

MEETING

STATE OF CALIFORNIA

AIR RESOURCES BOARD

JOE SERNA, JR. BUILDING

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

BYRON SHER AUDITORIUM, SECOND FLOOR

1001 I STREET

SACRAMENTO, CALIFORNIA

THURSDAY, APRIL 28, 2011

9:00 A.M.

TIFFANY C. KRAFT, CSR
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1 APPEARANCES

2

3 BOARD MEMBERS

4 Ms. Mary Nichols, Chairperson

5 Ms. Sandra Berg

6 Ms. Lydia Kennard

7 Mr. Ronald O. Loveridge

8 Mrs. Barbara Riordan

9 Mr. Ron Roberts

10 Dr. Daniel Sperling

11 Mr. Ken Yeager

12

13 STAFF

14 Mr. James Goldstene, Executive Officer

15 Ms. La Ronda Bowen, Ombudsman

16 Mr. Tom Cackette, Chief Deputy Executive Officer

17 Mr. Bob Fletcher, Deputy Executive Officer

18 Ms. Ellen Peter, Chief Counsel

19 Ms. Lynn Terry, Deputy Executive Office

20 Mr. Sam Gregor, Air Pollution Specialist, Planning and
21 Regulatory Development Section, Mobile Source Control
Division

22 Mr. Jeff Lindberg, Air Pollution Specialist, Air Quality
23 and Transportation Planning Branch, PTSD

24 Mr. David Mehl, Manager, Energy Section, SSD

25 Ms. Mary Alice Morency, Board Clerk

APPEARANCES CONTINUED

ALSO PRESENT

Mr. Damian Breen, Bay Area AQMD

Mr. Skip Brown, Delta Construction Company

Mr. Hank de Carbonel, CA Concrete Pumpers Alliance

Ms. Elaine Chang, South Coast AQMD

Mr. Randal Friedman, U.S. Navy Region Southwest

Ms. Bonnie Holmes-Gen, American Lung Association

Mr. Scott Holmquist, HME Fire Apparatus

Mr. Mark Loutzenhiser, SMAQMD

Mr. Fred Minassian, South Coast AQMD

Mr. Brent Newell, Center on Race, Poverty and the Environment

Ms. Betty Plowman, CDTOA

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PROCEEDINGS

1
2 CHAIRPERSON NICHOLS: Good morning, everyone and
3 welcome. The April 28th, 2011, public meeting of the Air
4 Resources Board will come to order.

5 And before we get ourselves settled in, we will
6 start our proceedings with the Pledge of Allegiance to the
7 flag.

8 (Thereupon the Pledge of Allegiance was
9 Recited in unison.)

10 CHAIRPERSON NICHOLS: Thank you. It's good to be
11 back.

12 Clerk, would you please call the roll?

13 BOARD CLERK MORENCY: Dr. Balmes?

14 BOARD MEMBER BALMES: Here.

15 BOARD CLERK MORENCY: Ms. Berg?

16 BOARD MEMBER BERG: Here.

17 BOARD CLERK MORENCY: Ms. D'Adamo?

18 Ms. Kennard?

19 Mayor Loveridge?

20 Ms. Riordan?

21 BOARD MEMBER RIORDAN: Here.

22 BOARD CLERK MORENCY: Supervisor Roberts?

23 BOARD MEMBER ROBERTS: Here.

24 BOARD CLERK MORENCY: Professor Sperling?

25 BOARD MEMBER SPERLING: Here.

1 BOARD CLERK MORENCY: Dr. Telles?

2 Supervisor Yeager?

3 BOARD MEMBER YEAGER: Here.

4 BOARD CLERK MORENCY: Chairman Nichols?

5 CHAIRPERSON NICHOLS: Here.

6 BOARD CLERK MORENCY: Madam Chairman, we have a
7 quorum.

8 CHAIRPERSON NICHOLS: Thank you.

9 I have a couple of opening announcements before
10 we get started.

11 We have a new online sign-up feature for those
12 who would like to address the Board. If anyone is
13 interested in utilizing this, there is information on the
14 Air Resources Board website, or for future purposes with
15 the Clerk of the Board. And there's also information
16 available in the lobby. If you already have taken
17 advantage of this new feature, you don't have to fill out
18 a request to speak card, but you do need to check in with
19 the Clerk of the Board at this time or your name will be
20 removed from the request to speak list.

21 I'm not sure how that can happen if someone isn't
22 here. How are they supposed to do that? I'm reading this
23 announcement and I'm wondering how is this possible? If
24 someone filed an online request to speak form and they
25 want to speak during the meeting and they're not here, how

1 are they to contact the Clerk?

2 CHIEF COUNSEL PETER: So the way it's going to
3 work, Chairman Nichols, is that we want to have the people
4 checking in when they arrive. So if they arrive later in
5 the morning to testify they can check in at that point.
6 They don't have to check in at the beginning of the
7 meeting.

8 But the concern is somebody might sign up three
9 weeks ago when they filed their comments and changed their
10 mind. So they can -- in terms of locating the appropriate
11 number of people, we want to make it possible --

12 CHAIRPERSON NICHOLS: So the people still have to
13 be here. They just --

14 CHIEF COUNSEL PETER: Correct.

15 CHAIRPERSON NICHOLS: This just gives the ability
16 to get in to speak.

17 CHIEF COUNSEL PETER: Exactly right.

18 CHAIRPERSON NICHOLS: I misunderstood that's what
19 the process was. Doesn't look like that's going to be a
20 problem here. But it may be well in the future.

21 And again, we do impose a three-minute time limit
22 normally. So if there is anybody unfamiliar with our
23 procedures is here today and planning to speak during the
24 public comment period, we appreciate it if when you come
25 up to the podium you would just speak to us in your own

1 words and not read your prepared testimony. Because if
2 you have prepared testimony, it will be submitted to the
3 record and it will be read.

4 We're also required to point out the safety
5 features. There's exits at the back of the room and to
6 the sides here. In the event that a fire alarm should go
7 off, we're required to exit the room immediately and go
8 downstairs by the stairs and out into the front of the
9 building and wait until we get the all-clear signal.

10 I think that's all I have to announce at this
11 point.

12 I'm going to turn this over to our Executive
13 Officer, Mr. Goldstene, who I think has a personal
14 announcement to make before we begin the formal agenda.

15 EXECUTIVE OFFICER GOLDSTENE: Right. Good
16 morning, members.

17 Before I introduce the first item, I'm sad to
18 report that we lost two staff recently who passed away
19 unexpectedly: Tom Chang, who was a Staff Air Pollution
20 Specialist in the Mobile Source Operations Division in El
21 Monte and Sharon Simmons, who managed our Contracts and
22 Procurement Section in the Administrative Services
23 Division in Sacramento.

24 Just briefly, on Friday, April 15th, we lost
25 Sharon Simmons, who was only 43, but had 23 years of State

1 service. She was the Staff Services Manager in the
2 Administrative Services Division and was just key to our
3 success in procuring contracts over the years. She had
4 several years of experience at the Department of General
5 Services prior to coming here, which obviously was very
6 helpful for us. And it's just an unexpected and sad loss.

7 And than the next day, on April 16th, Tom Chang,
8 who had been with us since 1991, contributed significantly
9 to the Mobile Source Emissions Control Programs down in El
10 Monte. He was widely recognized as the certification
11 expert in diesel. And we're going to be missing him quite
12 a bit. So these two deaths unexpectedly, young people.
13 And we just wanted to let you know and express our sadness
14 and let everybody know we're going to miss their talents.

15 CHAIRPERSON NICHOLS: Thank you, Mr. Goldstene.

16 I know that we have a Board of people, many of
17 whom have served here for years. And so you appreciate
18 how tightly knit the Air Resource Board is and how many of
19 your staff have been with us for their whole careers. So
20 when something like this happens, it is a blow to the
21 entire Air Resources Board family. And on behalf of the
22 Board, Mr. Goldstene, I hope you will convey our sorrow
23 and regret to their families.

24 EXECUTIVE OFFICER GOLDSTENE: I will.

25 CHAIRPERSON NICHOLS: Thank you.

1 EXECUTIVE OFFICER GOLDSTENE: Thank you.

2 CHAIRPERSON NICHOLS: Okay. I guess we should
3 begin with our report. We had an update here on a matter
4 that this Board spent a lot of time on and it's come to a
5 happy conclusion. So we want to take the update on the
6 Renewable Energy Program.

7 EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
8 Nichols.

9 In September of last year, the Board considered
10 the renewable energy standard which would significantly
11 reduce greenhouse gas and criteria pollutant emissions
12 from the electricity sector. This occurs because
13 electricity generated from fossil-fuel-fired resources is
14 displaced with electricity generated from renewable
15 resources.

16 At the September Board hearing, the Board adopted
17 Resolution 10-23, which directed the Executive Officer to
18 respond to public comments and complete the rulemaking
19 process. This process needed to be completed in May.

20 Staff has since been working very closely with
21 the energy agencies, the PUC, the CUC, and the ISO and
22 stakeholders to modify the proposed regulation to
23 implement the Board's resolution.

24 However, the Governor has now signed legislation
25 that makes completion of the rulemaking package

1 unnecessary. There are some minor differences between the
2 regulation and the legislation. But for all intents and
3 purposes, what the Governor just signed into law will
4 achieve what we were trying to achieve through our
5 rulemaking.

6 I'd like to ask Dave Mehl of the Stationary
7 Source Division to talk about where we are and to explain
8 the process at this point.

9 (Thereupon an overhead presentation was
10 presented as follows.)

11 ENERGY SECTION MANAGER MEHL: Thank you, Mr.
12 Goldstone. Good morning, Madam Chairman and members of
13 the Board.

14 Today, I will present an update on renewable
15 energy activities, specifically the passage of recent
16 legislation that establishes a 33 percent renewable energy
17 target for the State.

18 --o0o--

19 ENERGY SECTION MANAGER MEHL: As you know, the
20 Board approved for adoption the renewable electricity
21 standard, or RES, regulation in September 2010, that
22 establishes a 33 percent renewable energy target by 2020
23 for the State's retail sellers of electricity and
24 delegated authority to complete the rulemaking process to
25 the Executive Officer.

1 Since last fall, staff has been finalizing the
2 rulemaking package. Legislation was introduced earlier
3 this year to set a 33 percent renewable energy target by
4 2020. The legislation, Senate Bill 2 of the first
5 extraordinary session of 2011, was passed by the
6 Legislature and signed by the Governor Brown on April
7 12th, 2011.

8 SB 2 is comparable to RES. It applies to the
9 same regulated entities and provides similar benefits.

10 --o0o--

11 ENERGY SECTION MANAGER MEHL: Consistent with the
12 RES program, SB 2 requires utilities to procure 33 percent
13 of their retail sales of electricity from renewable
14 resources by 2020 and beyond. The bill includes interim
15 renewable energy targets to ramp up renewable energy
16 procurement, similar to the RES program structure.

17 --o0o--

18 ENERGY SECTION MANAGER MEHL: SB 2 and RES are
19 similar in many respects, including benefits provided.
20 However, there are some difference. They both contain
21 interim renewable energy targets to ensure ongoing
22 progress towards meeting the 33 percent target in 2020.
23 SB 2 establishes two interim targets of 20 and 25 percent
24 by 2013 and 2016 respectively. The RES established three
25 interim targets with multi-year averaging periods.

1 Although staff's analysis showed that a large
2 percentage of renewables will be built within the state
3 regardless of whether restrictions were established, SB 2
4 ensures that a large share of renewable generation will be
5 built in California.

6 After 2016, at least 75 percent of renewables
7 will be required to be connected directly to the
8 California electrical grid. Generally, this means that 75
9 percent of the renewable resources will be located within
10 California.

11 --o0o--

12 ENERGY SECTION MANAGER MEHL: SB 2 will deliver
13 similar benefits as was expected from the RES, including
14 significant reductions of greenhouse criteria pollutant
15 and toxic air contaminant emissions.

16 In addition, building a robust renewable energy
17 program will also provide numerous co-benefits, including
18 diversifying the energy supply, promoting energy security,
19 supporting the creation innovation of new green
20 jobs--o0o--

21 ENERGY SECTION MANAGER MEHL: SB 2 divides
22 oversight responsibility between the California Energy
23 Commission, the California Public Utilities Commission,
24 and the Air Resources Board. The California Public
25 Utilities Commission will be responsible for

1 investor-owned utilities, and the California Energy
2 Commission will be responsible for the publicly-owned
3 utilities.

4 The ARB's role is enforcement related and would
5 require us to issue a penalty to the POU when the CEC has
6 determined that there has been a violation of SB 2.
7 Penalties imposed by the ARB cannot exceed the CPUC's
8 penalty structure for the IOUs.

9 In Governor Brown's signing message to the
10 Senate, the Governor requested the Legislature to work on
11 follow-up legislation to ensure efficient implementation
12 of the bill. If additional legislation is introduced,
13 staff will work with the Legislature and energy agencies
14 to better define our enforcement role in the renewables
15 program.

16 --o0o--

17 ENERGY SECTION MANAGER MEHL: When approving the
18 RES regulation last year, the Board indicated the
19 preference for legislation to establish a 33 percent
20 renewable energy target for the State. SB 2 establishes a
21 program that is comparable to the RES and will achieve the
22 same objectives. SB 2 supports the goals of AB 32 and
23 will assist the State in achieving other energy and
24 environmental goals.

25 Staff will collaborate with the State energy

1 agencies to implement the provisions called for under SB
2 2. Therefore, staff will not finalize the RES regulation
3 as the RES program would be redundant with SB 2 and could
4 cause confusion within the electricity market.

5 This concludes my presentation. Be happy to
6 answer any questions.

7 CHAIRPERSON NICHOLS: Thank you very much.

8 Just to summarize here, this is one of those rare
9 occasions when a regulation actually is -- or at least
10 will disappear as a result of legislative action.

11 And just a reminder that renewable energy
12 fulfills many public goals. When the Air Resources Board
13 adopted our regulation, as you will recall, we stepped
14 into a breach and did something that had to be done in
15 order to achieve our goals under AB 32. And it still is a
16 very important piece of our commitment to meeting our
17 greenhouse gas goals. But because the Legislature has
18 acted, they've been able to develop a program which meets
19 a number of other objectives and fits within the structure
20 of our fellow regulatory agencies or energy agencies, I
21 guess we're all called.

22 So we thought it was just important to bring this
23 back to the Board so if there were any questions people
24 had about how it was going to work, this would be a good
25 time to ask them.

1 Dr. Balmes.

2 BOARD MEMBER BALMES: I have one of those
3 questions.

4 So on slide six, it says CPUC oversees the
5 industrial-owned utilities and CEC oversees the
6 public-owned utilities. And then ARB issues penalties for
7 POUs not to exceed the PUC penalty structure. How about
8 an IOU? Who -- I mean, will there be penalties?

9 ENERGY SECTION MANAGER MEHL: The CPUC would levy
10 any penalties against the IOU.

11 BOARD MEMBER BALMES: Would we be working in some
12 kind of a concert with them about that or just for the
13 IOUs? I'm just asking.

14 PROJECT ASSESSMENT BRANCH CHIEF TOLLSTRUP: I
15 think we envision our role more in line with the POUs.
16 Certainly, we are working together with the other
17 agencies. But it's kind of status quo for the IOUs and
18 the CPUC right now. The only thing that changes is how
19 you deal with POUs, and that role will be something that
20 we take in.

21 CHAIRPERSON NICHOLS: That provision is something
22 that the publicly-owned utilities fought for. They don't
23 want to be regulated by the PUC under any circumstances.
24 They have their own publicly-chosen usually appointed,
25 sometimes elected, boards. And they also don't really

1 want to concede that the Energy Commission has authority
2 over them either. So, by default, I guess we're the
3 winner of that popularity contest.

4 BOARD MEMBER BALMES: No. I understand.

5 CHAIRPERSON NICHOLS: We're not really happy
6 about just being in that role, especially since we are
7 going to continue to need to collect data and to
8 understand what's going on with them.

9 We have -- as a result of this regulatory effort,
10 I should say -- just to take a second here on this. You
11 know, the process that led to the RES regulation being
12 brought to the Board was I think the most intensely
13 collaborative that has ever occurred in State government
14 among the agency that had the key role with respect to
15 electrical generation. Because of the Governor's
16 executive order with PUC, Energy Commission, and the
17 independent system operators sat together and really
18 worked through in enormous detail how the program was
19 going to work if the regulation had gone forward.

20 And I think as a result of that effort, there is
21 a number of ongoing collaborations that are taking place
22 as well. So I expect that we will continue to be in a
23 position to work together to make this program work. But
24 it's still somewhat of an anomaly that we just have this
25 hammer under the regulations. So we're hoping in the

1 cleanup legislation to get that fixed.

2 Yes, Mr. Sperling.

3 BOARD MEMBER SPERLING: Following up on that
4 thought, is there anything in SB 2 that addresses
5 greenhouse gas explicitly in either at least in a data way
6 or monitoring -- I mean, after all, renewable -- having
7 renewable energy is not really a goal in and of itself. I
8 mean, who cares, right? Energy security, low cost, lower
9 carbon. So is there any link at all to carbon --

10 PROJECT ASSESSMENT BRANCH CHIEF TOLLSTRUP: The
11 way that SB 2 stands right now, there isn't anything in
12 there now. But under this proposed cleanup legislation,
13 if it does move forward, we would be seeking to put an
14 element in there that would require us to do an analysis
15 of what the GHG benefits are at the end of each of the
16 interim targets and then report back in a public meeting
17 before the Board so that way we have some way of
18 documenting what's actually occurring on the ground.

19 BOARD MEMBER SPERLING: Okay. We would be doing
20 that anyway. I mean --

21 DEPUTY EXECUTIVE OFFICER FLETCHER: We can access
22 the data from the CEC and the PUC and we all be doing
23 those calculations. We'd rather get it in the law.

24 BOARD MEMBER SPERLING: Of course, the utilities
25 have to do it because of SB 32 -- because of cap and trade

1 any way. But it just seems like if we can make all this a
2 little more explicit.

3 DEPUTY EXECUTIVE OFFICER FLETCHER: Right.

4 BOARD MEMBER SPERLING: We have been working with
5 the other agencies on what we call the blueprint document
6 or California's energy futures document. And as part of
7 that, there is a fairly elaborate reporting system that
8 we're trying to develop that has a number of metrics on
9 how you're proceeding toward achieving the goals that have
10 been set by each of the agencies, whether that's the
11 energy commission through their integrated energy policy
12 report or there is a number of different programs in
13 place. And one of the metrics that we identified is GHG
14 benefits. So there's a lot of different things that will
15 come together that will provide that data I think.

16 CHAIRPERSON NICHOLS: Other questions or comments
17 from the Board? If not, we have one person who signed up
18 to speak, who I suspect is going to be giving us good news
19 about renewable energy development, and that's Randal
20 Friedman.

21 MR. FRIEDMAN: Good morning, Madam Chair, Board
22 members. Randal Friedman on behalf of Navy Region
23 Southwest.

24 I'm not sure if it's quite good news, but I
25 wanted to use this opportunity to as you change roles in

1 this to encourage you to continue to be a strong advocate
2 for some of the barriers that have been identified in
3 renewable energy development. I mean, it's wonderful to
4 have blueprints and 33 percent goals. But as we have
5 worked very hard on the project development side, we've
6 certainly encountered and identified a number of barriers.

7 For example, a recent one at our China Lake
8 facility just in crossing the one megawatt threshold for
9 solar PV, we've had to go back and spend a million dollars
10 to retrofit our prior projects because the Rule 21
11 requirements with the utility.

12 Now, that certainly changes the calculus. And
13 we have an eight megawatt base load at China Lake, so it's
14 hardly a question of potential for grid interference.
15 There are a number of barriers out there. And someone
16 needs to be there working with this process to make sure
17 that those barriers are identified and resolved.
18 Otherwise, it's going to be very difficult for most people
19 to exceed items like a one megawatt threshold when you
20 have a whole different set of rules for doing projects.

21 And, certainly, I know the Governor's office is
22 very bullish on the mid-sized projects up to 20 megawatts,
23 recognizing they have a very significant role to play in
24 meeting the 33 percent standard. So in whatever your new
25 role is, post SB 1X2, I would certainly encourage you to

1 be a strong participant and advocate for resolving these
2 types of institutional barriers so that we all can proceed
3 on these projects.

4 The second thing I want to bring up -- and I
5 would be remiss in not using this opportunity -- is just
6 again speak to the issue -- the ongoing issue with cogen
7 power and cap and trade. That's already been identified.
8 We hope to work -- continue working with you to resolve
9 this issue. We think that placing cogen in cap and trade
10 creates a very strong disincentive for current and future
11 projects. And we hope to -- certainly, the Governor's
12 blueprint shows another 6,000 megawatts of cogen
13 development. And we question how feasible that's going to
14 be with cap and trade issues.

15 Thank you for this opportunity. And
16 congratulations on seeing your regulation go into law.

17 CHAIRPERSON NICHOLS: Thank you very much, Mr.
18 Friedman.

19 I'm going to take advantage of your having come
20 up to the microphone to say some additional things. First
21 of all, I agree with you on your points about the need to
22 stay active and involved to make sure that barriers are
23 addressed. And that is part of the role of the principles
24 group that developed the California energy futures
25 document that we spoke of earlier and is going to continue

1 to be working to implement it.

2 But I had the opportunity along with a number of
3 other representatives of agencies to participate in a
4 briefing in the Governor's office that was put on by
5 Admiral French who gave us a very detailed description of
6 some of the renewable energy projects and the very
7 ambitious goals that have been set by the Secretary of the
8 Navy for making the Navy energy independent, essentially
9 getting off the grid.

10 And that has lead to some further conversations.
11 If we're ever allowed to travel, there's going to be a few
12 of us who are going to go visit some of the facilitates
13 and actually take a look at what they're doing. So this
14 is -- it's actually a very impressive story, and I agree
15 that there are still problems to be addressed. But we
16 also want to take the opportunity to thank and
17 congratulate you and the groups you represent for all the
18 work you're doing in this area.

19 Any other members of the public want to address
20 this item? If not --

21 EXECUTIVE OFFICER GOLDSTONE: Chairman Nichols,
22 one other thought about what Mr. Friedman talked about,
23 about the barriers.

24 CHAIRPERSON NICHOLS: Yes.

25 EXECUTIVE OFFICER GOLDSTONE: I'm not sure how

1 those would be resolved exactly, but that might be
2 something we'd address at the Energy Principles Group.

3 CHAIRPERSON NICHOLS: Yes. That's the intent is
4 that that is where those issues will be surfaced and
5 hopefully worked through, depending on what the --
6 sometimes it's an issue of communication. Sometimes it's
7 an issue of actual need to look at how regulations are
8 working. But that blueprint that we put together, the
9 overview document, of course, it's just a narrative. But
10 there is an actual very detailed program behind that that
11 points out the roles the different agencies have in making
12 these goals become a reality. So I think we are -- I
13 can't say that we've done it. Only that we're in the
14 process of addressing those issues.

15 BOARD MEMBER RIORDAN: Madam Chair, maybe what
16 might happen -- I don't know whether Mr. Friedman's issue
17 has been resolved, the one going from one megawatt to more
18 than one megawatt, but you might take a case just and
19 bring it to this group and work it through so that others
20 who follow there will be a clear path and you'll have had
21 a sense of who's responsible. It sounds to me we almost
22 need an Ombudsman -- and I don't mean our Ombudsman, but
23 maybe an Ombudsman for this effort that people can turn to
24 to get people to work together and eliminate some of the
25 hurdles.

1 CHAIRPERSON NICHOLS: In the last administration,
2 the Governor's office appointed a team of two people who's
3 job it was just to expedite permitting for large scale
4 solar facilitates. And they did such a good job that we
5 have way more facilitates permitted than are probably ever
6 going to get built. But they're permitted. And I think
7 that same team is now being deployed as sort of a strike
8 force on some of these other issues as well. So those are
9 very valid points and suggestions.

10 And it is something that everybody is struggling
11 with, because obviously we have multiple agencies,
12 multiple objectives, and we're trying to reconcile them
13 all at once. We all know what the answer is, but the
14 question is how do we get there. How do we get there.
15 Yeah.

16 Okay. Well, I think we could turn our attention
17 then to the next item on the agenda, which is consider
18 proposed revisions to the Carl Moyer Incentive Program
19 Guidelines. This is an opportunity for staff to switch
20 places here I guess.

21 The Carl Moyer Program since its inception has
22 filled a critical niche in California's strategy to
23 achieve clean air by providing financial incentives to
24 voluntarily purchase cleaner engines and technologies.
25 It's one of the few carrots that we have and we've

1 deployed it I think intensively and I think quite well.
2 It obviously complements our regulatory program by funding
3 reductions that are over and above what's required by
4 regulation and therefore gives people the incentive to
5 move ahead of the regulations.

6 Since 1998, the program has cleaned up about
7 24,000 engines throughout California, reducing
8 smog-forming emissions by about 100,000 tons and diesel
9 particulate emissions by about 6,000 tons just through
10 early retirement, replacements of higher polluting engines
11 by cleaner ones. So it's obviously a program that we care
12 about a lot and would like to make sure is operating as
13 effectively as possible.

14 So with that, I think I'll turn it over to you,
15 Mr. Goldstene.

16 EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
17 Nichols.

18 ARB's Carl Moyer Program has a successful record
19 of achieving important emissions reduction by repowering,
20 retrofitting, and accelerating the turn-over of old,
21 highly polluting engines.

22 This program is an important aspect to cleaning
23 up California's vehicles and equipment and achieving
24 emission reductions beyond those required by regulations.
25 In order to ensure the Carl Moyer Program continues to be

1 successful, it must be updated periodically to keep pace
2 with the technology changes, statutory changes, regulatory
3 changes, and policy changes and to benefit from the
4 experience that ARB and the local air districts have
5 accumulated in overseeing and implementing the program
6 over the years.

7 As we update the program, it's critical we be
8 responsive to stakeholder feedback as well as to changes
9 in the economy and the regulatory climate. To that end,
10 staff designed the proposed revisions to increase program
11 participation and funding eligibility across several
12 areas. This includes developing two new source categories
13 and adding an off-road voucher incentive program, as well
14 as increasing eligibility within current source categories
15 and revising the methodology used to determine surplus
16 emission reductions.

17 In addition, the proposed changes are designed to
18 be easily integrated into the air district's existing
19 operations.

20 Staff worked in close cooperation with all
21 stakeholders, including our air district partners, in
22 developing the proposed revisions and soliciting input
23 during ten public workshops and a number of work group
24 meetings. Staff also received valuable input on key
25 policy issues from the Incentive Programs Advisory Group.

1 And again, I'd like to thank my appreciation to
2 all participants in the Advisory Group and especially
3 thank Board Member Sandra Berg who continues to provide
4 leadership for the group, which has been invaluable.

5 I'd like now to turn the presentation over to Sam
6 Gregor from the Mobile Source Control Division. Sam.

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

9 AIR POLLUTION SPECIALIST GREGOR: Thank you, Mr.
10 Goldstene.

11 Good morning, Chairman Nichols and members of the
12 Board.

13 Today, I will provide an overview of the Carl
14 Moyer Program and staff's proposed revisions to the Carl
15 Moyer Program guidelines.

16 --o0o--

17 AIR POLLUTION SPECIALIST GREGOR: The Carl Moyer
18 Memorial Air Quality Standards Attainment Program is named
19 in honor of the late Dr. Carl Moyer, Chief Scientist at
20 Acurex Environmental and a true air quality hero. Dr.
21 Moyer combined a passion for the clean air with
22 exceptional engineering intellect to find positive
23 solutions to the air pollution challenges facing
24 California. He united businesses, government, and
25 environmental groups in a common effort to achieve clean

1 air standards. In all of his pursuits, he brought the
2 same vision and the same vigor, inspiring a common goal
3 among disparate parties. His extraordinary dedication and
4 leadership made this program possible.

5 Dr. Moyer knew that NOx reductions were the key
6 to reaching the ozone standards in many parts of
7 California. Now in its twelfth year, the Carl Moyer
8 Program implements Dr. Moyer's vision to achieve air
9 quality standards through cost-effective emission
10 reductions. We think Dr. Moyer would be proud that the
11 Sacramento region has attained the one-hour ozone
12 standard.

13 --o0o--

14 AIR POLLUTION SPECIALIST GREGOR: The Carl Moyer
15 Program establishes a partnership between ARB and the
16 local air districts that provides grants to owners of
17 vehicles and equipment to pay for the incremental cost of
18 funding low-emission technologies that deliver emission
19 reductions above and beyond those required by the
20 regulation.

21 By targeting unregulated sources and funding
22 early and extra emission reductions, the program
23 complements existing regulations to help California meet
24 federal, State, and local air quality standards and
25 reduces public exposure to toxic air contaminants. State

1 law establishes the basic structure of the program,
2 including covered pollutants, eligible projects, and cost
3 effectiveness limits. Statute assigns ARB the authority
4 to define and clarify the boundaries of the program.

5 ARB has the responsibility to oversee that the
6 program is implemented effectively and efficiently and in
7 accordance with statute and provides SIP credible emission
8 reductions while local air districts perform on-the-ground
9 implementation of the program.

10 --o0o--

11 AIR POLLUTION SPECIALIST GREGOR: Thus, in order
12 for the Moyer Program goals to be met, the air quality
13 management and Air Pollution Control Districts play an
14 essential role in the development and implementation of
15 the program. Air districts are the critical link between
16 businesses and incentives. Air districts must reach out
17 to large and small fleets through various marketing
18 efforts just to get business owners through the door. Air
19 districts incur the burden of walking applicants through
20 the process of understanding the program, determining the
21 best technology that fit a particular fleet's
22 circumstances by working with manufacturers and dealers.
23 Air districts do a tremendous job under often stressful
24 conditions to expend public funds in an efficient and
25 honorable manner with the goal of achieving cleaner air.

1 --o0o--

2 AIR POLLUTION SPECIALIST GREGOR: Over the 12
3 years to date, the air districts have met this goal. The
4 ARB has allocated over \$680 million to participating air
5 districts throughout the state. Through their
6 implementation efforts, the successful projects funded
7 have resulted in a combined cost effectiveness of \$9,000
8 per ton on a per project basis, better than the cost
9 effectiveness that most air pollution projects result in.
10 This shows that the program has achieved surplus emission
11 reduction at a relatively low cost of public funds.

12 --o0o--

13 AIR POLLUTION SPECIALIST GREGOR: These funds
14 have been utilized over a broad base of vocations,
15 resulting in over 24,000 cleaner engines being replaced.
16 These vocations include replacing and retrofitting a
17 diverse group of on-road and off-road mobile sources, such
18 as tractors, marine vessels, and locomotives. In
19 addition, the program funds the turnover and scrapping of
20 older, higher polluting stationary and mobile agricultural
21 sources and light-duty vehicles resulting in increased use
22 of newer, cleaner technologies. These cleaner
23 technologies have provided a number of benefits that will
24 be presented over the next few slides.

25 --o0o--

1 AIR POLLUTION SPECIALIST GREGOR: The emission
2 reductions achieved from these engines is about 100,000
3 tons of ozone precursor pollutants, which include NOx and
4 ROG, and 6,000 tons of toxic particulate matter throughout
5 the state. The results have led to reduced illnesses
6 among sensitive groups and better environmental
7 conditions, as well as roughly 90 air pollution-related
8 premature deaths being avoided per program year. Benefits
9 also include reductions in greenhouse gases as a result of
10 increased fuel economy in many those applications.

11 --o0o--

12 AIR POLLUTION SPECIALIST GREGOR: In addition to
13 the direct benefits to public health, the Carl Moyer
14 Program also provides economic benefits. A U.S. EPA study
15 released just last month entitled, "The Benefits and Costs
16 of the Clean Air Act 1990 through 2000" concludes that as
17 a result of the Clean Air Act requirements, central
18 benefits estimate exceeds costs by a factor of more than
19 30 to one and the high benefits estimate exceeds costs by
20 90 times. Even the low benefits estimate exceeds costs by
21 about one to three. Since the Carl Moyer Program achieves
22 extra and early reductions, funding the same types of
23 projects as required by regulations and based on this
24 study, over \$20.4 billion in benefits to the economy have
25 been gained.

1 Simply put, for every dollar spent on improving
2 air quality through regulations based on the Clean Air
3 Act, estimates show there are \$30 in benefit achieved. It
4 is important to point out that some of these economic
5 benefits are seen in fewer workday losses, fewer school
6 days missed, and reduced health care related costs.

7 --o0o--

8 AIR POLLUTION SPECIALIST GREGOR: In addition to
9 the general fiscal benefits, the Moyer Program encourages
10 substantial investments in research and development of
11 cleaner technologies, laying the groundwork for even
12 greater emission reductions in the future.

13 The acceleration of deploying these technologies
14 is a direct result of operators voluntarily accepting
15 incentives in order to achieve early emission reductions
16 to current and future regulations. Otherwise, technology
17 development on products like retrofits would take a longer
18 course on arriving into the marketplace. This is a prime
19 example of how the Carl Moyer Program complements ARB's
20 regulatory programs.

21 --o0o--

22 AIR POLLUTION SPECIALIST GREGOR: Of course, the
23 benefits that the Carl Moyer Program provides are not just
24 the public health and the economy. The program also
25 provides direct, immediate benefits to those that

1 voluntarily participate by purchasing lower emission
2 technologies sooner than required. Beyond the financial
3 incentive provided, there are additional benefits to
4 upgrading equipment and vehicles earlier than normal.
5 First, older equipment is replaced with newer, safer
6 equipment.

7 Another benefit to the participant is that by
8 replacing older equipment with newer equipment,
9 reliability becomes less of an issue. And this results in
10 lower maintenance costs and decreased down time that are
11 commonly associated with older equipment and engines.
12 Overall, this benefits the owners by increasing the net
13 worth of their businesses and enabling them to show that
14 they are now a green company.

15 --o0o--

16 AIR POLLUTION SPECIALIST GREGOR: After looking
17 back on some of the program's benefits and the role of the
18 air districts, the legacy of the Carl Moyer Program is
19 important to highlight. As the county's first successful
20 statewide program to provide grants to reduce surplus
21 emissions, the Carl Moyer Program has provided the
22 foundation for many other local and national programs,
23 including, but not limited to, the Lower Emissions School
24 Bus Program, the Proposition 1.B. Goods Movement Emission
25 Reduction Program, and the Air Quality Incentive Program.

1 And before we move on, staff would like to
2 recognize all of those that have participated in the
3 development and implementation of this program since 1998,
4 including current and former members of the Board,
5 environmental organizations, equipment manufacturers,
6 dealers, participants, and all other supporting
7 businesses, and in particular, to our air district
8 partners.

9 In addition, we would like to acknowledge Board
10 Member Sandra. Board Member Berg has taken a particular
11 interest in ensuring that not only the Carl Moyer but all
12 of our incentive programs meets the demands of businesses
13 and air districts and are successful in reducing
14 emissions. Her leadership and guidance has helped improve
15 the relationships between ARB and all of stakeholders to
16 help the programs achieve their greatest potential while
17 best utilizing public funds.

18 --o0o--

19 AIR POLLUTION SPECIALIST GREGOR: To ensure that
20 the past successes continue in the future, there is still
21 more work to be done. Before we move onto the staff's
22 proposal to position the Carl Moyer Program for continued
23 future success, I want to update you on revisions made
24 since the last Board meeting.

25 As you may recall, the Board approved short-term

1 revisions in March of last year, including continued
2 Executive Officer authority to make additional minor
3 changes as needed. Since then, the Executive Officer has
4 approved several changes to help the air districts
5 implement the program, provide relief to fleets struggling
6 financially as a result of the economy, and expand funding
7 opportunities, while maintaining emission reductions.

8 The main revisions to the on-road source
9 categories, specifically fleet modernization and the
10 voucher incentive program, include increasing funding for
11 retrofits, allowing medium-duty vehicles to participate,
12 reducing requirements for used trucks, expanding
13 eligibility for trucks operating in NOx-exempt areas, and
14 simplifying application requirements.

15 The main revisions for off-road equipment include
16 revising and streamlining the method used to determine
17 grants, simplifying the documentation requirements,
18 clarifying requirements, and eliminating the need for
19 approval of an advanced air district plan. All of these
20 revisions have been incorporated into the proposed 2011
21 guidelines.

22 --o0o--

23 AIR POLLUTION SPECIALIST GREGOR: This slide
24 lists many of the reasons for the revisions that were just
25 presented and for today's proposed revisions for your

1 consideration.

2 In the beginning years of the program, it was
3 much easier to find and convince equipment owners to
4 participate in the program. The incentive amounts and
5 contractual requirements were enough to convince owners to
6 upgrade with newer equipment faster than they normally
7 would.

8 Due to the adoption of regulations which have
9 removed many vehicles from being considered a source of
10 surplus emissions and changes in the economic climate,
11 stakeholders have asked ARB to update the guidelines to
12 help increase eligibility and streamline the
13 administrative processes of the program.

14 Based on feedback from ten public workshops, over
15 20 work group meetings, and through many other outreach
16 events, staff has put together a number of revisions that
17 should increase eligibility and further streamline program
18 implementation while still meeting all statutory
19 requirements. Some of the material presented today
20 differs from the draft published last month because staff
21 continued to work with stakeholders during the 45-day
22 public comment period. These changes are specifically
23 noted in Attachment B to the resolution before you, which
24 we have also made available to the public today. Overall,
25 the revisions presented today are staff's responses to the

1 requests of the stakeholders.

2 --o0o--

3 AIR POLLUTION SPECIALIST GREGOR: The first step
4 staff took was to look at the basis used to determine
5 whether a project will result in surplus emission
6 reductions. After reviewing statute, staff determined
7 that the methodology used to determine whether emission
8 reductions are surplus to those required by regulation
9 could be revised. Currently, a conservative method uses
10 the emission benefit analysis to define surplus. Today's
11 proposal would allow the use of a less conservative but
12 still statutorily allowed regulatory compliance date.

13 In addition, staff is proposing the removal of a
14 policy that restricts a fleet's funding opportunities to
15 one-time after the fleet's first compliance date has
16 passed. The removal of this restriction will give a fleet
17 more opportunities for funding as long as it can prove its
18 project are early and extra to any upcoming compliance
19 requirement.

20 With these changes in surplus methodology, it
21 will have an impact on virtually all source categories.
22 Staff is also proposing revisions specific to each source
23 category.

24 --o0o--

25 AIR POLLUTION SPECIALIST GREGOR: I'll start with

1 staff's proposed revisions for on-road vehicles which
2 reflect the changes the Board made to the on-road
3 regulations in December 2010. In addition to extending
4 the length of time allowed for funding up to 2021, staff
5 is proposing to expand on-road eligibility to fleets of
6 ten or fewer vehicles, which is about 64 percent of
7 California registered fleets. This change will expand
8 funding opportunities to more than 70,000 trucks, while
9 continuing to follow previous Board direction to focus
10 incentives on smaller fleets that are most in need.

11 The next proposed change will expand the model
12 years eligible for retrofit funding from 2004 through 2006
13 to 1994 through 2006.

14 The third proposed change will extend
15 opportunities for fleets that are exempt from the in-use
16 regulations, including low use agricultural vehicles,
17 vehicles operating in, NOx-exempt areas, low use
18 construction trucks and logging trucks.

19 Finally, staff proposes additional modifications
20 that would reduce the administrative requirements for air
21 district implementing the fleet modernization option and
22 the On-Road Voucher Incentive Program.

23 --o0o--

24 AIR POLLUTION SPECIALIST GREGOR: Similar to
25 on-road vehicles, the proposed revisions to the surplus

1 methodology will allow increased funding for regulated
2 off-road fleets. Medium-size fleets will have
3 opportunities for funding through 2019 and small fleets
4 through 2025.

5 Staff is proposing to allow funding opportunities
6 for large fleets only through 2016, which would reserve
7 funds in subsequent years for medium and small fleets.

8 Additionally, for large fleets, staff proposes to
9 require that projects funded after 2012 or 2013, depending
10 on horsepower, include a particulate filter, whether by
11 retrofit or as original equipment. To ensure toxic
12 reductions, staff proposes lowering the minimum project
13 life for small fleets from three years to two years, which
14 is consistent with how the Board has provided additional
15 opportunities to small on-road fleets.

16 Staff is also proposing to add opportunities for
17 non-agricultural portable equipment for diesel engines,
18 clarify funding opportunities for Tier 2 engines which
19 address the various Tier 4 certification options
20 available, and allow funding of preempted engines.

21 --o0o--

22 AIR POLLUTION SPECIALIST GREGOR: Agricultural
23 sources would also benefit from the revisions proposed for
24 off-road sources.

25 Additionally, staff has incorporated revisions

1 that will increase the ability to fund portable engines
2 that are surplus to the regulation. Most mobile
3 agricultural equipment have additional opportunities for
4 funding because they are not currently subject to a
5 regulation. In addition, staff is proposing a protocol to
6 aid air districts in determining what agricultural sources
7 are surplus to their local rules, thus allowing for
8 additional opportunities to fund surplus emission
9 reductions.

10 --o0o--

11 AIR POLLUTION SPECIALIST GREGOR: As with other
12 categories, funding opportunities for shore power projects
13 have been extended as a result of the surplus methodology
14 change. Ship side retrofits will now be eligible if
15 compliance documentation is provided.

16 In addition, the operational deadline for shore
17 side projects has been extended from 2011 to 2014.

18 Next, the shore power project criteria has been
19 revised to clarify eligible costs and expenditures. We
20 are also proposing revisions reflecting amendments adopted
21 in June 2010 to the commercial harbor craft regulation.
22 These include funding for crew and supply vessels, barges,
23 and dredges through 2019, and allowing non-road engines
24 and marine auxiliary applications.

25 --o0o--

1 AIR POLLUTION SPECIALIST GREGOR: We are also
2 proposing minor revisions to increase funding
3 opportunities to other source categories, in particular
4 for locomotives and light-duty vehicles. For locomotives,
5 staff is proposing to use the Federal Surface
6 Transportation Board definitions for classes. This will
7 simplify air district implementation and will likely
8 result in an increase in eligible locomotives and more
9 funding opportunities.

10 Staff has also modified the emission factors and
11 the calculation methodology to reflect federal
12 certification standards and align with the Goods Movement
13 Incentive Program.

14 Staff is also proposing minor changes to increase
15 eligibility for owners of older light-duty vehicles to
16 receive funds if they agree to scrap these older vehicles.
17 These changes include aligning with the Bureau of
18 Automotive Repair by increasing the maximum weight from
19 8500 pounds up to 10,000 pounds. This would increase the
20 eligible pool of vehicles by roughly 90,000. Staff has
21 also included updated emission benefit tables.

22 --o0o--

23 AIR POLLUTION SPECIALIST GREGOR: In addition to
24 revisions to the source categories, staff is proposing
25 revisions to streamline and simplify the administrative

1 requirements for air districts where possible. These
2 revisions compliment the revisions approved by the Board
3 in March 2010 and subsequent revisions mentioned on an
4 earlier slide approved by the Executive Officer.

5 One proposed revision expands and clarifies the
6 options approved since March 2010 that are available to
7 help assist projects that have lower usage as a result of
8 the economy.

9 Another revision provides a simple and structured
10 process for reallocation if air districts have to return
11 unspent funds. Staff believes that these revisions will
12 continue to help streamline the administrative
13 requirements of air districts and participants.

14 --o0o--

15 AIR POLLUTION SPECIALIST GREGOR: In addition to
16 the revisions to the current source categories just
17 described, staff is proposing several new source
18 categories to provide greater options to air districts and
19 participants.

20 --o0o--

21 AIR POLLUTION SPECIALIST GREGOR: The first new
22 funding option takes the current On-Road Voucher Incentive
23 Program and applies it to off-road equipment replacement.
24 Applicants will now have the ability to replace their
25 older off-road equipment with newer cleaner off-road

1 proposed source category is emergency vehicles. Even
2 though emergency vehicles were fundable under the current
3 on-road chapters, the fleet characteristics kept most
4 projects from being funded. With input from fire
5 districts throughout the California, it became clear that
6 although these vehicles used engines similar to other
7 on-road vocations, actual operational characteristics were
8 completely different. For example, the normal life of
9 emergency vehicles is considerably longer than on-road
10 trucks with fleet turnover occurring at a much lower pace.
11 In addition, the fuel is consumed at a higher rate than
12 miles are accumulated due to the high amount of idling
13 time required during calls.

14 Staff is proposing to initially allow funding to
15 replace older fire apparatus, such as pumpers, ladder
16 trucks, and water tenders with cleaner vehicles while
17 continuing to analyze other types of emergency vehicles
18 and equipment for opportunities to include.

19 The last new source category that staff is
20 proposing is lawn and garden equipment replacement. The
21 focus will be on replacing residential gas lawn mowers
22 with zero emission electric lawn mowers. Up to \$145 per
23 mower will be available under the Moyer cost effectiveness
24 requirements.

25 Unlike most of the other categories of equipment

1 eligible under Moyer, lawn mowers do not have any end-use
2 regulations requiring additional emission reductions from
3 these types of equipment. The typical life for a lawn
4 mower is over ten years. Therefore, this is an excellent
5 opportunity to provide an incentive to the general public
6 to purchase a clean electric alternative to the gasoline
7 lawn mower. Past performance of this type of program has
8 shown that it is highly successful.

9 Implementing this new category will give air
10 districts the opportunity to develop local programs or
11 supplement existing programs. Staff recognizes that as a
12 results of statutory requirements these guidelines may be
13 more stringent and provide smaller funding amounts than
14 some existing local programs.

15 That being said, staff believes that including
16 this source category will provide additional funding
17 opportunities for some air districts throughout the state
18 to achieve significant reductions of both criteria
19 pollutants as well as greenhouse gases.

20 Staff plans to review the progress of these new
21 source categories and look for additional changes that
22 will help increase their effectiveness.

23 --o0o--

24 AIR POLLUTION SPECIALIST GREGOR: That concludes
25 staff's overview of the proposed revisions to the 2011

1 Carl Moyer Program guidelines.

2 Staff believes that it is important to
3 acknowledge some concepts and ideas that were suggested
4 during the ten public workshops and other meetings but not
5 included in staff's proposals. There have been requests
6 to merge components of the base program, such as fleet
7 modernization, with components from the Voucher Incentive
8 Program to streamline even further.

9 Staff acknowledges the value of this concept, but
10 did not have the necessary time to incorporate into
11 today's proposal. Depending on interest and resources,
12 this suggestion may be pursued in the future.

13 Staff was asked to extend shore power funding for
14 on-shore facilities beyond the proposed 2014 deadline.
15 Although staff was unable to fully develop this idea for
16 today's proposal, we will work with stakeholders and the
17 Goods Movement Program staff to evaluate the potential for
18 additional early and extra emission reductions after 2014
19 for shore-side projects and will make recommendations to
20 the EO as appropriate.

21 There have been requests to increase the funding
22 levels for the Off-Road Voucher Incentive Program. The
23 funding levels were based on the statutory cost
24 effectiveness limit that is allowed as well as the
25 requirement that the equipment be utilized 75 percent of

1 the time in California. Maximum funding amounts were set
2 lower than what can be obtained through the traditional
3 Moyer Equipment Replacement Program, similar to how
4 funding amounts have been set for the On-Road Voucher
5 Incentive Program.

6 Although there is potential to provide a higher
7 maximum funding amount, staff believes it is necessary to
8 be conservative so as to minimize risk regarding these
9 projects, which contain fewer safeguards for public funds
10 than the traditional equipment replacement option. An
11 applicant still has the ability to obtain higher grant
12 amounts by utilizing the traditional Moyer equipment
13 replacement option.

14 Air districts have also requested that the
15 definition of public funds be modified so that these funds
16 can be excluded from the cost effectiveness calculations.
17 This specifically would help with their goal to provide
18 more funding per project, particularly for the lawn and
19 garden equipment category.

20 Staff has determined that this is not allowed by
21 statute. It was also suggested that funding opportunities
22 be available for vehicles operating in dray-off
23 activities. These trucks have passed their compliance
24 deadlines and statute prohibits funding for these types of
25 projects.

1 --o0o--

2 AIR POLLUTION SPECIALIST GREGOR: Even though not
3 all of the ideas and concepts that we heard in the
4 workshops and work group meetings were incorporated, staff
5 believes that the proposed revisions presented today will
6 continue the program on the path of opening up funding
7 opportunities across a broad section of engines, increase
8 eligibility for both on-road and off-road fleets, and
9 target those vocations that can provide the highest
10 emission reductions while maximizing the limited program
11 funding and resources.

12 Staff will continue to look for ways to assure
13 the public that funds are being administered consistent
14 with statute while adjusting to future economic and
15 regulatory changes.

16 --o0o--

17 AIR POLLUTION SPECIALIST GREGOR: In conclusion,
18 staff recommends that the Board approve the proposed
19 revisions to the 2011 Carl Moyer Program guidelines,
20 including staff's suggested changes to the original
21 proposal as presented today in Attachment B of the
22 resolution and to reaffirm the Executive Officer authority
23 to make changes as necessary.

24 Thank you.

25 CHAIRPERSON NICHOLS: Okay. Before we go on to

1 public testimony, I would like to ask Board Member Berg to
2 give us any additional comments based on her experience
3 with the community.

4 BOARD MEMBER BERG: Thank you very much,
5 Chairman.

6 I'm happy to report on the Incentive Programs
7 Advisory Group to my fellow Board members and those in
8 attendance, this group has evolved from the Carl
9 Moyer Advisory Incentive Program to include now all
10 incentive programs. So this group looks at the Carl Moyer
11 Plan, the Prop. 1B, and the AB 118, as well as discussing
12 future and new emission areas that might be of interest.

13 The meeting is open to all stakeholders. We have
14 attendance by on a regular basis our air districts, our
15 environmental and community groups. The industry and
16 association groups attend. We have the service companies
17 for-profit and nonprofit that have developed as a result
18 of the incentive programs that we offer and the end users.
19 We are increasingly having more end users attend the
20 meetings.

21 Our last meeting on April 7th, I'm proud to say
22 that the group reached consensus to support the Carl Moyer
23 amendments as outlined by staff today with the
24 encouragement to staff to continue working with
25 stakeholders to improve the efficiency for everyone, from

1 districts, implementation to the end user accountability,
2 also to continue to simplify the end user experience,
3 especially in the small business arena, and to continue to
4 coordinate these programs to promote -- to work in concert
5 with each other to achieve the greatest surplus that we
6 can out of these programs.

7 These programs are complicated. They're
8 complicated to administer. The downturn in the economy
9 added an additional complicated component to it. But all
10 stakeholders are working extremely hard.

11 I think that I can say on behalf of ARB staff, we
12 so appreciate our district partners. Without them, this
13 program would not be possible. This group has allowed
14 people to come together to discuss ideas and really to
15 work out some of the issues that happened between groups
16 when you are trying to implement complicated programs.
17 And so hats off to the district. We really appreciate
18 your involvement.

19 Also, I think it's fair to say hats off to ARB
20 staff. Another benefit of this particular program is all
21 of the staffs that are involved with Moyer, School Bus,
22 On-Road, Prop. 1B, Goods Movement, along with the AB 118
23 have an opportunity to be in the room with all the other
24 stakeholders as we look at the various issues.

25 I think one of the most exciting things that is

1 coming out of this group, at the end of every meeting, I
2 do ask around the room. We spend four hours at this
3 meeting. A lot of people come in from long distances.
4 Was this a good use of our time? Is it worthwhile to
5 continue the group?

6 The original purpose of the group was to review
7 on an advisory basis amendments. It has turned into a
8 working group. And I have gotten overwhelmingly positive
9 remarks to continue. And so this group is now looking at
10 not only further implementation issues, but also best
11 practices between all stakeholders, as well as we're going
12 to be facing some changes in 2014 as some of the funding
13 sunsets and this group is looking at different ways that
14 we can suggest that the program evolve and continue to be
15 the incredible success that it is.

16 And finally, I think the last recommendation for
17 this particular group of amendments comes from our NGO
18 community who would like to express their support but also
19 that we continue to focus on diesel and giving it the
20 priority from the district's perspective of funding in the
21 off-road area that affects the communities that are so
22 affected by the greenhouse movement. And since they were
23 not able to attend the meeting on the 7th, I did call them
24 and chatted with them about the amendment. And they did
25 join on on the consensus vote with the caveat that we

1 would encourage the districts to keep our eye on diesel on
2 road.

3 So with that, Madam Chairman, we look forward to
4 additional meetings. We're meeting about every six to
5 eight months, almost twice a year. And I want to really
6 thank staff. They do an outstanding job making me look
7 very good. Thank you.

8 CHAIRPERSON NICHOLS: Thank you for the time and
9 also for the leadership that you've provided. It's clear
10 that this Committee has provided a very valuable service
11 to the Board and also that it's becoming a place where
12 people can bring concerns and help break down some of the
13 silos that exist in our different programs. So that's a
14 terrific outcome.

15 Do we have other questions -- yes, Dr. Balmes.

16 BOARD MEMBER BALMES: So I have a question for
17 staff. It's maybe a naive question.

18 On slide 15, with regard to retrofits, we're
19 going to expand model years for which retrofits are
20 available from 2004 to 2006 to 1994 to 2006. So this is
21 again maybe a naive question. But for the older engines,
22 I don't have any problem with retrofitting them or
23 supporting retrofitting them. But are we going to run
24 into a problem where people will retrofit these engines
25 and then they will only be good for a few years in terms

1 of our current regulations? Because that's been a
2 complaint in the past. So I just wanted to -- because
3 these are older engines. I don't know how long --

4 MANAGER ARIAS: I'll take that. My name is
5 Heather Arias.

6 The expansion that you see before you today is an
7 opportunity that was provided when the Board amended the
8 on-road regulation in December.

9 BOARD MEMBER BALMES: Okay.

10 MANAGER ARIAS: So it was limited in 2004 to
11 2006. But with the expansion, we could do some of the
12 newer trucks as they're turn-over requirements are much
13 later.

14 BOARD MEMBER BALMES: Oh, I see.

15 The 1994 to 2000, we can't do '92 trucks because
16 their turnover is too soon.

17 BOARD MEMBER BALMES: Thank you.

18 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH

19 ASSISTANT DIVISION CHIEF WHITE: Dr. Balmes, this is Eric
20 White.

21 Let me add one more thing. Under the truck and
22 bus regulation, vehicles have been retrofit are allowed to
23 remain in operation for eight years without retrofits.
24 They should have plenty of time continue. We should
25 receive the benefits of that retrofit for a good period of

1 time.

2 CHAIRPERSON NICHOLS: Yes?

3 BOARD MEMBER ROBERTS: I had a couple questions.
4 You've spoken about taking these programs out to 2020, but
5 it's not clear to me what the funding source going out to
6 2021 I guess it is.

7 MANAGER ARIAS: Earlier as Board Member Berg
8 mentioned, there are some sunsets coming up for the
9 expansion of the Moyer Program. The expansion of adding
10 fleet modernization and NOx and ROG are -- I'm sorry --
11 ROG and PM, it sunsets January 1, 2015.

12 However, as Ms. Berg mentioned, there are a lot
13 of discussions right now from stakeholders to extend the
14 current legislation or some sort of form of that to
15 continue incentive programs. If that is not worked out in
16 time of January 1, 2015, our existing statute, which
17 created the traditional program in 1998, will still be in
18 existence. So the Moyer Program would continue
19 essentially as a NOx-only program.

20 BOARD MEMBER ROBERTS: And the source of those
21 dollars is?

22 MANAGER ARIAS: Motor vehicles fees. I'm looking
23 down --

24 CHAIRPERSON NICHOLS: It's all fee funded. It's
25 not general fund money. We're not in competition for that

1 particular pot.

2 BOARD MEMBER ROBERTS: It's the tax on
3 registrations?

4 MANAGER ARIAS: It's the motor vehicle fee.
5 Right now, we receive motor vehicle fees and tire fees.
6 The tire fees will be the portion that sunsets and we'll
7 still continue to seek -- or receive motor vehicle fees.

8 BOARD MEMBER ROBERTS: Okay. Would you -- just
9 because it's fresh on my mind, we is just had our lawn
10 mower trade-in program this weekend. Happy to report we
11 did over 750 lawn mowers in about three hours.

12 CHAIRPERSON NICHOLS: That's great.

13 BOARD MEMBER ROBERTS: It's not clear to me how
14 this is going to work and how it might relate to what we
15 are doing.

16 You mention there is going to be some kind of
17 a -- I didn't get the exact number -- 200-some-odd dollar
18 subsidy.

19 MANAGER ARIAS: In the program that we are
20 offering to air districts, it will allow them to utilize
21 this as one of their sources for the Moyer Program. With
22 statutory limitations of cost effectiveness, we can offer
23 \$145 per program. However, some districts, such as yours,
24 may decide to use local funds instead and offer a higher
25 dollar amount with those fees since they don't have the

1 same cost effectiveness limitation. There are air
2 districts in the state, though, that do not have the local
3 fees available to them and would like to utilize their
4 Carl Moyer fees to run a program such as this.

5 CHAIRPERSON NICHOLS: Can they combine them --
6 just to piggyback on the question. Would they be allowed
7 to put the two together if that was helpful or no?

8 MANAGER ARIAS: They are only allowed to provide
9 up to \$250.

10 CHAIRPERSON NICHOLS: That's a cap.

11 BOARD MEMBER ROBERTS: So if you want to go
12 beyond that, you couldn't use this as a part --

13 MANAGER ARIAS: That's correct. Under the Moyer
14 statute, there are limitations on cost effectiveness and
15 what is included in that calculation. And that includes
16 all public funds, whether they're your local funds, your
17 mitigation funds, or Carl Moyer funds.

18 So this is essentially an option for districts.
19 And in many cases, some districts may choose to use local
20 funds only.

21 BOARD MEMBER ROBERTS: That's getting harder to
22 find local funds. And at that rate, I think you're going
23 to have -- you're not going to have the success that you'd
24 like to have in 145 per mower. That's what I'm
25 understanding. And it's just -- it just --

1 BOARD MEMBER BERG: What rate did San Diego
2 provide this last weakened?

3 BOARD MEMBER ROBERTS: These things retail at
4 about \$400, the Black and Decker cordless rechargeable
5 that we're using. And over the past two years, we've
6 actually delivered those at \$99 per unit. So we got -- we
7 get a little break on that cost. You also have your
8 expenses to set up the program. And just to take in, you
9 probably are close to \$300, for as opposed to 145. In
10 previous years, we've done 150. So it's still out of
11 range. I'm just --

12 BOARD MEMBER BERG: My understanding is we are
13 bound though by some cost effectiveness statute. And
14 running that calculation -- maybe staff has some
15 additional information they can provide.

16 ON-ROAD CONTROLS BRANCH CHIEF ROWLAND: Scott
17 Rowland. I'm Chief of the branch that runs the Moyer
18 Program.

19 And this is an issue that the districts did bring
20 up pretty early and pretty often, pretty consistently as
21 we developed lawn and garden as a source category. There
22 are obviously -- as we mentioned in the presentation,
23 there are benefits beyond the benefits that Moyer can pay
24 for in running these sorts of programs. In terms of
25 advancing technology, the zero emission, getting

1 greenhouse gas reductions, those are not things that under
2 statute that Moyer can pay for.

3 So what we looked at was as an option to allow
4 these funds to be used for lawn mower replacement. What
5 could we offer? But we recognize at the end of the day
6 that the solution we reached is constrained by the
7 statutory cost effectiveness limits and that this would
8 not be necessarily a replacement for any district that was
9 currently operating a program, but it might be a way for
10 districts that do not currently operate a program to have
11 one. And it might also be a way for districts who were
12 offering or planning on offering a lower amount to manage
13 to use this as a source of funds. But we recognize that
14 it is limited in usefulness for those districts that would
15 like to offer more.

16 BOARD MEMBER ROBERTS: Yeah. And maybe my
17 concern is I thought when we did the calculations, I
18 thought we were somewhere around \$10,000 for ton. I
19 notice you have one of your slides was referring to \$9,000
20 per ton. Maybe I need to get back with our people and
21 analyze that. But I thought we were sort of within
22 striking range.

23 What's happening is we've got districts that are
24 offering them that won't be offering them. And it's kind
25 of a shame. But I understand the rules that you're under.

1 But I'd like to get more creative here, especially when
2 there are other sources of money that could be combined.
3 I mean, that's what you're hearing. People getting
4 together and do things, instead of just looking at it in
5 silos.

6 Tell me about the fire trucks also, if you would.
7 It's not clear what we're doing with respect to those fire
8 trucks, because we have other programs.

9 MANAGER ARIAS: Sure. The fire trucks have
10 always been eligible under the traditional on-road
11 chapters. However, we have noticed over the years that
12 they haven't quite participated. And so we started
13 digging in to find out why.

14 And for obvious reasons, they have much different
15 structure than the traditional on-road projects. So we
16 did some diving and research and worked with a lot of
17 folks to come up with better criteria to be able to allow
18 these fire trucks to participate in the Carl Moyer
19 Program.

20 We have some successful projects in the past, and
21 we have some of our air district partners that are very
22 excited about this new opportunity and have various fire
23 truck groups throughout the state that are waiting and
24 ready to come to the door. It allows longer projects,
25 utilization of different fuel types, and such like that

1 for them.

2 BOARD MEMBER ROBERTS: How do you get over the
3 use of public monies for those because I guess we're
4 paying some of and somebody else is paying the rest of it?

5 MANAGER ARIAS: That's correct. We do not pay
6 for the whole fire truck --

7 BOARD MEMBER ROBERTS: It's public dollars that
8 are being used. We can't use them in the Moyer Program,
9 but we're somehow able to use them in fire truck program.

10 MANAGER ARIAS: Right. The main distinction when
11 you're looking at the definition of public funds -- and
12 Julie can talk about this if she'd like to add in -- is
13 when we are talking about normal operation costs of a city
14 or a fire truck station, things like that, those are not
15 required to be included in the cost effectiveness. But
16 when you are talking about funds designated for air
17 quality benefits, such as local funds through an air
18 district or mitigation fees or our motor vehicle fees,
19 they're then calculated into the cost effectiveness.

20 So in your example of the lawn and garden
21 program, the local air quality fees must be included in
22 the cost effectiveness. When you're talking about
23 operation costs of a fire station, they do not have to be
24 included in the cost effectiveness.

25 CHAIRPERSON NICHOLS: It's simplistically, a fire

1 department is a public agency by definition. Everything
2 they do is a use of public funds. So an extreme
3 interpretation would be we can do anything to assist the
4 public.

5 BOARD MEMBER ROBERTS: But our Board is different
6 from a public entity?

7 CHAIRPERSON NICHOLS: No.

8 BOARD MEMBER ROBERTS: That's what I'm hearing.

9 MANAGER ARIAS: Again, the distinction is the
10 funds that are coming from the air district are designed
11 for air quality benefits. When we're talking about the
12 fire station's operating costs, those funds are not coming
13 into them for air quality benefits.

14 BOARD MEMBER ROBERTS: Let me ask you a different
15 way. So if a county wanted to put its -- some other
16 source of money in there, it wouldn't be counted? Would
17 they be eligible for the 145 program?

18 MANAGER ARIAS: We do have -- we would have to
19 look into that.

20 CHAIRPERSON NICHOLS: Let's take this off line,
21 if I may. I think we need to explore this further and
22 with respect to your specific question.

23 EXECUTIVE OFFICER GOLDSTONE: We understand the
24 question. This is controlled by statute.

25 BOARD MEMBER ROBERTS: I'm slightly frustrated.

1 EXECUTIVE OFFICER GOLDSTENE: That's coming
2 through.

3 BOARD MEMBER ROBERTS: I'd like maybe the same
4 creativity that gets to fire trucks to get to lawn mowers.

5 CHAIRPERSON NICHOLS: Understood.

6 EXECUTIVE OFFICER GOLDSTENE: We'll look at this
7 more and see how the statute plays against the question.

8 CHAIRPERSON NICHOLS: At one time, there was
9 private money coming into the lawn mower exchange programs
10 from the industry themselves. I'm not sure if that's
11 still going on, but it was in the early stages. That was
12 what made a big difference.

13 Okay. Let us move on then if there are no
14 further questions or debates. We can go to public
15 testimony. We have five witnesses who have signed up,
16 beginning with Fred Minassian from the South Coast and
17 then Scott Holmquist from HME Fire Apparatus, and Mark
18 Loutzenhiser from SM AQMD.

19 MR. MINASSIAN: Chair Nichols, members of the
20 Board, good morning. I'm Fred Minassian, Technology
21 Implementation Manager at the South Coast AQMD.

22 On behalf of my agency, I would like to express
23 our support for the adoption of the proposed Carl Moyer
24 Program guidelines. We also would like to especially
25 thank Board Member Sandra Berg for her leadership in the

1 Incentive Advisory Group. Through her guidance during the
2 past two years, all air districts and CARB staff worked
3 closely together on the revision of the proposed
4 guidelines. And we appreciate that very much. We are
5 happy to see your continued involvement with this group.

6 We also would like to thank CARB staff for
7 listening to our concerns and accepting many of our
8 suggestions. We believe this working relationship has to
9 continue for the further development of the program. So
10 again, we support the adoption of these revised
11 guidelines.

12 And I thank you for the opportunity to speak.
13 Thank you.

14 CHAIRPERSON NICHOLS: Thank you.

15 Scott Holmquist, followed by Mark Loutzenhiser,
16 Damian Breen, and Bonnie Holmes-Gen.

17 MR. HOLMQUIST: Good morning, Chairman Nichols
18 and Board members. Scott Holmquist from HME Fire
19 Apparatus.

20 I just wanted to submit our support to this is
21 that in the past, the fire apparatus has been exempt from
22 a lot of the emission standards. And also I commend the
23 staff for the work they've done with that and also to
24 improve the health and safety of the fire personal. The
25 emissions that are put out into the fire stations -- even

1 they've had to put extraction systems in the stations
2 because of the carcinogenics. It's a huge issue on them
3 for health and safety of those folks. And with that said,
4 it's just to commend you on that moving this thing
5 forward.

6 CHAIRPERSON NICHOLS: Could you would you get a
7 little closer to the mike? It's hard to hear.

8 MR. HOLMQUIST: So with the funding opportunities
9 to the -- for the State and local agencies now, it's just
10 a great opportunity for them to get involved in this. I
11 think you are going to get the support. The average life
12 of a fire Engine for line is ten years and then it gets
13 put into reserve status for another ten years. A lot of
14 the departments throughout the state that originally
15 started out with gas engines and then they went to diesel
16 engines here where most of them are now, that they end up
17 being extended longer because of the cost of the fire
18 apparatus. And then a lot of those are going to rural
19 areas. So it dispels throughout the state a lot of
20 emissions that it's going to really help out.

21 It's not really a marketing pitch, but we have
22 developed and are looking at all kinds of alternative fuel
23 sources of that. We've developed an engine, and it's on
24 display over here in the corner. It's compressed natural
25 gas. It's actually probably the second type of one,

1 because the original emissions that was out there was the
2 horse drawn. So this is actually really the first one
3 that is out there that's clean energy.

4 I've made presentations down in your area,
5 Supervisor Roberts, at San Diego. I've also made a
6 presentation at the San Joaquin and Sacramento Air Quality
7 Districts and have actually spoken to the South Coast, the
8 Mojave and to the Shasta Air Quality Management Districts
9 about this program. And they're really excited about it.

10 One of the most excitement was would in San Diego
11 area. San Diego/Mojave are really excited about this work
12 and where it can go because of the opportunity there is
13 natural gas in those areas. So it's exciting for that.

14 And with this compressed natural gas engines you
15 know because there is a lot of waste management vehicles
16 and municipal buses and that it's very efficient in the
17 2010 emissions for the EPA and also for CARB and for the
18 NOx and the PM rating. So it's very nice, clean burning.
19 I've actually had a chance to drive it pretty much from
20 San Diego to here and around here. We've had it at
21 several trade shows recently.

22 And the last part of this, I welcome you and
23 invite you to come down and see it. It's parked on the
24 corner. We've worked with the staff here and showed it in
25 early March. And they actually invited us back to have it

1 here. If you have a break or I don't know how you want to
2 handle that.

3 CHAIRPERSON NICHOLS: That's the three-minute
4 buzzer.

5 MR. HOLMQUIST: So it's there. And feel free to
6 come look at it. It's a great opportunity to see what's
7 on the innovative. And it's the only one that's out there
8 in the country now.

9 CHAIRPERSON NICHOLS: Thank you. It will be
10 there through the lunch hour?

11 MR. ALBERT: We could be there through the lunch
12 hour.

13 CHAIRPERSON NICHOLS: If anybody wants to go down
14 and take a look, that would be great. Thank you.

15 Okay, Mark.

16 MR. LOUTZENHISER: Chairperson Nichols, thank
17 you, members of the Board.

18 I'm Mark Loutzenhiser with the Sacramento Air
19 Quality Management District. And I also just wanted to
20 express our thanks to everyone involved in this process,
21 certainly Board Member Berg who has helped head up a lot
22 of the committees and working on that, the ARB staff who
23 the air districts have worked extensively through. And
24 although also mention certainly the industry
25 representatives that have been part of these communities

1 and the NGOs. Because what ultimately ends up happening
2 in terms of programs like Moyer is you need the
3 broad-based support of everyone involved to make sure you
4 have both a successful program, but also as it is
5 continued to be successful and as you have certain
6 sunseting clauses coming in building that broad based
7 support to continuing these programs into the future.

8 As was mentioned earlier, Sacramento has met the
9 one-hour ozone attainment at the moment. But we do still
10 have very big deadlines and goals coming forward. So we
11 do look very much at our incentive programs as a key
12 element, especially in areas here as in Sacramento where
13 so much of our emissions are mobile generated.

14 And so I think it's important to recognize all
15 the different stakeholders that are involved in that and
16 appreciate all that support.

17 So we do support the changes that are being
18 proposed in the Moyer guidelines here today. And one of
19 the things that was mentioned by Mr. Gregor during his
20 presentations a couple of areas that weren't quite able to
21 be worked through in terms of the guidelines immediately
22 but they talked about with the districts are continuing to
23 work forward -- and a couple I want to specifically
24 mention are the bringing more in assignment our existing
25 traditional programs along with both the on-road VIP, but

1 also the off-road VIP. That is a key component that the
2 districts feel is very important. We very much look
3 forward to continue to work with ARB staff on those areas.

4 And by the same token, we look to definitely
5 support the Board allowing the Executive Officer to make
6 minor changes to the program as it goes forward so if we
7 do find there are little tweaks here and there that don't
8 change the scope of Moyer, but allow maybe looking at
9 dollar values on VIP programs as just an example, that
10 those changes can go forward in a timely manner so we're
11 not coming up near deadlines. We recognize this is a
12 great time to make those changes and we're down to a
13 couple months to finish getting funds out the doors
14 through the programs.

15 One just very last quick note. I know that the
16 discussion will be side lined or taken off line regarding
17 public funds. But if there is some kind of a discussion
18 going on, CAPCOA would be happy to provide input if
19 requested on that. We certainly have had many thoughts on
20 that. Beyond that, we just want to express our support
21 for the guideline changes.

22 CHAIRPERSON NICHOLS: It's been a touchy issue.
23 With respect to the specifics of that program, it seems
24 like it would be a good idea to flesh out the details and
25 see what could be done.

1 Thank you.

2 Damian Breen.

3 MR. BREEN: Good morning, Chairperson Nichols and
4 members of the Board.

5 I'm very happy to be here today to support
6 staff's recommendation on the Carl Moyer guidelines. I'm
7 especially happy with the work and recent communication
8 we've had with your staff. That's paved the way to what
9 we believe are very positive SET of changes to the
10 program.

11 A key factor in the cooperation and in the
12 communication has been the work that's been done by Ms.
13 Berg and her leadership in the Incentives Working Group.
14 We feel that that's provided us with an opportunity to get
15 down to real work, to make compromises and progress in
16 this program, and we want to see that continue. We want
17 to work together on future improvements to the program,
18 especially in the areas of the on-road and off-road
19 vouches and shore power.

20 I'm very happy that your staff today has
21 committed to making changes to streamline administration
22 where possible. I'm an optimist. So I believe that
23 change is always possible. So we'll be looking forward to
24 making a lot of improvements as we go forward to this
25 program.

1 Finally, I'm very happy that the Boards and the
2 staff recommendation includes the flexibility and
3 opportunity for the ARB's Executive Officer to make
4 changes to the program as we continue forward. That's
5 been one of the key things that has allowed us to improve
6 these programs over the last couple of years and we look
7 forward for that flexibility to continue.

8 Thank you.

9 CHAIRPERSON NICHOLS: Thank you.

10 And then finally, Bonnie Holmes-Gen.

11 MS. HOLMES-GEN: Good morning, Chair Nichols and
12 members.

13 And I'm Bonnie Holmes-Gen with the American Lung
14 Association of California. And the Lung Association has
15 been a very strong supporter of the Carl Moyer Program,
16 and we are very proud of the program. We think it's been
17 essential and tremendously successful component of our
18 clean air strategy and will be increasingly important as
19 we face even tighter federal standards in the near future.

20 We do support the current revisions. We're
21 pleased to have been a part of the Advisory Committee that
22 Board Member Berg has been Chairing.

23 I do feel the Advisory Committee has been a real
24 break-through in terms of communication with all the
25 stakeholders, including the air districts and getting

1 important air district input to make the program work
2 better. So we're very pleased with that progress. And we
3 thank Board Member Berg for that.

4 We do support these current revisions and
5 especially those to help streamline the process and get
6 the funding out faster. We're very supportive of those.

7 As mentioned earlier by Member Board Member Berg,
8 we do want to keep a key focus on the trucks. Trucks is a
9 key source category. And we also want to keep a focus on
10 getting funding out to environmental justice areas and
11 continued dialogue to -- just on the level of funding to
12 make sure there's significant continuing to go on in those
13 areas.

14 And I guess, finally, we just want to keep
15 working with you. We do want to see continued funding
16 from the full compliment of funding to keep this program
17 moves forward. That's going to be very important. So we
18 want to work closely with you to do that. Thank you.

19 CHAIRPERSON NICHOLS: Thank you.

20 Appreciate all the people who have come in to
21 support where we are now. And the fact they understand
22 that there's continued opportunities for improvement in
23 this program. There's practically nothing that's harder
24 to do than give away public money well. And those that
25 have that experience can all nod their heads and smile at

1 that. But it's really true. The fact that this program
2 continues to enjoy the very high degree of support that it
3 does I think is a testimony to the fact that people have
4 taken the charge seriously and the fact that frankly over
5 the years that it's operated it's done so without any
6 scandals or mishaps is another very, very important
7 feature, which we essentially want to continue.

8 So any final comments from Board members before
9 we bring this to a vote?

10 Yes.

11 BOARD MEMBER SPERLING: I have a radical idea.
12 Is this allowed?

13 CHAIRPERSON NICHOLS: Okay. Go ahead.

14 BOARD MEMBER SPERLING: So you know, listening to
15 the discussion, you know, where this program has been so
16 successful, and especially looking at it in terms of cost
17 effective -- finding so many projects that are cost
18 effective and then hearing all these comments about
19 creativity and change and thinking also about the SIP
20 process.

21 I see got Lynn Terry's attention here.

22 And, you know, the increasing challenge of
23 meeting the PM and the ozone standards, why not -- okay.
24 Think of this as Professor Sperling, not Board Member
25 Sperling talking.

1 Why not institutionalize the Carl Moyer Program
2 as part of the SIP process? That as we think about
3 achieving those ambient standards that we broaden the
4 Moyer program so that it's essentially an offset program
5 within it. So you don't have -- you know, so it gives
6 flexibility, but only for greater reductions. And it gets
7 away from some of the concerns in the past about, you
8 know, the problems with offsets and so on.

9 Is there any -- so this is not something to do
10 today, I know. But since we're having this discussion
11 about the future of the program, it seems like there's
12 something here. I mean, it's a -- it looks like a model.
13 It looks like a great model, in fact, that could be built
14 upon.

15 CHAIRPERSON NICHOLS: Yes. I mean, I agree with
16 that. I'm not quite sure what the -- how linking it to
17 the SIP directly adds to its durability or its -- maybe
18 I'm missing something.

19 BOARD MEMBER SPERLING: Then you don't need
20 public funding to make it happen because now --

21 CHAIRPERSON NICHOLS: Yes.

22 BOARD MEMBER SPERLING: -- companies and others
23 could purchase -- could pay for some of these.

24 CHAIRPERSON NICHOLS: I see. You're talking
25 about, in effect, creating a credit type of program where

1 we put funds into it.

2 BOARD MEMBER SPERLING: Exactly.

3 CHAIRPERSON NICHOLS: I see. I missed that
4 critical step.

5 BOARD MEMBER SPERLING: Yeah. Money is critical.

6 CHAIRPERSON NICHOLS: Got it. Money is critical
7 to the success of the program. And there's never enough
8 of it, certainly, to do everything that people would like
9 to see done.

10 When you move into the area where you start
11 talking about credits, you immediately bring up all the
12 issues that we've ever had about offsets and their
13 viability, durability, being excess, et cetera, et cetera.
14 It's a big leap. You're right. It is a radical proposal.
15 So congratulations. Congratulations, Professor Sperling.
16 You've succeeded.

17 But having said that, it continues to be an issue
18 as to how to come up with the funds that are needed to do
19 all of the things that we need to do to transform the
20 fleet and to achieve our air quality goals.

21 So I think we need to keep re-examining and
22 re-looking at our assumptions in these areas. But I can
23 promise you that you will run up against major obstacles
24 in the way that the Clean Air Act deals with not only
25 issues about offsets or credits, but also issues about

1 trade-offs between stationary source and mobile source
2 emissions. If the assumption is that stationary source
3 emitters could trade off by purchasing mobile sources,
4 this is one of those areas where EPA has had a very hard
5 time and with good reason. There's good reasons, valid
6 reasons.

7 BOARD MEMBER SPERLING: Yeah. And you know --

8 CHAIRPERSON NICHOLS: Environmental justice being
9 the obvious one. There's more to it.

10 BOARD MEMBER SPERLING: So we have all the
11 standards -- stationary standards and vehicle standards.
12 So there is kind of a baseline that everyone has to meet
13 anyway. And then we have this black box that always sits
14 out there. And if as we have tightened ozone standards
15 and we are falling short on the PM anyway, this could --
16 as long as it's seen as an enhancement and an improvement
17 beyond what would otherwise be attained, it's
18 additionality.

19 CHAIRPERSON NICHOLS: Let's roll this discussion
20 over to the next item, but also to an item which I was
21 intending to raise as a Board discussion item for either
22 next month or soon thereafter with respect to incentives
23 for advanced technology vehicles and what we're doing with
24 that program as well.

25 So I don't want to -- I don't want to park this

1 in a place where it gets forgotten. I do want it to be
2 available for further discussion. I'm just not quite sure
3 where to put it at the moment. So let's just duly note
4 this as an issue that we need to address.

5 Okay. We have no further witnesses that I'm
6 aware of. But we may have a comment.

7 BOARD MEMBER LOVERIDGE: I just wanted to state
8 the obvious that I've sat here for some years. And the
9 compliments to Sandy Berg I think are really distinctive.
10 It raises strategically the value of having a table, the
11 value of bringing people to the table, the value of the
12 kind of leadership. And perhaps beyond even Sandy's own
13 skills, there's some kind of lesson or message in the fact
14 that everybody today came and essentially applauded the
15 outcome. And I just want to -- as we come to a vote, did
16 want to say I think we ought to recognize this leadership
17 in part is responsible for what we heard today.

18 CHAIRPERSON NICHOLS: Yes. Thank you. Thank you
19 for that.

20 Okay. Would you like to make a motion to
21 approve?

22 BOARD MEMBER BERG: Yes, Chairman. I'd like to
23 make a motion to approve Resolution 11-23.

24 BOARD MEMBER BALMES: Second.

25 BOARD MEMBER ROBERTS: Second.

1 CHAIRPERSON NICHOLS: Moved and seconded. All in
2 favor, please say aye.

3 (Ayes)

4 CHAIRPERSON NICHOLS: Opposed? Great. Thanks.

5 We have one additional item for consideration.

6 That is approval of a progress report of proposed SIP
7 revisions for PM2.5.

8 EXECUTIVE OFFICER GOLDSTONE: Thank you, Chairman
9 Nichols.

10 Since the adoption of the PM2.5 SIP in 2007 and
11 '08, we've been adopting the measures outlined in the SIPS
12 and have made tremendous strides in achieving emissions
13 reductions needed to meet the federal standard for PM2.5
14 in the South Coast and San Joaquin Valley.

15 Although we've been implementing the SIPS for
16 sometime now, U.S. EPA is now just wrapping up its review
17 and approval process. The EPA's review is an extremely
18 technical process that includes looking in detail at the
19 emissions accounting and modeling that are underpinning
20 the SIP.

21 EPA has already proposed to approve the emissions
22 inventory for both the South Coast and San Joaquin Valley.
23 They've also proposed to approve the modeling for South
24 Coast. They requested, and staff has provided, additional
25 extensive documentation on San Joaquin Valley modeling

1 that will allow them to approve the modeling for the
2 valley as well.

3 The final piece that U.S. EPA has asked for is a
4 technical revision to the SIP to account for the emissions
5 impacts of ARB regulations adopted since 2007, especially
6 the Board's rules for diesel trucks and off-road
7 equipment. Staff has worked closely with EPA staff to
8 include all the information in the accounting that EPA
9 needs to approve the SIPS.

10 I'll now ask Jeff Lindberg from the Air Quality
11 and Transportation Planning Branch to present the report
12 and describe the SIP revision. Jeff.

13 CHAIRPERSON NICHOLS: Thank you.

14 (Thereupon an overhead presentation was
15 presented as follows.)

16 AIR POLLUTION SPECIALIST LINDBERG: Thank you,
17 Mr. Goldstene.

18 Good morning, Madam Chair, members of the Board.

19 In this presentation, I'll be describing
20 California's progress implementing the PM2.5 SIPS in the
21 South Coast and San Joaquin Valley air basins and
22 presenting a proposed SIP revision to account for recent
23 Board actions.

24 --o0o--

25 AIR POLLUTION SPECIALIST LINDBERG: Today, we are

1 asking the Board to approve submittal of revisions to the
2 South Coast and San Joaquin Valley PM2.5 State
3 Implementation Plans, or SIPS, to EPA. These revisions
4 apply to the reasonable further progress calculations and
5 transportation conformity budgets to the two regions. We
6 are also asking the Board to approve submittal to EPA of
7 ARB's updated PM2.5 SIP rulemaking calendar. The South
8 Coast Air Quality Management District also adopted SIP
9 revisions to their local plan element. Staff is proposing
10 the Board approve submittal of that revision to EPA as
11 well.

12 --o0o--

13 AIR POLLUTION SPECIALIST LINDBERG: I'll start
14 with some background on the SIP process.

15 --o0o--

16 AIR POLLUTION SPECIALIST LINDBERG: The process
17 begins when EPA establishes an ambient air quality
18 standard to ensure the protection of public health. With
19 the standard in place, EPA designates areas that exceed
20 the standard.

21 Based on the Clean Air Act provisions, EPA also
22 establishes the deadline by which states must take the
23 necessary actions to meet the national standard.

24 For each non-attainment area identified, states
25 must adopt a SIP that shows how the standard will be met

1 by the attainment date. In California, these plans are
2 developed through a joint effort of local air districts
3 and ARB, with local adoption of the SIP as the first step.
4 Under state law, ARB then reviews each regional SIP to
5 ensure it meets Federal Clean Air Act requirements.

6 SIP implementation begins once the plan is
7 adopted by the Board. In the case of the PM2.5 SIP,
8 implementation began in 2007.

9 The Clean Air Act requires federal review and
10 approval of the SIPS submitted by states.

11 Finally, I will note that the SIP development is
12 an ongoing process. Every five years, EPA is required to
13 review the established standards in light of recent health
14 effects information to ensure that the standard continues
15 to protect public health.

16 When EPA revises an air quality standard, a new
17 SIP process is triggered with another set of SIPS and
18 deadlines. This iterative process ensures that the
19 national standards reflect new health studies, but also
20 result in multiple SIPS for pollutants such as PM2.5 and
21 ozone.

22 --o0o--

23 AIR POLLUTION SPECIALIST LINDBERG: With that
24 overarching process in mind, I will briefly focus on key
25 SIP elements.

1 The heart of the SIP is the scientific foundation
2 that is used to demonstrate attainment. Working together,
3 ARB and the districts inventory current emissions data,
4 conduct air quality modeling, evaluate ambient air quality
5 data, and determine emissions targets needed for
6 attainment.

7 Once the emission targets are established, ARB
8 and the local districts develop control strategies to
9 reach the emission target by the attainment date. The
10 Clean Air Act also establishes SIP requirements to ensure
11 that states are making reasonable further progress toward
12 attainment, that transformation related emissions are
13 consistent with the SIPS attainment strategy, and that
14 anticipated rule actions support the State's commitment to
15 implement the SIP strategy.

16 --o0o--

17 AIR POLLUTION SPECIALIST LINDBERG: In order to
18 establish the emission targets, ARB and the district use
19 state of the science air quality models. The models
20 reference air quality and emissions in a base year. The
21 South Coast Air District chose 2002 for its base year.
22 Since the San Joaquin Valley adopted their PM2.5 plan a
23 year after the South Coast, in 2008, instead of 2007, they
24 used a more recent base year of 2005.

25 The base year is the year used to calibrate

1 PM2.5, NOx, and SOX. Extensive air quality research
2 conducted in the valley indicates that ROG is not a
3 significant contributor to PM2.5 levels in the valley.

4 --o0o--

5 AIR POLLUTION SPECIALIST LINDBERG: With the key
6 precursors identified, the air quality model is used to
7 evaluate the relative effectiveness of reducing each
8 precursor. For example, we use the model to assess the
9 relative benefits of controlling one ton of directly
10 emitted PM2.5 versus controlling one ton of NOx in terms
11 of reducing PM2.5 concentrations. These relative
12 effectiveness ratios are essential in guiding the
13 development of the overall control strategy.

14 These ratios can also be used to normalize the
15 benefits of multiple precursors so they can be reflected
16 in terms of a single equivalent precursor. This method
17 provides a uniform metric for tracking progress relative
18 to the attainment emissions targets.

19 --o0o--

20 AIR POLLUTION SPECIALIST LINDBERG: Now that we
21 have described the process for developing the SIP, I would
22 like to provide some background on the PM2.5 SIPS adopted
23 nearly four years ago.

24 In 2007, ARB adopted its strategy for PM2.5
25 attainment, focusing on the accelerated turnover of

1 existing diesel powered vehicles and equipment.

2 At the same time in 2007, the Board approved the
3 South Coast component of the PM2.5 SIP. A year later, in
4 2008, the Board approved the San Joaquin Valley portion of
5 the plan.

6 --o0o--

7 AIR POLLUTION SPECIALIST LINDBERG: In November
8 of last year, EPA proposed its rulemaking action on these
9 2007 and 2008 SIPS. They found of some of the components
10 approveable, while others they proposed to disapprove.
11 EPA proposed approval of the ARB and local control
12 strategies and related elements. However, EPA also
13 proposed to disapprove the SIP, other portions of the SIP,
14 arguing that ARB relied too heavily on enforceable
15 commitments. EPA would like a greater portion of the
16 needed reductions to come from adopted rules rather than
17 enforceable commitments.

18 Despite the use of enforceable commitments, since
19 the SIPS were first adopted in 2007 and 2008, ARB and the
20 local districts have made good on these commitments to
21 implement the strategies in the SIP and are now well on
22 the way to meeting the emission targets in 2014. EPA has
23 requested a revision to the SIPS in order to re-propose
24 action in May.

25 --o0o--

1 AIR POLLUTION SPECIALIST LINDBERG: Although EPA
2 hasn't yet approved the PM2.5 SIPS, both ARB and the
3 districts began implementation as soon as we adopted the
4 plans.

5 --o0o--

6 AIR POLLUTION SPECIALIST LINDBERG: The Board has
7 now taken action on all of the significant NOx, PM2.5, and
8 SOX sources identified in the PM2.5 SIPS.

9 With a focus on reducing emissions from diesel
10 fleets, the Board adopted rules that accelerate the
11 cleanup of commercial trucks, off-road construction
12 equipment, and goods movement equipment used at ports and
13 rail yards.

14 The Board also adopted controls on consumer
15 products. To ensure that passenger vehicles remain as
16 clean as possible, California strengthened the Smog Check
17 Program by including diesel vehicles, tightening cut
18 points, and inspecting evaporative emission control
19 systems. Locally, both the South Coast and San Joaquin
20 Valley districts are meeting their commitments to reduce
21 emissions from sources under their jurisdictions.

22 --o0o--

23 AIR POLLUTION SPECIALIST LINDBERG: The Board's
24 action to reduce emissions from diesel fleets is timely.
25 When EPA proposed to partially disapprove California's

1 PM2.5 SIPS late last year, a key issue it had was
2 California's need to rely on commitments to achieve
3 additional reductions. The Board acted to fulfill its
4 commitment in December by taking action on the diesel
5 rules. The Board structured the rules to meet the PM2.5
6 SIP emission targets in 2014, recognizing the impacts of
7 the recession.

8 --o0o--

9 AIR POLLUTION SPECIALIST LINDBERG: The proposed
10 PM2.5 SIP revisions reflect the same forecasts used when
11 the Board adopted the diesel rules last year.

12 The base year inventory used for SIP modeling
13 precedes the recession, so the recession had no effect on
14 the modeled emission targets. Other inventory
15 improvements did change the base year inventory somewhat,
16 but these changes were quite small. In the South Coast,
17 the change was about 2 percent, while in the San Joaquin
18 Valley, it amounted to about 4 percent. These small
19 changes are well within the band of modeling uncertainty
20 and so have no impact on the modeled emission targets.

21 In the 2014 attainment year, the impact of the
22 recession and the improvements to the inventory forecasts
23 are much more significant. So to understand how much
24 progress we have made toward meeting these targets, we
25 need to look at the impacts of both the recession and the

1 adopted rules.

2 The next two slides will visually illustrate the
3 emission reductions we now expect by 2014.

4 --o0o--

5 AIR POLLUTION SPECIALIST LINDBERG: This graph
6 shows how the South Coast air basin is meeting its 2014
7 emission targets by counting for both the recession and
8 adopted State and local emission controls.

9 This chart illustrates the remaining emissions in
10 NOx-equivalent terms, which is consistent with the South
11 Coast district's focus on reducing NOx emissions.

12 The bar on the left is the NOx equivalent level
13 in the 2002 base year. The bar on the right is our
14 current estimate of attainment year emissions and accounts
15 for adopted rules and recession impacts. This shows that
16 we are 94 percent of the way toward meeting the 2014
17 emission target.

18 --o0o--

19 AIR POLLUTION SPECIALIST LINDBERG: This slide
20 illustrates similar information for the San Joaquin
21 Valley. With the current emission forecast and
22 regulations, ARB and district have taken the actions
23 necessary to reach the 2014 SIP emission target.

24 --o0o--

25 AIR POLLUTION SPECIALIST LINDBERG: I'll now turn

1 my focus to the proposed SIP revisions.

2 --o0o--

3 AIR POLLUTION SPECIALIST LINDBERG: The proposed
4 SIP revisions are needed for several reasons. It is
5 important for us to account for the benefits of the
6 Board's actions on diesel rules and to account for the
7 impacts of the recession. EPA expects to re-propose final
8 action on California's PM2.5 SIPS in May 2011, next month,
9 and has requested this revision of ARB. The proposed
10 revisions will provide U.S. EPA with the information it
11 needs to fully approve the PM2.5 SIPS.

12 The South Coast AQMD has also adopted a SIP
13 revision that staff is proposing to submit to EPA. It'll
14 describe that submittal momentarily.

15 --o0o--

16 AIR POLLUTION SPECIALIST LINDBERG: There are
17 three parts to ARB's proposed SIP revisions. The first is
18 the reasonable further progress, or RFP, calculation. Our
19 current estimate now indicates that we are achieving even
20 greater near-term emission reductions than was envisioned
21 when the SIPS were initially adopted.

22 The second revision affects the transportation
23 conformity budgets. The transformation conformity budgets
24 ensure that emissions from motor vehicles remain within
25 the limits established in the SIPS. The budgets proposed

1 today reflect the Board's December action on the diesel
2 rules.

3 Finally, staff is proposing to update the
4 rulemaking calendar for the remaining actions that we
5 expect to bring to the Board for consideration by 2013.

6 --o0o--

7 AIR POLLUTION SPECIALIST LINDBERG: The South
8 Coast Air District also responded to EPA's request for a
9 SIP revision. The district re-calibrated the estimated
10 reductions, its surplus off-road opt-in for NOx, or SOON
11 Program, will achieve in order to reflect ARB's current
12 off-road equipment emission forecasts. The revision does
13 not alter the district's commitment to pursue additional
14 reductions through the SOON Program.

15 The South Coast Air District also updated their
16 SIP, by committing an additional ton of NOx reductions in
17 2014 if EPA is unable to reduce emissions from sources
18 under federal authority.

19 Staff reviewed the district's updates and
20 proposes that the Board approve the revisions for
21 submittal to U.S. EPA as a SIP revision.

22 --o0o--

23 AIR POLLUTION SPECIALIST LINDBERG: The next two
24 slides focus on the current PM2.5 air quality in the South
25 Coast and San Joaquin Valley air basins. As you will see,

1 measured air quality is within range of the attainment of
2 the PM2.5 standard.

3 --o0o--

4 AIR POLLUTION SPECIALIST LINDBERG: This slide
5 illustrates PM2.5 levels in the South Coast air basin in
6 2010. The air quality data show that the South Coast air
7 basin is very near attaining the annual standard.
8 Monitors in the coastal and central areas met the standard
9 last year. Only one inland monitor, in the Riverside
10 area, slightly exceeded the standard in 2010.

11 --o0o--

12 AIR POLLUTION SPECIALIST LINDBERG: The San
13 Joaquin Valley has also seen air quality improvement,
14 particularly in the northern and central regions. In the
15 southern part of the valley last year, one monitor,
16 located in the Bakersfield area, recorded levels above the
17 federal standard.

18 --o0o--

19 AIR POLLUTION SPECIALIST LINDBERG: SIP planning
20 is an ongoing process. So I'll now brief you on our
21 activities to implement the federal standards.

22 --o0o--

23 AIR POLLUTION SPECIALIST LINDBERG: With respect
24 to the federal PM2.5 standards, our focus is three-fold.

25 First, the implementation of the adopted PM2.5

1 SIPS and the adopted regulations continues to be a
2 priority. We are also in the initial stages of developing
3 a proposed SIP to address the 24-hour PM2.5 standard.
4 Those SIPS are due to EPA in December of next year.

5 Finally, staff monitors EPA's periodic standard
6 review process in order to understand the impact on
7 California.

8 --o0o--

9 AIR POLLUTION SPECIALIST LINDBERG: For the
10 federal ozone standard, EPA is currently in the process of
11 re-evaluating the 8-hour ozone standard it adopted in
12 2008. Staff will brief the Board next month on that
13 process.

14 We also continue to focus on implementing the
15 adopted ozone SIPS. While today's proposal addresses the
16 current PM2.5 SIPS, the recent Board action on the diesel
17 rules and the economic recession also impact the technical
18 elements of the ozone SIPS adopted in 2007. Staff will be
19 proposing similar SIP revisions for the South Coast and
20 San Joaquin Valley ozone SIPS in June.

21 Finally, as with other federal air quality
22 standards, we continue to track EPA's current review of
23 the ozone standard.

24 --o0o--

25 AIR POLLUTION SPECIALIST LINDBERG: I will end my

1 presentation by summarizing the Board action staff is
2 recommending today.

3 Staff recommends that the Board approve the
4 submittal of the proposed SIP revisions to EPA. Doing so
5 will provide EPA with the information it needs to fully
6 approve California's PM2.5 SIPS.

7 Staff also recommends the Board approve the
8 progress report provided today as an informational item.

9 Thank you. That concludes my presentation.

10 CHAIRPERSON NICHOLS: Okay. Thank you. Any
11 further questions or comments before we go to public
12 comment? All right. We have -- go ahead.

13 BOARD MEMBER BALMES: So have you actually run
14 past the revisions -- run the revisions past the EPA to
15 get a sense of whether they would approve them?

16 AIR QUALITY AND TRANSPORTATION PLANNING BRANCH
17 CHIEF KARPEROS: Staff has had ongoing discussions since
18 November with EPA for us first to understand the specifics
19 of the comments and then also to map out for them the SIP
20 revisions that we laid out.

21 BOARD MEMBER BALMES: Have you got any feedback?

22 AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

23 CHIEF KARPEROS: We are optimistic based on the
24 discussions that they would approve with these revisions.

25 CHAIRPERSON NICHOLS: That's not any kind of an

1 official or formal communication. But there's always
2 ongoing informal communication with the staff. That's
3 about all we can do.

4 BOARD MEMBER BALMES: I guess I have one other
5 question. I'm actually kind of surprised at how well the
6 South Coast Air Quality Management District is doing with
7 regard to PM2.5. I'm certainly pleased. But we always
8 hear about how big the public health problem is in the
9 South Coast related to PM2.5. And resources are directed
10 towards the South Coast in part because of the large
11 population and the vulnerable nature of some of the
12 population. But you know, if they're this close to
13 attainment, it casts a little bit different picture on
14 some of the testimony that we hear from South Coast.

15 DEPUTY EXECUTIVE OFFICER TERRY: I guess I'm just
16 going to add though, as you know, the standard is being
17 reviewed and the range is definitely lower than the
18 current standard, the 15 micrograms per cubic meter.

19 BOARD MEMBER BALMES: But in terms of SIP-related
20 enforcement of a potential new standard, that's not going
21 to come for a few years. We're still dealing with the
22 current standard.

23 CHAIRPERSON NICHOLS: Okay. We have the
24 following witnesses Hank de Carbonel, Elaine Chang, Brent
25 Newell, and Skip Brown. We'll start with Hank de

1 Carbonel, who took advantage of the online sign-up
2 provision. Congratulation, you may be the first user of
3 this new process.

4 MR. DE CARBONEL: I was afraid I was going to be
5 the only one. Good morning.

6 Just to take a second to speak a little bit off
7 subject with regard to the emergency vehicles and fire
8 trucks. It might be of some interest to notice that two
9 of our concrete pumps are in Japan right now helping to
10 stabilize the nuclear reactor over there. They took a
11 million-and-a-half dollar air freight bill per truck to
12 get them there. They'll be there pouring cooling water on
13 and later probably sealing it in the sarcophagus The
14 concrete. They're uniquely qualified because they can be
15 operated remotely. So they're not putting the operators
16 in danger of radioactivity.

17 So here's my comments. CARB continues to use
18 reports, studies, and science from select and questionable
19 sources, even when problems and shortcomings with the data
20 are revealed. The conclusions that are acceptable to the
21 Board come from a pool of reliable sources. The reliable
22 sources would appear to have vested interest due to
23 funding and grants received from the Board. Funding goes
24 to pay for studies, et cetera. And studies conclude the
25 desired results of the Board. Thus, once revered

1 institutions become sullied.

2 Even the selection of the subjects and studies
3 and who will do them is conflicted. The panels and
4 experts are not appointed as per the policies and
5 procedures governing the operation of the Air Resources
6 Board. The stagnation that comes from long-held positions
7 may lead to poor practices and skewed awards.

8 Croniesm replaces clarity and transparency.
9 Refusal to respond to violations of the spirit as well as
10 the intent of AB 32 leads us to a body without public
11 trust and without respect in the scientific community.

12 The California Air Resources Board lives in a
13 closed atmosphere and suffers from a lack of fresh air and
14 clear thinking. It is a closed loop of self-inspection
15 and self-reflection. That is not good governance nor good
16 science.

17 A Board that is supposed to be driven by science
18 must show a basic understanding of the foundation of
19 science. Arithmetic would be a start of the foundation.
20 The Board has repeatedly shown an inability to perform
21 accurately simple percentages, subtraction, as well as
22 addition. The data and studies used in the March 29th,
23 2011, report are dated, flawed, and are not site-specific
24 for California. Much of the information and justification
25 comes from data acquired in '93 to '95. We have been

1 promised -- we have been promised a current and
2 site-specific report for over a year. The Board is not
3 delivered this report, despite repeated requests and
4 requested commitments from the Board to release this
5 Board.

6 CHAIRPERSON NICHOLS: Go ahead and finish up. We
7 took a little of your time earlier.

8 MR. DE CARBONEL: In the last few days, we have
9 gotten science subjecting that CARB has failed to
10 accommodate their mandate regarding clean air. If the
11 science from the EPA and the American Lung Association is
12 to be believed, then the Board must admit the current and
13 accurate report to the EPA. They may be suggesting poor
14 methods or management of the California Air Resources
15 Board. The EPA and American Lung Association seemed to
16 doubt the science of the Board. Suppressed contrary
17 studies and reports impugned the credibility of these
18 critical reports. For these reasons, the Board should
19 reject this report.

20 Thank you.

21 CHAIRPERSON NICHOLS: Okay. Thank you. I think
22 your comments are quite a bit broader than the issue
23 that's before us today, but I expect they will be
24 responded to at some --

25 MR. DE CARBONEL: Well, I didn't know that you

1 were going to be talking about modeling or I'd have been
2 more specific to that. Of course, we don't see the
3 staff's report until we get here in the morning. I'd be
4 glad to submit a number of studies on the fall ability of
5 modeling.

6 CHAIRPERSON NICHOLS: Okay. Great.

7 Next, Elaine Chang.

8 MS. CHANG: Good morning, Chairman Nichols and
9 members of the Board. My name is Elaine Chang, Deputy
10 Executive Officer with the South Coast Air Quality
11 Management District.

12 I'm here simply to urge your approval of the
13 staff proposal before you. And I'm also here available to
14 answer any questions you may have regarding the South
15 Coast portion of the amendment.

16 Thank you.

17 CHAIRPERSON NICHOLS: Thank you.

18 Brent Newell.

19 MR. NEWELL: Good morning, Madam Chair, members
20 of the Board.

21 Before I start, I'd like to address Dr. Balmes'
22 question about the South Coast air basin. I think if the
23 staff showed graphs of the daily 24-hour PM2.5 standard,
24 you'd see a different picture. In the San Joaquin Valley,
25 the air basin where my clients are located, over the last

1 five years, the number of days of violation starting in
2 2005 were 45 days. They dropped to 38 days. In 2007,
3 they went up to 65 days. 2008 was 66 days. And last year
4 was 50 day -- 2009 was 50 days. So it's not all that
5 rosy, unfortunately.

6 With respect to the revision that's in front of
7 the Board now, I have serious concerns because the 2007
8 State Strategy has commitments to achieve specific
9 reductions in NOx, SOX, and PM2.5. And the staff report
10 shows in Tables 2 and Table 3 that those commitments
11 aren't being met by 2014.

12 In the South Coast, the NOx reduction is only 89
13 percent of the commitment estimated for 2014. And Table 3
14 for the San Joaquin Valley, it shows that the PM2.5
15 commitment is only at 90 percent of where it should be.
16 Even though these aren't showing enough progress towards
17 those commitments, the progress that has occurred is
18 occurring in part due to reductions from decreased
19 activity because of the recession. I have serious
20 concerns about the Board relying on recession-related
21 reductions because those reductions are not enforceable.
22 They're not permanent. As soon as we have recovery, the
23 diesel fleet activity is going to increase and you will
24 see increased emissions.

25 With this revision, ARB needs to demonstrate that

1 it will attain the standards by the 2014 deadline. And
2 that's the holding in a recent 9th circuit case in which I
3 was one of the lawyers: Associated of Irritated Residents
4 versus EPA.

5 Now, your staff report talks about this case but
6 just dismisses it. But the bottom line is that you have
7 to, with this revision, show that you're going to meet the
8 standards. The staff report says you're not meeting the
9 commitments. You're relying on recession-related
10 unenforceable reductions, and that's just not appropriate.
11 Claiming somehow NOx equivalency in the South Coast air
12 basin or PM2.5 equivalency in the San Joaquin Valley
13 doesn't get you past the commitment that you made in 2007,
14 which was to reduce a lot of emissions by the 2014
15 deadline.

16 So I ask you to seriously consider what you're
17 doing before you approve this revision. You need to
18 strengthen the PM2.5 plan, not rely on recession-related
19 reductions.

20 CHAIRPERSON NICHOLS: Thank you.

21 Skip Brown and then Betty Plowman.

22 MR. BROWN: Good morning. Thank you for the
23 opportunity to speak to you. I do not have kind things to
24 say.

25 You're still not produced a Tran report that was

1 debunked back in '08 and '09, even though you promised to
2 do so. But we did have the Science Symposium, and the
3 science is now settled as some fellow once said, "There is
4 no death from particulate matter in California, yet we
5 continue to chase the bogeyman" We're still using the
6 same debunked study for California. This one right here
7 it shows no effect of particulate matter for death in
8 California. Why we do this, I don't know. We still use
9 selective studies, but we ignore the ones that don't fit
10 the model of the direction we're trying to go in.

11 What you have is scientific pretense. These are
12 BS studies that are rammed down the throats of businessman
13 and taking us down.

14 There is no premature death from particulate
15 matter in California. It's a phantom menace. Thus, there
16 is no health savings of some \$65 billion, but there's tens
17 of billions of dollars of capital extracted in order to
18 meet these requirements.

19 Asthma continues to increase. I have a number of
20 friends with asthma. I severe empathy for them. For some
21 reason or another, as the air gets cleaner in California,
22 asthma continues to go up. Again, we're chasing another
23 phantom menace.

24 Regulations extract capital. This capital is
25 needed to handle -- to provide for employment. There is a

1 direct relationship between unemployment, poverty, and
2 health. There is no BS here. This is proven. If the
3 Board had any ethics at all, you would resign your
4 positions.

5 If not, you should completely reassess the need
6 for a SIP in California, regardless of some supposed
7 mandate by the Feds. I suggest strap on some Cojones and
8 tell them to pound some sand. California and its people
9 are broke. We don't have the money.

10 The people speaking to you today and have spoken
11 to you ad infinitum item for the last umpteen years of
12 which I have been one, we're the canaries in the gold mine
13 of California. We're not surviving this. These
14 regulations are taking us out of business. You destroyed
15 our net worth. You destroyed our capital assets for a
16 phantom menace. You could ignore the canaries at your
17 peril. (Inaudible).

18 CHAIRPERSON NICHOLS: Ms. Plowman.

19 MS. PLOWMAN: Good morning, as usual, I get up
20 here and completely forget what I was going to talk about
21 because I make notes and then the subject changes.

22 I, too, also give my kudos to Sandra Berg for
23 always, always going the extra mile. Thank you.

24 I'm going to kind of skip around because I've
25 never done multi-tasking well.

1 But I would like to first raise the question on
2 that you did commission the Jerret report to provide
3 closure to our controversies on the diesel health effects.
4 That report was due in 2009. There was no mention of this
5 in the 2010 Science Symposium, and this report has not
6 seen the light of day.

7 I personally attended the Scientific Review Panel
8 meeting in January, which I must say I was quite surprised
9 to see the Chairman Froines somewhat like a monarchy in
10 England once again Chairing that panel.

11 But we're asking once again for the Jerret
12 report. I don't know how many years these are given.
13 Food for thought. I'm going to move on.

14 I read yesterday it made all of our local papers
15 the American Lung Association's report. My own county,
16 Solano, was given an F, as were many others. Ironically,
17 I've been paying a lot of attention to a Healthy Counties
18 Report from the University of Wisconsin where they based
19 health effects on many numerous criteria. And it was
20 amazing to me as I read the American Lung Association's
21 report that some of these counties that were given an A
22 for air quality are the unhealthiest counties in the state
23 of California, with numerous premature deaths.

24 Lake County, for instance. Lake County, out of
25 56 reporting counties is the 53rd unhealthiest county in

1 the state of California. Yet, it's given an A yesterday
2 by the American Lung Association.

3 We've got some big, big issues here. And I've
4 got to tell you, with all due respect -- and I've always
5 tried to be respectful up here, when the subject is lawn
6 mowers, we're out of touch. I deal every day with people
7 who cannot buy food, who cannot get medical care. And
8 we're talking lawn mowers.

9 Somewhere, we've lost the connection to what's
10 really happening in the state of California. And the
11 state of California is broke. Our employers are leaving.
12 And yet, we continue with these archaic rules that
13 continue to put our businesses out. I live with these
14 folks. That's why I'm passionate. I receive calls every
15 day. Thank you very much.

16 CHAIRPERSON NICHOLS: Are there any other
17 witnesses who wanted to speak on this item?

18 I do want to remind us that the item that's
19 before us is revisions to a plan, which need to be acted
20 on as well as a status report.

21 Obviously, we've heard a number of comments and
22 criticisms related to the underlying science about diesel
23 particulate and its health effects. And we understand
24 that there's a group of people these witnesses represent
25 who will continue to be unhappy and dissatisfied with the

1 state of the science in this regard.

2 The Board does two things here. First of all, we
3 try to comply with the Clean Air Act, which we're legally
4 required to do. And that's what we're working on at the
5 moment.

6 We also try to reflect and act on and update the
7 science that we work on in general to be not only
8 consistent, but hopefully at the head of governmental
9 agencies that work in the area of environmental health
10 science. And overall, I think we continue to maintain
11 that role and to feel that we are on track.

12 I just want to say that we don't agree with the
13 comments that were made earlier, and I know you don't
14 agree with us. We don't agree with you. You can
15 challenge our ethics. You can challenge our mortality,
16 our parentage or whatever else you choose. But we have a
17 very large body of information that we're working on here,
18 and we have to do what we can with the actual evidence
19 that's in front of us.

20 But in any event, that's not why we're here now.
21 We are here to actually talk about the plan and to make
22 some proposed -- consider some proposed changes. Now, the
23 only person who's actually given us an argument against
24 those changes is Mr. Newell. And his concern is that
25 essentially our revised plan is building upon or taking

1 advantage, if you will, of the fact that emissions have
2 been reduced. The fact they've been reduced as a result
3 of economic conditions as opposed to regulatory
4 commitments or actions he believes is not a legitimate
5 basis for changes in the plan. And I do think that was
6 addressed, but maybe we should just have some additional
7 comment on that from the staff, if you would, Ms. Terry,
8 or whoever you designate.

9 DEPUTY EXECUTIVE OFFICER TERRY: Sure.

10 On this point, we didn't go into all the details
11 of the SIPS. But one of the requirements of the Federal
12 Clean Air Act is to have contingency measures. So while
13 2014 is the date for attainment, we must meet the
14 emissions target and we project we will be there, we will
15 continue to see emissions go down each year and subsequent
16 years. So that is a contingency plan that is included
17 here. So that even if for some reason we're short of
18 reductions in 2014, the economy comes back more quickly,
19 then everyone is projecting we have a contingency of
20 additional emission reductions each year following that.
21 And that is an important requirement of the Act, to
22 demonstrate that you will continue to see emission
23 reductions that go beyond what you think you will need for
24 attainment.

25 CHAIRPERSON NICHOLS: You're saying the

1 contingency is the adopted regulations?

2 DEPUTY EXECUTIVE OFFICER TERRY: Right. The
3 additional benefit from fleet turnover --

4 CHAIRPERSON NICHOLS: That were to add to
5 benefits.

6 DEPUTY EXECUTIVE OFFICER TERRY: Right.

7 CHAIRPERSON NICHOLS: Yes, Dr. Balmes.

8 BOARD MEMBER BALMES: So if I understand Mr.
9 Newell correctly, another point he was making was about
10 NOx. And I realize we're talking about PM2.5 here. But
11 I'm a firm believer in considering multiple pollutants
12 that are interrelated and NOx and PM2.5 are obviously
13 interrelated.

14 So if I understood him correctly, he was
15 suggesting that we're not on target to meet NOx SIP
16 attainments. Was that a point that he was making? I was
17 trying to understand how that fit in with our PM2.5 SIP
18 discussion today.

19 DEPUTY EXECUTIVE OFFICER TERRY: Well, we try not
20 to get too technical on the equivalency discussion. But
21 the bottom line is we talk about the different precursors
22 for PM2.5 and what they are in each region. And in our
23 SIP, we essentially say we will achieve the mix of
24 emission reductions needed, but we allow ourself the
25 flexibility in terms of which rules we take to the Board

1 and how many reductions we achieve from them.

2 So, for example, in the case of the diesel rules,
3 the relative proportion of direct PM emissions compared to
4 NOx emissions from those rules slightly shifted from what
5 we described in the 2007 SIP, which said we expect to get
6 this amount of NOx reduction and this amount of direct PM
7 reduction from these rules.

8 So the NOx equivalency calculation is really just
9 to normalize that relationship and to reflect the fact we
10 got relatively more diesel PM reductions than NOx
11 reductions. But in the end, based upon the modeling
12 relationships, we get to the emission reduction target but
13 with a slightly different mix of NOx and direct PM
14 reductions.

15 CHAIRPERSON NICHOLS: It is little bit -- I'm not
16 sure if frustrating even begins to describe it. The
17 process that we are engaged in here because of the way the
18 Clean Air Act and its guidelines work forces you to go
19 through a process which may or may not reflect the real
20 world, as you have said. At the same time, to fail to do
21 that would be to simply set ourselves up for being in
22 violation of the law. And so we try to find a way to fit
23 square pegs into round holes here and hope that that will
24 also continue to actually make air better. I mean, that's
25 not just a hope. That's our goal to do with the

1 regulations.

2 So I think the issue really would be if we're to
3 not approve the proposed revisions, we would be left in a
4 situation where EPA I guess would say we needed to go back
5 and come up with some additional documentation. I'm not
6 sure where that would get us.

7 DEPUTY EXECUTIVE OFFICER TERRY: Well, if they
8 were to disapprove the SIP, it puts mandatory sanctions
9 clocks in place and there are consequences that follow
10 from there.

11 CHAIRPERSON NICHOLS: Right. That's true. And
12 they will go through a process of deciding whether to
13 approve it or not. But in the mean time, this seems like
14 additional information that we need to provide them.

15 BOARD MEMBER LOVERIDGE: Move approval.

16 BOARD MEMBER RIORDAN: Second.

17 CHAIRPERSON NICHOLS: We have a motion and a
18 second. All in favor, please say aye.

19 (Ayes)

20 CHAIRPERSON NICHOLS: Any opposed. All right.
21 Motion carries.

22 That concludes all of the items that we have
23 noticed. We do have time at the end of the meeting before
24 we break for an executive session for general public
25 comment on any matters within the Board's jurisdiction

1 that were not on the agenda. Has anyone signed up from
2 the general public comment? We have not. Okay.

3 Then we did schedule an executive session for a
4 briefing on ongoing litigation. And we will go into
5 executive session and when we're done come back and report
6 on any actions that were taken.

7 (Whereupon a recess was taken from 11:22 am
8 to 12:40 pm)

9 CHAIRPERSON NICHOLS: The Board met in executive
10 session and received a report on the status of pending
11 litigation from our chief counsel. The Board did not take
12 any action on this report. That is the conclusion of our
13 meeting. And we are now in adjournment.

14 (Thereupon the California Air Resources
15 Board meeting adjourned at 12:41 p.m.)
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