

BOARD MEETING
STATE OF CALIFORNIA
AIR RESOURCES BOARD

SOUTH COAST AIR QUALITY MANAGEMENT
DISTRICT OFFICE
AUDITORIUM
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DIAMOND BAR, CALIFORNIA

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APPEARANCES

BOARD MEMBERS

Mrs. Barbara Riordan, Acting Chairperson

Dr. John R. Balmes

Ms. Sandra Berg

Ms. Dorene D'Adamo

Mr. Jerry Hill

Ms. Lydia Kennard

Mr. Ronald O. Loveridge

Mr. Ronald Roberts

Dr. Daniel Sperling

Dr. John G. Telles

STAFF

Mr. James Goldstene, Executive Office

Mr. Tom Cackette, Chief Deputy Executive Officer

Ms. Ellen Peter, Chief Counsel

Mr. Michael Scheible, Deputy Executive Officer

Ms. Lynn Terry, Deputy Executive Officer

Mr. Manjit Ahuja, Chief, Evaporative Controls and Certification Branch

Mr. Kevin Eslinger, Emission Inventory Branch, Planning and Technical Support Division

Ms. Peggy Jenkins, Manager, Indoor Exposure Assessment Section, RD

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APPEARANCES CONTINUED

STAFF

Mr. Ryan D. Johnson, Health and Exposure Assessment
Branch, Research Division

Mr. Anthony Marin, Staff, Ombudsman Office

Mr. LaMar Mitchell, Regulation Development Section,
Monitoring and Laboratory Division

Mr. Andrew Panson, Staff, On-Road Controls Branch, Mobile
Source Control Division (MCSO)

Ms. Monica Vejar, Board Secretary

ALSO PRESENT

Mr. Joe Blackburn

Mr. Anthony Fournier, BAAQMD

Mr. Gary Gero, CA Climate Action Registry

Ms. Gretchen Hardison, City of Los Angeles

Mr. Henry Hogo, SCAQMD

Ms. Bonnie Holmes-Gen, American Lung Association

Mr. Tom Larson, DUDEK

Ms. Aleecia Macias, Emerging Fuels & Technologies Office,
CA Energy Commission

Mr. John McKnight, National Marine Manufacturing
Association

Mr. Greg McPherson, US Department of Agriculture, US
Forest Service

Mr. Mark Riechers, Mercury Marine

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APPEARANCES CONTINUED

ALSO PRESENT

Dr. Barry Wallerstein, South Coast Air Quality Management District

Mr. Michael Wang, Western States Petroleum Association

Ms. Jill Whynot, Strategic Initiatives Planning

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1 PROCEEDINGS

2 ACTING CHAIRPERSON RIORDAN: Good morning,
3 everybody. I'd like to begin so we remain on our
4 schedule.

5 There is the 25th of September. And I'd like to
6 call the meeting of the Air Resources Board together.

7 And ask all of you now that you've found your
8 seats to join me in the pledge to our flag. If you'd all
9 rise, please.

10 (Thereupon the Pledge of Allegiance was
11 Recited in unison.)

12 ACTING CHAIRPERSON RIORDAN: Thank you.

13 Madam Clerk, would you please call the roll?

14 BOARD CLERK VEJAR: Dr. Balmes?

15 BOARD MEMBER BALMES: Here.

16 BOARD CLERK VEJAR: Ms. Berg?

17 Ms. D'Adamo?

18 BOARD MEMBER D'ADAMO: Here.

19 BOARD CLERK VEJAR: Supervisor Hill?

20 BOARD MEMBER HILL: Here.

21 BOARD CLERK VEJAR: Ms. Kennard?

22 BOARD MEMBER KENNARD: Here.

23 BOARD CLERK VEJAR: Mayor Loveridge?

24 Mrs. Riordan?

25 ACTING CHAIRPERSON RIORDAN: Here.

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1 BOARD CLERK VEJAR: Supervisor Roberts?

2 BOARD MEMBER ROBERTS: Here.

3 BOARD CLERK VEJAR: Professor Sperling?

4 BOARD MEMBER SPERLING: Here.

5 BOARD CLERK VEJAR: Dr. Telles?

6 BOARD MEMBER TELLES: Here.

7 ACTING CHAIRPERSON RIORDAN: Good for you, Dr.

8 Sperling.

9 BOARD CLERK VEJAR: Madam Chair, we have a
10 quorum.

11 ACTING CHAIRPERSON RIORDAN: Thank you very much.

12 I'm delighted we're all here, Dr. Sperling.

13 Let me first of all say thank you to the South
14 Coast Air Quality Management District for the use of your
15 auditorium. We appreciate it very much. It is always a
16 pleasure to be here. And it's of course going to be a
17 real pleasure, because as the day heats up and it gets
18 cooler and cooler in here, we're really going to enjoy
19 that.

20 Let me introduce you to a gentleman who has been
21 here since I think the building opened and can tell us a
22 little bit more about the system of microphones.

23 And, Paul, can I introduce you? And could you
24 just brief the Board very quickly on what works here best?

25 MR. WRIGHT: Good morning, Board members. And

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1 welcome to Diamond Bar.

2 For those of you that are returning, you'll
3 remember to simply speak you press the clear button below
4 your microphone as it lights up yellow. And then when
5 you've concluded speaking, simply turn it off as it also
6 drives the camera to your position.

7 If you have any further questions, flag me down
8 and I'll come up to the dias and help you.

9 Just remember, as long as you speak, the
10 microphone and the camera will come to your position. So
11 it's best to turn it off when you're not speaking. Thank
12 you very much.

13 ACTING CHAIRPERSON RIORDAN: Thank you, Paul.

14 And before we actually start, I do have some sort
15 of housekeeping items to tell you about.

16 For those of you who are in the audience, you may
17 want to note that we have postponed Agenda Item 8-8-2,
18 which was the update on the air monitoring activities in
19 the port communities of southern California. And in order
20 to make sure that community members had a chance to review
21 the results and provide more feedback, we expect this item
22 to be back on our agenda probably some time in the early
23 part of 2009. So with that notation, that's going to make
24 the agenda I think a little bit shorter this day.

25 Also we have had a closed session which appears

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1 on our agenda each time of our meeting. It's a standing
2 item. I am told that we will not have that. So that is
3 canceled also. So there is no closed session for us.

4 Now, just a reminder. And Paul plays a key role
5 in this, too, which is for those that wish to testify,
6 we'd like you to sign up with our clerk. And if you have
7 any written testimony, if you would provide that to the
8 clerk, please.

9 We do have a time limit that we will stay to.
10 Paul is going to time us as we speak today. There is a
11 three-minute time limit. And in this particular building,
12 it's really well designed because you can clearly see from
13 the two microphones your timing, the green light, yellow
14 light, and of course the red light when your three minutes
15 are up.

16 We ask that you not read your testimony, but you
17 provide that written testimony but that you put your
18 testimony in your own words. And of course the most
19 important part of your testimony should be first so we can
20 clearly understand that. We may ask questions after your
21 speaking. But other than that, we will move forward.

22 There is something I would like to ask Mr.
23 Goldstene to comment on. When I walked in the room this
24 morning, I noticed these bottles. And I thought to
25 myself, oh, they're filled with water probably for us.

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1 This is not going to be an easy task of drinking water
2 from this at the dias. In fact, I don't think that's
3 going the look very good.

4 But there is a purpose to that. And Mr.
5 Goldstene, would you and your staff sort of explain these
6 to us?

7 EXECUTIVE OFFICER GOLDSTENE: Sure. Good
8 morning, Board members, Madam Chairman. And thank you.

9 The bottles are part of a promotional campaign to
10 let people know about a website that we're working on with
11 the University of California's Institute of Environment
12 and Lawrence Berkeley National Lab to provide information
13 through a new website called coolcalifornia.org, which
14 will provide information for local governments,
15 businesses, and community organizations, and individuals
16 to learn how to reduce their greenhouse gas emissions. So
17 the bottles have the website information on them. And of
18 course, they're encouraging people to reduce their carbon
19 footprint by trying not to use bottled water as much as we
20 do.

21 ACTING CHAIRPERSON RIORDAN: Very worthwhile
22 effort. Thank you very much. We are all to take these
23 home and use them.

24 I would like to move then to Agenda Item 08-8-1.
25 This is the first item on our agenda which is your

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1 informational health update where the ARB staff provides
2 the Board with regular health on current research findings
3 on the health effects of air pollution.

4 Today, staff is going to present a literature
5 review of research examining the relationship between air
6 pollutants found indoors and the development of
7 respiratory and allergic effects in children.

8 Mr. Goldstene, would you please introduce this
9 item?

10 EXECUTIVE OFFICER GOLDSTENE: Thank you, Madam
11 Chairman.

12 While exposures to some indoor contaminants such
13 as house dust mites have been identified as risk factors
14 in the development and worsening of asthma and allergies,
15 others have yet to be identified. There is an emerging
16 body of literature that suggests the chemical air
17 contaminants commonly found inside homes may play a role
18 in causing or increasing adverse health effects.

19 Today, staff will present the findings of a
20 review of research on the relationship between chemical
21 contaminants typically found in indoor air and allergies,
22 asthma, and other respiratory effects observed in
23 children.

24 The studies included in this review collectively
25 suggest these contaminants present the previously

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1 unidentified risk for respiratory and allergic effects.

2 Ryan Johnson from our Health and Exposure
3 Assessment Branch will make the presentation. Mr.
4 Johnson.

5 (Thereupon an overhead presentation was presented
6 as follows.)

7 MR. JOHNSON: Good morning, Madam Chair and
8 members of the Board.

9 As you know, asthma is a chronic respiratory
10 disorder effecting millions of Californians. Between 1984
11 and 2005, lifetime prevalence of asthma among California
12 adults increased from about 8 percent to 14 percent. And
13 today, over five million Californians have been diagnosed
14 with asthma. However, the reasons this increase are not
15 known.

16 Today, I will present a review of literature that
17 examined the link between indoor chemical contaminants and
18 asthma, allergies, and other respiratory diseases in
19 children.

20 --o0o--

21 MR. JOHNSON: Links between the indoor
22 environment and asthma and allergies have already been
23 established. Known biological triggers include house dust
24 mites, cockroaches, and animal dander. Also chemical
25 contaminants associated with asthma include environmental

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1 tobacco smoke, or ETS, ozone, nitrogen dioxide, and NOx.

2 However, there is a growing body of literature
3 that points to a potential link between other indoor
4 chemical contaminants and asthma and allergies. These
5 emerging concerns include volatile organic compounds, or
6 VOC, formaldehyde, and phthalates. VOC and formaldehyde
7 are commonly found in paints, consumer products, building
8 materials, furnishings and cleaning agents. Phthalates
9 are used as plasticizers, or softeners, in many plastic
10 products. They are semi-volatile organic compounds, which
11 means they can exist as gases or particles; thus, dust can
12 be a major source of exposure to phthalates.

13 --o0o--

14 MR. JOHNSON: The study presented today is a
15 review by Dr. Mark Mendell of Lawrence Berkeley National
16 Laboratory who looked at the results from 21 studies
17 presented in peer-reviewed scientific articles. All but
18 two of the studies were conducted outside the
19 United States and all had to meet strict criteria in order
20 to be included in this analysis.

21 In each study, the researchers either measured
22 concentrations of specific chemical contaminants in indoor
23 air or they identified the presence of typical sources of
24 these chemical contaminants.

25 Each focused on children, and the studies used a

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1 variety of study designs. For this review, the numerous
2 health outcomes of the studies were split into two
3 categories. The first category included diagnosed asthma
4 or other respiratory effects such as bronchial obstruction
5 or wheezing. The second category included allergic
6 effects, such as increased sensitivity to common
7 allergens.

8 --o0o--

9 MR. JOHNSON: The key results are shown on this
10 slide. This figure shows the estimated increases in risk
11 associated with specific categories of chemicals or their
12 sources. Each diamond represents a reported risk estimate
13 for an individual study.

14 For diagnosed asthma, shown on the left side, the
15 increase in risk ranges from 20 to 190 percent. For
16 respiratory symptoms shown on the right side, most of the
17 risk estimates were similar in magnitude to those for
18 asthma diagnosis, but some studies showed much higher
19 risks.

20 This figure shows that substantial increases in
21 asthma diagnosis and respiratory symptoms were seen in
22 children exposed to higher concentrations of phthalates,
23 formaldehyde, or VOCs or their sources.

24 For comparison, on the far right, we have shown a
25 30 percent increase in the risk of lower respiratory

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1 systems per 15 micrograms per meter cubed of PM2.5.
2 Although not shown on this slide, results for allergenic
3 effects were similar to those shown here for asthma and
4 respiratory effects.

5 --o0o--

6 MR. JOHNSON: This slide shows the specific
7 respiratory and allergenic effects and health outcomes
8 that were reported for each category of chemicals or their
9 sources. For example, in one study of phthalates,
10 exposure to one of the most common phthalates, di-2-ethyl
11 hexyl phthalate, was associated with diagnosed asthma and
12 eczema.

13 In other studies, sources of phthalates such as
14 PVC or linoleum flooring and textile wall coverings were
15 associated with the other outcomes shown for phthalates.

16 VOCs and formaldehyde had similar outcomes. For
17 formaldehyde, some of the effects shown were seen at
18 levels as low as 16 micrograms per meter cubed. By
19 comparison, levels in California homes were typically two
20 or three times higher than this level.

21 The research included in this study had some
22 limitations. For instance, some studies did not adjust
23 for known risk factors related to asthma and allergies,
24 which may have inflated their resulting risk estimates.
25 Additionally, some studies identified the presence of

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1 asthma and allergies. This will increase our
2 understanding and ultimately help guide efforts to reduce
3 the burden of asthma and allergies in the state of
4 California.

5 This concludes my presentation. And I would be
6 happy to answer any questions that you might have.

7 ACTING CHAIRPERSON RIORDAN: Thank you very much.

8 Before I open it up for questions, for you, Ryan,
9 you may want to stay by the microphone. Because I find
10 this to be a real compliment to my colleague to my left.
11 Dr. Balmes tells me that he was involved in your education
12 at some point this time. And I think it's very nice to
13 always see a student succeed.

14 So, Dr. Balmes, I think you should start off with
15 some sort of a question for your former student or
16 comment. You may make a comment of course.

17 BOARD MEMBER BALMES: It's good to see Ryan
18 dressed up, I must say.

19 He worked on our Guatemala biomass smoke project
20 for much of last year before joining the Board.

21 I just want to highlight something that Ryan said
22 which I think is important. There's increasing evidence
23 that VOCs contribute to potential toxicity in our indoor
24 environment. And since I've been on the Board, have
25 appreciated the efforts that the Board is doing with

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1 regard to trying to reduce VOCs from consumer products.
2 And I think it's important to highlight that there are
3 benefits with regard to indoor exposures as well as
4 outdoor exposure by doing that.

5 I guess I'm also glad that the plastic bottles
6 that we just got don't contain phthalates since that would
7 be contributing to the problem that we're trying to deal
8 with.

9 But in terms of how the Board might follow up
10 with your review of this paper, are there any plans with
11 regard to funding any of the research that you suggest is
12 needed with regard to indoor air exposures and asthma?

13 You're probably not the right person to ask.

14 INDOOR EXPOSURE ASSESSMENT SECTION MANAGER

15 JENKINS: This is Peggy Jenkins, Manager of the Indoor Air
16 Quality Section.

17 And we do have some moderate plans for exposure
18 assessment. We have a future plan study that we hope to
19 be able to bring to the Board soon with Dr. Asa Bradman at
20 Berkeley to look at exposures of children in day care
21 centers to these compounds.

22 Excuse me.

23 We don't have a health study planned immediately,
24 but there are some larger federal studies just getting
25 underway looking at large cohorts of children. So we've

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1 been talking about ways we might be able to piggyback and
2 maybe have them look at this aspect as well.

3 BOARD MEMBER BALMES: You're referring to the
4 national children's health study?

5 INDOOR EXPOSURE ASSESSMENT SECTION MANAGER

6 JENKINS: Right.

7 ACTING CHAIRPERSON RIORDAN: Are there other
8 questions or comments by Board members?

9 BOARD MEMBER TELLES: Just a question.

10 Are these volatile organic compounds and
11 phthalates temperature dependant? In other words, in a
12 home that is un-air-conditioned, like many homes in the
13 central valley, would this be a bigger issue there?

14 MR. JOHNSON: Certainly in warmer homes you'd
15 expect to see higher concentrations. And certainly
16 temperature effects the emissions rate of different
17 materials.

18 BOARD MEMBER TELLES: Thank you.

19 ACTING CHAIRPERSON RIORDAN: Thank you.

20 Any other questions or comments by Board members?

21 Let me thank the staff for this presentation. We
22 appreciate it very much. And we'll look forward to more
23 findings as research presents itself. Thank you.

24 I'd like to move on then to our next agenda item,
25 which is another step forward in controlling California's

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1 gasoline evaporative emissions.

2 This is 8-8-3. It is the consideration of a
3 proposed new regulation for portable outdoor marine tanks
4 and components.

5 This Board has been actively engaged in the
6 control of evaporative gasoline emissions since 1975 when
7 the Board first adopted a certification and test procedure
8 for vapor recovery systems installed at service stations.

9 Since then, the Board has adopted evaporative and
10 permeation control measures for the most traditional
11 gasoline marketing sources: Portable fuel containers,
12 small off-road engines, and above-ground storage tanks.

13 Mr. Goldstene, would you please introduce this
14 item?

15 EXECUTIVE OFFICER GOLDSTENE: Thank you, Madam
16 Chairman.

17 The proposal before you today, regulation to
18 control emissions from outboard marine tanks and
19 components reflects technology transfer or the application
20 of existing technology to uncontrolled emission sources.

21 Manufacturers suppliers and interested
22 stakeholders were extensively involved in developing the
23 specific control requirements before you today.

24 Staff believes that the proposed regulation will
25 reduce evaporative gasoline emissions by over four tons

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1 per day of reactive organic gases, thus achieving
2 significant criteria pollutant reductions.

3 LaMar Mitchell of the Monitoring and Laboratory
4 Division will provide the staff presentation.

5 (Thereupon an overhead presentation was
6 presented as follows.)

7 MR. MITCHELL: Thank you, Mr. Goldstene. Good
8 morning, Madam Chair Riordan and members of the Board.

9 My name is LaMar Mitchell. I'm with the
10 Regulations Development Section of the Monitoring and
11 Laboratory Division. And I will be presenting for your
12 Board's consideration a proposal to adopt a regulation to
13 reduce emissions from portable outboard marine tanks and
14 components also known as OMTs.

15 --o0o--

16 MR. MITCHELL: In my presentation, I will discuss
17 the background of the Board's evaporative and exhaust
18 controls for gasoline. I will also describe the proposed
19 regulation and talk about the environmental and economic
20 impacts of the proposal. I will then close with staff's
21 conclusions and recommendations.

22 --o0o--

23 MR. MITCHELL: Your Board has been actively
24 engaged in the control of evaporative gasoline emissions
25 since 1975 when the Board adopted the first certification

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1 butadiene.

2 Staff believes this strongly suggests that
3 evaporative gasoline emissions are not being controlled as
4 effectively as are the corresponding exhaust emissions.
5 Therefore, staff has embarked on an aggressive program to
6 develop additional controls for evaporative gasoline
7 emissions.

8 --o0o--

9 MR. MITCHELL: This slide identifies the source
10 category regulations recently adopted by your Board in
11 support of efforts to control evaporative gasoline
12 emissions and the corresponding emission reductions.

13 --o0o--

14 MR. MITCHELL: This slide identifies the
15 prospective source category regulations to further reduce
16 evaporative gasoline emissions over the next few years.

17 As shown, OMTs are included in these regulations.
18 The OMT regulation has been developed using the principle
19 of technology transfer. It requires permeative and
20 evaporative technologies that are currently available,
21 cost effective, and have already been applied to reduce
22 various sources of gasoline vapor emissions, including
23 portable fuel containers and small off-road engines and
24 equipment.

25 --o0o--

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1 MR. MITCHELL: Focusing on the OMT category.
2 OMTs are a source of evaporative and permeative emissions
3 and liquid leaks that are currently not regulated. OMTs
4 are small tanks 30 gallons or less and include the fuel
5 hose primer bulb and cap with 90 percent of the OMTs being
6 seven gallons or less as shown in the picture.

7 For small and medium size boats, the gasoline
8 tanks and engines are portable to facilitate
9 transportation, maintenance, and storage. The fuel hose
10 connects the tank to the outboard engine and the primer
11 bulb is used to prime the system.

12 --o0o--

13 MR. MITCHELL: Staff estimates there are
14 approximately 200,000 OMTs statewide. There are a variety
15 of potential emission points associated with portable
16 outboard marine tanks and components. There are
17 permeation and evaporation losses from the tanks as well
18 as permeation losses from the fuel hose and primer bulb.
19 In addition, fittings and tank caps are a potential source
20 of evaporation losses and liquid leaks.

21 --o0o--

22 MR. MITCHELL: I will now discuss the proposed
23 regulations.

24 --o0o--

25 MR. MITCHELL: Beginning January 1st, 2010, fuel

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1 hoses will be limited to a permeation rate no greater than
2 15 grams per square meter per day. The meter squared
3 refers to the interior surface area of the product.
4 Additionally, caps fitted on the tanks will have to remain
5 sealed up to a minimum pressure of five pounds per square
6 inch.

7 --o0o--

8 MR. MITCHELL: Beginning January 1, 2011, the
9 tanks will be limited to a diurnal emission rate no
10 greater than one and a half grams per square meter per
11 day. Diurnal refers to the total emissions from the tank
12 measured over a prescribed temperature cycle which
13 includes permeation and evaporation as well as liquid
14 leaks.

15 Additionally, primer bulbs will be limited to a
16 permeation rate no greater than 15 grams per square meter
17 per day. The proposed standards for OMTs can be achieved
18 by transferring technology used in similar source
19 categories such as portable fuel containers and small
20 off-road engines.

21 --o0o--

22 MR. MITCHELL: On September 4th, EPA signed the
23 federal OMT regulation. It is expected to be published in
24 early October. The proposed ARB regulation and the EPA
25 regulation have fundamentally different control strategy

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1 objectives.

2 The ARB regulation is designed to ensure
3 compliance with the performance standards, and the test
4 procedure is designed to identify these OMTs that are more
5 likely to be a source of emissions from permeation,
6 evaporation, and liquid leaks.

7 The EPA regulation is designed to identify those
8 OMTs that might be a source of permeation emissions. The
9 adoption of the proposed regulation will preserve
10 California's ability to enforce the more appropriate
11 diurnal test standards.

12 --o0o--

13 MR. MITCHELL: Considering the implementation of
14 the proposed regulation, I will now discuss the
15 environmental impacts.

16 --o0o--

17 MR. MITCHELL: The uncontrolled emission in 2020
18 are projected to be approximately 5.6 tons per day. This
19 includes diurnal emission from tanks, hose assembly
20 permeation emissions, and liquid leaks.

21 Emissions are estimated using the ARB test
22 procedures. If the proposed regulation is adopted and
23 implemented, the controlled emissions in 2020 are expected
24 to be reduced by 75 percent to approximately 1.4 tons per
25 day.

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1 --o0o--

2 MR. MITCHELL: The proposed regulation results in
3 economic impacts. I will now discuss these impacts.

4 --o0o--

5 MR. MITCHELL: The economic impacts include both
6 cost and cost savings. The estimated retail cost increase
7 by component is shown in the table. When fully
8 implemented, it is expected that the average increase in
9 retail cost from the adoption of the proposal is about \$10
10 for a tank, cap, fuel hose, and primer bulb. These cost
11 increases are compared to a typical retail cost of 50 to
12 70 percent. The total cost to implement the proposed
13 regulation over the 18 years necessary to replace the
14 total population is about \$4.4 million.

15 --o0o--

16 MR. MITCHELL: I have discussed the costs
17 associated with the proposed regulation, and now I will
18 discuss the savings.

19 The average fuel savings associated with the
20 proposed regulation due to reduced permeation,
21 evaporation, and liquid leaks is estimated to be about
22 four and a half gallons per OMT per year. At a cost of
23 \$3.50 per gallons for gasoline, this is a cost savings to
24 consumers of approximately \$16 per OMT per year.

25 With an estimated statewide population of

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1 \$200,000 OMTs, the lifetime fuel cost savings is about \$32
2 million. After subtracting the compliance costs of \$4.4
3 million, this results in a net savings to the consumer of
4 about \$27.5 million.

5 --o0o--

6 MR. MITCHELL: I will conclude with staff's
7 recommendation.

8 --o0o--

9 MR. MITCHELL: In conclusion, staff's proposal
10 was developed with extensive public outreach. Staff's
11 proposal will reduce reactive organic gases by 4.2 tons
12 per day in 2020 with a cost savings to consumers of \$27.5
13 million.

14 In corporation with manufacturers and in response
15 to a letter from a concerned manufacturer, staff has
16 included some changes to the proposed test procedures as
17 noted in Attachment E to the resolution. Staff recommends
18 that the Board approve the proposed regulation with the
19 changes as noted in Attachment E to the resolution.

20 Thank you. That concludes my presentation. I
21 will be happy to answer any questions you have.

22 ACTING CHAIRPERSON RIORDAN: I think before we
23 have questions for you, let me call on the Ombudsman's
24 office.

25 You just stay where you are. And let's have a

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1 brief presentation talking about the public participation
2 that occurred while this item was being developed and
3 share any comments you have about this participation.

4 MR. MARIN: Good morning, Chairman Riordan and
5 members of the Board. For the record, my name is Anthony
6 Marin. And I'm here with the office of the Ombudsman on
7 behalf of Kathleen Quentin, who is recovering from surgery
8 and could not attend today's meeting.

9 In regards to the item before the Board, this
10 proposed regulation has been developed with input from the
11 National Marine Manufacturers Association, tank
12 manufacturers, fuel hose manufacturers, independent
13 testing facilities, independent consulting companies, and
14 retailers.

15 Staff began their efforts to develop this rule in
16 2006 with the testing of tanks and their components.
17 Between January 24, 2007, and April 10, 2008, staff
18 conducted four public workshops in Sacramento.
19 Approximately ten to 50 people attended each workshop.

20 The staff report was released on August 8, 2008,
21 and it was noticed via e-mail to the 537 subscribers on
22 the outboard marine tank list serve.

23 Thank you.

24 ACTING CHAIRPERSON RIORDAN: Thank you very much.

25 Now we all open it up for questions.

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1 Board members, do you have any questions for the
2 staff at this time?

3 Yes, Dr. Sperling.

4 BOARD MEMBER SPERLING: Yes, I have a few
5 questions.

6 One is you went over fairly quickly the fact that
7 EPA is adopting its own rules. And we had a discussion
8 some time ago, and I appreciate that you've elaborated on
9 what the differences are. But I'm still not quite clear.

10 So are you saying that the EPA rules cover
11 permeation and caps, but not evaporation or leaks? I
12 mean, that's what the slide says. I guess can you
13 elaborate to what extent that's true or what that really
14 means? I mean because the bigger question here about ARB
15 adopting what might be redundant rules.

16 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I could
17 answer that. A number of the EPA rules recently have
18 focused only on permeation. That's the oozing of gasoline
19 through plastic components.

20 And our belief was that we needed to try to look
21 at the evaporation sources as well. So we've included
22 another test procedure that actually follows the
23 temperature from cool in the morning to hot in the
24 afternoon and back to cool at night that causes the tank
25 to expand, to increase pressure, and would reveal if there

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1 are any leaks. And there could be leaks at where the cap
2 screws on to the tank and also where the supply line fits
3 on. It's a swivel. And there can be leaks there. In
4 fact, we identified on uncontrolled tanks a lot of leaks
5 at those positions.

6 So our test procedure would reveal the leaks,
7 where EPA's test procedure only reveals the oozing of the
8 gasoline through the plastic components -- walls of
9 plastic components. So it will be more effective than
10 what EPA has apparently signed in the last few weeks.

11 BOARD MEMBER SPERLING: So if we go to slide 14,
12 you know, there is a comparison for the uncontrolled and
13 controlled. I assume the controlled -- is that entirely
14 due to this rule, or is it due to other rules, I guess is
15 the first question. And the real question is, are those
16 reductions in the liquid leaks, is that, you know, from
17 2.43 tons per day to .13, is that all due to this rule?
18 And it would not result from EPA's actions?

19 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I can't
20 say EPA's actions which essentially mean take this product
21 and start thinking about the environmental impacts of it
22 would not cause them to design a less leaking tank. But
23 the test procedure would not reveal that if they chose not
24 to do that. And ours would.

25 So I think you can say that a significant amount

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1 of that 2.43 will be reduced by this regulation and due to
2 this regulation that may not be reduced by the EPA
3 approach.

4 BOARD MEMBER SPERLING: So a more general
5 question then is if at some point EPA does get its act
6 together and improves its rule to cover leaks and
7 evaporation, this is kind of how does -- I'm not quite
8 certain how ARB behaves in this way. Is this a normal
9 procedure to go back and say, okay, now we don't need to
10 have our own testing procedures and enforcement programs?

11 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
12 as you know in many areas like on cars and a lot of the
13 off-road equipment, our standards are way more stringent
14 than EPA's. But there are areas where our standards are
15 identical and the procedures are identical or near
16 identical to what EPA has adopted.

17 In some cases, that's been the objective. If
18 they do a regulation that meets our SIPS' air quality
19 needs, then we don't see that we need to be different than
20 that. Even in those cases -- and the examples would be
21 on-road diesel trucks and off-road diesel equipment for
22 new engines we've gone ahead and adopted the rule
23 ourselves, because it allows us to enforce it. And I
24 think it's quite apparent it's difficult for EPA as a
25 national agency to enforce rules in every single state

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1 when there's millions and millions of pieces of equipment.
2 So by having our own rule when it's identical, it does
3 give us the advantage of being able to go out and
4 supplement their resources and do enforcement where
5 necessary.

6 So we've always felt we need to have them on the
7 books for that purpose. In this case, the rule though is
8 actually more stringent and different than what EPA has
9 adopted or is in the process of adopting.

10 BOARD MEMBER SPERLING: I guess if industry
11 doesn't complain, it must be an effective approach.

12 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: In many
13 cases, I think if there is a difference and the difference
14 is not -- does not have a huge cost impact to the
15 industry, what ends up is we do have sometimes 50 state
16 outcomes even though the rules only applies in California
17 and is more stringent.

18 In this case, we've got some provisions in there
19 that try to allow an exchange of test results between
20 stuff done for EPA and stuff done for our rule to minimize
21 any differences. And I hope that what comes out of this
22 is California OMT for everybody in the country.

23 ACTING CHAIRPERSON RIORDAN: Thank you.

24 Other questions?

25 Ms. Berg.

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1 BOARD MEMBER BERG: Good morning.

2 On the certification, who's responsibility is it
3 to get the certification? The actual manufacturer of the
4 component or the person putting everything together that
5 ultimately is going to sell it?

6 REGULATION DEVELOPMENT SECTION MANAGER GOODENOW:
7 My name is Dennis Goodenow. I'm the Manager of the
8 Regulations Development Section.

9 And to answer your question, typically it is the
10 manufacturer who is actually applying for and conducting
11 tests for certification. Although it's not limited solely
12 to them. There could be other ways, other groups that may
13 want to certify combinations of product. And the
14 regulation allow for that.

15 BOARD MEMBER BERG: So it gives the flexibility
16 to industry. If you are a hose manufacturer, you could
17 choose to get it certified, your particular component. Or
18 if you happen to put the whole thing together, then you
19 could bring it.

20 So then would you have three certifications? I'm
21 trying to figure out how the user -- I guess we'll go to
22 the manufacturer for compliance. How are we going to
23 enforce this?

24 REGULATION DEVELOPMENT SECTION MANAGER GOODENOW:
25 Our enforcement program typically is very similar to that

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1 for other types of consumer products where our enforcement
2 staff would actually go out into the marketplace and
3 purchase products as they're sold. And they would verify
4 their products against the certification application. And
5 we would actually conduct tests based upon our compliance
6 test procedures to determine whether those products do in
7 fact meet the standards. And whether it be -- the test
8 procedure itself does look at the component parts. But
9 they could certainly be certified as a unit. That would
10 not be a restriction.

11 BOARD MEMBER BERG: And are these products
12 labeled so you'll be able to determine who the
13 manufacturer is?

14 REGULATION DEVELOPMENT SECTION MANAGER GOODENOW:
15 That's correct. And there are date codes and other types
16 of provisions to ensure that our field staff could easily
17 identify those products that comply with certification and
18 probably more importantly those that do not. So they
19 don't have to spend their time purchasing and we don't
20 have to spend our time testing products that we know are
21 certified and do comply. But kind of focus the
22 enforcement action on those products that are the source
23 of the problem.

24 BOARD MEMBER BERG: Thank you very much.

25 ACTING CHAIRPERSON RIORDAN: Any other questions?

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1 Dr. Telles.

2 BOARD MEMBER TELLES: A technical question. On
3 slide four, where were those concentrations measured?
4 It's part per billion on these different benzene type
5 analogs. Is that an ambient statewide concentration or is
6 that a lake where a lot of people do waterskiing?

7 And the other question I have is, are these
8 butadiene and xylene and toluene, are they more of a local
9 health problem? Or are they more of a global climate
10 change problem in the atmosphere? Do they stay in the
11 atmosphere for a long time?

12 EVAPORATIVE CONTROLS AND CERTIFICATION BRANCH

13 CHIEF AHUJA: My name is Manjit Ahuja.

14 The measurements were -- these present statewide
15 ambient conditions that were measured statewide due to
16 different locations in the state and for both the
17 compounds shown.

18 Regarding the second question, are they global
19 applications, I'm not sure the answer. Maybe somebody can
20 from the global warming department can answer.

21 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: They
22 are fairly reactive compounds. So I think they react in
23 the atmosphere certainly on a day's basis rather than on a
24 year's basis. I believe that's true at least.

25 EVAPORATIVE CONTROLS AND CERTIFICATION BRANCH CHIEF

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1 AHUJA: And further to expand, there were 20 sites that we
2 measured. The measurements were taking across the state.

3 ACTING CHAIRPERSON RIORDAN: Any other questions?

4 Yes, Ms. Berg.

5 BOARD MEMBER BERG: I just want to also clarify
6 that with the new low sulfur fuel that we'll be looking at
7 next year that the testing protocol is going to include a
8 temporary measure.

9 REGULATION DEVELOPMENT SECTION MANAGER GOODENOW:
10 I think you're referring to the fuel that's in the test
11 procedures.

12 BOARD MEMBER BERG: Correct.

13 REGULATION DEVELOPMENT SECTION MANAGER GOODENOW:
14 We were hoping the RFG 3 with ten percent ethanol fuel
15 would be available at this time. And our intentions are
16 to use that fuel for OMT products for reasons relative to
17 collecting data and ensuring that tanks are complying with
18 fuel actually used in California.

19 But because it has taken longer than expected to
20 adopt those specifications, we have received comments from
21 industry that to try to test to a moving target was
22 unreasonable and we were sympathetic towards that.

23 So in the mean time, between now and the time the
24 RFG 3 with ten percent ethanol fuel is available and
25 specified, we would allow for a non-gasoline called CE 10

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1 test fuel. And I think the manufacturers are prepared
2 today to discuss their being in accordance with that.

3 BOARD MEMBER BERG: And then once that other fuel
4 becomes available, there will be no re-testing?

5 REGULATION DEVELOPMENT SECTION MANAGER GOODENOW:
6 That's correct. When the test fuel, the RFG 3 with ten
7 percent ethanol is available we will give a period of time
8 for the manufacturers to ensure that their products that
9 are currently certified do in fact meet the standards with
10 that new fuel. And if not, they would have to go back and
11 do some modification. But we would not enforce new fuel
12 on products already in the marketplace.

13 BOARD MEMBER BERG: Thank you.

14 ACTING CHAIRPERSON RIORDAN: Any other questions?

15 We have then two speakers. Mark Riechers from
16 Mercury Marine, and John McKnight from the National Marine
17 Manufacturers Association.

18 Gentlemen, if you'd come forward to one of the
19 two speakers there. And we welcome you here today. And
20 just be mindful of the three minutes.

21 MR. RIECHERS: I'll be much shorter than that.
22 My name is Mark Reichers, and I'm with Mercury Marine.

23 For those who are not aware of it, the marine
24 industry is in a huge downturn right now. And additional
25 costs of regulations is a major issue both to our company

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1 and industry.

2 We've worked with staff on this regulation from
3 day one, and our primary issue was although there's
4 differences in their approach with EPA, what we were
5 looking for was a functional alignment with EPA which
6 means that we can build one product and sell it nation
7 wide and meet both standards.

8 We've worked with staff very closely on this, and
9 EPA has now released their rule. And we can confirm that
10 we have that functional alignment. And I want to thank
11 the staff for their careful consideration for our issues.
12 And we urge the Board to adopt the staff's proposal that
13 includes the changes that are in 15-day notice.
14 Thank you.

15 ACTING CHAIRPERSON RIORDAN: Thank you very much.
16 And you're true to your word. Well under three minutes.
17 Thank you.

18 Mr. McKnight.

19 MR. MC KNIGHT: Thank you, Madam Chairman and the
20 Board.

21 I'm pretty much going to say the same thing as
22 Mark Riechers. We want to thank Dennis Goodenow and LaMar
23 Mitchell, Manjit Ahuja and Aaron Livingston.

24 I think you hit the nail on the head. The big
25 issue was the fuel. Originally staff had looked at

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1 requiring us to have to certify to the RFG fuel, and we
2 spent about a week looking for a spec. And there are a
3 whole bunch of different ranges and spec. We don't have a
4 problem testing with the fuel. But until we have an
5 approved fuel, we really don't feel we should have to test
6 to this. And we would like to use what the EPA has
7 required, which is a fuel CE 10.

8 And after a lot of careful consideration and
9 discussion, staff came back and agree with that and said,
10 okay. For now, we're going to test with the fuel C 10.
11 When the other fuel becomes available, you can design to
12 that.

13 The good news is -- and there's a lot of
14 discussion as to whether this is true or not, we're going
15 to find out in the coming weeks and months, is that we
16 feel that even with the RFG phase three fuel right now,
17 the tanks we'll be designing for California will meet that
18 fuel requirement. So you're getting the reductions
19 anyway. It's just going to be a matter of once we know
20 what fuel we have to test to, then we'll move to that.

21 As Mark said, the recreational marine industry,
22 unless you're living on another planet, you all know the
23 economy right now is really bad. One thing about the
24 marine industry is we're the first to go into a recession
25 and the last to come out. We've been hit in the rising

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1 fuel costs. We've been hit with the economic slow down.

2 And now we have a credit crutch we have to deal with.

3 So we appeal to the government when these
4 regulations do come out and when they're going forward to
5 you that we take a look at the economic impact these have
6 on the industry at least for the time being. Hopefully
7 things will improve and we can move from there.

8 It's important right now because these are mostly
9 US-based jobs. And these are people who pay taxes. We've
10 just seen a large boat builder had to lay off 1700 people.
11 So it's a concern to us.

12 This is just a good example of staff working with
13 industry and developing a regulation that's going to
14 achieve California's goals and also be feasible for us.

15 So thank you very much. And I thank the Board
16 and of course staff.

17 ACTING CHAIRPERSON RIORDAN: Thank you very much,
18 both of you, for your testimony. And I appreciate your
19 comments about our staff. They do a good job of trying to
20 work with the industry. And I suspect it goes both ways.
21 You've probably been good to work with, too.

22 That concludes those who have wished to make
23 presentations to the Board.

24 Mr. Goldstene, do you have any other comments?
25 If not, I'm going to close the record.

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1 EXECUTIVE OFFICER GOLDSTENE: No other comments.

2 ACTING CHAIRPERSON RIORDAN: I'm going to close
3 the record on this agenda item. However, the record will
4 be reopened when the 15-day notice of public availability
5 is issued.

6 Written or oral comments received after this
7 hearing date but before the 15-day notice is issued will
8 not be accepted as part of the official record on the
9 agenda item.

10 When the record is reopened for the 15-day
11 comment period, the public may submit written comments on
12 the proposed changes which will be considered and
13 responded to in the Final Statement of Reasons for the
14 regulation.

15 We have an ex parte requirement for this
16 particular item. Are there any communications, Board
17 members, that any of you wish to acknowledge at this time
18 for ex parte purposes?

19 Thank you. There are none that are necessary.

20 We have a resolution, Board members, that is
21 before us. It's Resolution Number 08-33. If you've had
22 time to read it, do I have a motion?

23 BOARD MEMBER ROBERTS: Move approval.

24 BOARD MEMBER BALMES: Second.

25 ACTING CHAIRPERSON RIORDAN: Moved and seconded.

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1 I'm not going to ask for a roll call, just a voice vote.

2 All those in favor of the motion, which is to
3 approve Resolution Number 08-33, say aye, please.

4 (Ayes)

5 ACTING CHAIRPERSON RIORDAN: Opposed no.

6 Motion carries. Thank you very much.

7 We're going to move right along, so if staff
8 would make some changes there.

9 The next item is going to be very interesting.
10 And I'm delighted that we have this opportunity. It's a
11 report from the South Coast Air District, our host, who
12 will be providing us with a presentation on their climate
13 change program.

14 The South Coast Air District is one of the
15 leaders in the traditional air pollution control and
16 they're known for that worldwide. I know they have been
17 very active on climate change. And this is an opportunity
18 for them to communicate to us. And I appreciate, Dr.
19 Wallerstein, your time to make the presentation to us.

20 Mr. Goldstene, would you like to make the
21 introductions, please?

22 EXECUTIVE OFFICER GOLDSTENE: Thank you, Madam
23 Chairman.

24 We'll have an opportunity to hear about the South
25 Coast climate change program today.

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1 Before we proceed to Mr. Wallerstein's
2 presentation, I want to update the Board on the
3 development of the AB 32 Scoping Plan to provide some
4 context.

5 Since the release of the Draft Scoping Plan on
6 June 26th, we've seen the publication of several separate
7 documents this month that compliment and enhance the
8 draft. The ARB released three supplements to the Draft
9 Scoping Plan last week. The first is an analysis of the
10 economic impacts of the Scoping Plan recommended measures.
11 The second is an analysis of the environmental and public
12 health impacts that would result from the implementation
13 of the recommendations. And the third provides
14 documentation for the assumptions and calculations
15 relating to the cost of savings for the various measures
16 included in the Scoping Plan recommendation.

17 Also, the California Public Utilities Commission
18 and the California Energy Commission released a proposed
19 opinion on measures and strategies for reducing
20 electricity sector emissions. And the Western Climate
21 Initiative this week released final recommendations for
22 the design of a regional cap and trade program.

23 Next week, staff will release the proposed
24 Scoping Plan for public review and comment. We're
25 planning to present this final document to you for your

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1 consideration at the November Board meeting. We believe
2 that California's proposed Scoping Plan will represent the
3 nation's most serious effort to date to tackle climate
4 change. Our proposal will call for substantial cuts in
5 greenhouse gas emissions in all sectors of the California
6 economy.

7 As you may recall in the Draft Scoping Plan, we
8 recommended a cap and trade program that will link with
9 other Western Climate Initiative partner programs to
10 create a regional market system. Sources captured under
11 this program represent about 85 percent of California's
12 total greenhouse gas emission in 2004, including from
13 electricity import.

14 This approach drives down emissions while
15 supporting clean air goals, continued economic growth, and
16 a demand for a well-trained green work force.

17 Other proposed measures would reduce emissions
18 from smart land use design, lower emitting transportation
19 choices, enhanced waste management and waste diversion
20 practices, water conservation, and reduced energy demand
21 for water pumping and treatment, green building
22 construction and retrofits, and pursuing opportunities for
23 enhanced preservation and management of forests and
24 agricultural lands in production.

25 Although everyone understands the enormity of the

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1 task and the changes that will be required to meet our
2 goals, we've been working very closely with stakeholders.
3 Since the release of the Draft Plan in June that we
4 presented to the Board, staff has held five work staffs
5 around the state with well over 1,000 people in attendance
6 and many people viewing web cast. We've also held two
7 community meetings in Chula Vista and in Fresno with more
8 planned. We've received more than 1,000 on-line comments
9 and about 42,000 total costs on the draft plan.

10 Both the Environmental Justice Advisory Committee
11 and the Economic Technology Advancement Advisory Committee
12 have met to discuss the Draft Scoping Plan and are
13 providing us with their input and comments. We've been
14 evaluating the comments. And be assured, we're prepared
15 to review every one of them, which we have been doing, and
16 considering them for the proposed plan which we're
17 releasing next week.

18 Quite naturally, the public and regulated
19 community are raising important questions about how the
20 ambitious measures in the plan will be implemented, how
21 quickly, and at what cost. Just last week, staff
22 completed two analyses of the Draft Scoping Plan which I
23 just mentioned earlier, an economic evaluation and an
24 examination of the public health and environmental
25 impacts. We provided you all with copies of these

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1 evaluations, and they're available on our website.

2 In a nutshell, the news is positive. The
3 economic analysis shows the scoping plan will have a net
4 positive impact on California's economy. The public
5 health analysis tells us that same story, that the Scoping
6 Plan will modestly increase the public health benefits we
7 are already realizing from our criteria pollutant in our
8 air toxic programs.

9 Our economic analysis shows that in 2020 putting
10 our recommendations into action will result in a
11 demonstrable improvement over business as usual forecast,
12 increased economic production of \$27 billion, increased
13 growth state product of \$4 billion, increased overall
14 personal income of \$14 billion and increased per capita
15 income and jobs.

16 We see similar good news stories for public
17 health. Approximately 300 premature deaths avoided
18 statewide. Almost 9,000 incidences of asthma and lower
19 respiratory symptoms avoided, and 53,000 fewer workday
20 losses from the measures in the Scoping Plan.

21 Staff will be holding a workshop in Sacramento
22 tomorrow to allow for public comment on these new
23 analyses.

24 We recognize that despite the positive news of
25 all the work we've done to date, small businesses, labor,

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1 low-income communities, these positive outcomes need to be
2 further evaluated. So of course as we implement the
3 program, as more detailed analysis is undertaken when we
4 move forward on each measure, that information will be
5 incorporated into everything we do. So we've evaluated
6 the Scoping Plan in whole. And as we move forward on the
7 individual measures, even further analysis will be done on
8 a measure by measure basis.

9 Just quickly, next I'd like to mention the recent
10 proposed opinion released by the Public Utilities
11 Commission and the Energy Commission. Because electricity
12 generation is such a big part of our footprint and a
13 critical component of our economy and greenhouse gas
14 inventory, we continue to pursue a close relationship with
15 our sister agencies.

16 Earlier this month, the two Commissions released
17 their proposed opinion on strategies to help reduce
18 greenhouse gas emissions and meet the AB 32 goals. This
19 proposed opinion will be going to each Commission for
20 possible approval in the coming weeks.

21 The proposed final opinion on greenhouse gas
22 regulatory strategies outlines recommendations in a
23 variety of options for the Air Resources Board to consider
24 in deciding how to design a program to achieve greenhouse
25 gas emission targets in the electricity sector.

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1 climate change cuts across virtually everything we do at
2 the local level in terms of the actions that your staff
3 and Board are proceeding with towards the future as well
4 as other actions that are anticipated from the State.

5 --o0o--

6 MR. WALLERSTEIN: This is my absolute favorite
7 slide on climate change to express how we have to
8 integrate our programs and how your activities will effect
9 us.

10 And if we look at some of our core functions here
11 at the district, it's collecting annual emission reports
12 from the facilities, issuing the permits, enforcing the
13 permits, and the regulations. And then of course an
14 information management system to integrate this.

15 And what I'm about to show is the same for the
16 Bay Air District or the San Diego Air District or the San
17 Joaquin Valley District or any of the other 34 air
18 districts.

19 So as you know, your Board's adopted mandatory
20 reporting. Well, that interfaces with key elements of our
21 program.

22 You also have called for early action measures.
23 And as people go to implement those, those will require
24 modifications in many cases of the permits and therefore
25 will effect our compliance inspections as well.

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1 and appropriate analysis of climate change. And then
2 finally Councilwoman Reyes Uranga from the City of Long
3 Beach so that we have a goods movement component to the
4 Board's focus.

5 The reason that we think this is so important for
6 entities such as ours to establish committees like this is
7 to make sure that the Board members are actively involved
8 in the policy development and activities of the agency as
9 we move forward. We believe that strength of knowledge on
10 the Board helps us to get better decisions. And so we're
11 quite proud that we've established such a Committee and
12 encourage others to do so.

13 --o0o--

14 MR. WALLERSTEIN: In addition to that, our Board
15 just three weeks ago adopted a revised climate change
16 policy. I'm going to go through a few of the elements
17 quickly in a moment.

18 But in a broad brush manner what we're looking
19 for is how do we get to win-win situations between
20 criteria pollution, toxic air pollution reduction and
21 climate change reduction of the climate change gases. And
22 how do we facilitate the knowledge base in the business
23 community and the general public and in local government.

24 --o0o--

25 MR. WALLERSTEIN: The actions that are called

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1 MR. WALLERSTEIN: In addition to that, we're
2 continuing to work through CAPCOA on guidance documents
3 that can be of assistance to local government and others.
4 We're providing work in terms of emissions estimates for
5 climate change pollutants at the local level.

6 And we are going to come forward with a policy by
7 the end of this year for our Board to help in our own
8 business practices to reduce the agency's footprint
9 relative to greenhouse gases both in terms of our
10 purchases as well as how we run our equipment here at the
11 agency.

12 And then actively going to continue to be
13 involved in public education, including the sponsoring of
14 conferences or hosting of conferences dealing with the
15 issue of climate change, especially as may relate to local
16 government.

17 --o0o--

18 MR. WALLERSTEIN: Now I couldn't stand up before
19 you and not highlight this issue of seeking co-benefits
20 and sharing with you once again that when we look at the
21 state of California and we look at population exposed
22 above the federal clean air standards utilizing your data,
23 we see that for fine particulate 82 percent or so of
24 Californians that are in that category of being above the
25 federal standard are here in the South Coast. And if we

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1 look at ozone, it's about three quarters of the total
2 exposed population. So we really have to try to maximize
3 benefits. But not just for criteria pollutants.

4 --o0o--

5 MR. WALLERSTEIN: This slide shows the latest
6 results completed just a few weeks ago for our multiple
7 air toxic exposure study three, which looks at progress in
8 reducing carcinogens in the air here in southern
9 California.

10 And as you look at this computer simulation base
11 on monitoring as well as emissions data, what you see is
12 the areas in pink and dark purple in the time frame of
13 late 1990s to 2005 actually have had an increase in
14 estimated carcinogenic risk over that five, six year
15 period.

16 And the areas in green fortunately have had a
17 reduction. And what we attribute the results to is the
18 fact that we've had such monumental container growth in
19 our ports that it has overwhelmed much of the control
20 effort initiated by the State Board, local air district,
21 and others to curb emissions related to goods movement.

22 And I wanted to show this again to highlight the
23 fact that we have to look for synergies. We have to be
24 able to leverage our programs and integrate our programs
25 appropriately.

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1 --o0o--

2 MR. WALLERSTEIN: In terms of CEQA, we have been
3 closely tracking the attorney general's office activities
4 relative to CEQA litigation pertaining to climate change.
5 And we had a major refinery project come forward in the
6 South Coast where I was presented with the situation of
7 having to determine whether the emissions were significant
8 or not and what to use as a significance threshold.

9 So on a day-to-day basis, agencies such as ours
10 or any lead agency has a responsibility to look at this
11 issue. And at this point, the State of California,
12 through the Office of Planning and Research, has not yet
13 issued a recommended significance threshold. And so
14 absent guidance from the State, my Governing Board has
15 asked us to try to develop something that we could use
16 internally so it wasn't on a case by case basis but a
17 Board blessed policy and something we could recommend in
18 our comments to local government here in the South Coast
19 basin or other lead agencies.

20 We've been working cooperatively in a discussion
21 group that we've convened that has participation by the
22 Attorney General's office as well as your staff, OPR,
23 business, and environmental interests. And I think the
24 discussions have provided quite a bit of progress. But I
25 have to tell you, there is no easy answer here. And we

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1 would certainly welcome guidance from the State.

2 But absent guidance from the State, I do intend
3 to bring to my Board in the next month or two a proposal
4 for us to establish a significance threshold as an interim
5 measure until guidance is coming forth from the State.

6 I do want you to know that our staffs have been
7 in very close communication and working together very
8 cooperatively on how to try and derive something that
9 could be utilized by parties and could be provided to the
10 Office of Planning and Research as a suggestion for them
11 to hopefully be able to utilize or to modify as
12 appropriate.

13 --o0o--

14 MR. WALLERSTEIN: Now you may have heard that the
15 Board has also asked us to develop a Southern California
16 Climate Solutions Exchange. And it's actually a proposal
17 by our Chairman and blessed by the full Board to bring to
18 the Board for adoption proposed regulations to establish
19 such an exchange. And the focus here is to ensure good
20 quality credits and to foster local investment that will
21 help also with job creation here in southern California
22 and local co-benefits especially in environmental justice
23 areas.

24 --o0o--

25 MR. WALLERSTEIN: I'm sure your Board has seen

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1 much of the same press that our Board has tracked. And I
2 think it's very appropriate to show just a couple of the
3 image of articles that have appeared about climate change
4 and greenhouse gas emission credit and not only the New
5 York Times, but also have appeared in Wall Street Journal
6 and a number of other publications. And I think it's very
7 poignant we're talking about this today, given the
8 backdrop of what's happening with the financial markets
9 here in the United States.

10 So we appreciate what your Board is doing. And
11 we want to help as we can in trying to ensure that when
12 people invest in credits, when you have a project, you
13 have to mitigate under CEQA, you're asked to get offsets
14 that we know those offsets are real and can ensure the
15 investors and general public of such.

16 --o0o--

17 MR. WALLERSTEIN: So to do that, the Board asked
18 us a create a voluntary program. I'm emphasizing
19 voluntary. No one is being forced to utilize this. To
20 generate credits in a manner that is following protocols
21 that is approved by either your Board or your executive
22 officer. So our rule language is very explicit in that
23 regard.

24 We would verify and track the reductions. We
25 would see the mean use probably as CEQA mitigation. But

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1 people could utilize it for other purposes.

2 And I want to assure your Board and everyone else
3 that what we would create in this way is fully consistent
4 with AB 32 and fully consistent with where you are going
5 in terms of voluntary reduction programs and so on.

6 I was at a conference earlier this year where
7 Chairman Nichols talked about Mary credits. That credits
8 in this state should be CARB-approved credits. That is
9 precisely what we would do with this program.

10 --o0o--

11 MR. WALLERSTEIN: We've taken a look at how our
12 proposed program would compare to the Climate Action
13 Registry or to the Chicago Exchange or the European
14 Exchange. As you can see from this chart, it would be
15 very similar with the one difference being that the other
16 entities depend on third-party verifiers where we would
17 depend upon our own field inspection staff that have been
18 through CARB training for verification purposes. We've
19 had some problems in the traditional pollutant world with
20 third-party verifiers in the past. And we think it's more
21 appropriate to depend upon agency staff to perform that
22 function.

23 --o0o--

24 MR. WALLERSTEIN: We are also working to develop
25 some protocols that we intend to forward to your staff for

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1 review and ultimately to your agency for blessing and
2 potential use in our program. And this lists a number of
3 the subject areas where we're actively working on the
4 development of quantification methods. And our staffs
5 have been in contact about this as well.

6 --o0o--

7 MR. WALLERSTEIN: We have a component to the
8 program that, in essence, is an air quality investment
9 program. For example I mentioned the Chevron project.
10 Well, as part of the mitigation in the Chevron project,
11 Chevron is going to invest a million and a half dollars in
12 CO2 reductions or CO2 equivalent reductions. So the
13 question is how do they go about doing that.

14 We're going to create a mechanism. We've done
15 something similar in the past like in lieu of ride
16 sharing, invest in a program where we go and scrap cars
17 and convert vehicles to low emission fuels and obtain
18 equivalent emission reductions.

19 We're going to create a fund. We're going to
20 pre-fund it with our own money, get the emission
21 reductions in place by CARB-approved protocols, and then
22 be able to allow people to pay into the fund to obtain the
23 offsets.

24 --o0o--

25 MR. WALLERSTEIN: We are also actively pursuing

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1 assistance with local government. And this is an area
2 that your staff has suggested that we should spend
3 considerable efforts in.

4 When we look at the inventory and know that
5 roughly 40 percent of the CO2 emissions are related to
6 transportation and land use, clearly this is an area of
7 high priority.

8 And as an example, the County of San Bernardino
9 in its settlement with the attorney general's office is
10 required to put together an inventory and appropriate
11 mitigations to go into their general plan. We are working
12 with them to assist them in putting together the inventory
13 upon which they will base their mitigation measures and
14 determine base line and progress relative to the targets
15 that they seek to achieve.

16 In addition to doing that, we're going to
17 continue to work with our sister agencies and providing
18 guidance documents and conducting forums as well.

19 --o0o--

20 MR. WALLERSTEIN: You are undoubtedly aware that
21 the Air Pollution Control Officers' Association about a
22 year ago released a CEQA guidance document that talked
23 about how a lead agency could establish thresholds and
24 provided some preliminary information on appropriate
25 mitigation for climate change purposes. That document has

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1 been widely read and disseminated.

2 --o0o--

3 MR. WALLERSTEIN: And CAPCOA in the next couple
4 of months will be issuing a second guidance on model air
5 quality elements.

6 Here at the South Coast District as well as other
7 at other air districts such as the Bay Area, we have
8 provided guidance to local governments on how they could
9 put an element into the general plan dealing with
10 traditional air pollution problems and appropriate
11 measures that should go into their ordinances or
12 mitigation in CEQA to facilitate obtaining Federal Clean
13 Air standards. In essence, this document being prepared
14 by CAPCOA intends to do the same thing for climate change
15 pollutants so that climate change can be incorporated in
16 the existing elements such as the energy element of a
17 general plan or could be its own element within the
18 general plan as an additional voluntary element.

19 And as part of this effort, CAPCOA is going to
20 provide an enhanced list of best practices so that local
21 governments that would like to proceed have insight into
22 the sorts of things that have been successful in other
23 jurisdictions.

24 --o0o--

25 MR. WALLERSTEIN: Lastly, relative to greenhouse

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1 gas reporting when your Board almost a year ago adopted
2 the mandatory reporting requirement, I came before your
3 Board and said what we would like to do is develop an
4 integrated system since roughly 80 percent of the
5 information you need for greenhouse gas purposes is
6 already reported to us for traditional air pollution
7 control purposes. And why not have an entity use one
8 software that they push a button, we get what we need in
9 the way of traditional air pollution data, and then the
10 State receives what the State needs for climate change
11 data purposes.

12 We have actually gone live with a web-based
13 system based on the draft regulation. So we put our
14 system into place this last June. We've trained a good
15 number of companies on how to use the system. Some
16 companies have already reported to us, in the process also
17 given us the greenhouse gas data as we think is called for
18 in your mandatory reporting rule.

19 And the last link for us is as your staff
20 finalizes your software package and your database to
21 develop the linkage protocols so that when they push the
22 button on our software, the data will flow into the right
23 spots in your database. But it as an example of how we
24 can gain synergies and efficiencies and consistency in our
25 traditional programs and efforts as well as our climate

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1 change.

2 --o0o--

3 MR. WALLERSTEIN: The key here as I've gone
4 through this presentation from our agency's perspective is
5 one of true partnership and leveraging resources to
6 maximize the benefits as we look at our air quality
7 programs both locally and globally.

8 --o0o--

9 MR. WALLERSTEIN: I thought I would end with a
10 brief wish list if I could. And again I hope I'm not
11 overstepping my bounds here.

12 But the first thing is for your agency to
13 continue to encourage at the State level there be a State
14 threshold for climate change for the CEQA purposes. So
15 that we don't have a patchwork of thresholds, one adopted
16 by the South Coast, another one adopted by another entity
17 elsewhere in the state. And we hope that that can be done
18 soon so that we're only in a brief interim period.

19 Secondly, as you move forward with approval of
20 the Scoping Plan and then move to implementation in terms
21 of your early action measures and regulations, or as you
22 formulate your own cap and trade program, that we really
23 sit down and work out how it's going to integrate with the
24 existing permits and enforcement programs.

25 Let me give you one example. Federal Title 5

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1 permits required of our largest sources. Our regulation
2 requires that that permit be modified to identify any
3 local or State control requirement. So by the very nature
4 of a regulation you adopt, we will have to modify our
5 Title 5 permits. And we need to think about how we're
6 going to integrate that and not have separate permits at
7 the state level and the local level, but more of an
8 integrated system.

9 Lastly, we'd like to continue to work
10 cooperatively with your staff to finish that last step of
11 being able to link our web-based tool into your database
12 and fully demonstrate that you're receiving all the
13 information that is called for in your mandatory reporting
14 requirements.

15 I'd like to thank you for this opportunity, and I
16 would be happy to answer any questions you may have.

17 Again we provided a copy of the Board's recently
18 adopted policy as well as this brochure.

19 ACTING CHAIRPERSON RIORDAN: And we thank you for
20 that, Dr. Wallerstein.

21 Let me ask Board members if they have comments.

22 Dr. Telles, I'll start down at your end.

23 BOARD MEMBER TELLES: I'll make a comment. I
24 think there's another hand up before mine.

25 ACTING CHAIRPERSON RIORDAN: Well, I'm looking

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1 left.

2 BOARD MEMBER TELLES: Okay.

3 ACTING CHAIRPERSON RIORDAN: Don't worry about
4 timing.

5 BOARD MEMBER TELLES: At the San Joaquin Valley
6 Air Pollution Control District, we've had similar
7 conversation. And I really commend what you've done here.
8 You're quite a bit ahead of us.

9 On the wish list in our area I put one more
10 thing, and that's funding. And I perceive this as maybe a
11 question to you. Are you getting funding from any place
12 else besides your usual sources of funding? In other
13 words, are you taking funds out of your primary goal of
14 reducing air pollution and putting them into the
15 greenhouse gas goal?

16 MR. WALLERSTEIN: The answer to your question is
17 funding is very high on our list. I didn't include it,
18 because I didn't want to go anywhere near a potential
19 fight between different regions over who gets what
20 percentage of the funding, especially since you have AB
21 118 as your next item.

22 But what the Board has asked us to do is get our
23 fair share of available State funds. But in addition to
24 that in the recently adopted policy -- I'll give you a
25 specific example. We have a program much like you do in

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1 the San Joaquin Valley where for ever vehicle registered
2 here in South Coast, one dollar is paid into a technology
3 research fund.

4 And in this new policy, what the Board has asked
5 us to do is give extra points to -- and that was done for
6 criteria pollutant purposes and air toxics purposes. And
7 what the Board's asked us to do is give extra points to
8 projects that will also reduce climate change pollutants.
9 So the Board is beginning to utilize our locally available
10 funds, our locally generated funds to help with the
11 climate change issue.

12 BOARD MEMBER TELLES: Can I just -- a few more
13 questions in regards to that. Similar to the Air
14 Resources Board, are there going to be funds available for
15 districts coming from the State level to address this
16 kinds of global state problem?

17 EXECUTIVE OFFICER GOLDSTENE: Initially, we're
18 working on a rule that we'll bring to you that would allow
19 us to cover the cost of implementing the program at the
20 state level. But we have not yet gone to the level of
21 looking at how to fund local level programs, local air
22 district or local government programs.

23 BOARD MEMBER TELLES: Because I think that has to
24 come very fairly. As we get involved in this, it's going
25 to get expensive.

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1 Just one other quick issue here is that, you
2 know, I perceive without the State Board taking initiative
3 here, like he said, there's going to be this huge
4 patchwork problem we're going to have to put together
5 later on.

6 If you read the global warming plan that we have,
7 it really doesn't mention anything about air districts and
8 their role in this. And I would encourage our Board to
9 kind of tie up that relationship much more tightly than it
10 currently is. So I think you're suggesting that as a
11 primary thing to start working on.

12 EXECUTIVE OFFICER GOLDSTENE: And we are
13 partnering with the districts. And in the document that
14 we released last week, there is more commentary about
15 potential areas of partnership with the local air
16 districts.

17 ACTING CHAIRPERSON RIORDAN: Mayor Loveridge, you
18 look like you'd like to say something.

19 BOARD MEMBER LOVERIDGE: I agree with this
20 business of partnership. But I think the issue and
21 challenge that Barry Wallerstein offered today is not for
22 the districts to be silent partners, but rather be active
23 and major partners.

24 And the puzzle it seems to me is the integration
25 question which the wish list really is the substance seems

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1 to me of his presentation. Could you comment on that? I
2 think it's the same point. How do we put together the
3 CARB efforts with the districts and CAPCOA?

4 EXECUTIVE OFFICER GOLDSTENE: Well, I think Dr.
5 Wallerstein made a point, for instance, on the issue of
6 reporting. We've been working closely with Dr.
7 Wallerstein and his staff on the web-based reporting
8 protocol we're going to use in our system so it will help
9 make reporting easier and we'll be sharing information.

10 We've also been working with the local air
11 districts. And of course this gets worked out in more
12 detail as we develop each individual measure. But when it
13 comes to reporting and enforcement, we're going to be
14 relying on the air districts to partner with us on making
15 sure that the reductions that we think we're getting we're
16 really getting as we move forward on regulating the
17 different sectors.

18 But there's more work to be done. And it will
19 happen primarily at the level of developing the individual
20 measures and making sure that they're all well designed
21 and that we do what we can to avoid redundancy in the
22 state, to avoid the patchwork as you say. But definitely
23 more work to be done in that area.

24 ACTING CHAIRPERSON RIORDAN: Yes, Ms. D'Adamo.

25 BOARD MEMBER D'ADAMO: Well, it strikes me that

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1 one of the areas that if we focus on partnerships that we
2 can really gain some ground on is to work collaboratively
3 with the districts on this whole land use challenge. I
4 think we need to take more leadership in the Scoping Plan
5 on land use. And because of the sensitive nature of that
6 topic, I think that the district plans afford us an
7 opportunity with collaboration with the districts for us
8 to move forward in a more aggressive fashion.

9 And so my question to Dr. Wallerstein is I know
10 we've received quite a bit of criticism on the Draft
11 Scoping Plan that perhaps we could have done more on land
12 use. And I see going through the slides here the CEQA
13 effort over at OPR and other venues. But do you have any
14 specific suggestions for this Board as we move forward
15 with the Scoping Plan on land use?

16 MR. WALLERSTEIN: The answer is yes. And I think
17 CAPCOA will help with this new document that's going to
18 come out by year's end.

19 I recently was at a forum at our local SCAG,
20 Southern California Association of Government. And Mayor
21 Loveridge serves on that Board as well and was present.
22 As I listened to this assemblage of probably 100 elected
23 officials from counties and cities, what they were really
24 asking for was, tell us what our best practice is. Tell
25 us what we can do. Tell us what's going to be cost

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1 effective for us.

2 They also want some level of assurance that the
3 State is not going to engulf or usurp their land use
4 decision making. I know this is going to be a tough issue
5 to work through. But they need some discussion about how
6 to resolve issues revolving around that and what's
7 necessary to meet the AB 32 targets.

8 The third part, of course, they raised with us
9 was the funding issue. And it was at a time when the
10 state budget wasn't signed, and they were very concerned
11 about cuts that were going to occur in the state budget.
12 But how to pay for some of these things.

13 And I think that we can in a CEQA process channel
14 some of the mitigation funds in a manner that will help
15 local government. And to the degree that the State were
16 to establish an auction, I know there will be all kinds of
17 takers coming to your door to ask for funding. But
18 providing funds to leadership and local government on
19 implementing the source of things that are needed in the
20 way of more enlightened or modern land use planning or
21 transportation I think could be extremely beneficial.

22 And lastly, we need to look at opportunities as
23 I've been saying. If the Governor were to sign something
24 like the Lowenthal container fee legislation, which we
25 endorsed, that one needs to look at how some of those

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1 dollars from funding sources like that that your authority
2 in Prop. 1B are invested, can we start on something that's
3 like an electric rail system in an area such as this that
4 could reduce climate change emissions and help us
5 immensely in our local air quality problems.

6 BOARD MEMBER D'ADAMO: Then in follow-up. On the
7 issue of mitigation and land use, what is your opinion
8 about the use of indirect source rule as a tool? And do
9 you have an opinion about something like that going into
10 the Scoping Plan statewide, or is it best for the --

11 MR. WALLERSTEIN: I've been an Executive Officer
12 long enough to know not to get too far out in front of my
13 governing board, so I'd want to talk to them first.

14 But first, congratulations to the San Joaquin
15 Valley on its major victory in the litigation over its ISR
16 rule that was won this week in a very resounding manner.

17 But let me say that we are developing an indirect
18 source rule for our Board's consideration that will come
19 in the next four or five months to our Board that will
20 include climate change. It initially was going to be
21 designed strictly to be a criteria pollutant reg. But we
22 do intend to include criteria change in the regulation.

23 ACTING CHAIRPERSON RIORDAN: Thank you.

24 Dr. Balmes, and then I'll go back to Mr. Hill in
25 just a moment.

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1 BOARD MEMBER BALMES: Dr. Wallerstein, I really
2 appreciated a recurring theme in your comments about
3 trying to obtain co-benefits with regard to reduction of
4 both criteria pollutants and air toxics while you're
5 trying to also reduce greenhouse gas emissions. And -- I
6 don't know. But the short time I've been on the Board,
7 that's been a recurring theme with me. And I've received
8 a fair amount of pushback, especially when we talk about
9 market-based programs and that that will make things too
10 complicated if we try to worry about co-benefits and keep
11 it simple.

12 So since you already have a market-based program
13 reclaim, and it sounded to me like you're trying to also
14 include greenhouse gas emissions in consideration of
15 that -- maybe I misheard. I guess I would like to ask you
16 to be a little more specific about how you are trying to
17 achieve co-benefits while you're trying to reduce
18 greenhouse gas emissions regionally.

19 MR. WALLERSTEIN: In terms -- we haven't included
20 climate change into the reclaim program. But as we go to
21 set up this voluntary exchange where folks can come to us
22 for certification of projects or can invest dollars with
23 us and we will go out and produce the climate change
24 emission reductions, our philosophy, what we will propose
25 to our Board is that we give the highest priority in

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1 spending dollars to those projects that get us
2 co-benefits. And that we as a first priority try to spend
3 those dollars in the communities that are most impacted by
4 traditional air pollution, because we think that's the
5 right thing to do as public policy, but also helps get
6 those communities to buy into what's necessary from a
7 climate change perspective.

8 Your Board, for example, did a wonderful thing in
9 adopting a cold ironing regulation. That's the regulation
10 that gets us co-benefits. So the more we can look to that
11 sort of regulation, the much further we'll be along
12 towards eliminating black boxes in South Coast and San
13 Joaquin and making progress elsewhere in the state.

14 ACTING CHAIRPERSON RIORDAN: Mr. Hill.

15 BOARD MEMBER HILL: Thank You, Madam Chair.

16 I thought the Bay Area District was way ahead.
17 Dr. Wallerstein points out that the South Coast has done
18 such a great job. And really you and the Board deserve a
19 lot of accommodation for that. You're way ahead.

20 And I think you alluded to and it was brought up
21 by my colleagues on the Board is the funding issue. I
22 think that's for you to continue with the strength and the
23 effort you're going and moving forward with. It needs to
24 have some source of funding.

25 I know the Bay Area District in the carbon fee

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1 that we've adopted there and certainly with the dialogue
2 and conversation with the ARB staff. And that's something
3 that we want to be able to do. And I think the word again
4 that we're hearing with your program and certainly as the
5 San Joaquin moves forward with their carbon climate change
6 program is the integration issue, and how we can best
7 integrate what you're doing, what the Bay Area is doing,
8 what San Joaquin is doing, what San Diego is doing, and
9 then develop some funding strategy through that in a -- I
10 don't want to say one-size-fits-all. But some integration
11 through the State that can then funnel down to where the
12 rubber hits the road and we get the greatest benefit,
13 especially from the land use decisions that we'll all be
14 making in the future.

15 That's really where the local districts can play
16 a phenomenal approach in just looking at the brochures and
17 literature and educational opportunities that are
18 available and you're currently pursuing I think leads us
19 in the direction we have to go and have to go in a very
20 aggressive way. So thank you for that effort.

21 And I just look forward to the ARB staff and as
22 they develop that plan and that integration that there are
23 the opportunities for some funding to move all of these
24 initiatives forward that we are seeing. So thank you very
25 much.

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1 ACTING CHAIRPERSON RIORDAN: Ms. Berg. I'll have
2 you just following Dr. Sperling.

3 BOARD MEMBER SPERLING: I also want to compliment
4 the South Coast and the efforts here on climate change.
5 You know, I hadn't fully appreciated what a long history
6 it was. And that's done so much not just with criteria
7 pollutants, but with the greenhouse gases.

8 I also praise you for both the philosophical
9 commitment to partnering as well as actually proceeding in
10 that way. And that's kind of what I want to follow up on.
11 Because as we move forward, there is going to be needing a
12 lot of partnering. And in fact, in the end, most of the
13 decisions that are made are made by individuals and
14 organizations right down to individual households,
15 companies. And so organizations like the South Coast AQMD
16 are key to that.

17 So focusing on following up on Board Member
18 D'Adamo's questions about land use. You know, there's
19 this bill SB 375. And, you know, it lays out targets at
20 the regional level. Now assuming it's signed -- you know,
21 but even if it's not, the same concept is there are these
22 ideas of having the local governments and the regions
23 really engaged in reducing vehicle travel and using land
24 use as one of the strategies for doing that.

25 And of course, as was mentioned here that's a

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1 local government prerogative. And no one is talking about
2 interfering with that. But on the other hand, there are
3 these targets.

4 And so for the South Coast area in particular,
5 you know, as we're trying to figure out how to move
6 forward and how these partnerships really work,
7 traditionally -- I mean, the focus really much of the
8 focus is vehicle travel, VMT. And that has tended to
9 be -- in many ways is under the jurisdiction of the MPO,
10 SCAG in this case.

11 Of course, the AQMDs have had the TCMs in the
12 past, and I guess they're still on the books.

13 But how -- can you just talk maybe at least at a
14 philosophical level if not as specific as you want to get,
15 how do these regional targets actually get translated into
16 actions? In other words, how do you see the South Coast
17 working with SCAG and working with the counties and local
18 governments in doing this? Do you have any insights into
19 how this plays out? Because the bill itself is very vague
20 on how this all happens?

21 MR. WALLERSTEIN: Dr. Sperling, to me, the first
22 fundamental step is one of outreach and education with the
23 City Council members and the members of the Board of
24 Supervisors.

25 And, you know, based on going over to SCAG and

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1 chatting with them and looking at past experience, I think
2 right now they read about it in the paper. They see it on
3 TV, climate change, but they really don't have enough of a
4 fundamental understanding of some of the underpinnings of
5 the science and how critical their role is that the whole
6 scheme won't work here in California without the active
7 participation and leadership.

8 And so I guess I take some optimism in that a
9 year ago, although it wasn't completely well received, but
10 our Association of Governments here, SCAG, asked the
11 Governor to adopt a state of emergency because of air
12 pollution levels. And I found that a remarkable action by
13 those local elected officials, but they did so once they
14 were educated about CARB's data on the health effects of
15 current air pollution levels.

16 And I'm confident that if we can sit down and
17 provide information much as we've done with our local Air
18 District Board or your staff is doing with this Board and
19 we talk about the science, then we talk about the best
20 practices, and then we roll up our sleeves and tell them
21 how we give them the technical support they need and the
22 degree to which financial support is appropriate and how
23 we provide that.

24 I think if we do those things and we look to
25 certain cities, such as Mayor Loveridge's city of

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1 Riverside, as leadership cities within their Association
2 of Governments, I think we can get there. But it is going
3 to require a lot.

4 And I think one of the benefits of the Air Board
5 working with the local districts on this aspect of the
6 Scoping Plan or the AB 32 effort is I've got 13 Board
7 members. Well, ten of the 13 are elected officials. And
8 they serve in many instances on CSAC's leadership or the
9 League of Cities on state level and leadership positions.

10 So when you have peer talking to peer about the
11 urgency here and the role that must be played by local
12 government, I believe we can get it done. But we need to
13 be organized about it. We have to have a concise message.
14 And we have to create the proper forums for the
15 information exchange.

16 Lastly, as part of that, my Board has authorized
17 us to set up a series of forums. We call them air quality
18 institutes. They're basically four-hour focused seminars
19 or classes on hot topics. And this upcoming year, climate
20 change is going to be one of the topics that we focus on
21 so we can try to get the ball moving forward in the local
22 government arena.

23 ACTING CHAIRPERSON RIORDAN: Thank you.

24 Ms. Berg.

25 BOARD MEMBER BERG: Thank you. I, too, want to

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1 congratulate you and appreciate all of the effort. I
2 think you've brought up for me a significant area. And
3 that is establishing statewide thresholds so that we
4 aren't doing thresholds by district or by area or by
5 region.

6 And I don't think I understand who is responsible
7 for setting up things like significant thresholds for
8 CEQA. And maybe a lot of people are confused about that.

9 But these type of things that you have brought
10 are imperative. And especially to industry who is trying
11 to figure out if we're confused -- or not confused but
12 learning. If our learning curve is steep, industry
13 absolutely is trying to figure out how we are going to
14 move forward.

15 So when we're looking at a voluntary program
16 which is a great idea, but how do those credits apply to
17 future regulation. When we're looking at moving these
18 threshold down, what is the coordination between that?

19 So I would really encourage as well the
20 partnering on some of the broader public policy issues
21 that we also need to partner on how we're going to move
22 forward in establishing these guidelines statewide. So
23 not only is it easier for the regulating entities, but
24 it's easier for business. And also to make sure that if
25 people are stepping out, meaning industry is coming to the

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1 table and stepping out early, how is that going to allow
2 them to stay ahead of the game?

3 I'm not trying to necessarily suggest a lot of
4 early credits or those types of things. But I certainly
5 don't want them to be punished as a result of stepping out
6 early. And so these are the other types of things that I
7 would really encourage that we would take a leadership
8 position in.

9 And thank you again for a great presentation and
10 for again bringing forward these things that we need to
11 keep looking at.

12 ACTING CHAIRPERSON RIORDAN: Thank you, Ms. Berg.
13 Points well taken.

14 Let me go down, Supervisor Roberts, and I'll come
15 back to you, Mayor Loveridge. All right, Mayor Loveridge,
16 Supervisor Roberts is dedicating his time to you.

17 BOARD MEMBER ROBERTS: First of all, Barry, let
18 me compliment you on this work. I'm very impressed. And
19 I can tell you you've made life more difficult for our
20 director of our air pollution control district when I see
21 them tomorrow.

22 MR. WALLERSTEIN: Can I say you have a very good
23 one.

24 BOARD MEMBER ROBERTS: We do. And actually he
25 and I have been putting some effort in on this. And about

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1 a week ago, we had the first comprehensive basically an
2 all-day event that brought together our health department,
3 our air quality people, and our planners from the various
4 cities all over the county. What's so clear is that
5 everybody is going off in a direction. Everybody has an
6 opinion on what needs to be done. And the cumulative
7 effect is something less than it probably would be if it
8 was a coordinated attack and it leads to a lot of
9 confusion.

10 I think the role of the air districts is
11 extremely important in this. And it's going to be
12 reaching out, because the land use that's going to drive
13 so much of this is elsewhere.

14 So I think the way that you're going about this
15 is excellent. And I've even noted how you're going to use
16 some of the local money, the dollar per car registration.
17 And I think you're in many respects a model right now for
18 what needs to be done. And I would just want to thank you
19 for this.

20 You increased my workload, too. But this is
21 good. And this is exactly what's needed.

22 In fact, James and I were talking this morning
23 how we're going to get there. And I think locally it's
24 going to have to happen. You are not going to be able to
25 mandate land use issues from Sacramento. It's not going

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1 to happen. And you're going to have to understand the
2 local terrain, because land use even locally as you well
3 know is going to be very different, for instance, as
4 you're dealing with issues around the port as compared to
5 when you get out in some of the other counties further
6 away and the issues they have to deal with. So it's going
7 to take a collaboration here. It will involve health and
8 air and planning people in a way they haven't worked
9 together before.

10 So it's exciting in a sense. And I think we'd
11 all like to have real clear answers. The encouraging
12 thing is so many people are committed not only
13 intellectually but committed legislatively to wanting to
14 see a change. And I think it gives us an opportunity here
15 to really do something. So I just want to thank you for
16 the presentation this morning.

17 ACTING CHAIRPERSON RIORDAN: Thank you,
18 Supervisor Roberts.

19 Mayor Loveridge.

20 BOARD MEMBER LOVERIDGE: Let me first say that
21 the South Coast Board on several occasions has supported
22 reports on the climate action. So Barry is not out by
23 himself. This really comes with the Board's full support.

24 With one caution that sometimes came from a
25 couple Board members is it was the question are we talking

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1 with CARB. But I think the point of integration is the
2 most important theme that at least I've heard this
3 morning.

4 And perhaps staff could develop at least a short
5 memo to us looking at what Barry Wallerstein identified as
6 the three things on the wish list. I think it would be
7 helpful to understand the thinking of the senior CARB
8 staff on what was identified.

9 Two points, really. One, Barry, if you could
10 just reflect a little bit as you see as we go in the
11 future this interaction between criteria pollutants, air
12 toxics, and greenhouse gases as it seems to me these are
13 going to be whetted more closely as we move to a
14 regulatory future. Could you just comment on that?

15 MR. WALLERSTEIN: I think that's absolutely
16 correct, Mayor Loveridge. We can give you an example from
17 the recent past.

18 As part of our most recent SIP, this State Air
19 Board staff asked us to move forward with the fireplace
20 regulation here in southern California. I'm pleased to
21 report we adopted one. But the main issue this arose in
22 the adoption besides the issue of a person's right to
23 choose what kind of fire they have in their home was part
24 of the industry that makes the paper logs raising climate
25 change as an issue and whether natural gas logs were going

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1 to produce more CO2 than paper logs.

2 We adopted a small boiler reg a few weeks ago
3 needed for the SIP. It will slightly increase CO2
4 emissions.

5 So every decision we're making now and as we look
6 to transportation modes, fuels, control strategies,
7 climate change is now down front and center as we analyze
8 for toxics and criteria pollutants to see what the effects
9 are and to do a very careful balancing so we try to move
10 on all fronts forward and maximize the synergies.

11 And so, for us, there's no -- anyone that thinks
12 they're going to avoid this issue and that we're somehow
13 not going to integrate I think is just missing the
14 underpinnings of it all.

15 BOARD MEMBER LOVERIDGE: Last point is just that
16 for cities -- I won't speak for counties. But for cities
17 we're not discovering climate change and greenhouse gas
18 for the first time. I mean, there is a very serious
19 commitment to cities.

20 It's represented by the Mayor of Seattle in which
21 the Climate Protection Agreement has been signed by over
22 850 mayors, at least a quarter of the population of the
23 United States. League of California Cities has something
24 called CCAN, which is the California Climate Action
25 Network, which I think is the best initiative that I know

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1 of coming out of the League. Just read yesterday that a
2 number of cities in the Bay Area have adopted some kind of
3 green objectives.

4 I use the Reagan metaphor. I think there is a
5 green prairie fire, and cities are a part of it. And the
6 real puzzle for cities in my judgment is the measurement
7 question. If we do something, what is it we're doing and
8 how does it count? But at least speaking as somebody
9 who's been to a lot of city conferences, listened to a lot
10 of city elected officials, cities understand what green
11 is. And I think cities rather than adversaries we need to
12 be seen as partners.

13 ACTING CHAIRPERSON RIORDAN: Thank you. That's a
14 very good point.

15 I'm going to allow for a couple more comments or
16 questions, and we're going to have to move on. So two
17 doctors.

18 BOARD MEMBER TELLES: One other thing.

19 I think the mayors and supervisors have mentioned
20 this, too, is that the most pressing problem locally right
21 now is the CEQA. How do you deal with the CEQA.

22 And currently the CAPCOA, which I would also say
23 that's a very good document, I read that, has good
24 guidelines how to manage the CEQA issues with carbon
25 emissions.

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1 And it seems to me that with maybe just tweaking
2 that document a little bit, it could be the foundation for
3 some statewide guidelines. And I think the local
4 districts need them quick, if I'm hearing right from the
5 other districts, too. It's a big issue in the San Joaquin
6 Valley, and I'm sure it's a big issue here. Because every
7 time there is a CEQA project, there's no foundation to
8 make determinations from. And I would wonder if our Board
9 is going to look at that and come up with something rather
10 soon. Is there a time line on doing that?

11 EXECUTIVE OFFICER GOLDSTENE: I'll ask Lynn Terry
12 to provide an update on the process. We're working
13 closely with the Office of Planning and Research, and the
14 CAPCOA document has been a very important document for
15 everybody involved.

16 Lynn, can you add where we are in the process?

17 DEPUTY EXECUTIVE OFFICER TERRY: Yes. And Barry
18 alluded to the fact we have been participating in their
19 local process along with staff at the attorney general's
20 office.

21 Our legal staff, OPR has been very helpful for us
22 to participate in that local process and help move our
23 thinking on what technical advice we could provide as ARB
24 to the process.

25 As a backdrop, in June, Office of Planning and

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1 Research did a technical advisory on this topic and just
2 made it clear that under CEQA there is an obligation to
3 assess greenhouse gas emissions. And if these emissions
4 are significant, to mitigate. And that they were looking
5 to the Air Resources Board to provide technical guidance
6 on the issue of a significance threshold.

7 So we took that seriously as an assignment and
8 since June have had this interagency team working. It's
9 been -- we haven't had any public process because the
10 South Coast was doing quite a good job of vetting a lot of
11 issues in the public. We're having the benefit of that in
12 our thinking.

13 And our hope is within this next month or so we
14 would be able to come to the Board with at a minimum a
15 status report, but I'm quite hopeful it could be more than
16 that. And it would certainly be interim, because we're
17 all going to be learning and this program will evolve. We
18 understand the urgency and the South Coast effort and
19 participation of other key districts has really been
20 helpful in our thinking.

21 ACTING CHAIRPERSON RIORDAN: Dr. Balmes.

22 BOARD MEMBER BALMES: It's scary if I'm starting
23 to think like a cardiologist. But Dr. Telles asked the
24 same question that I wanted to ask.

25 ACTING CHAIRPERSON RIORDAN: And he got his

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1 answer, and I thank you.

2 I'm going to move on. We do have one person who
3 has signed up to speak. And I'd like to have that speaker
4 come forward.

5 Dr. Wallerstein, thank you so much. You can have
6 a seat for the moment.

7 Let's hear Michael Wang from the Western States
8 Petroleum Association.

9 MR. WANG: Good morning, members of the Board.
10 My name is Mike Wang. I'm with the Western States
11 Petroleum Association.

12 This morning you heard a really interesting
13 discussion that I tried to take notes. You have about
14 four recurring themes I heard: Integration, stakeholder
15 partnerships, education and outreach, and statewide
16 consistency with CEQA and the overall approach to
17 integration of state and local programs.

18 It's good when testimony that was prepared
19 yesterday or the day before echoes these comments and in a
20 way that's productive and positive. That's reassuring.

21 WSPA has been actively engaged with AB 32
22 implementation even at its earliest stages, whether it be
23 inventory or reporting with ARB staff, the low carbon fuel
24 standard, comments on the Scoping Plan, looking at the
25 importance of CEQA, and spending hours with staff in

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1 meetings and conference calls to discuss these issues.

2 We've also been working with stakeholders with
3 the district as they develop their greenhouse gas program,
4 whether it be on the climate exchange, the CEQA
5 significance workshops, or most recently the district's
6 proposed rules for their greenhouse gas program.

7 We realize as you do the importance of the
8 greenhouse gas program and the greenhouse gas controls to
9 the region, this state, and the nation.

10 As you heard from Dr. Wallerstein, the district
11 has a number of initiatives that are important to
12 understand. And without minimizing any one, I think the
13 most important one you heard was the idea of a CEQA
14 significance threshold. You heard and certainly
15 understand that a district feels compelled to develop a
16 CEQA threshold in the absence of any statewide effort.
17 And that void has caused a policy need that needs to be
18 filled.

19 We believe the absence of any guidance was and is
20 a clear impediment to future progress as we learn how to
21 implement AB 32.

22 I think it's important to understand that
23 regardless of recognizing local district actions to
24 develop a CEQA threshold in absence of anything that you
25 may have done or in advance of anything you may do could

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1 create a patchwork -- someone used the term this
2 morning -- a patchwork of CEQA requirements which could,
3 when ARB develops their approach, create permitting and
4 CEQA compliance problems for projects.

5 So as some of you have stated, it is important
6 that for purposes of project planning, for permitting, and
7 for CEQA compliance in general that a consistent,
8 practical, and responsible CEQA threshold be developed by
9 your Board. Thank you.

10 ACTING CHAIRPERSON RIORDAN: Thank you. And we
11 appreciate your comments.

12 And it was timely, because we know now
13 Ms. Terry's working on this with staff in coordination
14 with a whole host of other people. And we certainly want
15 you a part of that consideration, too, when we get to the
16 public participation.

17 I'm going to close this part of our agenda today.
18 It is not a regulatory item, so there is no official
19 closing. I'm just going to casually close it, because I
20 want to move on the our next item.

21 And so staff, if you'd like to make the
22 appropriate changes.

23 And while you're doing that, I'd like to tell the
24 Board members what I'd like to do. I'd like to continue
25 and complete this particular item and then take a break of

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1 about 20 minutes for ourselves and our court reporter and
2 then come back and deal with the last one and stay right
3 on time. That's my goal.

4 So if I might do the following which is suggest
5 the next item is the proposal to adopt three greenhouse
6 gas reporting and project protocols. The project
7 protocols have been adopted by the California Climate
8 Action Registry, and they're intended for voluntary
9 purposes.

10 Mr. Goldstene, I'd like you to introduce this
11 item and then turn it over to your staff.

12 EXECUTIVE OFFICER GOLDSTENE: Thank you, Madam
13 Chairman.

14 Today staff will present for Board adoption
15 greenhouse gas protocols for local government operations,
16 urban forestry, and livestock manure digester projects.
17 These protocols were developed by the California Climate
18 Registry with participation of technical experts in review
19 through an extensive public process. All three protocols
20 were developed by the California Climate Action Registry's
21 Board last month.

22 Staff will present an overview of each protocol
23 including the key elements. The staff presentation will
24 also include an update on the forest protocols adopted by
25 the Board in October 2007, almost a year ago. At that

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1 time, the Board asked staff to work with CCAR to update
2 the protocols to encourage greater participation in
3 emission reduction projects in that sector.

4 Mr. Kevin Eslinger with our Emission Inventory
5 Branch will make the staff presentation. Kevin.

6 (Thereupon an overhead presentation was
7 presented as follows.)

8 MR. ESLINGER: Thank you for the introduction,
9 Mr. Goldstene. Good morning, Madam Chairman and members
10 of the Board.

11 I'll be presenting the staff's recommendations
12 regarding the adoption of the California Climate Action
13 Registry greenhouse gas protocols that James mentioned for
14 local government operations, urban forests, and livestock
15 projects protocols. The livestock protocols is also
16 referred to as manure digester projects.

17 --o0o--

18 MR. ESLINGER: Here is an overview of today's
19 presentation.

20 First, I will summarize the actions that we are
21 proposing to the Board today, including some context on
22 how adoptions of the protocols fits into the AB 32
23 process.

24 Next I will provide some background information
25 on protocols for voluntary actions, including the types of

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1 protocols and the protocol development process.

2 The largest portion of the presentation will be
3 devoted to brief descriptions of each of the protocols.

4 --o0o--

5 MR. ESLINGER: I will then close the protocol
6 adoption segment of the presentation by providing staff
7 recommendations to the Board.

8 Lastly, I want to provide an update on the status
9 of the forestry protocols which were adopted by the Board
10 last year.

11 --o0o--

12 MR. ESLINGER: So let me again by stating that
13 the staff is proposing adoption of the protocols for
14 purposes of voluntary actions. They are necessary tools
15 for voluntary carbon accounting and cover the activities
16 of local government operations as well as the reductions
17 from urban forestry and manure digester projects.

18 Adoption of these voluntary methodologies is a
19 non-regulatory action and would represent the Board's
20 endorsement of a technically sound approach for carbon
21 accounting.

22 --o0o--

23 MR. ESLINGER: Now I would like to provide some
24 background on AB 32 and some voluntary protocols.

25 --o0o--

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1 resulting after a project has been implemented.

2 --o0o--

3 MR. ESLINGER: The protocols were developed by
4 the California Climate Action Registry, also known as
5 CCAR, with significant joint effort from ARB and other
6 stakeholders. CCAR and ARB held many joint public
7 workshops with significant stakeholder participation which
8 resulted in industry, government, and academia providing
9 valuable input into the protocols and the process.

10 The protocols being presented today were adopted
11 by the CCAR Board in August 2008.

12 --o0o--

13 MR. ESLINGER: As stated earlier, the local
14 government operations protocol is a protocol designed for
15 the reporting of greenhouse gas emissions. It was
16 developed in partnership with CCAR, ICLEI, otherwise known
17 as the local governments for sustainability, ARB, the
18 Climate Registry, or TCR, and the other stakeholders.

19 ICLEI, a major partner in the protocol process,
20 is a membership organization of local governments and has
21 been working with local governments for many years on
22 issues of greenhouse gas reductions and sustainability.

23 --o0o--

24 MR. ESLINGER: The protocol provides standardized
25 guidelines for developing greenhouse gas inventories for

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1 local government operations. It incorporates elements
2 from existing greenhouse gas programs and protocols. And
3 it provides a means for local governments to compare
4 improvements of its own operations over time.

5 --o0o--

6 MR. ESLINGER: Many local governments have
7 already taken action to reduce greenhouse gas emissions.
8 The local government operations protocol can assist with
9 the accounting of annual aggregated changes in emission
10 resulting from those local actions. It can also assist in
11 identifying reduction opportunities and creating a
12 reduction strategy.

13 --o0o--

14 MR. ESLINGER: The emissions encompassed by the
15 protocol include anything within a government's
16 operational control and includes the types of emission
17 sources listed on the slide. This type of data should be
18 generally available to local governments.

19 Although the protocol was designed specifically
20 for city and county needs, sections may be applicable to
21 other entities or special districts, such as waste water
22 districts, solid waste districts, or transit districts.
23 Again, the protocol does not cover specific greenhouse gas
24 reductions projects. It is only meant to be used to
25 quantify emissions for the purposes of developing an

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1 inventory.

2 --o0o--

3 MR. ESLINGER: Now I would like to present the
4 project based protocols starting with the urban forest
5 project protocol.

6 The protocol was developed in partnership with
7 CCAR, CAL FIRE, USDA, forest service, ARB, and experts
8 from academia, government, utilities, and nonprofit
9 organizations.

10 And it can be used by local governments and a
11 variety of other entities to quantify the greenhouse gas
12 benefits of urban forest projects.

13 --o0o--

14 MR. ESLINGER: Urban forests can provide carbon
15 sequestration, reduce the heat island effect and can
16 effect heating and cooling demand for buildings, all of
17 which can significantly reduce greenhouse gases.

18 CAL FIRE has estimated that at current planting
19 rates, reductions could yield an estimated one million
20 metric tons CO2 reductions annually.

21 At least 1,000 trees must be included per project
22 in order to use this protocol.

23 --o0o--

24 MR. ESLINGER: The protocol provides standardized
25 accounting methodology for urban forestry greenhouse gas

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1 reduction projects. This protocol is specific to projects
2 undertaken by cities, counties, agencies, and local
3 special districts, as well as utilities and educational
4 campuses in order to help ensure credit permanence due to
5 the longevity these types of institutions.

6 --o0o--

7 MR. ESLINGER: The calculations in the protocol
8 cover carbon sequestration from urban tree growth, carbon
9 releases from tree death or removal, and the greenhouse
10 gas emissions associated with tree planting and
11 maintenance.

12 Project developers can also chose to quantify the
13 associated benefits that trees provide, such as reducing
14 building energy use. Though the building energy benefits
15 cannot be registered with CCAR due to the difficulty in
16 setting a base line and determining ownership.

17 --o0o--

18 MR. ESLINGER: Examples of projects which could
19 conceivably use the urban forest project protocol includes
20 city or university initiatives for planting trees.

21 --o0o--

22 MR. ESLINGER: The second project protocol, and
23 the last protocol being presented for adoption, is the
24 livestock project reporting protocol, also shown as the
25 manure digester protocol. It was developed by CCAR in

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1 partnership with ARB, industry, academia, and other
2 government organizations.

3 --o0o--

4 MR. ESLINGER: Methane is a significant
5 greenhouse gas being 21 times more potent than CO2 at
6 trapping the sun's energy. Wet manure can be a
7 significant source of methane. Manure digesters capture
8 methane that would ordinarily have been emitted which
9 allows for the trapped methane to be converted into CO2,
10 thereby reducing its global warming potential.

11 In addition to the global warming benefits of
12 capturing methane from manure, the methane from biogas can
13 be a valuable energy commodity which can be used as a
14 substitute for fossil-derived natural gas.

15 --o0o--

16 MR. ESLINGER: The diagram is an example of a
17 farm system with a digester. On the left there is a
18 manure source, such as cows, and a collection system which
19 can be anything from flush lanes to manure vacuuming.

20 The collected manure is put into a digester which
21 in California is often a covered lagoon.

22 Once methane is formed and captured under the
23 digester cover, it is most often purified to remove sulfur
24 and other impurities.

25 The methane can be used in a variety of ways from

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1 pipeline injection or energy generation to using biogas
2 for heating.

3 --o0o--

4 MR. ESLINGER: On the slide, the top photo shows
5 a lagoon digester being constructed with a liner and the
6 bottom photo shows a fully constructed covered lagoon
7 digester.

8 --o0o--

9 MR. ESLINGER: This next photo shows a portion of
10 a biogas pipeline injection project in the San Joaquin
11 Valley. This project was designed to inject purified
12 methane from dairy waste into PG&E's natural gas
13 transmission pipeline. This shows the equipment at the
14 point where the methane is chilled, compressed, metered,
15 and injected.

16 --o0o--

17 MR. ESLINGER: The livestock project reporting
18 protocol provides a standardized accounting methodology
19 for greenhouse gas reduction projects that capture and
20 destroy methane from manure. The protocol was derived
21 from many international methodologies.

22 While greenhouse gases are the focus of this
23 protocol, it is important to note that all projects must
24 meet all federal, state, and local regulations or
25 requirements whether for air and water quality, energy, or

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1 otherwise.

2 --o0o--

3 MR. ESLINGER: The protocol focuses on the two
4 most rigorously quantifiable greenhouse gases: Methane
5 and carbon dioxide. More work needs to be done to
6 accurately quantify digester impacts on nitrous oxide
7 emissions.

8 Overall, the calculations are designed to capture
9 all methane and CO2 emissions being generated at the
10 facility, both before and after project implementation.
11 Activities such as waste production, treatment, storage,
12 transport, disposal, and all related fossil fuel
13 combustion sources are included in this protocol
14 quantification.

15 However, the protocol does not account for any
16 reductions in upstream power plant emissions resulting
17 from a facility using biogas generated electricity instead
18 of grid electricity. This is due to ownership and
19 quantification issues.

20 --o0o--

21 MR. ESLINGER: In summary, the staff is
22 recommending the Board adopt the local government
23 operations, urban forest project, and manure digester
24 project protocols for use in voluntary actions.

25 Before concluding my presentation, I would like

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1 to provide a brief update on the ongoing activity related
2 to the forest protocol that the Board adopted last year.

3 --o0o--

4 MR. ESLINGER: In October of 2007, the Board
5 adopted the CCAR forest protocol for voluntary purposes
6 and realized the need to develop additional methods to
7 encourage broader involvement in forest projects.

8 At that time, the Board directed ARB staff to
9 initiate a stakeholder process to develop additional
10 approaches for forest carbon accounting and to return to
11 the Board with additional approaches.

12 --o0o--

13 MR. ESLINGER: Progress to date includes the
14 addition of a base line for public lands and new private
15 lands as well as an update to permanence, increased
16 flexibility to mitigate carbon reversal, analysis for new
17 forest types, and improved co-benefits analysis.

18 --o0o--

19 MR. ESLINGER: Continuing progress on the
20 forestry protocols includes discussions about assessing
21 leakage, as well as additions to and strengthening of the
22 qualification and verification elements of the protocol.
23 Consensus votes will continue to be taken as updates to
24 the protocols progress through the various stakeholder
25 groups.

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1 process. And, you know, these rules, these protocols that
2 are being developed, you know, it's very impressive. What
3 we're doing here in a few years is what was spent 30 or 40
4 years doing with the conventional criteria pollutants and
5 doing this for the greenhouse gases in a very broad range
6 of activities.

7 So here we are in the situation where on the one
8 hand we want to lock in the rules for being able to
9 measure all of these different emissions coming from
10 different sources. On the other hand, there's new science
11 coming along and lessons being learned.

12 And this presentation you just did the latter
13 part of it about how much has been done with the forestry
14 protocol kind of raised the question in my mind, what is
15 the thinking or how does this tension between reducing --
16 locking in the rules and reducing uncertainty for
17 businesses, while at the same time being flexible enough
18 to accommodate new information and new insights. How does
19 this work?

20 DEPUTY EXECUTIVE OFFICER TERRY: Maybe I could
21 introduce that topic. And it's a good one.

22 We also have I believe Gary Gero in the audience
23 to speak. He is our first speaker.

24 But it is a very good point. And the short story
25 is we established rules of the game for accounting,

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1 recognizing they may change over time. But we provide the
2 certainty that if you generate credits when this is the
3 operational protocol, you don't lose the value of those
4 credits over time as the protocols change. So there is an
5 implicit commitment to continually improve these protocols
6 over time.

7 We've actually been talking -- and it's funny you
8 asked this question. We thought about teeing this issue
9 up, and then we thought, well, let's just present the
10 protocols and worry about this later.

11 But our thought was that if we have a lot of
12 protocols being updated, maybe once or twice a year we
13 come to the Board and say here's the latest and greatest
14 consolidation of all the new tweaks to the protocols to be
15 efficient to the system. These are very sound, very
16 thorough when they're first adopted, but we want to make
17 them real time and quality on an ongoing basis.

18 So it's a very good process question. And we're
19 certainly open to suggestions by the Board on how to
20 handle it.

21 BOARD MEMBER SPERLING: I'm actually more
22 concerned about those that are generating those credits or
23 emissions. You know, like Mayor Loveridge referred to the
24 cities. They want to know what the rules of the game are
25 so that they get credit for the things they do. So that's

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1 more of what I'm thinking about here.

2 DEPUTY EXECUTIVE OFFICER TERRY: Well, that's
3 also a topic we had thought about teeing up, because Mary
4 has asked that question of staff, the Mary credit issue.

5 And to be honest, we sort of were trying to get
6 past the Scoping Plan and have the rules of the game and
7 then say, okay. Now what are we going to do? And what
8 would we present to the Board in terms of here's a list of
9 folks who are registering credits, folks who are adopting
10 protocols and have that discussion in front of the Board
11 as to your comfort level with putting your stamp of
12 approval, so to speak, on various protocols and entities
13 that are in this process.

14 So it's a very big question you're raising here.

15 ACTING CHAIRPERSON RIORDAN: A challenge.

16 Yes, Ms. D'Adamo.

17 BOARD MEMBER D'ADAMO: I actually like that
18 approach, because I think this is going to evolve.

19 And sort of along those lines, I was going to ask
20 the question about indirect benefits. I suppose at some
21 point you can only account for things that are very clear
22 and obvious. But then there's that entire group for each
23 protocol where there are additional benefits that are just
24 tough to wrap your arms around.

25 And I see here that the tree people I guess are

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1 not on the list, but they did provide a letter on urban
2 forestry. And they raise a couple of areas that they
3 think should be accounted for. And I suspect the reason
4 they haven't been accounted for is because it's just too
5 indirect on urban forestry, water related energy savings,
6 and then also reducing pollution, water quality, energy
7 savings, and then on the landfill issue.

8 And I see something similar perhaps on slide 23
9 with the methane digesters that it does not include
10 reductions associated with displacing grid delivered
11 electricity.

12 So just looking for a comment. I'm assuming it's
13 just too indirect. And if so, is this an area that
14 perhaps staff would be coming back at a later time once a
15 model was developed to account for these additional
16 indirect benefits?

17 DEPUTY EXECUTIVE OFFICER TERRY: I'm going to ask
18 staff to address those comments specifically. Richard.

19 HEALTH AND EXPOSURE ASSESSMENT BRANCH CHIEF BODE:
20 This is Richard Bode.

21 On these particular ones -- and one thing to keep
22 in mind, as we said, they're being used for voluntary
23 action. Part of this is that we make the quantification
24 methods available. Individuals, municipalities can go and
25 use those and actually quantify what their actual

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1 reductions are. In this case, in some of these can still
2 quantify some of these co-benefits as well.

3 The other use of these protocols is for CCAR
4 themselves to register credits. And that's the case in
5 CCAR's process that the difficulty in verifying some of
6 these quantified co-benefits is hard. So in their kind of
7 registering of reduced carbon tons, they don't allow it in
8 their kind of registered process itself. But used just as
9 a voluntary reduction, you can quantify some of those
10 co-benefits.

11 ACTING CHAIRPERSON RIORDAN: Thank you

12 Any other questions, comments? Let's move then
13 to those who have come to speak on this particular item,
14 beginning with Gary Gero, who is President of the
15 California Climate Action Registry; followed by Greg
16 McPherson, project leader, US Department of Agriculture,
17 US Forest Service; Gretchen Hardison, Director of Air
18 Quality Division of the City of Los Angeles; and Tom
19 Larson, DUDEK. Those are the four speakers.

20 And, Gary, let's start with you.

21 MR. GERO: Very good. Thank you. Appreciate the
22 time this morning to be considering these protocols.

23 My name is Gary Gero. I'm the President of the
24 California Climate Action Registry and very pleased to be
25 here today.

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1 If I could just take a second to also respond to
2 the questions that had come up. One from Dr. Sperling
3 with regard to how do we lock into place a standard if
4 science changes. And in fact, we don't see that clearly
5 in the forestry protocols where we're updating science. I
6 think that's a recognition science does change. The
7 framework for the accounting is the same. I think that
8 subsequent versions are improvements or refinements, but
9 not wholesale revisions that are at odds with the initial
10 document itself.

11 The livestock protocol before you today is
12 actually the version two from our Board that includes
13 refinements to the technical quantification that we
14 discovered over the course of last year. Our Board
15 initially adopted this protocol in June of last year and
16 then reconsidered it given some technical factors around
17 the feedstocks. So what you have before you is a version
18 two.

19 I think that is a natural part of the process. I
20 think that still provides certainty for potential project
21 developers. They can come in and develop a project under
22 a current version. They have a limited credit period. We
23 provide ten years of credit. We think that's reasonable.
24 Over ten years, the world changes and we're going to
25 recognize that.

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1 With regard to a comment on indirect benefits, I
2 clearly recognize having run tree planting programs in the
3 past all the great benefits of tree planting programs of
4 indirect emissions.

5 The difficulty really comes over two things I
6 think have been mentioned. One is ownership. If the
7 reductions are seen at a power plant because you produce
8 less electricity because of the shade benefits, presumably
9 the power plant operator has some claim on those
10 reductions. And we need to work that out between the
11 party that planted the trees and the power plant. Similar
12 with the livestock and the generation of renewable energy
13 there. And I think that's not an insignificant issue.

14 The other is it's very difficult to quantify what
15 a power plant did ramp down because of the tree planting
16 program and actually get to a very good solid number that
17 says these are the emission reductions that occurred as a
18 result of this shading. Given that we are on a broad grid
19 based system, we're not quite certain where those power
20 plant reductions are seen.

21 ACTING CHAIRPERSON RIORDAN: Gary, before you
22 transition to whatever your next statement is going to be,
23 Paul, I'm going to use the Chairman's prerogative, because
24 the Climate Action Registry is very important. And his
25 response is extremely important to those issues that were

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1 raised. So just starting back at three minutes and give
2 him three minutes for his presentation.

3 MR. GERO: I appreciate that. Otherwise, I would
4 have had 16 seconds left to go through.

5 I can say Mr. Eslinger did an excellent job
6 summarizing what is in the protocols and how they were
7 developed. So I will keep my sort of broader comments
8 more general.

9 One, let me just say that standards themselves
10 are important and we recognize that. Everything we do in
11 drafting these standards is done in an open public
12 transparent process. We use what we consider a concentric
13 ring model where we bring in a group of experts to form a
14 working group that has people from all sides, industry,
15 environmentalists, regulators, academics.

16 We at the Registry don't write protocols. We
17 facilitate the writing of protocols in this work group
18 process. We then concentric ring that out to broader
19 stakeholder groups, ultimately to the public as a whole.
20 And unlike most nonprofits, our Board meets in public
21 session. And in fact when these protocols were adopted by
22 our Board, we had members of the public come and address
23 our Board. I think that's unique in a nonprofit world.
24 So the point being that everything we do is driven in sort
25 of a rulemaking or regulatory process, even though it's a

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1 voluntary program or a nonprofit.

2 The standards are just one part of it though.

3 And the second and third parts of that are ensuring those
4 standards are actually met, and that's where we've
5 developed a very robust verification program. We train
6 and accredit and oversee independent third-party
7 verifiers. We're moving to partner with the American
8 National Standards Institute and The Canadian Standards
9 Association to ensure our verifiers meet international
10 standards organization guidelines so our credits can be
11 recognized more broadly.

12 And the third piece, and it's one that Dr.
13 Wallerstein talked about as well, has to do with the
14 actual registration and tracking. Last year, we launched
15 the Climate Action Reserve, which is a software program
16 that provides a unique serial number for every credit and
17 then tracks its transaction over time to the point of
18 retirement where it's locked away forever.

19 As we talk about integration and cooperation, the
20 California Registry would be pleased to work with the
21 State of California and the air districts to ensure that
22 there isn't a patchwork of these kinds of programs. We
23 think we can provide that infrastructure and we are today.

24 As my time is wearing down, I just want to say
25 that we're very proud of the collaboration that we've

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1 undertaken for all three of these protocols. The local
2 government, we've brought in a lot of partners. You can
3 see we had ICLEI and others, the Climate Registry and the
4 ARB of course.

5 The Urban Forest Protocol was really lead for us
6 by United States Department of Agriculture Forest Service
7 Center for Urban Forest Research. Dr. Greg McPherson, who
8 will address you, lead a two-year process, very intensive
9 stakeholder input. We think that that was important and
10 led to the credibility.

11 And the livestock as well. We brought in
12 agricultural interest, regulators, academics,
13 environmentalists to develop in these in an open, public,
14 transparent way consensus based so they can be used by
15 everybody.

16 I'm out of time. I will be happy to answer any
17 other questions you have about the Registry or these
18 protocols. But we appreciate your attention today. Thank
19 you very much.

20 ACTING CHAIRPERSON RIORDAN: Are there any
21 questions for this speaker? Thank you for appearing
22 today.

23 For the Board members, while Mr. McPherson is
24 coming up, let me just comment. You may have heard that
25 Gary twice to mention the California Climate Action

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1 Registry is now a nonprofit. Just to remind the Board, it
2 was originally created by legislation and it was this kind
3 of quasi-state/private partnership.

4 It has evolved I guess is a good word. It has
5 evolved and now is a nonprofit, but a very important first
6 step. I participated on the Board a long with Cindy Tuck
7 and what I thought was most important was that those who
8 stepped out, those businesses or local governments or
9 whomever were given credit for that stepping out and to do
10 something about reducing their carbon footprint and with a
11 whole host of other issues. But that was my clear vision
12 of what the Registry was so good at doing.

13 And so I want to say thank you for helping in the
14 transition, because the State now we're involved so much
15 as the Air Resources Board in the implementation of AB 32.
16 And we thank you for the collaboration that was provided
17 early on and will continue with your organization. And
18 I'm just proud that you all have now gained your
19 independence as a nonprofit. Thank you.

20 MR. GERO: Thank you very much. And for your
21 leadership when you served on our Board. We certainly
22 appreciated it.

23 ACTING CHAIRPERSON RIORDAN: Mr. McPherson.

24 MR. MC PHERSON: Well, good morning. Thank you
25 very much for the opportunity to speak here.

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1 My name is Greg McPherson. I work for the US
2 Forest Service, Director for the Urban Center for Forest
3 Research in Davis, California.

4 I thought I would start with Joyce Kilmer poem,
5 "I think I shall never see a heat pump as lovely as a
6 tree."

7 On behalf of the Forest Service, enthusiastically
8 support adoption of this protocol. And it was a privilege
9 and an honor for me to lead the development of the Urban
10 Forest Protocol.

11 I think it's going to provide guidance that will
12 result in quality offsets, carbon reduction tons that are
13 real, that are verifiable, that are additional, and that
14 are permanent, and that allow room for innovation and new
15 ideas.

16 I think it's going to raise the bar for urban
17 forestry. The focus will shift from tree planting to tree
18 stewardship and to performance of the tree. If a tree
19 isn't providing a metric ton of carbon sequestration every
20 decade, someone is going to know about it and they're
21 going to want to do something about it. And that's a good
22 thing.

23 I think it is going to set the stage for large
24 scale investment in urban tree planning and stewardship
25 projects. And more trees in our cities are not only going

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1 to help protect our climate, but they have the potential
2 to attract people back to cities to make them better
3 places to be.

4 Well, how many trees do we need in California?
5 The population of the state is expected to grow by ten
6 million people from 38 to 48 million by 2030. Right now,
7 we have about five trees per capita. So in the next 20
8 years, we need to plant 50 million trees just to keep up
9 with growth of our population.

10 We calculated 50 million trees in California
11 would reduce carbon emissions by about six million metric
12 tons per year: Four million for sequestration, two
13 million associated with the reduced emission from energy
14 conservation. So that's about four percent of the Climate
15 Action Team target. So it's a significant potential
16 there.

17 Of course, tree planting is not the silver bullet
18 for climate change problems. And there is no silver
19 bullet. It's just silver buck shot. So I see those 50
20 million trees as little BBs that are points of shade that
21 are acupuncture needles that can heal our city that are
22 sponges that can clean our air and reduce runoff and
23 apartment houses for wildlife. And they can be
24 functioning a solar power biotechnology that's working
25 24 hours a day to make our cities more livable.

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1 So you have a one-page handout that explains what
2 this means to the lay person. And I just wanted to say I
3 welcome continued collaboration with ARB, the Registry,
4 CAL Fire, which funded this. And, you know, we want to
5 try to do the research that's fundamental to having more
6 trees, healthier trees in our communities, because it's
7 imperative to our survival.

8 ACTING CHAIRPERSON RIORDAN: Thank you, Mr.
9 McPherson.

10 Ms. D'Adamo.

11 BOARD MEMBER D'ADAMO: Just wondering what sort
12 of outreach you do to help move cities along that perhaps
13 view trees as a nuisance?

14 MR. MC PHERSON: Well --

15 BOARD MEMBER D'ADAMO: With limited budgets, I
16 hear oftentimes public works directors and those that are
17 responsible for tree maintenance that it's just such a
18 hassle to have to deal with the leaf pickup and the
19 pruning, the maintenance requirements.

20 MR. MC PHERSON: So actually we do research that
21 quantifies benefits and costs of trees. For example, we
22 found that shade over the streets actually reduces the
23 rate at which streets need to be re-paved, you know,
24 because it reduce evaporation of the binder in the
25 asphalt.

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1 Most public works people don't like trees because
2 of the reasons you mentioned. But if it can reduce the
3 need for resurfacing, that can save them money. So we
4 tried to -- unfortunately, our society, money talks. And
5 we have to try to quantify in financial terms some of the
6 services that these trees provide so they can be accounted
7 for in decision making.

8 ACTING CHAIRPERSON RIORDAN: Any other questions?

9 Thank you very much.

10 Ms. Gretchen Hardison.

11 MS. HARDISON: Good morning. My name is Gretchen
12 Hardison with the City of Los Angeles Environmental
13 Affairs Department, Environment L.A.

14 My comments address the local government
15 operations protocol. Some of my colleagues and I at City
16 of Los Angeles who were fortunate enough to be
17 participants in the work group to help develop this
18 protocol. And we do appreciate that opportunity to be
19 involved from the ground up. We were able to discuss a
20 number of our operations and how those apply to the
21 inventory process.

22 It became apparent during our work group meetings
23 the wide range of services that local governments in
24 California and other states provide and how difficult it
25 is to compare our services from one city to another.

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1 For example, the City of Los Angeles and many
2 others provide a lot of our services including street
3 sweeping and trash collection from our own in-house staff
4 and from operations and vehicles that we own. Thus, we
5 own those greenhouse gas emissions.

6 The city is especially supportive then of the
7 reporting template format that was developed through this
8 process that allows the cities to report the various
9 components of our inventory separately. For example, we
10 have a box to identify building energy use, energy used
11 from street lights in the transportation fuels and the
12 related emissions from our various vehicle fleets.

13 And those boxes allow us to set the context for
14 those emission numbers and to indicate the number of
15 vehicles using that amount of fuel, producing that amount
16 of emissions.

17 At the conclusion of the process, a new total box
18 was added to this format. And while it seems minor,
19 boiling these emissions categories down to one single
20 number for many cities ignores the context of those and
21 how those emissions are generated.

22 I would like to say we are very supportive of
23 your adoption of this protocol today. But we hope to
24 continue to work with your staff and the CCAR staff to
25 minimize any misleading comparison that might be made in

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1 using any single total number.

2 I would also like to very quickly thank Mayor
3 Loveridge for his previous comments and lend our assurance
4 as well as that many local governments are deeply engaged
5 in the discussions about climate change and how we can
6 incorporate these things into our land use planning and
7 other planning processes. We have a great deal of
8 experience in the smart growth planning, transportation
9 plans, and provision health service. And we look forward
10 to being able to bring those to the debate. Thank you
11 very much.

12 ACTING CHAIRPERSON RIORDAN: Thank you.

13 Any questions for this speaker? Thank you very
14 much.

15 Tom Larson. And Tom will be followed by Jill
16 Whynot.

17 MR. LARSON: Madam Chair and Board, thank you for
18 the opportunity to speak on behalf of the protocol which I
19 support. I also want to endorse Tree People's letter and
20 of course the speakers before me and their presentation.

21 I'm a principle of DUDEK & Associates, an
22 environmental and engineering firm out of Encinitas. My
23 residence is in Santa Ana. We've had the opportunity for
24 many, years and personally to work with many
25 municipalities, many corporations, many school districts

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1 on urban forestry, landscape issues, also with the
2 Southern California Edison, Pacific Gas and Electric on
3 shade tree energy conservation issues, and also
4 Metropolitan Water District and their drought and
5 landscape water programs. So I come I think with a great
6 deal of experience.

7 And I would like to make a couple of
8 recommendations that the protocol should include. And
9 number one, right now the protocol encourages
10 participation only by municipalities, utilities, and
11 educational campuses.

12 As Dr. McPherson said, there are a number of
13 trees that are required in California to address and
14 mitigate these greenhouse gases. But a large number of
15 volunteer organizations that are specializing in local
16 tree planting projects have not been included. I
17 certainly would like to see those be included, because
18 they do such marvelous work. They're tied into the great
19 research. And those are organizations that plant the
20 right tree in the right place that achieve a tremendous
21 amount of benefits, but also have a major reduction in the
22 maintenance issues that the public works and so forth
23 people are concerned about. So these are organizations
24 that really know how to get things done.

25 Moreover, corporations now and the development

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1 industry are very concerned about these issues. They're
2 looking for towards green building, LEED qual
3 certification, build it green, smart growth types of
4 activity. I work with a great deal of the developers, and
5 they are also left out of the reporting. I think they
6 also should be included, because they are addressing these
7 issues in their own developments.

8 Lennar is a good examples. I'm presently working
9 with them on many of their large developments, and they
10 are really factoring in the importance of trees in their
11 green building programs and the sequestration of carbon
12 and the shading and the multitude of other benefits. And
13 also requiring that in the future landscape management of
14 these trees that they maintain a certain level of quality
15 to continue to achieve these benefits as they develop.

16 So our recommendation is certainly to include
17 nonprofit groups, corporations, school districts, et
18 cetera, in this program.

19 Some passing information has been shared on other
20 benefits. Many of these benefits can be quantified, but
21 they haven't had the research money to do so. And we see
22 this in our own engineering firms with our hydrologists
23 and how stormwater conveyance systems can be reduced as a
24 result of tree cover canopy cover which reduces stormwater
25 flows, intercepts those kinds of things. So there is a

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1 significant economic benefit to a development when these
2 kinds of things can be reported.

3 So, lastly, I would just like to encourage more
4 of the -- in the Registry and the CARB's other greenhouse
5 gas benefits to be included, even though they haven't been
6 quantified and so forth.

7 So those are my recommendations.

8 ACTING CHAIRPERSON RIORDAN: Thank you VERY much.

9 Staff, if you want to comment while Ms. Whynot is
10 coming up.

11 DEPUTY EXECUTIVE OFFICER TERRY: Just a quick
12 comment. There are many opportunities to account for the
13 benefits of trees apart from this protocol. This protocol
14 has been established with this very consistent structure
15 from an international perspective while their voluntary
16 credits are certainly on the mind of people investing in
17 these projects. So we're trying to hold to a very high
18 standard of long term accountability and permanence.

19 With that said, we talk a few moments ago about
20 CEQA threshold and imbedded in the CEQA process are
21 mitigation and opportunities. And so I think that we'll
22 be talking more about this issue when we talk about CEQA
23 mitigation and opportunities for things like these that
24 can be built into projects and be considered best
25 practices and so on. So there's a lot more to come on the

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1 tree issue.

2 ACTING CHAIRPERSON RIORDAN: Thank you.

3 Ms. Whynot.

4 MS. WHYNOT: Good morning. My name is Jill
5 Whynot, Director of Strategic Initiatives here at South
6 Coast AQMD. I'm here today to offer the AQMD staff
7 support for adoption of these protocols. It especially
8 relates very well to the discussion today regarding Dr.
9 Wallerstein's presentation and some of the questions about
10 how can we help local governments. How can we get them to
11 engage and to do the right thing towards climate change.
12 So the local government protocol especially will be a very
13 helpful tool. It's a very good start so that cities and
14 other entities can look at what their carbon footprint is.
15 And once they do that step, then they have the tools they
16 need to start looking at what mitigations are available
17 too them and what best practices would make sense for
18 their agency. So just wanted to offer our support on a
19 job well done. Thank you.

20 ACTING CHAIRPERSON RIORDAN: Thank you.

21 Board members, that concludes the speakers.

22 Staff, do you have any conclusion?

23 EXECUTIVE OFFICER GOLDSTENE: I'd like to thank
24 the staff. While Kevin Eslinger gave the presentation
25 this morning, there were three staff who worked on the

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1 three different protocols. Kevin worked on the manure
2 digester protocol. Dana Papke who's here worked on the
3 local government protocol. And Klaus Scott worked on the
4 urban forestry protocol. As you're learning today, all of
5 these have their own issues and complexities and
6 subtleties. Also Webster Tasat, their manager deserves a
7 big thanks as well.

8 ACTING CHAIRPERSON RIORDAN: Thank you, Mr.
9 Goldstene.

10 Board members, this is not a regulatory item, so
11 there is no real need to officially close the record. But
12 I am going to bring the discussion to a close.

13 There is a resolution before us. Have you had an
14 opportunity to look at it and --

15 BOARD MEMBER D'ADAMO: Move adoption.

16 BOARD MEMBER HILL: Second.

17 ACTING CHAIRPERSON RIORDAN: I believe I heard a
18 second.

19 Any further discussion?

20 Hearing or seeing none, let me ask all those in
21 favor say aye.

22 (Ayes)

23 ACTING CHAIRPERSON RIORDAN: Opposed no.

24 The motion passes, which is to adopt the
25 Resolution 8-37.

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1 It is approximately between quarter of and ten
2 of. I would like to take about a 20 minute break. And so
3 I'll use this clock. Let's return at ten after 12:00 and
4 we will conclude with the final item and public comment.
5 So let's adjourn briefly for 20 minutes, and we'll return
6 at ten after 12:00.

7 (Thereupon a recess was taken.)

8 ACTING CHAIRPERSON RIORDAN: We will deal with
9 Agenda Item 08-8-7.

10 This regulation is the first step in the
11 implementation of AB 118, which created new incentive
12 programs administered by ARB and the California Energy
13 Commission. The goals of these programs are to fund air
14 quality and greenhouse gas improvement projects and
15 develop and deploy technology and alternative and
16 renewable fuels.

17 Staff has been working closely with the Energy
18 Commission on these guidelines which lay out the analysis
19 that both funding agencies will need to do to ensure that
20 projects funded under AB 118 compliment and do not
21 interfere with California's existing air quality programs.

22 Mr. Goldstene, would you please introduce this
23 item?

24 EXECUTIVE OFFICER GOLDSTENE: Thank you, Madam
25 Chairman.

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1 AB 118 creates three new incentive programs
2 providing that \$200 million in annual funding through 2015
3 to programs administered by ARB, the California Energy
4 Commission, and the Bureau of Automotive Repair. The
5 programs administered by ARB and the Energy Commission will
6 fund air quality and greenhouse gas improvement projects
7 and develop and deploy technology and alternative and
8 renewable fuels to help attain California's climate change
9 policies.

10 AB 118 includes a unique provision which directs
11 ARB to develop guidelines which ensure the projects funded
12 by ARB and the Energy Commission's program complement and
13 do not interfere with California's existing air quality
14 programs.

15 The regulation you'll consider today is limited
16 in scope to these air quality guidelines. Staff will be
17 returning in spring next year for Board consideration on
18 guidelines and funding priorities for the air quality
19 improvement program administered by ARB.

20 The proposed guidelines set standards that ARB
21 and the Energy Commission will use to initially evaluate
22 potential projects for incentive funding and are designed
23 to screen out projects that would interfere with existing
24 air quality programs. Criteria pollutants, toxic air
25 contaminants, and greenhouse gases will be considered in

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1 I will then present an overview of staff's
2 proposed AB 118 air quality guidelines.

3 Finally, I will present our recommendations.

4 --o0o--

5 MR. PANSON: Governor Schwarzenegger signed AB
6 118 into law last October. As Mr. Goldstene notes, this
7 legislation provides about \$200 million annually for three
8 new programs to fund alternative and renewable fuels,
9 clean vehicles, and clean equipment in order to improve
10 air quality and reduce greenhouse gases.

11 AB 118 compliments the successful incentive
12 programs which ARB has been running for the past decade.
13 This legislation provides greater flexibility in
14 implementing these new programs. This will give us the
15 opportunity to fund a broad array of emerging technologies
16 that don't fit within our existing incentive programs.

17 This funding will help develop and commercialize
18 the next generation of clean fuels, vehicles, and emission
19 controls needed to meet California's air quality
20 challenges.

21 --o0o--

22 MR. PANSON: Now for a little more detail on each
23 of these new programs.

24 The alternative and renewable fuels and vehicle
25 technology program will be administered by the California

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1 air quality standards and to reduce toxic air contaminant
2 emissions. And two: The programs maintain or improve
3 upon the emission benefits in the State Implementation
4 Plan and California's clean fuels regulations.

5 We refer to these as the air quality or
6 anti-backsliding guidelines. Today's proposal focuses
7 exclusively on a regulation that would meet this
8 requirement. Guidelines for broader program
9 implementation as well as funding decisions are beyond the
10 scope of today's proposal and will be addressed at future
11 Board meetings. However, I want to touch briefly on these
12 other program elements in order to provide context for
13 today's Board action.

14 --o0o--

15 MR. PANSON: Four additional rulemakings are in
16 process, two of which will be considered by the Energy
17 Commission and two of which will be considered by the
18 Board.

19 The Energy Commission is developing an investment
20 plan which will outline the funding priorities to guide
21 its investment decisions. The Commission is also
22 developing regulations which clarify the enabling statute
23 and provide the framework for implementing the program.
24 Once these pieces are in places, the Commission plans to
25 solicit projects starting next spring.

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1 second set of projects evaluation are beyond the scope of
2 today's proposal.

3 For this air quality analysis, the emissions of
4 each potential fuel or vehicle technology project would be
5 compared to the emissions of a base line fuel or vehicle
6 technology. The project would be eligible for
7 consideration if its emissions are less than or equal to
8 that of the base line. Criteria pollutants, toxic air
9 contaminants, and greenhouse gases would all be
10 considered.

11 The enabling statute requires the guidelines to
12 address criteria pollutants and toxics only, but we are
13 proposing to include greenhouse gases as well to ensure
14 that this program compliments the State's efforts to meet
15 its greenhouse gas reduction targets.

16 We are proposing that the evaluations incorporate
17 a full fuel cycle analysis so that all potential air
18 quality impacts are considered. Specifically, the
19 analysis would incorporate the same analytical tools which
20 will be used to demonstrate compliance with ARB's low
21 carbon fuel standard, which is currently under development
22 and scheduled to be considered by the Board in early 2009.
23 This means using the updated model and an analysis of
24 indirect land use impacts.

25 We believe it is important to use consistent

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1 analytical methodology between these closely related
2 programs.

3 --o0o--

4 MR. PANSON: A wide range of project types are
5 potentially eligible for funding under AB 118. These
6 guidelines apply to all potential projects. However,
7 certain projects do not have direct air quality impacts
8 and would be excluded from the more detailed requirements.
9 These include workplace training, small scale
10 demonstration projects, and research.

11 Over the next several slides, I'll summarize the
12 analysis that would be required for the vehicle,
13 equipment, fuel, and infrastructure projects.

14 --o0o--

15 MR. PANSON: For clean vehicle and equipment
16 projects, these guidelines would require the funding
17 agency to do a two-step analysis.

18 The first step is to compare the emissions of the
19 new vehicle or equipment with that of the base line, the
20 same approach that is used in the Carl Moyer program.

21 The second step is only necessary for projects
22 where the base line and replacement vehicles use different
23 fuels. The fuel pathway emissions are compared on a full
24 fuel cycle basis to ensure no disbenefit due to upstream
25 emissions.

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1 In addition, we have included provisions for
2 emerging technologies in recognition of the fact that
3 these programs are intended to fund innovative
4 technologies that may not be certified or verified. This
5 provision allows for applicants to provide a weight of
6 evidences approach to demonstrate emission reductions.

7 --o0o--

8 MR. PANSON: Now I'll describe the procedures for
9 evaluating fuel and infrastructure projects. These types
10 of projects can be considered under the Energy
11 Commission's program only. The AQIP does not include
12 authority for ARB to fund fuel projects. We are proposing
13 a three-step evaluation.

14 The first requirement is an analysis comparing
15 the emissions of the proposed fuel to those of the diesel
16 or gasoline reference standard on a full fuel cycle basis
17 to ensure no emission disbenefit. Second, a fuel would
18 need to comply with all applicable fuel specifications if
19 one exists, which ensures that the fuels comply with the
20 existing state regulations.

21 --o0o--

22 MR. PANSON: Finally, since it is likely that
23 most fuel projects will include construction of
24 infrastructure, the third step requires that projects
25 comply with all the applicant of local, state, and federal

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1 or equal to those of the base line in order to limit the
2 magnitude of any trade offs.

3 In addition, a supplemental analysis of the trade
4 offs must be publicly vetted to ensure transparency and
5 allow public comment.

6 Some stakeholders have requested additional
7 provisions. In response, we are proposing two
8 modifications to our initial proposal.

9 First, we propose that if the Energy Commission
10 choose to utilize this flexibility provision, it conduct
11 the required supplemental analysis in consultation with
12 ARB.

13 Second, we are proposing to extend the public
14 comment period on the analysis from ten days to 30 days.
15 With these changes, we believe the proposed level of
16 flexibility is appropriate. It provides the opportunity
17 to spur the development of groundbreaking technologies
18 needed to meet our 2050 climate change goals, while
19 ensuring the air quality benefits in the SIP are
20 maintained. We expect that the projects requiring this
21 flexibility would be the exception rather than the norm
22 and these provisions would only be used in a few cases.

23 --o0o--

24 MR. PANSON: Earlier, I referred to the fact that
25 the proposed regulation would require use of the

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1 California's existing air quality program.

2 The proposal also incorporates an appropriate
3 level of flexibility so that we do not unintentionally
4 limit our ability to fund innovative technologies. We
5 also recommend that when the Board considers the low
6 carbon fuel standard, it make an administrative revision
7 to this regulation to incorporate the applicable
8 provisions.

9 Thank you. That concludes my presentation. We
10 would be happy to answer any questions.

11 ACTING CHAIRPERSON RIORDAN: Thank you. If you
12 would remain there, I'm going to have the Ombudsman's
13 office make their comments. And then we will open it up
14 to questions from the Board prior to the persons wishing
15 to speak under the public comment period -- not public
16 comment. This is just the comments on this particular
17 item.

18 Mr. Ombudsman.

19 MR. MARIN: Chairman Riordan and members of the
20 Board, this proposed regulation has been developed with
21 input from the California Energy Commission and various
22 environmental groups.

23 Staff began their efforts to develop this rule in
24 February 2008. There have been two public workshops held
25 in Sacramento this year, one on April 2nd with about 50

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1 attendees and the second on June 20th with 20 attendees.

2 Both workshops were webcast.

3 Staff also held several meetings with
4 environmental groups and conducted ongoing meetings with
5 the California Energy Commission.

6 The staff report was released for public comment
7 on August 8, 2008 and sent to over 12,000 people on
8 several list serves. In addition, the notice was also
9 sent to the California Energy Commission's alternative
10 fuels list serve on August 13th, 2008. Thank you.

11 ACTING CHAIRPERSON RIORDAN: Thank you.

12 Board members, are there any questions for staff
13 at this point in time?

14 Seeing none, let's move on then -- oh, yes.
15 Dr. Sperling.

16 BOARD MEMBER SPERLING: In this presentation, it
17 seems like all the guidelines are more screening about
18 what's in a sense not allowed. But I don't get a sense
19 of, you know, what is favored.

20 MR. PANSON: That's a good question. And as I
21 said during my presentation, we've accelerated the
22 consideration of these guidelines to try to line up with
23 the Energy Commission's schedule. So you're seeing the
24 first half, which is the screening out of the bad
25 projects. You're not seeing the screening in of the good

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1 projects or the projects we want to fund. And the statute
2 gives pretty clear guidance on the types of things that
3 should be funded. It's a broad list of alternative and
4 renewable fuels or clean fuels, clean vehicles, and
5 equipment.

6 And statute includes for the Energy Commission's
7 program eleven criteria that the Energy Commission should
8 be using to give preference to the types of projects it
9 should fund, things likes, you know, the projects role in
10 furthering our progress towards climate changes emissions,
11 preference to projects that get at least ten percent
12 greenhouse gas emissions, preference to projects that you
13 have reduced criteria pollutants and air toxics as well,
14 and things that further the ability to develop alternative
15 and renewable fuels.

16 Similarly, statute provides -- on the ARB program
17 gives direction for the four criteria that we should be
18 using to consider when evaluating projects. And those are
19 reductions of criteria air pollutants and toxics, cost
20 effectiveness, contribution to regional air quality
21 improvement, and ability to aid in the getting alternative
22 and renewable fueled vehicles out there. So you're seeing
23 just the first half today.

24 Does that give you more of a favor?

25 BOARD MEMBER SPERLING: You just told me a lot of

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1 things, and I'm not quite sure it all registered.

2 So we are going to see at some future time what
3 these decision criteria are and the weighting of the
4 factors?

5 MR. PANSON: Yes. And that's -- I had a slide
6 laying out the schedule. And we're planning to bring next
7 spring what we're calling the air quality improvement
8 program guidelines, which is our regulations --

9 EXECUTIVE OFFICER GOLDSTENE: Slide six.

10 MR. PANSON: That's our regulation that will say
11 how we're going to administer the program. And it's going
12 to lay out, you know, how we make funding, how we
13 prioritize the types of projects we want to fund each
14 year, how we administer the program, how we develop
15 project solicitations, how we score and evaluate the
16 projects. So all that detail is going to come next
17 spring.

18 BOARD MEMBER SPERLING: So today all we're voting
19 on is what projects are not eligible.

20 MR. PANSON: Do no harm essentially.

21 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: If I
22 can just add one thing, Dr. Sperling. The common
23 vernacular for this is called the anti-backsliding
24 regulation.

25 And I guess the idea in the bill is to make sure

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1 that since there are multiple objectives for this funding,
2 including the part that's in the Energy Commission, that
3 the proponents of the bill wanted to make sure in trying
4 to achieve things like fuel diversity and other objectives
5 like that that we didn't do that at the expense of higher
6 pollution. So that's where the anti-backsliding came.

7 And the Energy Commission's process, which you
8 won't see, is being governed in part by an advisory board,
9 and the ARB is on that advisory board. And they're
10 developing this investment plan. The investment plan
11 basically says what you can do, what they would encourage
12 applicants to do to further the goals of the bill. And
13 then our guidelines for the smog part will come back to
14 the Board in the spring. So it is this three parts. But
15 this is the kind of negative one by design of the statute.

16 ACTING CHAIRPERSON RIORDAN: Yes, Ms. Berg.

17 BOARD MEMBER BERG: Thank you.

18 I just wanted to make sure that I understand. On
19 AB 118, the bill itself was geared towards criteria
20 pollutants, and we added the greenhouse gas as part of our
21 overall co-benefits?

22 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: No.
23 The bill's genesis was greenhouse gas reductions. And
24 during the process of the bill being debated, it had added
25 into it an element of smog reduction. There was a lot of

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1 debate about how much money should be in which pot.

2 But as it ended up, the biggest chunk of money is
3 on alternative fuels, and with the goal of greenhouse gas
4 reductions -- one of the main goal being greenhouse gas
5 reductions.

6 And so the anti-backsliding part was put in I
7 think, as I said before, just to make sure that in
8 achieving these goals of alternative fuels we didn't do
9 something that took us backwards on smog.

10 We added in -- ARB added into these guidelines
11 under our general authorities that we thought you should
12 shouldn't backslide on greenhouse gases either. The bill
13 does not require us to put that in there. But that's a
14 staff recommendation if we're not going to backslide on
15 smog, we shouldn't fund projects that increase greenhouse
16 gas either.

17 BOARD MEMBER BERG: Appreciate the explanation.

18 ACTING CHAIRPERSON RIORDAN: Thank you very much.

19 We'll move forward with our speakers. Michael
20 Wang followed by Bonnie Holmes-Gen. And Bonnie's going to
21 be followed by Joe Blackburn.

22 MR. WANG: Good afternoon. Mike Wang with WSPA.
23 Thank you again for allowing me to speak.

24 The discussion that we've heard this morning and
25 again this afternoon emphasizes the extraordinary

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1 complexity of this issue. We have submitted written
2 materials that I direct your attention to them in your
3 booklet. But I'll try to highlight the three issues for
4 you consistent with your discussions just a moment ago.

5 One is consistency with respect to especially
6 decision criteria; prioritization of the types of projects
7 that would be undertaken; and then a discussion in a
8 little more detail about the life cycle analysis.

9 First, we recognize these are guidelines and that
10 the guidelines will apply to both the ARB and the CEC
11 portions of the program. Nonetheless, I think it's
12 important that we ensure that the guidelines are
13 consistent, workable, and the decisions are made that do
14 not result in unintended consequences and in fact are done
15 in an unbiased and totally open manner.

16 In other words, all projects should be evaluated
17 under the same criteria. It doesn't really matter -- it
18 shouldn't matter that petroleum refiners or producers are
19 involved or submit projects. All projects whether they're
20 petroleum producer are non-producers alike should be able
21 to be eligible for these projects.

22 Second, we believe the criteria should be
23 scientifically correct and that the prioritization stand
24 the rigor of environmental and air quality improvement.

25 And finally a little more detail. We do agree

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1 that the use of a full fuel cycle analysis approach is
2 important. However, we think we need to wait until the
3 ARB and EPA completes their update of the life cycle
4 analysis.

5 Use of the older model as I think I've heard the
6 staff suggest could create a problem if indeed you start
7 choosing projects or identifying projects that are one
8 model and all of a sudden you update it. And you find out
9 you may have a difference in direction or approach.

10 So we would suggest that perhaps use of the most
11 current model and allowing for some time for the
12 development of the full fuel cycle analysis would benefit
13 all, because then you getting a consistent decision
14 pattern in your projects. Thank you.

15 ACTING CHAIRPERSON RIORDAN: Thank you very much,
16 Mr. Wang.

17 Bonnie Homes-Gen, followed by Joe Blackburn and
18 Barry Wallerstein.

19 MS. HOLMES-GEN: Good afternoon. Thank you,
20 Madam Chair, Board members, for the opportunity to speak.
21 I'm Bonnie Homes-Gen with the American Lung Association of
22 California.

23 And I first wanted to say that the 118 program is
24 a very exciting program. It's over \$200 million a year
25 available from alternative fuels to air quality projects.

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1 And we supported this program and we think it's incredibly
2 important. But we also think your role, the Board's role
3 is incredibly important in ensuring these projects are not
4 going to make it harder for the State to achieve our air
5 quality goals and not going to exacerbate problems in
6 local communities. And the Legislature put language in
7 118 to very specifically give ARB the watchdog role to
8 make sure these fuels projects and air quality projects
9 are not going to cause these problems.

10 We want to say we appreciate the work that's been
11 done, a tremendous amount of staff time and effort. And
12 we have had a lot of meetings with the staff over these
13 guidelines, and we appreciate their accessibility and some
14 of the adjustments that are being proposed to the
15 guidelines today.

16 But just want to get back to that these are very
17 important -- ARB is sending important market signals that
18 fuels we are going to be supporting with these funds
19 should be consistent with strong air quality protections
20 and sustainable fuels.

21 So just getting to some of the specifics here.
22 What these guidelines do essentially is set up -- it
23 enables an offset program for some of these projects. It
24 says that the goal is not to backslide, but we are going
25 to allow for some projects -- there to be an increase in

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1 criteria pollutants or toxic emissions if those emissions
2 are offset.

3 Although it's couched in the discussion as only
4 in a limited number of a few instances, you know, part of
5 my concern is that it doesn't say anything in the
6 regulatory language about limited or few or just small
7 number of instances. It just talks about basically the
8 process that has to be undertaken. So it doesn't limit
9 the number of times this supplemental analysis could be
10 used to enable projects that have increased smog-forming
11 or toxic emissions.

12 We think there should be more limitations on the
13 use, more restrictions on the use of these offsets,
14 because the whole goal of this program should be to
15 reducing the pollutants, to be promoting the State's
16 effort to achieve air quality goals.

17 So let me just quickly run through our other
18 comments very quickly.

19 We believe that ARB should be required to approve
20 any supplemental analysis that would essentially approve
21 an increase in criteria pollutants and toxic emissions.
22 Not just consultant, but development of the analysis
23 because ARB is the watchdog. This's what this legislation
24 says. So ARB should be required to approve the data.

25 There should be a specific public health analysis

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1 that talks about impacts analysis. It's not very clear
2 that there would be a public health analysis, especially
3 at the local level when these trade-offs are proposed.
4 And these guidelines don't specifically differentiate
5 between criteria air pollutant emissions and toxic air
6 emissions. So there could be an increase in toxic
7 emissions associated with the project locally. Well,
8 that's a huge concern.

9 ACTING CHAIRPERSON RIORDAN: Bonnie, you need to
10 conclude.

11 MS. HOLMES-GEN: There's so much to say here.

12 But I did want to pinpoint this issue of toxic
13 pollution emissions. They should be treated differently.
14 That increases are a huge concern for local communities.
15 And if we're going to allow projects with toxic emission
16 increases, there should be a higher level of mitigation
17 required or certainly more detailed public health
18 analysis.

19 ACTING CHAIRPERSON RIORDAN: Bonnie, thank you
20 very much.

21 Joe Blackburn.

22 MR. BLACKBURN: Hello. My name is Joe Blackburn.

23 I came to public comment period to speak to you
24 on another subject. But I've been running a biodiesel
25 rental car company in Los Angeles from March 2006 through

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1 the first of this year. It was a better business
2 proposition to sell these 40-mile-to-a-gallon cars than
3 continue the rental car business that was struggling in a
4 weak economy.

5 But any time you're running a motor vehicle fuel
6 and your exhaust smells like food cooking, you've got to
7 know in your gut you're doing something right.

8 So biodiesel is oxygenated and therefore puts out
9 50 percent of particulate emissions. The life cycle
10 carbon dioxide emissions are 78 percent less. A biodiesel
11 small Volkswagen emits a third life cycle the carbon
12 dioxide emissions as a Prius or a quarter of the Honda
13 Prius -- Honda Insight. So that's pretty much all I have
14 to say.

15 I do have a Volkswagen I'm willing to offer free
16 of charge to the Haagen-Smit laboratory. I know oxides of
17 nitrogen are an issue. Although that old husband's tail
18 that's out there about biodiesel emits more oxides of
19 nitrogen was debunked by the original scientist Robert
20 McCormick of the National Renewable Energy Laboratory as
21 an artifact of the test protocol that the engines were put
22 through on a bench and did not reflect real world driving
23 conditions. So that finding was released in October of
24 2007.

25 And I thank you for your time.

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1 --o0o--

2 MR. HOGO: -- which is dealing with session
3 2343(b)(2). And as staff mentioned, the guidelines as set
4 up is it as a two-step approach where any project that
5 does not have greenhouse gas benefits would not be
6 eligible for further consideration under the AB 118
7 funding.

8 Our concern is that if you look at this two-step
9 approach, the types of projects that have very significant
10 benefits relative to criteria pollutant emissions or local
11 toxic air contaminant reduction may not be considered for
12 this type of funding.

13 --o0o--

14 MR. HOGO: And we took a look at the potential
15 projects that could come in under the AB 118 funding
16 looking at electrification projects from lawn and garden
17 equipment to electric vehicles and looking at the
18 alternative fuel projects.

19 --o0o--

20 MR. HOGO: And we took a look to see what the
21 impacts of these different projects would be in terms of
22 their CEQA type of impact and also what their feedstock
23 would be in terms of the emissions associated with these
24 different projects and fuels.

25 And it's looking at the two-step approach, we

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1 find that eligibility can be uncertain depending on the
2 type of fuel and feedstock. And we had short discussion
3 with staff about that. And it's not clear at this time
4 what the impacts would be of each of the individual
5 projects.

6 --o0o--

7 MR. HOGO: What we aren't more sure of the way
8 the two-step approach is taken is the diesel fuel and
9 gasoline powered projects actually can meet both criteria.
10 And this is contrary to the intent of AB 118 relative to
11 reducing to use of petroleum fuels.

12 --o0o--

13 MR. HOGO: In addition, when we look back at the
14 Health and Safety Code, as staff mentioned, the guidelines
15 are to compliment and do not interfere with achieving and
16 maintaining air quality standards.

17 So we believe that having this two-step approach
18 actually set up the greenhouse gas as the overarching
19 criterion over the criteria pollutant and local air toxic
20 pollutants.

21 --o0o--

22 MR. HOGO: And similarly, the Air Resources Board
23 portion focused mainly on criteria pollutant and local air
24 toxics emissions.

25 --o0o--

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1 MR. HOGO: We do have a recommendation, and it
2 should be a minor enhancement to the air quality
3 guidelines. Instead of considering the two-step approach,
4 we look at all three pollutants at the same time. And a
5 ranking can be developed in order to score that.

6 And then if you look at all the projects together
7 and look at the benefits of each of the pollutants for the
8 region as a whole rather than on a project by project
9 basis, we can demonstrate meeting our air quality and
10 greenhouse gas goals.

11 And, lastly, we still continue to put heavy
12 emphasis on local air toxic reduction.

13 Thank you.

14 ACTING CHAIRPERSON RIORDAN: Let me just -- so I
15 can sort of do this in an organized way. Let me
16 understand.

17 Mr. Wallerstein, are you going to then elaborate
18 on what he has said? Because I'm going to have the staff
19 respond. And I think it's better to hear both of your
20 presentations and then have staff respond to the two
21 presentations, if that's okay.

22 MR. WALLERSTEIN: I'm going to be very brief.

23 First, I want to fall on the sword on behalf of
24 my staff. We brought this up very late to your staff,
25 just yesterday afternoon. And we didn't notice it until

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1 then. So we recognize we're late in the game. And we're
2 raising this and we wouldn't be raising it except we do
3 think it's a significant issue.

4 And I also want to assure the Board we're not
5 proposing the barn door be swung wide open for CO2
6 emissions, that we're not seeking to see 118 funding be
7 used on projects in a way that causes a significant
8 increase in CO2 emissions.

9 It gets down to your staff's presentation there
10 presentation there on this slide. As Henry was
11 mentioning, the way we read it, if there's one molecule,
12 one pound of CO2 increase, no matter what the mix of the
13 projects are as a whole in reducing CO2, that project
14 cannot go forward if it increases greenhouse gases by any
15 degree.

16 And we think you ought to give your executive
17 officer and yourself more latitude to look as you have on
18 the criteria pollutants where it is the entire package at
19 the amount of reduction. We're afraid you're going to
20 prohibit yourself at a future point as you get more
21 information from being able to approve some projects that
22 significantly reduce toxics, significantly reduce criteria
23 pollutants, help with the black box. But just have a very
24 minor to minute increase in carbon. So that's our pitch
25 and we would hope you would make that as a 15-day change.

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1 ACTING CHAIRPERSON RIORDAN: Let me -- and I
2 thank you. Let me now turn to staff for a response.

3 EXECUTIVE OFFICER GOLDSTENE: I'll ask Tom
4 Cackette to respond.

5 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: When we
6 looked at the purpose identified in the bill. Take the
7 Energy Commission's part that said, "To develop and deploy
8 innovative technologies that transform fuels and vehicles,
9 et cetera, to help attain the State's climate policies,"
10 that was the objective of the \$120 million piece.

11 We felt that given the Board's direction from our
12 Chairwoman before to try to integrate climate change goals
13 into our smog reduction goals that it was reasonably clear
14 to us a good policy choice would be to make sure that none
15 of the funding from this program goes to something that
16 would increase greenhouse gas emissions.

17 Now, if there are projects that do increase
18 greenhouse gas emissions rather than let this bill
19 completely throw them off the turf, there are other
20 programs like Moyer and some of the other funding programs
21 that don't have these criteria of having to reduce
22 greenhouse gases in them.

23 So we thought that makes more sense at least for
24 this pot of money given its stated goal we should be
25 putting in this greenhouse gas limitation and not funding

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1 projects that would increase greenhouse gases. So that
2 was kind of our -- the staff's interpretation of what the
3 policy might be. And that's what we're proposing to you.
4 Obviously, it's a policy call by the Board.

5 We also note in our thinking that the projects
6 that involve fuels with a life cycle that exceeds the base
7 line greenhouse gas emissions -- in other words, increases
8 greenhouse gas emissions, there might be an incentive
9 built in here to develop projects that would solve that
10 problem.

11 So, for example, if you have the situation -- I
12 think the one that really is at stake here where you have
13 liquefied natural gas. And it's trucked from a long
14 distance away. For that LNG, the preliminary look at the
15 life cycle analysis is that's not very good for greenhouse
16 gas emissions. So those projects -- it's possible those
17 projects wouldn't pass this criteria. The final
18 calculations on how this is done are not done yet.

19 But if they didn't -- one of the things you could
20 do of course would be to include in the project a way of
21 getting LNG from another source that's more local or
22 produced in a more effective way that reduces greenhouse
23 gas emissions. So the money -- this criteria would help
24 encourage that kind of project.

25 So those were kind of the three things that we

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1 looked at in deciding to propose to you that the no
2 project have an increase in GHG, while we left some
3 flexibility on the possibility of a project having a small
4 increase in non-greenhouse gas emissions. In other words,
5 smog reductions.

6 ACTING CHAIRPERSON RIORDAN: Board members, are
7 there any questions of staff at this point in time?

8 BOARD MEMBER HILL: Madam Chair, I guess my
9 question or concern is why aren't we allowing the same
10 flexibility that we are for the criteria pollutants? And
11 it seems to me that that would enable us to get the
12 greatest benefit because of the smallest amount of
13 flexibility that we're adding to that. It could equal in
14 terms of the entire package, as I think Dr. Wallerstein
15 was mentioning, could give us greater benefit all around
16 that we may lose or not be able to take advantage of by
17 following this.

18 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think
19 in part the reason staff felt we shouldn't do that comes
20 from the enormity of the challenge that greenhouse gases
21 and climate change poses. When we look out at the
22 Governor's 2050 type goal to see what kind of changes are
23 required in the transportation area, it means getting
24 fuels that have this enormously reduced greenhouse gas
25 carbon footprint. It means transforming our vehicle

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1 technology to two or three times higher efficiency.

2 Perhaps it means VMT reduction and things like that.

3 When we looked at how stunningly challenging that
4 is and we looked at the limited in terms of hundreds of
5 millions -- the amount of money, we really thought it
6 should be focused on stuff that will lead us down a
7 pathway that ultimately would get us to the 2050 goal. So
8 I think that was shaped. At least my thinking in why we
9 should have perhaps a more stringent criterion on the
10 greenhouse gas and not fund projects that go the opposite
11 way that increase greenhouse gases while giving some
12 flexibility on this one side. That was the thinking going
13 in. But again this is a policy issue that the Board would
14 have to decide.

15 ACTING CHAIRPERSON RIORDAN: Dr. Balmes.

16 BOARD MEMBER BALMES: Well, Tom, I appreciate the
17 enormity of dealing with the greenhouse gas emission
18 problem. And it does call for drastic action.

19 With regard to criteria air pollutants, I think
20 in general we have been on the right track in California
21 for a while. So I can see the logic in backsliding a
22 little bit on criteria air pollutants with the margins
23 here.

24 But I think Bonnie-Holmes Gen from the Lung
25 Association had a point about toxic air contaminants. I

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1 see less benefit in any kind of backsliding on toxics. I
2 mean, they're called toxic air contaminants and they're
3 not regulated the same way as you know as criteria
4 pollutants because they're highly toxic. And local areas
5 around a point source -- or for that matter, a motor
6 vehicle toxic emissions along freeways, you know,
7 people -- real people are impacted by toxics. So I guess
8 I had more problem with that on the part of the
9 backsliding.

10 ACTING CHAIRPERSON RIORDAN: Yes, Dr. Sperling.

11 BOARD MEMBER SPERLING: I think we're missing a
12 point in this discussion here. And it goes back to my
13 original concern. And that is all of these are just
14 basically screening criteria, you know, to get rid of
15 stuff that we don't want.

16 And presumably when we develop the decision
17 criteria that weight the different factors -- I mean only
18 on rare occasions would there be anything that does
19 anything but provide large reductions. In other words,
20 you know, this is all stuff with margin. This is not what
21 we're going to be funding I would hope.

22 And so I think what it really comes down to is
23 when we do see those decision criteria, the weighting
24 criteria, we pay a lot of attention to it so ensure none
25 of these concerns happen. And it's hard to imagine, you

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1 know, that we would have even any tiny bid of backsliding
2 once we do that. What we're looking for is big
3 improvements here.

4 And the other part is that I think from what --
5 Bonnie Holmes-Gen raised some questions. My sense is that
6 the staff proposal responded to just about all of them.
7 And maybe the one thing, you know, that the only question
8 is to what extent that was really formalized. I guess I
9 didn't read carefully through the resolution. But I think
10 the staff is responding to those concerns; is that right?

11 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, I
12 mean, we did provide flexibility. And she's basically
13 saying you shouldn't provide flexibility. And Dr. Balmes
14 is questioning whether we should have the flexibility on
15 the toxic side I believe. And there's kind of a variety
16 of opinions on this.

17 BOARD MEMBER BALMES: It did say that there would
18 be extra vetting for projects that would impact negatively
19 in terms of environmental justice criteria. So I think
20 that's what Dan meant. That there's an extra vetting
21 process for certain types of projects. And I applaud
22 that. And I think it does address the basic point that
23 Bonnie made.

24 But I still stand on the toxic air contaminants
25 are different in criteria pollutants.

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1 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And I
2 want the re-emphasize one thing. You will see the
3 guidelines for the ARB's part of \$50 million. You will
4 not be seeing the guidelines for the CEC's \$120 million
5 part of the project. That's one of the reasons why I
6 think they asked ARB to come and opine on guidelines that
7 would and regulation that would put the limits I guess on
8 all the money that's being spent and make sure it doesn't
9 increase pollution.

10 ACTING CHAIRPERSON RIORDAN: Let me make a
11 suggestion.

12 Dr. Wallerstein, thank you very much.

13 I'm going to move on to the next two speakers and
14 then I think we're going to have a full discussion. I
15 didn't mean to get off track here.

16 Anthony Fournier, and Aleecia Macias will be the
17 last speaker.

18 MR. FOURNIER: Good afternoon, Madam Chair and
19 members of the Board. My name is Anthony Fournier. I'm
20 grants program supervisor with the Bay Area Air Quality
21 Management District.

22 And I just want to start off today by
23 acknowledging the efforts of ARB staff and all those
24 involved in the development of the AB 118 guidelines.

25 My testimony today will be brief and essentially

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1 echo what you just heard from the South Coast Air Quality
2 Management District.

3 The Bay Air District is concerned that the
4 approach for project selection outlined in the guidance
5 document could potentially prohibit projects that would
6 achieve reductions in criteria pollutants and air toxics
7 from receiving funding. Specifically of concern that
8 because of the initial life cycle greenhouse gas fuel
9 analysis criteria that requires projects to have no
10 increase in greenhouse gas emissions, some projects would
11 not receive a full evaluation, and their criteria
12 pollutant and air toxic benefit would not even be
13 considered.

14 The Bay Air district would like ARB to consider
15 an approach that would allow projects to be fully
16 evaluated in terms of their total emission criteria
17 pollutants, air toxics, and greenhouse gases, and then
18 ranked, and selected as opposed to being ruled out for the
19 slightest increase in greenhouse gas emissions.

20 We realize the importance of the greenhouse gas
21 aspect of the program but would like this complete
22 evaluation prior to the finalist selection of projects.

23 That concludes my comments. Thank you for your
24 time.

25 ACTING CHAIRPERSON RIORDAN: Thank you very much.

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1 Thank you for being here. Aleecia Macias.

2 MS. MACIAS: Good afternoon, Madam Chair and
3 members of the Board. I'm Aleecia Macias. I'm
4 representing the California Energy Commission today. And
5 I'd like to express the California Energy Commission
6 supports ARB in the air quality guidelines for the air
7 quality improvement program and the alternative and
8 renewable fuels and vehicle technology program.

9 We want to also express that we appreciate the
10 accelerated time line that CARB staff has taken to move
11 these guidelines through to accommodate our program.

12 We'd also like to commend staff for their efforts
13 in engaging our Commission in the guideline development.
14 Both agencies have been active participants in one
15 another's guideline development programs and in both
16 rulemaking proceedings.

17 We've had routine collaboration meetings with
18 CARB middle management and staff. And we both have been
19 providing input along the way in the development of the
20 guidelines.

21 We agree that the guidelines offer a good balance
22 to protect or improve California's air quality and also
23 stimulate opportunities for the growth and development of
24 alternative fuel projects.

25 As Tom Cackette mentioned, the 2050 goals for

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1 reducing greenhouse gas emissions, they're very
2 aggressive. So, you know, the criteria that CARB staff
3 have built into the guidelines do encourage those
4 reductions.

5 And our investment plan, as Andy Panson
6 mentioned, is going to be reduced by the Commission in
7 December of this year. And it will address some of the
8 overarching funding buckets that we're considering for the
9 program. So if you're interested in that information, we
10 will be making it available on line. And I'm sure staff
11 can share it with you.

12 In closing, I'd like to reinforce we are in full
13 support of CARB's air quality guidelines. And if you have
14 any questions, feel free.

15 ACTING CHAIRPERSON RIORDAN: Are there any
16 questions for this speaker? Okay. Thank you. I don't
17 see any at this time.

18 Are there any questions for staff? And then I'll
19 ask staff to make their final comments.

20 Mayor Loveridge.

21 BOARD MEMBER LOVERIDGE: Perhaps staff can
22 respond to the Bay Area's recommendation of total
23 pollutants. I know you've responded in different ways,
24 but one more time can you help me out why that's not a
25 reasonable position?

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1 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, I
2 wouldn't define it as not a reasonable position, but just
3 a different position to start off with.

4 But I think we don't have a good way of waiving
5 smog emissions with greenhouse gas emissions to come up
6 with one metric that measures the combined effects. So if
7 that was kind of what I'd heard is blend them together. I
8 think that doesn't technically work very well.

9 I understand I think the underlying position is
10 really the same point is let some greenhouse gas emissions
11 occur if there's a large benefit. And I've added my --
12 maybe I shouldn't say there's a benefit in smog
13 emissions.

14 ACTING CHAIRPERSON RIORDAN: Ms. D'Adamo and then
15 Dr. Telles.

16 BOARD MEMBER D'ADAMO: A question for
17 clarification here. On the guidelines we're talking
18 about, I'm a little confused about the different programs.

19 On slide four, it outlines CEC, ARB, and BAR
20 programs. The guidelines we're talking about are for the
21 CEC and ARB programs. So they would be identical.

22 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes.
23 It would apply to us and our administration of the 150
24 million as well as CEC and their administration of 120
25 million.

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1 BOARD MEMBER D'ADAMO: I'm just wondering, were
2 the program elements the same for the two programs?
3 Sounds like a little bit of a struggle was trying to
4 figure out guidelines that would work for both programs.
5 What I'm hearing you say is the focus was on -- one of the
6 focuses was on climate change. Is that legislative
7 language regarding that similar for both programs?

8 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: The
9 legislative language that states that climate change is
10 the major goal for the CEC part is what I read before. On
11 our side, it refers more to the air quality benefits of
12 our pot of money. But it does integrate them by talking
13 about alternative fuels. So CEC's is really alternative
14 fuels oriented. Ours is really more smog oriented. And
15 we've got the guidelines trying to apply to both of those.

16 BOARD MEMBER D'ADAMO: Would it be too
17 complicated to segregate them out, give more flexibility
18 for ARB's program since the focus is a little bit more on
19 the criteria pollutant side?

20 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, I
21 think certainly possible under the statute. And I guess
22 we kind of believe that we need to be thinking about these
23 two public health and welfare issues together as much as
24 we can. And we only have limited funds to spend on trying
25 to get us on a pathway towards the goal. And it just

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1 seems not the best idea to be spending money on something
2 that increases greenhouse gas emissions if we could avoid
3 it.

4 I would hope that what we have is many more
5 projects than we have money to spend and that we would --
6 each of the agencies would prioritize them in a way that
7 the only choices to fund it would be good greenhouse gas
8 emission reductions and good smog reductions where
9 appropriate. But we don't know that that's the outcome
10 here.

11 BOARD MEMBER D'ADAMO: The other question I had
12 is just trying to visualize the different technologies
13 that would be out there. Is it possible that there would
14 be a technology that would -- I think the language that
15 was used was fall around the margins here where there is
16 an increase, but the technology itself is providing for
17 some progress on greenhouse gas emissions. But overall
18 there's a slight increase.

19 And I don't have an example to give. But I'm
20 just wondering if there is a project that could fall in
21 that category where overall there's progress, but the
22 bottom line is there is a slight increase.

23 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: That's
24 hard to answer on very specific basis, because each
25 project presumably would be somewhat different.

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1 I think the challenge is for some of the fuels
2 that have a questionable greenhouse gas benefit could be
3 thrown out by -- some of the alternative fuels could be
4 thrown out by this criteria, even though they have some
5 smog benefit. Those are the ones that would be the
6 greatest question and that they could fall in the areas of
7 some of the alcohol fuels depending on what the low carbon
8 fuel standard effort to come up with the best life cycle
9 analysis of emissions is. Those could be ones that might
10 have trouble. As I mentioned, the one example could be
11 some applications of LNG.

12 But again those numbers are not final. That's
13 going to come out later. That's why it's a little hard to
14 say whether our project would be -- but in this case, like
15 in LNG, if you get the fuel from a closer source, then
16 it's transportation emissions and stuff go way down and
17 maybe all of a sudden it looks good. And that would be
18 something that would be incentivized by this criteria.

19 ACTING CHAIRPERSON RIORDAN: Okay. Other
20 questions? Mr. Telles.

21 BOARD MEMBER TELLES: I read this a few times,
22 and it seems like a simple thing. But it's very confusing
23 because of the three different programs and all that.

24 But if I understand it right, it's basically to
25 prevent some backsliding with the criteria air pollutants

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1 and still encouraging some projects that will reduce
2 greenhouse gas emissions. Am I basically understanding
3 what this is all about?

4 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes.
5 That's exactly it.

6 BOARD MEMBER TELLES: And I read the statute and
7 no place in the statute did I see that the flexibility
8 type arrangement you came up with as far as in a
9 particular air basin that one project that maybe makes
10 criteria pollutants worse could be balanced by another
11 project.

12 And I can understand that flexibility is
13 important, but I kind of disagree with some of the other
14 comments that we have criteria pollutants under control,
15 especially coming from a district where we have
16 non-attainment and many pollutants. And I really can't
17 support a rule that doesn't fully address that in the
18 strongest way possible.

19 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: So is
20 your question on --

21 BOARD MEMBER TELLES: I'm basically saying I'm
22 not going to vote for this primarily because I don't think
23 it serves two goals. And one is to reduce greenhouse
24 gases as much as possible. And the other is not to select
25 a project that would reduce greenhouse gases, but at the

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1 same time increase criteria pollutants. It seems like
2 that shouldn't be in there. It seems like there should be
3 quality projects that shouldn't have that conflict at all.
4 And as it stands, I just can't vote for this.

5 ACTING CHAIRPERSON RIORDAN: Go ahead,
6 Dr. Sperling. And then probably I'm going to close --
7 I'll let staff make a final comment. And then I'll close
8 the hearing and we can have a discussion.

9 So Dr. Sperling, any comments or questions you
10 have for staff?

11 BOARD MEMBER SPERLING: Yeah. I'd like to follow
12 up on that last comment, because the more I've thought
13 about it here, I think the more the staff proposal is a
14 good one.

15 In a sense that the only time you probably
16 want -- I mean, the last thing in the world here is we
17 want to be completely rigid about everything. And of
18 course, we only want to be flexible when there is a really
19 good reason for it.

20 But I can imagine there are some options that are
21 small projects that are basically developing long-term
22 technologies where the initial version of it is perhaps
23 not the optimal version. And I can think of something
24 like electrolysis, for instance, where you're going to
25 make hydrogen out of local station for a vehicle. And it

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1 might turn out for some reason how that one particular
2 project is developing that -- using electrolysis, the
3 emissions might be higher than the gasoline would be.

4 But yet it's developing advanced technologies
5 that have the potential for huge reductions in the future,
6 both criteria pollutants as well as the greenhouse gases.
7 And so it seems the more I've thought about it, the more
8 it seems appropriate to have that little bit of
9 flexibility built into it.

10 ACTING CHAIRPERSON RIORDAN: Staff.

11 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: If I
12 could comment on that. If the projects you were
13 envisioning was a demonstration where our program or a
14 research program, then I think under the rules it doesn't
15 have to meet this guideline. But if it was a role out
16 program or an infrastructure project that wasn't
17 demonstration, then it would be subject to these rules.

18 ACTING CHAIRPERSON RIORDAN: Are there any
19 further questions of staff at this point in time?

20 Ms. Berg.

21 BOARD MEMBER BERG: From what I heard Bonnie
22 Holmes-Gen say is that her concern was that there was no
23 language that supported the staff report saying that there
24 was going to be a limited amount of projects considered.
25 So that was one issue.

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1 The second issue if you could just clarify for
2 me. My understanding of the offsets is that if a project
3 is selected, that another project within that same area
4 had to be selected so that the net is not a disbenefit.
5 In fact, it would be a reduction.

6 And then the other concern I heard from the
7 environmental and health communities is that have we
8 sufficiently defined what the immediate area needs to be.
9 In other words, I think what I constantly hear from the EJ
10 communities is that we're allowing more pollution in their
11 area and the benefits accruing someplace else. So those
12 are my two questions for clarification.

13 ON-ROAD CONTROLS BRANCH CHIEF KITOWSKI: Perhaps
14 I can address some of this.

15 Just in general we've heard requests to make this
16 requirement more stringent and requests to loosen it up a
17 little bit. We do think we've struck a good balance for
18 the program. We have a lot of experience with these
19 programs, and some flexibility is really essential when
20 you get to the implementation stage.

21 But as Dr. Sperling said, we honestly expect the
22 vast majority of projects to have significant emission
23 reductions across all boards and that flexibility will be
24 limited.

25 But we didn't prescribe overlay very specific

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1 limits on that or percentages on how much could take
2 advantage of that. There is a natural limit to it anyway.
3 You couldn't have a significant increase in one pollutant
4 or even a significant number of projects that had an
5 increase because the program as a whole has to show as the
6 legislation requires the program as a whole has to show
7 we're not going backwards. So there is a limit as to what
8 naturally could happen.

9 But honestly the expectation is as we talked
10 about earlier, this is the screen. This is the filter.
11 And you have to kind of put that in a good spot because if
12 you make it too rigid, then you could be taking out
13 projects that are beneficial as a whole.

14 On the point of the EJ community, I did want to
15 make sure one point comes across. There are two types of
16 emissions that we're kind of getting intertwined here.
17 One is the point source emissions. If you build a
18 refinery, if you build a production facility, there are
19 point source emissions from that and largely EJ concerns
20 associated with that. Those are taken care of some our
21 view with the current requirements that are out there, the
22 CEQA requirements, permitting, new source review, those
23 types of requirements. It is not our desire to overlay
24 another one on top of that and get into that local
25 permitting requirement with this program.

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1 When we talk about emissions increases, we're
2 talking about the upstream emissions in their entirety.
3 And they could be from multiple sources. It could be from
4 shipping and transportation. They could be throughout the
5 chain. They could be at that point source. They could be
6 evaporative emissions from a fueling facility. Anything
7 along that chain constitutes upstream emissions.

8 And so it is difficult -- extremely difficult to
9 try to pinpoint where each of those sources are. And the
10 legislative direction does not dictate that we have to do
11 that. We're kind of going a little above and beyond with
12 that. But we are saying we need to offset it in that air
13 basin. But beyond the air basin, it gets real dicey
14 there.

15 BOARD MEMBER BERG: Thank you. That really
16 helped me.

17 ACTING CHAIRPERSON RIORDAN: Supervisor Hill.

18 BOARD MEMBER HILL: Thank you, Madam Chair. And
19 thank you for the clarifying the comments made by Bonnie.
20 I think that's helpful. Thank you for asking those.

21 The question that I have, just so I understand it
22 a little better. And, Tom, I think you mentioned it's
23 hard to quantify the greenhouse gases versus the criteria
24 pollutants in terms of what's more beneficial or less
25 beneficial than the others so it would be difficult.

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1 But Barry had made the comment, raised issue of
2 one molecule of carbon in this particular project. And in
3 Dr. Telles' comment and his frame of reference of the
4 valley and the issues raised there, if a project came
5 forward that had a very small amount of carbon, but a
6 tremendous amount of criteria pollutant benefit that could
7 make a substantial benefit to the black box issues related
8 to that area and even the South Coast. That then that
9 project, because of the way it's written, would not
10 qualify.

11 So I guess that's the balancing act that I've
12 having trouble with. Realizing that the carbon issue and
13 the greenhouse gases in the long-term challenge. But we
14 could be saving lives in the short term.

15 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think
16 if this us the only funding pot that I would be concerned
17 about that, too. But remember, this is one of many
18 funding pots. And in many cases that project competes for
19 Carl Moyer type moneys where there's not a greenhouse gas
20 criteria applicable.

21 The point here is that the Carl Moyer type
22 projects, which might be ones that are good for smog but
23 little bit bad for greenhouse gases, they could come over
24 and eat up the greenhouse gases oriented money and there's
25 nothing left to help move technologies down the greenhouse

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1 gas pathway. And that's why we sort of felt the need to
2 sort of wall this one off with this extra criteria so some
3 of the funds are always guaranteed to go to GHG
4 projects.

5 BOARD MEMBER HILL: Ms. D'Adamo's comment of
6 separate -- obviously two separate programs or separate
7 pots of money we're talking about and you're establishing
8 the same criteria for both would it be -- I see heads
9 going the other direction back behind you, Tom. I could
10 be wrong.

11 But, you know, in some cases would some of these
12 funds that are in that other program be eligible based
13 on --

14 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: When I
15 was referring to Carl Moyer, that was completely outside
16 of either of these pots.

17 BOARD MEMBER HILL: That's outside. I understand
18 that. But Dee Dee was talking about the issue in those
19 programs you're establishing the same criteria for both
20 oral of the programs. But on the one program or set of
21 funds we're talking about doesn't it require that same
22 greenhouse gas criteria in there.

23 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: The
24 statute doesn't require that. But it's a policy call as
25 to whether this whole pot of money, AB 118, is subject to

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1 these kind of criteria or not.

2 ACTING CHAIRPERSON RIORDAN: Dr. Balmes.

3 BOARD MEMBER BALMES: Just in response to the
4 staff comment about EJ and emissions from point sources,
5 I've realize a refinery is a different situation than
6 emissions that are coming from motor vehicles -- toxic air
7 contaminants that are coming from motor vehicles and
8 various technologies that might be funded through this
9 program.

10 But if you go back to Dr. Wallerstein's slide
11 about areas where toxics have increased in the South
12 Coast, those are largely places around surface goods
13 movement from ports, highways, trains. So I think -- and
14 the people that live along those corridors to a large
15 extent are -- many of those communities are EJ
16 communities. So I don't think it's quite fair to dismiss
17 EJ concerns just because we're not talking about a
18 refinery, a point source. I think it's still an issue for
19 people who live along freeways and by ports and stuff.

20 DIVISION CHIEF CROSS: This is Bob Cross.

21 As Tom said, there are other programs there are
22 already dealing with it. In other words, there's a huge
23 port program already providing green trucking to the
24 ports. And I think the sort of stated purpose of this as
25 he said earlier was in guidance the Legislature gave us

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1 and said this was a GHG program.

2 The GHG is not a local problem. It's an
3 international problem. So that's the law.

4 BOARD MEMBER BALMES: I don't disagree there are
5 other ways to address the EJ concerns. I was having a
6 philosophical disagreement with the previous response.

7 ACTING CHAIRPERSON RIORDAN: Any questions of
8 staff?

9 I'm going to then close the record. It is to be
10 reopened now as proposed. The 15-day notice of public
11 availability when it's issued I believe you are opening it
12 up from the usual 10 to 30 days. That's your proposal.
13 Written or oral comments received after the hearing date
14 but after the 15-day notice is issued will not be on the
15 agenda item. When the record is reopened for the 15-day
16 comment period, which may be extended, then the public may
17 submit written comments on the proposed changes which will
18 be considered and responded to in the final statement of
19 reasons for the regulation.

20 This is an ex parte. I don't believe there are
21 any ex partes from anyone. So with that, we will move on.

22 Board members, there is a resolution, 0-40. Do I
23 have a motion?

24 BOARD MEMBER KENNARD: I'll move it.

25 BOARD MEMBER SPERLING: Second.

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1 ACTING CHAIRPERSON RIORDAN: Any discussion?

2 All right. All those in favor signify by saying
3 Aye.

4 (Ayes)

5 ACTING CHAIRPERSON RIORDAN: Opposed, no.

6 (Nays)

7 ACTING CHAIRPERSON RIORDAN: For the record, let
8 me indicate that there are two nos. And the balance are
9 ayes. The motion passes.

10 And we will move on to the next agenda item which
11 is -- I want to take public comment first, which is I have
12 three person wishing to speak: Joe Blackburn, Albert
13 Gomez, Francisco Magdaleno, if you'd come down, please.

14 MR. BLACKBURN: Good afternoon, Madam Chair,
15 members of the Board, dedicated staff, and particularly
16 members of the public that care enough about their air
17 quality to come here today.

18 I'd like to put a press release that the AQMD
19 released on July 25th, 2008.

20 ACTING CHAIRPERSON RIORDAN: And just be mindful
21 of three minutes.

22 MR. BLACKBURN: That's going to be hard. I have
23 a lot to say on this subject.

24 I moved five-and-a-half -- it will be six years
25 in December to this El Monte community. And immediately I

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1 asked what is this awful smell in the air. And I start
2 complaining to the AQMD. And it's this incredibly accrete
3 burning plastic smell. And I find from calling from AQMD
4 it's coming from Greg Industries, an iron foundry that
5 melts 37 million pounds of metal a year in a residential
6 neighborhood, one-tenth of a mile upwind of the fence line
7 of the Rio Vista Elementary School.

8 And I drive today here. And as I come a quarter
9 of a mile away, the extended boundary from the facility to
10 the elementary school, the air smells terrible. This very
11 distinct characteristic smell. And I drive around the
12 school towards the plant, and it just increases the entire
13 time.

14 And, you know, I'm very frustrated. I've done a
15 lot trying to get clean air in my community. We're an
16 environmental community. We deserve to have clean air to
17 breathe. And despite some very recent -- and I point to
18 this paragraph. I really don't think I could have written
19 it better myself. And I commend the district for such
20 clear and strong wording on the subject. But we're not
21 there yet. We were supposed to have three days of
22 hearings, Tuesday, Wednesday, Thursday of this week. We
23 were noticed of this a month ago at a meeting in El Monte
24 for the public to testify about this.

25 And let me put this page up for you. You don't

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1 need to see me. This paragraph as well I'd like to draw
2 your attention to.

3 But, you know, I'm kind of at my wits end. I
4 don't know what we're going to do. This hearing board
5 canceled the hearing. I hear it's a scheduling problem.

6 But they heard this case for 18 months starting
7 in September -- or February of 2006 and ending in
8 September of 2007. One week after they ended those
9 hearings, the DTSC went out to this facility, found
10 nothing short of mushroom cloud smoking gun air atrocities
11 occurring.

12 And I'm out of time. I will commend you to read
13 that DTSC report.

14 ACTING CHAIRPERSON RIORDAN: Thank you, Mr.
15 Blackburn.

16 Mr. Gomez.

17 MR. GOMEZ: Thank you, Madam Chair and Board.

18 Yes. I was just brought right off the street,
19 otherwise I would have dressed better.

20 What I want to say is I'm a concerned citizen of
21 El Monte. When I got to El Monte, it was in 1950. And
22 Greg Industries has always been a hot spot right there.
23 It's always had this stench, this smell. At times when I
24 moved away and I came back, it was still the same thing
25 over and over.

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1 And as I get clued in and plugged into this cry
2 for clean air, for health quality, for a better way of
3 life there in that corner of El Monte. It's like on the
4 northwest corner. And my cry is that like if you put a
5 filter tip on a Camel, it's still a Camel.

6 And, you know, it just goes on and on and on.
7 And, you know, I have two kids. They've survived this and
8 they also have complaints. I'm standing here for all the
9 kids in the area, for all the seniors, for all the people
10 in El Monte.

11 We're a rich city. And I know this can be taken
12 care of if it comes right down to that.

13 And I ask the Board for consideration and that
14 you make honorable mention about what is going on there at
15 Greg Industries. It's just like a businesses as usual.
16 It's just covered up. They do the side step. They do the
17 shuffle. They're like on the last straw.

18 And if you ever had like a malt in my day -- if
19 you had too many straws in your malt, you were like weird.

20 And this is what's happening there at Greg.
21 They're just overlooking the people.

22 So I'm just here as a good citizen today to stand
23 up for my city. And I thank you for the time that I've
24 been sharing with you.

25 ACTING CHAIRPERSON RIORDAN: Thank you, Mr.

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1 Gomez.

2 Mr. Magdaleno.

3 MR. MAGDALENO: Good evening, members of the
4 Board. My name is Francisco Magdaleno.

5 I'm here today to emphasize environment. We have
6 industrial who are polluting our air. We should care
7 about better environment in our society that we live in
8 our world. And we must care about this. If we not
9 continue to defeat this, we are not worth it to be in
10 environment.

11 And we must and we should care about our
12 community. It's embarrassed to have this industrial in
13 our community. It's not fair, my friends, to bring that
14 smell that's going on in our city of El Monte.

15 It is your big responsibility to enforce any
16 agency who deal with air quality in our communities. If
17 you care, look when you go home today, look up on the
18 hills. You will see smog and all ugliness that we are
19 polluting. Do you care? I do care.

20 Members, folks, and I have 200 signatures that we
21 passed through our community. And this is very important,
22 my friend. We cannot reject a petition that all residents
23 of El Monte within that community ask, please, stop this
24 polluting air in our neighbor. We are not going to allow
25 this to continue happening.

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1 Open your conscious. When you go tonight to
2 sleep, look yourselves how great you are doing. Am I
3 doing better or we don't care about environment throughout
4 California with this community of El Monte.

5 Thank you very much.

6 ACTING CHAIRPERSON RIORDAN: Thank you very much.

7 I'm going to just ask staff to follow through and
8 to monitor with our South Coast Air Quality District
9 people the hearing and the outcome of the hearing and when
10 it's scheduled.

11 So we appreciate the fact you've come today. And
12 we'll be working with South Coast to monitor the hearing
13 process. Thank you very much.

14 Board members, unless there is something more to
15 come before us, if you have any particular comments.

16 Otherwise, I will entertain a motion to adjourn.

17 BOARD MEMBER BERG: So moved.

18 BOARD MEMBER BALMES: Second

19 ACTING CHAIRPERSON RIORDAN: Motion and second.

20 All in favor say aye.

21 (Ayes)

22 ACTING CHAIRPERSON RIORDAN: Opposed say no.

23 We're adjourned.

24 Thank you very much.

25 (Thereupon the California Air Resources Board

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1 adjourned at 1:43 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, TIFFANY C. KRAFT, a Certified Shorthand
3 Reporter of the State of California, and Registered
4 Professional Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing hearing was reported in shorthand by me,
7 Tiffany C. Kraft, a Certified Shorthand Reporter of the
8 State of California, and thereafter transcribed into
9 typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said hearing nor in any
12 way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 6th day of October, 2008.

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TIFFANY C. KRAFT, CSR, RPR

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