

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 24, 2006

To: The Commission
(Meeting of April 27, 2006)

From: Delaney Hunter, Director
Office of Governmental Affairs (OGA) — Sacramento

**Subject: SCR 63 (Florez) - California school bus emissions reduction
As Introduced September 8, 2005**

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: Oppose

SUMMARY OF BILL:

This resolution encourages the Commission to work with the investor owned utilities it regulates to develop a program to retrofit diesel school buses using funds derived from rates and encourages unregulated public utilities to participate in the program.

DIVISION ANALYSIS (OGA):

The goals in SCR 63 are laudable. Clearly, there is a need to reduce diesel pollution from all sources, including school buses. However, the question is whether utility ratepayers should bare the cost of retrofitting said school buses, especially when there are other state programs – though often under funded – to pay for such retrofits. Given the increasing pressure on rates and the unprecedented commitment by ratepayers for environmentally based programs it is recommended that other, more appropriate sources of funding be identified.

PROGRAM BACKGROUND:

Currently, ratepayers of California's regulated utilities pay for a variety of environmentally beneficially programs through their monthly bills. These include:

- Renewable Portfolio Standard
- Energy Efficiency
- Demand Response and Energy Conservation
- California Solar Initiative
- Public Interest Energy Research (PIER)

LEGISLATIVE HISTORY:

None

FISCAL IMPACT:

Unknown

STATUS:

SCR 63 is presently pending hearing in the Senate Transportation and Housing Committee.

SUPPORT/OPPOSITION:

Support

None on file

Oppose

Pacific Gas & Electric

STAFF CONTACTS:

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BILL LANGUAGE:

BILL NUMBER: SCR 63 INTRODUCED
BILL TEXT

INTRODUCED BY Senator Florez
 (Principal coauthors: Senators Perata and Speier)
 (Coauthors: Senators Alquist, Ducheny, Escutia, Figueroa, Kuehl,
Lowenthal, Machado, Ortiz, Romero, and Torlakson)

SEPTEMBER 8, 2005

Relative to California school bus emissions reduction.

LEGISLATIVE COUNSEL'S DIGEST

SCR 63, as introduced, Florez California school bus emissions reduction.

This measure would encourage the Public Utilities Commission work with the regulated utilities to consider developing, and possibly to develop, a program to retrofit diesel schoolbuses in the state to reduce particulate matter emissions, while not increasing nitrogen dioxide emissions, with a minimal increase in the utility rate.

Fiscal committee: yes.

WHEREAS, The California Air Resources Board (CARB) has declared diesel particulate matter (PM) to be a toxic air contaminant; and

WHEREAS, Diesel PM has been shown to exacerbate the rate of pulmonary diseases, such as asthma and bronchitis; and

WHEREAS, Children's growing bodies are particularly susceptible to the deleterious effects of diesel PM, such as asthma, bronchitis, infections, and permanently decreased lung capacity; and

WHEREAS, Exposure to increased levels of diesel PM is believed to be one of the causes of the dramatic increase in childhood asthma in California; and

WHEREAS, Studies have shown that children riding on a diesel schoolbus are exposed to diesel PM levels that are 5 to 15 times higher than the PM levels in the ambient air outside the bus; and

WHEREAS, CARB estimates that the more than 22,000 diesel schoolbuses that carry one million school children daily in California are among the highest diesel PM-emitting fleets in the United States; and

WHEREAS, A range of exhaust system retrofit technology that is available today can significantly reduce toxic PM emissions from existing diesel buses without increasing nitrogen dioxide (NO2), which is a dangerous pollutant that causes increased susceptibility to respiratory infection and irreversible alterations in lung structure as a result of the type of long-term exposure that schoolchildren riding a schoolbus might experience; and

WHEREAS, For our children's health, the California Legislature desires to make the California school bus fleet, which includes 22,000 buses, the lowest diesel PM-emitting fleet in the United

States as soon as possible; and

WHEREAS, CARB adopted the Lower-Emission School Bus Program in December 2000, which has provided over \$16 million to retrofit over 3,000 diesel schoolbuses to reduce PM emissions; and

WHEREAS, The Legislature has authorized \$12.5 million in 2005 and 2006 for high efficiency retrofit systems that will dramatically reduce the emissions on approximately 1,000 schoolbuses; and

WHEREAS, The cost to retrofit every remaining diesel schoolbus in the state with the most efficient diesel PM reduction technology and to pay for the necessary infrastructure would be approximately \$300 million; and

WHEREAS, The regulated utilities in the state of California are directed by their charters under the Public Utilities Commission to develop programs that show environmental leadership and improve the quality of life in California's communities; and

WHEREAS, The regulated utilities may use the utility rate as a mechanism for collecting the revenue necessary to operate these environmental and quality-of-life programs, requiring a rate increase of only approximately four one hundredths of one cent per kilowatt hour for three or four years; and

WHEREAS, Such a large scale retrofit program operating statewide could be implemented effectively and efficiently by the regulated utilities who have operated a wide variety of very large scale programs for many years that involve the use of contractors to perform services for third parties; now, therefore, be it

Resolved by the Senate of the State of California, the Assembly thereof concurring, That the Legislature encourages the Public Utilities Commission to work with the regulated utilities to consider developing, and possibly to develop, a program to retrofit all diesel schoolbuses in the state that have not yet been retrofitted in order to reduce particulate matter emissions, while not increasing nitrogen dioxide emissions, with a minimal increase in the utility rate; and be it further

Resolved, That the Legislature encourages the Public Utilities Commission to encourage the unregulated public utilities to voluntarily participate in the program; and be it further

Resolved, That the Legislature encourages the program to pay for the retrofit devices and any necessary infrastructure to support the operation of the retrofit devices; and be it further

Resolved, That the Secretary of the Senate transmit a copy of this resolution to the members of the Public Utilities Commission.