Date of Hearing: June 20, 2018

ASSEMBLY COMMITTEE ON COMMUNICATIONS AND CONVEYANCE
Miguel Santiago, Chair
SB 1014 (Skinner) – As Amended June 11, 2018

**SENATE VOTE**: 24-12

**SUBJECT**: California Clean Miles Standard and Incentive Program: zero-emission vehicles

**SUMMARY:** Requires the California Air Resources Board (CARB) to adopt, and the California Public Utilities Commission (CPUC), to implement annual targets for the reduction of greenhouse gas (GHG) emissions driven on behalf of a Transportation Network Company (TNC). Specifically, **this bill**:

1) Establishes the California Clean Miles Standard and Incentive Program, by requiring CARB, by January 1, 2020, to establish an emissions baseline for TNCs on a per-vehicle-mile or per-passenger-mile basis. CARB shall use 2018 as the baseline year.

2) Requires CARB, by January 1, 2021, to adopt, and the CPUC to implement, annual targets, beginning in 2023, for the reduction under the specified baseline of emissions per vehicle-mile or passenger-mile driven on behalf of a TNC. These targets shall be consistent with the Zero Emission Vehicle (ZEV) Action Plan, shall include annual targets for increasing vehicle or passenger miles traveled using ZEVs, and shall be based upon vehicle and mileage data reported by the TNCs to the CPUC.

3) Requires CARB to delay adoption, and the CPUC to delay implementation, of the specified targets if CARB or the CPUC finds that unanticipated barriers exist to expanding usage of ZEVs by TNCs. CARB and the CPUC shall review available data related to barriers to expanding usage of ZEVs by TNCs no less often than every two years, including data relative to current and future electric transportation adoption rates and charging infrastructure utilization rates.

4) Requires each TNC, by January 1, 2022, and every two years thereafter, to develop an emissions reductions plan. A TNC emissions reductions plan shall include proposals on how to meet the emissions reduction specified targets based upon the following:

    a) Increased proportion of participating drivers with ZEVs using TNCs;

    b) Increased proportion of vehicle-miles completed by ZEVs relative to all vehicle-miles;

    c) Decreased gram-per-mile GHG emissions rates; and,

    d) Increased passenger-miles in proportion to overall vehicle-miles.

5) Beginning January 1, 2030, 100 percent of the vehicles that are purchased, leased, owned, or contracted for by a TNC, an affiliate of a TNC, or any other operator of a vehicle fleet, as specified, for the purposes of providing transportation services on behalf of a TNC shall be ZEVs.

6) Requires the CPUC to consult with CARB and the California Energy Commission (CEC) to ensure that the California Clean Miles Standard and Incentive Program complements ongoing state planning efforts and funding programs intended to accelerate the adoption of ZEVs. The CPUC shall additionally do all the following:

   a) Ensure minimal negative impact on low-income and moderate income drivers;

   b) Ensure that ride-hailing services complement and support the sustainable land-use objectives of sustainable communities strategies, as specified; and,

   c) Support the goals of clean mobility for low- and moderate-income individuals.

7) Makes the following finding and declarations:

   a) The transportation sector accounts for almost 50 percent of the emissions of GHGs in California, with light-duty vehicles making up 70 percent of the sector's emissions. Additionally, approximately 80 percent of smog that continues to plague our state comes from the tailpipes of cars.

   b) California continues to have some of the most polluted air in the nation. According to the American Lung Association's 19th Annual Air Quality Report, seven of the 10 most polluted cities in the nation are in California.

   c) Air pollution creates health impacts. The American Lung Association estimated that California suffered $15,000,000,000 in health costs in 2015 due to air pollution, including increases in respiratory illness and premature deaths.

   d) Senate Bill No. 375 (Chapter 728 of the Statutes of 2008) requires local governments to meet regional targets for reducing emissions of GHGs, set by CARB, through coordination of land use and transportation planning.

   e) The Clean Energy and Pollution Reduction Act of 2015 (Chapter 547 of the Statutes of 2015) establishes a state policy of encouraging transportation electrification and requires CARB and the CEC to pursue transportation electrification, including increasing access to ZEVs for low and moderate income communities, through investments in charging infrastructure and removal of regulatory barriers.

   f) In 2012, Governor Edmund G. Brown issued Executive Order B-16-2012 creating a goal of 1.5 million ZEVs on the road by 2025.

   g) In October 2016, the Governor's Interagency Working Group on ZEVs released the "2016 ZEV Action Plan," updating the "2013 ZEV Action Plan," and those action plans have served as the state's roadmap to achieve the goal of 1.5 million ZEVs on California's roads by 2025.

   h) In 2018, Governor Brown's issued Executive Order B-48-18 creating an additional target of 5 million ZEVs by 2030. That order also sets ZEV infrastructure goals of 200

hydrogen fueling stations and 250,000 ZEV chargers, including 10,000 direct current fast chargers, by 2025.

i) CARB has established the Clean Vehicle Rebate Project, as a part of the Air Quality Improvement Program, to subsidize the purchase of ZEVs by providing rebates for the purchase of new ZEVs, with a priority and an augmented funding amount for low-income drivers.

j) Additionally, CARB has established the Enhanced Fleet Modernization Program and the Financing Assistance for Lower-Income Consumers (Financing Assistance Pilot Project) program to subsidize the purchase of, and provide for low-cost financing for, ZEVs by low-income drivers. Under the Enhanced Fleet Modernization Plus Up Pilot program, a low-income individual can be eligible for up to $9,500 toward the purchase of an advanced technology vehicle.

k) In 2017, CARB approved the first cycle of investment from the Volkswagen Settlement, which plans to invest $800,000,000 over a 10-year period in zero-emission charging infrastructure, public outreach on ZEVs, and investments in projects, such as car-sharing programs, that will increase access to ZEVs for all consumers in the state, including those in lower income and disadvantage communities.

l) The CEC administers the Alternative and Renewable Fuels and Vehicle Technology Program which invests up to $100,000,000 annually in ZEV fueling and charging infrastructure throughout the state.

m) Ride-hailing services, known formally as TNCs, are services that offer on-demand rides by connecting drivers using their personal vehicles with passengers hailing a ride through a technology-based platform. As more Californians use ride-hailing services, TNCs are well positioned to help state and local governments meet pollution and emission reduction goals, advance sustainable land-use objectives, and help meet goals to increase access to clean mobility options for low- and moderate-income individuals, by increasing use of ride-hailing services that utilize ZEVs, promoting and encouraging shared rides, and helping to reduce congestion.

n) ZEVs not only have environmental benefits, but are significantly cheaper to operate than gas combustion vehicles. TNC drivers with high vehicle miles traveled are ideal candidates for ZEVs because they drive more miles each year than the average driver and will save on fuel costs and maintenance costs. Barriers to adoption of ZEVs by TNCs include limited driving range and increased fueling time, but improvements in vehicle and fueling technology continue to reduce these barriers.

o) A recent Rocky Mountain Institute study (Richard Li Garrett Fitzgerald (March 29, 2018) Ride-Hailing Drivers Are Ideal Candidates for Electric Vehicles) concluded that a full-time TNC driver working 50 hours a week can save an average of $5,200 per year in total vehicle expenses with an electric vehicle (EV) as compared to a gas combustion vehicle.

p) In furtherance of state, regional, and local goals to align pollution and emissions reduction from light-duty vehicles with sustainable land-use planning, and to promote access to clean mobility for all, including low and moderate income individuals, it is the

intent of the Legislature to support transportation decarbonization and the widespread deployment of ZEVs throughout the state, and particularly by TNCs, in a manner that promotes accessible, good quality jobs, sustainable land use, reduced congestion, and increased mobility for all Californians.

**EXISTING LAW**:

1) Establishes the "Passenger Charter-Party Carriers Act," which authorizes the CPUC to supervise and regulate every charter-party carrier of passengers (CPC) in the State and may do all things, necessary and convenient in the exercise of such power and jurisdiction, including issuing permits or certificates, investigating complaints against carriers, and cancel, revoke, or suspend permits and certificates for specific violations. (Public Utilities Code (PUC) Section Code 5381 et seq.)

2) Defines a "Transportation network company" to mean an organization, including, but not limited to, a corporation, limited liability company, partnership, sole proprietor, or any other entity, operating in California that provides prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using a personal vehicle. (PUC Section 5431)

3) Requires the CPUC, in consultation with the CARB and CEC, 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, as specified, and reduce emissions of GHG to 40 percent below 1990 levels by 2030, and to 80 percent below 1990 levels by 2050. Programs proposed by electrical corporations shall seek to minimize overall costs and maximize overall benefits. Requires the CPUC to approve, or modify and approve, programs and investments in transportation electrification, including those that deploy charging infrastructure, via a reasonable cost recovery mechanism, as specified, do not unfairly compete with nonutility enterprises as specified, include performance accountability measures, and are in the interests of ratepayers, as specified. (PUC Section 740.12 (b))

4) Provides CARB with primary responsibility for control of mobile source air pollution, including adoption of rules for reducing vehicle emissions and the specification of vehicular fuel composition. (Health and Safety Code (HSC) Section 39000, et seq., and Section 39500, et seq.)

5) Requires CARB to adopt rules and regulations that would reduce the states GHG emission levels to 1990 levels by 2020. (HSC Section 38500 et seq.)

6) Establishes the Air Quality Improvement Program that is administered by the CARB for the purposes of funding projects related to the reduction of criteria air pollutants and improvement of air quality and establishes the Clean Vehicle Rebate Project to promote the production and use of ZEVs by providing rebates for the purchase of new ZEVs. (HSC Section 44274 et seq.)

**FISCAL EFFECT**: Unknown. This bill is keyed fiscal by the Legislative Counsel.

**COMMENTS**:

1) **Authors Statement:** According to the author, "Tailpipe emissions from fossil fueled vehicle are still the largest source of air and climate pollution; SB 1014 enlists ride-hailing services in our statewide efforts to increase electric and other [ZEVs] on our roads."

2) **Background:** The transportation sector represents 50 percent of the California's GHG emissions and 80 percent of nitrogen oxides. Reducing carbon emissions from the transportation sector is a critical step needed in order to meet California's climate goals and clean air standards. ZEVs run on electricity stored in batteries instead of fossil fuels, such as plug-in EVs, plug in hybrid EVs, and hydrogen fuel cell EVs. ZEVs are a vital component of the state's effort to reach its GHG emission reduction goals. The availability of new vehicle models, improved battery technology resulting in greater driving range, increase availability of electric charging infrastructure, and federal and state incentives have all contributed to expanding the ZEV market.

3) **California's ZEV Action Plan:** In 2012, Governor Brown signed Executive Order B-16-12 which directed the CPUC and other state agencies to help accelerate the market for ZEVs to support the adoption of 1.5 million ZEVs on California roads by 2025 and the integration of plug-in EV charging into the state's electricity grid by 2020. In October 2016, the Governor's Interagency Working Group on ZEVs released its 2016 ZEV Action Plan, which provides an updated roadmap towards reaching the states ZEV goals. The plan highlighted certain priorities for ZEV development and adoption including, raising consumer awareness and education about ZEVs; ensuring ZEVs are accessible to a broad range of Californians, making ZEV technologies commercially viable in targeted sectors, and aiding ZEV market growth beyond California.

   In January 2018, Governor Brown issued a new executive order (B-48-18) directing all state entities to work with the private sector and all appropriate levels of government to put at least five million ZEVs on California roads by 2030. The executive order directed all state entities to spur the construction and installation of ZEV charging and fueling infrastructure, find ways to streamline ZEV infrastructure installation processes, and carry out additional programs and actions to reach the goal.

4) **California's ZEV Investments:** As technology continues to improve ZEVs will be able to travel farther, charge faster, and become more affordable. Since 2012, California's ZEV market has grown significantly through the expansion of federal and state incentives and programs. This includes support by the Legislature through the passage of a number of legislation. Amongst them includes SB 1275 (De Leon) Chapter 530, Statutes of 2014, which created the California Charge Ahead Initiative that sets a goal and policies to achieve the goal of one million ZEVs vehicles on the road by 2023; and AB 118 (Nunez) Chapter 750, Statutes of 2007, which established the Alternative and Renewable Fuels and Vehicle Technology program, the Enhanced Fleet Modernization Program, and the Air Quality Improvement Program to promote vehicle and fuel technology to reduce air pollution and GHG emissions.

   In addition, to other EV market acceleration investment programs throughout California state agencies, in 2015 the Legislature passed SB 350 (De Leon) Chapter 547, Statutes of 2015, which set 2030 GHG reduction targets to be achieved through a variety of measures,

including widespread transportation electrification. In 2015, the CPUC directed California's three investor owned utilities (IOUs) to submit applications proposing projects aimed at achieving the transportation electrification goals in SB 350. The CPUC has since proposed two decision authorizing utility investments in transportation electrification, including in November 2017, authorizing the three IOUs to spend up to $42.8 million on 15 pilot projects aimed at accelerating EV adoption, improving air quality and reducing GHG emissions; and in March 2018 approving four IOU projects, totaling approximately $589 million, aimed at installing EV charging infrastructure.

5) **Transportation Network Companies:** The CPUC has regulatory and safety oversight authority over CPCs, such as limousines, airport shuttles, tour buses, sightseeing services, and charter, party buses. CPCs are charter vehicles that offer transportation services on a prearranged basis for the exclusive use of an individual or group. Charges are based on either, or a combination of, mileage or time of use. TNCs are companies that offer prearrange transportation services through an app on their smartphone or computer. Although TNCs do not neatly fall into the conventional definition of a CPC, the CPUC believes that TNCs fall under its existing jurisdiction over certain transportation services because they are providing passengers' transportation for compensation.

6) **TNCs & ZEVs:** With the growing number of TNCs on California roads, there have been concerns that TNC vehicles are contributing to congestion and increased localized air pollution and GHG emissions. This bill requires CARB to adopt, and the CPUC, to implement annual targets for the reduction of GHG emissions driven on behalf of a TNC. The bill seeks to find ways to incentivize TNC drivers to use more ZEVs. As part of SB 350, both Southern California Edison and San Diego Gas & Electric submitted separate proposals to the CPUC to incentivize TNC drivers to use ZEVs. Both applications were denied by the CPUC, however, the CPUC has express interest in exploring the issue of ZEVs and TNC. The CPUC's Policy and Planning Divisions has released a white paper (Electrifying the Ride-Souring Sector in California) to assess the opportunities for GHG emissions reduction in the TNC sector through the increase use of ZEVs, and is planning to hold future workshops on ZEVs and TNCs to explore the issue.

   Furthermore, although the number of ZEVs has continued to rise, TNC drivers generally have limited income and drive for TNCs as a way to supplement their income. Although TNCs have certain vehicle requirements that must be met before becoming a TNC driver, TNCs do not own the vehicles and not all TNC drivers are, or can afford, a ZEV. In addition, limited battery range, and charging infrastructure for ZEVs creates further barriers for ZEV adoption. By requiring ZEVs to be used by TNCs, the pool of available vehicles and drivers may be reduced, limiting the ability of prospective drivers to become TNC drivers. This bill requires 100 percent of TNC vehicles to be ZEVs by 2030. Although a laudable goal, the goal runs counter to the bills requirements tasking the CARB and the CPUC to adopt annual targets consistent with the California's ZEV Action Plan.

   <u>The author may wish to consider an amendment strike the requirement for 100 percent of TNCs vehicles to be ZEVs by 2030.</u>

7) **Arguments in Support:** According to Plug in America, "Encouraging the TNC companies to increase the number of vehicles miles travelled by ZEVs is appropriate not only to put more [plug-in electric vehicles (PEV)] on the road through this bill, but also to promote

education and awareness of these vehicles. One of the biggest barriers to greater adoption of PEVs in California is the lack of education programs and funding for PEVs. Despite having purchase incentives and other supportive policies for PEVs, unless the consumer knowns about the cars, the adoption will not occur."

8) **Arguments in Opposition:** According to a coalition of industry groups, "While we support greater adoption of [EVs] and reduction of emissions from our member companies in California, we must oppose this bill unless amendments are taken to make this a more workable proposal. Practically, this bill is an unfunded mandate and continues to impose the most aggressive emissions reduction requirements on a more vulnerable group of Californians working as rideshare drivers. This bill must not only set achievable targets, but address the structural barriers that restrict a more rapid transition to a shared, electric transportation future access to affordable EVs, lack of battery range in current ZEVs, insufficient DC faster charging infrastructure in cities, and other economic disadvantages that EV rideshare drivers face today."

9) **Suggested Amendments:**

5450 ~~(d) Beginning January 1, 2030, 100 percent of the vehicles that are purchased, leased, owned, or contracted for by a transportation network company, an affiliate of a transportation network company, or any other operator of a vehicle fleet for the purposes of providing transportation services on behalf of a transportation network company shall be zero-emission vehicles. For purposes of this section, "vehicle fleet" means 10 or more vehicles under common ownership or operation.~~

10) **Previous Legislation:** SB 350 (De Leon) of 2015 set GHG reduction targets to be achieved by 2030 through a variety of measures, including supporting electrification of the transportation system and established requirements of the CPUC in adopting EV charging proposals from the IOUs. *Status: Chaptered by the Secretary of State, Chapter 547, Statutes of 2015.*

SB 1275 (De Leon) of 2014 established the Charge Ahead California Initiative to be administered by the CARB, in consultation with the CEC, air pollution control and air quality management districts, and the public. Specifies that the goals of the initiative is to, among other things, place in service at least one million ZEVs by January 1, 2023, and to increase access for disadvantaged, low-income, and moderate-income communities and consumers to ZEVs. *Status: Chaptered by the Secretary of State, Chapter 530, Statutes of 2014.*

SB 1204 (Lara and Pavley) of 2014 created the California Clean, Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, to be administered by CARB and funded with cap and trade revenues to develop zero and near zero emission truck, bus, and off-road vehicle and equipment technologies and related projects. *Status: Chaptered by the Secretary of State, Chapter 524, Statutes of 2014.*

11) **Double-referral:** This bill is double referred, and if passed by this Committee, will be referred to the Assembly Committee on Transportation.

**REGISTERED SUPPORT / OPPOSITION**:

**Support**

350 Bay Area
American Lung Association
Borrego Solar
California Electric Transportation Coalition
California Environmental Justice Alliance
City of Emeryville
Clean Power Campaign
Coalition for Clean Air
East Bay Community Energy
Electric Vehicle Charging Association
Environment California
Friends Committee on Legislation of California
Friends of the Earth
Fossil Free California
Local Government Commission
Marin Clean Energy
Peninsula Clean Energy
Plug In America
San Francisco Department of the Environment
Office of Ratepayer Advocates - CPUC

**Opposition**

California Chamber of Commerce (unless amended)
Congress of Racial Equality
Interfaith Movement for Human Integrity
Internet Association (unless amended)
Los Angeles Area Metropolitan Churches
Lyft (unless amended)
National Action Network
National Asian American Coalition
National Diversity Coalition
Oakland African-American Chamber of Commerce
San Francisco African-American Chamber of Commerce
Silicon Valley Leadership Group (unless amended)
Southern Christian Leadership Conference
TechNet (unless amended)
Uber (unless amended)

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