

PROGRAM OPPORTUNITY NOTICE

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

PON-11-603

Subject Area:

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

APPLICATION PACKAGE

January 31, 2011

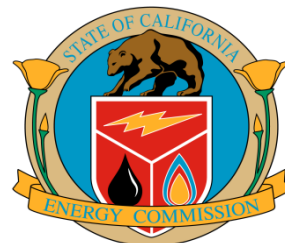


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PROGRAM OPPORTUNITY NOTICE AND APPLICATION PACKAGE

Alternative and Renewable Fuels and Vehicle Technology Program

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

1. Schedule

This Program Opportunity Notice (PON) will be implemented as follows:

- Release PON January 31, 2012
- Post Questions and Answers January 31, 2012
- Begin accepting reservations February 8, 2012

This PON will close on April 1, 2014 or when available funds have been exhausted, whichever occurs first.

2. Purpose

This PON is to announce that funding is available and reservations will be accepted according to the schedule above for buy-down incentives to reduce the purchase or lease price of new on-road natural gas and propane vehicles. The incentives are available on a first-come, first-served basis and at varying levels depending on the gross vehicle weight and fuel type.

The purpose of this PON is to provide incentives that will directly benefit California's economy and the environment by expanding the use of domestically produced non-petroleum fuels that are lower-cost alternatives to gasoline and diesel and have lower carbon emission characteristics.

3. Background

Assembly Bill 118 (Núñez, Chapter 750, Statutes of 2007) established the Alternative and Renewable Fuels and Vehicle Technology Program at the Energy Commission to develop and deploy alternative and renewable fuels and advanced transportation technologies. The statute requires the Energy Commission to adopt an investment plan to determine funding priorities and opportunities. A copy 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-CMF.PDF>. A copy of the *2010-2011 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program* can be found at <http://www.energy.ca.gov/2010publications/CEC-600-2010-001/CEC-600-2010-001-CMF.PDF>.

4. Eligible Applicants

This PON is open to original equipment manufacturers (OEMs). For purposes of this PON, an OEM is defined as an entity that manufactures, assembles and sells under its

name or badge complete light-, medium-, or heavy-duty vehicles or school buses. An OEM may reserve incentives directly for eligible vehicles that are sold or leased through its dealers and distributors. The Energy Commission strongly encourages that OEMs work through California dealers and distributors. As the applicant, the OEM is responsible to ensure that incentives are provided at the point of sale or lease, that the Energy Commission's incentive amount is clearly shown on the sale or lease documents, that the value of the incentive accrues entirely to the purchaser or lessee, and that all documentation is properly prepared and submitted to the Energy Commission. Additionally, an OEM may not reserve incentives through this PON as long as it still has an open reservation previously approved under PON-10-604.

An OEM also may designate one or more California dealers or distributors to reserve incentives on its behalf. In this case, the designated California dealer or distributor must submit a letter with the reservation documents (See Section 8 Incentive Reservation Process) signed by an authorized representative of the OEM designating them as their agent (for some or all its incentives). The letter must clearly state that the California dealer or distributor has been approved by the OEM to apply for incentive funds, and specify the number of vehicle incentives and amount of funding being designated to the dealer or distributor. If the letter is incomplete, the reservation will be rejected and the applicant will be required to re-submit the designation letter. If an OEM designates multiple California dealers or distributors as their agents, the OEM is still subject to the maximum allowable incentive amounts (See Section 6 Funding and Incentive Levels).

If a California dealer or distributor is designated by an OEM to reserve incentives, the California dealer or distributor is the applicant and is responsible to ensure that incentives are provided at the point of sale or lease, that the Energy Commission's incentive amount is clearly shown on the sale or lease documents, that the value of the incentive accrues entirely to the purchaser or lessee, and that all documentation is properly prepared and submitted to the Energy Commission.

Applicants who have a business presence in California are required to register and be in good standing with the California Secretary of State to enter into an agreement with the Energy Commission. If not currently registered with the California Secretary of State, Applicants are encouraged to contact the Secretary of State's Office as soon as possible to avoid potential delays in the reservation process. For more information, contact the Secretary of State's Office via its website at www.sos.ca.gov.

5. Eligible Vehicles

Incentives are available through this PON only for **new on-road** natural gas and propane light-, medium-, and heavy-duty vehicles and school buses that **meet all 2010 or newer emission requirements** of the California Air Resources Board (ARB), that will be registered and operated on the designated fuel (at least 90 percent of the time) in California, and that **are fully warranted**. "Fully warranted" means that all vehicle components, including the natural gas or propane fuel system, are covered exclusively by the OEM or covered under separate warranties by the OEM and the fuel system upfitter that together provide warranty for the complete vehicle. Eligible vehicles must have engines prepped for natural gas or propane fuels.

For purposes of this PON, a “school bus” means the same as defined in California Vehicle Code section 545.

Transit buses are not eligible for incentives through this PON.

The ARB maintains a complete list of all vehicles and engines 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 vehicle or engine must be on this list as certified or approved for model year 2010, 2011 or 2012.

For purposes of this PON, a “new” vehicle is one that has never been sold, leased, or used, has been manufactured by an OEM as a natural gas or propane vehicle, and can be registered and driven as a new natural gas or propane vehicle in California. Additionally, a vehicle that is upfitted with a natural gas or propane fuel system and sold as a new vehicle is eligible for a buy-down incentive.

However, a new gasoline or diesel vehicle that is purchased or leased and then retrofitted by the owner with an after-market natural gas or propane conversion kit is not considered a “new” vehicle under this PON and not eligible for a buy-down incentive.

6. Funding and Incentive Levels

The maximum funding available for all incentives in this PON is \$12.709 million. The Energy Commission reserves the right to increase funding in this PON up to \$30 million.

The maximum funding available by fuel type is:

- \$6.447 million for light-, medium-, and heavy-duty natural gas vehicles,
- \$5.262 million for light-, medium-, and heavy-duty propane vehicles, and
- \$1.0 million for propane school buses.

The individual incentive amounts by fuel type and gross vehicle weight (GVW) are as follows:

Natural Gas and Propane Vehicle Incentives

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	\$26,000 *	NA
26,001 & greater	\$32,000 **	NA

* With fuel tank capacity less than 190 Diesel Gallon Equivalent (DGE)

** With fuel tank capacity of at least 190 DGE

Propane School Buses

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

The maximum incentive amount that an OEM may reserve or that OEM may designate cumulatively to dealers or distributors per reservation by fuel type and GVW is:

- \$200,000 for natural gas vehicles up to 14,000 lbs,
- \$200,000 for propane vehicles up to 14,000 lbs,
- \$400,000 for natural gas vehicles between 14,001 lbs and 26,000 lbs,
- \$400,000 for propane vehicles between 14,001 lbs and 26,000 lbs,
- \$900,000 for natural gas vehicles 26,001 lbs and greater, and
- \$500,000 for propane school buses.

The Energy Commission reserves the right to redirect funds between fuel categories as the demand for incentives warrants.

7. Program Requirements

The incentives available through this PON can only be used to directly buy down or reduce the purchase or lease price of eligible vehicles, after all applicable taxes and fees are applied.

The value of the incentive must accrue entirely to the purchaser or lessee. The Applicant is responsible for demonstrating to the satisfaction of the Energy Commission that this has occurred through the supporting documentation submitted with the Buy-Down Incentive Payment Claim Form(s).

Applicant must sell or lease one-half of the vehicles reserved within 60 days of the start of the 120-day reservation period. Failure to do so will result in the early termination of the remaining incentive reservations. (See the Terms and Conditions for details.)

The eligible vehicle(s) must be registered in California and the purchaser or lessee must agree to operate the eligible vehicle(s) on the designated fuel (at least 90 percent of the time) in California for a period of 3 years.

The incentives available through this PON may be used in conjunction with natural gas and propane vehicle 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 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 an incentive through this PON for the natural gas or propane vehicle incremental cost.

Purchasers and lessees that combine incentives must demonstrate compliance with any requirements of incentives available from other entities that are used to purchase or lease an eligible vehicle.

Should the expected sales or leases associated with each reservation not materialize before the 120-day reservation period expires, the applicant may re-apply for new incentive reservations only if:

- Funds are still available in this PON;
- The applicant has notified the Energy Commission that not all reserved incentives will be used; and
- The applicant has submitted payment claims for all existing reservations and the payment claims have been submitted to the State Controller’s Office for payment.

8. Incentive Reservation Process

The incentives available through this PON will be reserved on a first-come, first-served basis according to the following steps:

Step 1	Applicant must complete a Buy-Down Incentive Reservation Form (See Attachment ARF-1).
	Use one Buy-Down Incentive Reservation Form to request incentives for both natural gas and propane vehicles, up to the maximum incentive amounts allowed for each OEM by GVW and fuel type (See section 6).
	Request only the number of incentive reservations for eligible vehicles that can be sold or leased within 120 days.
	Identify the Authorized Officer. This individual must approve submittal of the reservation request and declare its accuracy, understand and accept the Terms and Conditions of the program (See Attachment A), and agree to comply with all program requirements.
	Identify the Contact for Reservations and Payments. This individual is the point of contact for the Energy Commission. This person must be familiar with all program requirements and able to respond to questions from the Energy Commission.
Step 2	Applicant must complete a Payee Data Record Form (See Attachment STD 204). The applicant must be shown as either the “business” or “sole-proprietor.”
Step 3	If Applicant is a dealer or distributor designated by an OEM, obtain and submit a letter, signed by an authorized representative of the OEM, designating the dealer or distributor as the agent of the OEM for purposes of this PON, stating that the dealer or distributor has been approved by the OEM to apply for incentive funds, and specifying the number of vehicle incentives and amount of funding being designated to

	the dealer or distributor.
Step 4	<p>Applicant must mail or hand-deliver the signed original and one (1) hard copy of the Buy-Down Incentive Reservation Form, the Payee Data Record Form, and, if applicable, the letter from the OEM, to:</p> <p style="text-align: center;">Debbie Jones California Energy Commission Fuels and Transportation Division Attn: Buy-Down Incentives PON-11-603 1516 Ninth Street, MS-44 Sacramento, CA 95814</p>
Step 5	Energy Commission staff will review the Buy-Down Incentive Reservation package. If the forms are complete, they will be processed for approval by the Energy Commission at a regularly scheduled business meeting. Please note that Energy Commission business meetings are now once a month.
Step 6	Energy Commission staff will send to the applicant a Buy-Down Incentive Reservation Confirmation (See Attachment ARF-2). This form will show the number and value of incentives that have been 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 in the reservation have been claimed and approved for payment, whichever occurs first.
Step 7	Applicant shall use incentives only for vehicles sold after approval of the Buy-Down Incentive Reservation Form by the Energy Commission and before the 120-day reservation period expires.
	Applicant may have only one active reservation of one or more incentives for natural gas vehicles up to 14,000 lbs, for propane vehicles up to 14,000 lbs, for natural gas vehicles between 14,001 lbs and 26,000 lbs, for propane vehicles between 14,001 lbs and 26,000 lbs, for natural gas vehicles greater than 26,001 lbs, or for propane school buses.
	Applicant is precluded from requesting additional reservations in any one of these four categories until the Energy Commission has authorized payment for all existing incentives in that given category.
	If the Energy Commission does not have sufficient funds to satisfy the Applicant's entire reservation request, the Applicant will be notified in writing. If the Applicant agrees to a lesser number of incentives, the modified reservation request will be forwarded to the Energy Commission for approval.

Step 8	The Energy Commission will close this PON on April 1, 2014, or when all the available funds have been exhausted, whichever occurs first.
	If a Buy-Down Incentive Reservation Form is received after funds are exhausted in a given category, the request will be rejected.
Step 9	The Energy Commission will maintain all necessary records and track the status of all incentive reservations.

9. Incentive Payment Process

Payments for incentives are processed in one of two ways, depending on whether the eligible vehicle is delivered at the point of sale or lease or at a later date. For each eligible vehicle that is delivered at the point of sale or lease, payments will be processed according the following steps:

Step 1	Applicant must complete the Buy-Down Incentive Payment Claim Form – Applicant (See Attachment ARF-3).
	Attach the following documents to the Buy-Down Incentive Payment Claim Form – Applicant: <ul style="list-style-type: none"> • A copy of the signed sale or lease document clearly displaying the purchaser/lessee name and purchase/lease date, MSRP or equivalent, all applicable state and federal taxes and fees, all other costs and deductions, the origin and amount of all incentives including the CEC incentive applied to the final price; and • A copy of the completed California Department of Motor Vehicle registration form.
	Purchaser must complete the Buy-Down Incentive Payment Claim Form – Purchaser/Lessee (See Attachment ARF-4).
Step 2	Applicant must mail or hand-deliver the signed original and one (1) hard copy of the Buy-Down Incentive Payment Claim Form – Applicant, the Buy-Down Incentive Payment Claim Form – Purchaser/Lessee, and supporting documents to: <p style="text-align: center;">Debbie Jones California Energy Commission Fuels and Transportation Division Attn: Buy-Down Incentives PON-11-603 1516 Ninth Street, MS-44 Sacramento, CA 95814</p>
Step 3	Applicant may submit Buy-Down Incentive Payment Claim Forms at any time (although it is preferred that they are submitted monthly). Applicant must submit all Buy-Down Incentive Payment Claim Forms no later than 15 days after the 120-day reservation period.

	Applicant will carry the cost of the incentive amount at the time of sale or lease until payment is received from the state.
Step 4	Energy Commission staff will review the Buy-Down Incentive Payment Claim Forms and supporting documents. If the package is complete, the Energy Commission will authorize the State Controller's Office to issue a check to the Applicant (designated as the "business" or "sole-proprietor" on the Payee Data Record Form).

For each eligible vehicle that is delivered after the point of sale or lease, payments will be processed according to the following steps:

	Applicant must complete the Buy-Down Incentive Payment Claim Form – Applicant (See Attachment ARF-3).
Step 1	<p>Attach the following documents to the Buy-Down Incentive Payment Claim Form – Applicant:</p> <ul style="list-style-type: none"> • A copy of the signed invoice or purchase order clearly displaying the purchaser/lessee name and purchase/lease date, a stock or order number for a given vehicle that can be uniquely linked to the VIN once the vehicle is delivered, MSRP or equivalent, all applicable state and federal taxes and fees, all other costs and deductions, the origin and amount of all incentives including the CEC incentive applied to the final price. (Note that a non-binding purchase order is not sufficient to receive payment.)
Step 2	<p>Applicant must mail or hand-deliver the signed original and one (1) hard copy of the Buy-Down Incentive Payment Claim Form – Applicant and supporting documents to:</p> <p style="text-align: center;">Debbie Jones California Energy Commission Fuels and Transportation Division Attn: Buy-Down Incentives PON-11-603 1516 Ninth Street, MS-44 Sacramento, CA 95814</p>
Step 3	Applicant may submit Buy-Down Incentive Payment Claim Forms at any time (although it is preferred that they are submitted monthly). Applicant must submit all Buy-Down Incentive Payment Claim Forms no later than 15 days after the 120-day reservation period.
Step 4	Energy Commission staff will review the Buy-Down Incentive Payment Claim Form and supporting documents. If the package is complete, the Energy Commission will authorize the State Controller's Office to issue a check to the Applicant (designated as the "business" or "sole-proprietor" on the Payee Data Record Form).

	Applicant will carry the cost of the incentive amount at the time of sale or lease until payment is received from the state.
Step 5	Upon delivery of the vehicle, purchaser/lessee must complete the Buy-Down Incentive Payment Claim Form – Purchaser/Lessee (See Attachment ARF-4).
Step 6	Applicant must complete California Department of Motor Vehicles registration form that shows the vehicle identification number and that the vehicle is registered in California.
Step 7	Applicant must mail or hand-deliver the signed original and one (1) hard copy of the Buy-Down Incentive Payment Claim Form – Purchaser/Lessee and the complete California Department of Motor Vehicles registration form to: <p style="text-align: center;">Debbie Jones California Energy Commission Fuels and Transportation Division Attn: Buy-Down Incentives PON-11-603 1516 Ninth Street, MS-44 Sacramento, CA 95814</p>
Step 8	Applicants must submit the Buy-Down Incentive Payment Claim Form – Purchaser/Lessee and supporting documents within 180 days following submission of the Buy-Down Incentive Payment Claim Form – Applicant.
	Applicant will be responsible to repay the amount of the incentive paid by the state should the purchaser not accept delivery of the vehicle. The Applicant may request approval from the Commission Incentive Manager to apply the incentive to the sale of that vehicle to a different purchaser, or to the sale of another eligible vehicle in the same reservation category (See Attachment A – Terms and Conditions).
	Energy Commission may authorize a limited extension of the 180-day period on a showing of good cause. Any request for an extension must be submitted in writing and include the number of vehicles remaining, the amount of additional time needed, and the reason for the requested extension.

10. Monthly Reporting

Applicants are required to submit the monthly status report (Form ARF-5) to the Energy Commission documenting cumulative information on:

- Number of incentives reserved
- 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 are also required to complete the required survey information included in ARF-5 (all items shown with an asterisk) for each vehicle sold, leased or ordered. The survey requests additional information on a voluntary basis. This additional information will assist the Energy Commission in determining incentive amounts for future vehicle buy-down solicitations.

Applicants must be current on all monthly reporting requirements in order to receive payment on a claim.

# Sold	Fuel Type	Incremental cost of Alt Fuel Vehicle to Counterpart	Vocation	Weight Class	Expected Annual Miles/ vehicle	MPG ¹	Typical Vehicle Fleet Service Life (miles) ²	Fuel use that these Vehicle Replace
12	CNG	\$40k	Waste Hauler	7	30,000	5.2	500K	Diesel

Applicants must be current on monthly reporting requirements in order to receive payment on a claim.

11. 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.
- Reject any or all applications received in response to this PON.

12. Grounds for Rejection

The Energy Commission may reject a Buy-Down Incentive Reservation Form if:

- The Buy-Down Incentive Reservation Form is submitted earlier than the due date shown in Section 1 of this PON or after the PON is closed;
- The form or supporting documentation is incomplete or inaccurate in any way;
- The applicant is not eligible;
- The funds requested are in excess of the maximum amount available to the applicant in the maximum funding category; or
- Funds have been exhausted in the requested category.

The Energy Commission may reject a Buy-Down Incentive Payment Claim Form – Applicant or a Buy-Down Incentive Payment Claim Form – Purchaser/Lessee if:

¹ The conventional vehicle’s MPG in this service; not the expected AFV vehicle’s MPG.

² First purchaser’s expected life for this asset, i.e.at what mileage is this vehicle typically sold.

- The form(s) or supporting documentation are incomplete or inaccurate in any way;
- The vehicle sold or leased is not eligible;
- The vehicle was sold prior to approval of the Buy-Down Incentive Reservation Form by the Energy Commission or after the 120-day reservation period has expired; or
- Monthly reports are not current.

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.

13. Questions and Availability of PON Documents

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:

Debbie Jones
 California Energy Commission
 Fuels and Transportation Division
 Attn: Buy-Down Incentives PON-11-603
 1516 Ninth Street, MS-44
 Sacramento, CA 95814
 Telephone: (916) 654-4631

Specific questions regarding this PON may be submitted in writing to Buydownincentives@energy.state.ca.us, or may be delivered in person or by mail to the address above. Questions and answers will be posted on the Energy Commission’s website at <http://www.energy.ca.gov/contracts/index.html> 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.

14. Forms and Attachment A

Form ARF-1	Buy-Down Incentive Reservation Form
Form STD 204	Payee Data Record Form
Form ARF-2	Buy-Down Incentive Reservation Confirmation Form
Form ARF-3	Buy-Down Incentive Payment Claim Form – Applicant
Form ARF-4	Buy-Down Incentive Payment Claim Form – Purchaser/Lessee
Form ARF-5	Monthly Status Report
Attachment A	Terms and Conditions