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May 9, 2018

The Honorable Connie M. Leyva
California State Senate
State Capitol Building, Room 4061
Sacramento, California 95814-4900

Subject: SB 1434 (Leyva): SUPPORT

Dear Senator Leyva:

The Orange County Transportation Authority (OCTA) Board of Directors is pleased to support SB 1434, your legislation to require the California Public Utilities Commission (PUC) to initiate a ratemaking proceeding that addresses the cost of electricity as a fuel for transit agencies.

The California Air Resources Board is currently undertaking a rulemaking that would require transit agencies statewide to convert their fleets to 100 percent zero-emission technology by 2040 through use of a purchase mandate. OCTA has already taken steps to pilot zero-emission transit bus technology, but like other transit agencies, OCTA has expressed concern about how the cost of electricity as a fuel far exceeds the cost of compressed natural gas and diesel.

In powering its current fleet of over 500 buses with compressed natural gas, OCTA uses approximately 5.3 megawatts of energy. In order to charge a similarly sized fleet of zero-emission buses, it would require about 62 megawatts of energy. Increasing energy usage by a factor of nearly 12 times to provide normal weekday service would make charging buses cost-prohibitive during peak usage, causing logistical issues with the current operating schedule. These changes would create uncertainty surrounding the type of large-scale deployment of zero-emission technology necessary for OCTA to maintain its current level of service. SB 1434 would allow the development of an electricity rate structure that will allow for a successful statewide transition to zero-emission technologies.

SB 1434 simply directs the PUC to initiate a ratemaking proceeding in order to secure an electricity rate structure that supports widespread transit electrification. In order to avoid unintended consequences to ratepayers, the bill would allow for a rulemaking proceeding that brings relevant stakeholders together to deliberate on an appropriate rate structure rather than prescribing

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a specific rate structure in statute. OCTA believes that this approach is a fair way to balance the interests of all parties in the statewide transition to zero-emission bus technology.

A SUPPORT position is consistent with the provision in OCTA's 2017-18 State Legislative Platform to "Support efforts to establish an alternative electricity rate structure for transit agencies to mitigate costs associated with the operation of zero-emission transit buses."

If you or your staff have any questions regarding OCTA's position on SB 1434, please contact Kristin Essner, Manager of State and Federal Relations, at (714) 560-5754 or kessner@octa.net.

Sincerely,

A handwritten signature in dark ink, appearing to read "Lisa Bartlett", with a stylized, cursive script.

Lisa A. Bartlett
Chairwoman

LAB:djs

c: Darrell E. Johnson, Chief Executive Officer
Orange County State Legislative Delegation
Platinum Advisors, LLC

AMENDED IN SENATE MAY 2, 2018
AMENDED IN SENATE MARCH 22, 2018

SENATE BILL

No. 1434

Introduced by Senator Leyva

February 16, 2018

An act to add Section 740.17 to the Public Utilities Code, relating to transportation electrification.

LEGISLATIVE COUNSEL'S DIGEST

SB 1434, as amended, Leyva. Transportation electrification: electricity rate design.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Existing law, enacted as part of the Clean Energy and Pollution Reduction Act of 2015, requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission and State Air Resources Board, to direct electrical corporations to file applications for programs and investments to accelerate widespread transportation electrification to reduce dependence on petroleum, meet air quality standards, achieve the goals set forth in the Charge Ahead California Initiative, and reduce emissions of greenhouse gases to 40% below 1990 levels by 2030 and to 80% below 1990 levels by 2050. That law requires that the programs proposed by electrical corporations seek to minimize overall costs and maximize overall benefits. The PUC is required to approve, or modify and approve, programs and investments in transportation electrification, including those that deploy charging infrastructure, through a reasonable cost recovery mechanism, if they are consistent with the above-described purposes, do not unfairly compete with nonutility enterprises, include

performance accountability measures, and are in the interests of ratepayers.

This bill would require the PUC to direct electrical corporations with more than 100,000 service connections in California to file rate design applications, specific to transit agencies as commercial customers, that support and accelerate the deployment of zero-emission transit buses to reduce dependence on petroleum, meet air quality standards, and reduce emissions of greenhouse gases to 40% below 1990 levels by 2030 and to 80% below 1990 levels by 2050. The bill would authorize an electrical corporation with 100,000 or fewer service connections in California to file rate design applications for those purposes. The bill would require that a rate design proposed by an electrical corporation seek to minimize overall costs and maximize overall benefits to *ratepayers and* transit agencies and would require the commission to approve, or modify and approve, rate design applications, *but only* if they are consistent with this requirement and are in the interests of ratepayers.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill are within the act and require action by the commission for implementation, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 740.17 is added to the Public Utilities
- 2 Code, to read:
- 3 740.17. (a) (1) The Legislature finds and declares all of the
- 4 following:
- 5 (A) Reducing emissions of greenhouse gases to 40 percent below
- 6 1990 levels by 2030 and to 80 percent below 1990 levels by 2050

1 will require widespread transportation electrification, including of
2 California's transit bus fleet.

3 (B) Zero-emission transit buses are needed to reduce fossil fuel
4 use, to meet air quality standards, to improve public health, to
5 prove the viability of zero-emission heavy-duty technologies, and
6 to achieve the state's goals for reducing emissions of greenhouse
7 gases.

8 (C) Lower and more predictable electricity rates should support
9 and accelerate increased deployment of zero-emission transit buses
10 by providing access to a fuel that is cleaner and less costly than
11 gasoline or other fossil fuels.

12 (D) According to the State Alternative Fuels Plan analysis by
13 the Energy Commission and the State Air Resources Board, light-,
14 medium-, and heavy-duty vehicle electrification results in
15 approximately 70 percent less of greenhouse gases emitted, over
16 85 percent less of ozone-forming air pollutants emitted, and 100
17 percent less petroleum used. These reductions will become larger
18 as renewable generation increases.

19 (2) It is the policy of the state and the intent of the Legislature
20 to encourage electrification of California's transit bus fleet as a
21 means to achieve ambient air quality standards and the state's
22 climate goals. Agencies designing and implementing regulations,
23 guidelines, plans, and funding programs to reduce emissions of
24 greenhouse gases shall take the findings described in paragraph
25 (1) into account.

26 (b) (1) The commission shall direct an electrical corporation
27 with more than 100,000 service connections in California to file
28 a rate design application that is specific to transit agencies as
29 commercial customers and that supports and accelerates the
30 deployment of zero-emission transit buses to reduce dependence
31 on petroleum, meet air quality standards, and reduce emissions of
32 greenhouse gases to 40 percent below 1990 levels by 2030 and to
33 80 percent below 1990 levels by 2050.

34 (2) An electrical corporation with 100,000 or fewer service
35 connections in California may file a rate design application that is
36 specific to transit agencies as commercial customers and that
37 supports and accelerates the deployment of zero-emission transit
38 buses to reduce dependence on petroleum, meet air quality
39 standards, and reduce emissions of greenhouse gases to 40 percent

1 below 1990 levels by 2030 and to 80 percent below 1990 levels
2 by 2050.

3 (3) A rate design proposed by an electrical corporation pursuant
4 to this subdivision shall seek to minimize overall costs and
5 maximize overall benefits to *ratepayers and* transit agencies. The
6 commission shall approve, or modify and approve, ~~these a rate~~
7 ~~design applications if they are~~ *application if it is* consistent with
8 ~~this section, section and are~~ in the interests of ratepayers as defined
9 in Section ~~740.8. 740.8, and shall otherwise reject the application.~~

10 (c) This section applies to an application to the commission for
11 rate design if one of the following conditions is met:

12 (1) The application is filed on or after January 1, 2019.

13 (2) The application is filed before January 1, 2019, but has an
14 evidentiary hearing scheduled on or after July 1, 2019.

15 SEC. 2. No reimbursement is required by this act pursuant to
16 Section 6 of Article XIII B of the California Constitution because
17 the only costs that may be incurred by a local agency or school
18 district will be incurred because this act creates a new crime or
19 infraction, eliminates a crime or infraction, or changes the penalty
20 for a crime or infraction, within the meaning of Section 17556 of
21 the Government Code, or changes the definition of a crime within
22 the meaning of Section 6 of Article XIII B of the California
23 Constitution.