacramento, CA 95814

OEMs, dealers and distributors may submit a single Buy-Down Incentive Reservation Form for more than one incentive for a given eligible vehicle type and/or incentives for multiple eligible vehicle types, up to the maximum amounts specified under **Funding Information** above. These incentive reservations must reflect the number of eligible vehicles that any one applicant can reasonably expect to sell within 120 days. Applicants also must complete a **Payee Data Record Form** shown in Attachment B and submit it along with the Buy-Down Incentive Reservation Form. To complete the Payee Data Record Form go to www.documents.dgs.ca.gov/osp/pdf/std204.pdf. Submittal of the Buy-Down Incentive Reservation Form constitutes acceptance of and agreement to the Terms and Conditions of this PON (See Attachment E).

If the incentive reservation request is approved at an Energy Commission business meeting, the applicant will receive a **Buy-Down Incentive Reservation Confirmation** from the Energy Commission (See Attachment C). This form will show the amount of incentives that will be reserved in the applicant's name, an incentive reservation number, and the reservation expiration date. The reservation will expire 120 days from the date of approval by the Energy Commission or when all incentives are paid, whichever occurs first. Applicants may have only one active Buy-down Incentive Reservation at any given time and are precluded from submitting an additional Buy-Down Incentive Reservation Form if they have an active reservation. The Energy Commission will maintain all necessary records and track the status of all incentive reservations.

To receive payment, the applicant must complete the **Buy-Down Incentive Payment Claim Form** shown in Attachment D for each eligible vehicle sold and submit it to the Energy Commission with the following documentation:

- Copy of sales documents that show the vehicle identification number; model year, make, model, and engine family; actual sales amount including all incentives and all applicable state and federal taxes; purchase date; purchaser name, address, and contact information; purchaser or purchaser representative's signature indicating acceptance of vehicle delivery and incentive conditions.
- Copy of a completed California Department of Motor Vehicle registration form.

The applicant may have to carry the cost of the incentive amount at the time of sale until the incentive payment is received from the state.

For eligible vehicles in excess of 14,000 lbs GVW, the Energy Commission is aware that there may be a lengthy waiting period between the point of purchase and delivery of the vehicle to the purchaser. In this case, the Energy Commission may authorize payment of the incentive at the time of purchase on the basis of a purchase order. Once the vehicle is delivered, the applicant shall submit to the Energy Commission a copy of the complete California Department of Motor Vehicles registration form. However, should the purchaser not accept delivery of the eligible vehicle, the applicant will be responsible for the amount of the incentive paid by the state, but may request approval from the Incentive Manager to apply it to the sale of that vehicle to a different purchaser, or to the sale of another eligible vehicle in the same reservation category. See Terms and Conditions (Attachment E) for details.

11. Monthly Report and Invoice

Applicants must submit a monthly status report to the Energy Commission documenting cumulative information on:

- Number of eligible vehicles sold
- Number of eligible vehicles on order
- Number of eligible vehicles delivered
- Number of expected sales in the following month

Applicants must include the Buy-Down Incentive Payment Claim Form (Attachment D) and required documentation to request payment for each eligible vehicle sold and delivered during the reporting period with the monthly status report.

Reservations expire after 120 days or when the applicant receives payment for the total amount of incentives reserved, whichever is sooner. Should the expected sales associated with each reservation not materialize before the 120-day deadline, the

applicant may re-apply for additional incentive reservations, as long as funds are still available in this PON.

12. Changes to the PON

The Energy Commission reserves the right to:

- Cancel this PON.
- Amend or revise this PON as needed.
- Modify, adjust or eliminate funding in this PON at its sole discretion.

13. Grounds for Rejection

The Energy Commission may return a Buy-Down Incentive Reservation Form or Buy-Down Incentive Payment Claim Form if it is:

- Incomplete in any way.
- The information is deemed inaccurate.
- The applicant is not eligible to receive payment.
- The vehicle type sold is not an eligible vehicle under the PON.

If rejected, the Energy Commission will notify the applicant in writing and will not reserve incentive funding or honor an incentive payment claim until correct documentation is submitted.

14. Questions

Questions regarding this PON may be submitted in writing to:

California Energy Commission
Grants and Loans Office
Attn: Buy-down Incentives PON-10-604
1516 Ninth Street, MS-1
Sacramento, CA 95814

or

Email: buydownincentives@energy.state.ca.us

Questions received, along with the corresponding answers, will be posted on the Energy Commission's website at [<http://www.energy.ca.gov/contracts>] as part of this PON and will be periodically updated while this PON is active. The person and organization submitting a question will not be identified.

15. Attachments

Attachment A Buy-Down Incentive Reservation Form

Attachment B Payee Data Record Form (STD. 204)
Attachment C Buy-Down Incentive Reservation Confirmation Form
Attachment D Buy-Down Incentive Payment Claim Form
Attachment E Terms and Conditions

ATTACHMENT A

Buy-Down Incentive Reservation Form

The template for this solicitation is a separate Microsoft Word file. The template can be accessed at www.energy.ca.gov/contracts/index.html as part of this solicitation package.

ATTACHMENT B

Payee Data Record Form

The template for this solicitation is a separate PDF file. The template can be accessed at www.energy.ca.gov/contracts/index.html as part of this solicitation package.

ATTACHMENT C

Buy-Down Incentive Reservation Confirmation Form

The template for this solicitation is a separate Microsoft Word file. The template can be accessed at www.energy.ca.gov/contracts/index.html as part of this solicitation package.

ATTACHMENT D

Buy-Down Incentive Payment Claim Form

The template for this solicitation is a separate Microsoft Word file. The template can be accessed at www.energy.ca.gov/contracts/index.html as part of this solicitation package.

ATTACHMENT E

Terms and Conditions

The Terms and Conditions are given in a separate file. The files can be accessed at www.energy.ca.gov/contracts/index.html as part of this solicitation package.