



Agenda Item No. 4
(Revised: 11/19/08)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 20, 2008

From: Gene Walker, Maintenance Manager
Teri W. Mantony, Deputy General Manager, Bus Division
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE ACTIONS RELATIVE TO THE EXECUTION OF A FUEL
CELL BUS LOAN AGREEMENT WITH ALAMEDA-CONTRA COSTA
TRANSIT DISTRICT**

Recommendation

The Finance and Auditing Committee recommends that the Board of Directors authorize the General Manager to execute a Fuel Cell Bus Loan Agreement with Alameda Contra Costa Transit District, relative to the Zero Emission Bay Area Advanced Demonstration (ZEB) Project, at a prorated cost of \$36,000 for FY 08/09, due in January 2009, and at an annual cost of \$150,000, effective July 1, 2009, for overhead costs associated with the ZEB Project, as well as any direct costs for operating the bus in District service; and, authorize a budget transfer from the FY 08/09 Bus Transit Division Capital Equipment Budget to the FY 08/09 Bus Transit Division Consulting Services Operating Budget in the amount of \$36,000; with the understanding that requisite funds are available in the FY 08/09 Bus Transit Division Operating Budget, and with the further understanding that requisite funds for the remaining years will be included the Bus Transit Division Budget for future fiscal years.

Background

In November 2000, in accordance with the California Air Resources Board (CARB) regulations, the Board of Directors approved the Clean Diesel Fuel Path for the operation of Golden Gate Transit (GGT) buses. The Clean Diesel path was also selected by other Bay Area properties including AC Transit, Santa Clara Valley Transit Authority (VTA) and San Mateo Transit County Transit (Sam Trans). As part of the Clean Diesel Path, under CARB regulations, transit properties are required to participate in a zero emission fuel cell demonstration program. These requirements were designed to accelerate development of zero emission fuel cell technology for wholesale integration into public transit bus fleets in California. Under these regulations, transit agencies were allowed to partner with other transit agencies on the Zero Emission Buses (ZEB) Demo in recognition of the high project costs.

On February 14, 2003, the Board authorized GGT to enter into the ZEB Demonstration Project with AC Transit. The original agreement identified AC Transit as the lead agency and further outlined the purchase and operation of hydrogen fuel-cell-powered buses, facility modifications at AC Transit, funding, maintenance, operations and extensive training of both AC and GGT staff.

AC Transit purchased, on behalf of the participating agencies, three fuel cell buses from ISE Research-Thunder Volt and UTC Fuel Cells of Connecticut at a cost of approximately \$3.13 million dollars per bus, plus \$550,000 per bus for a two-year warranty extension. To date, the District has contributed \$1 million to this project by reprogramming FTA 5307 funds to AC Transit. AC Transit secured \$14 million dollars in grants for the project and it was anticipated this would be sufficient to cover the majority of the project's costs.

However, numerous changes have been made to the CARB mandate over the years. The most significant change now requires the partners in the original ZEB demonstration to expand the demonstration and participate in an advanced demonstration of Fuel Cell technology. A formal partnership has been established with the original ZEB demonstration agencies (GGT & AC Transit), VTA, SamTrans and the Metropolitan Transportation Commission (MTC) to form the Zero Emission Bay Area (ZEBA) partnership, under which AC Transit, as the lead agency, will be the primary operator of the fuel cell buses and will assume the responsibility of procuring the fuel cell buses for the program and constructing and improving the maintenance facilities to support these buses

AC Transit will enter into separate bus loan agreements with each of the District, SamTrans and VTA in order to allow each agency to operate one or more vehicles for demonstration purposes according to a schedule that is amenable to the parties to the agreements.

Pursuant to the new Bus Loan Agreement, the District will be required to pay an annual maintenance fee to AC Transit, on July 1 of each year of this Agreement, based on an accounting of actual expenses incurred by AC Transit. The current designated amount is \$150,000. The annual fee for FY 08/09 shall be based on a pro-rated contribution in the amount of \$36,000 which shall be paid to AC Transit no later than January 2, 2009.

In addition to an annual maintenance fee, the District will continue to pay all direct costs associated with the operation of any ZEBA bus in our service, including the cost of fuel consumed, cleaning, road call services performed by AC Transit personnel, towing charges, and major body damage. The agreement also has a caveat that no fares can be collected during the first six (6) months of operation by any agency. This action precludes the coaches from being assessed state sale taxes as a part of the purchase.

Summary

The expanded ZEBA demonstration will increase the number of zero emission buses to be purchased, tested and maintained from 3 to 12 and extends the testing period through 2012. Additionally, the life of the regulation has been extended from 2015 to 2026. If CARB determines the testing is successful, CARB will enforce the mandate which requires 15% of all future bus

purchases to be zero emission buses through 2026. Other changes include a name change to “The Fleet Rule for Transit Agencies” incorporating and defining categories such as “Urban Buses” and “Transit Fleet Vehicles.” The Fleet Rule also encompasses many new technologies using various blends of alternative fuels, bio fuels and verification of exhaust after-treatments.

The cost estimate for the expanded ZEBA project is estimated at \$50 million. Funding for this project will come from MTC, state, federal, and participating agencies as well as a variety of private business partners.

Fiscal Impact

This project was not included in the FY 08/09 budget. Therefore, it is proposed to transfer the initial fee of \$36,000 from the Bus Division FY 08/09 Capital equipment budget to the Bus Division FY 08/09 Consulting Services Operating budget. Annual costs of up to \$150,000 will be included in future years in the operating budget.