



September 24, 2018

California Air Resources Board, Members
1001 I Street, Suite
Sacramento, CA 95814

RE: Response to the Initial Statement of Reasons for the Proposed Innovative Clean Transit Regulation

Chair Nichols and Members of the California Air Resources Board:

On behalf of the Monterey Salinas Transit District (MST) I want to acknowledge – and thank you for – the considerable progress that has been made on the proposed Innovative Clean Transit (ICT) regulation.

MST remains committed to reducing greenhouse gas emissions by providing frequent, affordable, and accessible public mobility services throughout the Monterey Bay region. Over several decades our district has been an innovator in experimenting with a wide variety of alternative technologies, including lead-acid battery electric, compressed natural gas, locally grown and processed bio-diesel, hybrid-electric and most recently the latest in zero emission battery-electric buses including the first-of-its-kind inductive charged battery electric trolley vehicle. We believe that reducing carbon emissions and greenhouse gases is important to the health of our residents and environment in which we live and support the goal of eventually eliminating fossil fuel as a primary source of fuel to power our mobility.

MST continues to believe that facilitating a transition to cleaner transit buses is best done by allowing transit agencies to craft individualized zero emission bus (ZEB) deployment plans that are consistent with their unique financial and operational requirements; however, we also recognize the value in providing ARB staff with constructive feedback on the proposed regulation as currently drafted. We believe this feedback better ensures that if you proceed with a purchase mandate, the worst impacts to transit service will be minimized.

Costs and Incentives

MST remains concerned with the specifics of what is now in print as well as the impact the associated price tag will have on local agencies like MST. You should be aware that according to ARB staff's own estimates, which include some significant assumptions we would strongly dispute, the regulation will cost transit agencies \$1.1 billion between 2020 and 2040. If you remove the Low Carbon Fuel Standards (LCFS) funding, which does not even have statutory authorization through 2040, that price tag climbs to \$2.1 billion over the same time frame.

Advocating and delivering quality public transportation as a leader within our community and industry.

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This is meaningful because at various junctures your Board has communicated to ARB staff its preference to preserve and expand transit service as we continue to make progress on cleaner bus fleets. We fail to see how this is possible without adequate funding to absorb the cost of the regulation and without more robust safeguards being built into the regulation. We fully understand that ARB cannot make commitments for future funding because you do not control the State's purse strings; the Legislature does. That said, our industry has long argued that accessing the incentive funding that ARB does have should be made much simpler and more useful to transit agencies.

Under the proposed regulation, transit agencies would only be able to access ARB's incentive funding – primarily Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project dollars – if they take early action to procure ZEBs before the purchase mandates kick in or if they procure more ZEBs than is required. Unfortunately, this will mean that transit agencies that cannot procure ZEBs early because their fleets have not reached their useful life when the purchase mandate goes into effect, or because their financial positions won't allow it, would be barred from accessing incentive funding for future ZEB procurements.

If transit agencies lose access to this incentive funding, which is being offered because ARB acknowledges that the technology is currently more expensive and underperforms, they will need to redirect resources from some other purposes. Should it be reducing the state of good repair for our current fleets? Reducing Transit service to some of the most vulnerable people in our community? Or should we pass costs onto our riders by way of higher fares, which would most likely push choice riders back into their single occupancy, fossil fuel-powered vehicles?

You should know that we are not alone in making this request. CalZEV, comprised of Proterra, GreenPower, CalETC, and BYD, among others, has expressed their support for freeing up incentive funding to support the proposed regulation.

We also ask you to consider that if incentive funding isn't available to transit agencies when they need it, an agency might have no alternative but to keep an older, higher pollution/emissions vehicle in service because they lack the resources to move forward with a zero-emission bus purchase and its attendant electric charging or hydrogen storage/fueling infrastructure costs. In that regard, we feel that ARB must express its support for creating an infrastructure funding program. This program should also be available to small operators to finance their roll-out plans. Without a secure source for infrastructure investments in fueling/charging facilities, maintenance facilities, and storage capacity, the ability to meet the goals of this rule is doubtful.

Performance Benchmarks

While the availability of incentive funding is critical for smoothing the introduction of ZEBs and limiting financial risk to transit agencies, we'd argue that the greater risk to our transit service would be in projecting the cost and technological capabilities of ZEBs five, ten, or twenty years out. To limit these risks, we've asked ARB staff to establish **within the regulation itself** cost and performance benchmarks that would be reviewed periodically, likely before the imposition of a purchase requirement, and used to determine how the regulation proceeds. This is consistent with the approach taken in the original Transit Fleet Rule.

Under this scheme, ARB would review the real-world cost and performance of zero-emission buses and their supporting infrastructure at some future date and, if they do not align with ARB staff's projections

– which are built into the cost model and used to estimate the proposed regulation’s economic and environmental impact – **then the regulation would put on a temporary hold.**

Currently, ARB staff has included language within the staff report that commits to reviewing the real-world cost and performance of ZEBs one year prior to the imposition of a purchase requirement, but there is no indication of how the data gathered would be used. We are thankful for this inclusion, but it doesn’t go far enough to ensure that transit agencies will not be saddled with untenable costs or inadequate performance. We encourage you to work with ARB staff to have our preferred provisions added to the regulation itself.

Small Agencies and Non-Standard Buses

While we make these requests, we also want to communicate the dangers of ARB staff moving the regulation, particularly its purchase requirement, in a more aggressive direction. This, as you may already know, is being advocated for by a coalition of environmental groups, and these groups advocate for:

- Accelerating the purchase requirement, particularly for small agencies
- Accelerating the creation of ZEB roll-out plans, particularly for small agencies
- Accelerating the inclusion of cutaway and non-standard buses in the regulation

Referring to our points about cost and performance, these changes would require transit agencies to purchase more ZEBs while costs are higher and performance is lower. This would require smaller transit agencies to experiment with new technologies – even though these agencies can least afford to do so – and would require that the industry, all at once, troubleshoot the transition rather than allow for an information transfer between early adopters and other agencies.

MST urges the Board to reconsider the definition of a “small operator” and instead use a definition that transit operators are familiar with and which is currently used in federal and state programs. The proposed regulations define a small operator as any operator with fewer than 100 buses. MST urges the Board to rely on the current federal definition that specifies a small operator as having less than 100 buses during peak operations.

MST strongly supports the delayed compliance for small operators to adopt the rollout plans and purchase mandates. MST and other small operators in the state agree that additional time will be needed to secure funding for developing and adopting the plans. In some cases operators will need to locate, purchase, and build new storage facilities because of inadequate space or because they currently rent space from another public entity. The additional time needed to develop the roll-out plans support the need for the later purchase mandate timeline. The later purchase mandate should also benefit small operators, allowing them to take advantage of lower vehicle prices as demand increases and supply chains mature.

Finally, in recent years California has been beset by increasingly frequent wildfires, floods, and mudslides, for which local transit operators are called upon to make mass movements of public safety personnel and evacuees over distances that are beyond the range of ZEB vehicles. To this end, MST advocates that public transit operators continue to be allowed to operate some number of traditional fossil fuel fleets in the event of an emergency evacuation response, due to a local civil emergency or

natural disaster, until such time that the range of zero emission buses ensures they are reliably operational for a period of days or until power supplies are restored after such disasters occur.

Once again, I would like to commend your staff on their openness in listening to the comments and concerns of myself and my peers within the California transit industry.

If you have any questions or comments, please feel free to contact me at 831-264-5002.

Sincerely,

A handwritten signature in cursive script that reads "Carl Sedoryk".

Carl Sedoryk
General Manager / CEO

cc: Richard Corey, Executive Officer, California Air Resources Board
Steve Cliff, Deputy Executive Officer, California Air Resources Board
Jack Kitowski, Chief, Mobile Source Control Division, California Air Resources Board
Tony Brasil, Heavy Duty Diesel Implementation Branch, California Air Resources Board
Shirin Barfjani, Mobile Source Control Division, California Air Resources Board