

BOARD MEETING DATE: July 6, 2018

AGENDA NO. 3

PROPOSAL: Recognize Revenue from Participating Members of California Natural Gas Vehicle Partnership, Transfer Funds for SCAQMD's Membership, and Approve Budget and Expenditures for Activities and Projects during FYs 2018-19 and 2019-20

SYNOPSIS: The Board established the California Natural Gas Vehicle Partnership (CNGVP) to promote greater deployment of natural gas vehicles in California. To fund program administration, activities and projects, and achieve the goals of the CNGVP, the Voting Members of the Steering Committee pay dues for a two-year membership while Associate Members participate through in-kind contributions. These actions are to: 1) recognize revenue from participating and future CNGVP Members; 2) transfer \$25,000 from the Clean Fuels Program Fund (31) into the Natural Gas Vehicle Partnership Fund (40) for SCAQMD's two-year membership for FYs 2018-19 and 2019-20; 3) approve the FYs 2018-19 and 2019-20 CNGVP Budget; and 4) authorize the Executive Officer to approve individual expenditures, as approved by the CNGVP, for FYs 2018-19 and 2019-20 up to \$75,000 but not to exceed \$225,000 for each fiscal year.

COMMITTEE: Technology, June 15, 2018; Recommended for Approval

RECOMMENDED ACTIONS:

1. Recognize, upon receipt, up to \$170,000 in membership dues over a two-year period from participating and future members of the CNGVP into the Natural Gas Vehicle Partnership Fund (40);
2. Transfer \$25,000 from the Clean Fuels Program Fund (31) into the Natural Gas Vehicle Partnership Fund (40) for SCAQMD's two-year membership for FYs 2018-19 and 2019-20;
3. Approve the CNGVP budget for FYs 2018-19 and 2019-20, as provided in Table 4; and
4. Authorize the Executive Officer to approve expenditures from the Natural Gas Vehicle Partnership Fund (40) for activities and projects selected by the CNGVP designed to meet partnership goals, as described in this letter and Table 4, for

FYs 2018-19 and 2019-20 in budgeted amounts up to \$75,000 for individual expenditures, contingent upon availability of funds, but not to exceed \$225,000 per fiscal year.

Wayne Natri
Executive Officer

MMM:FM:NB:PMB

Background

In 2002, the Board established the California Natural Gas Vehicle Partnership (CNGVP or the Partnership) to accelerate development of advanced natural gas vehicle technologies, establish a benchmark for lowering emissions from petroleum-based engines, and provide a pathway for transitioning towards fuel cells in the future. The CNGVP is comprised of state and federal air quality agencies, transportation and energy agencies, vehicle and engine manufacturers, fuel providers, transit organizations and refuse haulers.

The Partnership seeks to encourage high-level policymakers from around the nation to share knowledge, plan joint projects and discuss issues such as the role of natural gas to address national energy policies, the potential of natural gas to strengthen national fuel security, and the expansion of engine and vehicle platform development to meet future more stringent engine emissions standards.

Structurally, the Partnership is overseen by a Steering Committee led by a Chair. The Partnership is comprised of Voting Members and Associate Members. All members participate in the activities of the Steering Committee and the working groups created by the Steering Committee. Voting Members make a contribution of \$25,000 for a two-year membership and participate on the Steering Committee and working groups. In addition, private end-users and/or fleet operators may become Voting Members with a minimum contribution of \$10,000. Voting Members make decisions regarding the Partnership's activities and project plans, elections of Chair and Vice-Chair, and budget and expenditures. Each Voting Member has one vote on the Steering Committee. Associate Members do not have membership dues or voting privileges, but participate through in-kind contributions providing valuable assistance in furthering deployment of natural gas vehicles. One environmental organization on behalf of all environmental groups in the Steering Committee will be accepted as a Voting Member without the \$25,000 contribution. The members of the Steering Committee have provided that distinction to CARB.

The Partnership's Steering Committee meets on a periodic basis with high-level representation from each participating member. SCAQMD's representation on the CNGVP includes three Board Members: Mayor Ben Benoit, Dr. Clark E. Parker, Sr., (who has been serving as CNGVP Vice-Chair) and Council Member Dwight Robinson. Routine activities of the Partnership include members and invited guests providing and receiving updates on industry activities, legislative and regulatory activities as well as discussing and planning programs and projects that help promote the Partnership's goals and objectives, which include the use of natural gas as a transportation fuel that can contribute to regional and global air quality issues. An integral part of the Partnership's ability to communicate its message is the CNGVP website (cngvp.org), which is currently maintained under a contract with Gladstein, Neandross & Associates LLC (GNA). The website promotes the activities of the CNGVP and the natural gas vehicle industry in general. The CNGVP also provides sponsorships or cosponsorships for various events, conferences and expositions that advance the use of natural gas as a transportation fuel as well as the development of key documents relative to natural gas vehicles and the role they can play in helping improve air quality.

Over the past two years, individual members of the CNGVP have been active in expanding natural gas refueling infrastructure for California and the rest of the nation, helping to develop near-zero NOx emissions (NZE) heavy-duty natural gas engines that are certified to CARB's most stringent optional low NOx standard of 0.02g NOx/bhp-hr or 90 percent cleaner than the current on-road heavy-duty engine NOx exhaust emissions standard, and advancing the production and deployment of locally produced and consumed renewable natural gas (RNG) that has a significantly lower carbon intensity relative to any fossil-based fuel. In addition, the CNGVP has participated or been involved in the following:

1. Development of a technical white paper exploring the need to deploy zero emissions and NZE heavy-duty vehicle technologies on a wide-scale basis in the U.S., in combination with the use of RNG. The combination can offer an array of environmental and economic benefits, including job creation, improved air quality and a number of environmental waste stream management improvements that will accrue at local levels. The white paper titled "Game Changer – Next Generation Heavy-Duty Natural Gas Engines Fueled by Renewable Natural Gas" (Game Changer) was released on May 3, 2016.
2. Developing communication materials to support and further communicate the key findings of the Game Changer, such as:
 - a. Identifying key facts and metrics into a one page fact sheet,
 - b. Developing a Frequently Asked Question brochure to proactively address the most common questions asked about the Game Changer concept and many points made by NGV industry critics,

- c. Developing a Slide Deck to help industry stakeholders and others communicate the findings,
 - d. Developing Fleet Case Studies that are single page profile pieces that highlight the growing number of progressive fleet operators,
 - e. Developing Infographics for stakeholders for use in their own marketing materials,
 - f. Preparing video scripted for use across a wide range of media platforms and audiences, especially those less aware of the heavy-duty natural gas vehicle industry and RNG,
 - g. Updating the Game Changer website, and
 - h. Adding links on the website to relevant funding programs for the purchase of NZE natural gas vehicles and RNG fueling.
3. Partnering with organizations like the California Natural Gas Vehicle Coalition to conduct a one-day event to bring together stakeholders, policy makers and interested parties at the Ports to provide key findings of the “Game Changer” and to present and discuss opportunities for significant criteria and GHG emissions reductions through widespread and immediate deployment of NZE trucks powered with ultra-low carbon intensity RNG.
 4. Cosponsorships of, and participation at, the 2017 and 2018 Advanced Clean Transportation (ACT) Expo in Long Beach (May 2-5, 2017, and May 1-4, 2018) and the Rethink Methane Symposium in Sacramento (February 21-22, 2017, and February 26-27, 2018).

Proposal

The CNGVP operates on a two-year budget cycle. These actions are to: 1) recognize revenue from participating and future CNGVP Members for FYs 2018-19 and 2019-20; 2) transfer funds from the Clean Fuels Program Fund (31) into the Natural Gas Vehicle Partnership Fund (40) for SCAQMD’s two-year membership for FYs 2018-19 and 2019-20; 3) approve the FYs 2018-19 and 2019-20 CNGVP budget; and 4) authorize the Executive Officer to approve individual expenditures, as approved by the CNGVP for FYs 2018-19 and 2019-20.

During FYs 2016-17 and 2017-18, the CNGVP Steering Committee was comprised of 12 members (Table 1). In April 2018, Westport Innovations, Inc., stated they would no longer be part of the Partnership in deference to Cummins’ participation. Additionally, Kroger Company has not renewed their membership pending further consideration by their sustainability management staff. Table 2 lists the 13 Associate Members consisting of transit districts, public agencies, school districts and environmental organizations as well as the CEC and U.S. EPA.

Table 1. CNGVP Steering Committee Members

Agility Fuel Systems
Clean Energy Fuels
CR&R Inc.*
Cummins Inc.
The Kroger Company*
Sempra Energy Utilities
Trillium CNG
U.S. Department of Energy**
Waste Management, Inc.*
Westport Innovations, Inc.
CARB**
SCAQMD

*Fleet operators/end users (reduced fee)

**Non-paying members

Table 2. CNGVP Associate Members

CEC
City of Los Angeles
Coalition for Clean Air
Colton Unified School District
Foothill Transit
Los Angeles County Metropolitan Transportation Authority
Natural Resources Defense Council
Orange County Transportation Authority
San Joaquin Valley Air Pollution Control District
SunLine Transit Agency
Union of Concerned Scientists
U.S. EPA
University of California Davis

In July 2016, the Board approved the CNGVP's FYs 2016-17 and 2017-18 Budget. In addition to conference sponsorships, the CNGVP Steering Committee approved an upgrade to their website at a cost not to exceed \$6,800 under a contract with GNA. The cost to maintain the website under another contract with GNA was reduced from \$2,500 per month (July 1, 2016, through March 31, 2017) to \$2,000 per month from April 1, 2017, through March 31, 2018. At its last meeting in April 2018, the CNGVP Steering Committee approved a one-year extension of the website maintenance contract with GNA at the current rate of \$2,000 per month through March 31, 2019. Costs for the website upgrades and maintenance were paid from the Natural Gas Vehicle Partnership Fund (Fund 40). Revenues and expenditures for FYs 2016-17 and 2017-18 are summarized in Table 3.

Table 3. CNGVP Fund Revenues and Expenditures

Revenues (July 2016 – June 2018)	\$633,823
Available Funds (as of July 2016)	\$429,494
Membership Dues Received	\$195,000
Interest Earned	\$9,329
Expenditures (July 2016 – June 2018)	(\$223,689)
Website Upgrade and Maintenance (GNA Contract #12308)	(\$68,300)
Special Consultation & Activity Coordination: Game Changer Communications Tools and Materials	(\$60,000)
Port Event Co-Sponsorship	(\$50,000)
Conference Sponsorships: 2017/18: ACT Expo, Rethink Methane	(\$45,000)
Facility and Meeting Support	(\$389)
Available Fund Balance for FYs 2018-19 and 2019-20	\$410,134

The CNGVP Steering Committee two-year membership dues are currently up for renewal. If all current members renew their memberships, the Natural Gas Vehicle Partnership Fund (40) would be replenished with revenues totaling \$170,000 over the next two years. Projected revenues and proposed expenditures for FYs 2018-19 (July 1, 2018, to June 30, 2019) and 2019-20 (July 1, 2019, to June 30, 2020) are outlined in Table 4, which has been reviewed and approved by the CNGVP Steering Committee Members, pending SCAQMD Board consideration.

Table 4. Proposed FYs 2018-19 and 2019-20 CNGVP Budget

Available Funds for FYs 2018-19 and 2019-20	\$410,134
Anticipated Membership Dues	\$170,000
Total Anticipated Available Funds	\$580,134
<u>Proposed Budget Expenditures</u>	(\$311,000)
Website Maintenance ¹	(\$60,000)
Facility and Meeting Support	(\$1,000)
Special Consultation and Activity Coordination	(\$150,000)
Conference/Exhibition Sponsorships	(\$100,000)
Estimated Unallocated Fund Balance	\$269,134

¹ Includes funding amounts approved through March 31, 2019, of \$24,000, projected amounts through June 30, 2020, of \$30,000 (@\$2,000/month for 15 months), plus contingencies.

For FYs 2018-19 and 2019-20, the CNGVP membership will be directing their efforts toward furthering consumer and public awareness of the benefits of RNG and its use as a transportation fuel in heavy-duty vehicle applications that employ engines certified to CARB's optional low NOx exhaust emissions standard of 0.02g NOx/bhp-hr. These engines are used in many Class 7 and 8 heavy-duty vehicles, particularly in the goods movement, transit and refuse collection services. The CNGVP plans to continue efforts to enhance natural gas and RNG refueling infrastructure in California. Furthermore, the CNGVP plans to continue cosponsoring relevant conferences, identifying projects and studies to further the deployment of next-generation natural gas engines, and advancing the local production and use of RNG as a transportation fuel for both on- and off-road mobile sources.

Benefits to SCAQMD

The implementation of this Partnership has brought public and private stakeholders together to assist in the development and deployment of advanced natural gas vehicles and refueling infrastructure expansion. The CNGVP will continue its leadership role to work with original equipment manufacturers, government and the public towards the advancement of natural gas vehicles in the marketplace to further address criteria pollutant emissions as well as greenhouse gases and energy needs. This will, in turn, increase the natural gas role as a low emissions displacement or augmentation to petroleum fuel where economically feasible. These activities are included in the *Technology Advancement Office Clean Fuels Program 2018 Plan Update* under "Infrastructure and Deployment (NG/RNG)" and "Assess and Support Advanced Technologies and Disseminate Information".

Resource Impacts

The current fund balance totaling \$410,134 plus anticipated membership fees over the next two years of \$170,000 are sufficient to cover projected CNGVP expenditures, budgeted at \$311,000 for FYs 2018-19 and 2019-20. The SCAQMD's two-year membership for FYs 2018-19 and 2019-20 will not exceed \$25,000 from the Clean Fuels Program Fund (31). There are sufficient funds in the Clean Fuels Fund (31) for this membership fee. The Executive Officer will approve individual expenditures, as approved by the CNGVP, for FYs 2018-19 and 2019-20 up to \$75,000 but not to exceed \$225,000 for each fiscal year.

The Clean Fuels Program Fund (31) was established as a special revenue fund resulting from the state-mandated Clean Fuels Program. The Clean Fuels Program, under Health and Safety Code Sections 40448.5 and 40512 and Vehicle Code Section 9250.11, establishes the mechanism to collect revenues from mobile sources to support projects to increase the utilization of clean fuels, including the development of the necessary advanced enabling technologies. Funds collected from motor vehicles are restricted, by statute, to be used for projects and program activities related to mobile sources that support the objectives of the Clean Fuels Program.