Innovative Small E-Fleet Set-Aside
Appendix F to the FY21-22 Implementation Manual
Amended 7/19/22
Learn more at isef@californiahvip.org
www.californiahvip.org/purchasers

The goal of the Innovative Small e-Fleet (ISEF) set-aside ($25 million within the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) for Fiscal Year 2021-22) is to implement innovative solutions to assist small fleets in making the transition to zero-emission trucks, including, but not limited to, flexible leases, short-term rentals, truck-as-a-service (TAAS), assistance with infrastructure, individual owner planning assistance, increased available funding, and other mechanisms. Small fleets and owner-operators have often faced unique barriers to zero-emission truck adoption, such as high upfront costs, limited financing, and complex planning for charging. By dedicating this set-aside funding for small fleets, HVIP can position itself to better understand the specific needs of this traditionally underserved group and support their transition to zero-emission in advance of the Advanced Clean Fleets rule.

The policies and requirements in the HVIP Implementation Manual apply to ISEF. In instances where policies and requirements differ, those outlined in this appendix take precedence for ISEF.

Project Framework

The set-aside's objective is to provide a simple and low-cost solution for deploying zero emission trucks with small fleets in California. Transactions through ISEF involve three primary parties—an ISEF provider, an HVIP approved dealer, and an eligible small fleet participant. Figure 1 illustrates how these three parties interact during the ISEF transaction process.

<u>ISEF Provider</u>: ISEF providers may include companies involved in the sale, rental, financing, and fueling of zero-emission commercial trucks and are hereafter referred to as "Providers." Providers develop an offering proposal designed to offer small fleets monthly or per mile costs for zero-emission trucks that are equivalent to comparable combustion vehicle operating costs. The proposal may take the form of a purchase, lease, rental, financing, or other service agreement.

<u>HVIP Approved Dealer</u>: An HVIP approved dealer includes dealers and manufacturers that sell new and conversion medium- or heavy-duty vehicles. In ISEF, HVIP approved dealers coordinate with a Provider to submit a voucher request on behalf of an eligible small fleet participant. An HVIP approved dealer may also be a Provider.

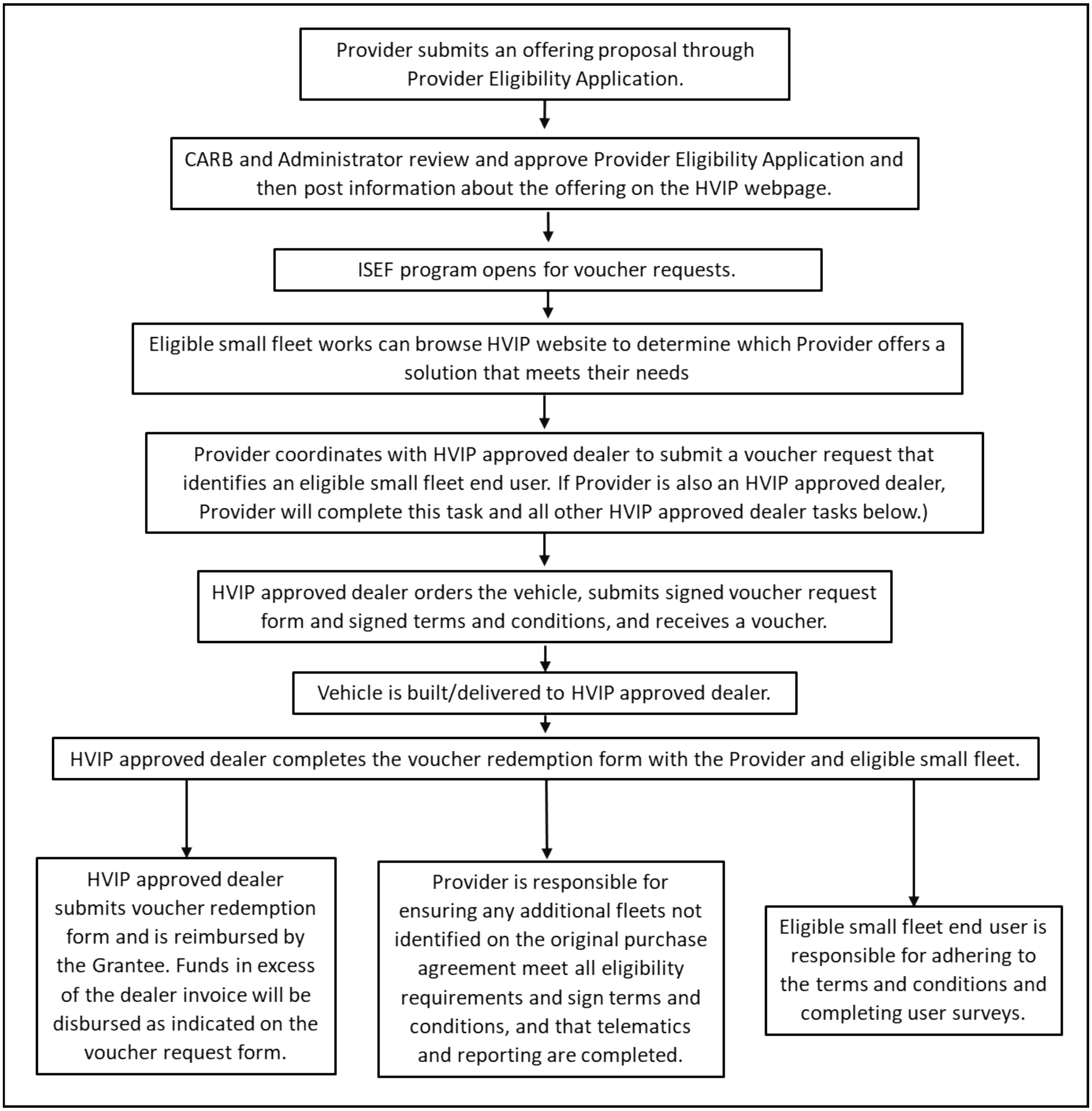
<u>Eligible Small Fleet Participants:</u> Eligible small fleet participants are defined as:

- California companies with 20 or fewer trucks operating in California* <u>and</u> less than $15 million in annual revenue (For fleets that operate under different names but are controlled by related companies, please refer to common control definition in the HVIP Implementation Manual Appendix C.);
- Privately owned trucking companies and non-profits (ISEF is not currently accepting proposals for bus or public fleets.); and/or

- Independent owner-operators.

*If the addition of up to five ISEF vehicles would increase the eligible small fleet size to over 20 trucks, fleets will still be considered eligible. Vehicles on planned non-operation at the time of voucher request are included in the fleet size calculation.

Figure 1: ISEF Transaction Framework



Eligible Vehicles for Set-Aside Funding

All new and conversion Class 3-8 zero-emission trucks in the HVIP eligible vehicle catalog are eligible for ISEF funding. Models that can be built out as either trucks or shuttles must be used as trucks. Purchase orders that specify a "people moving" type of bed upfit will be disqualified. More information about the HVIP eligibility process can be found at www.californiahvip.org/sellers.

Voucher Amounts

Voucher amounts in the ISEF set-aside are intended to bring the cost of new Class 3-8 zero-emission trucks to a monthly or per mile cost equivalent to diesel truck operating costs. Providers may request voucher amounts up to the maximum voucher amounts shown in Table 1 below. The maximum voucher level is double the current HVIP voucher by class, for example a Class 3 truck would be eligible for a $90,000 voucher and a Class 6 truck would be eligible for a $170,000 voucher. Vouchers for the ISEF set-aside may cover costs related to the purchase and operation of the eligible vehicle, including charger costs, insurance, and fuel costs (if included in Provider Eligibility Application). These voucher funds may not be applied to taxes.

Table 1: Maximum Voucher Amounts

Truck Size	Funding Max
Class 3	$90,000
Class 4-5	$120,000
Class 6-7	$170,000
Class 8	$240,000

Voucher modifiers for drayage and disadvantaged communities (DACs) are also available and may increase the voucher amount over the funding maximum identified above (see HVIP Implementation Manual, page 25). The final maximum ISEF voucher amount is determined by the vehicle's HVIP base vehicle incentive, which is associated with the vehicle's weight class and then multiplied by the appropriate modifiers. There can be multiple modifiers, but the additions or subtractions do not compound; modifiers are calculated using the HVIP base vehicle incentive (half of the funding maximum allowed in ISEF). The DAC voucher enhancements will be applied for any ISEF eligible small fleet with a domicile address using the mapping tool at https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/communityinvestments.htm, that fall within:

- Disadvantaged Communities,
- Disadvantaged and Low-Income Communities,
- Low-income Communities within ½ mile of Disadvantaged Communities, or
- Potential Low-income Households within ½ mile of Disadvantaged Communities.

For example:

- A Class 8 battery-electric truck in ISEF (Class 8, $120,000 x 2), performing drayage operations (25% x $120,000), and domiciled in a qualifying DAC (15% x $120,000) is eligible to receive the maximum voucher amount of $240,000 plus the sum of its modifiers ($30,000 + $18,000), or $288,000.

- A Class 8 truck in ISEF (Class 8, $120,000 x 2) powered by a fuel cell (100% x $120,000) that is remanufactured (-50% *120,000) is eligible to receive a maximum voucher amount of $240,000 plus the sum of its modifiers ($120,000 - $60,000), or $300,000.

Requirements for electric vehicle charging infrastructure and equipment:
The ISEF voucher may be used to offset certain costs associated with the purchase of electric vehicle supply equipment and hydrogen fueling infrastructure, including hardware costs, load management software for smart charging, energy storage, and the cost of equipment related to onsite hydrogen fuel storage or production. The ISEF voucher cannot be used to cover electric vehicle supply equipment and hydrogen fueling infrastructure alone, and it must be tied to a vehicle voucher request. The ISEF voucher cannot be used to cover labor or utility upgrade costs such as costs of transformers, trenching, or conduit.

All electric vehicle charging infrastructure and equipment funded by this program located on the customer side of the electrical meter, behind the meter, shall be installed by a contractor with the appropriate license classification, as determined by the Contractors' State License Board, and have least one electrician on each crew, at any given time, who holds an Electric Vehicle Infrastructure Training Program (EVITP) certification. Projects that include the installation of a charging port supplying 25 kilowatts or more to a vehicle must have at least 25 percent of the total electricians working on the crew for the project, at any given time, who hold EVITP certification. One member of each crew may be both the contractor and an EVITP certified electrician.[1]

All voucher recipients will be required to submit proof to the ISEF Program Administrator of the required EVITP certification before performing any installation work described above. Proof of EVITP certification shall include:

a) Description of how the project has complied with all AB 841 (Ting, Chapter 372, Statutes of 2020) requirements or describes why the AB 841 requirements do not apply to the project.
b) EVITP Certification Numbers for each EVITP-certified electrician that installed electric vehicle infrastructure or equipment if AB 841 requirements apply to the project.
c) Verification and signature from the contractor employing the EVITP certified electricians and verifying that each EVITP certified electrician's EVITP certification is valid and current.

Provider Eligibility Application Process

Provider Eligibility Application Offering Proposal:

• Providers will submit a Provider Eligibility Application directly via an online portal found at https://californiahvip.org/purchasers/. In this stage of the proposal, an eligible small fleet end user does not need to be identified.

• In the Provider Eligibility Application, Providers must list their contact information and projected price by class/type of vehicle, as well as comparable combustion vehicle pricing, projected zero-emission pricing on a per month or per mile basis, assurances of fueling provisions, and supportive warranty and service agreements.

Provider offerings will be evaluated based on:

[1] Assembly Bill 841 (Ting, 2020) added Public Utilities Code section 740.20, which requires Electric Vehicle Infrastructure Training Program certification to install electric vehicle charging infrastructure and equipment for work performed on or after January 1, 2022, subject to certain exceptions. The requirements stated in this paragraph do not apply to any of the following: 1. Electric vehicle charging infrastructure installed by employees of an electrical corporation or local publicly owned electric utility. 2. Electric vehicle charging infrastructure funded by monies derived from credits generated from the Low Carbon Fuel Standard Program (Subarticle 7 (commencing with Section 95480) of Article 4 of Subchapter 10 of Chapter 1 of Division 3 of Title 17 of the California Code of Regulations). 3. Single-family home residential electric vehicle chargers that can use an existing 208/240-volt outlet. For more information, please see https://evitp.org/training/.

Fuel Availability

- May include hardware, software, installation, generation, and storage technology.
- May include public and/or shared fueling options.
- Additional consideration will be given to proposals that simplify billing and Low Carbon Fuel Standard credits for fleets.

Final Price Comparison

- How close is the final price offered to that of a diesel equivalent?
- Pricing must propose an ISEF voucher request that will bring the fleet's payment portion down to a level comparable with their truck operating costs. This can be evaluated on total cost, monthly cost, or cost per mile basis.

Cost Effectiveness

- Additional consideration may be given to offerings which can achieve diesel cost parity without using the maximum voucher amount.

Comprehensive Service Offering

- Price should be inclusive and ideally bundled for simplicity.
  - Include fueling solution.
  - Address service, maintenance, and insurance.

Easy Start

- Does the offering make it easy for fleets to start their transition to electrification, for example:
  - Low or zero down payment options
  - Assistance in utility and charger installation coordination
  - Assistance registering for Low Carbon Fuel Standard (LCFS) and managing LCFS credits

Voucher Request Process

- An HVIP approved dealer completes a voucher request on behalf of the Provider and eligible small fleet. If the Provider is not an HVIP approved dealer, they will be listed on the voucher request separately.
- A maximum of five vouchers may be requested per eligible small fleet end user.
- Short-term rental and TAAS providers may request a maximum of 10 vouchers.
- An eligible small fleet end user must be identified in the voucher request. If the truck is rented, leased, or subscribed by a different eligible small fleet (i.e., not the original requestor) within the 3-year term, it must be reported to the administrator. Providers must ensure that all fleets that utilize a vehicle funded by ISEF meet the fleet size and eligibility requirements and sign the terms and conditions prior to the first use of the vehicle.
- Once the HVIP approved dealer submits the voucher request with all required documentation, it is considered complete and ready for review. HVIP administrators will work directly with the dealer to advance the voucher through redemption.
- Voucher requests made through ISEF do not count towards the purchaser cap in standard HVIP.
- An ISEF voucher can be provided only at time of vehicle purchase and is not provided at the time a vehicle is leased or rented.

Voucher Redemption and Terms and Conditions for ISEF Set-Aside

- Upon approval of the voucher request, terms and conditions will be issued to the Provider, small fleet, and HVIP approved dealer for signature. ISEF terms and conditions are unique to ISEF vouchers and are not the same as those in the HVIP Implementation Manual.
- Telematics reporting requirements are the same as HVIP as described in this Implementation Manual. In addition:
  - Vehicles used by multiple fleets will need to provide a usage report upon request from CARB or the administrator, detailing which fleets used the vehicles.
  - Short-term rental or service agreements must deploy vehicles with small fleets for a minimum of 200 days out of the year.
- Voucher funds in excess of dealer invoice will be disbursed to either Provider, charger vendor, or installer as agreed and indicated by fleet.

Provider Responsibilities

Any vehicle lease or rental entity that leases or rents a vehicle purchased with ISEF voucher must disclose the voucher amount and voucher terms to the vehicle renter or lessee. The lease, rental, or TAAS agreement must include all commitments needed from the lessee or renter to ensure that 1) the vehicle operates in California as required in the HVIP Implementation Manual and 2) all required annual activity reports will be submitted to CARB.

CARB or its designee reserve the right to review lease or rental agreements to confirm appropriate disclosures are made regarding the ISEF voucher amount received and vehicle activity and reporting requirements.

Providers who enter into short term lease, rental, and TAAS agreements that allow multiple fleets are responsible for ensuring annual activity reports are accurate and submitted as required. Additionally, Providers are responsible for ensuring that all small fleets utilizing their offering during a given year complete a user survey, which will be developed and administered by CARB or its administrator.

Providers are required to adhere to the offering proposals submitted through the Provider Eligibility Application, and the service/lease/rental/financing agreement provided in the voucher redemption process. Deviations from either may be approved by CARB on a case-by-case basis.

Prioritization in the Case of Oversubscription

To promote broad application of ISEF funding, approved Providers will be listed on https://californiahvip.org/purchasers/. No Provider may receive more than 15 percent of total ISEF set-aside voucher funding within the first six months after program launch (i.e., the date the project administrator begins accepting voucher requests). CARB will continue to evaluate needs in the funding categories after the first six months and may continue limits if warranted. Once the funding for a particular Provider has reached its cap, new voucher requests for that Provider will be placed on a contingency list until the cap is lifted. However, there is no guarantee that funding will be available for the voucher requests on the contingency list. While contingency lists will be managed by the project administrator, CARB reserves the right to set additional criteria for, modify, or eliminate any contingency lists.

Definition of Terms

"Fleet" for the purposes of this program is the California small business that will operate the vehicle funded by an ISEF voucher.

"Provider" for the purposes of this program means the entity that completes the Provider Eligibility Application to propose an offering for small fleets. Providers can be companies involved in the sale, rental, financing, and fueling of commercial zero-emission trucks.