



Innovative Small E-Fleet (ISEF) Set-Aside

Appendix F to the Fiscal Year (FY) 2022-23 Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) Implementation Manual (IM)

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Summary of FY 2022-23 Implementation Updates

Several changes have been implemented in the ISEF program to align its policies with HVIP, thereby reducing conflicting rules while maintaining small fleet accessibility and flexibility.

- ISEF funding is now available for small fleet purchases through all HVIP eligible dealers without the need for a Provider application. For these vouchers, the base voucher is funded from standard HVIP, and the ISEF voucher increase is funded from the ISEF set-aside.
- Provider applications will continue to be required for third-party who are not approved HVIP dealers, such as rental companies, Truck-as-a-Service (TAAS), and other innovative financing solutions.
- ISEF funding will be divided equally between Standard Purchase Vouchers and Innovative Solution Provider Vouchers.



- Class 2b vehicles in the HVIP eligible vehicle catalog are now eligible for ISEF funding.
- The maximum funding available per voucher is now capped at 90 percent of the vehicle purchase price; these funds may be applied to other allowable expenses.
- The voucher request limit for providers has been raised to 20 vouchers.
- No manufacturer may reserve more than 30 percent of ISEF available funds within 30 days of opening.
- A variety of HVIP policy changes will impact ISEF vouchers and can be found online at <https://californiahvip.org/funding/>.
 - The HVIP Fleet Size Voucher Adjustment will not be combined with ISEF.
 - Fleets of fewer than 10 vehicles are allowed to stack ISEF with other state incentives.
 - Requests from fleets with 10 vehicles or fewer are exempt from the existing manufacturer rolling soft cap limit.

Introduction and Overview

The goal of the Innovative Small e-Fleet (ISEF) set aside 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. For Fiscal Year 2022-23, \$33 million from the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) is available for ISEF vouchers.

The barriers to zero-emission truck adoption, such as high upfront costs, limited financing, and insurance options, and complex planning for fueling infrastructure, present an even more significant challenge to small fleets and owner-operators. By dedicating a portion of HVIP funds to small fleets, HVIP can position itself to better understand the specific needs of this traditionally underserved group and support their transition to zero-emission, especially for those subject to the Advanced Clean Fleets regulation.

The policies and requirements in the HVIP IM apply to ISEF. In instances where policies and requirements differ, those outlined in this appendix supersede those in the HVIP program.

Project Framework

The set-aside's objective is to provide a simple and low-cost solution for deploying zero emission trucks to small fleets in California. Two types of vouchers may be requested to receive ISEF funding, a Standard Purchase Voucher, or an Innovative Solution Provider Voucher. ISEF funding will be divided equally between the two types of vouchers:

1. **Standard Purchase Voucher** (including leases and financing for 3+ years): All qualified HVIP dealers may offer ISEF eligible customers double the base HVIP voucher using the standard HVIP application process. These vouchers are subject to all HVIP rules, terms, and conditions. For



these vouchers, the base voucher is funded from standard HVIP, and the ISEF voucher increase is funded from the ISEF set-aside.

2. **Innovative Solution Provider Voucher** (Short-term lease, rental, TAAS, etc.): Companies who seek to solve the unique challenges faced by small fleets through innovative solutions—such as short-term lease, rental, and TAAS offerings—can become ISEF approved Providers and offer vouchers through the ISEF program. The HVIP approved dealer will request vouchers using an application separate from standard HVIP.

Transactions through ISEF for an Innovative Solution Voucher will involve three primary parties—an ISEF provider, an HVIP approved dealer, and an eligible small fleet participant. Figure 1 illustrates how the three parties interact during the ISEF transaction process.

ISEF Providers: ISEF Providers may include companies involved in the lease, 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 lease, rental, financing, or other service agreement. (For cash purchases or those financed for three years or more, please use the Standard Purchase Voucher process through HVIP).

HVIP Approved Dealer: An HVIP approved dealer includes dealers and manufacturers that sell new and converted medium- or heavy-duty zero-emission 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.

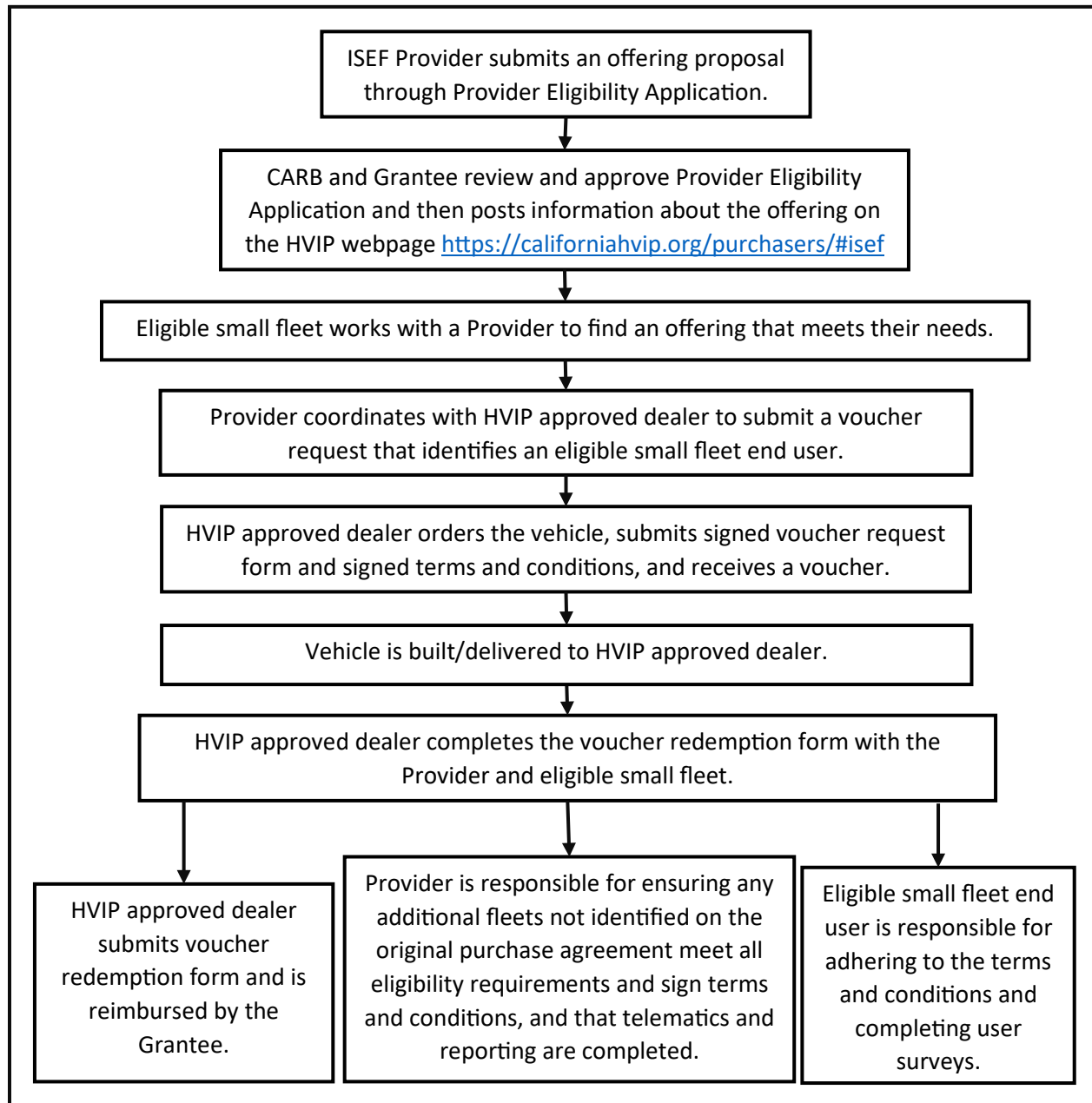
Eligible Small Fleet Participants: Eligible small fleet participants are defined as:

- California companies, including independent owner operators, with 20 or fewer vehicles with a GVWR greater than 8,500 lbs. under common ownership or control and domiciled in California* and less than \$15 million in annual revenue (non-profits are exempt from the revenue cap). (For fleets that operate under different names but are controlled by related companies, please refer to the common control definition in the HVIP IM); and/or
- Privately owned trucking companies and non-profits (ISEF is not currently accepting proposals for bus or public fleets).

*If the addition of up to five ISEF vehicles would increase the eligible small fleet size to over 20 vehicles, fleets will still be considered eligible. Vehicles unregistered or designated as planned non-operation at the time of voucher request are included in the fleet size calculation. Unredeemed vouchers in HVIP and ISEF will count against fleet size limit.



Figure 1. ISEF Provider Transaction Framework for Innovative Solution Vouchers



Eligible Vehicles for Set Aside Funding

All new and conversion Class 2b-8 zero-emission vehicles 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 2b-8 zero-emission vehicles to a monthly or per-mile cost equivalent to diesel truck operating costs. Dealers may request voucher amounts based on the Zero-Emission Vehicle Voucher Table, available at <https://californiahvip.org/funding/> and in the HVIP IM. The ISEF voucher level is double the current HVIP Base Vehicle Incentive, which is associated with the vehicle’s weight class in the Zero-Emission Vehicle Voucher Table. For example, under the ISEF program, a Class 3 truck would be eligible for a \$90,000 voucher because the HVIP Base Voucher Incentive is \$45,000. 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. These voucher funds may not be applied to taxes. The maximum funding available per voucher is capped at 90 percent of the vehicle purchase price, funds may be applied to other allowable expenses.

HVIP Base Voucher Amount Adjustments, except the Fleet Size Adjustments, will apply and may change the HVIP Base Vehicle Incentive, which is associated with the vehicle’s weight class. If a HVIP Base Voucher Amount Adjustment (In-Use Converted/Remanufactured or Plug-in Hybrid) applies, the ISEF voucher amount will be calculated as double the adjusted HVIP Base Vehicle Incentive. A table of all HVIP Base Voucher Adjustments are available at <https://californiahvip.org/funding/> and in the HVIP IM.

HVIP Voucher Modifiers (also known as plus-ups) will apply and may change the final ISEF voucher amount. There can be multiple modifiers, but the additions or subtractions do not compound; modifiers are calculated using the HVIP Base Vehicle Incentive, which may end up being adjusted if an HVIP Base Voucher Adjustment applies. Any modifiers that apply will then be added to the ISEF voucher amount. A table of all HVIP Voucher Modifiers is available at <https://californiahvip.org/funding/> and in the HVIP IM.

The ISEF Voucher will be calculated as follows:

$$\begin{aligned} & \text{(HVIP Base Voucher Incentive * HVIP Base Voucher Adjustments) * 2 +} \\ & \text{(HVIP Base Voucher Incentive * HVIP Base Voucher Adjustment * HVIP} \\ & \text{Voucher Modifier)} \end{aligned}$$

Examples:

Example 1

An ISEF eligible fleet requests a voucher for a Class 8 battery-electric truck that will perform drayage operations and is part of a fleet of 10 or fewer that is domiciled in a Disadvantaged Community (DAC). No HVIP Base Voucher Adjustments apply for this example fleet. Although they are eligible for two HVIP Voucher Modifiers including the “DAC” HVIP Voucher Modifier (+15%) and the “Class 8 Drayage Truck Early Adopter” HVIP Voucher Modifier (+25%)

$$\begin{aligned} & \text{(HVIP Base Voucher Incentive * ~~HVIP Base Voucher Adjustments~~) * 2 + (HVIP Base} \\ & \text{Voucher Incentive * ~~HVIP Base Voucher Adjustment~~ * HVIP Voucher Modifier)} \end{aligned}$$

$$(\$120,000) * 2 + (\$120,000 * .25) + (\$120,000 * .15) =$$



$$\begin{aligned} & \$240,000 + (\$30,000) + (\$18,000) = \\ & \qquad \qquad \qquad \$288,000 \text{ Voucher} \end{aligned}$$

Example 2

An ISEF eligible fleet requests a voucher for a remanufactured Class 8 fuel cell truck which will perform drayage operations. The “In-Use Converted/Remanufactured” HVIP Base Voucher Adjustment (-50%) will apply, and the voucher is eligible for the “Class 8 Fuel Cell” HVIP Voucher Modifier (+100%).

$$\begin{aligned} & \textbf{(HVIP Base Voucher Incentive * HVIP Base Voucher Adjustments) * 2 + (HVIP Base} \\ & \textbf{Voucher Incentive * HVIP Base Voucher Adjustment * HVIP Voucher Modifier)} \end{aligned}$$

$$\begin{aligned} & (\$120,000 * .5) * 2 + (\$120,000 * .5 * 2) = \\ & \qquad \qquad \qquad \$120,000 + (\$120,000) = \\ & \qquad \qquad \qquad \$240,000 \text{ Voucher} \end{aligned}$$

Requirements for Fueling 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 the cost of transformers, trenching, or conduit. If ISEF voucher funds are to be allocated to fueling infrastructure and equipment, any other incentive funding connected to the project must be disclosed.

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 at least one electrician on each crew, at any given time, who holds an Electric Vehicle Infrastructure Training Program (EVITP) certification.¹

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,

¹ Assembly Bill 841 (Ting, 2020) added Public Utilities Code section 740.20, which requires (EVITP) 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 CCR Section 95480) of Article 4 of Subchapter 10 of Chapter 1 of Division 3). 3. Single-family home residential electric vehicle chargers that can use an existing 208/240-volt outlet. For details visit: <https://evitp.org/training/>.



who hold EVITP certification. One member of each crew may be both the contractor and an EVITP certified electrician.

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 the following:

1. 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.
2. EVITP Certification Numbers for each EVITP-certified electrician that installed electric vehicle infrastructure or equipment if AB 841 requirements apply to the project.
3. 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.

Innovative Solution Provider Eligibility Application Process

All Providers must apply with their innovative solution proposal. Providers will submit a Provider Eligibility Application directly via an online portal at <https://formstack.io/4FBEE>. 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 the following:

- Comprehensive Service Offering
 - May include hardware, software, installation, generation, and storage technology. May include public and/or shared fueling options. Price should be inclusive and ideally bundled for simplicity.
 - Include fueling solution.
 - Address service, maintenance, and insurance.
- Easy Start
 - How the offering makes 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/or eligible 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 (per funding year).
- Providers may request a maximum of 20 vouchers.
- An eligible fleet end user must be identified in the voucher request. If the truck is rented, leased, or subscribed to 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.
- Voucher requests must include all required documentation showing compliance with all California laws and regulations, and all parties must respond in a timely manner to any data request to avoid risking voucher cancellation.
- Prior to submitting voucher requests, drayage and short haul fleets of one or larger, must submit a public attestation online at <https://www.cazevlaborlawcompliance.org/s/> to attest that they are in full compliance with Assembly Bill 794¹ and all labor laws. See HVIP IM for further information.
- 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.
- Like HVIP, dealers, lease, and rental companies may purchase vehicles without a voucher and request a voucher at the time a vehicle is sold, leased, or rented. However, there is no way to reserve funds or guarantee funding will be available at that time.

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 IM.
- Telematics reporting requirements are the same as HVIP as described in this IM. In addition:

¹ Full text for Assemble Bill 794 is available at:
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB794



- 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.

Provider Responsibilities

Any vehicle leasing 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 IM and 2) all required annual activity reports will be submitted to CARB.

CARB or its designee reserve the right to review the 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 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.

Voucher Request Prioritization

To promote broad application of ISEF funding, funding will be equally divided with 50 percent available for Standard Purchase Vouchers and 50 percent available for Innovative Solution Provider Vouchers. No manufacturer may reserve more than 30 percent of ISEF set-aside funding within the first 30 days after ISEF opening (i.e., the date the project administrator begins accepting voucher requests). Approved providers will be listed at <https://californiahvip.org/purchasers/>. Providers may request a maximum of 20 vouchers. Voucher requests beyond these limits may be submitted and will be evaluated on a case-by-case basis. CARB will continue to evaluate needs in the funding categories and may modify allocations to best meet program needs. 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.



Combining with Other Funding Sources

HVIP and ISEF vouchers may be combined or “stacked” with other eligible public incentives, where applicable, to further support fleet purchase decisions. More information on combining with other funding sources is available at <https://californiahvip.org/funding/> and in the HVIP IM.

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.

“Innovative Solution” for the purpose of this program includes flexible leases, short-term rentals, truck-as-a-service, assistance with infrastructure, individual owner planning assistance, and includes other innovative financing solutions that may be proposed through the Provider application process.

“Provider” for the purposes of this program means the entity that completes the Provider Eligibility Application to propose an innovative solution offering for ISEF eligible fleets. Providers can be companies involved in the lease, rental, financing, subscription, and fueling of commercial zero-emission trucks.

For a full list of definitions for terms, view the HVIP IM at <https://californiahvip.org/im/>.