



**California Natural
Gas Vehicle Coalition**

August 10, 2016

California Department of Food and Agriculture
Division of Measurement Standards
ATTN: Pamela Fitch
6790 Florin Perkins Rd
Suite 100
Sacramento, CA 95828

Submitted electronically

RE: Proposed regulations for the retail sale of natural gas motor vehicle fuels

To Whom It May Concern:

The California Natural Gas Vehicle Coalition (CNGVC) would like to submit the following comments and concerns about the California Department of Food and Agriculture's (the Department) proposed regulations for the retail sale of natural gas motor vehicle fuels in California.

About CNGVC

CNGVC is an association of natural gas original equipment manufacturers, utilities, fuel providers, and fleet operators serving the state. We are united in the belief that wider adoption of clean-running NGVs—a proven technology in use worldwide—is key to helping California reduce greenhouse gas emissions, air pollution and petroleum dependence.

The Coalition is the natural gas vehicle industry's premier advocacy organization in California. We support new initiatives, provide up-to-date information on NGV technology and market developments, and work with legislators and regulators to develop policies that will increase alternative fuel and vehicle use. We also advise stakeholders on testing and demonstration programs and help NGV-related businesses break into the California market.

Overview-Initial Thoughts

As an association that represents companies on many sides of this issue, we have a unique perspective on the impacts and consequences of the proposed regulation. We have convened several conference calls within our industry and those discussions have illuminated a variety of strong concerns that still remain about these regulations. We support the labeling of the minimum MN and Percentage of methane on fueling stations. Vehicle manufacturers support the minimum Methane Number of 75, but they understand the need for flexibility on the implementation date. Fuel retailers and utilities still have concerns and believe the

Department should include major changes to the proposed regulation dealing with the minimum Methane Number, need for flexibility in setting an implementation date, and more accurate reflection of the true costs, benefits and impacts on both private business and local governments who have made substantial investments to date in compressed natural gas (CNG) fueling infrastructure and fleet vehicles. The recommendations below do not necessarily represent consensus but are made to help the Department understand the complexity of the issues.

Accountability of delivered fuel quality

The CDFA proposes to assign the responsibility for CNG fuel quality to the fuel retailer. However, fuel quality is impacted primarily by local gas production and utility procurement not subject to CDFA regulation. These entities are bound by gas quality specifications established by the FERC, the state public utilities commission (CPUC), and/or a supply contract which specifically regulates the quality of the gas the producer can inject in to the pipeline system. Additional discussion is necessary to fully understand how best to deal with the issue of responsibility and accountability of CNG fuel quality.

Methane Number

CNGVC supports the establishment of a minimum Methane Number for natural gas vehicle fuels, with the caveat that different vehicles and engines *may* require different minimum Methane Numbers and the regulations need to reflect this fact. Fuel providers and fuel stations need the opportunity to work through the myriad of details *with* the Department to establish and achieve that Methane Number. There is a need for some flexibility in the implementation date to address cars/engines and fuels that are on the road now versus newer cars/engines and fuels that will be on the road in the future.

We did not reach consensus on a minimum methane number. While some vehicle manufacturers support the minimum Methane Number of 75, fuel providers and utilities strongly believe that additional discussion and fact checking are necessary before settling on a minimum Methane Number or an implementation date. The Department makes an incorrect statement that some station owners may have invested in more “finishing equipment” to deliver a higher quality gas to their customers. This is simply not the case. Stations that deliver higher minimum MN fuel to vehicles are simply located in Btu districts that deliver fuel with a higher Methane Number. These stations do not have on-site equipment to condition the gas to achieve a different Methane Number. Thus this new, proposed standard presents a substantial hardship, one that could force the immediate closure of many public, private and municipal CNG stations because of the unforeseen costs of monitoring and mitigation. Should this proposal go forward, the state can expect the closure of many CNG stations, effectively stranding millions of dollars in alternative fuel investments and idling many public and private transit, refuse, para-transit and school bus fleets and light duty passenger vehicles.

Furthermore, utilities that distribute natural gas to these stations are subject to and must follow CPUC regulations that permit a range of fuel quality that can go below the proposed MN 75 level. Increasing the MN will require CNG station operators to install conditioning equipment or require the CPUC to change the current natural gas quality regulations. This point is not addressed in the current proposed regulations or the supporting documents such as the ISOR.

Recommendation: We could not come to firm consensus on the Methane Number or implementation date. However, there was agreement that some flexibility (potentially delay or phasing) may be needed

to allow time (maybe 1 or 2 years) for the issues outlined above to be resolved so that they can actually provide a higher Methane Number fuel to meet the requirement.

In addition, there are still a few unanswered questions that are not addressed in the current proposed regulations:

- 1) Who will report the quality of the fuel?
- 2) Who and how will the quality of the fuel be checked?
- 3) What are the penalties for non-compliance?
- 4) How does CDFA plan to reconcile with the other agencies (ARB, CEC, SAE, and ASTM) that have or are currently developing regulations on the state and federal levels?

We believe that answering these questions will be critical in providing guidance and avoiding unintended consequences that my member businesses will have to bear.

Cost Impacts

The considerable under-estimate provided in the ISOR document of the fiscal impacts to businesses of these proposed regulations have a significantly negative impact on their ability to not only meet the regulations but to also stay in business after they are implemented.

CDFA's estimate that only a one-time expenditure of approximately 10 percent (\$100K) in construction capital of a station is needed to buy finishing equipment capable of raising the minimum Methane Number is highly debatable and does not include the cost of clean-up, extraction, disposal and testing. When looking into the extraction costs, the use of membrane technology or cryogenic application to separate out and remove butanes, propanes, ethanes or other chemical compounds necessary to achieve a minimum Methane Number of 75 go far beyond the purchase, installation and maintenance of that unit. Costs also would be incurred for transportation and disposal of the chemicals removed from the pipeline gas used at the station.

Another example of how inaccurate the cost estimates are; is that they downplay the costs associated with gas chromatography test equipment that would be potentially be needed to monitor each fueling station. Not only are these units at least \$25,000 each, each service tech would essentially be required to have one and these testing devices require careful handling, costly routine maintenance, calibration gases, and are often subject to error. It would be more appropriate for the utility to monitor the gas quality, which they do already, and report that data back to the customer.

Recommendation: Accurately estimating the costs to businesses will require a major change to the proposed regulation, which will trigger a new 45-day comment period. We suggest that CDFA work with CNGVC to get more accurate estimates from the affected businesses during this extended comment period.

In conclusion, we caution the Department to not move so quickly and to vet the issues addressed more thoroughly before setting the standard. It is more important to get it right than it is to meet some arbitrary deadline to set a standard.

We appreciate the opportunity to comment and we look forward to the Department's response to these pressing issue as well as working with the Department on a host of solutions that work for all parties involved. We are happy to answer any questions or provide any additional clarification if needed. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas Lawson', with a horizontal line extending to the right.

Thomas Lawson
President, California Natural Gas Vehicle Coalition