



# Innovative Small E-Fleet (ISEF) Set-Aside

## Appendix F to the Fiscal Year (FY) 2023-24 Clean Truck and Bus Voucher Incentive Project (HVIP) Implementation Manual (IM)

Amended January 18, 2024

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### Summary of Fiscal Year 2023-24 Funding Plan Implementation Updates

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

- Standard purchases (and leases 36 months or more) for small fleets are now available in standard HVIP. The base voucher will be doubled for small fleets. These small fleet vouchers are available through all HVIP approved dealers without the need for a Provider application. Please see [www.californiahvip.org/purchasers](http://www.californiahvip.org/purchasers) for details.
- ISEF is now solely dedicated to innovative solutions including short-term rentals, short-term leases, truck-as-a-service (TAAS), and other solutions.
- Class 2b through class 8 vehicles in the HVIP vehicle catalog are eligible for ISEF funding, including the addition of buses for private businesses, non-profits, and public agencies.
- A variety of HVIP policy changes will impact ISEF vouchers and can be found online at <https://californiahvip.org/funding/>.



- Port of Long Beach and Port of Los Angeles Drayage set-aside cannot be combined with ISEF.
- Small fleets are now defined in HVIP as fleets with 20 or fewer medium- and heavy-duty (MHD) vehicles and less than \$15 million in annual revenue. The change in small fleet definition will apply to all uses, including eligibility for the 15% Disadvantaged Community (DAC) Plus Up, additional fund stacking flexibility with State incentive programs, and newly increased base vouchers.
- Requests from fleets with 20 or fewer vehicles 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 offer a simple and low-cost solution for deploying zero-emission vehicles to California small fleets companies who seek to solve the unique challenges faced by small fleets through innovative solutions. ISEF aims to assist small fleets in making the transition to zero-emission trucks by offering funding for flexible leases, short-term rentals, TAAS and other vehicle subscriptions, individual owner planning assistance, and other mechanisms. The barriers to zero-emission vehicle 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 who choose not to purchase a zero-emission vehicle, ISEF can position itself to better understand the specific needs of this traditionally underserved group and support their transition to zero-emission, especially for those affected by 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

Approved Providers may offer zero-emission vehicle solutions at reduced costs to eligible small fleets through the ISEF program. The Provider works with an HVIP approved dealer to request an ISEF voucher using an application separate from the standard HVIP application form. Dealers submitting ISEF vouchers will have access to a separate voucher request form through the voucher processing center.

Transactions through ISEF 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, finance, trucking-as-a-service, fleet management, and fueling of zero-emission commercial vehicles. Providers develop an offering proposal designed to offer small fleets monthly or per-mile costs for zero-emission vehicles 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: California entities, including independent owner operators, with 20 or fewer vehicles with a gross vehicle weight rating (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).

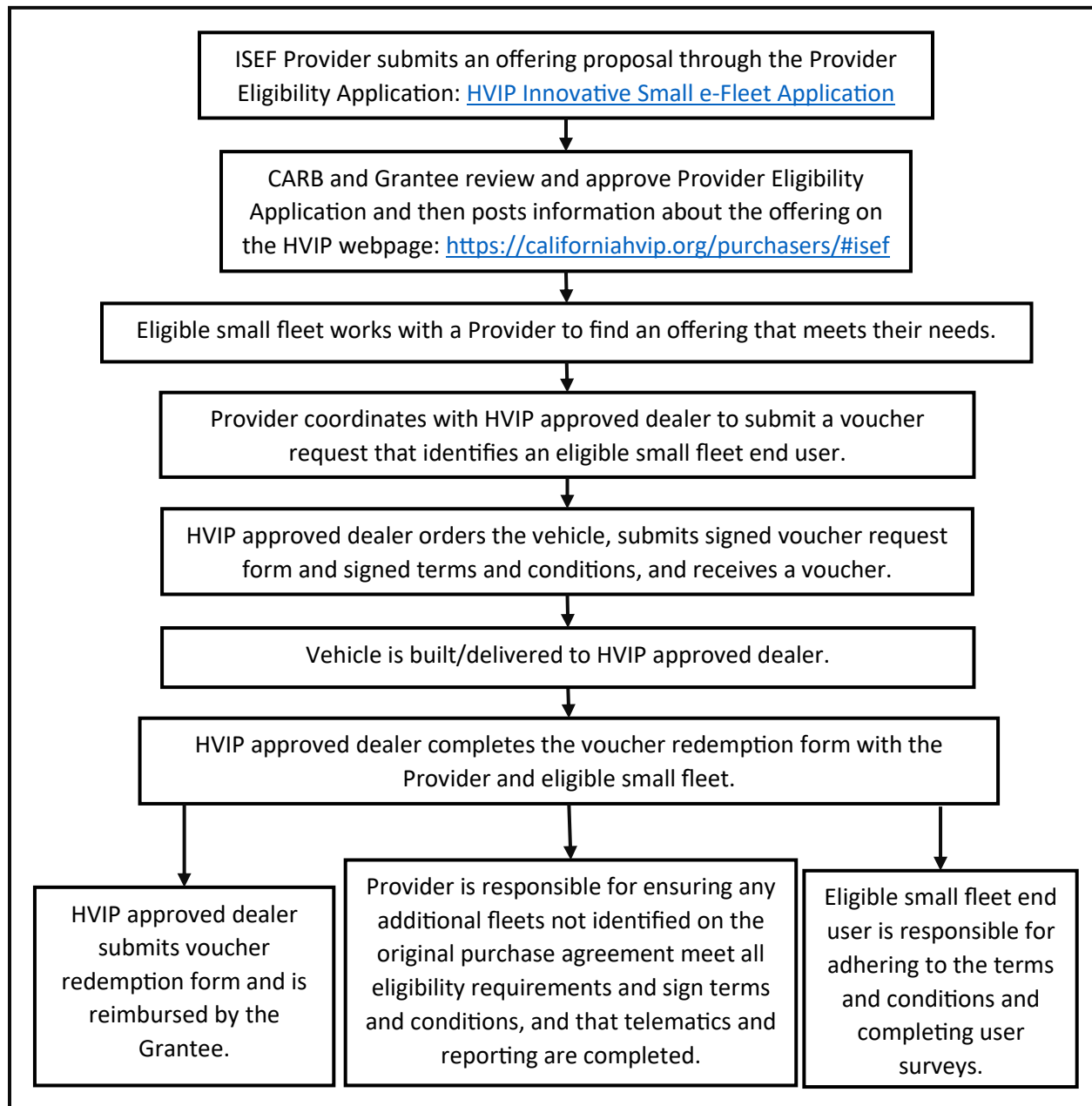
\* Consistent with the Advanced Clean Fleet Regulation, for Standard HVIP and all Set-Asides except for the Public School Bus Set Aside, HVIP's fleet size definition for voucher requests placed on or after 1/1/24 will be inclusive of the fleet's vehicles domiciled anywhere globally that are over 8,500 lbs. GVWR, including all such vehicles under common ownership or control, as defined in HVIP's Implementation Manual.

Fleet size is inclusive of vehicles registered with the California Department of Motor Vehicles (DMV) as non-operational, but excluding off-road vehicles, unregistered vehicles, and those registered with the DMV as non-revivable junk or dismantled.

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



### 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:

- Pricing
  - Benefit of incentives must flow to small fleet and be itemized in their agreement.
- Comprehensive Service Offering
  - Identify fueling solution. May be private, public and/or shared fueling options. Price should be inclusive and ideally bundled for simplicity.
  - Address service, maintenance, and insurance (optional).
- Easy Start
  - Explanation of 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.

### Provider Responsibilities

Any vehicle leasing or rental entity that leases or rents a vehicle purchased with an 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 upon request, on a case-by-case basis.

### 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. More information about the HVIP eligibility process can be found at [www.californiahvip.org/sellers](http://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 vehicle would be eligible for a \$90,000 voucher because the HVIP Base Voucher Incentive is \$45,000. These voucher funds may not be applied to taxes or registration. The maximum funding available per voucher is capped at 90 percent of the vehicle purchase price. Delivery fees, extended warranty and other applicable items are not to be included in the voucher request.

### **Example for ISEF Voucher with no adjustments or modifiers:**

An ISEF eligible fleet requests a voucher for a Class 8 truck that does not perform drayage operations and does not qualify for any adjustments or modifiers. The voucher is calculated as followed:

HVIP Base Voucher Incentive: \$120,000

ISEF Final Voucher: ( $\$120,000 * 2$ ) = **\$240,000**

### *HVIP Base Voucher Amount Adjustments*

HVIP Base Voucher Amount Adjustments except the small fleet adjustment, 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.

### **Example for ISEF Voucher with an HVIP Base Voucher Amount Adjustment:**

An ISEF eligible fleet requests a voucher for a Class 8 battery-electric truck that has been remanufactured. The "In-Use Converted/Remanufactured" HVIP Base Voucher Adjustment (-50%) will apply. No voucher modifiers apply. The voucher is calculated as followed:

HVIP Base Voucher: \$120,000

Base Voucher Amount Adjustment: ( $\$120,000 * 0.5$ ) = \$60,000

New HVIP Base Voucher: \$60,000

ISEF Final Voucher: ( $\$60,000 * 2$ ) = **\$120,000**

### *HVIP Voucher Modifiers*

HVIP Voucher Modifiers (also known as plus-ups) may apply and may also change the final ISEF voucher amount. There may 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.



### Example for ISEF Voucher with HVIP Voucher Modifiers

An ISEF eligible fleet requests a voucher for a Class 8 battery-electric truck that will perform drayage operations and is a fleet of 20 or fewer that is domiciled in a Disadvantaged Community (DAC). 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%). The voucher is calculated as followed:

$$\begin{aligned} \text{HVIP Base Voucher: } & \$120,000 \\ \text{ISEF Base Voucher: } & (\$120,000 * 2) = \$240,000 \\ \text{“DAC” Modifier: } & (\$120,000 * 0.15) = \$18,000 \\ \text{“Class 8 Drayage Truck Early Adopter” Modifier: } & (\$120,000 * 0.25) = \$30,000 \\ \text{ISEF Final Voucher: } & (\$240,000 + \$18,000 + \$30,000) = \mathbf{\$288,000} \end{aligned}$$

### Example ISEF Voucher with HVIP Base Voucher Adjustment and HVIP Voucher Modifier

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%). The voucher is calculated as followed:

$$\begin{aligned} \text{HVIP Base Voucher: } & \$120,000 \\ \text{Base Voucher Amount Adjustment: } & (\$120,000 * 0.5) = \$60,000 \\ \text{New HVIP Base Voucher: } & \$60,000 \\ \text{ISEF Base Voucher: } & (\$60,000 * 2) = \$120,000 \\ \text{“Class 8 Fuel Cell” Modifier: } & (\$60,000 * 2) = \$120,000 \\ \text{ISEF Final Voucher: } & (\$120,000 + \$120,000) = \mathbf{\$240,000} \end{aligned}$$

### Specifications 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. These costs include: hardware, 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.

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.

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.

### 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 vehicles may be requested per eligible small fleet end user per funding year.
- Providers may request a maximum of 20 vehicles per funding year.
- An eligible fleet end user must be identified in the initial voucher request. If the vehicle 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 by completing a fleet change notification form. 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. (See page 11 for a voucher request intake guide).
- 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 794<sup>1</sup> and all labor laws. See HVIP IM for further information.

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<sup>1</sup> Full text for Assemble Bill 794 is available at:  
[https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=202120220AB794](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB794)





- 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.
- Required documentation includes an uploaded purchase order between the Dealer and the Provider. Purchase Orders between the Dealer and the Provider must be separate for each customer. A separate purchase order or agreement between the small fleet and provider is not needed at the time of request.
- A service agreement between the provider and the small fleet will be required at the time Terms & Conditions are signed. Required documentation in a service agreement is detailed below:
  - Vehicle quantity and description (must match HVIP vehicles)
  - Lease/rental term
  - Vehicle domicile address
  - Fees associated with rental, lease and TAAAS (Maintenance, fueling fees, infrastructure, telematics feed, etc.)
  - Responsible party for insurance
  - Any complimentary services offered

### 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:

- 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 Request Prioritization

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 vehicles. Vehicle 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 vehicles.

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