METROPOLITAN
TRANSPORTATION
COMMISSION

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July 23, 2018

Ms. Mary D. Nichols, Chair
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812-2815

RE: Revised Proposed Innovative Clean Transit Regulation

Dear Ms. Nichols:

Thank you for another opportunity to provide comments on the proposed Innovative Clean Transit (ICT) regulation. The Metropolitan Transportation Commission (MTC) is the metropolitan transportation planning and funding organization for the nine-county San Francisco Bay Area. MTC is also the designated recipient of federal transit formula funds in the region, and distributes Federal Transit Administration (FTA) funds to 22 independent transit operators to help procure new buses when fleets are due for replacement.

MTC continues to share CARB's goal of reducing GHG and other emissions through electrification of transit fleets, and is supportive of constructive policies that would accelerate the transition to zero-emission buses (ZEBs). Since MTC submitted its initial comment letter on February 9:

- CARB issued a revised ICT proposal which included revisions in response to comments it had received, and solicited additional comments on several topics; and
- The California Transit Association (CTA) unveiled a counter-proposal to ICT based on voluntary ZEB implementation plans developed by individual transit operators to reach CARB's goal of a 100% zero-emission state transit fleet by 2040.

In light of these new developments, MTC offers the following additional comments.

Regulation Starting Date & Implementation Plans

MTC appreciates and supports the change in start date from 2020 to 2023 for large operators and from 2023 to 2026 for small operators. This provides greater lead time for operators large and small to plan procurements and line up needed funding.

MTC also supports CARB's proposal for operators to develop plans to achieve the 2040 all-zero-emission goal, including types of ZEBs, schedule for ZEB procurements, plans for infrastructure and staff training, and funding needs. In conjunction with the later start date, this element will assist operators in moving forward strategically with ZEB rollout. Further, MTC fully endorses the proposal's flexibility to comply with the regulation through the use of individual and group implementation plans, which will allow operators to meet local needs such as bus replacement schedules and emergency response requirements.

Additionally, the inclusion of waivers for early compliance is a welcome addition to the proposal and could motivate operators to collaborate on procurements to meet the minimums to achieve the waivers. Similarly, we appreciate CARB providing flexibility for deferrals or exemptions if available ZEBs do not have sufficient range to meet daily mileage requirements.

Finally, we also support exclusion of zero-emission cutaways and smaller buses, over-the-road coaches, and articulated buses until 2026 or until such vehicles have completed Altoona testing.

Funding Issues

Sufficient funding levels continue to be critical to the successful transition to zero-emission fleets. As we suggested in our previous letter:

- Current funding sources for transit capital projects, such as FTA formula funds and the Transit and Intercity Rail Capital program, are already oversubscribed, so relying on those sources for the higher costs of ZEBs and required infrastructure is unrealistic and would diminish funding for other important needs.
- If ZEB purchases are to become routine events, transit operators need reliable, recurring funding sources rather than the uncertainty and volatility of discretionary funding programs, such as CARB's Heavy Duty Zero Emission Pilot Deployment Program or FTA's LoNo program.

Our most serious concern with CARB's ICT proposal is that the two most suitable current funding sources for the incremental costs of ZEB procurements – CARB's Hybrid Voucher Incentive Program (HVIP) and the Volkswagen Environmental Mitigation Trust – could not be used for the costs of ZEBs mandated by the regulation. One of the chief advantages of CTA's alternative approach is that ZEBs would be procured under voluntary implementation plans rather than a state mandate, and therefore should be eligible for either HVIP or VW vouchers. While we certainly appreciate that CARB will seek sufficient funding to provide HVIP vouchers for at least the first 1,000 ZEBs in the state, we must reiterate our previous recommendations to:

- Seek funding levels for HVIP that are sufficient to provide vouchers for <u>all</u> ZEBs procured in the state (other than those funded with VW Trust funds);
- Redirect funding from CARB's discretionary funding programs to HVIP to provide a reliable, non-discretionary source for ZEBs and related infrastructure; and
- Make HVIP funds available for mandated ZEB purchases as well, whether or not the CTA proposal moves forward. This funding is particularly critical for transit operators, which are public agencies with limited funding options for these types of major capital investments.

Further, because the charging and fueling infrastructure for ZEBs is a prerequisite, and not ancillary, to ZEB purchasing, additional funding sources for this purpose need to be identified for operators to be successful in meeting the deadlines for transition to zero-emission fleets. Zero-emission conversion has high initial infrastructure investment requirements, as the electric substations and hydrogen fueling equipment are installed for the first buses in service. Over time, the marginal costs of these improvements will be reduced, but operators will need financial assistance to begin their fuel source transition. MTC looks forward to supporting CARB's advocacy in the Legislature for this funding realignment.

In addition, transit operators need to be able to lock in HVIP funds at least two years before the vouchers are needed to pay for ZEBs, so the operators know they have sufficient funds when planning procurements. As the current timely use policy requires vouchers to be cashed in within one year of award, MTC also suggests CARB extend the timely use policy to better align with actual procurement practices.

ZEB Bonus Credits & SFMTA Trolley Coaches

CARB's revised proposal includes a provision to grant bonus credits for fuel-cell electric buses (FCEB) and battery-electric buses (BEB) put in service before December 31, 2017 and for FCEBs placed in service between January 1, 2018 and January 1, 2023. Further, the bonus credit is doubled for FCEBs placed in service before January 1, 2018. Electric trolley coaches like those operated by SFMTA are not included among the eligible vehicles, nor mentioned elsewhere in the proposal summary.

This proposed regulation has the goal of reducing GHG and other emissions from buses operating in the state. SFMTA's zero-emission electric trolley coach fleet is the largest such fleet in the United States, representing a significant investment in zero-emission bus technology. We would argue that use of electric trolley coaches clearly and unequivocally advances CARB's goal of reducing GHG and other emissions and improving air quality. Further, SFMTA's trolley coaches are truly zero-emission: the electricity powering them is sourced from the hydroelectric generators at Hetch Hetchy dam. MTC, therefore, supports SFMTA's position that the proposed regulation be revised to

- Give one bonus credit to operators for each FCEB or BEB placed in service on or before December 31, 2017 and remaining in service as of January 1, 2018, and
- Give one bonus credit to operators for each electric trolley coach placed in service between January 1, 2018 and January 1, 2020.

Additionally, because of the unique topographic challenges in San Francisco, electric trolley coaches are the only ZEBs currently available that can scale the 23% grades that exist on some of their routes. Therefore, MTC would further recommend that the proposed regulation be revised to be generally technology-neutral, allowing operators to choose locally the ZEB technology that best suits their service provision needs.

Operating Costs & Regulatory Assessments

CARB's revised proposal does not address the concern expressed by transit operators that the operating costs of ZEBs already in service have been higher than for conventional buses, primarily for electricity and maintenance. This experience contradicts CARB staff's analysis that operating cost savings over the life of a battery electric bus would more than offset the higher up-front capital costs. MTC looks forward to CARB working with operators to address this concern.

MTC supports CTA's approach to assessing the performance of the ICT regulation and ensuring its success, and would recommend including more of their ideas:

- Conduct an independent third-party analysis of costs (operational and capital) and work collaboratively with transit agencies to establish benchmarks for ZEB cost, performance and weight.
- Conduct periodic assessments of whether ZEB technology and the market are meeting the benchmarks, and of barriers to electrification, including funding.
- If the benchmarks have not been met or funding or other barriers are inhibiting ZEB implementation plans, CARB should consider revisions to ZEB purchase requirements or other strategies to overcome the barriers to implementation.
- However, if the benchmarks have been met or funding barriers have been resolved, CARB may impose a purchase requirement on individual operators that are not following through on their implementation plans.

We believe this approach strikes the right balance between providing assurance to the transit operators and their funding partners, including MTC, that the transition to zero emission fleets will not impair the ability to provide transit service and fund other transit priorities on the one hand, and providing assurance to CARB and other stakeholders that transit operators will be held accountable in implementing their transition plans on the other.

MTC looks forward to continuing to work with CARB and the Bay Area transit agencies to support the 5transition of the region's transit fleet to zero emission, while minimizing financial and operational risk to the transit fleet particularly in the early years of the transition. If you have any questions about our comments, please contact Glen Tepke at gtepke@bayareametro.gov or 415-778-6781. Thank you for your consideration.

Sincerely,

Steve

Steve Heminger
Executive Director

cc: Bay Area State Legislative Delegation
Jack Broadbent, Bay Area Air Quality Management District

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