



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 6, 2022

FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL

**SUBJECT: TRANSPORTATION ELECTRIFICATION AND ELECTRIFY RIVERSIDE
REBATES USING LOW CARBON FUEL STANDARD REVENUE FOR A TOTAL
OF \$450,000 – SUPPLEMENTAL APPROPRIATION**

ISSUE:

Receive an update on transportation electrification and approve changes to existing Electrify Riverside rebate programs and consider proposed electric vehicle-related rebates using Low Carbon Fuel Standard revenue in the amount of \$450,000 for Fiscal Year 2022/23 and continue the authorization of the use of these Rebate Programs based on an annual report to the Board of Public Utilities on the rebate programs.

RECOMMENDATIONS:

That the City Council:

1. Approve an increase in the rebate amount for the Residential Used Electric Vehicle Rebate from \$500 to \$1,000, and increase the additional rebate amount for SHARE customers from \$1,000 to \$1,500 using existing funds in the account for Fiscal Year 2022/23;
2. Approve changing the Non-Residential/Multifamily Electric Vehicle Charger Rebate to the Public Access EV Charger Rebates program, using existing funds in the account for Fiscal Year 2022/23;
3. Authorize the City Manager, or designee, to execute the Rebate Programs and take all necessary actions required or advisable to implement, administer, fund, and carry out the City of Riverside's responsibilities under the Rebate Programs, including the ability to make minor and non-substantive changes and to execute future amendments to the Rebate Programs under substantially similar terms and conditions; and
4. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation from the Electric Fund Low Carbon Fuel Reserve Account in the amount of \$450,000 to the EV Charger Installation at Public City Facilities Account.

BOARD RECOMMENDATION:

On October 24, 2022, the Board of Public Utilities met to consider changes to the existing Electrify Riverside rebate programs and proposed electric vehicle-related rebates using Low Carbon Fuel Standard revenue and authorization of a supplemental appropriation in the amount of \$450,000 for Fiscal Year 2022/23. After discussion, the Board Members present recommended by a vote of 8 ayes (no abstentions and one absence) to recommend that the City Council approve the staff recommendations.

LEGISLATIVE HISTORY:

The Low Carbon Fuel Standard (LCFS) Program is one of several programs established by the State of California and the California Air Resources Board (CARB) for the purposes of reducing statewide greenhouse gas (GHG) emissions to 1990 levels by 2020 and further reducing emissions to 40% below 1990 levels by 2030. These goals were put in place by the California Global Warming Solutions Act of 2006 (Assembly Bill 32 or “AB 32”) and the Clean Energy and Pollution Reduction Act of 2015 (Senate Bill 350 or “SB 350”), respectively. The goal of the LCFS Program is to achieve a 20% reduction in the carbon intensity of transportation fuels by 2030.

Amendments to the regulation in 2018, among other changes, required electric distribution utilities that have opted into the program and receive LCFS emissions credits for the estimated residential electric vehicle charging to develop a statewide point-of-purchase rebate program. Utilities that do not participate in this program are not eligible to receive the credits from residential charging.

In addition to developing the point-of-purchase program, the amendments require that utilities that meet this requirement also contribute a minimum percentage of their credits from residential charging, called base credits, to the point-of-purchase program. The Riverside Public Utilities (RPU) contribution percentage for 2019 through 2022 is 20% of the base credits, and for all years beginning in 2023, it is 25% of the base credits. The utility retains the remaining percentage of credits to spend on programs that benefit current and future EV customers. Base credits comprise the majority of LCFS credits received by electric utilities. A small number of credits are also generated by electricity used by electric forklifts.

BACKGROUND:

On March 13, 2018, the City Council authorized RPU to opt into the LCFS Program. The LCFS regulation requires entities generating credits using electricity pathways (referred to as “electricity credit”) to use the resulting credit proceeds to benefit Electric Vehicle (EV) drivers and their customers, and generally invest in projects that promote transportation electrification in California. Paragraphs 2 through 7 in section 95491(d)(3)(A) of the LCFS regulation provide specific electricity credit proceeds spending requirements for Load-Serving Entities (LSEs) such as RPU. These requirements apply to all credits generated using electricity pathways, including base credits and incremental credits.

California Clean Fuel Reward Program

RPU is required to participate in the statewide point-of-purchase program to continue to receive the base credits available to utilities. The point-of-purchase program developed by the utilities statewide is called the California Clean Fuel Reward (CCFR) Program, which RPU was authorized to participate in on April 7, 2020. The program is administered on behalf of all participating utilities

by Southern California Edison (SCE). Under the agreement, RPU is required to transfer funds from monetized LCFS residential base credits. An initial contribution of \$168,485 was required for the program start-up in addition to ongoing annual transfers of funds as required by the regulation. The annual transfer of funds is based on the requirements of the state regulation and will remain in effect until either the California Air Resources Board (CARB) terminates the CARB-authorized and endorsed CCFR Program or there is a unanimous approval of the termination of the Agreement by all Members of the Steering Committee.

Currently, the regulation requires that 20% of the value of monetized residential base credits be transferred annually for the program. Staff estimates that this will be between \$150,000 to \$300,000 per year for the first few years of the program. The annual transfer of funds is expected to increase every year as the number of EVs increases. Actual amounts are dependent on the number of credits that RPU receives, the calculation regulated by the State, and the value of credits at the time the credits are sold.

Funds transferred pursuant to the regulation, and the CCFR agreement, will be used to pay for the CCFR program rebates to customers who purchase a new electric vehicle from any participating California auto dealership as well as the associated costs for the program including administration, program implementation contractors, and program marketing and customer education that supports the advancement of EVs in California. The CCFR program launched in November 2020 and provided a rebate of up to \$1,500. In late 2021, the rebate was reduced, and customers could receive a rebate up to \$750 per vehicle for residents and businesses. The rebates were applied at the auto dealership toward a customer's purchase of a new light-duty EV.

Due to ongoing decreases in LCFS credit prices, the reward amount has been reduced temporarily to \$0 as of September 1. The reward amount reduction was based on the goal to sustainably maintain a robust and impactful reward amount. Therefore, due to the following factors, the program was temporarily placed on hold:

1. Higher than estimated growth of electric vehicle sales in California, which drew down reward funds more quickly than expected;
2. Less revenue than initially estimated from the sale of LCFS credits; and
3. The program's legal obligation to maintain at least \$10 million in program funds in reserve.

The CCFR program will continue to be monitored and restored if/when conditions change.

Holdback Credit Proceeds

LSEs may use the remaining electricity credit proceeds from the residential and forklift charging, called holdback credits, to invest in transportation electrification projects in the same category or sector. Through the annual reporting, entities may demonstrate that they have exhausted opportunities to promote electric transportation in a specific category or sector and use credit proceeds to support transportation electrification in another category or sector.

Examples that would meet the electricity credit proceeds spending requirements for an LSE are:

1. Providing incentive support for purchasing/leasing EVs or other electric transportation equipment (for example, electric forklifts, electric buses, electric trucks, etc.).
2. Providing incentive or direct investment for installing residential or non-residential EV charging infrastructure.

3. Providing rate options or incentives to encourage EV charging during off-peak hours to provide grid benefits.
4. Providing on-bill credit or other incentives to promote the use of electric transportation.
5. Marketing, education, outreach programs to provide information and material to inform the public on the benefits of EV transportation. This could include information regarding the environmental, health and economic benefits of EV ownership, including a comparison of the total cost of an EV versus an internal combustion engine alternative (including the cost of refueling, servicing and maintenance, etc.).

The above list of examples is not exhaustive. Entities may use electricity credit proceeds to support other transportation electrification projects which are not included in the list but would meet the LCFS requirements. Entities also have the option to spend all electricity credit proceeds in a single program or project. **Starting in 2022, CARB will require that up to 50 percent of LCFS revenue is spent on supporting transportation electrification projects that benefit disadvantaged, low-income, and rural communities.**

As of June 30, 2022, RPU had received \$3.8 million from credit sales and had \$3.2 million remaining in the Electric Fund Low Carbon Fuel Cash Reserve account.

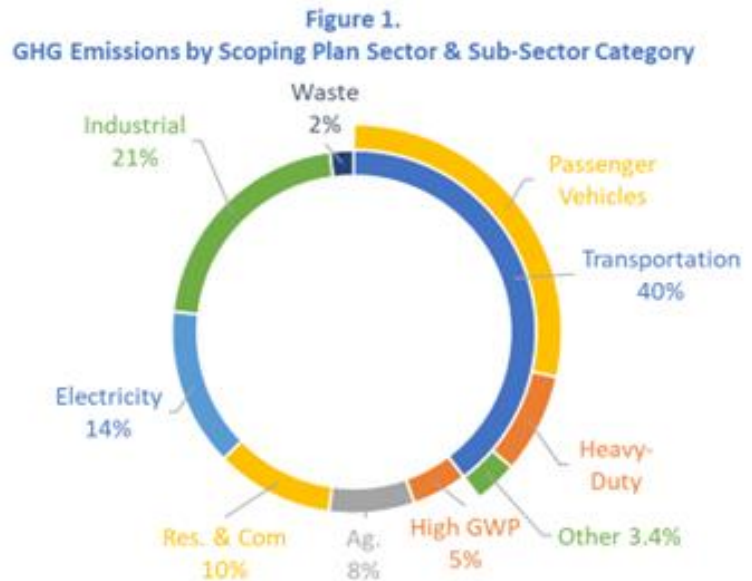
DISCUSSION:

TRANSPORTATION ELECTRIFICATION UPDATE

Since the Board's approval of the EV rebates in October 2021, the State of California has increased its commitment to supporting the state's transition from the use of fossil fuels to reduce GHG emissions contributing to climate change. Since Governor Gavin Newsom signed Executive Order N-79-20 in September 2020, setting new statewide goals for phasing out gasoline-powered cars and trucks in California, CARB has proposed new regulations to meet the State's goals.

CARB approved the Advanced Clean Cars II rule on August 25, 2022, which establishes a year by-year roadmap so that by 2035 100% of new cars and light trucks sold in California will be zero emission vehicles (ZEV), including plug-in hybrid electric vehicles. CARB is also currently developing a medium- and heavy-duty zero-emission fleet regulation, referred to as the Advanced Clean Fleets (ACF) regulation. The proposal includes a ZEV purchase requirement for new medium- and heavy-duty vehicles added to public fleets, where 50% of 2024-2026 model year vehicles would need to be ZEV, and 100% of 2027 and later model years would need to be ZEV. The initial focus of ACF will be on high priority private fleets, drayage, and government, which includes cities, counties, special districts, and state agencies.

These commitments are being made in California because the proportion of emissions from the transportation sector is increasing and has become the dominant sector producing GHG emissions. In the California Air Resources Board’s most recent GHG emissions inventory, the transportation sector comprised 40% of the total GHG emissions while the electricity sector only produces 15% of the emissions. Of the 40%, passenger vehicles account for 28.5% of GHG emissions, and Heavy-Duty Vehicles account for 7.8% (See Figure 1).

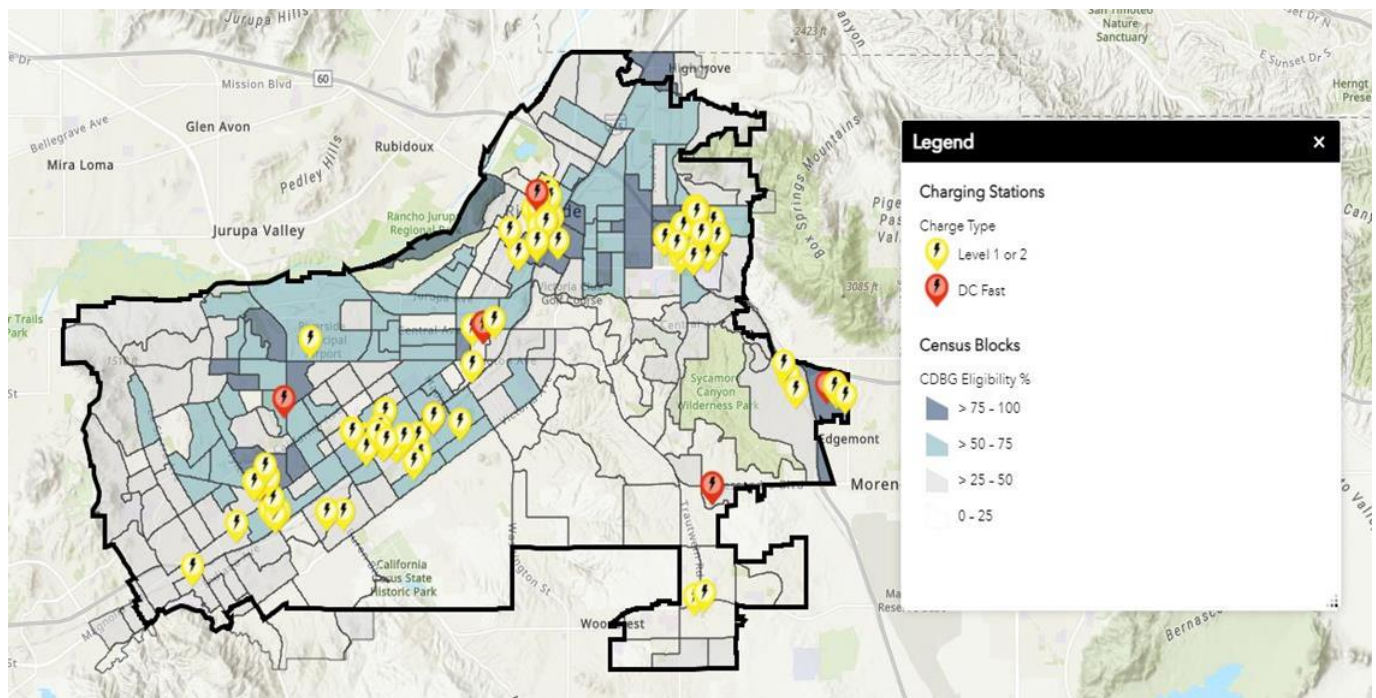


Source: California Air Resources Board, GHG emissions inventory, 2020. https://ww2.arb.ca.gov/sites/default/files/classic/cc/ca_ghg_inventory_trends_2000-2019.pdf

As these regulations continue to change, RPU is taking action to meet the State’s requirements and goals. Transportation electrification efforts can be supported to some extent by the LCFS credit funding. Staff is proposing changes to existing Electrify Riverside customer programs and the continuation of outreach and education efforts to support customers that are considering or have already purchased/leased an EV, businesses that are interested in converting their fleets to EVs and the associated infrastructure upgrades that will be required to support chargers.

EV Charging and Infrastructure

In the City of Riverside, there are an estimated 3,000 light-duty EVs owned by residents as well as businesses. There are approximately 244 Level 2 public chargers, and 57 DC Fast Chargers (36 of which are Tesla) installed within the city, as shown in the map below:



The map also shows the U.S. Department of Housing and Urban Development Community Development Block Grant (CDBG) eligible census tracts. A CDBG-eligible census tract refers to 2010 census tracts where the area is primarily residential and at least 51% of the residents are low- and moderate-income. Currently, most public access chargers are in destination areas of the city – Downtown, at universities and shopping areas, and around the City’s auto center.

Staff is exploring options to increase the availability of EV charging in areas of the city that are primarily rental housing, public locations such as libraries, parking garages, and charging for employees. Since most EV charging is expected to occur at home, ensuring that access to EV charging in all areas where people visit and work will be important to promote overall EV adoption.

TO-DATE PERFORMANCE OF ELECTRIFY RIVERSIDE EV REBATE PROGRAMS

In October 2021, the Board and City Council approved an initial set of rebate programs to support RPU’s current and future EV owners. A total of \$730,000 of the funds from holdback credits was allocated to rebate programs. A total of \$49,384 was expended as of August 31, 2022. The following table provides a status of the expenditure of these funds to date.

Rebate Type	Applications Received	Applications Approved	Total Rebate Amounts Issued
Used EV	59	53	\$25,500*
Residential EV Charger	45	43	\$18,400
TOU Meter	8	8	\$5,484
Commercial EV Chargers	0	0	\$0

RPU did not expend any funding in FY 2021/22 for educational programs because staff secured programming for customers that was provided at no-cost. Customer programming in FY 2021/22, included:

1. Updated website page and information
 - a. www.riversideca.gov/utilities/residents/electrify-riverside
2. Social media campaign
 - a. Electrify Riverside design, logo, and marketing materials created
 - b. Social media posts for both Ride and Drive events
3. Two EV Ride and Drive events in October and April coinciding with Clean Air Day and Earth Day, respectively
 - a. First Ride and Drive event held in December 2021 at City Hall in collaboration with Electrify America
 - b. Second Ride and Drive even held at City’s Earth Day Event April 2022

The following section describes the continuation and update of the Electrify Riverside rebates that were approved in October 2021 as well a new proposed program. As noted above, RPU must use revenue from the sale of LCFS credits generated from residential and forklift charging on programs that benefit current and future RPU EV customers. All the rebates would be available for Fiscal

Year 2022/23 until the funds are exhausted. Only RPU customers are eligible to apply for these rebates.

PROPOSED NEW PROGRAM

City Facility Publicly Accessible EV Charger Installation

This program will allow RPU to work with General Services and other City departments to identify City facility locations such as City Hall, libraries, and community centers to provide publicly accessible EV charging that will support the community. The program will focus funding on low income and DAC areas of the city that have limited access to public EV charging. Funding from this program will be used to pay for the chargers and their installation. It is important to note that charging will not be free. Customers using the chargers will pay for both the electricity used and a fee for the ongoing maintenance of the charging equipment. Consistent with state regulations, the charging equipment will also accept multiple forms of payment (e.g., credit card and/or payment through an application on a mobile device). Program details include:

1. Deployment will focus on installation of equipment in low-income/DACs that have limited access to EV charging, though equipment may be installed in other areas of the city that are also experiencing limited public access EV charging.
2. RPU staff, in collaboration with the General Services and Public Works Departments will identify additional locations throughout the city for charging stations as well as a deployment strategy for the charging equipment.
3. Approaches to the operations and maintenance of these chargers include, but are not limited to the following:
 - a. The most direct approach is that RPU treats the EV charging infrastructure like other distribution system equipment wherein the utility purchases, maintains, and operates the EV charging equipment.
 - b. The second option is for RPU or other City department to enter into an agreement with a third-party EV charging station provider and pay the provider to operate and maintain the EV charging equipment.
 - c. In both cases above, RPU retains all or a portion of the LCFS credits generated which can then fund future EV charger development and even the purchase of EVs for RPU. Other approaches may also be used but may limit or eliminate the ability of RPU to retain the LCFS credits.
4. Program funding will utilize currently undesignated and unspent funds from LCFS credit sales for a total program amount of \$500,000. Actions will include:
 - a. Through supplemental appropriation, appropriate \$450,000 for the EV Chargers at City Facilities program for FY 2022/23.
 - b. Transfer \$50,000 from the Residential Home EV Charger Rebate account.

PROPOSED UPDATES TO CURRENT ELECTRIC VEHICLE RELATED REBATE PROGRAMS

Residential Used EV Purchase Rebate

This program provides residential customers who purchase a used EV at any commercial EV retailer with a rebate on their purchase. Staff proposed to modify the program to increase the rebate amount per the following:

1. Increase the residential used-EV purchase rebate from \$500 to a rebate of up to \$1,000 to buy a qualifying used full battery EV or plug-in hybrid EV.
2. Increase the low-income additional rebate amount for customers who are qualified SHARE customers from \$1,000 to \$1,500. This rebate will be additional to the base used-EV purchase rebate described above and provide low-income customers with a rebate of up to \$2,500 towards a used-EV or plug-in hybrid EV.
3. Maintain the current total budget for this program at \$150,000 for FY 2022/23. RPU's customers may purchase their used electric vehicle at any commercial dealership in California selling used electric vehicles.

Residential EV Charger Rebate

This program provides a rebate to customers who purchase and install an EV charger for use at their home. The main components of the EV Charger Rebate Program for Residential Customers will remain the same. Staff found this program to be successful but do not believe that the program needs to be funded as it was last year. Staff recommends reducing the total program amount by \$50,000 as described below:

1. Residential customers can receive a rebate of up to \$500 toward their out-of-pocket expenses for the purchase of a Level 2 EV charger. The rebate does not cover the cost of installation.
 - a. However, customers who choose to install an optional dedicated time-of-use (TOU) meter will qualify for RPU's EV discount, plus receive an additional onetime \$805 rebate to cover the Utility's one-time equipment installation costs. Customers who have already opted for the TOU meter will be eligible to receive the \$805 rebate and will be notified by RPU to offset that initial cost.
 - b. This dedicated service will add additional cost to the installation process but will yield lower electricity costs for off peak charging.
2. \$150,000 was appropriated for FY 2022/23. Staff is proposing to reduce the total program amount to \$100,000 and to move \$50,000 from this account for FY 2022/23 to the new "EV Charger Installation at Publicly Accessible City Facilities" Account.

Non-Residential and Multi-family EV Charger Rebate

This program currently provides rebates to non-residential and multi-family customers that install either wall-mounted or pedestal Level 2 or higher capacity EV charging equipment that exceeds building code standards. Staff is proposing:

1. Change rebate name to "Public Access EV Charger Rebate".

2. Increase rebate amount from \$3,500 per charging station (maximum of five per location) to \$5,000 for public access locations.
3. Add a rebate up to \$10,000 for Schools, Affordable Housing, and Publicly Accessible Direct Current Fast Charging (DCFC) Plug-in locations.
4. Eligible expenses include cost of the charger.
5. \$400,000 has been appropriated for Fiscal Year 2022/23.

Outreach and Educational Programming

Staff is proposing to continue focusing on outreach and education programs to inform the public on the benefits of EV transportation. This includes developing Ride and Drive events and attending and providing information at community meetings. \$30,000 has been appropriated to fund outreach and education efforts for FY 2022/23. No changes to this funding are requested.

Planned Future Items

Additional transportation electrification initiatives underway that will be brought to the Board and City Council for final approvals include the following:

1. Development of one or more EV charging rate tariffs for City-owned public access Level 2 and fast charging electric vehicle chargers that will replace RPU's existing Schedule PCS, Electric Vehicle – Direct Current Fast Charging Public Charging Station. The current rate is limited to DC fast charging. The new rate(s) will incorporate all costs, including operations and maintenance of the EV charging equipment to fully recover the cost of EV charging equipment maintenance.
2. Work with General Services, Public Works, and RPU's fleet managers to develop a Fleet Electrification Plan to align with the Advanced Clean Fleets Regulation and the installation of workplace charging for employees.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 4 - Environmental Stewardship** and **Goal 4.6** Implement the requisite measures to achieve citywide carbon neutrality no later than 2040.

This item also contributes to **Strategic Priority 6 - Infrastructure, Mobility and Connectivity** and **Goal 6.3** – Identify and pursue new and unique funding opportunities to develop, operate, maintain, and renew infrastructure and programs that meet the community's needs.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Continued educational campaign to inform the City's diverse populations about the rebate programs and support customers that are considering or have already purchased/leased an EV or are transitioning their fleets to align with State goals.
2. **Equity** – The additional rebate amount for low-income customers and multi-family housing in disadvantaged communities is intended to create an equitable distribution of services to ensure every member of the community can purchase an electric vehicle.
3. **Fiscal Responsibility** – RPU is being fiscally responsible by utilizing revenue from the

sale of LCFS credits generated from residential and forklift charging on programs that benefit current and future EV customers.

4. **Innovation** – RPU is committed to identifying creative solutions to meet the needs of our customers by providing incentives for customers to drive electric vehicles while simultaneously ensuring the City adapts to Carbon Neutrality goals.
5. **Sustainability & Resiliency** – RPU is meeting the community’s changing needs and preparing for the goals set by the State to reach 100 percent zero-emission vehicle (ZEV) sales for new passenger vehicles by 2035. The full transition to ZEVs is also a critical step toward carbon neutrality, the equal balance of GHGs emitted into and removed from the atmosphere, by 2045.

FISCAL IMPACT:

The total fiscal impact of this action is \$450,000. Upon Council approval, a supplemental appropriation in the amount of \$450,000 will be recorded in the Electric Fund, EV Charger Installation, 6120000-456105. Funds are available in the Electric Fund, Low Carbon Fuel Reserve Account No. 0000510-101094. This program supports transportation electrification and complies with State requirements.

Sufficient funds for the ongoing rebate programs were included in the FY 2022-24 Biennial Budget in the accounts listed in the table below for Fiscal Year 2022/23:

Account Name	Account Number	Amount
Residential Used EV Rebate	6120000-456101	\$150,000
Rsdlt Home Chrg EV Chrg Rebate	6120000-456102	\$100,000
Non-Rsdlt/Multifam EV Chrg Reb	6120000-456103	\$400,000
Marketing/Education/Outreach	6120000-456104	\$30,000
EV Charger Install at Public Fac	6120000-456105	\$500,000
	Total	\$1,180,000

Prepared by: Todd Corbin, Utilities General Manager
 Certified as to availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
 Approved by: Kris Martinez, Assistant City Manager
 Approved as to form: Phaedra A. Norton, City Attorney

Attachment: Presentation