



WASTE MANAGEMENT

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Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, California 95814

Via Electronic Submittal: cotb@arb.ca.gov

Subject: Support for Proposed Regulation for In-Use Off-Road Diesel Vehicles

Waste Management strongly supports the Air Resources Board's diesel emission reduction goals. Our company has long been a leader in adopting alternative fuels and other voluntary advanced technology options, and we recognize the urgent need to reduce harmful diesel emissions from off-road vehicles.

Due to unique circumstances affecting the solid waste industry, Waste Management, Allied Waste Industries, and several major environmental organizations (including the American Lung Association, Environmental Defense, the Planning and Conservation League and the California League of Conservation Voters) are supporting AB 712 (De Leon) that directly relates to the implementation of ARB's new off-road diesel vehicle regulation.

Today, most solid waste services are provided pursuant to rate-regulated service agreements between public agencies and private companies. The nature of these long-term contracts makes it extremely difficult to ensure that the industry is appropriately compensated for the costs of complying with expensive and long-term regulatory requirements that are adopted after the initial service contracts have been executed. In the case of proposed off-road diesel rule, which involves highly variable compliance costs over a 10-year period, hundreds of contract amendments would be required during each of the next 10 years as the industry incurs compliance costs. Each of these contract amendments would in turn require adjustments to the solid waste collection rates set by local governments and paid by millions of California households and commercial businesses.

AB 712 resolves this problem by, requiring operators of solid waste landfills to pay a state mandated fee of 50 cents per ton on solid waste disposal during the period April 1, 2009 until January 1, 2016. These funds would be used exclusively to reduce harmful diesel emissions from off-road vehicles operating at solid waste facilities to produce clean waste-derived transportation fuels.

Specifically, AB 712 will:

- Accelerate reductions in off-road diesel emissions by at least five years and encourage operators to evaluate the use of alternative fuel technologies that will also help reduce greenhouse gas emissions; and
- Provide \$4 million per year in new grant funds that will promote projects that demonstrate the commercial viability of producing clean transportation fuels from municipal solid waste and recovered landfill gas.

We look forward to working with ARB in finalizing provisions of AB 712 as a means of advancing our joint interests in reducing off-road vehicle emissions as rapidly as possible.

The remainder of this letter outlines Waste Management's observations and suggestions relating to the most recent language of the proposed regulations including:

- The disparity between the cost analysis performed by the ARB model and Waste Management; and
- Concerns regarding the efficacy and purpose behind including an 18% penalty for fleets using hours of operation to comply with the fleet rule.

COST ESTIMATES:

Following is an overview of the Waste Management fleet and the projected actions and costs necessary to achieve emissions compliance under the proposed rule.

Waste Management Fleet Compliance Summary: 2009-2020	
Number of Engines (2007 baseline)	355
Total Horsepower (2007 baseline)	74,004
Average Vehicle Age (2007 baseline)	12 years
Number of Retrofits	135
Number of Replacements	295
Cost for Retrofits	\$ 3,168,870
Cost for Replacements	\$ 90,708,956
Total Cost from 2009-2020	\$ 93,877,825

These figures reflect cost estimates based on Waste Management's implementation of the Solid Waste Collection Vehicle Fleet Rule and its longstanding vendor relationships with both equipment dealerships and retrofit device manufacturers. Retrofit and replacement projections were developed with fleet managers and a consultant team to maximize the

benefit of early credits, vehicle retirements, hours of operation, and order of turnover while maintaining operational integrity.

While the ARB's cost model may be more accurate for off-road diesel fleets in general, it does not appear to take into account the specific business realities and constraints faced by waste collection service off-road fleets. For instance:

- Although the ARB cost model returns a cost of \$80 per bhp for fleets with an average equipment age of 12 years. our own estimates (using the most cost effective scenarios possible) show a projected cost of \$300 to \$500 per bhp.
- In addition, costs are not spread evenly across years, but instead will require many operators to spend significant capital in the first several years of compliance. From 2009-2011, we project capital expenditures at a rate that is approximately 25% higher than the remaining period of rule compliance.

THE 18% ALTERNATIVE COMPLIANCE PENALTY

We are concerned that companies that have consistently purchased lower-emitting and newer vehicles in the past may be unfairly penalized in the latest version of the regulatory language. Earlier versions of the regulatory language provide an option for fleets to comply with fleet average requirements by multiplying the emission factor by the horsepower by the annual hours operated. This format would encourage fleets to run newer, lower-emission vehicles at a higher rate rather than reliance on older high-polluting vehicles, thereby lowering overall harmful emissions.

The latest version of the regulatory language applies an 18% penalty to fleets that calculate their emissions according to actual usage. In many cases, this 18% penalty makes it MORE cost-effective for operators to comply by following the standard emission factor multiplied by horsepower calculations. In effect, this change appears to encourage operators to use higher polluting older equipment at higher levels, since this compliance path is blind to the actual hours of operation of lower versus higher-polluting units (i.e. the operation of all units will be weighed the same – regardless of their actual hours of operation. We believe *the 18% penalty effectively removes the incentive to minimize the use of older engines and will actually lead to higher emission levels. We suggest that ARB consider eliminating the currently proposed 18% penalty for fleets using the hours-of-operation compliance calculation.*

We appreciate the opportunity to submit these comments for your consideration. We are strongly supportive of ARB's efforts to reduce off-road diesel emissions and look forward to working with the Board and the Administration on the enactment and implementation of AB 712. While our comments relating to cost estimates, capital challenges, and the 18% penalty, are not relevant if AB 712 is enacted, we believe this information may be helpful to ARB in finalizing the language of the rule in a manner that minimizes impacts on the entire regulated industry.

We look forward to working with ARB on the accelerated implementation strategy embodied in AB 712. Please do not hesitate to contact me or Chuck White if you have any questions or need any additional information.

Sincerely,

Original signed by

S. Kent Stoddard, Vice President
Public Affairs /Western Group

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