

BOARD 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, DECEMBER 11, 2008

9:00 A.M.

TIFFANY C. KRAFT, CSR, RPR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 12277

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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Mr. John Telles

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Ms. Lynn Terry, Deputy Executive Officer

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Mr. Tony Brasil, In-Use Control Measures Section, MSCD

Mr. Michael Carter, Chief, Emission Research and
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Mr. Kevin Kennedy, Chief, Program Evaluation Branch

Mr. Stephan Lemieux, On-Road Heavy Duty Diesel Section, MSCD

Ms. Gloria Lindner, In-Use Control Measures Section, Mobile Source Control Division, MSCD

Mr. Chuck Shulock, Chief, Office of Climate Change

Ms. Monica Vejar, Board Clerk

Mr. Eric White, Chief, Heavy Duty Diesel In-Use Strategies Branch, MSCD

ALSO PRESENT

Ms. Janet Abelson, El Cerrito City Council

Mr. Kevin Abernathy, Cal Dairy Campaign

Dr. Janet Abshire, CA Medical Association

Mr. David Allen, Alenco Consulting Group

Mr. Mike Anderson, Anderson Logging, Inc.

Mr. Myles Anderson, Anderson Logging, Inc.

Ms. Linda Arcularius, City of Inyo

Mr. Eric Bassett, Riverview International Trucks, Inc.

Ms. Shirley Batchman, CA Citrus Mutual

Mr. Bob Berry, Berry Brothers Towing

Ms. Autumn Bernstein, Climate Plan

APPEARANCES CONTINUED

ALSO PRESENT

Mr. Scott Blevins, Mountain Valley Express

Mr. David Bolland, Association of California Water Agencies

Mr. Hugh Bower, Emanuel Jones

Mr. Barry Broad, CA Teamsters Public Affairs Council

Mr. Steve Brink, California Forestry Association

Mr. Doug Britton, Britton Trucking

Mr. Jack Broadbent, BAAQMD

Mr. Chris Brown, AICP, MCAQMD

Mr. Burmeister, BJ Services, Co.

Mr. Chris Busch, Union of Concerned Scientists

Mr. Eric Carleson, Associated California Loggers

Mr. Tim Carmichael, Coalition for Clean Air

Mr. Mark Castro

Mr. Tom Carroll, Shasta Union High School District

Ms. Audrey Chang, NRDC

Mr. Matt Cohen, Solpower Corp & Clean Fuels Resources

Mr. Michael Collier, CD Matthes, Inc., Trucking

Mr. Ken Cooley, City of Rancho Cordova League of Cities

Mr. Peter Cooper, CA Labor Federation

Ms. Cynthia Cory, CA Farm Bureau Federation

Mr. Andy Cox, Mike Campbell & Associates

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ALSO PRESENT

Mr. Michael Delbar, Mendocino County
Ms. Bernadette Del Chiaro, Environment California
Mr. Daniel Del Moro, PVM Transportation
Mr. Charles Diaz, Charles Dias Trucking, Inc.
Ms. Diane Dillon, Napa County, CSAC
Mr. James Duran, CA Hispanic Chamber
Mr. Jean Etcheverry, Antonini Fruit Express
Mr. Andy Garcia, GSC Logistics
Mr. Gary Gaussoin, Silver Eagle Manufacturing Company
Mr. David Hagen, RSI Insurance Brokers
Mr. Henry Hogo, SCAQMD
Ms. Janice Keating, City of Modesto
Ms. Kathy Fitzgerald, Fitzgerald Truck Sales
Mr. John Fleck, Deflektor
Mr. Larry Forester, City of Signal Hill
Mr. Tim Frank, American Farmland Trust
Mr. Randal Friedman, Marine Corps Installations West
Mr. Jim Ganduglia, Ganduglia Trucking
Mr. Michael Graboski, American Rental Association
Mr. Sean Graham, Freight Wing, Inc.
Mr. Rob Goliti, Midnight Express Trucking, Inc.
Mr. Jim Gray, City of Roseville

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ALSO PRESENT

Mr. Ron Hall, CR England, Inc.

Mr. Seth Hammond, Specialty Crane

Mr. Martin Hopper, Public Power Authority

Ms. Bonnie Holmes-Gen, American Lung Association

Mr. Roger Isom, CA Cotton Ginners and Growers Association

Mr. Bob Johnson, UC Davis

Mr. Ken Johnson

Mr. Kent Johnson, AG Production

Mr. Jeremy Jungreis, Marine Corps Installations West

Mr. Greg Karras, CBE

Mr. David Kayes, Daimler Trucks

Mr. Rachel Katz, Pacific Forest Trust

Ms. Naomi Kim, California Environmental Rights Alliance

Mr. Vladimir Kogan, Orange County Sanitation District

Dr. Joseph Kubsh, MECA

Ms. Amy Kyle, School of Public Health

Ms. Barbara Lee, CAPCOA

Mr. Allan Lind, CCEEB

Mr. George Little, CTTA

Mr. Kenny Lloyd

Mr. Edward Lombard, Contou

Mr. Steve Lopes, WS Oil Company

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ALSO PRESENT

Ms. Gayle Lopopolo, Ganduglia Trucking
Mr. Jim Lyons, Sierra Research
Mr. Bill Magavern, Sierra Club California
Mr. Alvan Mangalindan, Crane Owners
Ms. Tara Marchant, The Greenlining Institute
Mr. Matthew Marsom, Public Health Institute
Mr. Jesse Marquez, Coalition for a Safe Environment
Mr. J. Michael Martensson, California Groundwater Association
Ms. Julie May, CBE
Ms. Tara McClanahan, YADARI
Mr. Lee McCorkle, McCorkle Trucking
Mr. Michael McDaniel, Continental Tire
Mr. Jay McDeeman, CIOMA
Mr. Mike McKeever, SACOG
Ms. Therese McMilan, Metropolitan Transportation Commission
Mr. Clayton Miller, Lewis & Co.
Mr. Dan Miller, Save Mart Supermarket
Ms. Wendy Mitchell, IOU's
Mr. Alfred Medina, Latino Issues Forum
Mr. Gary Montgomery, Montgomery Transfers
Mr. Peter Montgomery, CBIS

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ALSO PRESENT

Mr. Glenn Neal, CA Tow Truck Association

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

Mr. Albert Nunes, AC Trucking

Mr. Alan Osofsky, Rodgers Trucking Company

Mr. Max Ordonez, CHCC

Mr. Oralia Ornelas, Juarez Bros. Trucking, Inc.

Ms. Linda Park, Southern California Association of Governments

Ms. Michelle Passero, The Nature Conservancy

Ms. Amisha Patel, Cal-Chamber/AB 32 Implementation Group

Mr. Norman Pedersen, Southern California Public Power Agency

Mr. David Piech, JD Navistar Engine Corp.

Ms. Michele Pielsticker, CALTAX

Mr. Norman Plotkin, Plotkin Zins & Associates

Mr. Bob Ramorino, Roadstar Trucking

Mr. Brian Rees, CA Poultry Federation

Ms. Catherine Reheis-Boyd, WSPA

Mr. Stephan Rhoades, Strategic Education Services

Mr. Brian Rood, Colonial Life

Mr. Joe Rosa, Renner Petroleum

Ms. Dorothy Rothrock, Cal-Chamber/AB 32 Implementation Group

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ALSO PRESENT

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Mr. Michael Rubio, Kern County

Mr. Sayed Sadredin, SJVAPCD

Mr. Matthew Schrap, CTA

Ms. Patty Senecal, CA Government Affairs IWLA

Ms. Kirsitna Skierka, Sustainable Silicon Valley

Ms. Sarah Skikne, the Climate Group

Mr. Mike Scuemake, Central Valley Trailer Repair, Inc.

Mr. Pery Shusta, Arrowhead Towing

Mr. Ernie Silva, Coalition for Adequate School Housing

Mr. Andrew Smith, ATDynamics

Mr. Neil Smith, Con-Way Freight

Mr. Dan Souza, Mountain Valley Express

Mr. Adam Stern, Terrapass

Mr. Scott Taylor, GSC Logistics

Mr. Wayne Teece, Dispatch Transportation

Mr. James Thomas, Nabors Well Services Co.

Mr. Robert Tichelman, Windyne

Mr. Chris Torres, F&L Farms Trucking, Inc.

Mr. Paul Trump, Mike Campbell & Associates

Ms. Eileen Tutt, CALEPA

Mr. Christopher Valadez

APPEARANCES CONTINUED

ALSO PRESENT

Mr. Doug Van Allen, BJ Services, Co.

Mr. Matt Vander Sluis, Planning and Conservation League

Mr. Ed Wallace, Robinson Enterprises, Inc.

Mr. Barry Wallerstein, SCAQMD

Ms. Linda Weiner, American Lung Association of California

Mr. Ryan Wiggins, Communities for Clean Ports

Ms. Lisa Wilcox, Pasadena City College

Ms. Jane Williams, CA EJAC

Mr. Sam Zugzda, Leonard's Diesel Repair, Inc.

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1 PROCEEDINGS

2 CHAIRPERSON NICHOLS: Welcome, everybody, to the
3 last meeting of the Air Resources Board for calendar year
4 2008. I want to welcome you to the Byron Sher Auditorium.

5 And it's our custom before we begin to call the
6 meeting to order, and then we all rise and say the Pledge
7 of Allegiance. I'll ask you to join me.

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

10 CHAIRPERSON NICHOLS: I have a couple of routine
11 process announcements.

12 First of all, if you look at the agenda, you will
13 notice we have a standing item for a closed session where
14 the Board can in private receive reports on lawsuits. But
15 we're not going to have it today. So I want you to know
16 the closed session is canceled.

17 We are going to take a break after the vote. But
18 unless things go longer than I expect, I don't think we're
19 going to be taking a break this morning. We're going to
20 try to just proceed through this item.

21 I want to let people know this afternoon there
22 are going to be translation services available in Spanish
23 and Punjabi, those of you who are listening on the web and
24 planning for the later hearing. And there will be
25 headsets available outside the room for anybody who would

1 like to take advantage of them.

2 Anyone who wants to testify on this or any other
3 item needs to sign up with the staff outside the
4 auditorium rather than having people crowd up at the desk
5 here. We have the sign-up tables outside in the lobby.
6 I'm sure you probably saw them on the way in. But in case
7 anybody didn't, we would appreciate it if you would sign
8 up in advantage so we can sort the list and call on people
9 in order.

10 For this item this morning, we're also going to
11 be imposing a time limit, because we've already heard
12 substantial testimony. So for that reason, I'm just going
13 to give a general word here that the Board members can
14 read faster than they can listen and faster than you talk.
15 So we really appreciate it if you have written testimony
16 if you don't just read your written testimony, but submit
17 it and maybe summarize it in a couple of sentences, but
18 not try to go through it completely. You'll also have
19 your testimony entered into the record even if you don't
20 say it.

21 And for safety reasons, I want to remind you in
22 the back of the room there are exists. In the case of a
23 fire, you'll hear an alarm. And we're required to
24 evacuate the room immediately through those exits, to go
25 downstairs, out of the building, and wait until the

1 all-clear signal. It has actually happened to us. So
2 it's a good thing to note.

3 I'll now ask the clerk to call the roll.

4 BOARD CLERK VEJAR: Dr. Balmes?

5 BOARD MEMBER BALMES: Here.

6 BOARD CLERK VEJAR: Ms. Berg?

7 BOARD MEMBER BERG: Here.

8 BOARD CLERK VEJAR: Ms. D'Adamo?

9 BOARD MEMBER D'ADAMO: Here.

10 BOARD CLERK VEJAR: Ms. Kennard?

11 Mayor Loveridge?

12 Ms. Riordan?

13 Supervisor Roberts?

14 BOARD MEMBER ROBERTS: Here.

15 BOARD CLERK VEJAR: Professor Sperling?

16 BOARD MEMBER SPERLING: Here.

17 BOARD CLERK VEJAR: Dr. Telles?

18 BOARD MEMBER TELLES: Present.

19 BOARD CLERK VEJAR: Chairman Nichols?

20 CHAIRPERSON NICHOLS: Here.

21 BOARD CLERK VEJAR: Madam Chair, we have a
22 quorum.

23 CHAIRPERSON NICHOLS: Thank you very much.

24 We are going to begin now this morning with a
25 continuation from our November Board meeting of the

1 proposed Climate Change Scoping Plan under AB 32.

2 I want to note for the record I was not here on
3 Friday, November 22nd when we heard some of the testimony
4 on this item. But I have had an opportunity to review a
5 transcript for that day. I understand also that the Board
6 had a vigorous discussion following the testimony and
7 directed the staff to look at a number of items.

8 So this is a continuation of the hearing that was
9 started in November.

10 I'm going to ask Mr. Goldstene, our Executive
11 Officer, to describe what the staff has done in response
12 to the Board's direction.

13 EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
14 Nichols. Good morning, Board members.

15 Because this is a continuation of November's
16 discussion, staff does not have an initial presentation.
17 Instead, based on the Board discussion at the November
18 Board meeting and follow-up discussion with you, the staff
19 have prepared a draft resolution and in some cases
20 proposed Scoping Plan language changes to capture the
21 issues.

22 There are also a few cleanup items where we found
23 errors in the plan which we fixed.

24 Both the draft resolution and the proposed plan
25 edits are available outside the auditorium for the public

1 and posted on the website. And Board members have them in
2 their packets.

3 I also want to mention that at your request,
4 Chairman Nichols, the Environmental Justice Advisory
5 Committee and the Economic Technology and Advancement
6 Advisory Committee collaborated to identify areas of
7 agreement. And we want to thank them for their work.

8 The Committees noted their agreement on a variety
9 of approaches that are necessary to address climate
10 change, including performance standards, a price on
11 carbon, and targeted incentives. We agree the framework
12 for the Scoping Plan reflects this three-pronged approach.
13 The Committee also noted areas of agreement on areas of
14 specific measures, many of which are included in the
15 Scoping Plan and others which we will continue to consider
16 as we implement the Plan.

17 CHAIRPERSON NICHOLS: Thank you, Mr. Goldstene.

18 I also want to extend my thanks to the two
19 statutory committees, the Environmental Justice Advisory
20 Committee and the Environmental Economic Technology
21 Advancement Committee for their work and for their efforts
22 over the past two years to strengthen this plan and to
23 find areas where they could reach consensus.

24 In the testimony in November that I heard as well
25 as in the discussion that I read in the transcript, one of

1 the things that struck me was the overwhelming support
2 that we heard for proceeding with the Scoping Plan.
3 There's no question in my mind that the vast majority of
4 Californians understand the problem of global warming and
5 understand the need to give some direction and some
6 certainty to our efforts here.

7 I understand that many of these people also
8 identify concerns with specific aspects of the plan, had
9 ways in which they thought it could be strengthened or
10 improved. But overall I feel that we have a very solid
11 basis for what we are working to accomplish.

12 I'm not going to go into a lengthy discussion
13 right now of what I think are the important points about
14 the plan. Because we want to hear from people who didn't
15 get a chance to testify and who have new information that
16 they want to convey before we actually take a vote on the
17 Scoping Plan.

18 But I do want to say at the outset here that we
19 understand that over the time that we've been working on
20 this plan and the time since AB 32 was passed, the state's
21 economic situation has drastically worsened as has that of
22 our country and the world as a whole.

23 And so it's important that we acknowledge that we
24 are listening and noting and we are going to continue to
25 address those issues as we move forward into the

1 regulatory process to actually flush out many of the
2 details of the plan through individual measures, including
3 further review both of the impact of the individual
4 measures and the plan as a whole and also of the public
5 health impacts on our approach.

6 The Scoping Plan sets a policy direction. I
7 think it creates a very solid road map. But many details
8 of this program must evolve over the next two years.

9 Staff has reviewed last month's testimony and the
10 written comments, and the Board members have as well.
11 We've also had many discussions between November and now
12 to deepen our understanding. And I'm hoping those of you
13 in the audience will see in the resolution that the staff
14 heard your comments and tried to reflect your concerns.
15 And we hope that you will review the resolution carefully.

16 If you were here last month, you know that
17 hundreds of witnesses signed up to testify. And if you
18 were one of those who already testified, I encourage you
19 not to speak again. But if you feel you do need to speak,
20 we really would appreciate it if you would not repeat what
21 you said last month. Please only testify if you have
22 something new to say.

23 And I also want to note that although I'm sure
24 most of you who are here today are sophisticated about the
25 process, it's just important to remember that for us

1 sitting up here, we don't actually weigh our decisions
2 based on the number of people who testify on one side or
3 another. We don't count the numbers. We don't vote
4 according to the number of cheers for any contestant.
5 It's not that kind of process.

6 What we try to do is really listen to what you
7 say to the substance of it and make a decision based on
8 that. So if somebody else has said what you are planning
9 to say, has made the point, please don't feel you need to
10 make it again.

11 I really urge you to limit your testimony to new
12 information or new ideas. I can't stress too strongly how
13 helpful that will be to all of us so that the Board
14 members can get to a discussion among ourselves along the
15 lines of the resolution that has been distributed to the
16 public. And then we can take action.

17 I think at this point before we call witnesses,
18 if any Board members have any opening comments that they'd
19 like to make, I would note call on you to make them. If
20 not, we'll go straight to the testimony. No. Okay.

21 We will start with Jeremy Jungreis from the
22 Marine Corps Installations West. Mr. Jungreis, Randal
23 Friedman.

24 And if you know that you're going to be coming
25 next in line, I can give a couple more names. Audrey

1 Chang, Michele Pielsticker, and Amisha Patel, if you could
2 be ready and waiting to come up, that would be helpful
3 also.

4 MR. FRIEDMAN: Good morning, Madam Chair,
5 members. Randal Friedman on behalf of the US Navy.

6 We believe the Scoping Plan to be a thoughtful
7 and balanced blueprint for California's forthcoming
8 regulatory efforts. We must also acknowledge a long
9 history of this Board and your staff in working with the
10 military to accomplish both of our important goals.

11 While there is a number of concerns we highlight
12 today and in our prior September 3rd letter, we also call
13 attention to the many programs DOD has including
14 alternative efficiency and energy programs. Our
15 installations are small cities and provide a wide range of
16 services including housing, medical schools, shopping, et
17 cetera, all designed to reduce VMT and to reduce our
18 impact to surrounding communities, and also to reduce our
19 emissions.

20 We also wish to move even further empowering
21 these communities in the future for alternative energy yet
22 we continue to identify barriers such as building solar
23 facilities greater than one megawatt and our longstanding
24 concerns with the continued ability to use B-20 fuel. The
25 military services must be able to train as we fight. And

1 while California's initiative to control global climate is
2 important, DOD must ensure regulations do not impair
3 deployability of assets and not prevent the military from
4 adapting to the battle fields of tomorrow.

5 SB 375 has the potential benefits to the military
6 of deterring sprawl that can encroach upon military
7 training. We believe that SB 375 can facilitate
8 development of smart growth strategies that are consistent
9 with military land uses and protect our vast and critical
10 air space network.

11 We also believe that SB 375 can help create
12 affordable housing, which is good in our many locations in
13 high cost coastal areas. For that reason, we ask that you
14 consider formal DOD participation in the RTAC.

15 Finally, we identify some fee issues based on
16 unique federal interest. We believe that's something we
17 can work as regulations are developed.

18 And now I turn it over to Major Jungreis.

19 CHAIRPERSON NICHOLS: Thank you.

20 MR. JUNGREIS: Good morning, Madam Chair members
21 of the Board. My name is Jeremy Jungreis here on behalf
22 of Marine Corps Installations in California.

23 I will ask the Board to please review our written
24 comments. We submitted those yesterday and we have much
25 more amplification to our comments I'm going to provide

1 right now very, very quickly.

2 One, regional targets setting that's going to be
3 done is included as part of the Scoping Plan. In the
4 coming years, we will need to expand and modify training
5 at some of our ranges. There's been some realignments in
6 the bases. And there's going to lead -- there's going to
7 be changes that could potential -- regional targets could
8 make it more difficult to have the flexibility to do those
9 things in California.

10 So one of the things with SB 375 being
11 implemented, we would ask the DOD emissions associated
12 with those with new training requirements should be
13 emitted from the setting of regional targets and in
14 determining whether the targets has been obtained. I know
15 there is going to be a process going forward. But DOD,
16 really it's a hard it inside the existing RTP context SB
17 375 lays out.

18 One of the ways to facilitate that would be a DOD
19 representative in the ex officio capacity on the Regional
20 Targets Advisory Committee or some subcommittee or task
21 force organized therein. I realize there are a lot of
22 folks who are interested in being part of the RTAC
23 process. We want to make sure that Department of Defense
24 voices are heard and some of our unique requirements are
25 taking into account.

1 Another point that some of the other commenters
2 raised was about the enforcement authority. I know CAPCOA
3 wants to have a more significant role perhaps in the
4 implementation process of AB 32 Scoping Plan.

5 We would just simply say that it's beneficial to
6 the Department of Defense to operate sometimes in multiple
7 air districts, to have one entity, the California Air
8 Resources Board, that is the enforcement authority and is
9 the rulemaking entity for these types of rules. CAPCOA
10 certainly has a role. The air districts have a role.
11 However, as the Scoping Plan currently lays out is the
12 most efficient way and the most beneficial for the way we
13 operate.

14 And finally, indirect source review rules are not
15 really an appropriate tool for greenhouse gas control as
16 to military activities for a number of reasons as laid out
17 in our comments. And we would ask those remain absent
18 from the Scoping Plan as they currently.

19 And I thank you for your time.

20 CHAIRPERSON NICHOLS: Thank you.

21 We are more aware the military is a major
22 landowner in the state, and you can make a major
23 contribution to this effort. So we appreciate it. Thank
24 you.

25 Audrey Chang, followed by Michele Pielsticker,

1 and Amisha Patel.

2 MS. CHANG: Good morning, Madam Chair and Board
3 members.

4 I'm Audrey Chang with the Natural Resources
5 Defense Council. Thank you very much for the opportunity
6 to comment.

7 First, I just want to extend a heartfelt thanks
8 to all the staff for their extremely hard work and
9 dedication over the past year. And we do appreciate it.
10 And thank you for the open process that you've run.

11 I'm here today in support of the proposed Scoping
12 Plan and urge you to adopt it today. All eyes in other
13 states and in Washington are on California as we were
14 showing how to tackle global warming in the most
15 comprehensive way. We're really the first state to do
16 what we're about to do here.

17 Not only is the Scoping Plan a pollution
18 reduction plan, it's an economic stimulus plan. It's
19 vital now more than ever for California to enact the
20 policies in the plan to fight global warming as it will
21 act as a powerful economic driver to jump start our
22 economy.

23 We strongly support the plan's overall approach
24 to tackle global warming. There is no single silver
25 bullet, and the plan uses the combination of policy tools

1 to curb global warming throughout all sectors of the
2 economy.

3 Having said that, NRDC thinks it is important to
4 note there are significant additional reductions,
5 particularly in the land use and industrial sectors, that
6 we believe can and should be achieved in a cost effective
7 manner. We fully intend to participate actively in the
8 upcoming rulemaking process to realize that the full
9 potential of greenhouse gas reductions will be made in all
10 targeted sectors so that California can meet or beat or
11 2020 limit.

12 Thanks to California's leadership here on this
13 plan, we have just the framework we need and the clean
14 economy is clearly right around the corner. We look
15 forward to continuing to work with CARB to implement this
16 groundbreaking plan to ensure that we maximize the
17 environmental, economic, and public health benefits to
18 California. Thanks very much.

19 CHAIRPERSON NICHOLS: Thank you. Thanks to NRDC
20 for your sustained participation. Great.

21 Michele Pielsticker from California Tax. And
22 then Amisha Patel.

23 MS. PIELSTICKER: Good morning, Madam Chair,
24 members of the Board. My name is Michele Pielsticker with
25 the California Taxpayers Association.

1 I'm here to provide comments on the proposal by
2 CARB to use an auction mechanism as a means of
3 distributing carbon offsets. We view the auction proposal
4 as a potential hidden tax on business in violation of
5 Prop. 13. Case law interpreting Prop. 13 requires to
6 avoid characterization as a tax. Fees must not exceed the
7 cost of the regulatory programs they support and the
8 apportionment of the cost among fee payers must be
9 reasonable.

10 An auction mechanism as it has been discussed
11 would not pass this test. The auction in combination with
12 proposed carbon fees likely would generate billions, far
13 more revenue than necessary to administer AB 32. In
14 addition, unless all sectors of industry are covered by
15 the auction mechanism, the auction would fail the test of
16 reasonable apportionment among payers, allowing some to
17 escape the auction process while subjecting others to the
18 substantial cost of participation.

19 To ensure the CARB's mechanism for distributing
20 carbon offsets passes muster under Prop. 13, we would ask
21 that before CARB moves forward with an auction process
22 CARB should obtain legislative clarification as to how
23 auction funds should be spent and the level of funding
24 necessary to cover the cost of regulating emissions under
25 AB 32.

1 Thank you

2 CHAIRPERSON NICHOLS: Thank you very much.

3 Just to make clear, I know you know this, but in
4 case anyone in the audience doesn't. The plan itself does
5 not actually require an auction, but we have indicated a
6 desire to move in that direction. And we expect over the
7 coming year that we'll have a pretty intense process to
8 design the allocation scheme as well as the use of
9 revenues that might come from the allocation system we set
10 up. So we will expect to hear from California Tax and to
11 work on this issue. Thanks.

12 Amisha Patel.

13 MS. PATEL: Madam Chair and members of the Board,
14 Amisha Patel with the California Chamber of Commerce which
15 representing over 1600 small, medium, and large businesses
16 statewide.

17 We have formerly submitted comments so I'll keep
18 this very short. I promise.

19 As you adopt the plan and proceed with
20 regulations, we hope will you take into consideration the
21 additional work and analysis that needs to be done as
22 pointed out by the peer reviewers, LAO analysis, and other
23 review of the Scoping Plan economic analysis.

24 The deepening recession has affected businesses
25 throughout the state, and we must ensure that we are using

1 the most cost effective strategies to lead us to the AB 32
2 goals.

3 The reality of climate regulation is that there
4 will be costs, especially in the near term. We need an
5 honest assessment of impacts that so that we can meet AB
6 32 goals in the most cost effective way.

7 Also while we may gain new green businesses to
8 our benefit, we must assess the real impact the Scoping
9 Plan will have on existing businesses in the state. These
10 businesses provide quality jobs and are vital to our
11 economic stability.

12 We believe without accurately addressing the
13 concerns of the peer reviewers there will be ongoing
14 concerns about the viability of the plan and whether it is
15 indeed the most cost effective route.

16 The State cannot afford to misstep. So we must
17 take all the necessary measures to ensure the Scoping Plan
18 and economic analysis is improved on and further studied
19 as we move on with implementation of AB 32. It is
20 important to note that it is in the benefit of all
21 California businesses and consumers that we get this
22 right.

23 Thank you.

24 CHAIRPERSON NICHOLS: Thank you. We agree.

25 Kristina Skierka, Dorothy Rothrock, Janet

1 Abelson.

2 MS. SKIERKA: Kristina Skierka with the Board of
3 Directors of Sustainable Silicon Valley. We're a 100
4 organization wide group that works with the coalition of
5 businesses, some of the biggest names in the valley. I'm
6 here really to draw attention to our report that was
7 released just this week, because it really explains how
8 one of the key elements discussed in the AB 32 Scoping
9 Plan is a cost benefit of energy efficiency and using
10 existing technologies to reduce carbon footprints
11 environmental impacts.

12 And as our report shows and we've left copies for
13 everybody on the Board, what we've found is our leading
14 partner companies have been able to reduce their carbon
15 emissions by 27 percent over the course of 2000 to 2007.
16 And these are amazing numbers. And on top of that, it's
17 all been done again with existing technologies.

18 So the point really here is that AB 32's goals as
19 far as we can tell from what our members are experiencing
20 are not only achievable but are reasonable. And that even
21 in this time of an economic downturn and some skepticism,
22 that people might reduce their carbon cutting initiatives.
23 In fact, most of the members we have surveyed said they
24 want to continue with the efforts they're doing through
25 energy efficiency and conservation because of the benefit

1 to their bottom line.

2 Thank you.

3 CHAIRPERSON NICHOLS: Thank you very much.

4 Dorothy Rothrock.

5 MS. ROTHROCK: Thank you, Madam Chair and

6 members.

7 My name is Dorothy Rothrock with the California

8 Manufacturers and Technology Association.

9 We believe this is a tremendous plan. It's very
10 far-reaching. And we believe it will impose significant
11 costs on manufacturers and other businesses and consumers
12 in the state.

13 You have heard our concerns in the past about the
14 fiscal analysis that was done. And we do encourage you to
15 look at the analyses of the peer reviewers as well as the
16 LAO has done on the economic analysis.

17 We are very glad to hear that you're planning to
18 do further review on the plan and that you will improve it
19 and that it is a policy direction only.

20 We believe that the economic analysis as you go
21 forward should be used as a tool to develop the most cost
22 effective regs you can, to determine costs that you cannot
23 control in the plan so that we can determine how to
24 mitigate those costs, and also identify other State
25 policies that could be used to reduce costs.

1 So we look forward to working with you on this.

2 And I'd just like to thank your staff for all the work
3 they've done over the past few years working with us.

4 Thank you very much.

5 CHAIRPERSON NICHOLS: Thank you. Appreciate your
6 service on the ETAAC Committee as well.

7 Janet Abelson, city of El Centro.

8 MS. ABELSON: My name is Janet Abelson, and I'm
9 the Mayor Pro Tem of the city of El Cerrito, which is next
10 to Berkeley in northern California. Separate from
11 Cerritos in southern California. They get us mixed up.
12 We would like to have their car dealerships, but we don't.

13 Anyway, we do have two BART stations, however.
14 And we're the kind of place where development should occur
15 under AB 32. And we would like to lead. We've taken a
16 number of steps that lead us in that direction already.
17 But we need the resources to do so.

18 And by setting a higher target, CARB sends a
19 signal that appropriate land use is a high priority for
20 achieving greenhouse gas reductions. A higher target will
21 also lead to resources being channeled to appropriate
22 development like the kind we would like to do in my city,
23 El Cerrito.

24 Research clearly shows in the end, sprawl costs
25 cities more money than it generates for the communities in

1 taxes. What AB 32 can do and what your proposal seems to
2 do as it's presented now is send a signal for SB 375 by
3 setting a target in the range of 11 to 14 million metric
4 tons for greenhouse gas reductions in each region.

5 I'd like to thank you for all the work you have
6 done on the proposal. And we look forward to a successful
7 conclusion. Thank you.

8 CHAIRPERSON NICHOLS: Thank you. Thanks to the
9 City of el Cerrito.

10 Rick Row, followed by George Little, and Greg
11 Karras.

12 MR. ROW: Good morning, Madam Chair and Board
13 members. I'm Rick Row, Executive Director of Sustainable
14 Silicon Valley. And I'll try not to repeat what Kristina
15 Skierka just said.

16 She's mentioned that SSV has a major
17 environmental issue how CO2 emission reduction initiative
18 in which each partner voluntary pledges to work toward
19 self-imposed goals of reducing carbon dioxide and to
20 report their progress each year to Sustainable Silicon
21 Valley.

22 Our report on this is our website at
23 www.sustainablesiliconvalley.org.

24 A subset of our partners, including such
25 organization as CV Therapeutics, Adobe Systems, Marine

1 Systems, Palo Alto Research Center, and a number of others
2 have reported on this year emissions by electricity and
3 natural gas usage in their facilities each year from 2000
4 to 2007 have successfully reduced their emissions an
5 average of 27 percent over these years, over twice the
6 regional reduction during this time.

7 The year 2000 was a peak year for CO2 emissions
8 for the Silicon Valley region from the year 1990. And we
9 need to see a reduction from this peak to return the
10 region back to the 1990 CO2 emission level.

11 Given the mix of CO2 emissions from electricity
12 and natural gasoline in our region, if the whole region
13 had been able to achieve the 27 percent reduction of our
14 partners' emissions from electricity and natural gas and
15 held emissions from vehicles constant, then the region
16 would have met it's fair share of the State's 2020 goal by
17 2007, more than a decade ahead of time.

18 Thank you.

19 CHAIRPERSON NICHOLS: Thank you very much.

20 George Little, are you here? He's for the
21 trucking rule. He's on the wrong list. I can see that.

22 Now Greg Karras, and then Julie May, and Therese
23 McMillan.

24 MR. KARRAS: Greg Karras, I'm the Senior
25 Scientist with Communities for a Better Environment.

1 CBE has asked you to reject pollution trading in
2 the Scoping Plan in favor of proven direct controls.
3 We've testified and submitted extensive comments that
4 pollution trading would exacerbate environmental
5 injustice, and I won't repeat those now. We have also
6 presented evidence previously that it would not work.

7 I'm here to speak to new evidence we submitted to
8 you just in the last few days that shows that in fact if
9 you chart this course, instead of charting a course of
10 direct controls with respect to transportation fuel
11 production, you could end up precluding the emission
12 reductions that will be needed to meet 2020 and 2050
13 goals.

14 Oil refineries in California are switching to
15 more contaminated lower quality oil. This stuff is harder
16 to make into gasoline diesel or jet fuel. Takes more
17 energy, burns more fossil fuel, and emits for toxic
18 smog-forming and climate poisoning pollutants for every
19 gallon that's produced.

20 Previous work estimated that a full-blown oil
21 switch could cause GHG emissions from providing the
22 transportation from producing it to nearly rival those
23 from tailpipes.

24 The recent work we submitted is specific to
25 California refineries. It supports this finding in

1 general and specifically it shows that substantially
2 increased pollution from the beginnings of this
3 accelerating oil switch is already occurring.

4 California is the dominant oil refining center in
5 the western United States west of the Rockies. You're
6 going to lead the trend this way, too.

7 If the predicted emissions increase occurs, it
8 could preclude the reductions we need long term, 2020 and
9 or 2050. That's a real possibility. Pollution trading
10 isn't going to stop this. The invisible hand of the
11 market isn't going to stop this fundamental switch in
12 feedstock and all the infrastructure that's being put in
13 place here and elsewhere to produce and ship the stuff
14 here. It isn't going to work. That should be obvious.

15 Please reject the pollution trading proposal for
16 this and chart a course of direct controls to avoid this
17 like the PUC and the Legislature is already doing with
18 phase out of --

19 CHAIRPERSON NICHOLS: Your time is up.

20 MR. KARRAS: -- electricity.

21 CHAIRPERSON NICHOLS: Thank you. Julia May,
22 Therese McMillan, and Mike McKeever.

23 MS. May: I'm Julie May also with CBE. We didn't
24 get to speak last time, so I appreciate you taking
25 testimony today.

1 We appreciate your hard work. And we agree the
2 people in California want you to adopt a strong plan. But
3 we're terribly frightened the plan is not going to work.

4 In addition to what my colleague said about the
5 increasing emissions from oil refineries, oil refineries
6 are being lumped together with completely unequal sources.
7 So you've set up a structure of super sector pollution
8 trading that lumps together oil refineries, other
9 industrial sources with residential, commercial, and
10 electrical sources. They have nothing in common.

11 It squanders our opportunity to get public health
12 reductions in California, because we're trading for out of
13 state. It also isn't going to work because there's no
14 equality between these sources. And we don't have
15 enforceable opportunities to make sure they happen out of
16 state. And it also creates an opportunity to create jobs
17 here in California.

18 We beg you to ditch this crazy, out of control,
19 super sector pollution trading.

20 The toxic sources of oil refineries have vast
21 numbers of co-pollutants. Oil refineries emit sulfuric
22 acid mist, carbon disulfide, pneumonia, mercury dioxin,
23 led, benzene. I could list hundreds of others that can't
24 be lumped together with other sources.

25 Even individual refineries are very customized.

1 Within each refinery you have boilers, heaters, advanced
2 valves, flanges, advanced pumps and compressors, and
3 sulfur recovery units, cokers, catalytic crackers, of
4 different age, different fuel type, different design, and
5 different emissions. They cannot be interchangeably
6 traded. And they cause a lot of harm to neighbors who
7 live nearby from the toxic pollution that's emitted.

8 We submitted detailed proposals for specific
9 controls, including replacing ancient boilers and heaters
10 at refineries, implementing energy efficiency measures at
11 refineries, getting rid of the methane exemptions in the
12 smog rules, and many other additional controls. They were
13 originally considered, and then they are not in the plan.
14 They're listed in your plan as under consideration in the
15 future. That means that the very largest -- industrial
16 sources in total, not just oil refineries in total have
17 almost zero reductions in the plan

18 CHAIRPERSON NICHOLS: Ms. May, your time is up.

19 MS. MAY: Thank you very much. We beg you to add
20 controls on oil refineries and industrial sources. Thank
21 you.

22 CHAIRPERSON NICHOLS: Ms. McMilan, and then Mr.
23 McKeever, and Elizabeth Deakin.

24 MS. MC MILAN: My name is Therese McMilan. I'm
25 the Deputy Executive Director for Policy with the

1 Metropolitan Transportation Commission in the
2 San Francisco Bay Area. And I want to thank you for the
3 opportunity to share some comments with you. I was not
4 available to come in November.

5 I believe that CARB staff is to be commended for
6 the clarifications made between the draft and the proposed
7 plan. A number of the issues and recommendations we had
8 made were incorporated into the current version, and we're
9 very pleased and happy to see that.

10 Regarding the objective outlined in the plan for
11 regional transportation and land use, the most important
12 and fundamental element is the recognition of SB 375 as
13 the basis for collaboratively defining what that needs to
14 be for the regions.

15 And I believe in addition the resolution language
16 that is proposed right now is very clear and appropriate
17 on that point and I think is a clear statement of the
18 collaborative effort and work that we need to proceed.

19 Far more important than arguing numbers, whether
20 it's five, 10, 12, 14, I think we need to concentrate on
21 reaching consensus among all levels of government that
22 this is a priority. Pushing the envelope of possibility
23 within the confines of our existing authority as regional
24 agencies. And very importantly, seeking reasonable new
25 authority to make continuing gains in greenhouse gas

1 emissions.

2 And on this point, MTC is particularly interested
3 in making pricing -- efficient pricing of our
4 transportation network a real arrow in our quiver so to
5 speak. We support the proposed Scoping Plan's recognition
6 that pricing strategies can be potential contributors to
7 regional transportation related greenhouse gas emission
8 reductions.

9 What we would like to see in the future is CARB's
10 aggressive support in pursuing legislative changes to make
11 those pricing tools a reality and to get them working for
12 us in achieving the targets that will eventually being
13 developed under SB 375. I thank you for the opportunity
14 to speak.

15 CHAIRPERSON NICHOLS: Thank you. Appreciate your
16 comment. It is something we haven't heard before.

17 Mike McKeever, Elizabeth Deakin, Autumn
18 Bernstein.

19 MR. MC KEEVER: Good morning, Madam Chair.

20 My name is Mike McKeever, the Executive Director
21 of the Sacramento Area Council of Governments.

22 I want to echo my colleague, Therese McMilan's,
23 comments. I think the way you handle the regional
24 planning issue in the draft plan is the right balance.
25 Those of us who were part of the coalition of the

1 impossible that worked on Senate Bill 375 very much
2 appreciate your Board's endorsement of letting that
3 process work as it is intended. And your RTAC after you
4 have it appointed as you know will have to be back in
5 front of you in pretty much nine short months with some
6 recommended methodology.

7 I do think the resolution language is good,
8 because even though the Scoping Plan itself clearly says
9 let the 375 process work, it's sort of begs the question,
10 well, what's this number doing here and what does it mean?

11 And I do think that your resolution clarifies
12 that. And says to the regions and the stakeholders, break
13 a sweat. Go out and bring us back as many savings as are
14 practical and achievable.

15 I do want to say a couple of more specific things
16 and then I'll be done.

17 One is, for my organization, the biggest
18 component of Senate Bill 375 and why we participated in
19 that bill to begin with is the CEQA relief that comes for
20 smart growth projects. It's the most meaningful reform to
21 that statute in the three-and-a-half decades since it was
22 passed.

23 And the targets are the trigger for the
24 application of those CEQA benefits. That's what the
25 targets do. And so we very much want them to be set in

1 our region so that our members that have worked so hard
2 and are so far down the road to put smart growth on the
3 ground, whether that's our inner areas in Sacramento and
4 west Sacramento, or our inner ring employment centers in
5 Rancho Cordova and Roseville and elsewhere that are doing
6 this, both in master planned communities and infill, those
7 projects in those communities need that CEQA benefit.
8 We're not particularly interested in the target being set
9 so low that what anyone would call sprawl, low density
10 residential development miles and miles and miles away
11 from employment center find it easier to build their
12 projects under Senate Bill 375, instead of just keeping
13 the playing field where it was before. So that target
14 triggers that CEQA relief and is important.

15 And lastly I want you to know I know you have had
16 some people commenting on your economic analysis. And
17 while it's true for this area, we're going to need transit
18 and infrastructure funding to really make excellence
19 happen. There is also substantial economic savings from
20 building 375 style growth. In our region alone, we
21 estimated \$15 billion worth of infrastructure savings from
22 building our blueprint instead of the classic sort of
23 sprawl type of development.

24 Thank you very much.

25 CHAIRPERSON NICHOLS: Thank you.

1 Elizabeth Deakin.

2 Did I see Senator Fran Pavley in the audience?

3 Are you here? She is here. Would you -- excuse me, but
4 before we proceed to the next witness, would you like to
5 speak to the Board? You didn't sign up, but I'd like you
6 to stand up at least to be acknowledged as the lead
7 author.

8 (Applause)

9 CHAIRPERSON NICHOLS: It's always good to have
10 the author of the bill you're implementing sitting in the
11 audience watching you do it. If we don't do it right, I'm
12 sure we'll hearing soon. All right. Sorry.

13 We were going to hear next Elizabeth Deakin.

14 UNIDENTIFIED SPEAKER: She's not here. I'm here
15 on behalf of her. I just want to say briefly I'm going to
16 submit written testimony from her.

17 CHAIRPERSON NICHOLS: All right. Thank you very
18 much. Appreciate that.

19 We have Autumn Bernstein, Steve Brink, and Cathy
20 Reheis-Boyd.

21 MS. BERNSTEIN: Good morning, members of the
22 Board.

23 My name is Autumn Bernstein. I'm speaking on
24 behalf of the Climate Plan, which is a partnership of
25 leading environmental, civic, public health, and social

1 equity organizations, including NRDC, Local Government
2 Commission, Policy Link, Transform, American Lung
3 Association, just to name a few.

4 Out of respect for your request to limit
5 testimony, we are attempting to consolidate our comments
6 on land use target into a single testimony.

7 First, I want to thank both Board and staff for
8 your perseverance on this issue. It's been a long road,
9 and I think we've made a ton of progress and I thank you
10 very much for that.

11 I would like to reiterate our concern that the
12 five million metric ton placeholder does not represent the
13 maximum feasible reductions possible from this sector. We
14 believe a much higher target is feasible and would send an
15 important signal that you intend to maximize the potential
16 of SB 375.

17 That being said, we appreciate and understand the
18 Board and staff's desire to let the Regional Targets
19 Advisory Committee do it works and through that identify
20 what the best course of action would be.

21 And we are confident this process will result in
22 targets that are significantly higher than the five
23 million metric ton number.

24 So we would like to see the Board make an
25 affirmative statement that you will change the Scoping

1 Plan target to reflect the outcome of the SB 375 process
2 and to match the most ambitious targets that are developed
3 through that process.

4 We think this represents a tremendous opportunity
5 to reduce greenhouse gases and achieve a wealth of
6 multiple co-benefits in public health, as well as many
7 other benefits.

8 So we look forward to working with you down the
9 road as we implement 375. Thank you.

10 CHAIRPERSON NICHOLS: Thank you. Really
11 appreciate your consolidated testimony.

12 Steve Brink.

13 MR. BRINK: I'm Steve Brink with the California
14 Forestry Association, Vice President OF Public Resources.

15 Appreciate this opportunity of the Board, Madam
16 Chair, to make a couple of comments. And I'll make just
17 three.

18 One is in the calculation of the 169 million ton
19 reduction needed to get back to 1990 levels, I'm hopeful
20 that the Board and the staff are well aware that while our
21 emissions count in the state emissions inventory and CEC's
22 inventory from 1990 to 2006 estimated those emissions at
23 two million tons per year, staff reviewed all that
24 information in the forestry sector and decided at the time
25 to stick with that number.

1 In 2007, you may or may not be aware three
2 different experts, including ARB staff, estimated
3 emissions from just the southern California wildfires at
4 six to 19 million tons. That was half the acres burned in
5 the state in 2007. So total for 2007, it was probably
6 something more like 12 to 38 million tons. And a reminder
7 that in 2008, we burned more acres in that state than we
8 did in 2007.

9 So obviously what I want to get across is the
10 challenge to get back to 1990 is I think severely hampered
11 by wildfire in this state, which the Climate Action Team
12 estimates will increase by up to 55 percent by the end of
13 the century.

14 I would suggest they are right in their
15 predictions based on longer, hotter, drier summers, less
16 spring snow pack, et cetera. But unfortunately their
17 prediction came true in 2007 and 2008, about 90 years
18 early. So we do have a significant challenge.

19 And also I want to point out that particularly
20 this past summer in June and July we had a lot of rural
21 communities in northern California that experienced
22 hazardous levels of air pollution. Not unhealthy levels,
23 hazardous levels, clear off the chart for not just a day
24 or two, but for weeks and weeks and weeks and weeks.

25 And I hope State government will consider this

1 winter having evacuation plans for those communities that
2 have the experience of hazardous pollution levels.

3 CHAIRPERSON NICHOLS: Mr. Brink, you have
4 exceeded your time.

5 MR. BRINK: Thank you very much.

6 CHAIRPERSON NICHOLS: I appreciate your comments
7 and we understand the issue of forest fires and share your
8 concerns. We've made some comments I think if the revised
9 plan that strengthen the connection between adaptation and
10 the emissions picture. Obviously, we have to keep those
11 trees in the ground and alive if we possibly can. So we
12 understand the point.

13 Ms. Reheis-Boyd, glad we got to you before 9:00
14 at night this time.

15 MS. REHEIS-BOYD: Thank you very much, Chairman.

16 My name is Cathy Reheis-Boyd. I represent the
17 Western States Petroleum Association.

18 We have submitted many comments, so I'll keep
19 this very short. I was able to testify last time.

20 But I just wanted to note I had a chance to read
21 the resolution language. And I think it's important to
22 note and as we've expressed, the resolution language is
23 really important. It's your expression of compassion to
24 all of the comments that have been made by many
25 stakeholders.

1 And for the business community, the comments in
2 particular that you've noted on the importance of the
3 economics, on the importance of ensuring adequate reliable
4 energy supplies as we move into this low-carbon future,
5 whatever it's going to be -- I don't think any of us even
6 know at this point what it's going to look like as we down
7 the road. And it may look different today than it does in
8 the middle and the end.

9 So I just wanted to recognize and thank the Board
10 for including those things. You also mentioned things on
11 carbon capture and sequestration for us is critical for
12 mitigation strategy going forward. So thank you for
13 noting that.

14 In regards to some of the previous comments made,
15 I would like to say that we are very happy to meet with
16 this Board, the air districts, and anyone else who would
17 like to discuss any kind of emission issues related to
18 refineries. Last time I checked in this state, the Air
19 Resource Board and the local districts do not allow
20 increases from refineries from an emissions standpoint.

21 So I would be happy to start with the discussion,
22 but I would like to start with the facts that weren't
23 presented today.

24 So thank you again. And I think it's important
25 as well as we go forward you have acknowledged working

1 with the Energy Commission and the PUC on the natural gas,
2 transportation fuels, and electricity issues on the energy
3 side. So thank you for the resolution in acknowledging
4 those really important messages.

5 CHAIRPERSON NICHOLS: Thank you.

6 Tara McClanahan, James Brady, Robert Tichelman.

7 MR. LOMBARD: Good morning, Madam Chair, members
8 of the Board. I'm Edward Lombard. Tara McClanahan is on
9 her way in as we speak. And I'm here going to represent
10 James Brady. He had a family matter that kept him from
11 coming today.

12 I'm an independent consultant and also a member
13 of the California Black Chamber of Commerce.

14 Mr. Brady asked me to read this statement for
15 him. Mr. Brady is the owner of an e-waste management
16 company.

17 "As the owner of an e-waste management
18 company, I take environmental issues very
19 seriously and appreciate the work that the Air
20 Resources Board and the state of California in
21 general have done to establish California as a
22 leader in environmental policy. However,
23 environmental responsibility and fiscal
24 responsibility cannot and should not be mutually
25 exclusive.

1 "We cannot achieve a healthy environment if
2 we attempt to do so at the expense of our
3 economy. In order for AB 32 to succeed, it must
4 be based on realistic economic analysis with
5 policies that deliver the most emission
6 reductions at the lowest possible cost.

7 "The Legislative Analysis Office recently
8 concluded that the Scoping Plan's evaluation of
9 the cost and savings of some recommended measures
10 is inconsistent and incomplete.

11 "Overall, the LAO predicts dire economic
12 consequences unless the fiscal challenges are
13 adequately addressed.

14 "We cannot afford to ignore the current
15 economic climate in our zeal to address the
16 global environmental climate. I'm not suggesting
17 that we abandon our efforts to address climate
18 change. Merely that we exercise due diligence to
19 ensure the best change for success.

20 "I urge you to postpone the approval of the
21 Scoping Plan until proper analysis can be
22 completed and policy recommendations adjusted to
23 accommodate the economic realities associated
24 with AB 32's implementation."

25 Thank you for your consideration. And hopefully

1 you will allow Ms. MaClanahan to speak once she does
2 arrive.

3 CHAIRPERSON NICHOLS: Of course. Sorry.

4 Robert Ticherman, Ticherman. Are you here?

5 MR. TICHERMAN: Madam Chair, I'm speaking to a
6 different point. It's put in the wrong item. Trying to
7 adjust that.

8 CHAIRPERSON NICHOLS: All right.

9 Ken Cooley, Jim Gray.

10 MR. COOLEY: Good morning, Madam Chairman. My
11 name is Ken Cooley. I'm on the City Council in the City
12 of Rancho Cordova, but appearing today as first Vice
13 President of the League of California Cities. And I thank
14 you for the opportunity to speak on behalf of California
15 Cities.

16 I'm joined today by a number of other city
17 officials in the audience, some of whom will speak. Many
18 of whom are simply here to support the League's concerns.

19 The League of California Cities ended up
20 supporting Darryl Steinberg in his SB 375 process, the
21 coalition of the impossible. We believe that the best way
22 to address transportation-related emissions was the
23 process thought through and laid out in that bill to use
24 sound data in a collaborative process at the local level
25 and regional level to tackle that problem.

1 We agreed to creating the Regional Targets
2 Advisory Committee with the view they would spend months
3 working through this issue and come back with
4 recommendations that all parties would know were rooted in
5 the best data available and an exhaustive study of the
6 science.

7 We also recognize that that approach allows the
8 diverse regions of California to tackle this based upon
9 their own local knowledge in an iterative process to work
10 through these numbers.

11 And we recognize that that ultimately may yield a
12 statewide number greater than five million metric tons or
13 perhaps less. But it will be rooted in a collaborative,
14 local effort rooted in science. And we as cities are
15 committed to that process of moving it forward.

16 We understand that CARB is the ultimate decision
17 maker in this. And we feel letting this process move
18 forward is the best way to go. The challenge in this area
19 of global warming is not just one of policy. It's one of
20 helping people move forward.

21 You know, there is an essay out of American
22 history known as the Release of Energy by a guy by the
23 name of James Willert Hurst that talks about the miracle
24 of America is that through the evolution of our law, we
25 advance society. In this area, the RTAC process will help

1 us do that. Another critical challenge that we will
2 face --

3 CHAIRPERSON NICHOLS: Mr. Cooley, you've exceeded
4 your time. If you can summarize or finish.

5 MR. COOLEY: The financing issues associated with
6 local development are critical now in this housing crisis.
7 We have to work those through. We think the pause in the
8 marketplace creates an opportunity for all partners to
9 step back.

10 In my own city, Rancho Cordova, we have
11 developers who see their land as a source of competitive
12 advantage in this new world. We think as this RTAC
13 process goes forward others developers will go through
14 that thought process.

15 CHAIRPERSON NICHOLS: I hope you're right. I'm a
16 veteran of a number of growth management processes in
17 California which always get initiated when the economy is
18 down and get abandoned the minute things look up again. I
19 hope I think 375 gives us the chance.

20 Mr. Gray.

21 MR. GRAY: Chair Nichols, members of the Board,
22 my name is Jim Gray, a Council member with the City of
23 Roseville.

24 We have submitted written comments, but I'd like
25 to make some general comments briefly highlighting three

1 areas that are of local government concern: Land use,
2 infill, and cost.

3 We need to maintain local land use authority.
4 I've heard many comments seeking higher targets for local
5 government primarily directed at land use planning. And I
6 firmly believe local governments must retain full land use
7 authority so that we can implement programs to best meet
8 our unique situations.

9 We understand the needs, goals, and limitations
10 of our region. And we are best prepared to decide how to
11 meet the State goals in ways that make sense for our
12 communities.

13 While local governments have some influence on
14 project designs, the reality is that developers will only
15 build projects that will be profitable. To motivate the
16 desired change, we should provide incentives. Levying
17 fees on new development is not an incentive. It drives up
18 cost to home buyers and hinders innovation; and providing
19 infrastructure needs.

20 In recent years, our City has invested over \$20
21 million in infrastructure improvement to support infill
22 development. These funds are in addition to redevelopment
23 revenues.

24 With the State now rating redevelopment funds,
25 future programs must acknowledge and provide for funding

1 and incentives so that mixed use, compact infill projects
2 will pencil out.

3 In recognizing the costs and credit existing
4 efforts that we have made, the Scoping Plan proposes an
5 additional public goods charge on water but doesn't
6 provide details about how this will be used. Our city
7 already has extensive sustainability programs in place,
8 including aggressive water conservation programs.

9 We are already anticipating to have to raise
10 rates to comply with the increasingly stringent state
11 conservation incentives. Until more is known, we cannot
12 support passing any additional burdens to our rate payers.

13 CHAIRPERSON NICHOLS: Mr. Forester, your time is
14 up.

15 MR. GRAY: Thank you for your time and efforts.

16 MR. FORESTER: I'm Larry Forester.

17 CHAIRPERSON NICHOLS: I'm sorry. Mr. Gray.
18 Wrong person.

19 MR. FORESTER: Larry Forester, Council member for
20 the City of Signal Hill. And I'm representing 27 cities,
21 so I calculate that as 81 minutes.

22 CHAIRPERSON NICHOLS: Good luck with that.

23 MR. FORESTER: In 27 cities, we represent the 2.2
24 million people. The COG has already done several things
25 working with CARB to reduce greenhouse gases. And that's

1 our truck replacement program where we replace 600 heavy
2 polluting diesel trucks. And we believe the Board should
3 mandate similar type movements for the replacement program
4 and reduction in cost giving.

5 Given the limited resources that cities like the
6 State have work in the troubled economies today, we urge
7 the Board to emphasize alternate energy sources and
8 transit funding over a long range and scientifically
9 understood programs such as land use regulations.

10 Although you have urged to increase regional
11 greenhouse gases by two million metric tons to five
12 million, we ask you defer this option until we receive
13 impact from the Regional Target Advisory that help set
14 targets. Two million metric tons to five million metric
15 tons is not necessary to reach the 2020 goal.

16 We concur with the Southern California Area of
17 Governments, SCAG, and the League of California Cities in
18 supporting SB 375 and are accepting the responsibility of
19 the greenhouse gas reduction.

20 The greatest thing to happen to local governments
21 is to achieve and greatly achieve the established targets.
22 AB 32 needs to be sensible and successful so southern
23 California and California can continue to lead the nation
24 in reducing greenhouse gases.

25 Setting the target too high without an

1 understanding to the risk to local government could lead
2 to failure in other states.

3 There are always unintended consequences. We
4 look at the transit agency program you're planning.
5 Unless that's done wisely, we might have increased density
6 and increased traffic congestion.

7 The members of the COG, we ask you to look at
8 financial incentives with all the problems we're now
9 having in both cities and states. We agree that we need
10 to do our fair share. But it needs to make sense. In
11 that, we ask that we be represented on the Regional Target
12 Advisory Committee.

13 And I have summarize that we stand ready to work
14 with you in the 27 cities of the COG, 2.2 million people,
15 and look forward to it.

16 CHAIRPERSON NICHOLS: Thank you.

17 Janice Keating.

18 MS. KEATING: Good morning, Chairman Nichols and
19 members of the Board.

20 My name is Janice Keating, a seven-year member of
21 the Modesto City Council located in the heartland of our
22 state.

23 Thank you for the opportunity to speak to you
24 again from a local perspective on the Global Warming
25 Solutions Act.

1 I'd like to repeat my earlier contention that
2 local governments need to be an integral part of the
3 process if the ultimate vision is to be realized.

4 As an elected official in a community with a
5 particularly challenged economy, I would like to present
6 my concerns regarding the land use target in the AB 32
7 Scoping Plan. I would have preferred the Board stay with
8 the original recommendation of two million metric tons
9 because it represented a realistic interim goal while the
10 economic impact report was re-visited. But since that
11 ship sailed and none of my colleagues or I knew it was
12 even in the harbor, I would ask the Board not to increase
13 the target any further.

14 Cities with targets that are not energy producers
15 have no place to go to offset the targets than our small
16 businesses. And our businesses are expected to have their
17 own mandated targets in addition to those imposed by other
18 regulatory agencies.

19 The technologies to achieve these targets is
20 frankly non-existent. The promises to add to the already
21 high cost of doing business in California.

22 Earlier this week, German Chancellor Angela
23 Merkel indicated that she would not approve any European
24 Union climate rules that endanger jobs or investment in
25 Germany. This statement by the leader of the Europe's

1 most industrialized nation and incoming EU leader was
2 profound. If the nations of west Europe are being forced
3 to take a hard look at the economic impact of climate
4 change regulation, I dare say we have no choice but to do
5 the same.

6 I live in the central valley, the bread basket of
7 the world, an area that is struggling right now. The
8 jobless rate is higher than it has been in decades.
9 Businesses are closing and local governments are
10 struggling to provide basic services.

11 I urge the Board to consider the very human
12 aspect of the mandates before you. No one wants Americans
13 to be reliant on other countries to grow and process our
14 food. But if we are not thoughtful, burdensome mandates
15 will threaten food producers and related industries in
16 California.

17 CHAIRPERSON NICHOLS: Council member, your time
18 is up.

19 MS. KEATING: Targets are meant to have an
20 impact. And your original one was impactful.

21 CHAIRPERSON NICHOLS: We've heard you, and you've
22 made your point. You really have.

23 I just want to make one point to you, because I
24 think there is a misunderstanding here.

25 The issue about the land use item in the Scoping

1 Plan does not carry over into a burden on local
2 governments to achieve those reductions from sources
3 within their jurisdictions. It only relates to land use
4 and transportation.

5 You may still think it's the wrong number, but I
6 don't want anybody, including you, to walk away thinking
7 that element in the Scoping Plan has anything to do with
8 an assignment of responsibility to local governments or
9 MPOs to deal with the stationary sources under their
10 jurisdiction. It doesn't. It's not written that way and
11 it's not intended that way.

12 MS. KEATING: When you couple everything you're
13 discussing here today combined with SB 375 and all of the
14 other movements in the state of California, I'm afraid
15 we're a bit weary of what's coming down and what will and
16 won't be true when the rubber hits the road and when you
17 sign this document.

18 CHAIRPERSON NICHOLS: I understand this concern.
19 Thank you.

20 Linda Park, Diane Dillon.

21 MS. PARK: Chair Nichols, members of the Board,
22 thank you for the opportunity to provide testimony this
23 morning.

24 My name is Linda Parks. I'm on the Ventura
25 County Board of supervisors and on the Executive Committee

1 and Regional Council of the Southern California
2 Association of Governments, SCAG. And SCAG is the largest
3 metropolitan planning organization in the state of
4 California comprised of six counties, 188 cities -- I
5 don't know how many minutes that gives me -- and nearly
6 half of the state's population.

7 Under SB 375, we are charged with developing
8 regional strategies to reduce greenhouse gas emissions
9 associated with light and medium-duty vehicles.

10 Your action today on AB 32 Scoping Plan while not
11 explicitly linked to the SB 35 process creates an
12 important piece of the framework in which SB 375 will
13 proceed.

14 Our region is committed to achieving the goals of
15 AB 32 and SB 375. We want to make sure the statewide
16 target associated with local land use action is viewed as
17 obtainable to ensure our region's willingness to meet the
18 target will not wain.

19 Due to the size of our region and our current
20 development pattern, it will be difficult to achieve these
21 goals by 2020. In fact, our most aggressive compass
22 blueprint work is still short of SCAG's region's share of
23 the proposed five million metric tons in the proposed
24 Scoping Plan. However, it is a challenge that we are up
25 for.

1 Although ambitious, I'm confident with the
2 diligent effort this target can be achieved for our
3 region.

4 I do support the five million metric ton target.
5 And while SCAG believes strongly that if a statewide
6 target is set beyond five million metric tons, the target
7 will be unrealistic for this SCAG region to achieve its
8 share of reductions.

9 If a higher target's set, we are concerned the
10 region will not be as motivated to reach a target that is
11 universally perceived as unattainable. The target needs
12 to be realistic and feasible. And I believe five million
13 metric tons is.

14 The first round of sustainable community
15 strategies developed under SB 375 will demonstrate
16 emission reductions for the year 2020. Subsequent of this
17 first cycle, there will be ample evidence to consider more
18 ambitious targets in 2035 and 2050.

19 I'd like to commend the Board for the important
20 step that you are considering today. We understand the
21 level of challenges that you have taken on, and we are
22 glad that and we want to be partners in that endeavor.

23 Thank you for your time and consideration. And
24 we have provided written copies of this testimony. Thank
25 you.

1 CHAIRPERSON NICHOLS: Thank you, Supervisor.

2 Diane Dillon.

3 MS. DILLON: Good morning, Madam Chair and
4 members of the Board.

5 I'm Diane Dillon, a County Supervisor from Napa
6 County here representing the 58 counties of the California
7 State Association of Counties, otherwise known as SCAC.
8 I'm also the co-chair of the SCAC Climate Change Task
9 Force that developed our comprehensive and progressive
10 climate change policy which is supported by all 58
11 counties.

12 First, we wish to commend you and your staff for
13 an incredible effort in developing a very comprehensive
14 approach to a complex issue. We appreciate your staff's
15 openness and availability to discussion. In particular,
16 we appreciate Jeff Wier was able to join us at our
17 conference last week in San Diego. And we had a great
18 opportunity for some further dialogue.

19 CSAC did submit written comments regarding the
20 Scoping Plan, but we have not previously testified. There
21 is one issue in particular that compels us to provide
22 testimony today. I'm sure it's no surprise that is
23 concerning the five million metric ton threshold contained
24 in the draft Scoping Plan.

25 We feel that we have two good reasons for asking

1 you to retain that level that was in the draft Scoping
2 Plan. And those reasons are as important to you as they
3 are to us. And those two reasons are about success and
4 precedent. I'm sure I don't to tell you there are
5 skeptics as to this process.

6 We participated intently in 375. We feel
7 strongly that the diversity that exists throughout
8 California dictates that regional governments are best
9 capable of developing solutions to meet the goals we all
10 want to see.

11 But we're still striving to get political buy-in
12 for the support of the new sustainable community
13 strategies and regional transportation plans. And if we
14 can't achieve that, we are not going to have success at
15 the local level.

16 So we're concerned that a target that's set too
17 high will foster divisiveness before we political support
18 for the process.

19 Our second shared reason for objecting to the
20 threshold is concerning the fact that SB 375 is a very
21 aggressive landmark approach to addressing transportation
22 and land-use related greenhouse gas reductions.
23 California is the leader. The rest of the nation is
24 looking at us. We want SB 375 and this process to be
25 successful and set a precedent.

1 CHAIRPERSON NICHOLS: Supervisor, I have to cut
2 you off. I'm sorry

3 MS. DILLON: We hope for those two reasons that
4 you will adopt the resolution before you today and let the
5 process work and retain the five million threshold.

6 CHAIRPERSON NICHOLS: We appreciate your coming
7 and your continued involvement.

8 Supervisor Linda Arcularius.

9 MS. ARCULARIUS: Good morning, Chair Nichols,
10 members of the Board.

11 My name is Linda Arcularius, and I'm a Supervisor
12 from Inyo County. And today I'm here representing the
13 Regional Council of Rural Counties, which is comprised of
14 30 of our rural California counties.

15 RCRC appreciates the ARB staff efforts to work
16 with local government during the development of this
17 Scoping Plan. However, we still have some concerns with
18 several of the ideas and offer the following comments.

19 And in respect to your time limits, I will just highlight
20 those. We have submitted a lot of written comment.

21 Our first is to keep the local government GHG
22 emission reduction goal for municipal operations
23 voluntary.

24 During the development of the implementation
25 regulations, we request that funding and technical

1 assistance be included in any discussions and resulting
2 regulations.

3 We too are here in support of what Supervisor
4 Dillon just said to maintain the five MMT CO2 regional
5 transportation related GHG reduction target. And we echo
6 everything she so eloquently just stated.

7 We are also requesting to maintain the
8 flexibility for economically disadvantaged and rural areas
9 or any waste or any State regulatory programs.

10 And in reference to the evaluation and increasing
11 the carbon sequestration value for forests, we acknowledge
12 that proper timber management can substantially increase
13 the carbon sequestration in reduced catastrophic wildfire
14 risks. The catastrophic wildfires not only eliminate the
15 carbon sequestration capacity of the forest, but they
16 contribute to the tons of carbon, GHG, and particulate
17 matter in the air and in our watersheds.

18 We also would like to really, really encourage
19 you to include a firm commitment by the State to join with
20 local governments to advocate at the federal level for
21 enhanced management of forested lands. We commend the ARB
22 staff for the thoughtful and comprehensive approach you
23 have taken in this complex issue. And we wish you the
24 best of luck as you do this important work.

25 CHAIRPERSON NICHOLS: Thank you very much. Thank

1 for joining us today. Nice to see you again.

2 Bernadette Del Chiaro, followed by Ken Johnson,
3 and Chris Busch. I realize I promised to take Ms.
4 McClananahan, so that must be you.

5 MS. MC CLANAHAN: Yes, ma'am. Thank you. Good
6 morning, Madam Chair and members of the Board. Thank you
7 again for allowing me to make my statement.

8 My name is Tara McClanahan. My firm is YADARI
9 Enterprises. We are management consulting firm here in
10 the state of California.

11 I'm also a member of the Board of Directors for
12 the California Black Chamber of Commerce which
13 representing a number of companies throughout the state of
14 California.

15 As a small business owner, I've seen the affects
16 of the current economic recession firsthand. And our
17 costs are adding up while our business is going down.
18 It's getting harder and harder to make our ends meet.

19 The Governor and the Legislature are considering
20 billions in new taxes and fees to balance the budget, when
21 many of us cannot afford the high taxes and high costs of
22 doing business that California is already notorious for.

23 That's why I'm particularly concerned about the
24 costs of the Scoping Plan that you all are about to adopt.
25 The State's Legislative analyst and distinguished panel of

1 pure reviewers have concluded that the plan's near-term
2 cost will be prohibitive, and that is based on incomplete
3 and flawed economic analysis.

4 In the area of energy costs alone, Professor Conn
5 of the UCLA Institute of the Environment observes that
6 electricity prices are expected to rise by 14 percent and
7 that AB 32 policies will increase the likelihood of
8 electricity black out which may pose serious costs to
9 business and consumers. That's just one of his
10 conclusions. The independent reviews are full of others.

11 I understand that you and your staff have to look
12 at the big picture and have to deal in generalities, but
13 not necessarily what your policies might do to individual
14 people and businesses.

15 I can tell you this will impact me on several
16 levels. As a business owner, my costs will go up. And
17 believe me, that 14 percent just for electricity is a
18 material number. Not to mention the other costs. My
19 revenues will most likely go down since my customers will
20 be struggling to pick up their fair share of AB 32 costs
21 and may not be able to afford my services any longer.

22 As a consumer, I'll be paying not only higher
23 utility bills, but more for food and just about everything
24 else as other businesses pass their increased costs on to
25 me. based on what I've seen, ARB staff are the only

1 people who actually believe the AB 32 Scoping Plan as
2 currently structured won't cost much of anything.

3 CHAIRPERSON NICHOLS: Your time is up. Thank
4 you. Appreciate your input and your organizations.

5 Okay. We'll now return to Bernadette Del Chiaro.

6 MS. DEL CHIARO: Bernadette Del Chiaro with
7 Environment California. Thank you, Madam Chair and the
8 Board for allowing me to speak today.

9 For years now, California has been setting the
10 stage for this play that is how we will play a leading
11 roll in solving global warming. With the Scoping Plan
12 here, you are effectively lifting the curtain. And for
13 the most part, we say bravo. We say bravo especially
14 loudly for the starring players of this play, including
15 energy efficiency, renewable energy, and other tried and
16 true direct measures that we know will work to reduce
17 carbon emissions in California.

18 Madam Chair, as you mentioned in your opening
19 comments, there are a lot of details still to be hammered
20 out. And we look forward to working with the Board on
21 those details. In particular, there are a number of other
22 direct measures that do need to continue to be implemented
23 in California per this plan.

24 I think the Department of Forestry testimony this
25 morning to underscores the need for us to maximize all

1 those controls that we have ability to put in place to
2 make room for those things that are out of our control.

3 The other important detail of course is above and
4 beyond that to, the extent that we put in place a market
5 mechanism that we put in place 100 percent auction require
6 that all of California's largest polluters pay for the
7 right to pollute our air, our common resource.

8 We not only feel in way, but we submitted over
9 the course of the summer 50,000 public comments from
10 Californians across the state also in strong support of
11 requiring polluters to pay to funnel those moneys into
12 proven energy efficiency and other global warming
13 solutions.

14 So with that, I want to thank you for the
15 strengthened language in the Scoping Plan indicating
16 California is headed towards 100 percent auctions. We are
17 confident once we set down the path of developing the
18 auction program that California will set up 100 percent
19 auction as soon as possible.

20 Thank you very again much.

21 CHAIRPERSON NICHOLS: Thank you.

22 Ken Johnson and then Chris Busch and Norman
23 Pedersen.

24 MR. JOHNSON: Good morning. My name is Ken
25 Johnson. I have three very brief questions relating to

1 cap and trade.

2 The first two questions are for staff, the.

3 Third is directed to the Board. And I'll state all three
4 questions before getting your response.

5 First, would a price floor of \$10 per ton apply
6 to all auctioned allowances be feasible and cost
7 effective?

8 Second, could a price floor potentially achieve
9 significant emission reductions beyond the 2020 limit?

10 And the third question for the Board, should a
11 price floor be evaluated as a potential measure for
12 achieving maximum emission reductions pursuant to section
13 38560?

14 CHAIRPERSON NICHOLS: Thank you. Your question
15 is noted, and we're going to take questions at the end
16 from the Board members.

17 Chris Busch.

18 MR. BUSCH: I'm Chris Busch with the Union of
19 Concerned Scientists.

20 Thanks, Madam Chair and Board members for the
21 opportunity to speak today.

22 I'd like to talk about the peer reviews that have
23 been released since the last hearing. I think the
24 criticism in these peer reviews has been unfair and overly
25 harsh. And I think the Board -- the staff deserves credit

1 for diligent work and useful progress.

2 It seems the critics expect the staff to achieve
3 an ideal that's never been really achieved anywhere, by
4 anyone. And that criticisms is based more on ideology and
5 theory that markets are essentially perfect and close to
6 perfectly rationale.

7 The comments of Professor Conn just mentioned,
8 frankly he doesn't seem to understand the modeling to me.
9 He seems to think all the efficiencies comes from price
10 response. He doesn't understand the efficiency measures
11 are where of most of the reductions in energy use come
12 from.

13 The limitations of CARB's modeling are shared
14 with other modeling approaches used by, for example, U.S.
15 EPA, the sensitivity analysis that CARB has done since the
16 peer review was completed has shown the results mostly
17 unchanged in the response to the criticisms that have been
18 raised.

19 And let's look at the big picture. CARB's
20 results are essentially in line with most results showing
21 the results of the impact of climate policy to be
22 relatively small. That's when you're excluding all the
23 many benefits of action, including public health benefits,
24 introduced innovation, improved energy security, not the
25 mention the damages that would come from unabated climate

1 change.

2 We've heard the excuse that more study is needed
3 many times as an excuse for delay. And I ask the Board to
4 reject that argument at this time. Thank you.

5 CHAIRPERSON NICHOLS: Thank you.

6 Norman Pedersen, Michael Rubio, Martin Hopper.

7 MR. PEDERSEN: Thank you, Madam Chair.

8 My name is Norman Pedersen for the Southern
9 California Public Power Authority. SCPPA supports the
10 proposed Scoping Plan. We particularly commend the plan's
11 reliance on complimentary measures to achieve 80 percent
12 of emissions reductions required by AB 32 by 2020.

13 Some of the written comments suggest that even
14 more reductions could be achieved through additional
15 complimentary measures. And we urge you to carefully
16 evaluate those additional measures during the upcoming
17 rule making process. Complimentary measures provide
18 important co-benefits and they constrain allowance prices.

19 Some other comments criticize the staff's
20 economic evaluation of the costs and benefits of the
21 complimentary measures. Overall, at this point perhaps
22 I'm echoing some what you just heard from my friend Chris
23 Busch, while more could always be done on any economic
24 forecast, we believe your staff did an excellent job,
25 particularly given some of the modeling problems they

1 encountered during the process.

2 We also commend the proposed Scoping Plan's
3 vision of integrating the California program with the
4 Western Climate Initiative. However, we would like to
5 offer two cautionary notes.

6 First, the WCI has been primarily focused on
7 implementing a Cap and Trade Program. WCI has not focused
8 nearly as much as you have on complimentary measures. As
9 a matter of fact I don't believe they have a Complimentary
10 Measures Committee. As a result, when WCI models
11 allowance prices, they project prices that are higher than
12 the prices that have been projected by your staff.

13 We urge that WCI focus more on complimentary
14 measures following this Board's lead.

15 Second, just as intra-state allowance allocation
16 policies have the potential to result in wealth transfers
17 among California communities, as some SCPPA
18 representatives discussed with you back on November 20th,
19 policies on apportioning allowances among WCI partners
20 could result in interstate wealth transfers. And we urge
21 California to be alert to that issue.

22 CHAIRPERSON NICHOLS: Mr. Pedersen, your time is
23 up.

24 MR. PEDERSEN: With these cautions, we urge you
25 to adopt the plan and thank you very much.

1 CHAIRPERSON NICHOLS: Thank you.

2 Mr. Rubio, Martin Hopper, and then Rachel Katz.

3 MR. RUBIO: Good morning, Madam Chair and
4 honorable Board members. First let me begin by thanking
5 you not only for your entire staff for this great work on
6 this important topic.

7 I'm Michael Rubio, the Chair of the Kern County
8 Board of Supervisors. I'm also Chair of the San Joaquin
9 Policy Council, which represents the ACOGs from the
10 southern part of this valley, which is in Bakersfield all
11 the way to the north of Stockton.

12 And it is particularly a pleasure to stand before
13 you coming from a relatively conservative area of our
14 great state in support of this plan. We support it
15 because clearly we see no longer as rolling back
16 greenhouse gases an option, but it is now the law.

17 But in moving forward with this Scoping Plan and
18 putting it into action, we ask you to consider three
19 things. The first, to put a face on what the fine marine
20 stated. I believe he was the first speaker here, and the
21 military installations. We are proud to partner with them
22 as they are the largest employer in the county of Kern.
23 And if they were an incorporated city, they would be the
24 third largest incorporated city in our great county. So
25 when you establish our targets, please hold them

1 responsible for their rolling back of greenhouse gases,
2 not us.

3 Secondarily, in looking at the vehicle miles
4 traveled, I come from a great county that is proud to say
5 our central valley feeds this state and the world. But
6 not only are we touting ag and oil, but we're now touting
7 our wind and our sun. And doing so, we are encouraging
8 people to come and built wind turbines.

9 But as a note, if the full phasing of what is
10 being projected to be built out today, it could consume
11 over 100,000 acres in our single great county alone.
12 There's going to generate a lot of vehicle miles traveled.
13 To build those incredible operations, we would ask that
14 you take that into consideration as well.

15 Lastly, when you look at the vehicle miles
16 traveled that is generated or rather that passes through
17 our great central valley, over 50 percent it is estimated
18 by Caltrans does not originate, nor does it terminate in
19 the central valley. So please as you establish our
20 targets, take that into consideration.

21 And in closing, again we want to thank you very
22 much for your hard work

23 CHAIRPERSON NICHOLS: Thank you, Supervisor.

24 Martin Hopper and Rachel Katz and Michelle
25 Passero.

1 MR. HOPPER: Good morning, Madam Chairman.

2 I'm Martin Hopper, Chair, General Manager of the
3 MSR Public Power Agency. I would like to thank the Board
4 for your positive responses to our prior oral and written
5 testimony. We thank you for that.

6 This morning I just want to make one brief point.
7 And that is we've seen the positive indications in the
8 plan with the harmonization of our efforts here with those
9 of the Western Climate Initiative, particularly in the
10 areas of cap, trade, and allowance regimen.

11 We would like to ask and to have you emphasize
12 the need for that regional cooperation and harmonization
13 to avoid those bad effects as we saw during the electric
14 restructuring a decade ago where California got out of
15 step with the western region and it became horrifically
16 expensive for our consumers.

17 So here we would like to urge you to continue
18 those efforts for harmonization with the efforts of the
19 WCI. And I'm very pleased to see in the document in
20 resolution that we are pointed in that direction. We just
21 ask that you continue to carry on through.

22 Thank you.

23 CHAIRPERSON NICHOLS: Thank you.

24 Rachel Katz.

25 MS. KATZ: Good morning, Chairman Nichols,

1 members of the Board, and ARB staff.

2 I'm Rachel Katz with the Pacific Forest Trust.

3 We are a nonprofit organization dedicated to conserving
4 America's working forests for all of the public benefits
5 they provide.

6 Thank you for the opportunity to provide one more
7 statement in strong support of the landmark Scoping Plan
8 you're about to vote on.

9 FPT applauds your leadership in tackling the
10 eminent and grave threat posed by global warming. In
11 doing so, ARB has recognized the need to have all hands on
12 deck, calling for a variety of strategies across the
13 economy to achieve ambitious but very achievable emissions
14 reduction targets.

15 PFT would like to commend ARB for incorporating
16 the forests sector into the plan, taking the groundbreaking
17 step of addressing both emissions in the sector as well as
18 the great potential for additional carbon sequestration
19 above and beyond current capacity.

20 The inclusion of a robust approach for addressing
21 forests sets a national precedent. It also creates a very
22 positive example the international negotiators can look to
23 as they work on a post Kyoto agreement that addresses
24 international forest laws and degradation.

25 California is home to some of the most productive

1 forests in the world. With this Scoping Plan, we now have
2 the tremendous opportunity to ensure those forests are
3 appropriately recognized for their climate benefits and
4 that policies are implemented to avoid or mitigate
5 significant losses of their forest climate benefits.

6 We enthusiastically support the inclusion of a
7 no-net loss target for the forest sector and appreciate
8 the broad cross sector impacts of forest including in the
9 energy, land use, and waste management sectors.

10 California is creating an innovative model that
11 we hope others will follow.

12 Again, thank you for your efforts, including the
13 immense amount of work your staff has put in. Thank you
14 as well for the opportunity we have had to work
15 collaboratively with you. We look forward to working with
16 you on the next steps. Thank you very much.

17 CHAIRPERSON NICHOLS: Thank you very much,
18 Ms. Katz.

19 Michelle Passero, Barry Wallerstein, Peter
20 Montgomery.

21 MS. PASSERO: Good morning. Michelle Passero
22 with the Nature Conservancy.

23 TNC appreciated and supports the Scoping Plan and
24 as well as the proposed modifications, particularly as
25 they relate to forests and natural systems.

1 We also support the resolution. Appreciate the
2 acknowledgement of the nexus between adaptation and
3 mitigation. This is critical I think as implementation
4 moves forward.

5 And we also support the statement to clarify
6 ARB's role with respect to oversight and ensuring
7 consistency and the accounting standards and avoiding
8 double counting that could occur, given all the ranges of
9 responsibility that other agencies and entities may have.

10 We see this plan and the proposed additions as a
11 stimulus package for natural systems and all of us who
12 rely on these systems for our economic well being as well
13 as our quality of life.

14 We do think that there probably is greater
15 potential in terms of reductions to be attained in the
16 land use sector as well as the forest sector. And we look
17 forward to working in the upcoming couple of years on
18 finding the measures, developing the measures to ensure
19 that.

20 And we do urge the Board to unanimously adopt
21 this plan and its modifications. So thank you again for
22 all your hard work.

23 CHAIRPERSON NICHOLS: Thank you.

24 Barry Wallerstein, followed by Peter Montgomery
25 and Emanuel Jones.

1 MR. WALLERSTEIN: Good morning, Madam Chair,
2 members of the Board. Barry Wallerstein, the Executive
3 Officer of the South Coast Air Quality Management
4 District.

5 And I'm here to speak to the items that have been
6 added to the resolution and to thank James and the staff
7 for being responsive to the issues that we raised last
8 time before the Board.

9 And so I'm here to support the resolution
10 language.

11 James cautioned me last night not to quibble over
12 the size of a diamond in a diamond ring. So I'm not going
13 to do that.

14 There are some things on mandatory reporting
15 where James has agreed to sit down, and we're going to do
16 our best to work through that. But the staff has really
17 reached out in a sense of partnership here, and I think it
18 bodes well for moving forward.

19 And let me just say as a former member of this
20 staff, I don't know there's been a prouder day for the
21 State Air Resources Board than today and all the fine work
22 that went into getting you to this point. Thank you.

23 CHAIRPERSON NICHOLS: Thank you very much. All
24 relationships require continued work.

25 MR. MONTGOMERY: Peter Montgomery, CBIA.

1 In mutual respect for all of our time, I don't
2 echo what has been said regarding the coalition of the
3 impossible, SB 375, the RTAC, et cetera, et cetera,
4 because that was the basis for the testimony.

5 The one thing I would point out just on -- we
6 have provided -- CBIA provided the Board recently in the
7 last couple days with a technical analysis of basically
8 the estimated targets. The five million metric tons
9 versus two.

10 And just for clarification it is our opinion that
11 five is still a very aggressive number by 2020. So
12 effectively in eight years, you're going to try to affect
13 a significant amount of reductions in greenhouse gas
14 emissions from the regions. It's not insignificant. Our
15 estimate on the analysis shows still 40 to 50 percent
16 reductions. And it could be as high as 60 to 75 percent.
17 As you all know, we're building a lot fewer units than we
18 were based on the assumptions.

19 Just in context, our opinion is five is an
20 aggressive number. We think two is more realistic, but
21 we're here today to support five as a stretch goal and
22 look forward to working through the RTAC process to
23 establish the regional targets.

24 Thank you very much.

25 CHAIRPERSON NICHOLS: Thank you.

1 Emanuel Jones, Max Ordonez, Adam Stern.

2 MR. BOWER: Madam Chair, members, good morning.

3 I'm Hugh Bower with Emanuel Jones and Associates
4 here on behalf of the city of Santa Rosa.

5 We apologize for not having delivered a letter
6 sooner, but I dropped one off this morning.

7 CHAIRPERSON NICHOLS: Sorry. Where do you fit on
8 the list I just gave?

9 MR. BOWER: I'm Hugh Bower. I work Emanuel Jones
10 and Associates.

11 CHAIRPERSON NICHOLS: I see. We got you wrong on
12 the list.

13 MR. JONES: We represent the City of Santa Rosa.

14 First, we want to applaud to efforts of the Board
15 and staff. And so on behalf of the City of Santa Rosa, we
16 wish to convey that we support increased reduction targets
17 with the guidance on the issue of funding for local
18 government programs in order to meet those targets.

19 The City of Santa Rosa is committed to reducing
20 greenhouse gases and has taken specific steps towards
21 fulfilling those goals.

22 In addition, we want to note that GHG reduction
23 cannot be met through sustainable new construction or
24 future land use and transportation decisions alone.

25 We suggest that the Scoping Plan include

1 discussion of innovative measures, such as retrofit
2 programs and/or pricing incentives to address existing
3 infrastructure.

4 The City of Santa Rosa is striving to reduce its
5 own carbon footprint and modify land uses that encourage
6 multi-modal travel. At the same time, the City is
7 struggling to find funding to maintain existing transit
8 services level. Obviously, the funding issue is an
9 important component of this.

10 Our letter provides more specific detail, and
11 we'd be willing to answer any questions from the Board or
12 staff. Thank you.

13 CHAIRPERSON NICHOLS: Thank you.

14 MR. ORDONEZ: Good morning. My name is Max
15 Ordonez from Los Angeles. I have a small business in
16 project management and construction management.

17 I think was here in November, and I did talk a
18 little bit about this big transition that we're looking at
19 from I guess we could call it older businesses into the
20 green technology and the lack of capital for a lot of the
21 smaller companies and particularly the minority community.

22 I'm not going to repeat that statement I made.
23 But talk about something new.

24 I think the Chairwoman mentioned talk about new
25 topics that have come up since then. And the LAO report

1 was something that came across that's been talked about in
2 the local chambers and NFIB, I'm a member of that. And
3 also Treasurer of the California Hispanic Chamber of
4 Commerce.

5 My comments reference to the LAO report and was
6 kind of troubled by it given that there was certain quote
7 in there that reads that the AB 32 Scoping Plan fails to
8 provide information about the plan's impact on individual
9 businesses and households. It cannot identify the types
10 of disruption certain parties could face under the
11 proposal.

12 This was kind of a sobering moment for a lot of
13 the small business people and given this independent
14 assessment of what we're going to be implementing here in
15 this program.

16 I just want to urge the Board and its strong
17 leadership to really consider all the aspects from a small
18 business perspective and the impact it's going to have and
19 that the impact is probably going to be greater and loss
20 of businesses and therefore loss of jobs related to it.

21 So I just wanted to share that something new
22 that's come up since November. Thank you.

23 CHAIRPERSON NICHOLS: Thank you very much.
24 Appreciate your continued involvement. And I hope we will
25 be able to continue to work with you as we develop those

1 programs beyond just the conceptual stage.

2 Adam Stern, then Chris Brown, John Kabateck.

3 Mr. STERN: Thank you, Madam Chairman.

4 I'm Adam Stern, Vice President for Policy at
5 Terrapass. I think it's fair to say that Terrapass and
6 companies like it are part of the new green economy.

7 As a small business based in San Francisco, we
8 deliver high-quality carbon offsets verified to the
9 toughest standards that help individuals and companies
10 reduce their carbon foot prints.

11 Our business and those of others are helping to
12 bring new clean technologies to California and reduce the
13 compliance costs of AB 32. There are a lot of businesses
14 like ours waiting for regulatory signals that the market
15 for carbon reductions has arrived and that it's going to
16 grow. Passage of this plan would be a great signal in the
17 right direction. And I trust that that's where you're
18 headed. Thank you very much.

19 CHAIRPERSON NICHOLS: Thank you.

20 Chris Brown.

21 MR. BROWN: Chair Nichols, members of the Board,
22 Chris Brown, AICP Mendocino County Air Quality Management
23 District.

24 I just wanted to echo the comments of my
25 colleague Barry Wallerstein. We appreciate all the hard

1 work James and his staff and Edie who I've known for quite
2 a while have put into this. And especially appreciate the
3 language in the resolution that reflects the cooperation
4 and the coordination that's going to happen between ARB
5 and the districts. Thank you.

6 CHAIRPERSON NICHOLS: Thank you.

7 John Kabateck, Naomi Kim, and then Jane Williams.

8 Mr. Kabateck?

9 Naomi Kim.

10 MS. KIM: Good morning, my name is Naomi Kim.

11 And I'm with the California Environmental Rights Alliance.

12 And I'm here on behalf of 63 organizations and 93

13 individuals representing thousands of individuals from

14 around the world who have signed on to the California

15 environmental justice movements declaration against the

16 use of carbon trading schemes to address climate change.

17 The declaration is a 28-point document affirming

18 our commitment we will fight at every turn to establish a

19 system of carbon trading and offset use in California,

20 BECAUSE the overwhelming body of evidence from prior

21 pollution trading programs proves that such a program will

22 not reduce greenhouse gas emissions at the pace called for

23 by the international scientific community. And it will

24 not result in the needed shift to a clean energy economy,

25 without which the climate change problem will never be

1 properly addressed.

2 The irreconcilable problems in pollution trading
3 programs include over allocation, inaccurate measurement,
4 price volatility, stifled technological innovation,
5 windfall profits and harm to consumers, gaming, monitoring
6 and enforcement, phantom offsets, and blown caps.

7 Without magical fixes to these interactive
8 problems and by prioritize the cheapest offramps possible
9 versus helping entities meet an aggressive RPS, for
10 example, a cap and free trade market system will have the
11 opposite effect of stifling the investment needed to
12 develop and deploy clean renewable energy without which
13 California will never reach its long-term goals of 85
14 percent reductions. And the emperor is not wearing any
15 clothes.

16 I have a CD full of 51 document and comments we
17 would like to add to the record, including numerous
18 reports by the Congressional Budget Office that carbon tax
19 or fee could be implemented at a fraction of the cost of a
20 trading program.

21 And most recently, just in the last few days, a
22 study by the US Government Accountability Office finding
23 that "The use of carbon offsets in a cap and trade system
24 can undermine the system's integrity, given it is not
25 possible to ensure every credit represents a real,

1 measurable, long-term reduction in emissions."

2 The American Enterprise Institute last year --

3 CHAIRPERSON NICHOLS: Ms. Kim, your time is up.

4 MS. KIM: The implementing Cap and Trade Program
5 could be the costliest mistake in human history.

6 CHAIRPERSON NICHOLS: Thank you. And thanks for
7 all the documents you submitted as well.

8 Jane Williams.

9 MS. WILLIAMS: Good morning, Madam Chair and
10 members of the Board. Thank you for the opportunity to
11 testify before you today.

12 I want to make sure that you understand that we
13 worked with the ETAC Committee to submit joint comments to
14 you, recommendation that you're in receipt those.

15 I want to thank Dr. Epstein and Dr. Lloyd and the
16 members of the ETAC Committee for working so diligently
17 with us.

18 I want to underscore the previous speaker.
19 Article yesterday in the international Harold Tribute. EU
20 carbon trading systems brings windfall profits for
21 polluters with little benefit to the climate. The outcome
22 of the EU trading scheme has been four years of squandered
23 opportunity to reduce greenhouse gas emissions.

24 There are now 40 proposed coal-fired power plants
25 for the EU. And the lessons learned are that there are

1 fresh windfall profits to the worst polluters not EU, huge
2 price increases for food, for services, and for energy.
3 And of course in California those price increases are
4 going to be felt most harshly by the poor.

5 There's very few previous speakers that have
6 talked about this. As you know, the Environmental Justice
7 Advisory Committee to this Board is very concerned about
8 putting a price on carbon that increases the poverty in
9 California.

10 When the first Committee -- when our Committee
11 met first time last year, the economic situation in
12 California was much different. It was one in five
13 children or roughly 20 percent of the children in
14 California are growing up in poverty. That has changed to
15 one in four, roughly 25 percent.

16 As we seek to put a price on carbon and grant
17 windfall profits to the worst polluters, but put that
18 price and the burden of that price back on the poor, we
19 are going to further increase the number of children that
20 grow up in poverty in the state of California.

21 We believe very strongly that the statute has not
22 been followed. We do not agree with the economic
23 analysis. We believe that some of the criticisms are very
24 real. And we urge the Board to think very carefully as it
25 moves forward here on what the impact is of your vote

1 today and the impact of how we move forward with this
2 program.

3 The Environmental Justice Advisory Committee is
4 very firm in its brief you have not followed the
5 statute --

6 CHAIRPERSON NICHOLS: We do have your formal
7 testimony already. The EJAC Committee sent not only the
8 joint letter, but formal testimony that came this morning
9 from Ms. Johnson-Mizaros, your co-chair. So I think your
10 two minutes are up, if you could just wrap up, please.

11 MS. WILLIAMS: Thank you very much, Chairman
12 Nichols.

13 To wrap up, the Environmental Justice Advisory
14 Committee and the environmental justice movement in
15 California is very disappointed with the outcome of the
16 Scoping Plan. Thank you.

17 CHAIRPERSON NICHOLS: Thank you.
18 Ernie Silva.

19 MR. SILVA: Chairman Nichols, Board members, I'm
20 Ernie Silva. I'm here representing the Coalition for
21 Adequate School Housing.

22 CASH is a 1500 member organization consisting of
23 both school districts involved in the school facility
24 program and the businesses that support them. Our
25 districts represent about 93 percent of the public school

1 students in California.

2 We have three recommendations that we want to
3 leave with you this morning.

4 First is that as the report recognizes, the
5 Appendix C, page 148, there is a potentially fatal flaw
6 for school districts in the program that we hope to work
7 with you to correct going forward in developing
8 regulations. And that's the emission reductions are
9 largely accounted for in other sectors.

10 We are here to ask that moving forward that
11 credit for school districts energy efficiencies from
12 operations, construction, and other green schools green
13 buildings efforts accrue to the school districts them.

14 Second, the plan and the regulations moving
15 forward shouldn't mandate green school construction beyond
16 the State's ability to fund actual cost and incentives to
17 get schools to do the right thing as your Scoping Plan and
18 appendices recognizes, school districts are doing an awful
19 lot to front load and get ahead of the wave on green
20 schools.

21 The program is very, very complex. There are
22 match amounts grant levels a great diversity among school
23 districts in house in how schools are actually paid for.
24 Both from the State side and local side the ability to
25 float bonds, developer fees, and other mechanisms create

1 real complexity. And we want to work with you so ensure
2 we don't get ahead of what school districts are able to
3 do.

4 The report itself talks about that. The school
5 facility program money to green schools, the reality is
6 that's less than 2 percent of the funding that's been put
7 forward to build schools as it is. So we really need to
8 do more to ensure that schools get theirs

9 The other piece of school construction are what
10 do we do for energy efficiency in existing schools. We
11 have a modernization program as the Scoping Plan
12 recognizes. That doesn't -- addresses but a fraction of
13 what's done to existing schools. We need to find other
14 ways to address those issues.

15 CHAIRPERSON NICHOLS: Thanks, Mr. Silva. Two
16 minutes goes by really fast, I know.

17 MR. SILVA: I will. The third is that in
18 doing --

19 CHAIRPERSON NICHOLS: You're done. Your time is
20 up.

21 MR. SILVA: Cumulative impact analysis we need to
22 have some safe harbors for the work we are doing --
23 positive work we're doing on addressing cumulative and
24 indirect impacts on school construction.

25 CHAIRPERSON NICHOLS: The work that you're

1 talking about needs to be done, and we agree with you. It
2 isn't in the Scoping Plan itself.

3 And I'm going to ask people to try to focus on
4 what's in the plan, because that's what we're acting on
5 today. I think we all agree that there's work that needs
6 to be done going forward.

7 Bill Magavern, Tara Marchant, Tim Carmichael.

8 MR. MAGAVERN: Good morning. Bill Magavern,
9 Director of Sierra Club California. And I'm going to
10 focus on what has changed since the November meeting.

11 You've added measures for mandatory commercial
12 recycling, an expectation of 100 percent auctioning, and
13 analysis of cumulative impacts. We think these are all
14 very positive changes. We thank the Board and the staff
15 for making those.

16 I will note at the risk of tarnishing James's
17 diamond we would like to see more emissions reductions in
18 the land use and industrial areas and also further
19 limitations on offsets.

20 But also what we seen happen just in the last few
21 weeks is the economic signals nationally are getting even
22 worse. And that has caused some who had actually always
23 opposed AB 32 to call for its delay. They say that we
24 can't afford these measures. And my response is, we
25 cannot afford delay. California cannot afford to wait

1 before putting into place measures to reduce the pollution
2 that causes global warming.

3 You're going to be doing additional economic
4 analysis, and I think that's absolutely appropriate. I
5 hope that analysis will include the costs of inaction.
6 What will be the cost to California if we do not take the
7 steps that are outlined in the Scoping Plan. And let's
8 weight that against the costs of actually going forward.

9 We'd also like to see an analysis of whether
10 direct carbon charges would accomplish the goals of AB 32
11 as well as or better than the cap and trade. That would
12 be a very interesting analysis to see.

13 And finally our President Elect has called
14 recently for stimulating the economy through the creation
15 of green jobs and energy efficiency measures. And I think
16 that he and the Congress will be looking to the State of
17 California. And these measures in the Scoping Plan can
18 serve as a model for the whole country. And our Governor
19 has said repeatedly that economic growth and environmental
20 protection should go together. And that I think is
21 exactly what you're doing here today.

22 Thank you.

23 CHAIRPERSON NICHOLS: Thank you very much.

24 Tara Marchant, then Tim Carmichael, and Matt
25 Vander Sluis.

1 MS. MARCHANT: Hi. My name is Tara Marchant.
2 I'm presenting on behalf of the Greenlining Institute.
3 And I want to say good morning to the chair and the
4 directors. Thank you for this opportunity in speaking.
5 And congratulations to the staff of and your hard work.

6 The Greenlining coalition is the oldest
7 multi-ethnic coalition of community-based organizations in
8 the country. We represent 39 community-based
9 organizations including the state's largest African
10 American faith-based organizations, the state's largest
11 minority businesses chambers, and the state's largest
12 immigrant rights organizations.

13 Greenlining has negotiated over 2.5 trillion of
14 community reinvestment commitments to California's
15 underserved communities. Greenlining's green asset
16 program, to which I am the program manager, seeks to
17 ensure that our communities of color are at the forefront
18 of the green economy as active stakeholders in our nation
19 efforts to go green. And Greenlining will work to ensure
20 that low-income and minority communities benefit from the
21 philanthropy, the jobs, the business contracts, and other
22 opportunities that are created.

23 We anticipate further comments in the rules and
24 regulation process in 2009 and in attributing to the
25 article around how money is dispensed to low-income

1 communities.

2 But finally I want to reference the land use
3 goal. I want to say there are five key issues that relate
4 to land use policies that we see the greatest opportunity
5 for change. That is to develop assets and wealth for our
6 local communities and families. Currently, we do not have
7 reliable transportation. We don't have access to grocery
8 stores. We don't have access to jobs. And AB 32 has an
9 opportunity to actually reward people that live in dense
10 communities.

11 We ask for incentives to redevelop brownfields.
12 There are over 100,000 brownfields in California and most
13 of them exist in smart growth communities.

14 We also ask for additional incentives and rewards
15 for small businesses in dense communities and areas that
16 need job growth. And we also ask for incentives for
17 affordable housing.

18 But finally we wish to look for projects that
19 foster civic participation in the local planning. Our
20 communities want to be leaders. And they want to be a
21 part of this effort to greatly better their lives.

22 And as AB 32 does that, we'll do it with what's
23 tangible to them.

24 So overall, we encourage this process and the
25 solution by inviting our communities to the table. We

1 recommend an aggressive land use target if it invites the
2 kind of participation.

3 CHAIRPERSON NICHOLS: Sorry. I took my eye away
4 from Ms. Green and your time expired.

5 MS. MARCHANT: We look forward to participating
6 with you further. And thank you again for this
7 opportunity to speak.

8 CHAIRPERSON NICHOLS: Thank you for your comments
9 we appreciate it.

10 Tim Carmichael.

11 MR. CARMICHAEL: Good morning, Madam Chair,
12 members of the Board. Tim Carmichael, Coalition for Clean
13 Air.

14 We appreciate the strengthening changes the staff
15 has incorporated into the recommended adopting resolution.

16 That said, we think it's really imperative that
17 the Board direct the staff to include that resolution in
18 all of its components in the final plan. I believe that's
19 the intent of the staff recommendation, but I haven't
20 heard it today. And think about people around the world
21 that are going to look at this plan. And if many of the
22 key elements in the resolution aren't in the document they
23 see, it will be less impactful.

24 Two specific changes I want -- one specific
25 change, one note of concern.

1 On the top of page 10 in the proposed resolution,
2 there's some bullets that talk about use of auction
3 revenue. It's really generic language, and we encourage
4 the Board to just add a phrase or two that says something
5 like to include a community benefits fund to assist with
6 adaptation and pollution reduction needs in low income and
7 minority communities. Something to that effect to call
8 out the need to focus on revenues on that need.

9 Finally, in the proposed amendments or edits to
10 the plan on page 6 of that document, there's a new line,
11 allowances will not be required for combustion emissions
12 from carbon-neutral projects. There is a very good
13 argument to be made for this line relative to renewable
14 projects, for example.

15 But let me just raise a caution for the Board and
16 the staff. Think forward to the potential for projects
17 that are going to claim carbon neutrality whether it's a
18 fuel provider for a power plant that's going to do it
19 through sequestration. We need to be very conservative.
20 And I rarely ask this Board to be conservative. In not
21 just granting carbon neutrality to a given project
22 lightly, because it's not the same to sequester carbon as
23 a solution here as it is to achieve the reductions at the
24 facility because of the co-benefits of other pollutants
25 that will be reduced if you reduce carbon at the facility.

1 CHAIRPERSON NICHOLS: I'm practicing making a
2 gesture. Time is up.

3 MR. CARMICHAEL: I understand the sign language.
4 Thank you.

5 CHAIRPERSON NICHOLS: Okay. Thank you very much.
6 Matt Vander Sluis, and then Amy Kyle, Norman
7 Plotkin.

8 MR. VANDER SLUIS: My name is Matt Vander Sluis.
9 I manage the Global Warming Program for the Planning and
10 Conservation League.

11 I want to thank Chairwoman Nichols and the rest
12 of the Board. This is a momentous occasion. This is an
13 important step forward in California's fight against
14 global warming. Many of the measures included in the plan
15 are going to help strengthen our economy, both in the
16 short term and the long term, protect public health, and
17 protect the environment.

18 There were two points that I wanted to note today
19 that are changes from when we met last month. In
20 particular, on the provisions regarding auctioning, I
21 wanted to thank the staff for the resolution to say you
22 are heading towards 100 percent auction. As we're
23 struggling to pay teachers and bus drivers, it doesn't
24 make sense to provide financially valuable emission
25 allowance to our worst polluters for free. So I think we

1 can continue moving in this direction to make sure that
2 polluters pay at 100 percent.

3 Secondly, on the land use provisions, I wanted to
4 thank the Board members particularly for asking the staff
5 in November to look at a higher target. I think it's an
6 important step. We need to look at our full potential in
7 the land use sector. And I would encourage the Board
8 today to adopt the higher target of 11 to 14 million
9 metric tons and to say engaged in the SB 375 target
10 setting process as we will to make sure that we achieve
11 everything that's possible in our land use decisions.

12 And that's particularly important, because sprawl
13 is so costly. And when the economy is hurting, we need to
14 make sure we're not making those costly decisions. Sprawl
15 is costly because of the public infrastructure. It's
16 costly because of the public health effects. And it's
17 costly because when someone needs to drive ten minutes to
18 get a gallon of milk, that's money that could be better
19 spend.

20 So I thank you all and urge you to move forward
21 with this aggressive plan. Thank you.

22 CHAIRPERSON NICHOLS: Thank you.

23 Amy Kyle.

24 MS. KYLE: My name is Amy Kyle. And I'm
25 Associate Adjunct professor at the School of Public Health

1 at the University of California Berkeley.

2 And I came here today because I think there's
3 still one thing missing from the resolution and the plan,
4 and you know, all the other stuff that been done, which is
5 very commendable. And this has to do with the public
6 health assessment. And some of the other issues that
7 you're proposing to assess further.

8 And my recommendation is that you add into the
9 resolution consideration from a comparative point of view
10 of the various elements in your portfolio of policy
11 strategies as you move forward. So that as you continue
12 to analyze each of these specific things, we also can look
13 at them collectively and together to decide particularly
14 with regard to public health where are the benefits going
15 to be maximized as you pick your mix.

16 Because as we move forward here, what you're
17 really doing is setting in motion investment in pollution
18 control technology, in changing building standards,
19 changes to transportation, energy efficiency, all
20 different kinds of things like that. And they have
21 differing kinds of implications for public health.

22 And we can't analyze those at a large scale and
23 think about that, which will then give you and us the
24 opportunity as we move forward to think about what's the
25 best mix in that portfolio, both for the greenhouse side

1 and for public health side.

2 And because the sectors you're looking at here,
3 energy, transportation, land use, building design, et
4 cetera, have so many major implications for public health,
5 there's an opportunity here to make some major gains on
6 problems that have really been intractable.

7 And I think if you incorporated a comparative
8 look at a more macro level in the health assessment than
9 what we've seen before which is more micro, you have an
10 opportunity to pick your mix of portfolio strategies to
11 accomplish both of those things. That would be really in
12 everyone's best interest. So thank you.

13 CHAIRPERSON NICHOLS: Thank you.

14 Norman Plotkin, followed by Alfredo Medina, and
15 Barbara Lee.

16 MR. PLOTKIN: Thank you, Madam Chair. Norman
17 Plotkin representing the California Independent Automotive
18 Association, California Aftermarket Association,
19 California Automotive Wholesalers Association, and
20 Automotive Refrigerated Products Institute.

21 That was the Governor. He said he'd like your
22 economic team to come over and produce another \$50 billion
23 dollars so he can balance the budget.

24 But on a serious note, this process -- one of my
25 favorite books is by Mary Shelley called Frankenstein

1 about the monster created by private science. And we
2 would just draw a corollary to propagandized science.

3 And so my list of clients, they're very concerned
4 because they want to challenge the orthodoxy. They
5 haven't drank the Cool-Aid. And they know that nature
6 rules the climate, not man. By that they mean that
7 climate change biogenic emissions of CO2 far exceed
8 anthropogenic emissions of CO2 by a magnitude of five.
9 That's not five times. That's ten times ten times ten
10 times ten time ten.

11 So we're dabbling around the edges and up against
12 factors like solar radiation, terrestrial off-gasing,
13 interactions of biosphere including bovine methane in
14 agriculture. And we're very concerned.

15 We've heard here several times that carbon is a
16 pollution. Carbon is not pollution. We are carbon
17 beings, and we are exhale carbon dioxide. Taken to its
18 logical extreme, your efforts today will end up with all
19 of us with meters on our belt charging a fee on the carbon
20 we exhale. We're concerned about the reach and scope what
21 you're trying to do here.

22 With respect to the individual clients, the
23 Automotive Institute and Refrigeration Products Institute
24 was the target of an Early Action Item. We've spent the
25 last two years working with you closely to avoid the ban

1 of the product and we appreciate your work. Our major
2 concern is that in Scoping Plan now your in addition to
3 the rulemaking we're in, you're laying on top of it a
4 upstream fee. And we think --

5 CHAIRPERSON NICHOLS: Mr. Plotkin, your time is
6 up.

7 MR. PLOTKIN: That's the port we're opposed to.
8 We continue to work with you. Thank you.

9 CHAIRPERSON NICHOLS: We heard you.
10 Alfredo Medina, Barbara Lee, and Sarah Skikne.

11 MR. MEDINA: Good morning, Madam Chairman and
12 members of the Board. My name is Alfredo Medina, and I'm
13 here with the Latino Issues Forum. We're a nonprofit
14 public policy and advocacy institute that is dedicated to
15 advancing new and innovative policy solutions to the state
16 of California. And the history of the Latino Issues Forum
17 for the past 20 years, we have worked to advance those
18 issues and to protect health of Latinos across the state.

19 We would like to thank the Board for
20 strengthening the Scoping Plan and by adding language that
21 identifies communities that are disproportionately
22 effected and by also including cumulative impacts
23 language.

24 However, we are still concerned with the language
25 that is vague in regards to the various scenarios for the

1 use of auction revenues. And we would like to urge the
2 Air Resources Board to include the formation of a
3 community benefits fund for the adaptation and emission
4 reduction measures for low income and minority
5 communities.

6 This is a huge concern for the Latino Issues
7 Forum, considering it is projected the Latino population
8 will be the majority by 2030. And moreover, it has been
9 documented that Latinos are most disproportionately
10 effected by not only poor air quality, poor water quality,
11 but overall pollution in our state.

12 And we'd just like to urge the Board to
13 incorporate that language and we thank you for your time
14 today. Thank you.

15 CHAIRPERSON NICHOLS: Thank you for
16 participating.

17 Barbara Lee.

18 MS. LEE: Good morning, Madam Chair and members
19 of the Board.

20 My name is Barbara Lee. I'm the Air Pollution
21 Control Officer in Northern Sonoma County and also the
22 immediate past president of the Air Pollution Control
23 Officers Association.

24 I'm here with my colleagues who are standing
25 behind me on behalf of the CAPCOA to express our

1 appreciation to this Board and especially to Mr. Goldstene
2 for your commitment to collaborative implementation of the
3 Scoping Plan.

4 For decades now, the air districts and ARB have
5 had a proud history of creating the most effective air
6 pollution control program in the world.

7 We are just as proud to be standing here in
8 support of you today as you embark on this historic effort
9 to reduce greenhouse gases. And we are committed to
10 giving you our practical support and dedicating resources
11 to the implementation effort.

12 Thank you for your willingness to reflect all of
13 this in your resolution language.

14 CHAIRPERSON NICHOLS: Thank you for coming out
15 enforce. It's quite a crew. And thank you for the
16 statement.

17 Sarah Skikne and then Vladimir Kogan and David
18 Bolland.

19 MS. SKIKNE: Hi. I'm Sarah Skikne with the
20 Climate Group.

21 Today, we hope you adopt a robust and ambitious
22 Scoping Plan to encourage the growth of California's
23 economy.

24 Just want to highlight three points from our
25 comments that we submitted as we move forward.

1 One idea would be to -- in terms of revenue from
2 auctioned emission allowances to consider creating a
3 standing advisory committee. The stakeholders could set
4 the criteria and priorities for investment in allocation.

5 Secondly, we'd be happy to offer and modify the
6 content of our publication. It's the Business Guide to a
7 Low Carbon Economy in California. I know you're aware of
8 it. If ARB could use this as a tool for educating
9 businesses about how to reduce emissions, save money,
10 understand policy. If that's useful to you, please let us
11 know.

12 And third point is that we hope ARB will consider
13 encouraging participation by the state's IT sector. I
14 haven't seen much talk about this, but we think the IT
15 sector can both reduce their own emissions through data
16 center cooling and those types of solutions. But I think
17 more impressively help other sectors reduce emissions via
18 smart grid, smart buildings, teleconferencing and these
19 sorts of solution.

20 Our publications 2020 calculates these types of
21 solutions could globally enable reductions of 15 percent
22 of business as usual by 2020. So I think there is a lot
23 to be done there.

24 And we thank you for your consideration and your
25 work on this comprehensive plan.

1 CHAIRPERSON NICHOLS: Thanks to the Climate Group
2 for all your help.

3 Vladimir Kogan, David Bolland, Tim Frank.

4 MR. KOGAN: Good morning, Madam Chair members of
5 the Board.

6 My name is Vladimir Kogan, Orange County
7 Sanitation District. We serve about three million
8 businesses and residents in Orange County. And treat 250
9 million gallons per day of waste water.

10 We have several sets of comments to you
11 separately and with our sister agencies. And I wouldn't
12 repeat what is included in them.

13 Just want to emphasize couple of point.

14 One, that all rules in the Scoping Plan should
15 include clear difference between biogenic and
16 anthropogenic gases. We use for majority of processes for
17 majority of our combustion sources biogenic gas, renewable
18 fuel, digester gas. And the Scoping Plan so far doesn't
19 make any difference between source gases. California
20 Climate Action Registry and international community
21 usually exclude digester gas in all their calculations.

22 And second one, we believe it's essential public
23 services, in particular waste water treatment facilities,
24 should be excluded in all kinds of Cap and Trade Program.
25 You see, we cannot guarantee any cap established will be

1 met.

2 Now of course it's recession. But all together
3 population is growing. Waste water is also growing. So
4 we cannot always be sure our emissions will definitely go
5 down.

6 And we also would like to emphasize that more
7 effort should be made to include in the Scoping Plan and
8 corresponding rules for recycling. We are recycling major
9 part of our waste water now and will continue to do it in
10 the future.

11 And in conclusion, let me commend your staff.
12 And we will be working with your staff in developing of
13 corresponding rules. Thank you.

14 CHAIRPERSON NICHOLS: Thank you very much for
15 your participation.

16 David Bolland, Tim Frank, Peter Cooper.

17 MR. BOLLAND: Thank you, Chair Nichols, members
18 of the Board.

19 I'm David Bolland with the Association of
20 California Water Agencies. We represent 450 public water
21 agencies in California and deliver water to over 90
22 percent of the economy, both agricultural and urban.

23 We submitted written comments, and I'll only
24 highlight a couple of major points.

25 California water agencies are already taking many

1 actions on adaptation that would reduce energy use, their
2 own energy use, to generate more renewable energy.

3 We have quite a number of efforts in the queue as
4 well as on the ground that substantially increase the
5 renewable energy portfolio of many of our water agencies.

6 We believe that the California water agencies can
7 make a substantial contribution to the expansion of
8 near-term renewable energy opportunities. But there are
9 several specific administrative and legislative barriers
10 that need to be removed. And there's no time right now to
11 get into the details on those, but we've identified those
12 in our comment letter. We would like to work with CARB
13 through the regulatory process to remove those barriers
14 and be an early asset to the State in terms of substantial
15 commitment to some renewable energy to displace our
16 current reliance on electricity specifically.

17 I want to thank CARB for the opportunity to speak
18 about another situation which is of real concern the water
19 agencies up and down the state, and that's the public
20 goods charge.

21 ACWA is fundamentally opposed to the public goods
22 charge on water, its member agencies as well.

23 Transferring the public goods charge from the California
24 Public Utilities Commission investor-owned utilities
25 regulatory structure to a State fee on public water

1 agencies we believe is fundamentally unsound and
2 counterproductive to our investment in local sustainable
3 resource management.

4 Again, water agencies have direct authority to
5 make charges that are related to investments that they're
6 making at the local level on their customers. And we
7 believe this particular proposal is counterproductive and
8 potentially damaging to our ability to renewable energies.

9 I'd like to just for a moment read a little bit
10 of our comment letter.

11 ACWA does not believe the public goods charge is
12 warranted, especially given already significant
13 investments of water agencies and conservation programs
14 and reductions of greenhouse gases are being accomplished.
15 In fact, the public goods charge may well be
16 counterproductive. It's a redistributive component which
17 we believe will punish those agencies that have already
18 made significant conservation in water conservation and
19 stewardship efforts.

20 CHAIRPERSON NICHOLS: Dr. Bolland, your time is
21 up.

22 MR. BOLLAND: And we thank you.

23 CHAIRPERSON NICHOLS: Thank you.

24 Tim Frank, Peter Cooper, Lisa Wilcox.

25 MR. FRANK: Thank you very much. I'm Tim Frank

1 representing the American Farm Land Trust.

2 I'd like to begin by thanking you for your hard
3 work on this. Clearly, it's a momentous time right now.
4 The document you've put on the floor is something that we
5 can all be proud of. And I think that it has been
6 substantially strengthened since November.

7 I represent a group that's interested in the
8 continued viability of agriculture in California. I'd
9 like to note that I seem to have some common ground with
10 the US military as well in that, you know, we both
11 represent -- we're interested in industries that really
12 depend upon a rural landscape that is unencumbered by the
13 expansion and encroachment of urban sprawl. And we think
14 the approach you've taken in embracing SB 375 in looking
15 at land use is the right one.

16 We appreciate the fact that you strengthened the
17 target to five million metric tons. We would essentially
18 support a higher target. As we note, this is a plan that
19 will evolve over time. We would like to see consideration
20 in the future of even more aggressive targets. But in any
21 case, we do appreciate the forward movement.

22 And finally I'd like to note that the
23 agricultural section of the document which now is sort of
24 formative in its approach. You know, you note there is a
25 good deal of research that needs to be done and a lot of

1 work in developing the best management practices that will
2 help succeed. We'd like to work with you on that. We
3 think there's lots of opportunity for agriculture to
4 contribute, not so much as part of the problem, but as a
5 part of the solution. There is a lot that agriculture can
6 contribute. Thank you very much.

7 CHAIRPERSON NICHOLS: Thank you, Mr. Frank.
8 Peter Cooper.

9 MR. COOPER: Peter Cooper on behalf of the
10 California Labor Federation.

11 We support the direction that the Board is going,
12 and we support the comments by the Sierra Club in so far
13 as future deliberations need to take into account the
14 impact on the labor market and on job creation and the
15 creation of green jobs.

16 Our members have a lot at stake. We have over
17 two million members, and many of them are in high carbon
18 emitting industries.

19 On the flip side of that, we also have a lot of
20 members in communities that are disproportionately
21 impacted by pollution and carbon emissions.

22 And just a few sentences from the letter that we
23 submitted to the Board yesterday. We're at a momentous
24 time. We have a chance to be a model for the nation if we
25 have bold policy to mitigate climate change and also

1 stimulate the economy.

2 The state's unemployment rate is the third
3 highest in the nation, currently losing 16,000 jobs a
4 month. The support of the labor movement going forward
5 rests in large part to the willingness of the ARB and
6 policymakers to address the economic concerns of working
7 families.

8 Critical policy decisions before the ARB must be
9 made in the best interest of California's working
10 families, economic stimulus, and equity. Thank you.

11 CHAIRPERSON NICHOLS: Thank you, Mr. Cooper.

12 I have five more names on my list. I'm going to
13 call you all to come forward, please. And when we
14 conclude that list, we're going to close the public
15 hearing. And then we're going to take a five-minute
16 break, and then we're going to come back for a
17 deliberation by the Board.

18 I have Lisa Cooper, Clayton Miller, Jesse
19 Marquez, Brent Newell, and James Duran. So if you could
20 all please come forward.

21 If you think you signed up and your name has not
22 appeared on the list, please come as well. Thanks. Okay.

23 Ms. Wilcox.

24 MS. WILCOX: Good morning, Chairwoman.

25 My name is Lisa Wilcox. I'm a student of the

1 State of California community college system.

2 CHAIRPERSON NICHOLS: You need to put the mike
3 closer.

4 MS. WILCOX: I'd like to speak specifically to
5 the implementation of AB 32 as it addresses the
6 educational system.

7 I would suggest an inclusion of a time line for
8 the mandatory adoption of the statewide energy management
9 policy as it pertains to California and the community
10 college system and how that could translate to the entire
11 educational system of California.

12 CHAIRPERSON NICHOLS: Thank you.

13 Mr. Miller: Do we have Clayton Miller here? No.
14 Maybe he was on the other item.

15 Mr. Marquez.

16 MR. MARQUEZ: Good morning. My name is Jesse
17 Marquez, Executive Director of Coalition for Safe
18 Environment. We're an environmental justice organization
19 headquartered in Wilmington, a community in Los Angeles.

20 Where I come from, the port of Los Angeles is
21 located. The port is of Long Beach is our neighbor. Even
22 in your scoping plan refers to four oil refineries in
23 Wilmington. But what it left out was we have two
24 bordering us in Wilmington and in Carson. It also left
25 out seven petroleum industry bulk loading and distribution

1 facilities and numerous other types of facilities that
2 release toxic emissions.

3 From our environmental perspective, what we have
4 done is taken a look at the AB 32 and gone through each
5 section of the law. And as we reviewed each section of
6 the law, try to find where did the Scoping Plan comply
7 with the law. And I'm sorry to say we cannot support the
8 Scoping Plan as it's written, because the Scoping Plan and
9 the law require specific things to be done.

10 Some of the areas that we feel that it has not
11 complied are in reductions. Reductions cannot be achieved
12 in our environmental justice community and other
13 low-income communities if there is a Cap and Trade
14 Program.

15 We've done the research. We've attended previous
16 hearings of ARB and other agencies regarding cap and
17 trade. And what we have learned from all these sessions
18 and the people you've invited in the past, what the
19 lessons learned is they've learned nothing from the
20 lessons. Cap and trade has been a failure worldwide. And
21 that is what stands out. And so we cannot support that in
22 any shape, way, or form.

23 We do support having a cap on emissions. We do
24 believe that there should be an auction. We do believe
25 there should be a limit on permits in order for reductions

1 to be done.

2 We have great concerns because of the Scoping
3 Plan. It doesn't have any specific requirements for
4 monitoring and limiting emissions. Our organization took
5 a look at the South Coast AQMD oil refineries in
6 Wilmington. And after looking at the last six years of
7 the annual emissions report and we found out that certain
8 categories of criteria pollutants have actually increased
9 every year in the last six years.

10 So where has been the monitoring? Where has been
11 the Notices of Violations and Notice of Compliance
12 Violations?

13 CHAIRPERSON NICHOLS: Mr. Marquez, your time is
14 up.

15 MR. MARQUEZ: We have submitted written comment
16 yesterday and we submitted more today with attachments.

17 CHAIRPERSON NICHOLS: We do have your comments.
18 Mr. Newell.

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

21 Brent Newell, the legal director for the Center
22 on Race, Poverty, and the environment. We submitted a
23 comment letter yesterday and also submitted the attached
24 documents.

25 I want to touch on two points, one of which I

1 made during the last hearing, which is the Scoping Plan's
2 failure to regulate agriculture. Agriculture represents a
3 significant fraction of the state's GHG inventory.

4 I want to comment specifically on the CEQA
5 document's failure to analyze this exemption. What
6 consequences does exempting agriculture have on public
7 health and the environment, specifically to San Joaquin
8 Valley communities.

9 Likewise, there's no alternative analysis of
10 including agriculture as part of the plan and what those
11 benefits would be to public health and the environment and
12 what impacts would have from including agriculture.

13 So with that being said, I want to reiterate that
14 the groups that have signed onto our comment letter are
15 strongly opposed to a Cap and Trade Program, because it
16 will fail and it will disproportionately impact low income
17 and communities of color in California.

18 Thank you.

19 CHAIRPERSON NICHOLS: Thank you, Mr. Newell.

20 Mr. Duran.

21 MR. DURAN: Hello. My name is James Duran, Chair
22 of the Legislative Affairs Committee of the California
23 Hispanic Chambers of Commerce.

24 The Hispanic Chambers repeatedly voiced its
25 concerns about the cost of AB 32 Scoping Plan, especially

1 to minority businesses and low income families and
2 communities.

3 The last time I appeared before this Board to
4 talk about those concerns, I was told my information was
5 based on unreliable sources not credible to this body.
6 That was less than a month ago. Since then, the State's
7 nonpartisan Legislative Analyst's Office, as well as peer
8 reviewers, the Pew Center on Global Climate Change,
9 Resources for the Future, the UCLA Institute for the
10 Environment have all raised similar concerns with very
11 compelling arguments.

12 They conclude the Scoping Plan is based on flawed
13 assumptions and severely understates the cost associated
14 with AB 32 implementation. They observe that because the
15 plan fails to quantify the near and mid-term cost of the
16 plan, which are expected to run into the billions, the
17 plan's assertion there will be no net cost is meaningless.

18 In other words, this plan is an economic train
19 wreck waiting to happen. Up until now, that train wreck
20 has existed on paper. If you approve this plan as
21 presented, it will play out in every life and business in
22 California. Most severely in the lives least able to
23 afford it, our minority-owned companies and low income
24 families.

25 The Hispanic Chambers consistently supported the

1 goals of AB 32 but raised logical, reasonable questions
2 about the cost of implementation. With the report of the
3 LAO and peer reviewers, we are more convinced than ever
4 that more work is needed to arrive at a plan that will
5 maximize financial hardship while minimizing the emission
6 reductions goal of the legislation.

7 AB 32 implementation will require what could be
8 the most enormous investment ever imposed by a policy
9 initiative.

10 The Hispanic Chambers of Commerce urge you to
11 postpone approval of this plan and to invest the time and
12 effort necessary to protect that investment for
13 California's economy and environment.

14 Thank you.

15 CHAIRPERSON NICHOLS: Thank you, Mr. Duran.

16 Thank you for sticking to the time limit.

17 Ms. Holmes-Gen.

18 MS. HOLMES-GEN: Thank you, Chairman Nichols and
19 members.

20 Bonnie Homes-Gen with the American Lung
21 Association of California.

22 We greatly appreciate the strengthening
23 improvements you're suggesting in the resolution, and we
24 applaud your work on the Scoping Plan.

25 And I just wanted to make a comment on the public

1 health language that you're proposing for the resolution.
2 We would very much like to see you begin a process that is
3 a very formal high level process for engaging public
4 health agencies and other public health experts. And I
5 know you've indicated here that you're going to establish
6 a working group. And I'm just concerned that could be an
7 internal process that might get buried.

8 So I would encourage you to establish a formal
9 advisory committee or indicate your intent to make this a
10 very formal high level process.

11 And I would encourage you to include
12 representatives of health organizations on this working
13 group, this Advisory Committee. I applaud you for
14 including Department of Public Health, OEHHA, local
15 agencies. But we really do need to have the input of
16 experts also from the broader public health community,
17 including organizations and probably some academic
18 experts.

19 And I also wanted to remind you that some of the
20 agencies and groups that need to be involved in this
21 effort are going to have some challenges in terms of the
22 resources to be involved.

23 So I urge you to recognize your intent to partner
24 with especially agencies that need to be involved public
25 health to make sure that they have the resources they need

1 to effectively engage.

2 And I also wanted to agree with former speaker
3 here Amy Kyle that this public health process should
4 carefully look not just at individual measures, but at the
5 mix of measures to advise where we can maximize public
6 health benefits and what the opportunities are to make the
7 best progress for public health across the realm of
8 measures that are under review.

9 So thank you so much for the opportunity to
10 comment. And we applaud your work. And we plan to work
11 very closely with you in the implementation of the plan.

12 CHAIRPERSON NICHOLS: Thank you very much.

13 I see people who seem to think they are on the
14 list to testify, although I don't have any more names on
15 my list. If you're standing there, come forward right
16 now. Both of you.

17 MR. JOHNSTON: I did fill out a blue card.

18 CHAIRPERSON NICHOLS: Sorry?

19 MR. JOHNSTON: I did fill out a card. It got
20 lost I guess. Sorry. Excuse me.

21 Good morning. My name is Bob Johnston, Professor
22 at U.C. Davis.

23 I wish to argue that a higher target for the
24 local land use planning item is warranted.

25 First, the Scoping Plan relies primarily on

1 pricing measures as its major policies. Therefore, I
2 believe it's fair to expect local governments to do the
3 same and implement pricing measures such as parking
4 charges at the workplace and indirect source review in
5 their programs.

6 My research shows such policies greatly reduce
7 VMT, and I believe they are technically feasible to use
8 the language in your statute.

9 Second, economic effects of sustainable growth
10 are positive. Urban growth boundaries, transit
11 investment, and these pricing measures for parking and
12 sprawl reduce overall transport costs about a dollar per
13 person per day in the several regional modeling studies
14 that I've done in California. So it's cost effective
15 again using the terminology from your statute.

16 Third, transit in California has proven to be
17 politically very popular. On November 4th, four large
18 transit bond issues were passed in northern and southern
19 California. The three local issues passed by two-thirds
20 votes, a strenuous requirement. I believe there is strong
21 support for transit and compact growth all over the state.

22 And last, the higher target somewhere around as I
23 said in November eight to ten million tons would create an
24 appropriate and it's now I see an advisory floor under the
25 SB 375 RTAC process. But I think there's importance in

1 setting that higher target.

2 CHAIRPERSON NICHOLS: Professor Johnston, you've
3 used up your time.

4 MR. JOHNSTON: Thank you for your patients.

5 CHAIRPERSON NICHOLS: Thank you. Okay.

6 MR. MILLER: Good morning, Chairman Nichols and
7 members of the Board.

8 My name is Clayton Miller, and I'm here this
9 morning representing the Building Industry Association of
10 Southern California, which is a member of the Construction
11 Industry Air Quality Coalition, CIAQC.

12 My comment is short and specific. But what I
13 wanted to say is that we wanted to express our strong
14 concern about the proposed recommendation within the
15 Scoping Plan to target a reduction of five million metric
16 tons annually of greenhouse gas reductions from regional
17 transportation related targets.

18 And specifically, it's our understanding that the
19 Board has been asked by some to increase that target
20 number up and potentially pretty significantly now we
21 strongly urge and respectfully urge the Board not to
22 increase the transportation related targets any further.

23 We question whether there is sufficient
24 scientific information to support quantifying greenhouse
25 gas reductions from passenger vehicles and at the proposed

1 five million metric ton level. And we do not know of any
2 credible scientific evidence that would indicate that
3 larger reductions are reasonably achievable without
4 causing dislocations and extreme economic hardship.

5 So appreciate the opportunity and thank you for
6 your consideration.

7 CHAIRPERSON NICHOLS: Thank you, Mr. Miller. I'm
8 sorry we overlooked you. Your name fell off of a list I
9 think. Thanks for coming.

10 Finally, before we take a brief break, I want to
11 recognize my colleague and partner who has been doing
12 great work on our behalf with the Western Climate
13 Initiative and elsewhere, Eileen Tutt from Cal/EPA.
14 Usually we have public agency officials at the beginning,
15 but this time we're wrapping up instead.

16 MS. TUTT: Thank you, Madam Chair and members of
17 the Board.

18 My name is Eileen Tutt with Cal/EPA. I'm here
19 today on behalf of Secretary Adams in strong support of
20 the draft Scoping Plan. Among many other things that this
21 plan does, it does set us on a path to energy
22 independence. It reduces our reliance on oil, provides
23 clean renewable energy, gives California and many other
24 states the clean cars they want and are demanding, reduces
25 waste, and increases recycling.

1 As you may know, Secretary Adams Chairs the
2 Climate Action Team. And I just want to acknowledge the
3 Air Resources Board staff in particular because they
4 worked so collaboratively with the other members of the
5 Climate Action Team. And that's clearly reflected in this
6 plan, which is both broad and comprehensive across all
7 state government and local government.

8 Still, it is a plan, and it's a living document.
9 And I'm here today to say that we at Cal/EPA and the
10 Climate Action Team stand ready to work with the Air
11 Resources Board as we implement the measures in this plan
12 that we all know are needed to protect California and in
13 fact the world.

14 I just want to say the world is watching what
15 you're doing here today. Secretary Adams is in Poland at
16 the United Nations Climate Conference, and all their
17 representatives there are from other nations, from states
18 and provinces around the world. And the international
19 community is literally thirsting for the results of your
20 decision on the Scoping Plan today. They recognize that
21 California is a leader on the environment in the world.

22 With that, I just want to thank you. And I
23 really especially want to thank the staff for your time
24 and attention.

25 CHAIRPERSON NICHOLS: Thank you very much. We

1 will recess and come back at exactly quarter to 12:00.
2 And then we'll turn to Board discussion on the resolution
3 and the plan. Thank you.

4 (Thereupon a recess was taken.)

5 CHAIRPERSON NICHOLS: The first thing I need to
6 do is indicate the public hearing is closed. I was going
7 to do it, but I didn't. Now I have. But now I want to
8 move to discussion at this point.

9 As I indicated at the beginning there have about
10 been a number of big areas that have been identified. And
11 I think the testimony that we heard pretty much indicated
12 who they are. Themes we've been hearing over and over
13 again throughout this process, but they've kind of
14 distilled themselves down to a major issues. And after we
15 ask staff any questions about the items, then I think
16 we'll call for a vote on the plan as a whole.

17 So the first item that I wanted to raise with
18 staff -- these are not in any particular order, certainly
19 not in order of importance -- is the role of the local air
20 district. We've certainly heard from the districts that
21 they wanted to be our partners. We understand they've got
22 a lot of expertise and the ability to play a role in the
23 implementation of AB 32. And frankly we need their
24 resources, because they have a lot of trained and good
25 people out there in the communities where many of the

1 sectors that we're dealing with are.

2 And I think the Board indicated at the last
3 meeting a lot of sympathy for that viewpoint. Obviously,
4 several of our Board members are here because they serve
5 on the local boards. But I think all of us understand
6 there are measures that we're going to be developing where
7 the districts not only can help with enforcement and data
8 collection and so forth, but where they can actually help
9 develop the rules.

10 On the other hand, there are other things. And I
11 would argue that the development of any type of a cap and
12 trading system is one where to do it at anything less than
13 the statewide level would be a mistake. It would lead to
14 chaos.

15 So I'd like to ask our Executive Officer to
16 respond to how the staff has dealt with that.

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

19 As you heard in the testimony this morning, the
20 draft resolution before you acknowledges the role of
21 districts and makes a commitment to the districts to
22 develop a work plan to identify the specific regulations
23 and the specific roles the air districts will have in
24 helping implement AB 32.

25 We acknowledge the importance to make sure that

1 any work that's done by the districts for the
2 implementation is paid for through revenues yet to be
3 identified. But we make that commitment to make sure that
4 the costs for implementation are covered.

5 We offered in discussions with them to provide a
6 free verifier training to the district staff so they can
7 act as verifiers. And we've committed to work with them
8 to develop a software tool to allow the export of
9 greenhouse gas emissions data to the districts. This data
10 would be reported to us under our mandatory reporting
11 rules.

12 And as Chairman Nichols just mentioned, we
13 emphasize in the draft resolution the statewide
14 consistency in several areas is very important to avoid
15 any confusion and for program efficiency.

16 CHAIRPERSON NICHOLS: And with respect to the
17 issue of revenues, because I know there is at least one
18 district that already has a fee that's addressing
19 emissions. How are you planning to work on that?

20 EXECUTIVE OFFICER GOLDSTENE: That's the Bay Air
21 District. They recently imposed a carbon fee. And when
22 they did that, they did make commitments to us that as we
23 move forward on the development of any fees that we have
24 under AB 32, they would take a look to see if they needed
25 that fee anymore and would consider repealing it again to

1 avoid duplication and confusion.

2 CHAIRPERSON NICHOLS: Any additional comments
3 from Board members on that or the district role issue?

4 Mr. Loveridge.

5 BOARD MEMBER LOVERIDGE: It's been a good
6 discussion. And I think local districts have an important
7 role in this implementation process.

8 CHAIRPERSON NICHOLS: Okay. Ms. Berg.

9 BOARD MEMBER BERG: Thank you.

10 I think I was also very vocal about the roles of
11 the districts, and I appreciate this language.

12 I would also like to encourage, however, from a
13 business perspective that the districts would -- ARB and
14 the districts would be very mindful of duplication,
15 whether it's duplicate fees, duplicate CEQA levels,
16 standards, so that one of the business concerns is trying
17 to work amongst all these different districts and with the
18 State. So I would like us to be very mindful of that as
19 we move forward.

20 Thank you.

21 CHAIRPERSON NICHOLS: All right. Thank you.

22 Perhaps one of the biggest issues that we've
23 heard addressed is the issue of public health coming from
24 the public health organizations like the Lung Association,
25 but also I think it's reflected in the comments that we've

1 heard from environmental justice groups and the Advisory
2 Committee and also from the business community. There is
3 this concern that although public health is explicitly
4 mentioned in AB 32, there's some concern about whether
5 it's a primary objective, whether it's a part of our
6 normal or our traditional air pollution control programs
7 and just generally how it fits. How our greenhouse gas
8 work fits within the context of our ongoing work on public
9 health. And I think there has been a lot of testimony in
10 favor of the idea that there should be a more formal role
11 for the public health community. I know there was a
12 proposal in the draft for a task force. But we have to
13 flush that out of course.

14 There's also been focus on the need to develop
15 better tools, methodologies, for identifying communities
16 that are adversely affected or disproportionately
17 affected, because we are all adversely affected by air
18 pollution. But there are some areas that are exposed to
19 higher concentrations than others and are oftentimes less
20 able to access resources to deal with those and a desire
21 to see us improve our ability to identify those
22 communities. And then help devise strategies to make sure
23 that AB 32 not only doesn't have a negative impact, but if
24 at all possible actually is working to benefit.

25 And we have identified I think already in the

1 plan some ways in which we think implementing AB 32 is
2 going to have a beneficial effect on public health. But
3 there are many more questions that continue to come up in
4 this area.

5 So Mr. Goldstene, do you want to take that one
6 on?

7 EXECUTIVE OFFICER GOLDSTENE: Sure. I'll ask
8 Lynn Terry, Deputy Executive to respond to the public
9 health area in more detail.

10 DEPUTY EXECUTIVE OFFICER TERRY: Yes. There was
11 good discussion of the key elements of the proposed
12 resolution language. Bonnie Homes mentioned the working
13 group. And we certainly would see that as a high level
14 group with a lot of expertise with various agencies and
15 organizations.

16 Secondly, beyond the working group, we want to
17 establish a strong working relationship with the public
18 health organizations on an ongoing basis, keep them
19 updated on what we're doing. There's issues of resources
20 for other agencies working on the adaptation issues. We
21 think there's a lot of that local government public health
22 agencies can do on the ground. And we see ourselves at
23 the beginning of that relationship.

24 As well, the technical aspects of looking at our
25 regulation going forward, we've made two specific

1 commitments. One is to look at the -- to develop
2 methodologies to look at cumulative impacts of regulations
3 that will be developed to implement the Scoping Plan.

4 And then secondarily, AB 32 does require us to
5 look at the issue of cumulative impacts before adopting
6 market measures. And as we talked about in staff
7 presentation last meeting, is that we do intend to use
8 available methods that are out there to identify
9 communities most adversely impacted. And those are sort
10 of the key elements of our work plan going forward.

11 But I would just have to add that from the
12 standpoint of working on our SIPS and meeting our air
13 quality standards, that we certainly in the planning
14 office see huge a opportunity to look at the benefits of
15 this plan with respect to our long-term public health
16 goals, new tighter ambient area quality standards that we
17 will be challenged to meet in the 2020 and beyond time
18 frame, the 2030 time frame for the new ozone standard.

19 So we really see this as an opportunity to
20 integrate these programs and emphasize the public health
21 benefits.

22 CHAIRPERSON NICHOLS: Other questions or comments
23 from Board members? I'm looking down.

24 Dr. Balmes.

25 BOARD MEMBER BALMES: Thank you.

1 So I have a specific question first.

2 So a working group. Could you educate me on what
3 the exact bureaucratic meaning of that? Because Bonnie
4 Holmes-Gen from the Lung Association was clearly making a
5 plea for voluntary health organizations like hers and
6 others to be included in the public health dialogue about
7 implementation of AB 32. And the working group language
8 in the proposed resolution sounds like it's just confined
9 to State departments and local public health agencies.

10 DEPUTY EXECUTIVE OFFICER TERRY: Well, actually I
11 didn't notice that. And from my standpoint, I think we
12 would have intended to include public health organizations
13 within that structure that it's an obvious communication
14 mechanism. We used a working group as just a convenient
15 terminology.

16 BOARD MEMBER BALMES: And then another specific
17 point. It doesn't need to be in the language. But in the
18 California Department of Public Health, there is an
19 ongoing effort to track the health effects of climate
20 change, specific unit of the Department of Public Health.
21 I can give you details.

22 But that's a unit that's been working without
23 resources -- internal State resources. They're externally
24 funded by the CDC to do this work. And that's a specific
25 area that I think would help us down the road if we had

1 ongoing data being collected about the health effects of
2 climate change in a systematic fashion.

3 DEPUTY EXECUTIVE OFFICER TERRY: Just a comment.
4 I think you've identified a great agenda item for the
5 first meeting of the working group.

6 BOARD MEMBER BALMES: But I would like to applaud
7 the staff for heeding comments from me and others about
8 increasing the role of public health in the dialogue about
9 implementation of AB 32.

10 CHAIRPERSON NICHOLS: Are there other comments?

11 BOARD MEMBER BALMES: Yes. I also would like to
12 applaud the staff about the cumulative impacts language
13 that's been added.

14 CHAIRPERSON NICHOLS: Great. Okay. Moving right
15 along here, the next item that was on the list that I had
16 was the land use issue. And we heard a lot of testimony
17 for a higher number. We heard some testimony for a lower
18 number. We heard testimony that we probably got it about
19 right, or even if we hadn't, that we should just leave it
20 where it is. And in addition to that, quite a bit of
21 discussion really about how to go about setting the land
22 use target, taking advantage of SB 357.

23 So why don't we hear from the staff about how you
24 intend to move forward, assuming that we adopt the plan
25 and resolution as they are, what you're trying to do here

1 with this resolution and how you feel that responds to the
2 comments that we've received.

3 DEPUTY EXECUTIVE OFFICER TERRY: Yes. I they'll
4 briefly highlight the approach we took in the resolution.

5 The Chairman clearly outlined the major issue,
6 which is should the number be increased now or should the
7 SB 375 process proceed before changes to that target are
8 made?

9 And then a third tier that we heard last time as
10 well was not to put as much focus on the number, per se,
11 but perhaps to look more broadly at the goals of setting a
12 target with respect to the actual land use patterns that
13 would be improving, the enhanced mobility options, the
14 congestion pricing, market mechanisms. And so on the
15 ground, it was difficult for staff to really make a
16 recommendation that was more explicit. The complexities
17 of the accounting and the interrelationship between all of
18 those strategies within regions and the overlay of the low
19 carbon fuel standard benefits and vehicle technologies.

20 So as staff, our proposal is to use the RTAC
21 process to really come to grips with many of those
22 technical issues. We will have participation of different
23 regions. We will have participation of various experts.
24 And so as staff, we think that will be very valuable
25 exercise to have recommendations from the RTAC within

1 nine months. That would September of 2009.

2 And then that will give us until June of 2010 as
3 staff to come back with proposed recommendations for each
4 of the regions with respect to regional targets. And then
5 the Board of course will make the ultimate decision.

6 So that was how we designed the resolution with
7 that process in mind. But we also thought it was
8 important to propose some very specific policy statements
9 for the Board to consider. Number one, to be clear that
10 five is not -- is not the Board's intent to suggest that
11 the five is the maximum achievable target, but that the
12 process play itself out and reserve judgment on that
13 point.

14 CHAIRPERSON NICHOLS: I've just been sent a note
15 that people are having trouble hearing and you and I guess
16 all of us. We probably all need to talk right into our
17 microphones. But if there is a way to turn up the sound
18 system a little bit, that would be appreciated by some in
19 the audience.

20 DEPUTY EXECUTIVE OFFICER TERRY: Actually, I
21 think I've hit the high points, and I'll leave it to Board
22 questions at this point.

23 EXECUTIVE OFFICER GOLDSTENE: I'd like to add
24 just one more point, which is that in January we're going
25 to bring a slate of names before you for approval, which

1 will be the RTAC Committee membership which will be
2 composed of NPOs, air districts. The counties and cities
3 have representatives. This is all spelled out in SB 375.
4 So that will begin the process in January to develop the
5 methodology to assess the regional targets.

6 CHAIRPERSON NICHOLS: I think we're all impatient
7 to get going and also just concerned by the comments that
8 people feel that we may not have been sufficiently brave
9 or sufficiently ambitious.

10 At the same time, we've heard loud and clear that
11 375 was a major step forward for a lot of folks in this
12 state and a lot of stakeholders. And they just can't see
13 that anything could be done beyond the process that's laid
14 out in 375 without jeopardizing all the good will that was
15 created during that process.

16 And I think we're walking a line here, but I
17 think I'm not going to try to speak for everybody on the
18 Board, because I think others want to speak on this issue.

19 But my sense is that we have to find a way as the
20 ARB, while recognizing that we are not the land use and
21 transportation planning agency of the State, to be clear
22 and to be forthright about what we think is needed, not
23 necessarily what we know about what can be done. Because
24 again this is not our primary area of expertise. But I
25 think we do know a lot about what has to happen if we're

1 going to not just make it to 2020, but make it to our 2050
2 goal and get on target in the right time frame.

3 So with that, I would be happy to recognize
4 fellow Board members. I'll start with Professor Sperling.

5 BOARD MEMBER SPERLING: Thank you very much.

6 First, I'd like to start out providing a little
7 more context to this. And that is that, you know, it is
8 kind of unusual to have so much attention placed on one
9 measure that, you know, if you look at the amount involved
10 and how much reduction we're talking about is really
11 almost a trivial amount of the total. So many people
12 would question why so much attention.

13 And I want to say there is good reason for this
14 attention to land use and vehicle travel. And that is
15 because there's so much frustration that's been growing
16 over the years about sprawl and about the desire to create
17 better communities. There is actually a David Brook, not
18 known as one of the more liberal commentators wrote a
19 column about a week ago or few days ago, talking about how
20 there had been overshoot after World War II with people
21 moving out of the cities.

22 So I think there is this general sense that we
23 can make our cities and communities much better in an
24 environmental sense and in an economic sense, in a social
25 sense.

1 And as Chairman Nichols said earlier, there's
2 been many failed efforts at managing our cities and our
3 transportation systems, smart growth and transportation
4 demand management, transportation control measures, you
5 know, the litany goes on.

6 And so many people are looking to what we're
7 doing here, because now we've got a legal mechanism and an
8 institutional structure to actually make progress on
9 improving our cities, making them better communities,
10 making them more sustainable, making them more livable.

11 So what we're doing here, we are not going to
12 accomplish much by 2015 or even 2020 in terms what of we
13 do here. But we're setting in place a process and a
14 direction. Because everything we're talking about here is
15 not really necessarily 2020 we're talking about. We're
16 talking about much bigger changes thereafter. What Kathy
17 Reheis-Boyd from Western States Petroleum said, we're
18 moving toward a low carbon economy and society. That's
19 what we're doing here.

20 So I want to emphasize how important this really
21 is and the fact that everyone from across the country and
22 even in Europe and elsewhere is looking towards us to kind
23 of blaze this path, start this process, and figure out how
24 to make progress. So what we're doing here is breathing
25 life in a movement and a movement that's been expanding

1 and is widely held.

2 And so I support the resolution. I think, you
3 know, I'd like to read some of the words from it, because
4 what I've learned here is that it's good for everyone to
5 be clear on what we're actually saying. Learned it in one
6 case the hard way as some people know.

7 And that is it says that this, "Regional Targets
8 Advisory Committee should recommend a method to evaluate
9 the full potential for reducing greenhouse gases in each
10 major region of the state and statewide using improved
11 land use patterns, indirect source reviews, enhanced bike,
12 walking, and transit infrastructure, and pricing policies
13 where applicable."

14 And so what we're talking about here is working
15 with the regions and figuring out what really is possible,
16 what would be effective. And the resolution goes on and
17 says it's the Board's intent that the greenhouse gas
18 emissions reductions associated with SB 375 regional
19 targets represent the most ambitious achievable targets.
20 The estimated reduction in the Scoping Plan will be
21 adjusted to reflect the outcome of the Board's decision on
22 SB 375 targets.

23 So what we're talking about is this idea of a
24 living process, a living document, working with the
25 regions to see what makes sense, but being aspirational

1 about it, not being someone I think who -- as Mr. McKeever
2 said, don't make the targets so low it makes the whole
3 CEQA process and the other parts of SB 375 meaningless or
4 even negative.

5 So I'm endorsing. I think this is great what the
6 staff and others have worked out here in terms of this
7 resolution. And I fully support it.

8 CHAIRPERSON NICHOLS: Thank you.

9 Ms. D'Adamo.

10 BOARD MEMBER D'ADAMO: Well, thank you, Professor
11 Sperling for reading the resolution, because I had those
12 sections underlined and I was planning on reading them
13 into the record as well.

14 I would just like to start by saying that I have
15 made many comments about the need for us to find some
16 mechanism or some hook on the land use issue, because I
17 have been frustrated and I know many have that something
18 needs to be done, although recognizing as the Chairman has
19 so eloquently stated that we are not the land use planning
20 agency.

21 So my main concern into going into this process
22 is to make sure that we get it right. I am one that has
23 spoken out at many previous hearings that I think the
24 number needs to be increased. I still believe that the
25 number needs to be increased. But I had hoped that in the

1 interim since our last hearing that staff would be able to
2 provide us with some information so as to put us in a
3 better position to be able to make the decision about
4 exactly what that number should be.

5 Unfortunately, staff was not able to do that.
6 And I do want to compliment staff for being honest. This
7 is too important for us to just throw a number out. And
8 so staff I believe worked very hard in the last weeks and
9 was not able to come up with a methodology that we could
10 rely on at the Board level. So I do appreciate the
11 difficulty here.

12 But having said that, what I'm very optimistic
13 about in this resolution is that there is a process to go
14 forward and to identify the methodology. And I fully
15 expect and will be continuing to put pressure on that
16 process as we go forward that we obtain the information,
17 the methodology, and that we will eventually have the
18 information that we need to push for a higher target.
19 September 2009 is right around the corner. So this is the
20 beginning. It's not the end. And I look forward to
21 working with those that know more about this issue than I
22 do.

23 CHAIRPERSON NICHOLS: Thank you.

24 Supervisor Roberts.

25 BOARD MEMBER ROBERTS: Thank you, Madam

1 Chairwoman.

2 I think this issue has been a great concern to a
3 lot of people. And I've been hearing from a lot of them.
4 I heard from people who had read so much into this that
5 was really disinformation as opposed to solid information.
6 But the thing that's impressed me from the very start is
7 the willingness throughout virtually all of the areas that
8 have come in contact with people in local government, the
9 willingness to want to do something and want to
10 contribute.

11 We have done quite a bit of analytical work in
12 San Diego. And I would tell you to try to set some
13 reasonable percentage of what this over all goal is based
14 on the five million metric tons, I can tell you
15 unequivocally that that is going to be a very difficult
16 target to reach.

17 To flippantly say it has to be more, I'm all for
18 process of analysis and based on some real science as to
19 what is attainable and what that number should be. But I
20 wouldn't support for one minute raising that number in the
21 absence of somebody showing us.

22 I've worked with our planning agency and our NPO
23 and our Air Board. And we are projecting some very
24 drastic measures that are going to be needed to be able to
25 reach these goals. And 2020 I think is going to be

1 doable. As you start to go beyond 2020, it's going to
2 become extremely difficult in some respects.

3 That's not to say that we shouldn't do it. I'm
4 very comfortable with establishing that as a goal with a
5 very science-based process of considering what any changes
6 should be and what the implications are of those changes.
7 Not just the aspirations. We've always looked at sort of
8 what's the realm of the possible here, too. We want to
9 have something that's attainable.

10 And you have the benefit of local communities
11 right across the board that want to work with you,
12 counties and cities. I haven't heard anybody that is --
13 there's probably somebody out there. But there is a
14 willingness to cooperate. And to me, that bodes well for
15 the success of this. But I wouldn't just wouldn't dismiss
16 it lightly and arbitrarily come up with numbers.

17 So I'm looking forward to the process. And the
18 process may be that that number may already be too high,
19 because we don't know that. And based on our own analysis
20 and tell you it's going to be difficult getting there.

21 CHAIRPERSON NICHOLS: Mayor Loveridge.

22 BOARD MEMBER LOVERIDGE: Let me make my final
23 comment and include focus on land use. Just some
24 observations, kudos, a comment, and then a conclusion.

25 My own judgment, this is the most complex and

1 comprehensive and important policy initiative in the state
2 of California. I think I would argue that at any forum.
3 What we're doing here today is not just another vote. It
4 is considered a defining vote.

5 Struck by the 42,000 comments. The best of staff
6 work. I think the staff was tested by an incredible look
7 at the pile, incredible number of stakeholders. This is
8 not something that was done in the dark of night. This
9 had an intense public scrutiny. And would acknowledge as
10 we have the good role of staff, the importance of
11 stakeholders. But I did want to also acknowledge our
12 Chair, who I think has been essential to bring the kind of
13 conclusion that we'll be shortly voting on.

14 Second, just a comment on land use. And I like
15 to shift the focus as many of the speakers did from local
16 government. There's a lot of legislation passed in
17 Sacramento and we get kind of immune to the numbers.

18 SB 375 is not just another piece of legislation.
19 It was seen as one of the most dramatic, important,
20 extraordinary pieces of legislation that's been passed by
21 State Legislators. Comparatively as well as in
22 California.

23 Its author is the head of the pro tem of the
24 Senate. He's going to be there, as I understand, at least
25 his colleagues let him another six years. He is going to

1 be closely following this SB 375 and what happens to it.
2 And so I think the institutional placement of this is
3 important. It's not simply with ARB. It is with the
4 Legislature and with the regions and cities and counties
5 across the state.

6 I think the words we've been using -- if you look
7 at the Scoping Plan, it says local government is an
8 essential partner. And I think that's what we're doing
9 with 375, is seeing local government as an essential
10 partner. And you heard that in the words of Ken Cooley
11 who was representing the League of California Cities and
12 Diane Dillon representing the CSAC and Linda Parks who's
13 representing the largest metropolitan region in
14 California.

15 I guess we all know that in a policy process
16 there's formulation, adoption, and then implementation.
17 So this is not the end, but really the start as we take
18 this framework that we're adopting and look to make it
19 happen.

20 It's not perfect, but one doesn't want perfect to
21 stand in the way of good. I think by almost everybody's
22 judgment, this is an extraordinarily good document.

23 And finally at least as a Professor let me close
24 by reading what the final paragraph in Thomas Friedman's
25 book. Friedman's a columnist for the New York Time, three

1 times Pulitzer prize winner, author "The World is Flat"
2 and others. He has access to the best and brightest in
3 the world. This is his conclusion to his book called,
4 "Hot, Flat, and Crowded: Why We Need a Green Revolution
5 and How It Can Renew America."

6 "We need to redefine green and rediscover
7 America. And in doing so, rediscover ourselves and what
8 it means to be Americans. We are all pilgrims again. We
9 are all sailing on the Mayflower new. We have not been to
10 the shore before. We fail to recognize that we will
11 become one more endangered species. As we rise to this
12 challenge and become regeneration, redefining green,
13 rediscovering, reviving and regenerating America, we, the
14 world, will not only survive, but thrive in an age that is
15 hot, flat, and crowded."

16 And seems to me what we're doing today is an
17 important start to that direction.

18 CHAIRPERSON NICHOLS: Thank you for that.

19 Dr. Balmes.

20 BOARD MEMBER BALMES: For of all, I'd like to
21 echo first the comments of Dr. Sperling and sort of
22 framing the issue in reading the specific language.
23 Because I think the specific language commits the Board to
24 an ongoing review of the targets. And I think that's
25 critical. We have to adjust them up or down. I hope up.

1 Depending on the data that we generate.

2 And I think it was Dr. Telles who said he was an
3 evidence-based kind of guy at the last meeting. And I'm
4 as well.

5 So I welcome any mechanism or process that we put
6 in place that will generate data that help us make
7 informed decisions.

8 And I'd like to also echo the concerns that have
9 been expressed by Supervisor Roberts and Mayor Loveridge
10 about making sure that this is a collaborative process
11 with local government, because it's not going to work
12 unless we approach it that way.

13 And so I'd like to say I'm in support of the
14 proposed resolution.

15 CHAIRPERSON NICHOLS: Did you want to add another
16 comment?

17 BOARD MEMBER ROBERTS: Yeah. Just as a footnote,
18 I mentioned something at the last meeting, and I think
19 it's important to bring it up again. And it's kind of the
20 800 pound gorilla that hasn't come up today.

21 One of the things that was so clear on our
22 analysis is the role that public transit is going to have
23 to play. I said we live in a little bit of a
24 schizophrenic state right now and we are cutting public
25 transit. And I don't know a public transit agency in this

1 state is not reeling. At the same time, as we're setting
2 up mechanisms to put a greater obligation, the land use,
3 the smart growth, no matter what you look at, you're going
4 to find at the center of that is going to be a mandate for
5 a public transit systems that are far better than anything
6 that we have today. And somehow in terms of other
7 policies in the state that's not been acknowledged.

8 You can't say that local government including the
9 transit agencies are going to be partners and then heap an
10 unsustainable requirement on them. And somehow I think
11 there needs to be a wake-up call. I'm not going to point
12 any fingers at any particular people.

13 But it just seems to me that there are things
14 that we at the local level experience and know and things
15 that we have seen have been ignored. And things that if
16 they are continuing, there is not a region in this state
17 that will be able to make anything like the numbers that
18 you're discussing today unless there is a fundamental
19 change and there is a far different perspective regarding
20 issues of public transit. So I don't know who I'm
21 addressing that to.

22 CHAIRPERSON NICHOLS: Well, I'm taking it as a
23 segue -- invitation to segue into the last item on the
24 agenda. It's really two related items in my view. One is
25 the cap and trade itself and then the other is the

1 economic analysis that looked at the effects of the plan
2 as a whole and where we go from here with further economic
3 reviews of the plans.

4 So maybe starting a little bit more narrowly
5 although it's of critical importance, the Board previously
6 when we looked at the draft and moved to the proposal I
7 think felt comfortable that if you're looking at a policy
8 tool that really we want to have a plan that mixed
9 together direct regulations on sectors, along with an
10 emissions fee approach that we would use to fund the
11 operations of our program and others and that we also
12 wanted to see a cap on emissions and enforce of a cap with
13 allowances that would be distributed to those who are the
14 emitters, the large of the emitters under the cap. And
15 they would then be allowed to as the cap declines, either
16 become buyers or sellers as need be depending on what they
17 need to cover their operations. But there would be an
18 enforceable cap.

19 One of the reasons why a program like that is
20 attractive to many people is that if you auction the
21 allowances, you not only get the security that there are
22 not too many allowances out there. You know exactly how
23 many there are. But also you can raise a very substantial
24 amount of revenue that can be used to address the problems
25 we're trying to deal with here.

1 Many people -- I think most people who look at
2 what you could use revenue for immediately gravitate in
3 the direction of mass transit because of the need that
4 you've identified, Supervisor Roberts, for an alternative
5 to business as usual in the land use area and the way we
6 use our vehicles, the ability to do it in a way that could
7 be more sustainable. So this raises the question of where
8 we are with that issue.

9 And I think many people have expressed the desire
10 to see the Board speak more strongly about grandfathering
11 of allowance to existing emitters versus an auction
12 system. And the staff has addressed that issue in a
13 pretty strong way I think. And they've also I think been
14 more clear about what they are planning to do next with
15 respect to the cap and trade system. But I think it might
16 be a good idea to just let them respond a little bit
17 further to how that's dealt with also in the resolution.

18 EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
19 Nichols. I'll ask Kevin Kennedy and Chuck Shulock to talk
20 about where we are in cap and trade regulations that we're
21 going to have work on and develop and bring back to the
22 Board.

23 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: As
24 noted in the draft resolution, the ARB is committed to a
25 Cap and Trade Program as an important component of the

1 overall comprehensive program to achieve greenhouse gas
2 reductions.

3 As we developed the plan, we recognized the
4 importance of cap and trade for a number of reasons. It
5 provides a hard emissions cap. It provides for
6 flexibility compliance. It can help stimulate innovations
7 and also sets us on a course to further emission
8 reductions well beyond 2020 as we allow the cap to
9 continue to decline.

10 We have also included in the plan many
11 complimentary measures in sectors that are covered by the
12 Cap and Trade Program and have discussed in the plan the
13 reasons that we believe those measures are needed to
14 compliment the market program.

15 Because the Cap and Trade Program plays a central
16 role, any time that we bring a regulation to the Board
17 that covers sources that are included in the Cap and Trade
18 Program, it's staff's intent to include a proposed finding
19 that identifies reasons that this sort of emission
20 reduction is best achieved through the proposed regulatory
21 approach so that the Board is continually updated on how
22 the two systems are complimenting each other.

23 We have also acknowledged that there is much hard
24 work still in front of us in terms of the detailed program
25 design in the regulatory development process. There are

1 many difficult issues that we have to address in the
2 design process, many of which you heard about from some of
3 the speakers today. But these are issues that we are
4 confident we will be able to resolve through the course of
5 the regulatory process.

6 Over the last year and also at last month's Board
7 meeting, we have heard many perspectives on the degree to
8 which we should auction allowance, the role of offsets,
9 and many other design elements. These and other key
10 design issues are closely interrelated. During the
11 rulemaking process, we will need to balance the allowance
12 distribution method, that is how much we auction and how
13 much we give away, what sort of limits we place on the use
14 of offsets, how stringent the cap should be, and how
15 quickly it should decline over time.

16 All of this will need to be considered in the
17 context of the overall cost and benefits of the program
18 for California.

19 One of the commenters this morning, Ken Johnson,
20 asked a number of questions about the use of a price floor
21 which would set a minimum price as part of auctioning
22 allowances. This is exactly the sort of program design
23 element that we need to consider fully as we go through
24 the regulatory process.

25 As we move forward, staff will not decide these

1 issues in isolation. In addition to conducting an open
2 transparent process for the program and regulatory
3 development, staff will be returning to the Board at least
4 twice a year to update the Board on our progress and
5 considering these issues and our progress in developing
6 the regulations themselves.

7 By the end of 2010, we will bring the cap and
8 trade regulation back to the Board for your final position
9 on all of these key issues.

10 In addition to our normal stakeholder processes,
11 staff also intends to seek out expert advise from the
12 outside on a number of key issues. Foremost among these
13 issues will be how to distribute allowances and what to do
14 with any revenue that is generated from the Cap and Trade
15 Program through auctioning. We will also be seeking
16 expert input on the more detailed economic analysis that
17 will be needed for the rulemaking.

18 One particular element of the cap and trade
19 regulation will be the detailed rules that ensure a high
20 quality for the offset credits that might be accepted in
21 the program. These standards are important so that we can
22 be sure that the credits are for reductions that are real,
23 permanent, quantifiable, verifiable, and in addition to
24 reductions that would otherwise be required.

25 One important element of the rule will have to be

1 that the reduction credits are enforceable by the Board.
2 All of these are requirements of AB 32 itself. We
3 recognize that there remain differences of opinion on the
4 role of offsets in the program and want to remind the
5 Board that you will have the final say on what the rules
6 will look like as we establish their use in the program.

7 In particular with respect to auction, the
8 proposed plan described ARB's belief that 100 percent
9 auction is a worthwhile goal. Based on our discussions
10 with Chairman Nichols and others since the November
11 meeting, we have included in the revised plan language
12 that was distributed today a revised statement of our
13 interest, not just in that as a worthwhile goal, but also
14 in pursuing that goal as we move forward in the program.

15 So that's where we stand. I think the important
16 thing for the Board to remember at this stage is that as
17 we are moving forward, the key decision points will all be
18 brought back to the Board. They will ultimately be your
19 decisions on what the resolution of these issues are and
20 we will have extensive work with stakeholders over the
21 next two years as we help develop those answers.

22 CHAIRPERSON NICHOLS: There is a lot of work to
23 be done, although I would point out we're still further
24 ahead in term of designing a comprehensive cap and trade
25 economy-wide system than anybody else that I'm aware of,

1 certainly at the state level or within our sister regions
2 around the world really.

3 I mean, the Kyoto itself didn't cover as many
4 sources as we do and did have some serious problems that
5 we heard about earlier on when we were considering the
6 draft with respect to the inability to even tell how many
7 tons were out there so they didn't know how to allocate
8 their allowances.

9 And I think to echo what Mayor Loveridge said
10 earlier, it is important to remember that while we have
11 plenty left to do before we actually start the program, at
12 the same time we are being looked to literally by people
13 around the world as the leaders in terms of dealing with
14 these issues. And I think it's reflected in the level of
15 concern that we hear on all sides about whether we get it
16 right.

17 Are there additional comments?

18 Yes, down here. You do? Okay.

19 BOARD MEMBER TELLES: At the last meeting, as you
20 know, I was the only doubting person in regards to cap and
21 trade on the Board. And I still have some of my doubts
22 still present, despite the fact I spent the last month
23 honing up on cap and trade. And my concerns are some of
24 the same concerns that were voiced here today and that in
25 fact the market may not be the most protective mechanism

1 for some of the communities that might be affected.

2 In your comments just right now, you didn't
3 mention anything about designing a Cap and Trade Program
4 that puts into it a very strong design feature that
5 actually protect the environmental justice communities,
6 the health of some of our communities that are heavily
7 impacted in air pollution.

8 And I think that's very important as we move
9 ahead with this that those things be put in there. And
10 that's almost on the top of the list of the design of the
11 Cap and Trade Program, not on the bottom of the list.

12 CHAIRPERSON NICHOLS: Would you like to respond?

13 PROGRAM EVALUATION BRANCH CHIEF KENNEDY: That
14 actually is an issue that is very much going to be a part
15 of our rulemaking and is on the list. And it is on
16 oversight on my part not to have specifically mentioned it
17 in my comments.

18 But it is a requirement of AB 32 we're taking
19 very seriously that in developing regulations to implement
20 market mechanisms that we take a careful look at the sort
21 of localized and cumulative impacts that the mechanism
22 might have. And we will be looking very carefully at both
23 the design mechanisms within the program itself and
24 potential uses of revenue that could help get co-benefits
25 from the overall program. So it is something that is very

1 much part of our plan for moving forward.

2 CHAIRPERSON NICHOLS: I've struggled myself with
3 the cap and trade issue, both for the reasons that Dr.
4 Telles mentioned but also because as a perhaps somewhat
5 overly cynical regulator, I find whenever somebody
6 advocates a policy mechanism as being simple and easy, you
7 should always hold on to your wallet.

8 And in the case of cap and trade, I think it was
9 originally sold as a fast quick way to get a cap in place
10 and start the reductions moving. And of course we see
11 that it's not. First of all to do it in a way that
12 actually assures the reductions you have to have in place,
13 very detailed and extensive monitoring and enforcement
14 mechanisms or you can't have a market that anyone would
15 have any confidence in.

16 And secondly, to actually design it in a way that
17 those who are subject to it are willing to participate in
18 also requires an awful lot of information at a level that
19 frankly you don't have to have when you do source by
20 source regulation.

21 The goal of course is to come up with something
22 that's more flexible and ultimately more cost effective,
23 but it isn't easy to do. So I think we all would love to
24 find something that met those requirements and didn't
25 involve as much work as the cap and trade system does to

1 get right.

2 At the same time, every other tool has its own
3 set of built-in flaws and weaknesses as well. I think
4 that we're pretty far down the road in terms of
5 understanding what can be done and what's wrong with the
6 previous efforts in this area. But there still be some
7 thorny practical, legal, economic issues to be dealt with.

8 And I think the thing that makes me feel most
9 comforted is the fact that once again we have the
10 advantage of being able to use some of the best minds that
11 are out there in academia, in the business community, and
12 elsewhere. People who may have very differing views, but
13 who are willing to come in and engage with each other and
14 with us to try to put something together that will
15 actually work.

16 Yes.

17 BOARD MEMBER SPERLING: So I'd like to follow up
18 on these comments. And I think it is very important for
19 us to be alert to the impact on disadvantaged and impacted
20 communities. And that should be uppermost in our minds.

21 At the same time, if there's anything we've
22 learned through history, it is that we're going to need a
23 price signal. We're going to have to mobilize market
24 forces if we're going to accomplish the kind of changes
25 that we're talking about here. And in a broad sense, that

1 means a carbon tax or cap and trade.

2 Otherwise, we're talking about government picking
3 winners. If we think government is going to decide how to
4 get these reductions over time in oil use and in
5 greenhouse gases, then, you know, you have more faith in
6 government than I do.

7 But we can put in place the process. And we do
8 need to use these price signals and these market forces in
9 some way. And clearly, I think the staff has done a
10 brilliant job. As an academic, I don't use that word very
11 often. But it's really been brilliant, the Scoping Plan
12 that's been put together, the mix that's been put together
13 of market instruments and regulatory instruments and
14 covering all the sectors. It really is a very, very
15 impressive document. At the same time, as we're hearing,
16 it's just the beginning.

17 But I do want to bring that back. So the cap and
18 trade is a part of it. I do think I would like to suggest
19 that we keep the carbon tax idea on the table, not push it
20 off yet too quickly. And I know the political forces are
21 against it. But, you know, circumstances change. And it
22 is a simpler more elegant approach than cap and trade as
23 any policy wonk will tell you. But it does carbon tax has
24 that T word. And I know that's the problem in the policy
25 process. But anyway, I would urge that we not completely

1 disregard the possibility of carbon taxes here.

2 But I do want to defend cap and trade. My last
3 thought. There's been a lot of criticism of cap and
4 trade, it hasn't worked, and the disaster in the EU. And
5 it's just not true. In the EU, in particular, it's taken
6 them a while. They started out with a pilot experimental
7 phase. But it is working. And just the fact that the EU
8 is continuing to strengthen it, to work out the details of
9 it and is more committed than ever to it tells us that,
10 you know, that's the bottom line. That it is working and
11 it has the support of all the member nations in Europe and
12 it is being put in place and the rules -- the auctioning
13 is increasing. The rules are being tightened.

14 So if you take a long-term view on it, it has
15 been a success. What it hasn't done -- and this is
16 probably where a lot of the confusion comes about is that
17 in the near term some of the -- as it's introduced, the
18 changes that happen are smaller operational changes.
19 Power plants use natural gas instead of coal, start using
20 some renewables. But they're not completely transforming
21 the capital stock, making completely new investments yet.
22 So sometimes there is impatience on that.

23 But this is putting a market signal in it. We're
24 in it for the long term. You've got to have a price
25 signal. And either you do the carbon tax or you do cap

1 and trade. And there's really no other long term strategy
2 that's possible.

3 So I'm very comfortable and very supportive of
4 the path we're on, with the caveat that we don't forget
5 the carbon tax.

6 CHAIRPERSON NICHOLS: All right. Thank you.

7 Other comments here?

8 BOARD MEMBER D'ADAMO: I would like to compliment
9 staff, including the language in the resolution on page 9
10 and 10 listing all of the considerations that you must
11 include as you go forward in the design of the program.

12 And just want to state I believe that the
13 interplay between the offsets, the regulatory component,
14 exactly how the auction is going to be structured, all of
15 that fits in with the goals that we have later on on that
16 same page. And that is the goal to provide for a thorough
17 economic analysis as we go forward. And want to thank
18 staff for including time certain of coming back to the
19 Board on December 31st on the economic piece.

20 I believe between the design of the program and
21 this more thorough economic analysis that we will be in a
22 better position to be able to structure the program so
23 that it is truly going forward and providing an economic
24 stimulus, particularly in this time where we have such
25 serious concerns with the economy. And I know we all have

1 an optimistic view we're going to convert over to a green
2 economy. But without this analysis and without
3 considering all the different components of the design of
4 the system, it would be very easy to misstep.

5 So thank you for including the language. I think
6 you did a good job balance ing the considerations.

7 CHAIRPERSON NICHOLS: Thank you.

8 Ms. Berg was first.

9 BOARD MEMBER BERG: Thank you, Chairman.

10 I would like to echo Board Member D'Adamo's
11 comments on the economic analysis and also would like to
12 state that I believe that this is the first plan that we
13 have looked at that has so many moving parts. And the
14 need to be able to keep track of these parts and to report
15 back to us as a Board where the individual parts are
16 within the Scoping Plan and the big picture. So we don't
17 lose focus of the big picture and what our actual outcome
18 intends.

19 And so I, too, would like to thank staff. I
20 think you've done a tremendous staff in addressing the
21 issues that we brought to you. I have heard from the
22 small business communities, as many of the Board members
23 have their concerns. I think that communication and
24 outreach to these folks as to the additional information
25 that we get on the analysis is critical.

1 I also think that we've got to remember to deep
2 focused on the goal, which is the reduction of greenhouse
3 gases and no question that the co-benefits are very
4 important. But it's been my personal experience in
5 business that a dynamic and effective plan cannot serve
6 two masters. And we really need to keep the goal in front
7 of us, because then both parts will win. But if we don't,
8 then between losing sight of what we're trying to
9 accomplish and the economic impacts and then the
10 disbenefits health wise, that's where I believe that then
11 we'll see the unintended consequences.

12 So thank you very much for your hard work.

13 And I want to thank the public for their intense
14 participation. And to say it's not over. We're going to
15 continue.

16 CHAIRPERSON NICHOLS: Before I call for a vote
17 and make a few last comments, I want to acknowledge other
18 Board members if they have additional comments.

19 BOARD MEMBER ROBERTS: Let me turn this on.

20 There's a couple of things, and I'll go quickly.

21 First of all, one of the speakers from one of the
22 counties spoke about the military's presence. And I think
23 that's an issue that in San Diego we're very cognizant of.
24 We like the military. We want them to succeed in their
25 mission. But they're a large part of the issue as we

1 start to look at the county.

2 There's also a second group that hasn't come up
3 that in our county is terribly significant over which we
4 have no control, and it's the Indian casinos. They are
5 major contributors and are not acknowledged anywhere that
6 I know of. And I think that has to be taken into account.
7 We have the largest concentrations of casinos, every one
8 of which is in a remote area in generating prodigious
9 amounts of vehicle miles traveled. And I think these are
10 issues that are major enough that we have been concerned.

11 And when I told you we did an analysis, these are
12 things that have come to light. So in both of those
13 areas, I would hope that staff would work with us.

14 I would also tell you that I have a letter for
15 our Chairwoman, because our regional planning authority
16 would like to speed up the setting of goals for San Diego,
17 because they're intent on having the first regional
18 transportation plan adopted under the new ordinance. A
19 lot of work has been done already. And rather than slow
20 it down, they're asking if you would cooperate with them
21 to perhaps even try to establish a goal in advance of
22 the --

23 CHAIRPERSON NICHOLS: San Diego could be our case
24 study perhaps.

25 BOARD MEMBER ROBERTS: This is a part of the

1 local cooperation I told you is out there. It's genuine.
2 And perhaps there are things that others will be able to
3 learn by one area of going even a little quicker than you
4 might expect.

5 I also would join my colleagues here in thanking
6 staff. They've been very patient with the numerous stupid
7 questions I've had to ask and have helped me to understand
8 everything from cap and trade to auctions and some of the
9 other esoteric concepts here.

10 This truly is a significant plan, and I think
11 each of us in our own way feels very, very good that we're
12 involved in it. But not just being involved, but being
13 involved in and informed. And helped to be put in a
14 position to make a good decision. For that I thank you.

15 CHAIRPERSON NICHOLS: Dr. Balmes.

16 BOARD MEMBER BALMES: I'll try to keep my
17 comments brief, because I sense the Chairman wants to move
18 on.

19 CHAIRPERSON NICHOLS: I have a time period in
20 mind and we're --

21 BOARD MEMBER BALMES: I'm supportive of your
22 efforts.

23 I'm usually talking about public health, but I
24 want to say strongly I support the staff's proposal to do
25 a more intensive extensive economic analysis.

1 I've certainly heard from some of the small
2 business stakeholders that Ms. Berg mentioned. I've also
3 heard from the environmental justice community about their
4 concerns about cap and trade. So I was glad that
5 Professor Sperling brought up the T word. And what I
6 would ask is in the economic analysis that we do that we
7 consider how a carbon fee/tax fits into a potential future
8 picture. Because, again, I'm a data-driven kind of person
9 in terms of making decisions. And I don't see anything
10 wrong with going ahead with the Cap and Trade Program
11 that's been outlined, but also keeping options open with
12 regard to analyzing a carbon tax.

13 And I was very much taken by an idea raised by
14 Amy Kyle, a colleague of mine at U.C. Berkeley, about
15 trying to do a comparative analysis of the moving parts
16 that Sandy Berg spoke of with AB 32 with regards to public
17 health impact. I think that's a good idea. How actually
18 to do that, more work for staff I think. But I think it's
19 a good idea and will help us in trying to see how these
20 moving parts will impact public health.

21 And finally, though I don't want to really
22 wordsmith at this late time -- I throw this out with some
23 caution. But I think it would send a useful signal to
24 beef up the top point on page 10 where we say the Board
25 will look at various scenarios for the use of auction

1 revenue.

2 As Tim Carmichael pointed out, that's very
3 generic. I think it would be helpful if we had something
4 about saying specifically that we would include adaptation
5 and emissions reduction measures in low income and
6 cumulatively impacted communities. Something to that
7 effect. It doesn't have to be real fancy.

8 But I think saying right up front we are going to
9 comply with what I think is the intent of the law would be
10 a good idea.

11 And with that, I wanted to say again, I think the
12 staff has done a really good job in the intervening time
13 which was short between our last meeting and this one in
14 trying to address the many concerns of many stakeholders
15 and Board members. And again, compliment them for their
16 efforts.

17 CHAIRPERSON NICHOLS: Would the staff except as
18 an interpretation of the language that's already there the
19 suggestion that Dr. Balmes just made? I think it's
20 included in your view. I don't know that we can add
21 something at this point. If it's not -- it's what we
22 intend I think.

23 OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: There's
24 a list of issues identified in the Scoping Plan. And the
25 ones that you raise are part of that list.

1 CHAIRPERSON NICHOLS: So this alludes to those.

2 OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: In
3 putting this together, we didn't single out any particular
4 issues. But it is on the table for what would be
5 considered when looking at the uses of revenue.

6 BOARD MEMBER BALMES: Just if I could make one
7 more comment.

8 I think it would be useful to make sure that
9 those additions to this Scoping Plan actually get
10 published with the Scoping Plan. I think somebody made
11 that suggestion.

12 EXECUTIVE OFFICER GOLDSTENE: That is our plan.

13 CHAIRPERSON NICHOLS: Before it actually goes out
14 in print.

15 Yes, Mayor Loveridge.

16 BOARD MEMBER LOVERIDGE: Just the obvious point.
17 I was trying to emphasize the importance of collaboration
18 with local government. But the whole Scoping Plan is not
19 going to work unless there's collaboration, support, and
20 agreement by all those who are participating in today's
21 and the past week's discussions. So I just think that
22 this is not simply our dictum that we want people to
23 conform to our direction. But this is a corroborative
24 statewide collaborative effort.

25 CHAIRPERSON NICHOLS: Well, let me then take the

1 privilege of the Chair in adding a few last words.

2 I agree with you about the critical role of local
3 government and in fact would acknowledge that there are
4 many cities and counties in this state and regional
5 entities that have already taken very progressive actions
6 to try to reduce their use of energy, to operate more
7 efficiently, to try to purchase alternative fueled
8 vehicles, you know, to have incentives for their employees
9 to car pool, et cetera. This has been going on for a long
10 time.

11 And we also have to acknowledge the role that
12 many entities and individuals have played on a voluntary
13 basis in the absence of any kind of binding requirements
14 on them to look for ways to reduce their carbon
15 footprints.

16 This is an issue and a movements that goes far
17 beyond what State government can do. But in addition to
18 that, the Air Resources Board didn't develop this plan
19 alone either. As Deputy Secretary Tutt mentioned when she
20 came and spoke at the very end of the public hearing, we
21 had a group of State agencies that actively participated
22 in looking for ways in which they could participate in
23 developing this plan. And their involvement is going to
24 be critical in making this plan work as we move forward as
25 well. So I don't want to fail to acknowledge any of them.

1 Having said all of that, however, when AB 32 was
2 passed, I know there was a struggle over who was going to
3 be given the assignment to actually develop the plan. And
4 at the end of the day, the Legislature handed that
5 assignment to the Air Resources Board. And I don't think
6 there was universal agreement the ARB had all the
7 necessary tools or skills to bring that about.

8 I'm deeply proud of the work that's been done by
9 the staff and by this Board in taking on this mission. It
10 was huge. It involved increasing our staff certainly, and
11 we were given resources to do that for which we are all
12 are very grateful.

13 But this didn't just involve bringing in some new
14 people and starting a new project. It really ended up
15 involving every part of the Air Resources Board in one way
16 or another. And the untold hours that people have put in
17 to try to get it right, to get the process right, to truly
18 listen and reflect everything they heard and then to
19 incorporate it into something that made sense and could be
20 used as a model, which we know was the intent in drafting
21 AB 32 I think is a remarkable feat. And frankly I don't
22 know anything like it that's ever been done by any
23 government agency in this or any other state ever. And so
24 I don't think it's saying too much to say that this is in
25 a class by itself.

1 This is a season in which people like to use
2 metaphors about coming out of the darkness and into the
3 light as we get to the end of the year and the days go
4 shorter and we celebrate major holidays in all parts of
5 the world. And I think it really is a remarkable thing.
6 And I want to ask us all to just take a moment to reflect
7 on the fact that although this is just a plan, it's just a
8 road map. There's much work to be done. It is the
9 beginning. Never the less, we have laid out here a path
10 which if followed can actually transform our economy and
11 put us on the road to a healthier state in what I hope is
12 going to be all of our lifetimes and certainly the
13 lifetimes of most of the people in the room.

14 The task of coping with global warming is not
15 something that California can do alone. And it's not
16 something that's going to be finished by 2020 by any
17 means. It's something that our children and grandchildren
18 are going to have to cope with as well.

19 But I think if we can use the road map and the
20 process that we've laid out here that we can honestly say
21 that we've put California on the right track to
22 transforming our economy in a way that's good for the
23 environment, good for our health, good for our future.

24 And so I'm very proud to ask for your vote for
25 this document. I think we probably want to make it

1 unanimous. But just so everybody gets a chance to cast
2 their vote, I'm going to ask the clerk to read the role
3 and everybody can vote.

4 BOARD MEMBER ROBERTS: Could I put a motion on
5 the floor that we can vote on?

6 CHAIRPERSON NICHOLS: Of course you can. It's
7 Robert's Rules.

8 BOARD MEMBER ROBERTS: That's with the apostrophe
9 after the S. I'd be pleased as at least the senior member
10 present today to do that.

11 CHAIRPERSON NICHOLS: Thank very much.

12 BOARD MEMBER BALMES: I would like to be the
13 second.

14 CHAIRPERSON NICHOLS: All right. We have a
15 motion and a second then.

16 Clerk will call the role.

17 BOARD CLERK VEJAR: Dr. Balmes?

18 BOARD MEMBER BALMES: Yes.

19 BOARD CLERK VEJAR: Ms. Berg?

20 BOARD MEMBER BERG: Yes.

21 BOARD CLERK VEJAR: Ms. D'Adamo?

22 BOARD MEMBER D'ADAMO: Aye.

23 BOARD CLERK VEJAR: Mayor Loveridge?

24 BOARD MEMBER LOVERIDGE: Yes.

25 BOARD CLERK VEJAR: Supervisor Roberts?

1 BOARD MEMBER ROBERTS: Aye.

2 BOARD CLERK VEJAR: Professor Sperling?

3 BOARD MEMBER SPERLING: Appreciating the great
4 responsibility and the great impact of this, I vote yes.

5 BOARD CLERK VEJAR: Dr. Telles?

6 BOARD MEMBER TELLES: Yes.

7 BOARD CLERK VEJAR: Chairman Nichols?

8 CHAIRPERSON NICHOLS: Yes.

9 BOARD CLERK VEJAR: Yes votes win. Motion
10 passes.

11 (Applause)

12 CHAIRPERSON NICHOLS: Thank you, all.

13 And I note that it is on my watch exactly 1:00.

14 And we will break for an hour and then come back and take
15 up the truck rule.

16 (Thereupon a recess was taken.)

17 CHAIRPERSON NICHOLS: I know there are many
18 people here for the truck item. We do have one other
19 brief presentation before that, because it's part of our
20 regular schedule that we have a research update at every
21 meeting. So for this monthly meeting, we're going to hear
22 a report on current research about lung cancer in the
23 trucking industry, which obviously is relevant to the
24 topic we're going to be discussing later.

25 But before I turn to Mr. Goldstene to introduce

1 the item, I want to reiterate something I said first thing
2 this morning, which is that translation services are
3 available for anyone who wishes to use them in both
4 Spanish and Punjabi. The headsets are available outside
5 the hearing room at the attendance table, and the two
6 translators are here. So I'm going to ask both of them to
7 repeat this in Spanish and Punjabi.

8 (Thereupon the announcement was translated into
9 Spanish and Punjabi.)

10 CHAIRPERSON NICHOLS: Thank you both, very much.

11 I know there is an overflow room where people can
12 listen and watch what we're doing here on a big screen.
13 It's right next door. So no one will miss hearing if
14 their name is called, although we're not going to be
15 getting into any testimony right away. But the fire
16 marshals ask us to be vigilant about not letting people
17 line up in the back of the room.

18 Whether you're ARB staff or here as a witness or
19 to testify, if you can't find a vacant seat somewhere, we
20 would appreciate it if you would be willing to sit in the
21 other room. I'm going to ask nicely so we don't have to
22 get the strong arm guys in to actually clear the room.

23 I appreciate it. Thank you.

24 Okay. Mr. Goldstene, would you begin?

25 EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman

1 Nichols.

2 A number of scientific publications have shown an
3 association between exposure to ambient particulate matter
4 and adverse health effects, such as hospitalizations for
5 cardiovascular and respiratory reduce, lung cancers, and
6 even premature death.

7 Diesel particular matter or diesel PM contributes
8 to the mix of ambient particulate matter and also to the
9 adverse health effects. In fact, ARB staff recently
10 estimated that exposure to direct diesel PM can contribute
11 to 3,500 deaths statewide and 2,000 deaths in the South
12 Coast air basin on an annual basis.

13 Furthermore, in 1998, California identified
14 diesel exhaust PM as a toxic air contaminant based on its
15 potential to cause cancer, premature death, and other
16 health problems.

17 To reduce these risks, ARB has adopted several
18 control measure to achieve emission reductions from diesel
19 sources.

20 Today's health update reviews the latest findings
21 from a national study on lung cancer in the unionized
22 United States truck industry that examines the association
23 between exposure to diesel PM and adverse effects.

24 Cynthia Garcia from our Health and Exposure
25 Branch will make the staff presentation.

1 Cynthia.

2 (Thereupon an overhead presentation was
3 presented as follows.)

4 MS. GARCIA: Thank you, Mr. Goldstene. Good
5 afternoon, Chairman Nichols and members of the Board.

6 In today's health update, I will present the
7 latest findings on lung cancer mortality impacts by job
8 categories in the US trucking industry. This study is
9 part of a much larger ongoing nationwide assessment of the
10 health impacts on workers in the trucking industry who are
11 routinely exposed to motor vehicle exhaust, including
12 diesel particulate matter.

13 --o0o--

14 MS. GARCIA: First, I will briefly go over some
15 background information on diesel particulate matter, PM.
16 California identified diesel exhaust PM as a toxic air
17 contaminant in 1998 based on its potential to cause
18 cancer.

19 As you know, trucks are major contributors to
20 diesel PM. And diesel PM is a contributor to outdoor
21 PM2.5 levels in California.

22 A growing body of literature exists which links
23 outdoor PM2.5 exposure to adverse health effects such as
24 heart disease, lung cancer, and even premature death.

25 Additionally, recent studies have begun to

1 mortality risk that was positively associated with the
2 years of work in jobs with regular exposure to freshly
3 emitted diesel vehicle exhaust.

4 --o0o--

5 MS. GARCIA: To give you an idea how this
6 increase in lung cancer risk in the trucking industry
7 compares to other industries, we looked at the national
8 occupational mortality surveillance system, a national
9 database from the Centers of Disease Control, and saw that
10 for white males between 50 to 64 years of age from 1984 to
11 1998, the trucking industry had lung cancer rates that
12 were among the five highest of all surveyed industry.

13 Moreover, the re analysis of Dr. Garshick's
14 previous studies of railroad workers supports the
15 conclusion that working in an industry with elevated
16 exposure to vehicle exhaust and diesel PM increases risk
17 of lung cancer.

18 Probably one of the most well-known risk factors
19 for lung cancer is regular exposure to second-hand tobacco
20 smoke. How does this environmental tobacco smoke risk
21 compare to the risk to industry workers who have had
22 regular exposure to vehicle exhaust from diesel and other
23 vehicles?

24 The surgeon general's 2006 report found a similar
25 lung cancer risk for non-smokers who live with a smoker

1 compared to that reported in the literature at large for
2 industry workers exposed to vehicle exhaust and diesel PM.

3 --o0o--

4 MS. GARCIA: The results of this study are
5 important. They show that workers in the trucking
6 industry who are exposed to diesel and other vehicle
7 exhaust have an increased risk for lung cancer and the
8 risk of dying from lung cancer is likely to increase with
9 increasing time on the job.

10 The results from the study are consistent with
11 previous studies in the United States and Canada that show
12 an increased risk of lung cancer in occupations which are
13 likely to be associated with exposure to diesel vehicle
14 exhaust. These results imply that reductions of diesel PM
15 emissions will have health benefits associated with
16 job-specific exposures to diesel and other vehicle exhaust
17 in the trucking industry.

18 In addition, the health impacts from diesel PM
19 emissions are of concern to all Californians. We are all
20 exposed to diesel particles.

21 Diesel PM control measures implemented by the
22 ARB, including the one that will be heard today which
23 reduce exposures on roadways and from idling trucks will
24 help reduce the risk of adverse health impacts from diesel
25 PM exposure, not only in the trucking industry, but also

1 in the general population that lives, commutes, works in
2 proximity to diesel exhaust sources.

3 That concludes my presentation, and I will be
4 happy to answer any questions.

5 CHAIRPERSON NICHOLS: Thank you.

6 Board member questions? Seems pretty straight
7 forward, unfortunately.

8 BOARD MEMBER BALMES: I guess I would make one
9 comment.

10 Staff choose to highlight this particular paper
11 showing a risk of lung cancer related to occupational
12 exposure to diesel exhaust. But this is just the most
13 recent in a series of papers. There's probably about 40
14 that contribute to this literature.

15 And the Scientific Review Panel of Cal/EPA used
16 information available up to maybe five years ago -- I
17 can't remember exactly if it was longer than that -- when
18 it was determined that diesel exhaust particles were a
19 toxic air contaminant. And the Scientific Review Panel
20 carefully looked at the literature back then and came to
21 that determination, which I agree with. And there's been
22 a number of studies subsequent to that which were
23 mentioned today.

24 So it's just sort of one in a series of studies
25 showing that people exposed to diesel exhaust over many

1 years at the workplace are at increased risk of lung
2 cancer.

3 CHAIRPERSON NICHOLS: So this was not a study
4 that was designed to focus on truck drivers?

5 BOARD MEMBER BALMES: Well, it was, because they
6 wanted to find a population that was exposed to diesel
7 exhaust on a regular basis, so they used truck drivers.
8 The same group of investigators has looked at railroad
9 workers as well.

10 CHAIRPERSON NICHOLS: Okay. I see. All right.
11 Thank you very much. Thanks. Yes.

12 BOARD MEMBER TELLES: Have you run across a
13 corollary study as far as increased cardiovascular in
14 truck drivers? I've had the privilege of taking care of
15 hundreds of truck drivers. And my impression is there may
16 be an increased cardiovascular risk as suggested by
17 literature indicating that the exposure to PM that most of
18 the mortality is related to cardiovascular, not just lung
19 cancer.

20 MS. GARCIA: Actually, we presented earlier in
21 January of this year a study by Dr. Laden, and Dr.
22 Garshick was also part of that study. And they did find
23 that there was elevated risk to ischemic heart disease in
24 addition to lung cancer in the same cohort.

25 CHAIRPERSON NICHOLS: Okay. Thank you. All

1 right. Thanks, staff.

2 We'll now move on to our next item, which is
3 actually two agenda items that are being heard together.
4 These two items represent a comprehensive strategy.

5 EXECUTIVE OFFICER GOLDSTENE: Chairman Nichols,
6 we're having trouble hearing.

7 CHAIRPERSON NICHOLS: Is there something wrong
8 with the sound? Okay. Sorry, everybody.

9 I said -- I'll repeat -- that we are now about to
10 consider two agenda items that are taken together. It's a
11 somewhat complex set of items, but they actually do go
12 together and affect the same industry and the same
13 vehicles. And so it made more sense I think from a
14 hearing perspective and from the public's perspective to
15 put the two of them together.

16 So we're dealing with both criteria and
17 greenhouse gas emissions from nearly one million
18 heavy-duty diesel vehicles and the box type trailers they
19 pull that travel on California's roads every year.

20 The staff is going to make one presentation
21 describing the features and impacts of both proposals, and
22 then testifiers that are here to comment on both proposals
23 should comment on both of them at the same time. So in
24 other words, if you're here to talk on two different
25 rules, you should combine your testimony when it comes

1 time for you to get up and testimony. I just want to make
2 sure people are aware of that in advance. We're not going
3 to go through one whole rule and come back and go through
4 the second rule.

5 Item 8-11-3 is the proposed regulation to reduce
6 NOx and PM emissions from in-use on-road diesel vehicles,
7 also known as the truck and bus rule. This proposed rule
8 also includes proposed amendments to several existing
9 diesel regulations to they will better integrate with the
10 truck and bus rule.

11 Item 8-11-4 is the proposed regulation to reduce
12 greenhouse gas emissions by improving truck and trailer
13 efficiency.

14 The proposed truck and bus regulation is the most
15 significant emissions reduction proposal that this Board
16 has considered in the last decade. Annually, trucks and
17 buses produce one-third of California's nitrogen oxide
18 emissions about and 40 percent of its toxic diesel
19 particulate emissions.

20 The reductions from this rule would provide the
21 largest remaining piece of diesel particulate emissions
22 reductions needed to meet the diesel risk reduction goals
23 established by this Board eight years ago. They would
24 also meet the Board's emission reduction commitments that
25 are contained in our PM2.5 and ozone implementation plans

1 that have been submitted to the United States
2 Environmental Protection Agency for the state's two most
3 polluted air basins, the San Joaquin and the South Coast
4 air basins. These rules would save more than 9,000 lives
5 over the next decade that would otherwise be lost from
6 exposure to diesel truck pollution.

7 The second regulation we consider the truck
8 greenhouse gas regulation also establishes the first
9 requirements anywhere in the country to reduce greenhouse
10 gas emissions from heavy-duty long-haul tractors and
11 trailers.

12 Adoption of this regulation is consistent with
13 the Scoping Plan that we just adopted this morning which
14 identifies reducing heavy-duty truck greenhouse gas
15 emission as one of the discrete early action measures
16 called out in AB 32.

17 Implementing the regulations will require a
18 substantial investments on behalf of the many businesses
19 that will be affected. To further help business and truck
20 owners comply, the Governor, Legislature, and voters have
21 made more than one billion dollars available in grants and
22 low cost loans. And the Air Resources Board is going to
23 continue to look for additional funding sources and
24 opportunities to assist those affected by these rules.

25 We know that today's economy is in a slump. But

1 we also realize that we have to keep in mind that the
2 first compliance deadlines under this rule, assuming that
3 we were to adopt it tomorrow at this hearing, will not
4 occur until 2010. And we hope that any recovery is well
5 underway at that time.

6 At this point, I want to ask Mr. Goldstene to
7 introduce this item and to begin the presentation.

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

10 EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
11 Nichols. Good morning, members of the Board.

12 Today, staff is presenting for your consideration
13 a comprehensive strategy to reduce emissions from nearly
14 one million trucks that travel California's highways each
15 year. This strategy is comprised of two parts: A
16 regulation to significantly reduce criteria pollutants
17 from existing trucks and buses, and a companion measure
18 that would improve the fuel efficiency of many of the long
19 haul trucks operating throughout the state and would
20 reduce greenhouse gas emissions.

21 --o0o--

22 EXECUTIVE OFFICER GOLDSTENE: To better describe
23 these proposed regulations and to discuss how they are
24 connected, staff is combining both agenda items into a
25 single staff presentation. To do this effectively, I'll

1 EXECUTIVE OFFICER GOLDSTENE: Trucks and buses
2 represent the largest source of NOx and diesel PM
3 emissions in the state. If we're to meet the Federal
4 Clean Air Standards and our SIP targets, we need
5 significant reduction from these vehicles. In fact, the
6 largest share of new emissions reductions in the 2007 PM
7 SIP is expected from existing trucks and buses, and no
8 viable alternative source of emission reductions exists.
9 In other words, there is no Plan B for the state to meet
10 its SIP commitments and to achieve the emission reductions
11 we need.

12 While meeting the SIP commitments is important
13 from a legal perspective, even more important of course is
14 protecting public health. Emissions from trucks and buses
15 are significant contributors to the health risks
16 associated with exposure to diesel PM as well as to poor
17 air quality throughout the state which results in
18 thousands of lives lost each year. If we were to address
19 the impacts, action is needed now. There are no federal
20 programs to fall back on. California must demonstrate its
21 continued leadership in addressing emissions from all
22 sources in the state to protect the health of
23 Californians.

24 --o0o--

25 EXECUTIVE OFFICER GOLDSTENE: Under the Scoping

1 and environmental benefits of the proposal before you are
2 both significant and cost effective, you will hear from
3 industry today that these benefits will result in
4 additional costs that the industry just can't bear,
5 especially in the current economic climate and that more
6 time is needed.

7 We certainly do acknowledge that today's economic
8 environment is challenging and that it is difficult to
9 predict exactly when the economy will recover. However,
10 postponing the adoption of these proposals will only allow
11 the adverse health and environmental impacts from trucks
12 to continue at a significant economic cost to the state.
13 Estimates done by staff and independent outside
14 institutions indicate the cost of inaction greatly
15 outweighs the cost of cleanup.

16 Despite the considerable cost of staff's
17 proposals, staff has made every effort to extend
18 flexibility and additional time wherever possible with no
19 capital investment required until the end of 2010 at the
20 earliest and no trucks required to be replaced until the
21 end of 2012. The requirements would be phased in over
22 more than a decade. This has allowed staff to minimize
23 and spread out the cost and economic impacts on the fleets
24 while obtaining the emission reductions that are needed.

25 Staff has developed both regulations in a way

1 that would minimize overlapping costs between not only two
2 proposed regulations before you today, but between these
3 and other existing regulations as well.

4 --o0o--

5 EXECUTIVE OFFICER GOLDSTENE: As you will hear
6 later in the Ombudsman report, staff has conducted an
7 unprecedented public process for the development of the
8 proposed regulations. Staff sought and incorporated
9 stakeholder input into both proposals throughout all
10 stages of their development. Because of this, staff
11 believes that they have crafted proposals that provide
12 considerable flexibility and are responsive to industry's
13 needs, while meeting the state's air quality goals.

14 In listening this stakeholders, staff has
15 included provisions that provide multiple compliance paths
16 and that extend the compliance dates for many types of
17 vehicles, including those owned by owner-operators,
18 farmers, and businesses in many rural areas. These
19 elements should help lower compliance costs and more
20 uniformly spread out costs.

21 Perhaps most importantly, staff have structured
22 the proposed regulations to effectively integrate them
23 with new and existing incentive funding perhaps. This
24 will help ensure that considerable incentive funding
25 opportunities exist for many fleets, and in particular for

1 small fleets. While the more than one billion dollars of
2 available incentive funding is not sufficient to cover all
3 the costs of the proposed regulations, for those fleets
4 that move quickly to take advantage of these funds through
5 a combination of grants and low interest loans, a newer
6 truck can be purchased and financed for about \$800 per
7 month.

8 In addition, the technology needed to meet the
9 proposal requirements of these regulations, whether it's a
10 newer truck or retrofit, is available now.

11 I'll now ask Gloria Lindner of the Mobile Source
12 Control Division to present the staff proposal for the
13 proposed trucks and bus regulations. Gloria.

14 --o0o--

15 MS. LINDNER: Thank you, Mr. Goldstene. Good
16 afternoon, Chairman Nichols and members of the Board.

17 Today, I will present staff's proposal to reduce
18 PM and NOx emissions from in-use on-road diesel vehicles
19 operating in California.

20 I'll refer to this proposal as the truck and bus
21 regulation.

22 Today's presentation will also include proposed
23 amendments to several existing regulations. These
24 amendments will allow better integration of the
25 requirements of the existing regulations with the proposed

1 truck and bus regulations.

2 --o0o--

3 MS. LINDNER: I'll begin my presentation by first
4 discussing why we need the PM and NOx reductions from
5 trucks and buses.

6 Then I will describe the proposed regulation
7 including staff's proposed changes to other existing ARB
8 regulations.

9 I'll then summarize the impacts of the proposal,
10 including its significant emission and health benefits, as
11 well as its associated costs.

12 Then I'll summarize staff's analysis of the other
13 alternatives considered.

14 --o0o--

15 MS. LINDNER: Existing fleets of heavy-duty
16 diesel trucks and buses are the largest contributors to PM
17 and ozone-forming emissions from all sources in the state.
18 As you can see, in 2005, they contributed more than a
19 quarter of all of the NOx and almost 40 percent of all of
20 the diesel PM emitted statewide from all sources.

21 --o0o--

22 MS. LINDNER: In 1998, the Board identified
23 diesel PM as a toxic air contaminant. It is responsible
24 for 70 percent of the known cancer risk from all air
25 toxics. And as you heard earlier today, results in even

1 greater risk for those who work closely in and around
2 sources of diesel PM, such as truck drivers and dock
3 workers.

4 In 2000, the Board approved the Diesel Risk
5 Reduction Plan, which has as its ultimate goal in 2020 the
6 reduction of diesel PM emissions and their associated
7 cancer risk by 85 percent from 2000 baseline levels.

8 The proposed truck and bus regulation is the
9 largest remaining piece of the Diesel Risk Reduction Plan
10 to be considered by the Board.

11 --o0o--

12 MS. LINDNER: In addition to the risk impacts
13 from directly emitted diesel PM emissions, trucks are a
14 significant contributor to poor air quality throughout the
15 state.

16 Fifteen areas in California are designated
17 non-attainment of the federal ozone standard. In
18 addition, the South Coast air basin and the San Joaquin
19 Valley are designated non-attainment of the federal fine
20 particulate matter or PM2.5 standard.

21 As the maps show, most area of the state and in
22 fact the areas where most people live are out of
23 attainment with one or both of those standards.

24 Federal law mandates the development of State
25 Implementation Plans documenting the actions the State

1 will take to attain the federal air quality standards in
2 these areas.

3 --o0o--

4 MS. LINDNER: In September 2007, the Board
5 approved the State Implementation Plan or SIP which
6 committed the State to develop measures to achieve
7 emissions reductions from sources under State regulatory
8 authority with the largest share of new emissions
9 reductions of NOx and directly emitted PM expected from
10 trucks and buses. NOx is a precursor to both ozone and
11 PM.

12 Substantial reductions in NOx and PM are needed
13 by 2014 to meet the PM2.5 attainment deadline, and by 2023
14 to meet the ozone attainment deadline.

15 Nowhere in the state and arguably in the country
16 are these emission reductions as critical as they are in
17 the South Coast and the San Joaquin Valley, which have the
18 farthest to go toward meeting federal air quality
19 standards.

20 Staff has used the targeted reductions in the SIP
21 as the goal for this rulemaking, as no other measure can
22 achieve this level of reductions.

23 --o0o--

24 MS. LINDNER: The failure of many regions of the
25 state to meet clean air standards has a significant impact

1 --o0o--

2 MS. LINDNER: The proposed regulation would apply
3 to heavy-duty diesel fueled vehicles operating in
4 California with a gross vehicle weight rating greater than
5 14,000 pounds. The proposed regulation would apply to any
6 person or entity that owns, operates, or sells an affected
7 vehicle in California.

8 It would apply equally to these entities whether
9 based in state or out of state.

10 Drayage trucks and utility owned vehicles would
11 be subject to the regulation, but not until January 1st,
12 2021.

13 Certain vehicles, such as emergency vehicles,
14 military tactical vehicles, personal use motorhomes, and
15 historic vehicles would be excluded.

16 --o0o--

17 MS. LINDNER: This slide illustrates a wide
18 variety of truck types covered under the scope of the
19 regulation.

20 The regulation will apply to many different types
21 of vehicles used in almost all aspects of the California
22 economy.

23 In total, nearly one million vehicles that travel
24 California's roads each year are included. Over 400,000
25 of these are registered in the state, and another half a

1 than eleven years old. Staff recognized that it was
2 appropriate to include a number of special provisions,
3 such as less stringent requirements for small fleets,
4 lower use vehicles, and other provisions which I will
5 describe later.

6 To optimize flexibility for fleets, the proposed
7 regulation includes three compliance options.

8 --o0o--

9 MS. LINDNER: The BACT schedule prescribes which
10 vehicle must be retrofit or replaced based on the engine
11 model year.

12 The percentage limit option identifies the
13 minimum percentage of vehicles in each fleet that must be
14 retrofit or replaced each year.

15 The fleet averaging option provides the most
16 flexibility by allowing fleets to determine which vehicles
17 to retrofit or replace provided specific emission targets
18 are met. This option also allows fleets to take advantage
19 of available NOx control technology.

20 Each year, fleets can demonstrate compliance with
21 any of the three options and can change compliance options
22 from year to year. Importantly, the proposed regulation
23 is structured such that once any one of the three
24 compliance option is satisfied, the fleet is done for that
25 year for that pollutant.

1 --o0o--

2 MS. LINDNER: To provide a better perspective of
3 what the regulation would require, this table identifies
4 the engine ages that would have to be replaced under the
5 BACT compliance option in each calendar year.

6 As you can see, this option would never require
7 the accelerated replacement of an engine that is less than
8 11 years old. And in fact, it routinely allows vehicles
9 as old as 14 years to continue to operate. Considering
10 the other compliance options, a fleet may be able to keep
11 some older vehicles even longer.

12 --o0o--

13 MS. LINDNER: Currently, many vehicles,
14 particularly long haul trucks that routinely travel over
15 100,000 miles each year, are replaced within seven years.
16 This means that many vehicles will be replaced on a normal
17 cycle well before the regulation would require.

18 Because of this, there will be no requirements
19 for many vehicles subject to the regulation. However, for
20 fleets that keep vehicles longer or operate older
21 vehicles, they may be required to retrofit and/or replace
22 some or all of their vehicles over the next decade.

23 As you can see on this chart, nearly two-thirds
24 of the vehicles covered by the proposed regulation would
25 not be required to take any action. However, for older

1 fleets, the proposed regulation would require some action.
2 Staff estimates about a quarter of the affected vehicles
3 would need to be retrofit at some point to meet the PM
4 requirements of the regulation. And about a third of the
5 total vehicles would ultimately need to be replaced ahead
6 of their normal schedule.

7 --o0o--

8 MS. LINDNER: By looking at these figures, it is
9 clear to see the reason for requiring accelerated vehicle
10 replacements.

11 Until just a few years ago, existing in-use
12 vehicles emitted about the same level of NOx, 22 grams per
13 mile.

14 It wasn't until 2004 engines were introduced that
15 we started to see significant improvements in the NOx
16 performance of in-use diesel engines.

17 As you can see on the left, the last increment of
18 improvement in NOx emissions is not realized until 2010
19 when the cleanest NOx engines will be available.

20 Because of the long life of a diesel engines, it
21 will take considerable time for these cleaner engines to
22 replace older engines under typical replacement schedule.

23 For PM, the story has been somewhat better. We
24 have seen improvements in diesel PM emissions since 1991,
25 with the cleanest diesel engines for PM having been

1 available since last year.

2 --o0o--

3 MS. LINDNER: In developing the proposed
4 regulation, staff carefully considered the impact it would
5 have on small fleets.

6 This is important because staff believes that
7 many small fleets face significant challenges in
8 retrofitting and accelerating the replacement of their
9 vehicles.

10 Because small fleets have few vehicles, they have
11 fewer opportunities to take advantage of the fleet
12 averaging or minimum percentage options of the proposed
13 regulation.

14 Scaling back the requirements for small fleets is
15 challenging since small fleets represent such a large
16 portion of the California vehicle fleet and small fleets
17 tends to have older vehicles than average.

18 As can be seen on this slide, almost half of all
19 trucks registered in the state are owned by fleets with
20 three or fewer vehicles.

21 --o0o--

22 MS. LINDNER: To address concerns about small
23 fleets, staff has included special optional provisions for
24 fleets with three or fewer vehicles. These provisions
25 would exempt small fleets from any cleanup requirements

1 through 2012. After that date, the requirements would
2 vary depending on the size of the fleet.

3 Under staff's proposal, an owner-operator having
4 just one vehicle would need to upgrade that vehicle to one
5 having a 2004 model year or newer engine with a filter by
6 January 1, 2013. The vehicle owner would not have to take
7 any further action until January 1st, 2018, at which time
8 that vehicle would need to meet the PM and NOx performance
9 requirements of the regulation. If these requirements are
10 met with an eight-year-old used vehicle that has a 2010 or
11 equivalent engine, no more action is required.

12 For fleets with two vehicles, the second vehicle
13 would be required to meet the PM and NOx performance
14 requirements by January 1, 2014. Fleets of three vehicles
15 have additional flexibility to meet the proposed PM and
16 NOx performance requirements, giving them until as late as
17 2016 to upgrade their older third vehicle.

18 By 2023, all vehicles must have the cleanest
19 engines.

20 --o0o--

21 MS. LINDNER: Staff believes that it is
22 appropriate to provide some special provisions that would
23 delay the proposed NOx requirements for some vehicles,
24 while keeping them subject to the PM requirements.

25 Accordingly, staff is proposing to include

1 fertilizer and crop protection, chemical delivery trucks,
2 farmer-owned vehicles used to support the farm, vehicles
3 that perform specialized work on the farm or on a
4 for-higher basis, and vehicles that are exclusively used
5 the transport harvested crops to first processing centers.

6 Vehicles that perform other function in addition
7 to agricultural operations would not be considered
8 agricultural vehicles.

9 Under staff's proposal, agricultural vehicles
10 that operate below certain annual mileage thresholds would
11 be exempt from the cleanup requirements for a specified
12 period of time, with the number of vehicles qualifying for
13 these provisions set in 2010 and not allowed to grow.

14 The mileage threshold vary initially by model
15 year between 15,000 and 25,000 miles until 2017 when they
16 decline to 10,000 miles per year. All other vehicles in
17 the fleet, except for specialty farm vehicles, would need
18 to meet the same performance requirements as other fleets.

19 Specialty farm vehicles encompassing four
20 specific types of vehicles used on the farm, have no
21 mileage limits and would be exempt from all cleanup
22 requirements until 2023. However, the number of specialty
23 farm vehicles, both in San Joaquin valley and statewide,
24 would be capped under staff's proposal.

25 By January 1, 2023, all agricultural vehicles

1 must meet the 2010 model year engine requirements,
2 regardless of mileage or use.

3 --o0o--

4 MS. LINDNER: Because staff's proposal will delay
5 the installation of filters on a number of agricultural
6 vehicles, staff performed a screening analysis of the
7 potential diesel PM exposure risk from these provisions.

8 As shown in the figure, staff's preliminary
9 analysis indicates there could be an elevated risk of
10 greater than ten in a million resulting from emissions of
11 uncontrolled vehicles delivering products to a point of
12 first processing. This increased risk appears to be
13 focused along roadways leading to the processing facility
14 and resembles observed risk levels along freeways in urban
15 areas. The risk would vary depending on the number of
16 uncontrolled trucks traveling on the roadway, distance
17 from the roadway, and other factors.

18 While staff does not believe that these findings
19 are sufficient to delay staff's proposals for agricultural
20 vehicles, staff believes it is necessary to better
21 understand this potential impact by evaluating several
22 actual facilities throughout the state.

23 Staff is proposing to report back to the Board in
24 2009 and present appropriate recommendations to address
25 potential impact on communities.

1 potential cost of the regulation, staff is proposing to
2 monitor any shifts in student transportation associated
3 with staff's proposal.

4 --o0o--

5 MS. LINDNER: Today, all new heavy-duty diesel
6 engines are equipped with PM exhaust controls, typically
7 filters. This means that there is a current pool of
8 vehicles already operating in the state that meet the PM
9 performance requirements of the regulation.

10 As a result of previously adopted ARB regulation
11 and incentive programs, there are several thousand
12 vehicles in operation that have filters installed. These
13 vehicles utilize eleven currently verified PM retrofits
14 produced by eight different manufacturers. These
15 retrofits are currently available for most trucks on the
16 road today.

17 Looking forward, new engine manufacturers are on
18 track to meet 2010 engine standards with engines that are
19 expected to be more fuel efficient than the engines they
20 are producing today.

21 Also, retrofit manufacturers are currently
22 demonstrating high level NOx control technology on about
23 70 vehicles in California and Texas using selective
24 catalytic reduction, or SCR, while in Europe, there are
25 over half a million vehicles in operation already equipped

1 with this technology.

2 Finally, sufficient new and used cleaner diesel
3 vehicles should be available to meet the anticipated
4 increased demand for the proposed regulation.

5 --o0o--

6 MS. LINDNER: Staff believes it is appropriate to
7 modify several other existing regulations to provide
8 relief to vehicles that are subject to multiple existing
9 regulations and to make changes to improve their overall
10 clarity and enforceability.

11 These changes include provisions for privately
12 owned street sweepers and two-engines cranes. Currently,
13 these vehicles may be subject to three other regulations.

14 In addition, changes are needed to the public
15 fleet and utility regulation to ensure that filters are
16 installed on all vehicles, that appropriate retirement
17 credit is provided to all fleets, and that private
18 utilities have a clear path towards meeting the
19 requirements of both regulations.

20 Also, changes to the drayage truck regulation are
21 being proposed so that filters will be installed on all
22 vehicles traveling to port and intermodal rail facilities
23 in the state. Staff is also proposing that certain
24 vehicle types, in particular armored cars and workover
25 rigs, be allowed to idle consistent with the necessary

1 operating requirements of those vocations.

2 --o0o--

3 MS. LINDNER: Now that we've covered the
4 requirements of the proposed regulation, let's turn to the
5 total cost and benefits it will provide.

6 --o0o--

7 MS. LINDNER: To evaluate both the environmental
8 and economic impacts of staff's proposal, it is first
9 necessary to ensure that staff has the most accurate
10 emission inventory available.

11 The updated truck and bus emissions inventory
12 developed for the proposed regulation builds upon ARB's
13 current on-road emissions inventory model, EMFAC 2007.

14 Over the past several years, staff analyzed a
15 variety of new data sources, including DMV records, fuel
16 tax and registration fee programs, US Census data, and
17 specialized surveys.

18 Using this information, staff developed more
19 detailed truck and bus categories which better
20 characterize the diversity of truck and bus operations in
21 California.

22 The improved inventory differentiates between
23 in-state and out-of-state trucks, combination and single
24 unit trucks, different vocations, and fleet sizes.

25 Each of these new vehicle categories have their

1 proposed regulation are significant, so are its costs.

2 Staff estimates the costs of the proposed
3 regulation to be \$5.5 billion between 2010 and 2025. Of
4 this, about 4.5 billion is attributable to California
5 registered vehicles, and one billion for out-of-state
6 vehicles, with most of these costs falling on the
7 warehousing and transportation sector.

8 In estimating these costs, staff's analysis
9 compared the costs of normal replacements to the costs
10 expected to comply with the regulation for nearly 700
11 actual fleets.

12 The analysis was predicated solely on vehicle
13 replacements and filter costs. To the extent NOx
14 retrofits become available, costs could be lowered.

15 The analysis also included both capital and
16 annual costs, including things such as loss in value of
17 older vehicles, increased cost for newer vehicles, and
18 reporting costs.

19 Overall, the cost effectiveness compares
20 favorably with previous regulations adopted by the Board.

21 --o0o--

22 MS. LINDNER: In considering the costs, it is
23 important to understand how used vehicles play a
24 significant role in reducing the overall compliance costs
25 for fleets.

1 company, staff concluded that the impact of the proposed
2 regulation would be relatively small because these fleets
3 typically replace most of their vehicles sooner than the
4 regulation would require. Staff estimates the impact to
5 be about a penny per mile compared to typical revenues
6 ranging from \$1.00 to \$1.50 per mile.

7 For large construction companies with off-road
8 equipment, staff estimates that the proposed regulation
9 would add about six percent of the cost of the existing
10 in-use off-road vehicle regulation.

11 Staff has also determined there will be little
12 overlapping costs between the proposed regulation and the
13 proposed truck and trailers greenhouse gas regulation. A
14 more detailed discussion of this will be provided later in
15 staff's presentation.

16 Staff also considered the impact of several
17 existing regulations on cranes and two-engine sweepers and
18 concluded that there could be a significant impact.

19 To address this, staff has developed this
20 proposal to better reduce emissions from these vehicles,
21 while resulting in lower compliance costs.

22 --o0o--

23 MS. LINDNER: Staff recognizes that the current
24 economic climate is poor and it is unclear when the
25 economy will recover. However, it's important to note

1 again that the first retrofit requirements of the proposed
2 regulation don't begin until 2011 and no vehicles would be
3 required to be replaced until 2013, providing time for
4 fleets to realize a recovery in their revenues before any
5 capital investments would be required.

6 In evaluating the impacts on the economy of the
7 state, staff used a peer-reviewed economic model to
8 evaluate the impact the regulation would have on
9 California's \$3.1 trillion economy and found that there
10 would be a reduction in gross domestic product of about
11 0.0014 percent.

12 For jobs, staff believe the proposed regulation
13 could slow growth in some sectors, while increasing it in
14 others.

15 Staff expects most fleets to pass through their
16 costs to customers and consumers. However, the impact on
17 the consumer should not be noticeable, resulting in a few
18 more dollars from increased transportation costs on the
19 price of a new car or on a pair of shoes.

20 Although the overall impact to the economy and
21 the consumer should be small, it will affect fleets
22 differently. To better understand this, staff evaluated
23 the potential impacts on actual individual companies. The
24 following three slides provide a summary of the impacts on
25 one such company.

1 --o0o--

2 MS. LINDNER: This shows the estimated costs
3 associated with the compliance actions just shown.
4 Normally, this fleet would spend about \$80,000 per year
5 purchasing used four-year-old vehicles.

6 The dashed lines shows the normal investments
7 made when replacing vehicles without a regulation in
8 place. This fleet would comply by continuing to buy used
9 vehicles. To lower the capital investments required, the
10 fleet can purchase older vehicles than normal that are
11 otherwise cleaner.

12 --o0o--

13 MS. LINDNER: To help fleets understand what
14 actions are needed and what they need to do to comply with
15 the regulation, staff also plans to develop and conduct an
16 extensive ongoing outreach program. This campaign will
17 build on the outreach staff has already done throughout
18 development of the proposed regulation. Staff is
19 committed to continue to work with industry groups to
20 inform their members about the regulation.

21 Staff will hold training workshops across the
22 state and invite manufacturers of verified filters to
23 share information about their products with affected
24 fleets.

25 Staff would provide training and educational

1 when fleets are downsizing and are an important addition
2 to the proposed regulation considering the current
3 economic climate.

4 Staff is also proposing to provide additional
5 hours of use, until 2014, for two-engine sweepers that are
6 used for back-up service. This is important to address
7 some of the unique economic issues facing small,
8 independent sweeper fleets.

9 Staff is proposing to delay the replacement
10 requirements for motor coaches to provide more time for
11 fleets to replace these vehicles, which can cost as much
12 as 250 to \$300,000 used.

13 Finally, staff is proposing other minor
14 clarifying and corrective changes to the proposed
15 regulation.

16 This concludes my part of the presentation.

17 CHAIRPERSON NICHOLS: Why don't we take just a
18 brief pause here so Board members can ask questions. This
19 was a lot of material to cover here. So this would be a
20 good point if anybody has any specific questions about the
21 material that was presented if you want to go into any of
22 it now.

23 Does anybody want to raise anything?

24 Yeah. Go ahead.

25 BOARD MEMBER ROBERTS: Back to what's indicated

1 in slide 47. Back to what is our slide 47, it's called
2 impacts of recession on emissions.

3 Is this -- I mean, is there some analysis or is
4 this -- it almost reads like, well, you have one thing
5 that's there and something else. It's hard for me to
6 believe even in the older vehicles they're not traveling
7 for fewer miles with a net effect there's less emissions,
8 but we've kind of dismissed that. It seems a little quick
9 to me to dismiss so quickly.

10 CHAIRPERSON NICHOLS: Yeah. I think this is
11 worthy of some more discussion. And I'm sure it's going
12 to come up.

13 Does somebody want to take that one on?

14 MR. BENJAMIN: Yeah. This is Michael Benjamin,
15 Chief of the Mobile Source Analysis Branch.

16 My staff did this analysis, and we looked at a
17 number of different data sets. The first data set that we
18 looked at was monthly VMT data from Caltrans. They have a
19 network of 10,000 imbedded roadway sensors around the
20 state. With that information, they can see what the
21 trends in vehicle miles traveled are, not just for
22 passenger cars, but for trucks. So we looked at that data
23 for the past about eight years.

24 We also looked at monthly fuel sales, diesel fuel
25 sales data published by the Board of Equalization, and

1 this represents diesel fuel sold from the refinery to the
2 distributor. And the relationship between these two tract
3 very well. So in other words, when there is an economic
4 expansion as we saw up until about 2005, 2006, there was
5 an increase in diesel fuel sales as well as truck VMT
6 driven.

7 There is quite a bit of variability in the data
8 from month to month and a various pronounced seasonal
9 effect with more driving and fuel usage in the summer than
10 the winter.

11 We also looked at national truck sales data from
12 Wards database. We looked at the historical relationship
13 of those truck sales to the GDP and the economic in the
14 trucking sector. And there was again a strong
15 relationship with during recession periods new truck sales
16 were down. So clearly during those periods of time during
17 a recession, the fleet as a whole will tend to get older
18 as you have less replacement of older vehicles.

19 And since the emission rates between new vehicles
20 and the older vehicles are quite significant, it
21 definitely does counter the VMT reduction that you would
22 have. So we definitely see that there will be emission
23 reductions as we said in the staff presentation related to
24 less fuel use and to less VMT.

25 But the tricky part is to understand how the

1 turnover will be impacted by fewer sales. And we were
2 able to do a qualitative assessment. But we don't know to
3 what degree the new truck sales -- the reduction in truck
4 sales would offset the reduction in VMT.

5 BOARD MEMBER ROBERTS: That's really at the heart
6 of my question. Because it seems to me your analysis goes
7 so far and then you kind of jump or at least lead us to
8 our conclusion I'm not comfortable with. Because
9 intuitively I guess I come to just the opposite conclusion
10 that you do.

11 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
12 WHITE: Maybe we can put up slide number 21, which I think
13 what you're hearing is is that -- you're absolutely right.
14 As vehicle miles go down, less fuel is used. Less
15 emissions occur.

16 But what you have competing with that is the
17 delay that fleets will take in terms of perhaps putting
18 off the purchase of a newer vehicle and the importance of
19 just even a year or two in terms of model year how
20 important that is. And on the slide we show how in-use
21 NOx emissions change by model year.

22 BOARD MEMBER ROBERTS: No. I understand that.
23 But let me say what if I own three or four trucks. It may
24 be that I'm using the newer trucks and not the older
25 trucks.

1 So I think you're making a big guess on this.
2 And I don't have the confidence in that guess that you
3 seem to have.

4 (Applause)

5 CHAIRPERSON NICHOLS: We're trying to --

6 BOARD MEMBER ROBERTS: It's not going to help
7 with the applause. You don't want to do that.

8 RESEARCH DIVISION CHIEF CROES: Let me take
9 another quick shot at it.

10 If you look at the left-hand one on NOx, you can
11 see that even for the 2004 to 2006 trucks, which are
12 virtually new, the NOx is way, way more than it is for the
13 2007 to 2009 and way, way more than 2010.

14 So what we're seeing is that fleets that can make
15 decisions to even keep these newer trucks and not turn
16 them over. In fact, making a decision to have way more
17 NOx than they would if they chose to turn them over as
18 they could under normal economic times.

19 BOARD MEMBER ROBERTS: Maybe I'm not clear on
20 what I'm saying. We'll get there eventually.

21 CHAIRPERSON NICHOLS: Intuitively, this is a
22 tough sell, frankly.

23 BOARD MEMBER ROBERTS: But to some extent, I
24 think to just say it's a wash is a little speculative. I
25 mean, I would feel better if you could say we don't know

1 for sure.

2 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

3 WHITE: I think -- I don't think we do know. I mean, you
4 can make certain estimates and guesses as to how things
5 will change and certainly arrive at a different number.

6 And you have two competing impacts of emissions
7 coming from used and also holding on to the vehicle longer
8 and which one ultimately wins in terms of which way
9 emissions go. I don't think we could say with certainty
10 we know one way or the other.

11 BOARD MEMBER ROBERTS: That was the point I was
12 trying to make.

13 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

14 WHITE: Maybe that's not what you were looking for.

15 BOARD MEMBER ROBERTS: You've kind of led us to
16 that conclusion. But you're saying there's two things
17 happening. But at the end of the day, we're not quite
18 sure whether they're equivalents or not.

19 I notice you didn't chart it out and show us how
20 it happens over time. I mean, there's two different
21 things are happening. We're not quite sure of the weight,
22 whether they're equal or unequal. Maybe it's even better.

23 But I'm not convinced at least as I look at this
24 that -- and I'm not comfortable with just sort of saying
25 it's a wash. I understand there are two different things

1 happening, and it's hard to get a pretty good handle on
2 either of them.

3 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
4 WHITE: That's right. And it has both near term as well
5 as long term implications as well.

6 BOARD MEMBER ROBERTS: I understand. It's going
7 to shift some of the gains would you get from the trucks
8 you could otherwise buy. But it also maybe that given the
9 nature of the economy, you may find the older trucks
10 aren't being used and that there's a benefit -- a net
11 benefit to the lower vehicle miles traveled. I don't
12 know.

13 CHAIRPERSON NICHOLS: Well, I think the one
14 area -- I mean, there is data available on both of these
15 things actually. I think that's what the staff is saying
16 is they've got the data that exists and they've just run
17 the data. They're not making up numbers or models here.
18 They're actually working with what data exists that can
19 tell you how much these vehicles actually are being driven
20 and what's happening in terms of fleet turnover. And I
21 don't think we -- I don't know that we can pursue it right
22 now.

23 But that is the question is where else are you
24 going to go for information if you're not going to look at
25 the data that we do have.

1 Anyway, I think it's time to continue. We
2 unless -- sorry. Another question.

3 BOARD MEMBER D'ADAMO: Just a quick question
4 about the so-called three-day pass.

5 EXECUTIVE OFFICER GOLDSTENE: For out-of-state
6 vehicles?

7 BOARD MEMBER D'ADAMO: Yeah. I'm just concerned
8 about gaming the system. And I understand you're saying
9 it would be a pass that would be available only for a
10 truck that wouldn't otherwise have come to California.
11 What exactly is the criteria?

12 MR. BRASIL: The provision is in there that the
13 out-of-state fleets can take advantage of all the
14 provisions we built in for the in-state fleets.

15 Fleets that are using the fleet averaging
16 provision would have to identify annually which vehicles
17 are coming to California or are in California and include
18 those in their average.

19 A fleet who replaces a vehicle or does not -- did
20 not include in their average a vehicle that would come to
21 California a single time would be able to bring in that
22 vehicle just the one time. This is largely to address the
23 owner-operators who may not come to California normally
24 has a load to pick up in California. He could come one
25 time without having to replace his truck or put on a PM

1 retrofit to pick up the one load.

2 They would have to identify in advance and report
3 to us they would be here for the three days. And they
4 could not use that provision again for another year.

5 BOARD MEMBER D'ADAMO: So just to clarify, if I
6 own a large fleet and I've identified the trucks and my
7 plan for compliance, if suddenly I decide, you know, a
8 third of my fleet normally goes in California, two-thirds
9 doesn't. I can't just randomly select trucks from the
10 two-thirds that's not coming into California and cycle
11 them through?

12 MR. BRASIL: No. It would be limited a single
13 truck per company per year.

14 BOARD MEMBER D'ADAMO: But if I own this large
15 fleet and I've identified my compliance plan, would I
16 still be allowed to utilize that three-day pass?

17 MR. BRASIL: The way we've proposed it, you would
18 be able to for one truck that was not in your plan at the
19 beginning of the year.

20 CHAIRPERSON NICHOLS: So it's a very small safety
21 valve.

22 MR. BRASIL: It's for unanticipated a truck
23 breaks down and you replace it with a different one that
24 wasn't in your system at the beginning of the year, you
25 have a mechanism to still operate it the one time.

1 BOARD MEMBER D'ADAMO: Okay.

2 CHAIRPERSON NICHOLS: Dr. Telles.

3 BOARD MEMBER TELLES: I have quite a few
4 questions. One is the economic impact. I'll start with
5 that. I think it was slide 47.

6 I think the question that is going to be probably
7 asked today and I would like an answer to is which is --
8 not addressed in the economic impacts slide anywhere in
9 here is how many truckers would actually be put out of
10 business by this provision?

11 I know that's a very hard to thing to ask, but I
12 think that's one of the things we're going to be hearing
13 today. And I wonder if you have any analysis of that,
14 what would be the economic -- I mean, that's a fatal
15 economic impact if you're put out business if you're that
16 particular trucker. But what kind of numbers have you
17 come up with, or do you have any numbers?

18 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
19 WHITE: Well, I guess we didn't really estimate that the
20 regulation was going to put businesses out of business or
21 prohibit independent owner-operators from continuing to
22 perform in the vocation that they are.

23 And we did that really in one of two ways. One
24 was to provide some stringent requirements, provide them
25 more time and give them a smaller first step so they can

1 go buy an older used truck -- cleaner than what they had,
2 but older used truck to comply with the requirements of
3 the regulation.

4 The second is really looking at targeting the
5 incentive funding towards the owner-operators as a way to
6 combine existing grant programs as well as low interest
7 loans and allow them to get into a newer used truck for
8 what we would hope would be at a reasonable monthly
9 payment and allow them then to continue to operate with
10 that.

11 And that newer truck brings along several
12 advantages to them that they don't have with the older
13 vehicles. More reliable. Maintenance cost will be lower.

14 So our expectation is that that type of situation
15 will occur as well as though there's going to be a need to
16 pass through the cost. We expected many if not most
17 fleets to pass through the costs to their customers, to
18 the consumers and so --

19 BOARD MEMBER TELLES: I don't want any hisses or
20 boos. I'm just trying to look for data. I think this is
21 one of the major data items which is missing is we don't
22 know the economic impact to certain small businesses.

23 MR. BENJAMIN: We actually do have a source of
24 information we could use, which is one of our primary data
25 sources was the DMV registration data that we used to

1 determine how many trucks there were in California and
2 their fleet size.

3 So we can use that same source of information as
4 we go forward to understand how does the fleet change in
5 terms of the number of fleets, the number of trucks that
6 are going to be on the road and their age. And we can
7 then link that to the economy.

8 But again this is going to be more as a
9 retrospective.

10 BOARD MEMBER TELLES: I want a number. How many
11 are we going to put out of business?

12 I don't want any claps or anything. I mean, this
13 is a serious issue and I think it should be addressed.

14 I don't think we're dealing with, you know, the
15 CEO of General Motors. I think we're dealing with a lot
16 of the small businesses here.

17 EXECUTIVE OFFICER GOLDSTENE: Dr. Telles, there
18 are a lot of factors that would go into trying to predict
19 what that would be. I don't know it's possible to predict
20 it and present to the Board a single number because so
21 much would depend on how an individual -- how an
22 individual runs their business and their customers.

23 We're very sensitive to that, which is why in the
24 proposal we've come up with nearly a billion dollars in
25 funding which we're going to target towards really smaller

1 owner-operators. That's why the rule has been structured
2 the way it is, because we're sensitive to the question
3 you're asking, but I don't know how we can give you a
4 number.

5 CHAIRPERSON NICHOLS: I think I'm going to
6 suggest that with several of these questions it doesn't
7 make a lot of sense to try to answer them off the cuff.

8 Dr. Telles clearly isn't happy with the answer.
9 I suggest that we -- you, I should say, regroup and prior
10 to this coming back for a vote tomorrow decide how to
11 address that question. The question has been put on the
12 table.

13 BOARD MEMBER TELLES: I probably have some
14 perspectives you'll be more happy with.

15 What is the cost per ton? Do you have an
16 estimate there? Coming from an air pollution control
17 district, you always look at cost per ton for NOx
18 emissions reduction. And I think it's a helpful way to
19 look at that.

20 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
21 WHITE: Yes. And we actually had it in there in one
22 version of the presentation but took it out to streamline
23 it.

24 But typically what we've done in the past is look
25 at cost per pound, but same metric. For this particular

1 proposal, it's about \$1.40 to \$1.90 per pounds of NOx
2 which is actually very cost effective relative to many of
3 the measures the Board has approved in the past.

4 And on the PM side, we're about 42 to \$48 per
5 pound, which is well below many of the other PM only type
6 of control measures that the Board has approved in the
7 past.

8 BOARD MEMBER TELLES: And the way we look at it
9 in the San Joaquin Air District is dollars per ton. And
10 if you reduce the total NOx by 480,000 tons, which the
11 rule does, and you divide it by 5.5 billion, you end up
12 with somewhere around \$12,000 per ton reduction of NOx for
13 this rule, which is an acceptable number in what it's done
14 in their districts where, you know, our ISR rule number is
15 somewhere around ten to \$15,000 per ton. And we have
16 passed things -- and I'm sure some of the other air
17 district control people here probably passed some rules up
18 around \$50,000 a ton.

19 So I think from that perspective this is an
20 affordable rule. I mean, it's not totally out of line.

21 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Dr.
22 Telles, we've typically used something around \$11 a pound
23 for NOx or HC. When it gets into that level, you start
24 taking a pretty close look at it. And that's \$22,000 a
25 ton. So even with your calculation, this is about half of

1 that.

2 And on the PM one, I think the cost benefit ratio
3 for that breaks even as somewhere in the 250 to \$275
4 dollars a pound for PM. So we are well below that in this
5 rule as well.

6 CHAIRPERSON NICHOLS: Thank you.

7 Are there any other questions? Ms. Berg.

8 BOARD MEMBER BERG: I think what I'd like to do
9 is if any other Board members of course have any comments
10 but get to the public testimony when you're comfortable
11 and reserve my comments and questions as we get into the
12 testimony. Because I do also have quite a few questions
13 on the economic impact and certain ways we're going to --
14 who's going to determine what is safe and what is not
15 safe. But instead of going into a lot of different
16 things, I'd like to hear some more testimony.

17 CHAIRPERSON NICHOLS: Okay. Fair enough.

18 I think we're going to hear another staff
19 presentation on the greenhouse gas rule next before we
20 even get to public testimony here. This is a long set of
21 presentations by the staff. But I think it makes sense to
22 lay out what's on the table first before we get to the
23 public.

24 But if people are planning the rest of their day
25 and their evening, I want to tell you what our plans are

1 here. I think most people know that we're starting
2 tomorrow morning and we're planning on taking tomorrow as
3 long as it takes to get through all of the public hearing
4 items before we take any action on these rules.

5 But the Board has agreed to stay into the evening
6 so that we can accommodate as many people who want to
7 testify tonight as possible. And so we will take a couple
8 of fairly short breaks for stretching, comfort, and food,
9 but we will be going on into the evening probably until
10 about nine o'clock which I think is about as late as
11 anybody should try to listen or speak. So just so you
12 know, that's what our plan is. And then come back
13 tomorrow and start in again in the morning early, 8:30
14 actually the Board is going to get together.

15 So I'm going to turn its back over to the staff
16 for the next piece of this presentation.

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

19 Now Stephen Lemieux will present staff's truck
20 and trailer greenhouse gas proposal.

21 --o0o--

22 MR. LEMIEUX: Chairman Nichols and members of the
23 Board, I will now discuss staff's proposed regulation that
24 would reduce greenhouse gas emissions in California by
25 reducing the aerodynamic drag and rolling resistance of

1 heavy-duty tractors and trailers.

2 --o0o--

3 MR. LEMIEUX: First, to provide some perspective
4 on the importance of the proposed regulation, shown here
5 is a breakdown of manmade greenhouse gas sources within
6 the state during the years 2002 through 2004.

7 As shown, the transportation sector, which
8 includes on-road vehicles, airplanes, trains, and marine
9 vessels, is the largest contributor to the total statewide
10 greenhouse gas inventory, producing approximately 38
11 percent of the state's total greenhouse gas emissions.

12 In 2020, greenhouse gas emissions from this
13 sector are projected to increase by 50 percent relative to
14 the 1990 levels. Thus, emissions from the transportation
15 sector need to be reduced significantly in order to
16 achieve the AB 32 goal of reaching 1990 greenhouse gas
17 levels by the year 2020.

18 --o0o--

19 MR. LEMIEUX: To see how heavy-duty trucks in
20 particular contribute to greenhouse gas emissions, this
21 pie chart shows just the greenhouse gas contribution from
22 the transportation sector. As shown, heavy-duty trucks
23 have a significant impact, contributing 19 percent of the
24 transportation sector greenhouse gas emission. Note
25 that passenger cars are already subject to greenhouse gas

1 requirements in California, pending a waiver from US EPA.

2 --o0o--

3 MR. LEMIEUX: The goal of the proposed regulation
4 is to reduce greenhouse gas emissions from long-haul
5 tractors and trailers by improving their fuel efficiency.

6 Specifically, improvements in fuel efficiency
7 will be accomplished by requiring the use of more
8 streamlined new tractors and the installation of
9 aerodynamic technology on new and in-use 53-foot long
10 box-type trailers.

11 In addition, the proposal would require low
12 rolling resistance tires for both new and in-use long-haul
13 tractors and the trailers they pull.

14 The technologies that would improve fuel
15 efficiency will be described in greater detail later in
16 the presentation.

17 --o0o--

18 MR. LEMIEUX: The proposed requirements are based
19 on existing U.S. EPA SmartWay Program. The SmartWay
20 Program is a voluntary partnership between the U.S. EPA
21 and the freight industry with the goal of increasing
22 energy efficiency while reducing greenhouse gas emissions.

23 The SmartWay Program has established test
24 protocols and guidelines for certifying fuel efficient
25 tractors and trailers equipped with aerodynamic

1 average, trailer to tractor ratio of 2.5 to one, staff
2 estimates that the total number of trailers affected by
3 the proposed regulation would be over one million.

4 --o0o--

5 MR. LEMIEUX: SmartWay certified tractors need to
6 meet the requirements of staff's proposal are available
7 today. As SmartWay certified tractor must meet US EPA's
8 design specification, to qualify as a SmartWay certified
9 tractor, it must have an overall aerodynamic profile and
10 be equipped with most of aerodynamic technologies briefly
11 mentioned on an earlier slide.

12 Most major tractor manufacturers currently offer
13 at least one tractor model that is SmartWay certified. A
14 SmartWay certified tractor will reduce fuel consumption by
15 three to four-and-a-half percent compared to a regular
16 tractor, resulting in an annual fuel savings of
17 approximately \$1800. When considering that the average
18 incremental capital cost of purchasing a SmartWay
19 certified tractor model is 2,100, the return on investment
20 from fuel savings is a little over one year, an excellent
21 return on investment for any business.

22 --o0o--

23 MR. LEMIEUX: Like the tractors, new SmartWay
24 certified trailers are also currently available today.

25 These trailers are outfitted with a combination

1 Responsibility for compliance would primarily
2 rest with the owners of the tractors and the trailers, but
3 various other parties would also share the responsibility
4 including the drivers, the motor carriers, the
5 California-based brokers that dispatch the tractors and
6 trailers and California-based shippers that ship freight.

7 --o0o--

8 MR. LEMIEUX: I would now like to focus on the
9 specific requirements of the proposal.

10 The proposed regulation would require 2011 and
11 newer model year sleeper cab tractors that operate in
12 California, regardless of the state of registration, to be
13 SmartWay certified. This requirement would take effect on
14 January 1, 2010. These tractors would be equipped with a
15 full aerodynamic package and low-rolling resistance tires.

16 For day cab tractors operating in California,
17 beginning with model year 2011, the proposed regulation
18 would only require the use of low-rolling resistance tires
19 beginning on January 1, 2010. The proposed regulation
20 would not require these tractors to be SmartWay certified
21 since US EPA has not yet developed SmartWay specifications
22 for day cab tractors.

23 Lastly, for 2010 and older year model year
24 tractors operating in California, only the use of
25 low-rolling resistance tires would be required, beginning

1 on January 1, 2012. Retrofitting with aerodynamic
2 equipment would not be required on these older models
3 since in most cases it would not be technically feasible
4 or cost effective.

5 --o0o--

6 MR. LEMIEUX: Staff's proposal would also require
7 2011 and subsequent model year 53-foot or longer box-type
8 trailers that operate in California to be either SmartWay
9 certified or be retrofitted with SmartWay verified
10 technologies.

11 For those that are retrofitted, they would need
12 to be equipped with SmartWay low-rolling resistance tires.
13 They would also need to be equipped with SmartWay verified
14 aerodynamic devices that would improve the fuel efficiency
15 by five percent for dry vans and four percent for
16 refrigerated vans. This reason for this fuel efficiency
17 difference is that some technologies are not available for
18 refrigerated vans.

19 --o0o--

20 MR. LEMIEUX: For the 2010 and older model year
21 trailers that operate in California, they would be subject
22 to the same requirements applicable to the newer trailers,
23 except they would have more time to comply, until January
24 1, 2013.

25 2010 and older models year trailer owners would

1 also have the option of an expended compliance plan based
2 on whether their fleet size is considered small or large.
3 A separate optional compliance plan would also be
4 available for refrigerated vans. I will briefly discuss
5 these three plans in the next few slides.

6 --o0o--

7 MR. LEMIEUX: To ease the burden of up-front
8 capital costs, fleets with 20 or fewer 2010 and older
9 model year trailers would have the option to participate
10 in the small fleet compliance schedule. This is a
11 deferred schedule, allowing smaller fleets to stretch out
12 compliance requirements over several years. Fleets would
13 be given until December 31st, 2016, to complete their
14 compliance phase in.

15 Similarly, fleets of 21 or more 2010 and older
16 model year trailers would also have the option to
17 participate in an optional compliance schedule which would
18 allow them to delay full trailer compliance until December
19 31, 2015. However, by opting to participate in this
20 schedule, fleets would be required to begin bringing some
21 trailers into compliance earlier, starting in 2010.

22 Large fleets also can act early and bring
23 trailers into compliance prior to 2010 and receive credit.
24 Specifically, fleets with trailers brought into compliance
25 prior to January 1, 2010 would use earned credits to delay

1 the compliance of other trailers until the 2016 Calendar
2 year.

3 To participate in both the small and large fleet
4 compliance schedule, a fleet would be required to submit a
5 compliance plan and must allow ARB staff to audit their
6 records periodically.

7 Those fleets that do not submit a compliance plan
8 would have to have every trailer operating in California
9 in compliance by 2013.

10 In consideration of up-front capital costs
11 imposed on fleets that have refrigerated van trailers also
12 subject to the previously adopted transportation
13 refrigeration unit rule during the same time period,
14 staff's proposal would allow fleets to delay compliance
15 with the proposed requirements for certain refrigerated
16 trailers. These trailers would have between 2017 through
17 2019 to comply, depending on the model year of the
18 trailer.

19 --o0o--

20 MR. LEMIEUX: In developing the proposal, it
21 became clear that some tractors and trailers should be
22 exempt from the proposed requirements because of either
23 their operation or their design.

24 For example, short-haul tractors and trailers
25 would be exempt because they typically travel a majority

1 within California alone, and approximately five billion
2 gallons of diesel fuel from nationwide operation.

3 --o0o--

4 MR. LEMIEUX: The proposed regulation imposes up
5 front capital costs to purchase and install technologies.
6 One installed, fuel savings will quickly recoup the
7 up-front costs.

8 Shown here is an example of the average cost of
9 compliance, the fuel savings realized, and the payback
10 period.

11 The two columns compare the cost and savings
12 between a typical tractor and trailer based on whether the
13 tractor was a new SmartWay certified tractor or was an
14 older, yet compliant tractor retrofitted with low-rolling
15 resistance tires.

16 Note that because the SmartWay tractor is more
17 aerodynamically styled than the standard in-use tractor,
18 the fuel efficiency gains are greater for the SmartWay
19 tractor, 10 percent versus 8 percent.

20 Correspondingly, the incremental cost of the
21 SmartWay tractor is higher, \$2100 versus \$250. But the
22 payback period for the retrofitted tractor and trailer and
23 the SmartWay tractor and trailer is roughly the same.

24 As mentioned earlier, the ratio of tractors to
25 trailers varies considerably from fleet to fleet. Many

1 double counting new tractors and trailers sold each year
2 and underestimated the savings of such vehicles.

3 --o0o--

4 MR. LEMIEUX: Based on the comment received by
5 stakeholders during the 45-day comment period, staff
6 proposes to the Board the following 15-day changes to the
7 proposed regulation.

8 Staff proposes removing the 100-mile operating
9 range exemption from the tire requirements, but keeping
10 the exemption for tractors that travel less than 50,000
11 miles annually. The rationale for this proposal is that
12 tractors and trailers that accrue more than 50,000 miles
13 per year but stay within 100 mile operating range are
14 likely to be traveling a significant portion of their
15 mileage at highway speeds and will receive greenhouse gas
16 reductions. Even if tractors are operating at lower
17 average speeds, benefits will accrue due to high truck
18 utilization and the relatively low cost or no incremental
19 cost of the tires.

20 Another proposed modification applies to
21 refrigerated van trailers. Staff proposed to remove the
22 reporting requirements for refrigerated van trailers
23 because compliance would be determined by the model year
24 of the trailer and not based on any plans made by the
25 fleet owner. This change would remove a reporting burden

1 and reduce cost to the affected fleets.

2 Staff also proposes to exempt solid waste
3 trailers because these trailers often travel off-road to
4 landfills. And thus, side skirts and low-rolling
5 resistance tires may not be appropriate for these
6 trailers.

7 Staff also proposes to make other minor
8 modifications as appropriate to add specificity and
9 clarity to the proposed regulation.

10 EXECUTIVE DIRECTOR GOLDSTENE: Thank you.

11 Madam Chairman, we didn't know if you want to
12 take more questions on this item.

13 BOARD MEMBER BALMES: I was wondering why flatbed
14 trailers are not included. I understand that flatbed
15 trailers would have less aerodynamic drag to start with.
16 But the tractors and their tires could be streamlined.
17 But the tractor could be streamlined. You have an
18 improved tires. Is there a specific reason why flatbed
19 trailers are not included?

20 MR. LEMIEUX: Specifically, the design of a
21 flatbed trailer is different than a dry van. They do a
22 lot flexing. And so when you look at an unloaded flatbed,
23 you'll see it has an arch to it. So the designs of
24 skirting technologies that typically fit right along the
25 underneath of the trailer -- and usually those trailers

1 are straight -- so it requires additional design. That's
2 one factor. There's not really any currently designs
3 available for those trailers.

4 BOARD MEMBER BALMES: So I understand that. But
5 why not the tires, for example?

6 MR. LEMIEUX: Also, flatbeds oftentimes go
7 off-road to deliver equipment in different facilities. So
8 staff didn't have the opportunity or the time to really
9 evaluate the effects of the tire needs for that type of
10 equipment or that type of operation. So we plan to come
11 back to the Board and evaluate that and propose tire
12 requirements for flatbed and other trailers in the future.

13 CHAIRPERSON NICHOLS: The very good numbers on
14 this reflect the fact that this is the SmartWay Program
15 certified devices that already have been through a process
16 of being certified. And all we're doing is really taking
17 them and putting them into our early action plan for AB
18 32.

19 Okay. Well, at this point I think we should take
20 a break of about 15 minutes, no more. Try to make it ten.
21 But 15 and we'll come back. Resume.

22 (Thereupon a recess was taken.)

23 CHAIRPERSON NICHOLS: Mr. Goldstene, we are going
24 to begin.

25 EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman

1 Nichols.

2 Eric White is going to discuss the overlap
3 between the two proposed regulations. And then we're also
4 going to talk about the incentive funding. And you may
5 want to take a break in between depending.

6 Eric.

7 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

8 WHITE: Thank you, Mr. Goldstene.

9 I will now discuss how the requirements of the
10 truck and bus regulation and the truck and trailer
11 greenhouse gas regulation generally do not effect the same
12 fleets and most of the costs do not overlap.

13 --o0o--

14 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

15 WHITE: In general, most long-haul trucks travel
16 considerably more than 100,000 miles per year, are
17 purchased new, and are replaced in three to seven years.

18 These trucks, which must meet the requirements of
19 the proposed truck and trailer greenhouse gas regulation,
20 are normally replaced ahead of the schedule proposed in
21 the truck and bus regulation.

22 In contrast, a typical truck that would need to
23 be cleaned up under the truck and bus regulation would be
24 about 12-years-old, with most traveling less than 50,000
25 miles per year. This means that most older trucks would

1 both in the field as well as auditing fleets.

2 We also plan to expand our existing reporting
3 systems to receive and maintain vehicle information and
4 intend to cross check the information reported with other
5 existing registration programs.

6 Staff will also request additional resources to
7 augment ARB's existing enforcement, outreach, and
8 implementation activities.

9 --o0o--

10 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

11 WHITE: I will now discuss the availability of incentive
12 funding and how ARB's incentive programs are being
13 coordinated to assist fleets.

14 --o0o--

15 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

16 WHITE: In aggregate, ARB's incentive programs will
17 provide greater financial assistance to on-road fleets
18 than ever before.

19 As you'll likely hear in comments and testimony,
20 industry faces significant economic challenges with the
21 proposed regulations. In these changing financial times,
22 many fleets may have trouble obtaining traditional lines
23 of credit for new equipment purchases.

24 Existing and upcoming grant programs can provide
25 substantial down payments, and new loan guarantee programs

1 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

2 WHITE: The majority of Carl Moyer Program funding will
3 still be allocated and administered by California's local
4 air districts in the traditional manner, with the changes
5 just described.

6 Additionally, staff has developed a new grant
7 option for small fleets scheduled to begin in spring of
8 2009.

9 This new grant program greatly simplifies the
10 application process. A truck owner could choose a
11 compliant new or used truck at a dealership, complete the
12 grant application while still at the dealership, and
13 within a week receive a voucher worth up to \$35,000 for a
14 down payment on that truck.

15 Staff has streamlined the administrative
16 requirement to make it easy for local air districts,
17 dealerships, and truckers to participate statewide.

18 The voucher option could also pair with the loan
19 guarantee at the same time, to provide a complete
20 financing package for a small fleet owner.

21 --o0o--

22 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

23 WHITE: Authority granted under AB 118, AB 109, and AB
24 1338 allows ARB to implement loan guarantee programs for
25 small fleets and fleets under financial hardship.

1 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

2 WHITE: About half of the one billion dollars Prop 1B
3 dedicated to emission reductions in California trade
4 corridors has been appropriated to ARB so far.

5 Funds from most recent appropriation will go
6 toward replacements of 2003 and older trucks in the form
7 of grants, regardless of fleet size. Grants will be
8 awarded competitively, based on cost effectiveness and
9 total reductions. Staff is also developing a loan
10 guarantee component for small fleets.

11 Similar to the Carl Moyer Program requirements, a
12 Prop 1B funded truck could not be part of fleet averaging
13 during the two- to three-year period in advance of the
14 BACT compliance date for that truck.

15 The Board will consider program guideline
16 revisions at the February 2009 Board hearing. The
17 proposed changes will include lowering the minimum gross
18 vehicle weight rating to 31,000 pounds to make most Class
19 7 trucks eligible for funding. Staff will also propose to
20 allow funding up to two years prior to a compliance
21 deadline, rather than a three years currently required.

22 --o0o--

23 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

24 WHITE: Now that I've explained the options available,
25 let's look in detail at what this may mean for the various

1 types of fleets affected by the proposed rules. Small
2 fleets of one to three trucks have the most funding
3 opportunities. They are eligible for Carl Moyer funding,
4 Proposition 1B funds and loan guarantees. The financial
5 assistance these programs offer will help truck owners
6 upgrade to 2007 or newer trucks, which will bring their
7 fleet into compliance beyond 2020. Upgrading to 2010 or
8 newer trucks will complete their compliance obligations
9 under the proposed regulations.

10 The Fleet Modernization Program provides Carl
11 Moyer funding to replace 1993 or older trucks, granting up
12 to \$75,000 per truck replacement. Fleet modernization is
13 only available in air districts that have approved Carl
14 Moyer Program Fleet Modernization Plans. Currently, these
15 districts include the South Coast, San Luis Obispo,
16 Sacramento, and Butte County.

17 The new voucher program offers a significant
18 grant for truck replacement as well. Although the grant
19 amount is lower than that for the fleet modernization
20 option, vouchers will be available statewide and offer a
21 quick simplified application and award process.

22 Truck replacement funds are also available under
23 the Proposition 1B Goods Movement Program if the trucks
24 move goods in California's trade corridors. These include
25 the Central Valley, Bay Area, Los Angeles Inland Empire,

1 for incentive funding. During the technology tour
2 tomorrow morning, you will have a chance to preview some
3 of these innovative devices.

4 --o0o--

5 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
6 WHITE: Agricultural vehicles and school buses have unique
7 funding options.

8 Since the proposed regulation provides
9 agricultural vehicles with extended compliance deadlines,
10 they will have longer surplus funding opportunities.
11 Whereas, incentives from most fleets will end by 2010, we
12 are providing agricultural vehicles funding eligibility
13 through 2019.

14 School buses are eligible for retrofit and
15 replacement funding through the \$200 million Prop 1B Lower
16 Emission School Bus Program. The Board has strongly
17 supported the retrofit portion of the program over the
18 years, although most school districts have preferred new
19 buses. Retrofits make economic sense since they can bring
20 ten buses in compliance for the same cost as one bus
21 replacement.

22 The School Bus Program will provide full funding
23 for at least 3500 exhaust retrofits. When staff presented
24 to this Board in March, we estimated the Lower Emission
25 School Bus Program would also replace about 1100 new

1 buses, although the exact split between bus replacement
2 and retrofit is legislatively left to the discretion of
3 local air districts.

4 Overall, the program has more than enough funding
5 to retrofit every public school bus in California that can
6 be retrofitted if a small portion of the expected
7 replacement funding is dedicated to retrofits.

8 With this shift, 95 percent of the regulatory
9 costs for school buses would be paid by the State funding.
10 In addition to the current Prop 1B program, school bus
11 replacements can be funded by other sources, including
12 local air district motor vehicle fees and the California
13 Department of Education.

14 --o0o--

15 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
16 WHITE: As I've outlined here, 2009 will bring an
17 unprecedented commitment of on-road funding programs and
18 the widest variety of program options ever afforded to
19 truck owners. This diagram shows the variety of location
20 a truck owner can choose to access the various incentive
21 programs, including local air districts, ending
22 institutions, truck dealerships, and truck stops.

23 Although most access points specialize in
24 particular program, ARB is developing a collaborative
25 outreach plan that will enable each access point to offer

1 EXECUTIVE OFFICER GOLDSTENE: Thank you, Eric.
2 Board members, you've heard a lot today about
3 just how important these proposed regulations are to meet
4 our SIP attainment demonstration. Without these
5 reductions, both the South Coast and San Joaquin Valley
6 Air Basins will not achieve federal clean air attainment.
7 This could place over half of the three billion dollars of
8 federal transportation funding that California receives
9 each year and the jobs it provides at risk.

10 But more importantly, without swift and
11 aggressive action, thousands of lives will continue to be
12 lost prematurely each year from the effects of truck
13 pollution with an economic valuation of tens of billions
14 of dollars. So while the cost of the proposed regulation
15 is significant, the benefits it provides greatly outweigh
16 its costs by greater than a factor of ten.

17 Staff has made every effort to reduce the
18 economic impacts of the proposed regulation by providing
19 significant flexibility and additional time where
20 feasible. However, the State's obligation to meet federal
21 clean air standards simply doesn't provide any opportunity
22 to slow down our efforts, and the alternatives that have
23 been forwarded by industry won't provide sufficient
24 emission reductions for us to meet our SIP targets.

25 --o0o--

1 EXECUTIVE OFFICER GOLDSTENE: The truck
2 greenhouse gas proposal is one of the nine Discrete Early
3 Action measures. As one of the early action measures, the
4 only one identified to reduce greenhouse gas emissions
5 from heavy-duty vehicles, it's an important part of the
6 greenhouse gas emissions target in AB 32.

7 Although there is a cost associated with initial
8 compliance, purchasing new tractors and trailers or
9 retrofit existing units, compliant trucks and trailers
10 will use less fuel, saving their owners and operators
11 money. Thus, the initial capital investment in control
12 technology is an investment that will pay for itself often
13 in as little as a few years.

14 --o0o--

15 EXECUTIVE OFFICER GOLDSTENE: A key element that
16 makes both of the proposed regulations feasible is that
17 this technology needed to comply with them is here today.
18 There are nearly a dozen exhaust retrofit devices
19 currently verified and available for fleets to use to
20 comply with the PM requirements of the truck and bus
21 regulation, with thousands having already been installed
22 here in California. In addition, new trucks are rolling
23 off assembly lines today already equipped with filters,
24 and engine manufacturers are on track to produce even
25 cleaner 2010 compliant engines.

1 study, I don't know if the Board wants to ask any
2 questions about the rule or if you want to move.

3 CHAIRPERSON NICHOLS: I think we want to get
4 going.

5 EXECUTIVE OFFICER GOLDSTENE: Okay. So let me
6 introduce Mr. Lurmann, who is a principle investigator in
7 the recent Cal State Fullerton study that evaluated the
8 adverse health and economic impacts of poor air quality in
9 Southern California and in the San Joaquin Valley.

10 Mr. Lurmann.

11 MR. LURMANN: Members of the Board. My name is
12 Fred Lurmann. I'm manager of Exposure Assessment Studies
13 and President Emeritus at Sonoma Technology.

14 I'm here today to describe a recent study of the
15 benefits of meeting federal clean air standards in the
16 South Coast and San Joaquin Valley air basins.

17 This study was conducted with my colleagues Jane
18 Hall and Vic Brajer at Cal State University Fullerton and
19 it was funded by the Hewlett Foundation.

20 Briefly, the purpose of our study was to assess
21 what's the cost to more than 20 million people living in
22 the South Coast and San Joaquin Valley of sort of the
23 status quo in air quality where there's frequent and
24 severe exceedances of the ozone and PM2.5 standards.

25 We addressed this question using a fairly well

1 established and widely accepted methodology to assess
2 exposure, health impacts, and economic values. We began
3 using this approach about 20 years ago and published the
4 methodology and science.

5 --o0o--

6 MR. LURMANN: The general approach has been used
7 by EPA, by ARB staff, and so forth. There are minor
8 differences in the parameter choices and spatial
9 resolution and other things. But the general approach has
10 been used many place.

11 Our findings from the study on the exposure are
12 really what most of you probably know. There's no clean
13 season for air pollution in either of these regions. You
14 have a warm season with unhealthful levels of ozone and a
15 cool winter season extended, winter, fall and winter, with
16 elevated PM levels.

17 We have about 65 percent of the population of
18 these regions that live in areas where the annual PM2.5
19 standards exceeded. A lot higher percentage exceed the
20 State standard.

21 And for ozone, we have residents living all the
22 way from Fresno County down to Kern and the Inland Empire,
23 Riverside to San Bernardino, where there's 40 or 50 days
24 per year above the ozone standard.

25 Now, the most troubling consequence of this is

1 really the --

2 --o0o--

3 MR. LURMANN: -- premature mortality. We
4 estimate in our study 3,000 early deaths every year in the
5 South Coast. Another 800 early deaths in the San Joaquin
6 Valley, for 3,800 total.

7 Just to put this in perspective, this is more
8 than the number of automobile fatalities in those counties
9 per year.

10 --o0o--

11 MR. LURMANN: Other health benefits are listed
12 here. I'm not going to read them all. But they are
13 substantial.

14 You know, 1900 cases of chronic bronchitis in
15 adults. Another 1,600 cases of acute bronchitis in
16 children; emergency room visits; hospital admissions;
17 non-fatal heart attacks, in significant numbers. And
18 140,000 asthma attacks. And a large number, over a
19 million, of school absences. This is quite a laundry
20 list.

21 --o0o--

22 MR. LURMANN: Now the estimated the cost -- the
23 economic value of meeting the standards and eliminating
24 these health impacts.

25 In the South Coast, it's nearly \$22 billion per

1 year, or \$1200 per resident.

2 San Joaquin Valley, it totals about almost 6
3 billion per year, or \$1,600 per resident, for a total of
4 \$26 billion.

5 --o0o--

6 MR. LURMANN: This actually has some conservative
7 aspects built into it. We've always used this in our
8 methodology. But it emits some important health benefits
9 that cannot be valued economically.

10 One of the most important health effects of air
11 pollution is reduction in pulmonary function and also new
12 cases of asthma. And these are things with present
13 methodologies can't really be valued. So in that respect,
14 our estimates are on the lower side.

15 Also, it ignores important health impacts on
16 people living very close to busy roadways which are
17 additional and we believe independent effects from
18 regional air pollution.

19 --o0o--

20 MR. LURMANN: So in conclusion, I'd really like
21 to keep this simple. We are talking about a large cost
22 associated with adverse air quality and the public health
23 benefits of reaching the standards in our view are quite
24 substantial.

25 And as an air quality scientist who's been

1 involved with California air quality issues for more than
2 30 years, I believe progress on compliance with these
3 standards can only be achieved with regulations that
4 address these remaining poorly controlled emission sources
5 like diesel trucks and buses.

6 I don't believe the argument that it's simply too
7 costly. It's too costly not to do anything about this.
8 It really boils down to the question of whether you want
9 to spend money on health care or emission controls. And I
10 strongly prefer spending on emission controls to improve
11 public health.

12 Thank you.

13 CHAIRPERSON NICHOLS: I know for many years,
14 going back to when I first started doing this work, you
15 know, in the '70s people were trying to find ways to put a
16 number on the benefits so you could actually weigh the
17 costs against the benefits. And it may not be perfect,
18 but it's at least getting better. So we appreciate your
19 contribution.

20 Thank you.

21 We have, as you can all tell, a lot of people who
22 want to testify. And I just want to say a few things
23 about how I hope we can get through this both
24 expeditiously and civilly.

25 So there's going to be a two-minute time limit on

1 all witnesses.

2 There's a list. And you can find the list. It's
3 up on a big screen out in the hallway. There's about 80
4 copies of it floating around so that people can see where
5 they are. If I don't have to keep reading the names and
6 getting people to come down when they're called for, we
7 will save everybody a lot of time. If you would come in
8 groups of, you know, three, five or so at a time and be
9 lined up waiting for your turn, you will save yourselves
10 and all your fellow members of the group here time as
11 well. And if we can get you to cooperate, that will be
12 really helpful.

13 The other thing I'm proposing is an incentive
14 program. So for those of you who don't know, Air
15 Resources Board members don't get paid for lunch or
16 snacks. So if you see us up here munching on a piece of
17 candy, it's because everybody wrote a check and somebody
18 went out and got it for us. But we've decided to
19 contribute our snacks to you. And we're going to use an
20 honor system here. If you finish your comments in your
21 two minutes or less, please help yourself to a snack from
22 the bowl that's up on the podium. If not, you know who
23 you are, and you'll be -- you know, you'll be very bad and
24 Santa will notice if you take something without having
25 actually met the two-minute limit.

1 But I'm usually kind of relaxed about this stuff.
2 You know, I let people wrap up, finish up. I'm not going
3 to do it this time. I'm going to be tough. I'm just
4 cutting you off when you get to your two minutes. And
5 really it's only fair, because everybody has something to
6 say but not everybody has new information to actually
7 bring to the debate.

8 The other thing I want to just admonish people --
9 I know you know this, but I'm going to say it anyway. The
10 Board members have indicated, some of us very openly,
11 questions and concerns that we have. We are here to
12 listen, and we do want to learn from you and get more
13 information. However, we don't actually make decisions
14 based on how many people are for or against a rule. We
15 can't do that, for one thing, because legally we have
16 certain parameters that we have to operate in. So there
17 are going to be people who are speaking for, there are
18 going to be people speaking against, and there's even a
19 few I see who are neutral. Please, if you can restrain
20 yourselves from cheering. A laugh or two if somebody says
21 something funny is okay. But other than that, you know,
22 jeers and boos and stuff like that are really not
23 appreciated.

24 So with that, let's get started. And the first
25 group of people, Michael Delbar, Jack Broadbent, Shawn

1 Gutteresen, Steve Weitekamp, David Piech, let's come on
2 down.

3 And welcome.

4 MR. DELBAR: Good afternoon, Madam Chair and
5 members of the Board. I'm Michael Delbar, 1st District
6 Supervisor from the County of Mendocino. And I'm here to
7 represent my unanimous board and our comments in regard to
8 these rules.

9 You have our resolution I believe, and I won't go
10 into those details. And given the time constraint, I'm
11 going to read you some bullets.

12 We are in attainment in Mendocino County. In
13 fact, we have an A rating by the American Lung
14 Association.

15 We have an economy that's based on natural
16 resources, primarily agricultural and timber. These are
17 seasonal activities. And we cannot, despite your staff's
18 claims, simply pass on the cost of these regulations to
19 our consumers. We cannot do that.

20 We are completely dependant on heavy-duty diesel
21 equipment for the delivery of goods in and out of
22 Mendocino County. We have no airport, we have no
23 railroad, we have no ports.

24 We have a median income of 27 percent below the
25 state average. And we have an unemployment rate of 7

1 percent.

2 Sixty percent of our heavy-duty equipment --
3 diesel equipment is model year '94 and older; 76 is 2000
4 and older. Banks will not loan on equipment older than
5 ten years.

6 And just like the rest of the State of
7 California, we're struggling. And these proposed rules
8 for both on- and off-road diesel equipment will absolutely
9 cripple our economy.

10 The question came up, Doctor, as to what the
11 percent that would go out of business. In Mendocino
12 County, 37 percent surveyed said they will downsize,
13 50 percent said they're out of business. I hope that
14 answers the question for Mendocino County. And I think
15 that is probably typical for most rural counties in the
16 State of California.

17 We gave money back to the state, something
18 counties cringe to do. We gave \$64,000 back to CARB
19 because our Carl Moyer applicants cannot do the project
20 and meet the new regs. That I think says a lot.

21 We had 107 fires in Mendocino County this
22 summer - lightning strikes. Not one piece of the fire
23 equipment on those fires would meet these regs. That I
24 think says a lot.

25 We are adamantly opposed as you see by that

1 resolution. Again, unanimously approved by my diverse
2 board. And that says a lot for Mendocino County, believe
3 me. And we request the Board complete a detailed economic
4 impact analysis for rural counties. That is critical.

5 CHAIRPERSON NICHOLS: Thank you.

6 Time. Thank you.

7 MR. DELBAR: Thank you, Madam Chair.

8 CHAIRPERSON NICHOLS: Jack Broadbent.

9 MR. BROADBENT: Good afternoon, Madam Chair,
10 members of the Board. My name is Jack Broadbent, and I
11 serve as the Executive Officer for the Bay Area Air
12 Quality Management District.

13 On behalf of the air district -- the Bay Area
14 District, I offer our very strong support for the staff's
15 proposed In-use On-road Diesel Vehicle Rule and the other
16 rule amendments before you today.

17 In the San Francisco Bay Area there is a heavy
18 reliance on trucks to move goods and provide services.
19 Because the diesel PM represents about 80 percent of the
20 risk and because we have a somewhat dense population in
21 the Bay Area, we have a number of impacted communities
22 including the West Oakland, Richmond, the Bayview in
23 San Francisco, Concord, San Jose, and the 880 corridor.

24 From our Community Air Risk Evaluation Program,
25 the West Oakland community alone, the residents in that

1 community run the risk of about three times higher than
2 the rest of the Bay Area just from breathing the air. And
3 this is in large part due to just all the truck traffic
4 along the 880 corridor.

5 The rule before you today will significantly
6 reduce the risks and improve air quality in the Bay Area
7 as a whole.

8 We also support the flexible compliance
9 approaches that are recommended by your staff. And we
10 stand ready to help implement this rule, not only through
11 our grant program, but also our enforcement efforts as
12 well.

13 So in closing, we strongly support this rule,
14 Madam Chair, members of the Board.

15 Thank you very much for this opportunity.

16 CHAIRPERSON NICHOLS: Thank you. You've earned a
17 pretzel or a --

18 (Laughter.)

19 MR. BROADBENT: Thank you.

20 CHAIRPERSON NICHOLS: Thanks very much.

21 Mr. Guttersen, followed by Mr. Weitecamp.

22 Is Mr. Guttersen here?

23 All right. Dave Piech.

24 MR. PIECH: Thank you, Madam Chair and the rest
25 of the Board. Thanks for the opportunity to comment.

1 Dave Piech from Navistar. We're certification and
2 compliance of new engines. And Navistar is one of the
3 largest -- a large producer of new diesel engines and
4 diesel engine emission technology.

5 The two items that I really want to mention -
6 I've already submitted comments - but specifically the
7 regulation suggests that the installer and manufacturer of
8 the emission retrofit will determine the OEM warranty.
9 And that is the wrong. The original engine manufacturer
10 will determine that warranty. And they'll generally
11 determine that warranty at the time of failure. And
12 that's important because, as it applies to '06-'07 and
13 through '09 engines, those engines have an integrated
14 DPF -- as far as manufactured by International, have an
15 integrated DPF and engine control technology to regenerate
16 the DPF. And removal or replacement or changing that
17 after-treatment system can affect and will affect
18 emissions performance of that engines. And at that point
19 in time if there's either replacement by another
20 manufacturer of an emission control technology or some
21 other sort of add-on technology such for NOx reductions,
22 that would have to be determined at that point in time.

23 And the last item as far as the truck, because we
24 do manufacture trucks that go into various configurations,
25 we are concerned at Navistar that the truck configuration

1 with this after treatment may not be applicable in all
2 circumstances.

3 So we're willing to work with the ARB staff to
4 see what we can do to make the rule applicable to these
5 considerations. And we look forward to that discussion.

6 Thank you.

7 CHAIRPERSON NICHOLS: Thank you very much.

8 Mr. Mangalindan.

9 MR. MANGALINDAN: Chairman Nichols, members of
10 the Board. My name is Alvan Mangalindan, a representative
11 of the Crane Owners' Association and Association of Crane
12 Rental Contractors out of northern California.

13 Our members currently own approximately 1,000
14 mobile cranes, of which a large portion are two-engine
15 cranes that are licensed for travel on California
16 roadways. As you are probably already aware, our industry
17 is currently subject to multiple CARB regulations and
18 their respective record keeping and reporting
19 requirements, specifically the PERP and the off-road
20 regulations.

21 In an effort to address these issues, we've
22 worked with -- we continue to work with CARB staff as a
23 means to address issues in our industry regarding cost
24 efficiency and while still being able to achieve CARB's
25 emissions goals.

1 We'd like to thank CARB staff for their efforts
2 and for their continued willingness to work with us.

3 We request from the Board today that the
4 two-engine crane provisions contained in the rulemaking
5 package today be adopted immediately, independent of any
6 possible delay as to the rest of the provisions contained
7 in the rulemaking package.

8 Thank you.

9 CHAIRPERSON NICHOLS: Thank you very much.

10 Is Mr. Goliti here?

11 Apparently I skipped over Mr. Weitecamp,
12 California Moving and Storage Association. If you're
13 here, I didn't -- I'm sorry. Please come testify.

14 No?

15 And we're trying to move in people from the other
16 room who apparently didn't realize. If you're on the
17 list, on the first page or two, please come on in.

18 Okay. Wendy Mitchell.

19 Thank you.

20 MS. MITCHELL: Good evening, Madam Chair and
21 members. My name is Wendy Mitchell. I represent W.M.
22 Consulting, and I'm here on behalf of the investor-owned
23 utilities.

24 I'm here to congratulate staff on the wonderful
25 job that they did on this complicated issue. We feel that

1 they streamlined on both the Public Utility and the
2 Private Fleet Rule and actually reduced the criteria
3 pollutants. And, therefore, we think this is a win-win
4 for the policy and for the State of California.

5 We know these are difficult decisions and
6 difficult times for everyone. But we appreciate the hard
7 work of the staff and the Board.

8 Thank you very much for your efforts.

9 CHAIRPERSON NICHOLS: Thank you.

10 David Allen, Matthew Marsom.

11 The gentleman who's standing here, did I fail to
12 call you?

13 MR. GOLITI: Rob Goliti.

14 CHAIRPERSON NICHOLS: I'm sorry -- oh, Rob
15 Goliti, come up on. Sorry. I called your name and then
16 passed over you.

17 MR. GOLITI: I thought I took an invisible pill.

18 CHAIRPERSON NICHOLS: You're being too polite.

19 MR. GOLITI: I'm Rob Goliti. I'm President from
20 Air Carrier. We're located in Fresno, California. I have
21 12 tractors and 16 refrigerated trailers. I'm going to
22 have to comply with two rules at the same time.

23 But I'm actually not here to either oppose or
24 support the rule. I'm concerned about the notion that
25 we're going to be able to pass the cost on to consumers.

1 In that light, if you do not enforce whatever rule you
2 adopt - I don't mean just throw it out there and do it
3 randomly - you're going to create a really bad situation
4 for those of us that have been in business for a long
5 time. Because what's going to be created is I'm going to
6 pay \$125,000 for a truck, \$65,000 for a trailer, and my
7 competitor will spend \$10,000 for a truck and \$5,000 for a
8 trailer. So you don't have to be an accountant to
9 understand the numbers there when they go in and they bid
10 on loads that I'm doing.

11 My friends and I have already lost a substantial
12 amount of business this year from rate cutting, mostly
13 from out-of-state carriers that come in. So I'm a little
14 concerned about the three-day provision for the
15 out-of-state carriers, because typically what they do is
16 they come into California, deliver their load, perhaps in
17 the Bay Area; in order to reposition the truck in Los
18 Angeles, they'll take a load at below cost to get to Los
19 Angeles. So you have intrastate carriers here that need
20 those loads at a fair profit in order to do these things.

21 So when you start carving out portions of the
22 industry, you're going to create fraud. And it's going to
23 be there whether you do it or not. And that's why I hope
24 you have a plan in place, whether it's holding the
25 shippers or receivers liable for using carriers like that,

1 because it's going to be very hard to monitor the
2 situation. And if you don't, those of us that have been
3 around for a long time will not be around any more.

4 Thank you very much.

5 CHAIRPERSON NICHOLS: Thank you. Good point.
6 I'm making a note to ask about that later.

7 David Allen.

8 MR. ALLEN: Yes, ma'am. My name's David Allen.
9 I'm with Alenco Consulting in Fresno, California.

10 Earlier today I heard a question about what the
11 cost is of people going out of business -- truckers going
12 out of business. If we take 10 percent of the truckers on
13 the road, which would be about 15,500 truckers, and
14 extrapolate it out, what they would lose -- what the state
15 would lose in terms of revenue into the state coffers: We
16 talk about income taxes based on two drivers; one office
17 worker; DMV fees with two tractors and two and a half
18 trailers; DOT fees based on two tractors, two and a half
19 trailers; state sales tax based on paying just \$2,000 per
20 company for annum, which is a low number; and fuel tax
21 revenue based on \$1500 per company per annum, you're
22 looking at a yearly net loss to the state in revenue of
23 \$64,606,000 at 10 percent. That's 15,000 trucks.

24 If we double it and we lose 20 percent of our
25 fleet, we end up with \$129,212,000 in lost revenue to the

1 State of California.

2 If we go with the numbers from Mendocino County,
3 which was 30 percent, we end up with \$193,818,000 in lost
4 revenue to the state of California.

5 We are in a financial crisis. Do we want to
6 strap small businesses and run them out of business, cause
7 the State of California to lose the kind of revenue that
8 you're talking about here, in a time when we need to worry
9 about the coffers of the state?

10 I thank you for your time, ladies and gentlemen.

11 CHAIRPERSON NICHOLS: Thank you.

12 Matthew Marsom.

13 MR. MARSOM: Good afternoon, Chair Nichols,
14 members of the Board. My name is Matthew Marsom, Director
15 of Public Policy at Public Health Institute. And we're
16 pleased to have the opportunity to add our voice to the
17 many others who are to vote of adoption on the proposed
18 diesel truck and bus regulation without delaying
19 implementation or weakening health protections.

20 We applaud CARB for tackling smog-forming
21 emissions, particulate matter, and global warming
22 emissions from the single biggest source of toxic diesel
23 pollution in the state. CARB must adopt both regulations
24 to protect public health from poor air quality and the
25 impacts of climate change.

1 Of course we are well aware of the challenging
2 economic times that we face here in California and that
3 you are presented with -- as you are presented with this
4 regulation. However, the cost of doing nothing to address
5 the harmful health, social, and economic costs of these
6 emissions are far greater. CARB's own estimates show that
7 the regulations will save over 9,000 lives over the course
8 of the next decade and between 49 to 69 billion in health
9 care costs due to the prevention of early deaths, illness,
10 and hospitalizations.

11 In the short time I have I want to emphasize two
12 points: First, that the health effects of diesel
13 pollution, specifically in air pollution in general, are
14 most burdensome in low income communities and communities
15 of color, most impacted by the multiple sources of
16 pollution. The public health community sees at firsthand
17 the devastating impacts of these pollutants on those who
18 are most at risk through increased burden of chronic
19 disease and lost lives.

20 Secondly, truck drivers themselves have an excess
21 lifetime cancer risk. Long-haul drivers with the longest
22 driving records are one and a half to two times as likely
23 as workers not exposed to diesel exhaust to develop lung
24 cancer during their lives. New research shows that
25 short-haul truckers face even higher rates of death and

1 disease.

2 The study concluded that a reduction of diesel
3 particulate matter would have health benefits for the
4 trucking industry and the general public who live,
5 commute, or work near diesel vehicles.

6 Children are especially susceptible to the
7 harmful effects of diesel soot because their lungs are
8 still developing.

9 Finally, we do hope that CARB will continue
10 vigorous outreach --

11 CHAIRPERSON NICHOLS: Time's up.

12 MR. MARSOM: -- to truck drivers.

13 Thank you for allowing me the time. Thank you.

14 CHAIRPERSON NICHOLS: Thank you.

15 Jay McKeeman.

16 MR. McKEEMAN: Good evening, Board members,
17 Chairman Nichols.

18 Dr. Telles, I have a very unscientific way of
19 giving you an estimate of how many people might go out of
20 business. Will all those people in the audience that
21 might go out of business because of this regulation please
22 raise your hand.

23 Very unscientific, but at least an expression of
24 interest.

25 I'm Jay McKeeman with the California Independent

1 Oil Marketers Association.

2 California motorists rely on a largely invisible
3 system when they fuel their vehicles. Almost 20 billion
4 gallons of gasoline and other fuels are distributed
5 annually in this state and motorists have become
6 accustomed to the ability of shopping fueling locations at
7 their leisure, with confidence that the fuel will be there
8 when they need it.

9 Californians do not realize that this
10 distributed-just-in-time system works based upon a myriad
11 of small independent and family-owned businesses. Those
12 are our members, fuel distributors.

13 In addition, there's been a significant change in
14 the ownership of retail stations in the state. Many of
15 the major oil companies are quickly divesting their
16 interest in service stations to small or medium-size
17 businesses. And also a number of our members own and
18 operate service stations as well.

19 The reason I go into this detail is that there is
20 a perfect storm brewing on the horizon. That perfect
21 storm is related to air quality and other environmental
22 mandates that are providing significant expense to our
23 members.

24 The first element of the perfect storm is
25 something that you're familiar with called the enhanced

1 vapor recovery. And by April 1st of next year all service
2 stations need to be retrofitted --

3 CHAIRPERSON NICHOLS: Time. I'm sorry. But you
4 have submitted written comments and we make sure that we
5 can --

6 MR. McKEEMAN: These were not in my written
7 comments.

8 CHAIRPERSON NICHOLS: This is addition --

9 MR. McKEEMAN: And I'll forgo the cookie.

10 (Laughter.)

11 CHAIRPERSON NICHOLS: I know. But you'd have to
12 get three other people to give up their space to you as
13 well, if anybody wants to donate their time.

14 Thank you. I'm sorry. We're trying to give
15 everybody a chance.

16 Linda Weiner.

17 MS. WEINER: Good evening. My name is Linda
18 Weiner with the American Lung Association. Thanks very
19 much to the CARB staff for all of your hard work.

20 I'd like to speak very briefly about the health
21 costs of the regulations in terms of public health
22 history, so to speak.

23 Any time a new industry sector is regulated there
24 are always issues of cost of compliance, understandably.
25 But just as with seat belts and catalytic converters and

1 other vehicle pollution controls, California benefits by
2 taking the lead. And as with other CARB diesel controls,
3 this regulation will provide many times more benefits to
4 the health of the public than the cost of the regulation.
5 And this is especially true now.

6 With every new study and with improved research
7 methodology, we have a better picture of the health
8 impacts in terms of cost and in terms of number of
9 impacted California residents from illness. And the
10 results show at least \$8 in benefits for every dollar
11 spent on the diesel truck and bus regulation.

12 In addition, this is the largest amount of
13 available funding ever provided the state being offered to
14 offset compliance costs. So by enacting this regulation,
15 not only would the State of California save money but also
16 relieve the genuine toll of human suffering from asthma,
17 lung cancer, heart disease, and premature deaths, with the
18 high burden on seniors, elderly, truck drivers, and low
19 income communities who are the most impacted.

20 We know the human suffering is real because at
21 the Lung Association we work with people who can't breathe
22 because of air pollution. And we respectfully ask today
23 that you adopt a strong regulation and make public health
24 history by doing that.

25 Thank you.

1 CHAIRPERSON NICHOLS: Thank you.

2 Dr. Janet Abshire.

3 DR. ABSHIRE: Hello. Thank you to the Board for
4 hearing our presentations.

5 I'm Dr. Janet Abshire and I'm here at this -- the
6 California Medical Association asked me to present today.
7 I'm an occupational and environmental medicine physician
8 and a preventive medicine physician. And I also have a
9 nutrition degree before my M.D., so I'm very motivated to
10 do anything that's preventive.

11 I'm in the first line as a physician and I've
12 seen the trend of the increasing asthma patients. I have
13 a patient who is a 68-year-old PhD student in a program,
14 believe it or not, and she actually wears a mask every
15 time she goes outside. She had late onset asthma at the
16 age of 60 while living in southern California, so she's
17 probably a good example of an asthma onset.

18 And I think that there's plenty of evidence
19 already spoken about about the billions of dollars of cost
20 in medical care and in lost work days and in lost school
21 days caused by the particulate matter and the nitric
22 oxide. But also consider not just the absenteeism and the
23 lost days but also the presenteeism in patients that are
24 suffering from an illness and that are not as productive
25 on the job as they would be and not doing as well in

1 school as they would be. So we would be improving
2 productivity in the workforce and improving potential in
3 our school children.

4 So the California Medical Association has had
5 longstanding policies in helping prevent pollution
6 sources. And in October the delegates on the board
7 actually also proposed a specific regulation to limit
8 diesel exhaust. They applaud the Board -- the Air
9 Resources Board for their leadership in this position and
10 establishing this regulation. I believe we can no longer
11 separate the health care problems from the pollution
12 problems that cause them.

13 Thank you very much.

14 CHAIRPERSON NICHOLS: Thank you.

15 Bonnie Holmes-Gen, followed by John White
16 substituting for Dr. Seavey.

17 MS. HOLMES-GEN: Chairman Nichols and Board
18 members. Bonnie Holmes-Gen with the American Lung
19 Association of California.

20 And the America Lung Association of California
21 has joined with 16 other state and local public health
22 organizations to urge adoption of this measure. And you
23 have our letter from all of these organizations I believe
24 in your packet that calls on the Board to adopt this
25 critical public health measure without delay, and comments

1 that this measure is critical not only to prevent
2 premature death and illness but to protect the health of
3 vulnerable populations, as Dr. Abshire was talking about.

4 I wanted to make the comments that as we face the
5 staggering health care costs of diesel pollution, our
6 conclusion is that this regulation is not just something
7 that you could do or you should do but it is something
8 that you must do. You must do this to address the public
9 health crisis created by diesel pollution. You must adopt
10 this regulation to ensure that we meet our federal clean
11 air standards and to ensure further investments toward a
12 clean energy economy.

13 We have been flooded with concerns about soot
14 pollution from the public. One 70-year-old woman, newly
15 diagnosed with asthma and concerned about rising health
16 care costs, commented that there may be retrofits
17 available for trucks but there are no retrofits available
18 for her lungs. I think this puts a human face on the
19 crisis that we're facing.

20 You will have and you have heard many complaints
21 today from truck owners and operators, and this is not
22 surprising. There's a big change that you're instituting
23 here, and this industry has escaped regulation for some
24 time. But we urge you to keep your focus on the public
25 health impacts of this regulation and the leadership that

1 is critically needed from your Board to make this
2 transition to cleaner vehicle technologies.

3 We believe your staff has developed a fair and
4 balanced regulation and done everything possible to
5 balance a flexibility compliance choices. And the funding
6 incentives, as you've heard, are tremendous and
7 unprecedented.

8 CHAIRPERSON NICHOLS: Time.

9 MS. HOLMES-GEN: Thank you very much. We urge
10 you to move forward and adopt both the truck and bus and
11 the greenhouse gas.

12 CHAIRPERSON NICHOLS: Thank you.

13 MS. HOLMES-GEN: I guess I can't have --

14 CHAIRPERSON NICHOLS: Right.

15 (Laughter.)

16 MR. WHITE: Thank you, Madam Chair and members of
17 the Board. My name's John White representing the Clean
18 Power Campaign.

19 I worked on the original legislation that
20 established the Toxic Air Contaminant program. It's been
21 a long, long time since the passage of that legislation in
22 1983. The Diesel Risk Assessment was adopted a
23 significantly long time ago as well.

24 We've worked together to put programs in place to
25 jump start and develop the technology. We now have the

1 fruits of that labor. We have very, very substantially
2 good equipment available. And we have now, with the work
3 that you're doing with the Treasurer's office, a
4 significant amount of assistance available. In addition
5 to the Moyer program, that will continue, we also have the
6 loan programs that you put in place.

7 I think this is a moment to step up and invest in
8 our energy economy and in new technologies. I think this
9 program can and should be expanded to the rest of the
10 country. We should pool our resources and work together.
11 I know implementation is going to be tricky, but I think
12 we all have it in us to work together. And we pledge our
13 support to you and your staff and to those affected by the
14 rule because, as Ms. Holmes-Gen said, we know this is
15 going to be a large step but we think working together we
16 can get there and accomplish great things for the economy
17 and public health.

18 Thank you.

19 CHAIRPERSON NICHOLS: Thank you.

20 Ryan Wiggins.

21 MR. WIGGINS: My name is Ryan Wiggins. I'm here
22 on behalf of Communities for Clean Ports and a large
23 number of Californians who signed in on my petition to
24 urge a very strong diesel and truck rule.

25 This state has been facing a silent economic and

1 health crisis for many decades. Dirty diesel trucks cost
2 us over \$28 billion a year in premature deaths, hospital
3 visits, lost days of work and health costs. According to
4 CARB's own study, this regulation will save between 48 and
5 \$68 billion. That's 42.5 -- between 42.5 and \$62.5
6 billion above and beyond the cost of this regulation.

7 Many say that we should seek alternatives on
8 this. In truth, it would be a great error to delay
9 cleaning up diesel emissions, because you know the economy
10 will recover. And as it recovers, there'll be more trucks
11 on the roads, driving more miles, and emitting more
12 pollutants.

13 Also CARB made it publicly known to industry and
14 the public through its pieces of legislation including the
15 Diesel Risk Reduction Plan, the State Implementation Plan,
16 the Goods Movement Emissions Reduction Plan, that it
17 intended to pursue these measures and reduce PM emissions
18 by 85 percent by 2020 and comply with federal air quality
19 standards.

20 The over one billion dollars in public financing
21 should be directed towards small fleets and the older
22 fleets.

23 One other thing I would like to point out is, as
24 we did this petition, we had over 3,000 signatures outside
25 of California, although we didn't intend to do this. Many

1 of these benefits will also accrue to other states as
2 well, because we don't just operate in a vacuum. So
3 essentially this program will actually benefit other
4 states, reducing particulate matter petitions in their
5 areas as well.

6 Thank you.

7 CHAIRPERSON NICHOLS: Thank you.

8 Dr. Joseph Kubsh.

9 DR. KUBSH: Good afternoon, Madam Chair and
10 members of the Board. My name is Joe Kubsh. I'm the
11 Executive Director of the Manufacturers of Emission
12 Controls Association. And I'm here today to provide my
13 industry's strong support for the truck and bus reg that's
14 before you today.

15 Our industry is providing emission control
16 technology solutions for new trucks for 2007 and 2010
17 trucks as well as a large variety of retrofit technologies
18 that are available already on California's verified list
19 to provide options for compliance with this regulation.

20 With respect to retrofits, by our count more than
21 250,000 diesel particulate retrofit filters have been
22 installed successfully on trucks and buses around the
23 world today. And not only do our members develop and
24 verify and manufacture technologies, but we have extensive
25 experience with the safe application of retrofit

1 technologies on both on-road and off-road equipment, and
2 we pledge our support to work with your staff to make sure
3 we put together a good set of safety guidelines with
4 respect to the applications of retrofits on both on-road
5 and off-road equipment.

6 And, finally in this day when green jobs is a
7 good buzz word that we hear every day on the news media, I
8 like to think of the emission control industry as the
9 father of green jobs. We were green before green was
10 cool. And these regulations, along with other elements of
11 your diesel risk reduction plan, have and will continue to
12 produce clean green jobs for California.

13 Thank you very much.

14 CHAIRPERSON NICHOLS: Thank you. It must be nice
15 to be fashionable.

16 (Laughter.)

17 CHAIRPERSON NICHOLS: Sean Graham.

18 MR. GRAHAM: Good evening. My name's Sean
19 Graham. I'm the President of Freight Wing, Incorporated.
20 Freight Wing produces aerodynamic trailer attachments that
21 have been approved for use on EPA SmartWay trailers.
22 Tomorrow morning our side skirt and gap fairing products
23 will be demonstrated for the Board.

24 I'd like to quickly address the primary concerns
25 regarding trailer dynamics, including fuel savings, return

1 on investment, durability, and availability.

2 Freight Wing alone has participated in ten
3 testing projects using industry standardized SAE J1321
4 procedures that are conducted by respected third parties
5 including the Department of Energy, EPA, and Transport
6 Canada. This testing, in addition to a great deal of data
7 generated by other companies, has clearly demonstrated the
8 5 percent fuel savings specified by the SmartWay trailer
9 for aerodynamic aids.

10 We've also conducted extensive fleet operational
11 testing. Over 80 percent of the fairings we sold this
12 year, approximately 2,000 fairings, were sold to return
13 fleet customers that have been pleased with the product's
14 performance.

15 In a recent J1321 test we demonstrated a 7
16 percent fuel savings with the new skirt technology that
17 will be on display tomorrow alone. Consequently this
18 product has been approved by the EPA as a standard-alone
19 solution to the aerodynamic requirement of the SmartWay
20 trailer, meaning it does not also require a gap or rear
21 fairing. Note that this is new information and the
22 product was previously considered an emerging technology
23 in the staff evaluation.

24 With this level of fuel savings and a list cost
25 of \$1,600, an ROI can be achieved in approximately 60,000

1 miles of trailer operation with diesel at the current cost
2 of two-forty per gallon.

3 Our skirt and others are constructed of very
4 durable plastic panels that can flex to absorb impacts
5 from the side and ground low-clearance situations. Our
6 products are also compatible with intermodal operations
7 due to an angled mounting configuration.

8 Several suppliers are well positioned to meet the
9 industry's potential need for aerodynamic attachments.
10 Through relationships with major industry suppliers and
11 trailer OEMs, we currently have extensive national product
12 support and manufacturing capability.

13 Thank you.

14 CHAIRPERSON NICHOLS: Thank you.

15 Andy Garcia.

16 MR. GARCIA: Madam Chairperson, members of the
17 Board. My name is Andy Garcia and I'm here representing
18 GSC Logistics as Chairman of the Board, while opposing the
19 Private Fleet Rule.

20 My company employs over 150 drivers at our
21 logistics facility within the Port of Oakland. Many of
22 our drivers have purchased 2004 tractors, attempting to
23 abide by existing CARB regulations. The Private Fleet
24 Rule will be devastating to port drayage drivers because
25 their 2004 tractors will be in violation of CARB's

1 regulations after December of 2011. All port drivers have
2 financed their 2004 tractors over a minimum of 60 months
3 and could not trade it in for a newer tractor if the
4 Private Fleet Rule is implemented. Fundamentally the
5 drivers would be out of business.

6 The downturn of the economy is affecting the Port
7 of Oakland as an import or export gateway. Oakland still
8 remains as a discretionary port for all importers. The
9 current trends for container fees, infrastructure fees,
10 and CARB's regulations are forcing importers to choose
11 alternative import gateways in the northwest, the east,
12 the southeast, and the gulf ports.

13 We have recently lost in the last 90 days over
14 13,000 containers per year to the northwest ports, who
15 coincidentally have guaranteed a four-year moratorium on
16 any container fees, infrastructure fees, and environmental
17 regulations. Port of Oakland carriers are being seriously
18 affected and are unable to compete against the northwest
19 ports because of fee assessment and environmental
20 regulations. We are doing the best we can financially to
21 achieve CARB's requirements and retain our customers.

22 The beneficial cargo owners utilizing the Port of
23 Oakland will not support drastic price increases required
24 to meet the Private Fleet Rule. Instead, they will direct
25 their container volumes to other ports northwest, east,

1 and the gulf. The overall reduction of import and export
2 volumes --

3 CHAIRPERSON NICHOLS: Mr. Garcia, your time is
4 up. I'm sorry.

5 MR. GARCIA: Thank you.

6 CHAIRPERSON NICHOLS: I see somebody else from
7 your company was right behind you, is that correct?

8 MR. TAYLOR: I'll pick it up from there, Madam
9 Chairman.

10 CHAIRPERSON NICHOLS: Very well done.

11 MR. TAYLOR: My name is Scott Taylor. I'm the
12 President and CEO of GSC Logistics. We operate a fleet of
13 over 150 tractors at the Port of Oakland, serving large
14 manufacturers and retailers such as Target, William
15 Sonoma, Wallgreen's, Hewlett Packard, JC Penny.

16 I'd like to address the amendment to the Port
17 Drayage Truck Rule that changes the requirements that was
18 established by CARB in December 2007. Along with our
19 drivers and customers, we will meet the current CARB
20 requirements even if we cannot get help from the state in
21 the form of port grants or loans, because along with our
22 drivers and customers, GSC Logistics is committed to doing
23 our part.

24 However, it's time that Sacramento also do their
25 part by making decisions that are business friendly. GSC

1 Logistics and some of our owner-operators have already
2 purchased 2004 trucks so we can be compliant by 2010. But
3 now at the last minute CARB wants to amend these rules.
4 You told us a 2004 truck would be good for four years, and
5 now it's only going to be good for two years.

6 Furthermore, with the state of the economy, we
7 cannot absorb costs that go beyond the current CARB
8 requirements. The beneficial cargo owners are willing to
9 do their part. But California's going beyond what's fair
10 and reasonable. You may think the beneficial cargo owners
11 do not have a choice. But they do. They can pick other
12 ports. As my associate, Andy Garcia, just mentioned,
13 they're already leaving our company and going to
14 Seattle-Tacoma. If you do not removal the amendment
15 requiring port drayage trucks to adhere to the Private
16 Fleet Rule, I can guarantee you we'll lose more business
17 and more jobs. If you do not remove this amendment,
18 beneficial cargo owners will find gateways other than
19 California, such as Seattle, Tacoma, Prince Rupert in
20 Canada, and eventually Mexico.

21 In conclusion, we support the DTCC and ask that
22 CARB remove the amendment that port drayage trucks meet
23 the Private Fleet Rule.

24 Thank you.

25 CHAIRPERSON NICHOLS: Thank you.

1 Mitch England, followed by Ron Hall.

2 MR. HALL: My name is Ron Hall. I'll actually be
3 speaking for Mitch and myself.

4 Thank you for the opportunity to speak. I'm the
5 Director of Business Strategy for CR England. And before
6 I comment on our position, I'd like to say a few things
7 about CR England. We are the largest refrigerated carrier
8 in the nation and transport topic's 36th largest for hire
9 carrier. So we have a big stake in this decision.

10 I'd also like to mention that CR England is
11 currently a SmartWay certified provider at the highest
12 level, 1.25 compliance point. And we see new technologies
13 on fuel conservation as a core concept in our management
14 of fuel expense. In fact, we're having conversations with
15 Freight Wing right now. So I thought I should mention
16 that.

17 Regarding the truck and bus regulation, the
18 SmartWay regulation, I would like to say as a statement of
19 position we are opposed to both regulations. We support
20 the written statement submitted by the California Trucking
21 Association on October 3rd and December 4th. I'm not
22 going to review those details. They're already on record.

23 I would like to comment, however, on the
24 equipment modifications and what we perceive as full fleet
25 requirements based on the current proposed legislation.

1 We believe that freight destined for California
2 is broad enough in its origin throughout the country that
3 equipment that would be required to be positioned for
4 California-destined loads and be certified for this rule
5 basically would require us to implement a full fleet
6 implementation, not just an isolated California fleet
7 implementation.

8 There's an additional reason that we feel that
9 would be required. Transloading is not an option with
10 most of the food products that we haul. The assumption
11 that we can transload on to a certified trailer at the
12 border is --

13 CHAIRPERSON NICHOLS: Thank you, Mr. Hall. Your
14 time's up.

15 MR. HALL: Thank you.

16 CHAIRPERSON NICHOLS: Thank you.

17 Mr. Osofsky, followed by Doug Britton.

18 BOARD MEMBER D'ADAMO: Mr.

19 MR. OSOFSKY: My name is Allen Osofsky with
20 Rogers Trucking Company. We're a family-owned trucking
21 company in the San Francisco-East Bay Area. We have been
22 in business for the last 45 years and employ 150 people.
23 Our drivers are members of Teamsters Local No. 70 in
24 Oakland.

25 We are concerned over the aggressive nature of

1 the truck and bus rule in regards to replacing or
2 retrofitting trucks that do not have the latest emission
3 technology. Our company purchases good quality used
4 trucks when it is time for replacement.

5 Due to the nature of the competition we face and
6 typically a non-union environment, we have to watch our
7 costs in order to stay competitive and to continue to
8 employ quality union labor. The point being, that we
9 can provide an attractive working environment using the
10 latest equipment we can afford that suits our operational
11 needs.

12 In the past two years we have replaced 17 of our
13 oldest equipment, 1980 with vintage, with late 1990-early
14 2000. For us to purchase new equipment is not
15 economically feasible even with the help of the grant
16 programs.

17 We feel that through attrition we can do our part
18 to deal with the emission problems that our state is
19 facing and still maintain a competitive posture in these
20 uncertain times.

21 We ask that you support the proposal adopted by
22 CTA and endorsed by DTCC. We appreciate the fact that
23 clean air is a human necessity and should be clean. We
24 also believe that jobs and a viable supply chain bringing
25 food and other needed products for human consumption are

1 also a human necessity. We need to maintain a viable and
2 clean transportation network.

3 Thank you very much.

4 BOARD MEMBER D'ADAMO: Thank you, sir.

5 Mr. Britton, followed by Barry Wallerstein.

6 MR. BRITTON: My name is Doug Britton, President
7 and owner of Britton Trucking.

8 I am currently running ten trucks, with the age
9 of the trucks ranging from 11 years old to 20 years old.
10 I am your target.

11 In early 2009 I will take delivery of four new
12 trucks with the 1B proposition money. My debt will
13 explode to two and a half times the amount that I have
14 ever carried in my last 20 years. This scares the heck
15 out of me.

16 By the end of 2013, before this debt is retired,
17 I will have to buy three more trucks. This will push my
18 debt level to three times my current level. Imagine
19 buying a house three or four times the value of your
20 current house with no guarantees of a pay increase or more
21 work. Most of our current financial problems in America
22 are due to people carrying debt that they thought they
23 could service but now cannot. Yet this is what your Board
24 is currently mandating on an entire industry. In my case,
25 as many as 70 percent of my upgrades will come within the

1 first five years.

2 I ask you to at least accept the driving towards
3 a cleaner California alternative on the three options of
4 compliance. I also ask you to consider the enforcement
5 proposal of tying emissions compliance to the bid program
6 and DMV. If not, I will be competing against
7 non-complying competitors who will run for years before
8 getting caught, figuring that they have nothing to lose,
9 all the while charging less than I need to operate.

10 Thank you again for this opportunity to speak.

11 CHAIRPERSON NICHOLS: Thank you, sir.

12 Barry Wallerstein, followed by David Case.

13 MR. HOGO: Good afternoon, members of the Board.

14 Dr. Wallerstein had to leave. And I'm Henry
15 Hogo, Assistant Deputy Executive Officer of our Mobile
16 Source Division at South Coast Air Quality Management
17 District.

18 I want to express the staff's strong support for
19 the proposed regulation. And we urge the Board to adopt
20 the regulations as proposed by staff.

21 Recognizing that the regulation actually has the
22 single largest emission reduction in NOx in the State
23 Implementation Plan, without it we would not be able to
24 meet our attainment goals. And, more importantly, the
25 diesel emissions still contribute 80 percent to the air

1 toxics problem in southern California.

2 We do want to make a request of the Board and
3 staff to clarify the district's authority -- permitting
4 authority relative to the two-engine cranes and sweepers
5 since they're moving out of the registration program. And
6 historically local air districts have been able to permit
7 unregistered equipment with conditions to meet local air
8 quality needs. I think with the -- there's some concern
9 with the air districts that with the amendment to move
10 these two-engine cranes and sweepers out of that program
11 or keep it unregistered, we need a clarification on that.
12 So we request that the Board clarify our district
13 authority.

14 With that, we do urge the Board to adopt the
15 regulations.

16 BOARD MEMBER D'ADAMO: Thank you.

17 All right. Mr. Goldstene.

18 EXECUTIVE OFFICER GOLDSTENE: Mr. Hogo's talking
19 about an area of state law, it's in the Health and Safety
20 Code. We're not intending to change the permitting
21 authority. But if there's an issue, we'll work it through
22 with them.

23 BOARD MEMBER D'ADAMO: Thank you.

24 MR. HOGO: Thank you.

25 BOARD MEMBER D'ADAMO: All right. David Kayes,

1 followed by Sam Zugzda.

2 MR. KAYES: Good evening. I'm David Kayes. I'm
3 an engineer with Daimler Trucks North America. I was
4 active in the development with the U.S. EPA of the
5 SmartWay tractor-trailer program. And I work for a
6 company that strives daily to improve the fuel economy,
7 lessen the fuel consumption, lessen the greenhouse gas
8 emissions of our customers' vehicles. And we manufacture
9 many SmartWay vehicles. Yet, we object to the greenhouse
10 gas proposal.

11 The fundamental reason that we object is, in
12 contrast to what Mr. Lemieux said, there actually is no
13 test protocol or guideline for certifying SmartWay
14 vehicles; and in contrast to what Chairwoman Nichols said,
15 there is no thorough process for certifying vehicles.
16 This is something very important to understand.

17 The vehicles selected for the SmartWay program
18 were done on a sort of "you know it when you see it" idea
19 of what constitutes an aerodynamic vehicle. It was done
20 in such a way that there is the very real possibility that
21 some vehicles that are more efficient than SmartWay
22 certified vehicles are actually not SmartWay certified and
23 may be barred from pulling the most common trailers on the
24 roads. And, therefore, you run the very real possibility
25 of barring from California roads vehicles based upon no

1 scientific reason.

2 What we at Daimler Trucks recommend in our
3 efforts to constantly improve fuel economy in California
4 and elsewhere is that California work with the DOT and the
5 EPA to develop an actual rigorous program to measure fuel
6 economy from vehicles. And only after that program
7 exists --

8 BOARD MEMBER D'ADAMO: Thank you, Mr. Case. Your
9 time is up.

10 Mr. Zugzda, followed by Walt Simmons.

11 MR. ZUGZDA: Hello. I'm Sam Zugzda with
12 Leonard's Diesel Repair. We're an affiliate member also
13 of the CDTOA.

14 The biggest threat the people face if this bill
15 becomes law is that of our freedom. To even think of
16 telling a citizen of the United States of America they no
17 longer have the right to operate the equipment they use to
18 earn their living is a disgrace.

19 Not only will this put a lot of independent
20 trucking companies, owner-operators, and other small
21 businesses out of business. The costs associated with
22 dealing with the regulations and everything in general --
23 the property values are going to go down on all these
24 vehicles. It's taken away the people's value, what
25 they've earned, their livelihood - it's taken that away

1 -just for passing a law that, if you study the charts, all
2 this is doing is saving a little bit of time as far as the
3 cleanliness of the air. The quality of the air is going
4 to improve whether this law goes through or not. With the
5 law, it goes through a little bit faster, it gets the air
6 a little cleaner. But the quality is still improving with
7 or without the law.

8 Everything we own is transported in a truck. The
9 building here, all the materials were hauled in with a
10 truck. All the food we eat. This isn't just affecting
11 trucking industries and a certain number of businesses.
12 It's going to affect all of us, every citizen of the State
13 of California -- that trickles down through the whole
14 nation. It's an added expense on everything that we
15 consume.

16 BOARD MEMBER D'ADAMO: Thank you very much, sir.
17 Thank you for your testimony.

18 MR. ZUGZDA: Thank you.

19 BOARD MEMBER D'ADAMO: Walt Simmons, followed by
20 Bill Magavern.

21 Mr. Simmons?

22 Bill Magavern?

23 Michael Graboski.

24 MR. GRABOSKI: I'm Mike Graboski from the
25 American Rental Association. ARA is in opposition because

1 the rule is unfair to medium heavy-duty vehicles and
2 especially lower-use vehicles.

3 Can I have the next slide.

4 --o0o--

5 MR. GRABOSKI: The proposed rule rewards higher
6 use and therefore higher polluting vehicles and penalizes
7 lower use and lower polluting vehicles. We think it
8 disproportionately shifts costs to lower-use fleets like
9 the rental fleets.

10 Next slide.

11 --o0o--

12 MR. GRABOSKI: Rental vehicles are driven
13 typically about 8,000 miles a year. The average medium
14 heavy-duty vehicle drives about 23,000 miles a year. And
15 the average heavy-duty tractor-trailer runs about 60,000
16 miles a year. The rule does not account for this
17 disparity.

18 Rental vehicles also have low total accumulated
19 miles. These vehicles are less deteriorated, and the rule
20 does not also consider deterioration.

21 --o0o--

22 MR. GRABOSKI: This slide shows averaging. The
23 off-road rule considers a ten model year fleet, which is
24 typical of a rental fleet, as clean. This on-road rule
25 considers ten model year fleet as a dirty fleet.

1 --o0o--

2 MR. GRABOSKI: The in-state medium heavy-duty
3 fleet produces only about 14 or 15 percent of the total
4 emissions of NOx in 2008.

5 --o0o--

6 MR. GRABOSKI: And yet when you look at capital
7 compliance costs, it looks more like about 25 to 30
8 percent of the useful dollars being spent to reduce
9 emissions that are being charged to the medium heavy-duty
10 fleet.

11 --o0o--

12 MR. GRABOSKI: On a dollar-per-ton basis, we
13 estimate that 8,000 mile fleet may cost as much as seven
14 times the heavy heavy-duty fleet cost.

15 --o0o--

16 MR. GRABOSKI: Please distribute the cost fairly
17 based on your own cost effectiveness guidelines. In my
18 complete slides and written testimony I provided some
19 ideas for fixing the rule. But I propose one here today
20 that would help. Modify the averaging provisions to
21 account for deterioration of emission factors and weight
22 the average by VMT. You provided a similar option in the
23 off-road rule using hours of use. This would provide
24 fairness by moving the burden to the higher use, higher
25 polluting fleet. You could also examine the 2014 and 2015

1 averaging targets to preserve the NOx benefits but provide
2 some flexibility for particulate.

3 Thank you.

4 CHAIRPERSON NICHOLS: Time's up. Thanks.
5 Perfect.

6 Bob Ramorino.

7 MR. RAMORINO: Let me be the first to say good
8 evening, Madam Chairwoman and members of the Board. I
9 think it's probably evening time by now.

10 I'm Bob Ramorino. I'm president of a family
11 company based in Hayward, California, known as Roadstar
12 Trucking. We are currently 49 years old. Next year will
13 be our 50th year if we get there. We employ 60 people,
14 good, hard-working people. And we run 30 diesel trucks.

15 So what does this regulation mean for me? In five
16 calendar years after you pass this regulation I will
17 essentially have to replace each one of those 30 trucks.
18 Now, we can argue with staff and look at details and look
19 and see if I should retrofit a couple of them. To me,
20 it's not a good use of my money. I'm going to try and
21 stay ahead of this and replace all 30 trucks.

22 That's a \$3 million price tag. And by the end of
23 the fifth year I will simultaneously be paying on all 30
24 trucks at one time. That's \$900,000 in annual payments.
25 That's inconceivable how we would pay for that. No bank

1 will loan any company that type of capital to make those
2 payments.

3 I heard a number thrown out here today, \$800
4 payments. We're taking delivery of a brand-new truck
5 tomorrow morning, and those payments are going to be
6 \$2,052.57. So there's a disparity there.

7 Just in the last two months with the economy
8 tanking and the fiscal markets crashing, things are much
9 different than they were a few months ago. I have been
10 notified that our company is going to receive Prop 1B
11 funding for five replacement trucks. That's \$250,000 of
12 public money that's going to be given do my company. For
13 the first time in 20 years, I hope I can secure a new line
14 of credit. We're having trouble with the bank. We've
15 never had that trouble in the last two decades.

16 I also heard the comment a few nights ago on TV
17 from Mr. Kay, an ARB spokesman, saying no money, not a
18 dime has to be spent until 2010. That's a simplistic
19 approach. We can't wait until 2010.

20 CHAIRPERSON NICHOLS: Your time's up.

21 MR. RAMORINO: We need to start replacing them
22 now. Please support the DTCC and the CTA alternative.

23 Thank you.

24 CHAIRPERSON NICHOLS: Thank you.

25 John Fleck.

1 Okay. We'll take the next person.

2 Matt Coen.

3 MR. COEN: Chair Nichols and Board. Thank you
4 for hearing this. I'm going to shortcut this because,
5 one, it's sort of a side to the main thing. I'm neutral
6 on these regulations.

7 But there's a part of the regulation that I don't
8 understand. The technical support document seems to be
9 the foundation of the regulations. And recently there was
10 an advisory sent out that states that you cannot use an
11 aftermarket fuel additive in a V-Deck. They don't seem to
12 have any source of information in the technical support
13 documents to state why this is so. In my conversations
14 with ARB, they seem to be a little confused. Obviously
15 there are some products on the market that don't belong on
16 the market. But there's already state laws and EPA laws
17 that state if a fuel additive could raise emissions or
18 damage any emissions control devices, it's against the law
19 and you could ban them. So you don't really need to write
20 a new regulation for something that already exists.

21 But what worries me is an aftermarket additive
22 can become a viable additive if the V-Deck manufacturer
23 says so. So in other words, the industry that the fuel
24 additive industry competed with or tried to several years
25 ago now has control over it.

1 MR. FLECK: You could read about, if you cared,
2 in Chapter 3 of the Walmart effect entitled "Makin'
3 Bacon - a Walmart Fairytale" to learn a little bit about
4 me. I'm from Birchwood Village, Minnesota, a place that's
5 brought Scotchtape and other notable items to America.

6 --o0o--

7 MR. FLECK: This regulation that you speak to
8 deals with the aerodynamic front bumper, it deals with an
9 aerodynamic mirror, it deals with over-the-cab fairing, it
10 deals with a cab side extender, it deals with fuel tank
11 fairings.

12 It also in the trailer portion of the reg deals
13 with side skirts as well as boat tails, trailer wing,
14 whatever you want to call them.

15 Go ahead.

16 It does not deal with this specific area, the
17 wheels. The wheels are standard on everything, regardless
18 of the configuration. They're on all of those things that
19 you eliminate.

20 Go ahead.

21 --o0o--

22 MR. FLECK: Twenty years ago I developed a
23 product that failed. It saved energy under SAE Type 2.
24 But in the real world it failed.

25 Go ahead.

1 MR. TICHELMAN: I'm just waiting for my slide
2 deck to load, please.

3 CHAIRPERSON NICHOLS: All right. Let's -- is it
4 there? If it's not, we can go with the next person.

5 Tim McCarthy.

6 Tim McCarthy?

7 Patty Senecal.

8 See, it helps not to have slides.

9 (Laughter.)

10 CHAIRPERSON NICHOLS: Us low-tech people.

11 MS. SENECA: Thank you, Madam Chair, Board
12 members. My name is Patty Senecal. I represent the
13 International Warehouse Logistics Association and
14 International Association of Refrigerated Warehouses.
15 These are supply chain providers to retailers,
16 manufacturers, importers and exporters.

17 The rule as defined includes the shippers as the
18 owners of the freight, a distribution center, or a
19 temporary freight storage facility. Our members fit the
20 latter two categories. We are not cargo owners. We are
21 third party logistics providers. We do not -- or, excuse
22 me. Change pages.

23 We oppose to having the California shipper
24 warehouses as the enforcement arm for CARB, because CARB
25 is transferring costs -- enforcement costs and liability

1 to the California shipper warehouse. We do not have
2 direction or control over these motor carriers and the
3 trucks and trailers that they have. Since the trucks or
4 trailers will not have a CARB sticker on them, the shipper
5 warehouse will be required to inspect all equipment.

6 How will the shipper warehouse know if the truck
7 qualifies for the 100-mile short-haul rule, if the
8 equipment is in good operating condition, not damaged or
9 properly functioning or if the trailer is part of the
10 optional fleet schedule?

11 The warehouse will have to inspect and document
12 every single piece of equipment that comes through our
13 terminals. And some of our distribution centers have at
14 least a hundred dock doors running on two shifts. The
15 cumulative cost of staff time and delays for drivers are
16 unfairly incurred by the warehouse shipper.

17 Our employees and workers in warehouses are not
18 trained as truck mechanics. And we would have to go out
19 and add staff that is certified in truck mechanics to
20 inspect every truck to make sure it's SmartWay compliant,
21 that the equipment is in good order. And this would be at
22 a significant cost.

23 We recommend the removal of the California
24 shippers from enforcing this rule and subsequent
25 penalties. CARB can enforce the rule with CARB staff,

1 through weigh stations at state lines, roadside with the
2 smoke testing teams, or through DMV registration.

3 An example of this rule is if CARB was to pass a
4 regulation that every person who left this building could
5 only be loaded out into a vehicle that was alternative
6 fueled. How would you enforce that? You'd have to add
7 staff, mechanics, because you wouldn't let people leave
8 the building unless they had a specific car. You're
9 asking us not to load freight until we've inspected every
10 single truck and trailer that comes through a facility is
11 an enormous burden for us to have to facilitate. So we
12 would ask that the warehouses be removed from the rule.

13 CHAIRPERSON NICHOLS: Question?

14 BOARD MEMBER LOVERIDGE: Could Staff respond to
15 that?

16 CHAIRPERSON NICHOLS: Oh, yes. You extended your
17 time with a question here.

18 Staff, can you respond to that?

19 MR. LEMIEUX: Yeah, Ms. Senecal, I think she
20 maybe misunderstood the changes that we recently made to
21 the proposal. What we've done is we removed the receiver,
22 and now we just have the shipper responsible. But in
23 that, the shippers are only responsible when there's a
24 violation given to the motor carrier and that they're
25 notified. So once the shipper is notified that a motor

1 carrier that they've been using is in violation, then they
2 have to take some action.

3 So if they don't get notified, there's no penalty
4 associated to the shipper. But once they're notified,
5 then they can receive penalties if they don't notify the
6 motor carrier and make sure that they're in compliance.

7 MS. SENEAL: May I respond?

8 CHAIRPERSON NICHOLS: Sure.

9 MS. SENEAL: Thank you, Madam Chair. Thank you,
10 Stephan.

11 I understand the rule has been changed on the
12 back. And so if the warehouse distribution center gets an
13 NOV, we would be responsible to work with the motor
14 carrier. That would mean inspection of every single truck
15 and trailer, because we're going to have to document that
16 we have talked to them, that they're aware of the rules.
17 And, again, we're going to do everything not to be
18 penalized so we can comply with the rules. So we still
19 believe we're in the rule at the end and we shouldn't be
20 enforcing CARB rules. There's enough CARB staff and other
21 mechanisms, rather than adding cost on to our side to have
22 to go out and police the equipment.

23 CHAIRPERSON NICHOLS: I'm not following you.

24 MS. SENEAL: So in other words if we get a
25 notice of violation at the warehouse --

1 CHAIRPERSON NICHOLS: You're told now -- you're
2 leaving the building.

3 MS. SENEAL: I'm leaving the building.

4 CHAIRPERSON NICHOLS: Okay. And somebody hands
5 you a piece of paper or gives you a card, it says,
6 "Patty, you can't get into the car because it doesn't meet
7 our standards." I don't see why that's an extra burden on
8 you.

9 MS. SENEAL: Because what the rule is intended,
10 as it's been discussed with us, is that once we have a
11 Notice of Violations, we have to make sure the motor
12 carrier understands, the shipper understands. And if for
13 some reason equipment is still loaded out, then the
14 warehouse is part of the penalty process. So we would
15 notify the carriers. But, again, the only way we're going
16 to protect ourselves to our customer is to inspect and
17 document every single piece of equipment that we're not
18 loading out non-compliant equipment.

19 CHAIRPERSON NICHOLS: I think we'll talk about
20 this further.

21 MS. SENEAL: Okay. Thank you. I appreciate
22 that.

23 CHAIRPERSON NICHOLS: Okay. Thank you. I
24 understand your point.

25 MS. SENEAL: Okay. Thank you.

1 CHAIRPERSON NICHOLS: Are you ready, Mr.

2 Tichelman?

3 Yes.

4 MR. TICHELMAN: Thank you, Madam Chairman and
5 Board. My name is Robert Tichelman. I'm President and
6 CEO of a company called Windyne. We provide fuel
7 efficient aerodynamic add-ons to the long haul trucking
8 industry and transport and currently provide the highest
9 rate of return on the SmartWay approved system.

10 --o0o--

11 MR. TICHELMAN: I'm not actually here to sell my
12 product or give a technical presentation. But I was asked
13 by your staff as well as the SmartWay staff to come make a
14 presentation that I've been talking do them about. In
15 fact, we've only been dealing with CARB for the last two
16 and a half weeks and they were unaware of our product
17 beforehand.

18 What I want to take a look at and what SmartWay
19 vehemently supports me on is the fact that the standards
20 that they identified at 6 1/2 percent are over two and a
21 half years old and are based around older technology that
22 was low in its capabilities at the time it was originally
23 developed.

24 --o0o--

25 MR. TICHELMAN: And so I want to take a look

1 at -- they want to move from -- and why they haven't
2 changed their values is they're currently working on a
3 protocol to bring up testing as opposed to go through the
4 testing process. And so they're not in the process right
5 now of adjusting the number until they get the protocol in
6 place to warrant the numbers that they're working with.

7 And so we take a look at -- and they will talk
8 about a 20 percent or a 10 to 20 percent number that they
9 have. And is 6 percent too low? And they think that it
10 might be. And they want to move the goal post. They want
11 to go from a static measuring system of 6, 6 1/2 percent
12 and go dynamic. As they bring new products in like ours
13 and like the Freight Wing product you heard earlier that
14 raises those levels up, they want to change that number
15 and have it float. So the goal posts are going to move.

16 --o0o--

17 MR. TICHELMAN: And so the business case that I
18 want to talk about is, you have a hypothesis or a theory
19 that on the trailer there's four major areas of
20 efficiencies that you can work with - the gap fairing, the
21 trailer skirts, the boat tail, and the low rolling
22 resistance tires.

23 --o0o--

24 MR. TICHELMAN: Currently if you use the 6.5
25 percent standards and the current products from the

1 they change?

2 EXECUTIVE OFFICER GOLDSTENE: That's the
3 automatic shut-off. But the lights will be back on
4 shortly.

5 CHAIRPERSON NICHOLS: Oh, we're going to get the
6 lights back on again. Sorry.

7 Okay. Continue, please.

8 MR. TICHELMAN: So what you see is, you know, a
9 thoughtful solution. Don't have a bar set so low that the
10 transportation industry will put a 2 percent belly fairing
11 on, a 2 percent gap fairing and a 2 percent boat tail,
12 meeting their six percent number, leaving very little room
13 to go. Make it a thoughtful decision, take a 6 1/2
14 percent belly fairing, and then have some room as we go
15 through and change this. And it requires innovations like
16 we've done. We've provided for, you know, horizontally
17 adjustable and vertically retractable, giving the most
18 surface area available of any trailer fairing that's out
19 there.

20 So consider raising the number, believe it or
21 not, from 6 1/2 to 8 percent, in fact, because once
22 SmartWay gets their testing protocol in place, they're
23 going to raise that number themselves.

24 Thank you.

25 CHAIRPERSON NICHOLS: Okay. Thank you.

1 Matt Griffin.

2 Henry Hogo.

3 Oh, he spoke already. Okay.

4 Barry Broad.

5 MR. BROAD: Good evening. Barry Broad with the
6 Teamsters.

7 I'll just say that we're sticking our neck out
8 and we're strongly supporting this regulation. However,
9 there was one really big problem with it, which can be
10 fixed in your 15-day comment period, and I hope you take
11 this seriously.

12 You're essentially killing your regulation with
13 kindness, because the owner-operators that get a deal for
14 not complying to this -- with this for a long period of
15 time, they mostly work for trucking companies as a
16 replacement for employee drivers. They're
17 under-capitalized. They don't make very much money.

18 And what happens in the trucking industry and
19 what will happen here, because it has happened before many
20 times, with all the port drivers, with much of
21 agricultural trucking, is overnight these trucking
22 companies will convert employee drivers to independent
23 contractors, generally misclassifying them, in order to
24 avoid having to comply.

25 So trucking companies like Rodgers or whatever,

1 that got 30 truck drivers, they will have to comply. But
2 a trucking company that's working 135 owner-operators -
3 you heard that guy, 135 owner-operators, no employees - he
4 won't have to comply at the same time. That's a very bad
5 result. And what you're going to do is actually
6 contribute to furthering the underground economy in this
7 industry, which is the second worst industry in America
8 for all this kind of fraud.

9 And what needs to happen is that you need to make
10 sure that the carriers that actually employ these
11 people, whether they're employee drivers or they're
12 owner-operators, that they are on the hook to comply. And
13 you don't create perverse incentives in the marketplace to
14 undermine -- that will undermine your own regulations.

15 CHAIRPERSON NICHOLS: So your testimony is the
16 anti-Patty Senecal testimony basically?

17 MR. BROAD: I love Patty --

18 CHAIRPERSON NICHOLS: Not a personal --

19 MR. BROAD: -- but she's not always right.

20 However, I am. So that's -- thank you.

21 (Laughter.)

22 CHAIRPERSON NICHOLS: But you would be taking the
23 opposite perspective on that issue, that they should be
24 forced to and --

25 MR. BROAD: Yes, absolutely. Or everybody should

1 be treated the same. And if they're forced -- I mean, it
2 really is the carriers who hire them. The only real
3 independent single truck operator or system left is in
4 construction trucking. There really isn't much of it left
5 anywhere else, where a truck driver actually deals with a
6 shipper. There I can see, you know, you could delay this,
7 because these are true entrepreneurs.

8 In the vast part of the marketplace where these
9 people are just a way to get around paying Social Security
10 tax, you're making a big mistake because you are going to
11 create all kinds of unfair competitive imbalances. But I
12 think it's fixable, and I think you can fix it pretty
13 easily.

14 So I'd love to work with your staff. Thank you.

15 CHAIRPERSON NICHOLS: Thank you, Mr. Broad.

16 Charles Diaz.

17 MR. DIAZ: Good evening, Madam Chair, Board
18 members. My name's Charles Diaz, owner of Charles Diaz
19 Trucking.

20 CHAIRPERSON NICHOLS: Do you like this romantic
21 lighting that we have here?

22 MR. DIAZ: Yes.

23 (Laughter.)

24 CHAIRPERSON NICHOLS: Should be putting candles
25 out.

1 Sorry.

2 MR. DIAZ: Our company plans to stay in
3 California as we do -- we can do what our state asks for.
4 This new regulation, timing, speed, could not be the
5 worst. Our customers and inventors are pushing our margin
6 to their lowest point. This new regulation is an
7 additional cost that is unbearable at this time. We too
8 want cleaner air, but there are alternative solutions that
9 must be looked at to slow this implementation.

10 Thank you.

11 CHAIRPERSON NICHOLS: Thank you.

12 Gary Gaussoin.

13 MR. GAUSSOIN: I'm Gary Gaussoin. And ironically
14 my initials are GHG. So every time I see that it jumps
15 off the page at me.

16 (Laughter.)

17 MR. GAUSSOIN: I'm Chairman of Silver Eagle
18 Manufacturing Company. And it appears today I'm one of
19 the many aerodynamics manufacturers. And I'm here to
20 support that element of the proposal, because they really
21 do work.

22 And I would also agree with the gentleman from
23 Daimler Trucks that SmartWay really doesn't have a testing
24 protocol. They are trying to develop one. It's based
25 only on test tracks. Temperature, 68 degrees to 86

1 degrees. So you couldn't prove a product that might be
2 the best thing going at this time of year. So I think it
3 has some fatal flaws.

4 And also, they are rules that are dependent on
5 methodology rather than on results. So I would suggest
6 that you work on results instead of methodology. And I
7 think you'll find a federal code for motor vehicles. They
8 try to take that approach for that very reason, because it
9 really does provide a barrier to technology.

10 For instance, we have a product that goes against
11 the idea of closing the gap, because it actually can
12 create a suction on the front of the trailer just like the
13 suction on the back of the trailer and help pull it
14 forward. So those rules don't work very well.

15 Also, I did a little economic payback analysis.
16 As much as a manufacturer's selling stuff, you want it to
17 have a high payback. I think the results are a little
18 exaggerated. All these tests are run at highway speeds.
19 And of course a vehicle has an average speed that's lower
20 than that. And then if you take a 100,000 mile truck, if
21 you divide by 2.5 on the trailers, you get 40,000 miles.
22 So be conservative on your payback calculations.

23 So, in conclusion, I think you should have rules
24 that regulate for performance, not for methodology, to
25 keep things open. You should allow for proven devices.

1 Have other methodologies -- if people can prove to the Air
2 Resources Board that these things meet your requirements,
3 your performance requirements, you should accept them.

4 I think SmartWay is being underfunded, and it's a
5 bit of a dilemma of a horse to hitch to right now.

6 I think you should also allow removable devices
7 for aerodynamics.

8 CHAIRPERSON NICHOLS: Your time's up.

9 MR. GAUSSOIN: Thank you.

10 BOARD MEMBER SPERLING: Chairman Nichols?

11 CHAIRPERSON NICHOLS: Sorry. Yes.

12 BOARD MEMBER SPERLING: This issue's coming up
13 several times about the SmartWays.

14 CHAIRPERSON NICHOLS: Yes.

15 BOARD MEMBER SPERLING: And he was making a
16 recommendation that I didn't understand that seems
17 relevant about there's a problem with a method. And I
18 didn't understand what the fix was. I mean we've heard
19 this enough that I was wondering --

20 CHAIRPERSON NICHOLS: People have devices that
21 SmartWay hasn't certified that they think we should be
22 allowing is how I'm understanding that.

23 BOARD MEMBER SPERLING: Well, it's even
24 broader -- yeah, and it's even broader than that, the
25 deficiencies of the SmartWay program.

1 MR. LEMIEUX: Yeah. For one thing to start off,
2 the SmartWay program is a voluntary program. So they've
3 worked with the industry to come up with some of these
4 methodologies that would, you know, be able to be used.
5 And for the tractor side right now, the way they've
6 approached it, it's sort of a groundbreaking program for
7 them, is they sit down with each manufacturer and look at
8 the lines of the models of their tractors; and they want
9 the manufacturers, you know, initially to come up and
10 demonstrate to them what is the most fuel-efficient
11 tractor and why.

12 So you couldn't really compare the tractor
13 efficiency from one brand to another. But within the
14 brand of a tractor - and that's the way it currently is
15 right now - you can look at the way it's built, the way
16 it's designed to see which ones are more aerodynamic. And
17 then they establish that particular model for that
18 manufacturer as the SmartWay certified.

19 Now, in the future to replace that they have to
20 do more in terms of demonstrating why the next generation
21 is better than the current one. And they are also working
22 towards establishing a protocol that's sort of being able
23 to set a threshold to where each manufacturer can try to
24 meet that threshold. Then it's not limited to a couple
25 models per manufacturer.

1 BOARD MEMBER SPERLING: So there's this
2 fundamental --

3 RESEARCH DIVISION CHIEF CROES: I think the
4 simple answer -- the simple answer is I think we've
5 recognized that there are deficiencies in the SmartWay
6 program. We've been working with EPA to try and
7 collaborate on improving those, not entirely successfully.
8 And we're going to try and jump ahead of where things are.
9 But right now SmartWay's the best that we have. So we're
10 proposing its adoption, understanding that, and planning
11 to bring more back to you like in a year or so when we do
12 more work on it.

13 MR. LEMIEUX: And if I could add one more thing.
14 The other part of this that we didn't talk about is the
15 component part where you get the biggest bang for the buck
16 in terms of efficiency improvements. For example, the
17 side skirts. In the cases like that, they are thoroughly
18 tested. It isn't a random mode - this looks good, that's
19 good enough - it's SmartWay certified. They do have to
20 certify them SAE procedures and verify it.

21 BOARD MEMBER SPERLING: And tires?

22 MR. LEMIEUX: And tires, they also have
23 methodologies that they use to determine efficiency of the
24 tires. And they are going towards an ISO-established
25 methodology that all tire manufacturers will be using.

1 Right now there's a few methodologies that they can use to
2 demonstrate fuel efficiency.

3 So, again, you can't compare one make tire to
4 another. But within a make of a tire you can establish
5 which one's more fuel efficient. And that's the way it's
6 working right now.

7 BOARD MEMBER SPERLING: That's not very
8 reassuring.

9 RESEARCH DIVISION CHIEF CROES: There are
10 standard tests for tire efficiency which were used by the
11 tire manufacturers.

12 BOARD MEMBER SPERLING: Could I just ask that
13 maybe tomorrow there'd be just a very brief presentation
14 on how we're going to -- this whole process is going to be
15 improved, give us some assurance that it's on a more sound
16 basis than it is now and what's the time table for that
17 and how that fits in with our requirements. I mean I've
18 heard this story from enough people to believe that
19 there's a real fundamental problem here.

20 EXECUTIVE OFFICER GOLDSTENE: Yes. We also hope
21 to have representatives from EPA here tomorrow as well.

22 BOARD MEMBER BERG: And also that if we're going
23 to change and bring things back in a year, where does that
24 leave the people that are buying this equipment?

25 RESEARCH DIVISION CHIEF CROES: That's for

1 additional equipment.

2 BOARD MEMBER BERG: Okay. I'm just saying that
3 overall I don't want to pass one regulation and come back
4 a year later, put more -- people get confused, and it's
5 costly.

6 MR. LEMIEUX: Right. We do plan to broaden the
7 program and establish new requirements in the future, but
8 not as a retrofit but for newer trailers and tractors that
9 come into the marketplace. So we will not be requiring
10 companies that are investing in technology to replace
11 those technologies.

12 CHAIRPERSON NICHOLS: Okay. Tom Carroll.

13 MR. CARROLL: Good evening, Madam Chair, members
14 of the Board. Thank you for allowing me to speak this
15 evening. My name's Tom Carroll. I represent about three
16 speakers that you'll be hearing from tonight that
17 represent the school pupil transportation industry.

18 I myself represent 5,000 students from 1800
19 square miles of Shasta County who are in support of clean
20 air. However, we are opposed to these regulations. These
21 regulations would basically cripple the school pupil
22 transportation industry in California; and at a bare
23 minimum we ask that you remove school buses from this
24 regulation.

25 Twelve months ago I was involved in talks

1 regarding these proposed regulations, and I was guaranteed
2 at that time that school buses were not going to be part
3 of this regulation. February 1st, 2008, that all changed.

4 According to the proposed school bus BACT
5 schedule, it would cost my school district \$1.8 million by
6 January 1st of 2014 to comply with the best available
7 control technology. That's approximately four school
8 budget years from now. That would require that we replace
9 eight school buses and retrofit ten school buses in a time
10 frame that we would normally purchase four school buses.
11 As you can see, that's a significant capital expense for
12 us.

13 In my school district we have approximately a \$15
14 million budget, of which is \$1.5 million goes to school
15 pupil transportation. That's money that's diverted
16 directly from the classroom to transportation because it's
17 considered a necessary service in our large rural area.

18 We're also experiencing a \$2 million reduction in
19 funding this year, thanks to the \$14 billion deficit in
20 the State of California. We're anticipating another \$2
21 million deficit -- or \$2 million reduction in funds next
22 year.

23 Funding opportunities that were spoken of. The
24 Department of Education has a small school district bus
25 replacement program -- grant program that's not applicable

1 to any school district in the State of California that has
2 more than 2500 students. So my district would not qualify
3 for that. Never have, never will. We have 5,000 kids.

4 The Lower Emission School Bus Program that was
5 mentioned earlier, and Eric made some mention about 95
6 percent of the retrofits could be paid for that, I
7 respectfully disagree with Eric's numbers. The money is
8 not divided up equally among the state, with a dollar or
9 two dollars going towards every bus. It's predominantly
10 aimed at the southern part of the state.

11 As an example, my district operates 10 percent of
12 the 220 school buses in Shasta County. We have not been
13 awarded any retrofit money under the Lower School Bus
14 Emission Program. Fifty-four of the 220 school buses in
15 our county are pre-'87 and an additional 50 are pre-'94,
16 which means there's over a hundred buses that require
17 retrofits and/or replacement.

18 Shasta County received \$4 million underneath this
19 program, of which \$124,000 was absorbed by our local air
20 quality district for administrative oversight. We can
21 afford to replace with \$875,000 left approximately 50 to
22 65 retrofits, depending on what you consider the fair
23 price for that. And approximately 17 school buses will be
24 replaced with about \$2.5 million. As you can see, that
25 leaves a lot of school buses in my county. We're not

1 going to get 95 percent of them retrofitted and replaced.
2 That money's got to come from some place. It's going to
3 come from the General Fund.

4 And that doesn't even take into account the
5 reduced capacity on the school buses because of the
6 recently implemented seat belt regulation. We're trading
7 in 84 passenger buses for 50 passenger buses. Nationally
8 800 students lose their lives while being transported back
9 and forth to school by means other than a school bus.
10 Children in a school bus, nationally we lose 6 students
11 annually going back and forth to school in a school bus
12 versus 800 that don't ride a bus. So I don't know what
13 the cost methodology is for figuring that out, but I'd
14 like to see somebody do it.

15 Also, I'm also concerned, if this rule is going
16 to pass, why haven't the opacity check regulations been
17 removed? Worst diesel trucks would have to be opacity
18 checked. If we're going to go through the particulate
19 trap and the NOx reduction, why are we still going to be
20 burdened with a 40, 50, 60, 70 dollar test on an annual
21 basis for these vehicles?

22 CHAIRPERSON NICHOLS: Your time is up.

23 MR. CARROLL: Thank you very much. I appreciate
24 the time.

25 EXECUTIVE OFFICER GOLDSTENE: Madam Chair, could

1 we just -- I'd like to ask Jack Kitowski to make a quick
2 update to the Board on this.

3 CHAIRPERSON NICHOLS: All right.

4 ON-ROAD CONTROL REGULATIONS BRANCH CHIEF

5 KITOWSKI: I did want to clarify one point. And at least
6 this part of it would be good news for Mr. Carroll.

7 There is no part of the school bus requirement
8 that would require replacing buses by 2014. The earliest
9 school bus -- it is primarily a PM retrofit requirement.
10 And the earliest replacements would not occur until 2018
11 if the bus could not be retrofitted.

12 MR. CARROLL: That's not a very good lengthening
13 strategy to wait another four years to replace another --

14 CHAIRPERSON NICHOLS: Come on. You've had your
15 turn. Thank you.

16 Robert Isom.

17 MR. ISOM: Good evening, Madam Chair.

18 CHAIRPERSON NICHOLS: Excuse me. Everybody's
19 being given an opportunity to speak here. And we're not
20 engaging in dialogue. Thank you.

21 MR. ISOM: Good evening. Well, I must say first,
22 I liked it better when the lights were off. I know the
23 light's reflecting off my balding head --

24 (Laughter.)

25 MR. ISOM: -- blinding my colleagues in the other

1 room looking at the screen.

2 My name is Roger Isom. I'm with the California
3 Cotton Ginners and Growers Associations, and representing
4 a coalition of over 70 ag groups that have worked a long
5 time with the ARB staff, over 18 months, on trying to
6 develop something that works.

7 But let me be very clear. We don't like this
8 regulation. Our members don't like this regulation.
9 You've already heard from one of my members today.

10 But with that said, we understand the ozone
11 situation, especially in the San Joaquin Valley and the
12 South Coast; we understand the trucks are number one
13 source; we understood when we had our first meeting with
14 ARB and they said, "Look, guys every ag truck's going to
15 have to be replaced in this." So, you know, we get that.

16 However, I think it also has to be understood
17 that ag trucks are a little bit different. Most of our ag
18 trucks are low mileage.

19 I think Dr. Telles brought up the issue of cost
20 effectiveness. The cost effectiveness number that Mr.
21 White brought up is an average. And that's driven way up
22 by all the long-haul trucks that drive a lot of miles.
23 When you look at the low mileage ones, you know, we're not
24 talking a few dollars per pound, for example, the 15 or
25 20,000 mile-per-year trucks; we're talking over \$100,000

1 per ton. So it's very expensive.

2 Some of our trucks are highly specialized. For
3 example, a cotton module mover used in my industry, a
4 brand-new cotton module mover truck is \$193,000. They're
5 so specialized that there is no used market. I can't go
6 to the Freightliner dealer, the Peterbilt dealer in Fresno
7 and buy a used one. I have to buy brand-new. So there
8 had to be some special considerations given to those
9 trucks.

10 It's also important to note that the incentive
11 funds that we've talked about, the majority of ag trucks
12 are not eligible for those. They're below the weight
13 limit. And I know that ARB's working on lowering that.
14 Or the low mileage, they're not going to rank high enough
15 in the priority to get the funding. The ones that drive
16 more miles, they're going to be higher on the priority
17 list and get the funding.

18 So I think what we did is we sat down with ARB,
19 took all those things into consideration and developed
20 something that we think is workable. We would oppose
21 anything that makes this rule any more stringent than what
22 it is today.

23 The last thing that I would say and leave with
24 you is that we would encourage ARB after this rule's
25 adopted to work to try to find more funding. And I will

1 give you my personal commitment that we'll do anything we
2 can to find -- bring more funding. Because if we had
3 enough money, we'd buy new trucks tomorrow. We don't like
4 driving 1970 and 1980 trucks.

5 CHAIRPERSON NICHOLS: Thank you.

6 MR. ISOM: So I would just encourage you guys to
7 do all you can to bring more money.

8 Thank you.

9 CHAIRPERSON NICHOLS: Time's up. Thank you.

10 Allan Lind.

11 MR. LIND: Thank you, Madam Chair. I'm Allan
12 Lind. I'm here on behalf of the California Council for
13 Environmental and Economic Balance. And we're here to
14 support your proposed regulation.

15 I wanted to expression our appreciation for the
16 staff's help in working with us on a couple of complex
17 problems. And the challenge of writing a new regulation
18 and intertwingling it with nine or ten other existing
19 regulations is a formidable task.

20 In our previous communication with you we were
21 concerned about some of those overlaps. And I think your
22 staff has done an excellent job of addressing those.

23 I wanted to be clear though that in the latest
24 changes with respect to the two-engine cranes, it's our
25 understanding that because this rule doesn't take --

1 there's an acceleration provision -- or accelerated
2 compliance provision in the existing regulation that says
3 if you can get some changes made before March of 2009 --
4 it's based on horsepower of the total fleet. In a
5 two-engine crane thing, you move a couple of engines into
6 the existing fleet and you might skew that qualification.
7 It's my understanding that since this rule will not take
8 effect until after March 1st, that that conflict doesn't
9 exist. And I just wanted to get that on the record.

10 We do have two concerns. And maybe staff can
11 sort this out for us. The incentives that you provide for
12 hybrid vehicles and alternative fuel vehicles are curious
13 to us. They compel, they require the Executive Officer to
14 provide credits for hybrid vehicles if they provide at
15 least 20 percent greater fuel economy. I'm wondering if
16 that's a disincentive for somebody to try to provide 40
17 percent or 80 percent. Because if you only have to
18 provide 20 percent, you get the incentive.

19 Likewise for the alternative fuel vehicle. There
20 is an anomaly here where it provides the incentive of
21 counting their PM index, if you will, towards a fleet as
22 zero. Well, at some point some of these alternative fuel
23 vehicles I think that you'd want to go from -- maybe
24 kick-start it with a zero credit for PM. But all of the
25 alternative fuels have PM, I mean with the Board's concern

1 over health costs.

2 CHAIRPERSON NICHOLS: Time's up, Mr. Lind. I
3 hate to cut off somebody who's supporting us, but we've
4 got to do it.

5 MR. LIND: Thank you.

6 CHAIRPERSON NICHOLS: Okay. Jean Roggencamp.
7 Did she leave?

8 Michael McDaniel.

9 MR. McDANIEL: Boy, it's getting late, isn't it?

10 CHAIRPERSON NICHOLS: It is.

11 MR. McDANIEL: I'm Michael McDaniel.

12 CHAIRPERSON NICHOLS: We're going to take a break
13 actually for -- we're going to take a half hour break
14 in -- I'm hearing dissent from the audience. We'll
15 consider that.

16 Okay. Go ahead.

17 MR. McDANIEL: I'm with Continental tire. We're
18 one of the premiere SmartWay suppliers for both tires and
19 we're also going to have an inflation chip next year at
20 the OE level. We'll be the predominant supplier Class 6,
21 7, and 8 trucks for an inflation monitoring system in
22 trucks. We strongly support the SmartWay regulations.
23 I've been making fuel-efficient tires for years.

24 We think a couple of things that we need to
25 consider very seriously: The first-off, the SmartWay

1 tires are now only about 6 percent of all the products
2 that we make. And they are certainly suitable for
3 long-haul trucks. In California, only less than 30
4 percent of trucks are made for the line-haul service. A
5 whole different class of tires work on regional, urban or
6 intrastate trucks. If we put the current approved
7 SmartWay tires, and all of the manufacturers at the
8 current tires approved, they will not work well on the
9 service. So what will happen, fleets will get 30 and 40
10 percent less mileage on tires, which is certainly a
11 tremendous cost to the fleet and it's also an
12 environmental problem of another sort.

13 The other problem, and the most significant
14 problem, there's no provision in the tire bill for
15 retreads. Eighty-some percent of fleets retread for
16 economic considerations. It cuts a fleet's costs about 30
17 percent. But also, saliently, it is environmental. If we
18 take the three million, three and a half million tires
19 retreaded every year in California, which is a 130-pound
20 tire, and we put them in landfills rather than put them
21 back in service, you've got an environmental train wreck.
22 Tires are extremely difficult to handle in landfills that
23 handle environmentally.

24 We're making two recommendations. One's that the
25 standards be moved to regional and urban tires, a whole

1 different standard, be made --

2 CHAIRPERSON NICHOLS: Your time is up.

3 MR. McDANIEL: -- so that you could have a broad
4 range of tires.

5 Thank you.

6 CHAIRPERSON NICHOLS: Okay. I need to check with
7 the court reporter about your need for a break here. Are
8 you okay with continuing or do you want to take a break?

9 You need a five-minute break?

10 All right. We will take a five-minute break and
11 then we will reconvene.

12 (Thereupon a recess was taken.)

13 CHAIRPERSON NICHOLS: I know there are people who
14 need to testify tonight. And we want to make sure that
15 those of you who can only testify tonight get heard.

16 There are other people who seem to be saying that
17 they want to shift over till tomorrow. But as far as I
18 can tell, the clerical staff here is just plain confused
19 about whether people are leaving tonight and thinking that
20 they can just come back tomorrow and pick up where they
21 left off. I don't want to do that. If there are people
22 who left already, who just disappeared without telling us
23 they were, you know, planning to come back, they're going
24 to have to sign up and take their place in order just like
25 everybody else, because it won't be fair to the other

1 people.

2 And I have no idea if there are going to be
3 hundreds of more people showing up tomorrow to testify. I
4 hope not, because we've heard a lot of good testimony
5 today. But we'll just have to take that as it comes.

6 Meantime, our Board has some refreshments in the
7 back and the ability for people to just get up and take a
8 break. And we have both closed-circuit TV and audio back
9 in the back. So that when people aren't sitting here, as
10 long as they are in the area back there they are hearing
11 everything that's going on out here.

12 So we are not going to take a dinner break. The
13 Board is going to stay here and we will just continue for
14 as long as we can. And hopefully that will accommodate as
15 many people who came here with the intent to be heard
16 tonight as we possibly can. That's our goal.

17 BOARD MEMBER LOVERIDGE: Are you going to
18 establish a time?

19 CHAIRPERSON NICHOLS: I had said previously 9
20 o'clock. I believe that 9 o'clock is as long as I can
21 stay here tonight and still be listening. I need my
22 sleep. So that will be when we will close off.

23 All right. So those are the ground rules.

24 Let's proceed with Steve Brink.

25 MR. BRINK: Thank you, Board members and Madam

1 Chair. Steve Brink, California Forestry Association,
2 representing many of the forestry fleets throughout
3 northern California.

4 And I'd just like to say, it was very
5 interesting. You heard Mendocino County earlier. And in
6 our surveys with them, we find -- throughout rural
7 counties in California, we think that, as forestry is, 60
8 percent of those fleets are older trucks. And it's
9 primarily because those trucks are running 50 to 60,000
10 miles a year. They need 20 years to get the useful life
11 out of the truck. And so they have old trucks. Surprise,
12 surprise.

13 And we also find in there fleet owners are
14 running -- the fleet calculator on-line to have business
15 plans in anticipation of the rule. And they are running
16 into what we call crunch time, just as staff showed
17 earlier in the graphs, that 2011 to 2014 is crunch time,
18 particularly for fleets with older trucks. And many of
19 our fleet owners, when they run the numbers, they run out
20 of cash at about year three. You heard that earlier as
21 well. They simply cannot get through the rule. And so
22 that leaves them with just -- then the only two options
23 they have is you significantly reduce the size of your
24 fleet or you save the pain and go out of business now.

25 A couple other things I wanted to mention. We

1 support the earlier testimony that talked about VMT.
2 There's a lot of what I believe you'll have 2004 trucks,
3 for instance, long-liners on the road today putting on
4 150,000 miles a year versus a 1991 truck putting on 40,000
5 miles a year in rural counties. That 2004 truck will be
6 emitting more NOx than the 1991 truck.

7 Second, we believe the cost of the rule has been
8 substantially understated. Earlier staff showed that 23
9 percent of a million trucks are going to need filters. We
10 find that filters cost 20 to \$45,000 installed per truck,
11 depending on how many filters you have to put on. Let's
12 say 20,000 times --

13 CHAIRPERSON NICHOLS: Your time is up. I'm
14 sorry.

15 Mary Pitto.

16 Sayed Sadredin.

17 MR. SADREDIN: Good evening, Madam Chair, members
18 of the Board. My name is Sayed Sadredin and I'm the
19 Executive Director and Air Pollution Control Officer for
20 San Joaquin Valley Air Pollution Control District.

21 Simply put, there is no way for the San Joaquin
22 Valley to come into attainment with the particulate
23 standards and the ozone standards without major reductions
24 in NOx emissions from heavy-duty diesel trucks. That is
25 the biggest source of emissions in San Joaquin Valley.

1 And without the rule that is before you, we will not be
2 able to meet those standards. They are the largest source
3 of emissions, with 50 percent of our entire NOx emissions
4 inventory being attributed to heavy-duty diesel trucks.

5 So we urge you to adopt the strongest rule that
6 you can adopt today, which is the rule that is proposed to
7 you by your staff.

8 Having said that, we are also quite sympathetic
9 to the economic concerns that have been raised by the
10 small, medium, and agricultural sector of trucking
11 operations. And we believe incentives can play a major
12 roll in softening the blow and reducing the economic
13 burden.

14 We are taking a number of actions at the local
15 level to increase funding. We are using our indirect
16 source review fees and mitigation fees towards reducing
17 emissions from trucks. And we are looking at increasing
18 DMV funding to provide additional funding for the sources
19 that are under your consideration today.

20 We do ask, however, that your staff and your
21 Board also work with us to both streamline the incentive
22 guidelines, the Prop 1B guidelines that will come before
23 you next year, to make that process work easier. And then
24 more effectively -- we have already had effective
25 conversations with your staff. And some of those

1 recommendations from your staff will address those needs.

2 We also ask that you work with us and the
3 stakeholders - and I'm almost done - to help us secure
4 additional incentive funding both at the state and federal
5 level to deal with this problem.

6 Thank you very much.

7 CHAIRPERSON NICHOLS: Thank you.

8 Oralia Ornelas.

9 Michael Collier.

10 MR. COLLIER: Good evening. My name is Michael
11 Collier. I'm the Operations Manager for C.D. Matthes
12 Trucking in Fresno, California.

13 By industry standards, we're a pretty small
14 company. We have 20 power units. All our power units are
15 cab-over engine trucks that exclusively haul 57-foot
16 trailers.

17 Under the rules that I've read here today, our
18 company is not eligible for the exemption of 57 footers.
19 And under the research I've done over the last two weeks,
20 approximately 30 trucks that haul these trailers would be
21 eligible. However, they work for a mixed fleet trucking
22 company. They do not haul exclusively 57s. We are the
23 only carrier out of approximately seven carriers that are
24 exclusively 57 footers.

25 In answer to Dr. Telles' question earlier this

1 evening, 90 percent of the 57-foot fleet will be out of
2 business in 2012. That will leave a whole 10 percent
3 left. And they will be out of business in 2018. There is
4 no solution for us. We have to either completely re-equip
5 our fleet with trucks and trailers, and then we cannot
6 service our customers the way we are now.

7 I'm definitely opposed to this. And I'm speaking
8 for the owner of C.D. Matthes as well, Janice. She's also
9 opposed. Our company cannot afford this change.

10 CHAIRPERSON NICHOLS: Thank you.

11 Is Janice Matthes also speaking?

12 Okay. Paul Trump.

13 MR. TRUMP: Thank you. Good evening to the
14 Board. My name is Paul Trump, company called Mike
15 Campbell & Associates. We are in the City of Industry in
16 Stockton, California. We're a warehousing trucking
17 company throughout California.

18 ARB has affected us this year with many
19 regulations. And to Ms. Berg's comment, the TRU
20 regulation, which isn't part of today, but we complied.
21 We changed out 300 refrigerated units this year. And
22 about six week ago, maybe a little less, you guys said six
23 more months to figure it all out. You've got to figure
24 out whatever you're going to do on this rule and get it
25 right before you make changes, because it's a substantial

1 change. Change out one thing to another, it's going to be
2 a real problem.

3 A lot of technology's not there yet. And my
4 colleague will talk a little bit more about that and how
5 it will affect you guys and how it affects us.

6 One of the comments earlier staff talked about on
7 some page 75 of your regulation how only 5 percent of the
8 companies were affected by both regulations. How many are
9 affected by three? TRUs, trailers, and the heavy-duty --
10 and the bus and truck. So it affects a lot of us in many,
11 many ways.

12 While we support the clean air, we'll also be
13 permitted to sell our old equipment to other states. So
14 if you really want to clean up the air here in California
15 and the rest of the world, why can we move our equipment
16 over to Nevada and Arizona? Doesn't seem to do what you
17 really are trying to do, which is to make clean air.

18 We hope that this Board would adopt the DTCC
19 alternative proposal. And thank you for your time.

20 CHAIRPERSON NICHOLS: Go ahead. And then we'll
21 hear from Oralia.

22 I'm sorry. When I call your name, please stand
23 up and say something, or I won't know you're here.

24 MS. ORNELAS: Sorry.

25 Okay. Go ahead.

1 MS. ORNELAS: Hi. I'm Oralia Ornelas. I'm here
2 on behalf of Juarez Brothers Trucking and De La Garza
3 Trucking. They're based out of Bakersfield. Our primary
4 haul is we haul the raw bulk carrots from the field to the
5 packing shed.

6 And first I would like to emphasize on how
7 everything that surrounds us is dependant on the trucking
8 industry in one way or another. And with this emissions
9 problem that we've been faced with, the trucking industry
10 has had very negative publicity.

11 And, first of all, we weren't there when these
12 standards were set when we purchased this equipment. You
13 know, the emission standards were set at, you know,
14 whatever it was. But yet now we're being faced with --
15 we're being penalized and having to rectify this problem,
16 where -- I think where this needs to be directed is it
17 needs to be directed to the manufacturer, who's more
18 familiar on how to fix this. All this grant and funding
19 money should be given to them and let them try to figure
20 out the most effective way on reaching our goal of
21 attaining better quality of air.

22 You know, I've been listening to everyone up here
23 today, and there's so many pros and cons on this. And we
24 just need to stop passing the buck and, you know, let them
25 do it and fix it.

1 Thank you.

2 CHAIRPERSON NICHOLS: Thanks for your comment.

3 Okay. Mr. Cox.

4 MR. COX: My name's Andy Cox. I work for Mike
5 Campbell & Associates. And I just wanted to comment on
6 the heavy-duty greenhouse gas measure.

7 I really wanted to be for this measure. And I
8 read it and unfortunately I'm not.

9 Dr. Sperling, I wanted to address a couple of
10 things that you were asking about the U.S. EPA's
11 project -- the SmartWay project. The U.S. EPA has in
12 their SmartWay project 13 different strategies that they
13 use to certify different trucks and trailer combos as
14 SmartWay certified. The aerodynamics technology is only
15 one of those strategies. There's 13 different strategies.

16 The driver training strategy combined with
17 electronic speed reduction as well as just improving
18 logistics strategy, both of those account for more
19 reduction in greenhouse gas than solely the aerodynamic
20 technologies.

21 Now, the ARB is using the U.S. EPA's SmartWay
22 model to completely model this entire regulation around.
23 It's not the way that the U.S. EPA intended it. They
24 intended for carriers to use many different strategies to
25 come up with the good numbers.

1 They also did all their studies at 62 miles per
2 hour -- 62 miles per hours. The speed limit for trucks in
3 California is 55 miles per hour. Aerodynamics work at
4 higher speeds. According to the DOT's website, the
5 average highway speed in California is 48.43 miles per
6 hour. And then according to another U.S. EPA study, these
7 aerodynamics overcome friction over 50 miles per hour.
8 That's a big range right there. That aerodynamics may not
9 even be working so much for trucks that are traveling
10 around in areas that are very impacted.

11 I know that our fleet averages around 39, 40
12 miles per hour. We're not seeing anything from these
13 aerodynamics.

14 We did a test with three different phases. The
15 first one was standard operation. Second one was with
16 side skirts. The third one was with low rolling
17 resistance tires.

18 The low rolling resistance tires helped. They
19 did help.

20 The side skirts we used -- and, mind you, we're
21 going from Chino, California, to Las Vegas, Nevada. We
22 actually saw a slight reduction in fuel efficiency with
23 the side skirts we used. I'm not going to name the
24 company or anything that we used.

25 But those were our tests over a month's time.

1 I have my written comments up on the website.
2 And I urge you all, please, to read them before you think
3 about this and vote tomorrow.

4 CHAIRPERSON NICHOLS: Thank you.

5 MR. COX: Thank you.

6 CHAIRPERSON NICHOLS: Gayle Lopopolo.

7 MS. LOPOPOLO: My name is Gayle Lopopolo. I'm
8 co-owner of Ganduglia Trucking, a 70-year-old trucking
9 firm in Fresno, California. I'm also the Chief Financial
10 Officer of the company. And as such, it is my job to make
11 sure we pay our bills.

12 Ganduglia Trucking maintains a fleet of 27
13 truck-tractors with 30 employees. Put another way, we
14 support 30 families, for a total of 106 adults and
15 children.

16 Normally, we would replace one or two trucks, new
17 and/or used, each year, but only if we can afford to do
18 so. We maintain our annual payments at about \$250,000 for
19 tractors and trailers.

20 The trucking industry operates on a small profit
21 percentage of 2 to 3 percent annually. This means we all
22 have to watch our budgets very closely. And herein lies
23 the problem with the current CARB proposal. Trucking is a
24 hugely capital intensive business. And we are being told
25 to replace too many trucks in too short a period of time

1 for our finances to allow.

2 With the current CARB proposal, Ganduglia
3 trucking would have to replace seven new trucks in 2013.
4 That's 26 percent of our fleet in one year, at a time in
5 which there would be no compliant used vehicles available.
6 Other years would require purchases of three vehicles.
7 This would increase our payments for trucks, trailers, PM
8 and NOx retrofits from \$250,000 annually to between
9 525,000 and 613,000 annually from 2013 to 2018.

10 Our budget simply cannot support these enormous
11 increases. And neither can we assume that these costs can
12 be passed on as rate increases. In our case, we would
13 have to have a 7 to 8 percent rate increase for at least
14 six years, and this is unheard of in the trucking
15 industry. If we're competing against a large trucking
16 company not faced with forced truck replacement, guess
17 what? We don't have a haul.

18 CHAIRPERSON NICHOLS: Ms. Lopopolo, your time is
19 up. But Mr. Ganduglia, your partner, is here, and he
20 signed up.

21 MS. LOPOPOLO: Yeah, but he'd rather not
22 interchangeable.

23 CHAIRPERSON NICHOLS: Well, I'm sure that's true.

24 MS. LOPOPOLO: Can I have 15 seconds?

25 My solution is: To consider easing the PM 2.5

1 deadline of 2014, because that's a killer deadline for us;
2 or, number two, consider the CTA proposed plan.

3 I urge you all to consider the enormity of your
4 decision to our company, the business community, and the
5 State of California.

6 Thank you.

7 CHAIRPERSON NICHOLS: Thank you.

8 They're very effective. But it's going to come
9 out of your time now, Jim.

10 MR. GANDUGLIA: That's fine.

11 I'm concerned about one thing, ladies and
12 gentlemen, and to the staff: How can we pass these costs
13 on? Because the global marketplace competitiveness of the
14 State of California is the key issue here. If we can't
15 pass these costs on and somebody outside of the State of
16 California can buy products from God only knows where
17 cheaper than they can buy it from California and we can't
18 sell these products, we then cannot do anything about air
19 quality problems because the State of California will be
20 in the dumpster.

21 Thank you.

22 CHAIRPERSON NICHOLS: Okay. Thank you.

23 Dan Souza.

24 MR. SOUZA: Good evening, Madam Chair, members of
25 the Board. My name is Dan Souza. I'm Vice President of

1 Maintenance and Environmental Affairs with Mountain Valley
2 Express a regional less-than-truckload carrier in
3 California and Nevada.

4 We believe improving the air quality in
5 California is very important. And we have strived to do
6 our part by early retrofits and replacement programs of
7 our truck and auto fleets, as well as retrofitting our
8 lighting at all of our major terminals in California. As
9 you can see, we have been very proactive when it comes to
10 the environment, but still have major concerns with the
11 timeline schedule in staff's proposal.

12 The aggressive time frame places a very heavy
13 economical burden on our company through 2014. The cost
14 will exceed over \$8 million through the next six years for
15 retrofit and replacement, 2014 being the most aggressive,
16 at an over-three-million-dollar investment. Even with
17 these numbers and utilizing the staff fleet average
18 calculator, we find that additional investments in
19 equipment will be needed by 2017, not to mention a double
20 turnover with some equipment at additional cost to our
21 company.

22 Staff has recommended rate increases to our
23 customers to help offset the cost. But with the
24 competitive market we operate in, a rate increase above
25 our general increase will not fly. After working the

1 numbers, we found that on average with our general
2 increase we would have to ask for an 8 to 12 percent
3 increase overall. With the struggling economy and
4 reduction in the national gross domestic product, shippers
5 will not be able to accept the added cost in shipping
6 rates, and most will ask for a rate decrease. Companies
7 will be forced to look at their costs very closely and cut
8 where needed.

9 Unfortunately, with the high price of health care
10 coverage in California, this will probably be the first
11 place many companies look to reduce their costs, along
12 with retirement plans and wages.

13 Mountain valley Express is a strong proponent of
14 the CTA and DTCC alternative language and strongly urge
15 the Board to reconsider the alternative language proposal
16 alongside with your staff's recommendations.

17 CHAIRPERSON NICHOLS: Time's up. Thank you.

18 MR. SOUZA: Thank you.

19 MR. BLEVINS: Good evening. I'm Scott Blevins,
20 President of the Mountain Valley Express.

21 We employ 400 families here in California. We
22 are a California-based carrier. So this regulation
23 certainly affects us very adversely. We are not strongly
24 opposed to it. We certainly have embraced the regulation.
25 And I'd like to acknowledge Tony Brasil and Eric White,

1 your staff members, for their time helping educate our
2 industry in regards to the regulation. That has been very
3 beneficial.

4 We are on a road to early compliance, as Dan just
5 indicated, through \$2 million in equipment purchases in
6 2008. Two million dollars in one year for our company is
7 a huge number. We cannot continue on that pace year after
8 year, when you have to finance your equipment. The
9 margins in the trucking industry average 3 percent. We're
10 not making a lot of money out there as it is. It's a huge
11 expense.

12 As I said, we embrace the green image. We run
13 hybrid vehicles, hybrid Toyota Priuses in our sales fleet.
14 We do all that we can to encourage green practices
15 throughout our industry and throughout our company, and to
16 our shippers and our employees.

17 But the biggest hit that we see with this rule is
18 exactly that. The years 2013 and 14 we cannot financially
19 make this happen in our company. We would either have to
20 reduce our fleet or totally go out of business, which we
21 certainly are not focused on doing. We're focused on
22 compliance, as we have been through every California
23 regulation, from the BIT program to universal waste
24 recycling programs, storm water pollution control. We do
25 all the compliance issues we have to do here in

1 California, and we've been very successful with that. But
2 that year, '13-'14, is the biggest hit that we see, and I
3 think everybody in this room sees, as the financial hit
4 that this rule will give us.

5 And I've asked the question, if we can prove that
6 we have done everything financially possible to meet the
7 regulation and to meet the rule through equipment
8 replacement, retrofitting and certainly funding
9 opportunities that we are enjoying through the state and
10 through the taxpayers - thank you very much - that if we
11 can prove we cannot quite get there in '13-'14, what
12 exemption or relaxation of this rule could occur? And I'd
13 ask the Board to certainly take a look at that, because I
14 think we're hearing that somewhat uniformly here today.

15 I also ask that you do embrace the DTCC
16 alternatives through the CTA.

17 Thank you very much. Happy Holidays.

18 CHAIRPERSON NICHOLS: Thank you.

19 Albert Nunes.

20 MR. NUNES: My name is Albert J. Nunes. I'm
21 President of A.C. Trucking in Manteca, California. We
22 have a 25-truck fleet. Our operation runs over 150
23 trailers. So our operation is a little different than
24 some that were mentioned in the program.

25 We have embraced the program. We want to do all

1 we can to bring our fleet into compliance. This year I've
2 already purchased three tractors that are '08 and
3 compliant. We have retrofitted tractors with the exhaust
4 systems.

5 But if you take the fleet calculator, put it
6 together, my fleet will not be able to exist past 2012.
7 This has become a major problem for me, a decision of what
8 I'm going to do with my 47 employees.

9 And, by the way, you know, Dr. Telles, you talked
10 about health care and those issues. Well, this industry I
11 think, as many of us, pay a hundred percent of our
12 employees' health benefits and their families. And those
13 things are not going to be available to us. We're going
14 to have to find other alternatives.

15 When we talk about the SmartWay program, I'm a
16 proud year and a half certified SmartWay carrier. We have
17 done things that they have asked us to do, in low
18 resistance tires - super singles, you might call them -
19 all kinds of different air fairings. But have we seen the
20 benefit of it? No. Our company has not seen the benefit
21 of that issue.

22 Also, Chairman Nichols talked about in her
23 videotape of 400,000 diesel trucks in California, and she
24 also mentioned there were 500 visiting our state on a
25 regular basis. I think there's the real problem we have

1 to deal with. There's no way that I believe that your
2 staff or any other enforcement is going to be able to
3 monitor that and keep those trucks from polluting our air.
4 After we've done all we can do, it's still incumbent upon
5 your group to monitor and police it, and I don't believe
6 it's possible.

7 These are some of the things that I think need to
8 be looked at. Please embrace the CTA alternative, which
9 might get us through this ordeal.

10 Thank you.

11 CHAIRPERSON NICHOLS: Thank you.

12 Brian Rood.

13 MR. ROOD: Good evening. My name is Brian Rood
14 and I represent a company by the name of Colonial Life.
15 We are an employee benefit partner of the California
16 Trucking Association. And I'm here this evening to
17 encourage the Board to consider the collateral impact of
18 the proposed regulations as it relates to companies that
19 rely on the trucking industry to support their own
20 businesses, especially in light of the current economic
21 malaise.

22 Here's a specific example of something that I
23 came across in the last month or so. There's a small
24 company in Adelanto, California, by the name of D.J.
25 Transportation. As part of our business model, we call on

1 CTA members, introduce ourselves, and then hopefully set
2 up an appointment to come back and present our products
3 and services. Between that two-week period from the
4 initial appointment till the time I called on them they
5 had laid off six employees. If we continue to put
6 pressure on companies like this, which are the heart of
7 the trucking industry, you will put them out of business.

8 It's only a reality when you walk into the bay
9 and you find a second generation owner of a trucking
10 company that's been handed down by his father that you
11 understand the reality of what actually happens on a
12 day-in, day-out basis. And this is not isolated. It
13 happens over and over again for people like me who call on
14 members of the trucking industry.

15 The decisions that are made here will have an
16 impact that reaches far past the individual trucking
17 companies themselves. It will impact myriad vendor
18 relationships like the one that our company enjoys. We
19 rely on a vibrant trucking industry to keep our doors
20 open, hire employees, provide benefits to those employees,
21 participate in charitable organizations and make
22 contributions, et cetera. And we strongly urge you to
23 consider the alternate proposal that is put on the table
24 under the DTCC.

25 Thank you for your time.

1 CHAIRPERSON NICHOLS: Thank you.

2 Wayne Teece.

3 MR. TEECE: Good evening, folks. I work for
4 Dispatch Transportation Group of Companies. We are based
5 in Fontana, California, and run at our peak 900 vehicles
6 throughout Fontana, San Diego, Los Angeles, Oxnard, and
7 Bakersfield.

8 We've been involved in every major freeway,
9 onramp, offramp, and housing tract that's been built in
10 southern California. And much of it, Mayor Loveridge, we
11 built the bypass outside your window.

12 On a personal note -- oh, and I want to give you
13 this because it would describe the majority of the
14 California Dump Truck Owners' Association and the
15 California Trucking Association members. I'm a father of
16 three, 28 years married to the same woman, a horseman,
17 volunteer for a posse down in southern California where we
18 go out on search and rescues, and I work with the cub
19 scouts.

20 And, in fact, I'm not someone who's trying to
21 skirt regulations, as the Lung Association might have led
22 you to believe. So much so that I invited Tony Brasil and
23 his group of people to our company headquarters, put
24 together a staff of maybe eight or ten other industry
25 owners and executives, and tried to help Mr. Brasil put

1 these together.

2 It all went very well until I tried to explain to
3 him that the economic impacts -- and, Dr. Telles, this
4 should answer your question -- the economic impact on
5 these companies, and his answer was "I don't care." I'm
6 not taking him out of context. His flat-out response was
7 "I don't care. I have a mandate to meet. If that puts
8 some people out of business, so be it."

9 That brings the entire study, in my opinion, into
10 question, its validity. I would urge you to force them
11 not to just adopt some of the other proposals but to come
12 back to us with an -- an industry, and let us work jointly
13 to come up with a project or a rule that will serve
14 everyone and not put the balance of us out of business.

15 Thank you very much for your time.

16 CHAIRPERSON NICHOLS: Thanks, Mr. Teece.

17 Mike Shuemake.

18 MR. SHUEMAKE: I'm Mike Shuemake. I own Central
19 Valley Trailer in Fresno and Stockton. We employ 60
20 people. We've been in business about 25 years.

21 We service all the trucking customers in the area
22 with their trailer needs, or as many as we can. And I'm
23 here today to express my opposition to the proposed
24 heavy-duty greenhouse gas rule, even though it would
25 benefit my company greatly. But if I can't -- I cannot

1 sell something I don't believe in. While aero devices may
2 help a small number of our customers achieve greater fuel
3 economy, most would see no improvement, while incurring
4 higher maintenance costs and higher acquisition costs.

5 I believe staff used numbers provided by
6 manufacturers of these devices without taking into account
7 the unique California transportation industry's real-world
8 challenges, which include lower speed limits and heavy
9 congestion on our roadways.

10 While these devices have their place, it should
11 be up to the individual companies to determine their
12 economic viability.

13 I urge the Board to adopt the position of the
14 National Trailer Manufacturers Association and the
15 National Trailer Dealers Association, which is to leave
16 the SmartWay as a voluntary program.

17 Thank you very much.

18 CHAIRPERSON NICHOLS: Thank you.

19 Donald Redfearn.

20 Dan Miller.

21 MR. MILLER: Good evening, Madam Chairman members
22 of the Board. My name is Dan Miller. I represent Save
23 Mart Supermarkets. We operate 200 tractors and
24 approximately 500 trailers in northern California and
25 northern Nevada.

1 We are very concerned about the environment as a
2 company and we will continue to replace our tractors on a
3 regular basis and we will continue to strive to offset
4 those additional costs that we incur. However, we reach a
5 point where we can't offset all those costs and ultimately
6 it has to be passed on to our customer, which are many
7 people in this room.

8 We will continue to strive to reduce our fuel
9 consumption, which in turn reduces greenhouse gases,
10 through aerodynamic tractors, governing of tractor speeds,
11 cruise control, and enforcement of idle shutdown as well
12 as APU installations.

13 We do have some serious concerns about the
14 SmartWay portion of the greenhouse gas regulation,
15 however. Number one has already been mentioned - the
16 study was based on 62 miles an hour. We as a fleet with
17 those 200 tractors average 45.7 miles per hour. We will
18 not offset that additional cost of those requirements of
19 those fairings and those trailers with any fuel savings.

20 In addition, by putting fairings on our 53-foot
21 trailers, it reduces our access to our stores. Where we
22 have pits in many of those stores, those fairings will not
23 clear the pits. We will be forced to dispose of those
24 53-foot trailers and replace them with more than the
25 number we dispose of with a smaller trailer, thereby

1 increasing our loads on the road, increasing our
2 greenhouse gas.

3 Thank you very much. And I urge you to consider
4 the SmartWay portion of the regulation.

5 Thank you.

6 CHAIRPERSON NICHOLS: Thank you.

7 Andrew Smith.

8 MR. ANDREW SMITH: Good evening. My name's
9 Andrew Smith. I'm the CEO of ATDynamics, a
10 California-based company commercializing fuel efficiency
11 technology in the global trucking industry.

12 We're here today to share some fleet experiences
13 with trailer aerodynamics equipment and to share a brief
14 story.

15 Two weeks ago I returned from a trip to the
16 Middle East, specifically the United Arab Emirates, or
17 UAE. The UAE is a small desert country on the Persian
18 Gulf, but it is a small country with 9 percent of the
19 world's oil reserves. The United States has about 3.
20 Literally billions and billions of dollars are pouring
21 into this country. And while money's not available for
22 redoing bridges in the United States, they're literally
23 building exotic island resorts on their coasts in order to
24 have a place to build bridges.

25 The reason I bring up this story is because of

1 the irony that U.S. trucking fleets are sending another
2 two to three billion dollars a year to this part of the
3 world because of unaerodynamic box-like trailers. And
4 we've had an incredible time over the last two years
5 working with fleets to end this unnecessary transfer of
6 wealth.

7 The ATDynamics flagship product is a trailer
8 tail. It's a rear-mounted device dealing with drag behind
9 the trailer that delivers 5 percent SAE-tested results to
10 long-haul fleet operations.

11 Our customers who use this technology are already
12 fully compliant with the proposed CARB regulations for
13 trailer aerodynamics, and they met these regulations at
14 what will be a net profit. Their payback period is about
15 6 to 24 months. Some fleets like the trailer tail because
16 it avoids some of the damage that side skirts are exposed
17 to. But most fleets that we are working with are looking
18 at combinations of side skirts and trailer tails to get 9
19 to 12 percent fuel efficiency gains.

20 In summary, we are proud to be part of a growing
21 movement to reduce greenhouse gas emissions, to reduce
22 global oil dependency, to increase green manufacturing
23 jobs, and to save fleets money.

24 Thank you very much.

25 CHAIRPERSON NICHOLS: Thank you.

1 Kenny Lloyd.

2 MR. LLOYD: Good evening. I drove here all the
3 way from Bishop. I'm here representing my two kids, Carly
4 and Bodie. I look around here and I see bottles of
5 Crystal Geysers. The water either came from the Owens
6 Valley where I live or from Shasta. And my kids said,
7 "Dad, what are people going to do if this thing goes into
8 effect?" And I said, "Well, if you're a small business
9 person and you've got two or three trucks, you're probably
10 just going to pack up and move to Nevada or Arizona and
11 not deal with it anymore." You're going to be the shipper
12 if you're the manufacturer. You're going to have to be
13 taking care of all of your garbage once again that comes
14 out of this building.

15 Nobody above me has to compete for a job.
16 Everybody out here competes for a job. You people have no
17 clue about your regulations. You're going to amend them,
18 you're going to add on to them, and you're going to
19 continue to strangle this state. It's disgusting. I'm a
20 sixth generation person in the People's Socialist Republic
21 of California and I'm disgusted with some of the stuff
22 that goes on here.

23 Science is built up of facts as a house is built
24 of stone. But an accumulation of facts is no more science
25 than a heap of stones is a house.

1 Thank you.

2 CHAIRPERSON NICHOLS: Okay. I don't think we
3 actually disagree with that, by the way.

4 Perry Shusta.

5 MR. SHUSTA: Good evening. I own a small towing
6 company in east Contra Costa County. I have two heavy
7 wreckers. At original purchase these trucks cost anywhere
8 from 350 to \$400,000. In 2012, I will be forced to get
9 rid of them. I cannot retrofit them. They are too old.

10 East Contra Costa County has two heavy wreckers.
11 I operate them. Trucks will have to come from great
12 distances to deal with uprighting tractor-trailers that
13 have rolled over and blocked the freeway. How much more
14 smog and pollution and time congestion will be wasted
15 because I have no choice. I cannot afford to buy new
16 trucks. I will have no choice but to get rid of them and
17 actually let about five drivers go.

18 Thank you.

19 CHAIRPERSON NICHOLS: Thank you for your
20 testimony.

21 George Little.

22 MR. LITTLE: My name is George Little. I operate
23 College Oak Towing and COT Transportation right here in
24 Sacramento. I employ 40 people, run about 35 units
25 overall between the two companies.

1 I'm not opposed to the continued putting on of
2 these products on the new manufactured trucks. I'm
3 totally opposed to the retrofit device. The reason I'm
4 going to tell you that is in the last 40 years that I've
5 been in business, 37 of those was in the automotive repair
6 business and I ran a licensed smog shop for 37 years. We
7 installed every device that was ever okayed in this state
8 on automobiles and light trucks. The retrofit devices of
9 the NOx's created nothing but problems. People had no
10 power in their units. They ping'd. They would heat up
11 dramatically.

12 At the same time, the manufacturers of the new
13 cars kept making progress. 1974 they made a great
14 progress when they come out with high energy ignition. In
15 the '80s they come out with throttle body injection, which
16 more than reduced the smog putout. In the '90s they've
17 come out with the electronic fuel injection. And after
18 about 2000 -- right now we can probe the tailpipes of
19 these cars and come up with zero practically every time.

20 You can even get five years without a smog
21 certificate now they don't even require because the cars
22 are running so clean. I firmly believe the trucking
23 industry can do the same thing.

24 I talked to people that was putting out these
25 devices many times. They told me that, "Oh, they're going

1 to work on these trucks." I said, "I'm very concerned
2 about the metallurgy in the engines and the radiator
3 capacity and the heating that it's going to cause." "It's
4 going to be okay."

5 Now, I just ordered and took receipt on a
6 brand-new Peterbilt. And I always order a 378, which is a
7 sloped nose in the front, so where we can have good vision
8 on the road. It's not available. "Well, why isn't it
9 available?" I asked the manufacturer. "Because it's four
10 inches higher in the front and it's about eight or ten
11 inches wider along the front." "Why?" "Because we had to
12 make room for that big cooling system to where we can cool
13 these new engines and have the right capacity for it."

14 CHAIRPERSON NICHOLS: I didn't mean to interrupt
15 your story but your time is up.

16 MR. LITTLE: Well, okay. Let me say one more
17 thing. Nine-eleven in our history was a bad day. A lot
18 of people died. We went to war over it. I'm going to
19 remember 12/11 if you vote for this as a bad day for the
20 truckers of California. It's their deathknell.

21 Thank you very much.

22 CHAIRPERSON NICHOLS: Thank you.

23 Glenn Neal.

24 MR. NEAL: Thank you. My name is Glenn Neal and
25 I'm representing this evening the California Tow Truck

1 Association, and I'm representing over a thousand member
2 companies with over about 15-plus thousand employees and
3 families.

4 Timing is everything in the world that we live.
5 And I need not remind this group of the economy and where
6 we're at. So I'd like to highlight on some things that
7 are very specific to our industry, some things that I
8 think that had been slightly overlooked with staff's
9 report.

10 One of which is simply that our industry is
11 comprised of a lot of smaller companies, some of them with
12 revenues at less than \$500,000. It's a multitude of
13 companies networks throughout the state, because we are
14 first responders. We don't qualify for the emergency
15 vehicle status. We're not emergency vehicles, but we are
16 first responders. And we're available 24 hours a day, 365
17 days a year to deal with whatever happens.

18 It is our best guess through discussions and the
19 state-of-the-industry survey that we did recently, in June
20 of this year, that approximately 40 percent of our
21 industry will be taken out based on the type of program
22 that is put together here in front of us today.

23 Our units don't run 20, 30,000 miles in a year.
24 They sit and wait. Twenty-four hours a day, 7 days a
25 week, 365 days a year they're sitting and waiting in the

1 majority of the time. So the mileage is low, the fuel
2 output is -- the cost is great. The cost of replacement,
3 there are technical problems with the retrofitting due to
4 the hydraulics involved on the units. Idling time,
5 obviously we have to run because we can't function without
6 that.

7 And, lastly, on a more personal note, I happen to
8 own a truck distributorship for towers. And I can tell
9 you that the new truck sales have dropped in excess of 60
10 percent in 2008, partly because nobody knows what's
11 happening. There is no market for used trucks. And
12 unfortunately --

13 CHAIRPERSON NICHOLS: Your time is up. Sorry.

14 MS. LOPOPOLO: -- I can't finance anybody.

15 Thank you.

16 CHAIRPERSON NICHOLS: Bob Berry.

17 MR. BERRY: Madam Chair, members of the Board.
18 I'd like to say thank you very much for the opportunity to
19 speak tonight.

20 I've been in business for 36 years. I own 16
21 trucks. Nine of those will be in compliance by July 1st
22 of this next year. I won't have them paid for until 2013.
23 And then I have to replace the most expensive part of my
24 fleet; that's the heavy-duty end of it. I sit in the
25 corridor of Highway 24, 580, and I-80. We work a lot of

1 truck wrecks. And as it stands right now, I don't think
2 it's economically possible for us to replace the trucks we
3 need to deal with the major rollovers, the major truck
4 wrecks. And we deal with those now. This is a very
5 expensive proposition.

6 I'm all for clean air. I have four children --
7 four daughters and I have six grandchildren. I believe in
8 the quality of life, has to take precedence over the
9 absolute quality of the air being cleaner than it is
10 today.

11 I was told by one of your staff members, this
12 gentleman over here, Tony, that if we did nothing that we
13 would be in full compliance by 2025. That's 60 months.
14 And you're going to uproot this economic -- we're already
15 in a terrible situation now.

16 Mark Twain said there's three types of lies.
17 There's a white lie, there's a damn lie, and then there's
18 statistics. And I think I've heard all three tonight.

19 Thank you very much for your time.

20 CHAIRPERSON NICHOLS: Okay. Dick Stewart.

21 Is Mr. Stewart here?

22 Mark Castro.

23 MR. CASTRO: Good afternoon. I'd like to thank
24 the Board for giving me the opportunity to speak today.

25 And my name's Mark Castro, and I'm the co-owner

1 of Castro & Castro Trucking. My family's been in business
2 for over 40 years. My grandfather originally started the
3 trucking company. My father took over. And then now he
4 just recently gave it to me because of his illness.

5 I'm here in opposition of the rule, because I
6 operate three trucks and I just can't see it being
7 economically feasible of actually being able to carry this
8 over.

9 I'd like to thank the ARB staff for considering
10 the ag provision and also the small truck rule provision.

11 But at my highest point in the season I operate
12 15 trucks. And right now I'm operating four. And I
13 recently just had to lay one of my trucks off and -- it
14 was one of my personal trucks, not one of my
15 owner-operators, just because from a cost-benefit analysis
16 I would make more money. And therefore I just -- one of
17 my main concerns is if -- many of these people, they don't
18 have year-round work. And if you had a brand-new truck,
19 therefore you'd have to have insurance on the truck for
20 year-round. And if these people don't have year-round
21 work, then therefore they wouldn't be able to have an
22 insurance payment or afford a truck payment. And I'd just
23 like you to take that into consideration when you're
24 taking your vote.

25 Thank you so much.

1 CHAIRPERSON NICHOLS: Thank you.

2 Bob Nieuwenhuis from Con-Way Freight. Are you
3 here?

4 MR. NEIL SMITH: He just wanted to fill out a
5 card to say he was against it.

6 Good evening, Madam Chair --

7 CHAIRPERSON NICHOLS: Hi.

8 MR. NEIL SMITH: -- and the Board. I'm Neil
9 Smith.

10 CHAIRPERSON NICHOLS: Okay.

11 MR. NEIL SMITH: Okay. And I wasn't jumping in
12 front of anybody else.

13 CHAIRPERSON NICHOLS: Nope. Got it.

14 MR. NEIL SMITH: I'm Vice President of Operations
15 for Con-Way Freight. Con-Way is a large transportation
16 logistics company, with 31 locations in the State of
17 California, employing 1500 people, and also serving over
18 40,000 customers.

19 Our three main components are SmartWay
20 participants and, two, Con-Way Truckload and Con-Way
21 Freight have achieved the highest scores possible from
22 SmartWay. In other words, we are the best of the best,
23 and yet we still don't meet ARB standards.

24 Today I would like to focus my comments on the
25 53-foot trailer rule. Con-Way is the only major fleet to

1 have installed and operated with aerodynamic trailer
2 skirts. After two years of operation on 400 trailers, we
3 decided the maintenance costs and operational issues were
4 not offset by the fuel savings.

5 Our experience also leads us to question ARB's
6 assumptions about payback on the investment in various
7 trailer technologies. We already use low rolling
8 resistance tires. The assumed fuel savings are much
9 higher than we experienced in real-world operation. The
10 purchase and installation costs assumed were substantially
11 less than we experienced. And the miles run and cost of
12 fuel are both much lower than the assumptive modeling.

13 Con-Way's experience is that there are other
14 means available to meet the desired fuel efficiencies and
15 therefore the corresponding emissions reductions with
16 alternative means of compliance making use of various
17 tractor and trailer technologies in combinations that suit
18 a particular company's operational characteristics rather
19 than one-size-fits-all approach being proposed.

20 Con-Way asks that rather than unfunded, untested
21 mandates, that the ARB Board allow alternative means of
22 compliance, including consideration that a carrier with
23 the highest SmartWay score possible would be considered in
24 compliance of the proposed rules.

25 Bottom line for us, that this is a multi-million

1 dollar mandate without significant benefits for us or the
2 citizens of California at a time when trucking companies
3 and all other businesses are dealing with the most
4 challenging economic environment since the great
5 depression.

6 Thank you.

7 CHAIRPERSON NICHOLS: Thank you.

8 Bruce Wick.

9 Stephen Rhoads.

10 MR. RHOADS: Thank you. My name is Stephen
11 Rhoads. I represent the School Transportation Coalition.

12 Madam Chair, you were hoping that this economy
13 might turn around in 2010. It's not. Ledge analysts did
14 a report last month, said that state revenues would not
15 reach last year's revenue levels until the year 2013-14,
16 five years from now.

17 Education is going to take between a 5 and an 8
18 percent cut this year. This year, in the middle of the
19 year. It's a major crisis for the state. It's a major
20 crisis for education.

21 You should make your rules in education
22 contingent upon available funding for school buses.
23 Should do that for several reasons. One had to do with a
24 conversation that Jack and a fella from Shasta were going
25 to have.

1 Your rule -- under your rule, 1,769 pre-1987
2 buses that do not have any particulate standards as it
3 relates to PM do not have to be replaced until the year
4 2018. 2018 kids are going to ride in those school buses.
5 Those school buses are more cost effective from an air
6 quality perspective to replace those than it is to put
7 traps on new buses. That should be your number one
8 priority. Move the date up. Let's make it contingent
9 upon funding and let's get funding to replace them.

10 Number two.

11 CHAIRPERSON NICHOLS: Is your microphone on?
12 They're losing sound apparently.

13 MR. RHOADS: Can anybody hear me?

14 CHAIRPERSON NICHOLS: Now we can. You just need
15 to be closer to the mike.

16 MR. RHOADS: The second issue: We have
17 differences with the staff on the calculation of the
18 impact of the rule. But one thing is very, very clear.
19 And, that is, to school districts -- school districts will
20 have to spend \$500 million in the next ten years to do
21 what the rule requires. Five hundred million dollars and
22 the replacement of the school buses and the installation
23 of the traps and maintaining them. We believe, your staff
24 does not, that that is a state mandate under the
25 constitution, a reimbursable mandate. It's a fiscal

1 liability to the state of \$500 million. You do not want
2 to have in these fiscal times a newspaper article or a
3 reporter or a headline that says you have passed
4 regulations that have a potential \$500 million state
5 mandate.

6 In order -- if you're not going to make it
7 contingent, I would take these rules and I would just wait
8 until the end of this fiscal crisis that the state is in
9 right now until the spring and then adopt it. We
10 cannot -- will not be able to borrow money to pay our cash
11 flow in February. We can't even get bond money to do the
12 school facilities and the state transportation facilities.
13 The state does not need another potential liability right
14 now. The fiscal community does not need to see this. Put
15 it off. Deal with it at the end of June. That would be
16 the fiscally logical thing to do.

17 Thank you very much.

18 CHAIRPERSON NICHOLS: Your time's up. But thank
19 you.

20 Okay. Richard Mello.

21 Are you here? Richard Mello.

22 Nathan Crum.

23 Anna Arriola.

24 Good evening.

25 MS. ARRIOLA: Good evening. My name is Anna

1 Arriola. Thank you for letting me speak. Thank you for
2 the Board members to give me the opportunity.

3 I come from Commerce. It's a city east of Los
4 Angeles. I bought a home in 1948.

5 In 1978 it was a nice community. It was a small
6 town and perfect for raising a family.

7 Now, it has turned into our worst nightmare.
8 Commerce has now become the hub of distribution, and the
9 pollution is unbearable. Too many people are becoming
10 ill, too many children are getting asthma, too many people
11 are having leukemia and cancer.

12 I know over here everybody's talking about money
13 and jobs. Well, I'm talking about give me a chance to
14 live a healthy life, to give that chance to the children
15 of my community.

16 You don't value life. You just value things,
17 material things.

18 The truckers are fighting for a job. The
19 businessmen, they don't want to lose money. Money can be
20 replaced. Jobs can be replaced. Life cannot be replaced.

21 All the Board members, you can help me or help
22 money. You can help the jobs and the truckers. So it's
23 your choice. Either you help the children and the people
24 in my community or you help the other people.

25 Thank you.

1 CHAIRPERSON NICHOLS: Thank you very much.

2 Actually we hope we could do both. That would be
3 the goal.

4 David Atwater, are you here?

5 John Browning, are you here?

6 Seth Hammond?

7 Yes.

8 MR. HAMMOND: Good evening, members of the Board
9 and Chairman. I'm here representing Specialty Crane and
10 Rigging in Santa Barbara. And also I'm the past president
11 of the Southern California Mobile Crane Operators Group.
12 We represent 14 companies that provide the majority of the
13 crane service in southern California.

14 I want to thank the staff for working with us.
15 We first appeared in front of you in December of 2006 in
16 Bakersfield to have the Board take a look at the need for
17 special treatment on our cranes. Cranes are low mileage
18 use, very expensive. Made most of them in Europe.

19 And we want to thank Eric White and Tony Brasil
20 for their efforts to work with us to come to an agreement
21 on this.

22 We figure that -- we feel that the provisions of
23 your -- the modifications that you're making to the rule
24 that will help our cranes, we feel that that's going to be
25 a good provision to help us. And we want to thank the

1 association for that work. It shows that if you show up
2 and you give a good reason why things can be worked on
3 collectively, you can come to some good decisions.

4 So we do support the proposed changes in this
5 rule that will affect our cranes.

6 Thank you so much.

7 CHAIRPERSON NICHOLS: Thank you.

8 Lee Steinberg.

9 MR. STEINBERG: Good evening, Madam Chair and
10 staff. I want to thank you very much for the opportunity
11 to have worked with you folks for the last several years.
12 I'm the president of the Mobile Crane Owners Group in
13 southern California. And our members own and operate more
14 than 90 percent of the mobile crane rental fleet in
15 southern California.

16 We support immediate adoption of Appendix L, the
17 requirements for two-engine cranes, even if there happens
18 to be a delay in the adoption of the balance of the
19 proposal.

20 The adoption of L provides a comprehensive
21 approach to regulating the diesel-powered cranes, which
22 are now subject to three different rules - the
23 off-highway, PERP, and on-highway. Adoption will help our
24 relatively small industry to continue to invest in
25 equipment required by California industry contractors and

1 state and federal agencies to provide efficient means of
2 lifting, hoisting, and support a competitive California
3 economy.

4 Thank you.

5 CHAIRPERSON NICHOLS: Thank you, sir.

6 Jim Lyons, Sierra Research.

7 MR. LYONS: Good evening. I am Jim Lyons from
8 Sierra Research. I'm here on behalf of DTCC. I've
9 submitted written comments as No. 394 in the package if
10 you're interested in reading them.

11 As you've heard today, all of the benefit
12 estimates that have been presented are all based on an
13 assumption that we're not undergoing a recession of
14 historic magnitude. The question is how big might the
15 impact of this recession be on emissions from the trucking
16 fleet in California?

17 I've made some assumptions to check this out.
18 What I've done is I've looked at diesel fuel sales as
19 reported by the Board of Equalization in the State of
20 California. They're down 8 percent so far this year. I
21 assume they'd be down another 8 percent for next year,
22 there'd be a slow economic recovery thereafter, picking up
23 steam as we move from 2012 onward.

24 If I can go to slide 5, please.

25 --o0o--

1 MR. LYONS: Thank you.

2 But back one, please.

3 This is the NOx emissions inventory. The red
4 line at the top is what's in your staff's assessment, the
5 blue line is their assessment of the benefits of the
6 regulation, and the green line is the impact of making
7 these changes in VMT assumptions for the base line that
8 I've just mentioned to you.

9 As you can see, the potential magnitude of the
10 VMT impact is as big as the effect of the regulation.

11 Now, I've got two points to make here. My
12 analysis has been done based on assumptions. Your staff
13 may have some other assumptions that may not agree with
14 mine. These are all going to be assumptions. There's
15 been no rigorous analysis done of the impact of this
16 economic situation on VMT in the truck industry or
17 emissions. That needs to be done before you adopt a
18 regulation. Therefore, I would urge you to get that
19 assessment - this is a \$5 billion regulation that, as
20 you've heard, may affect the livelihoods of thousands of
21 people - before you make that decision. I'm not saying
22 don't adopt a regulation. I'm saying look at the proposed
23 regulation and the alternatives in light of a base line
24 that reflects today's economic reality.

25 Thank you.

1 CHAIRPERSON NICHOLS: Thanks, Mr. Lyons.

2 Matthew Schrap.

3 MR. SCHRAP: Hello. And thank you very much for
4 the opportunity to present here this evening. I'd have to
5 start by introducing myself. My name is Matthew Schrap.
6 I'm Director of Environmental Affairs with the California
7 Trucking Association.

8 I would like to start off by commending ARB
9 staff, especially the Private Fleet Rule staff. We've
10 been working with them for almost three years now, and
11 I've watched this regulation -- or that one in particular
12 regulation evolve quite substantially.

13 Now, I won't repeat anything you've already heard
14 today and I won't go into detail on our comments, because
15 I'm sure that staff has analyzed them thoroughly, despite
16 the fact that one of the staff members of the greenhouse
17 gas staff hadn't seen the ATA comments as of this morning.
18 But nevertheless we hope that the Board members thoroughly
19 take a look at ours as well as ATA's comments. They have
20 some very interesting information.

21 We understand the need for the reductions, the
22 need to meet the federal guidelines, the need to address
23 the health impacts. You can tell nobody here today, on
24 the industry side especially, has said, "Don't do
25 anything." Everybody realizes that there are reductions

1 that need to be achieved, and no one is saying, "Don't do
2 anything."

3 Now, there are a lot of issues. But, again, no
4 one wants dirty air. But these issues are representing
5 several challenges. And we look at the potential for
6 cargo diversion, we look at the ability for carriers to
7 pass on their costs, the availability of equipment. The
8 list can go on and on. I won't even address the inflated
9 motor coach inventory. But nevertheless there are several
10 issues.

11 Now, it is obvious, as Mr. Lyons has stated, that
12 one way or another there are emissions reductions
13 associated with this economic downturn. VMT and fuel use
14 is down, and that means that emissions are down. Coupled
15 with the fact that people are going out of business,
16 people are getting laid off and people are losing their
17 benefits, it makes for a very unique situation.

18 And, Dr. Telles, I know that your question about
19 job loss or businesses have been addressed through an
20 informal pole. But by staff's own admission, in 2014
21 we're looking at up to 14,000 jobs being lost. And it's a
22 proverbial drop in the bucket in the overall grand scheme
23 of things, unless that's your job, I guess.

24 CHAIRPERSON NICHOLS: Mr. Schrap, your time is
25 up. But we do have your written testimony.

1 MR. SCHRAP: Okay. Thank you.

2 CHAIRPERSON NICHOLS: And I think the Board
3 members have been pretty diligent about reading their way
4 through the mountains of things that we've received on
5 this issue.

6 Brian Rees.

7 Shirley Batchman.

8 MS. BATCHMAN: Good evening. I'm Shirley
9 Batchman. I'm with California Citrus Mutual.

10 And I just want to echo the comments that you've
11 heard from an earlier ag rep. Do we like this rule? No.
12 But with the majority of the citrus acreage located in the
13 San Joaquin Valley, we recognize that we have a role to
14 play in helping that air district meet its SIP
15 commitments.

16 So with that, I want to focus my comments tonight
17 just specifically on incentive funding. There has been a
18 lot said tonight about the dollars that are available to
19 help people comply with this rule. And, yes, there are
20 dollars. There's Carl Moyer. There's Prop 1B.
21 Agriculture will not be able to take advantage of that, as
22 you have heard in the past, because we are low mileage and
23 we cannot compete with the people who are doing 75,000,
24 100,000 miles a year.

25 You haven't heard yet tonight, but I think you

1 might tomorrow, that there's some money coming from the
2 farm bill. It's \$150 million, it's over five years, and
3 it's spread through all the states. So we do not know
4 what's coming to California and if agriculture will be
5 able to compete for that money. And even if we can, it
6 will still be a very small part.

7 So the message I want to leave you with tonight
8 is that the ag component of this rule is critical in
9 helping us be compliant in helping the San Joaquin Air
10 District meet their SIP requirements.

11 Thank you.

12 CHAIRPERSON NICHOLS: Thank you.

13 Kent Johnson.

14 MR. REES: Oh, I'm sorry. Madam Chair, I wasn't
15 able to run in quick enough. I'm Brian Rees with the
16 California Poultry Federation.

17 CHAIRPERSON NICHOLS: Oh, sorry.

18 MR. REES: I'm sorry to go out of order. I'll be
19 very brief, because a lot of what I was going to say and a
20 lot of what our membership has said has been said already.

21 Basically I'm here not to argue on behalf of my
22 membership against clean air, against the need for
23 attainment. What we're here to argue with is the timing
24 of this issue.

25 We have said since this process began that we're

1 willing to work with the Board. What has changed
2 significantly since AB 32 was passed and these regulations
3 were -- the process began was a significant change in the
4 economic climate of not only the state but the nation.
5 And these economic realities have affected not only the
6 entire ag community but our folks in particular via grain
7 production costs. We compete with ethanol for corn,
8 obviously increased transportation costs.

9 These are not insignificant costs to an industry.
10 Where our membership has run the numbers, they at their
11 most economically viable option for reaching attainment
12 with the regulations would cost our membership upwards of
13 \$12 million; and at a time when again the economic climate
14 is not conducive to those kinds of outlays when you're not
15 expecting them. And we as producers of poultry products
16 have significant out-of-state competition. And that is
17 not an insignificant issue for us in terms of an economic
18 disincentive and putting us at a disadvantage with
19 out-of-state producers, who will not have to retrofit
20 their fleets to the extent that our in-state producers
21 will.

22 Thank you.

23 CHAIRPERSON NICHOLS: Thank you.

24 Kent Johnson.

25 MR. JOHNSON: Good evening, Madam Chair and

1 members. Thank you for this opportunity to comment on the
2 proposed on-road diesel regulations. My name is Kent
3 Johnson, and I own a local farm input supply business in
4 Stanislaus County. We supply local farms in my area with
5 commercial fertilizers used during the busy planting
6 season.

7 I would like to thank the ARB staff that
8 recognized the unique aspects of agriculture and developed
9 the provisions to address their issues.

10 This rule will cost my business a substantial
11 amount of money. Most of my trucks will fall under the
12 rule. However, the agricultural provisions will provide a
13 more economically viable time frame in which to replace
14 the specialty vehicles that deliver these necessary
15 products into the field for our growers.

16 Thank you.

17 CHAIRPERSON NICHOLS: Thank you very much.

18 Gary Montgomery.

19 MR. MONTGOMERY: I'm Gary Montgomery. I have a
20 single-truck trucking operation in the Sierra Foothills of
21 Tuolumne County, and I haul construction materials.

22 I don't argue with the intent of this proposal.
23 But the economic timing and the nature of the proposal
24 really couldn't have come at a worse time for most of us.

25 At the conclusion of 2006 in our area there were

1 25 trucks of my nature hauling around our area. At the
2 present time, there are 8. There's people that have been
3 repossessed. Their trucks have been -- either walked away
4 from the payments or they just parked them.

5 My own personal gross income is about 45 percent
6 off from what it was at this time. I purchased a
7 brand-new truck in 2006. I usually trade my trucks off
8 every seven years. Under the current proposal, I won't
9 make it till seven years before I have to retrofit the
10 truck to be able to trade it in. I could trade it off
11 earlier, but the dealer don't take it because they have to
12 spend the money to retrofit the truck.

13 The State of California at last count is about
14 \$28 billion in debt. The last time I spent my biennial
15 terminal inspections it went up 400 percent, from a
16 hundred bucks to three hundred seventy-five. The vehicle
17 license fee will probably go up. To what nature, we don't
18 know. And the state is planning to do away with all the
19 public works projects in the next two weeks. So I'm not
20 really sure where the income's going to come for our kind
21 of business.

22 Because of my circumstances, the present state of
23 the economy probably won't make me go bankrupt. But this
24 proposal at this time, with the nature of the way it is,
25 may very well convince me to just close my business as it

1 is, because it won't be viable financially anymore.

2 Thank you.

3 CHAIRPERSON NICHOLS: Thank you.

4 Cynthia Cory.

5 MS. CORY: Chairman Nichols and the Board.

6 Cynthia Cory, California Farm Bureau.

7 I want to thank the staff for all the time they
8 worked with the ag community to help the small family
9 farmers be able to comply with this rule. I just want to
10 emphasize that it's not going to be a panacea, it's not
11 going to work for all family farmers, or foresters, as you
12 heard. It is going to -- especially not going to work for
13 those who -- when you go into the produce section and you
14 see that wonderful lettuce and your milk and your eggs,
15 those are the folks that won't be able to take advantage
16 of the ag provisions, because that's the stuff that has to
17 come on a regular basis because it's very perishable.

18 But I just want to emphasize that, you know, ag
19 has been voluntarily trying to reduce our emissions for a
20 long time. But since 2004, we're being required -- we're
21 being mandated because of SB 700. And I just want to --
22 keep this in mind as we go forward, that the stationary
23 sources that have been around for a long time, since the
24 beginning of the Clean Air Act since 1970, have had a long
25 time to comply. We're doing a lot in a very short period

1 of time, where we air permits on our farms, dust permits.
2 We're cleaning up our forklifts, we're cleaning up our
3 irrigation pumps, now our trucks, and next our tractors.
4 So I just want to make sure you understand we're trying to
5 do a lot in a short period of time.

6 But I do want to -- we really appreciate the
7 effort that you have made for the limited amount of family
8 farmers that will be able to take these low mileage
9 provisions. And we want to thank the staff for their
10 help.

11 CHAIRPERSON NICHOLS: Thank you.

12 Kathy Fitzgerald.

13 MS. FITZGERALD: Madam Chair, Board members. My
14 name is Kathy Fitzgerald. I'm dealer-principal for
15 Fitzgerald Truck Sales in Oakland. I've been peddling
16 trucks in northern California for the last 25 years.

17 The first thing I want to share with you folks is
18 that you've been hearing mostly from people in the
19 trucking business. We're a very chatty group of people.
20 But what you haven't been hearing from is the other
21 50 percent of the people who operate trucks that are not
22 in the trucking business, that largely don't know anything
23 about this regulation at all. I know this, because when I
24 go talk to them and I tell them, they want do shoot me,
25 shoot the messenger. So just be aware that there is a

1 whole nother roomful of people that don't know about this
2 regulation yet.

3 The second thing is, our business is off a full
4 50 percent with just the threat of this regulation. What
5 happens is the customers don't have any trade value. So
6 when they come to buy a truck, they can't put their truck
7 down to buy the next truck. They've got to reach into
8 their pocket and pull out their hard earned money.

9 Well, you all say about the grants, the grants,
10 the grants. Well, the grants are great. I've worked with
11 quite a few customers putting the grant proposals
12 together. They have to pretty much dedicate a full-time
13 staff person to putting these grants together. And then
14 they hope and pray and light candles; and, you know, one
15 ten is going to get the grant money. So, realistically, I
16 don't think that the grants are going to bail these people
17 out.

18 These people have been in business for a long
19 time, they've been bringing your products to you.
20 Everything they say, all the -- everything we have is
21 brought to you by a truck. And this is going to affect
22 the entire trucking business.

23 I saw on your slide a new truck would be \$800 a
24 month. That's not even close. Three times that amount -
25 \$2400 a month is about an average payment on a new truck.

1 So just realize that your numbers, your statistics need to
2 be quadrupled.

3 Finally, I support the Coalition's proposal, the
4 DTCC proposal.

5 And the last thing I want to leave you with is,
6 remember, a world without trucks stops.

7 Thank you.

8 CHAIRPERSON NICHOLS: Perfect. You did two
9 minutes exactly.

10 Jean Etcheverry.

11 MR. ETCHEVERRY: Good evening. My name's Jean
12 Etcheverry. I'm with Antonini Fruit Express in Stockton.
13 We're an agricultural commodity hauler.

14 We have 65 trucks in our fleet. We also use
15 about 40 independents during the season and we rent about
16 40 trucks during our season.

17 We have about -- during season we have about 200
18 truck drivers that we employ. But because this past year
19 has been rather difficult in coming up with money, we've
20 had a high turnover because we haven't been able to afford
21 to pay our drivers any more than we paid them three years
22 ago.

23 Our customers also were not very nice to us this
24 year with the fuel price issue that we all had. We've had
25 to absorb a big increase in cost because we weren't able

1 to pass our fuel costs on to our customers very easily.

2 Now that the prices have come down, of course our
3 customers are asking for price decreases immediately.

4 Next year we don't think that things are going to
5 be much better in the ag trucking business. This year
6 profits were pretty bad for us and I think across the
7 whole industry. Next year we don't anticipate to be any
8 better than this year.

9 Over the past couple of years we have upgraded
10 our fleet considerably at the cost of many millions of
11 dollars. Sixty percent of our fleet is 2007 or newer.
12 Many more millions will have to be spent in the next few
13 years to upgrade our fleet to the current regulations as
14 proposed.

15 Our ability to increase our hauling rates to
16 cover current and future equipment cost is very, very
17 limited. The margins in the agricultural industry from
18 farmer to hauler to processor are very low. We cannot
19 expect to pass any costs on very easily.

20 Much has been made of the money available to
21 assist trucking companies through Prop 1B. Unfortunately,
22 this money is largely unavailable to my company and others
23 in the agricultural business. The restrictions on funding
24 being available only to replace or retrofit trucks that
25 will operate wholly within California -- Pardon?

1 Am I not close enough? I'm sorry.

2 The restrictions on funding being available only
3 to replace or retrofit trucks that will operate wholly
4 within California having GBWR upgraded and 33,000 pounds
5 and have continuous registration for the prior two years
6 have effectively eliminated my fleet from consideration.
7 More than 99 percent of my fleet miles are within
8 California. But that 1 percent out of California
9 eliminates 15 percent of my fleet for funding
10 consideration. Many of our trucks do not meet the GBWR
11 restrictions, as ag trucks need to be as light as
12 possible.

13 Also, ag trucks typically operate four to
14 six months a year, so registration is limited to those
15 months, requiring two years --

16 BOARD MEMBER ROBERTS: Your time is up.

17 MR. ETCHEVERRY: Pardon?

18 BOARD MEMBER ROBERTS: You had the benefit of
19 going over two minutes because we lost a little time in
20 the transition.

21 MR. ETCHEVERRY: Oh. I get to go on, is that
22 what you're saying?

23 (Laughter.)

24 BOARD MEMBER ROBERTS: No, you don't.

25 MR. ETCHEVERRY: Darn.

1 BOARD MEMBER ROBERTS: But you get an A for
2 trying. Okay?

3 Yeah, Leonard Gollnick, followed by Mike
4 Anderson, followed by Myles Anderson.

5 In any order.

6 MR. ANDERSON: Okay. Mike Anderson from Fort
7 Bragg, Mendocino County. For those of you that don't know
8 where that's at, that's part of that other state - rural
9 California.

10 Rural California is the area that has no
11 particulate matter problem, has no NOx problem, has no
12 opportunity to take part of the 1B money. That's the area
13 where the Carl Moyer money all goes to the county and the
14 municipalities and doesn't come down to the private
15 fleets.

16 That's the area where 60 percent of the trucks
17 are pre-'95 trucks. Those trucks have got mechanical
18 engines in them that costs \$45,000, not \$15,000, to
19 update.

20 There's a real serious inequity in this rule
21 package. I know you've heard it from the people in
22 Shasta, you've heard it from a lot of people today. And
23 there's two things that I think that you need to do.

24 I'm relatively sure you're going to pass this
25 package as is. But when it's passed, I think the science

1 needs to be looked at by an independent third party. And
2 I think in addition to that this cost analysis needs to be
3 analyzed by an independent third party so that, going
4 forward, money that's available to help these businesses
5 survive this rule package is dealt to the individuals that
6 really need it.

7 We put on 50 to 60,000 miles a year on our
8 trucks. When we buy them new, they're good for a million
9 miles. That takes us 15 to 20 years to wear a truck out.
10 If you're working in the commerce corridor where the
11 billion dollars is going, you put on 150,000 miles a year
12 and you update your truck every six to seven years.

13 I think you really need to look at these issues.
14 There's a real serious issue of inequity here and it needs
15 to be addressed going forward.

16 Thank you.

17 BOARD MEMBER ROBERTS: Thank you.

18 We have Myles Anderson, followed by Ed Wallace.

19 MR. ANDERSON: Thank you very much. My name is
20 Myles Anderson, following up. I'm also from Mendocino
21 County. You might recognize a little bit of a resemblance
22 there.

23 But I think he pretty much spelled out issues
24 with Mendocino County that we have. I just want to talk
25 about something that should be an economic solution to

1 this problem, and that's DPS. And by looking at CARB's
2 web page and looking at the DPS for on-road trucks, going
3 through them, there's six filters on there that supposedly
4 work for a wide range of engine model years. Now, if you
5 really look at those closely, three of them are
6 de-verified this month. So we've got three filters left
7 to choose from, right now, right when the Board's going
8 to make a decision on this package.

9 First, the Cleaire Horizon. A 370 horsepower
10 limit. Regeneration takes five hours. It has to be
11 plugged into the 208 volt service, and it has to be done
12 every eight hours of service. There's virtually no trucks
13 that run around here -- that run in this state for an
14 eight-hour period and then can take five hours of down
15 time.

16 Engine Control Systems' Pure Filter. The
17 Executive Order states it's only verified for engines with
18 PM emission levels of .1 to .01 gallons per brake
19 horsepower-hour. That's an electronic engine. This will
20 not work on a mechanical engine.

21 The previous filter I talked about will not work
22 on a mechanical engine.

23 The cost of Cleaire Horizon, 22 to \$25,000 per
24 filter; engine Control Systems' Pure Filter, \$16,000.
25 Those two will work on an electronic engine.

1 HUSS, an active filter, the only one that will
2 work on a mechanical engine pre-93. It has to have an
3 opacity score of less than 25. It has to be a relatively
4 clean mechanical engine. It has a horsepower limit of 250
5 horsepower. That means these filters have to be stacked.
6 Each filter costs between 21 and \$23,000. That's \$45,000
7 per truck, mechanical engine. I's not feasible. The
8 truck's worth about five to ten.

9 BOARD MEMBER ROBERTS: Thank you, Mr. Anderson.
10 I've got Ed Wallace and then Eric Carleson.

11 MR. WALLACE: Good evening. I'm Ed Wallace, a
12 partner in Robinson Enterprises. We're in Nevada City,
13 California.

14 We're going to be subject to four rules when the
15 ag rule comes down next year. We've got portable,
16 off-highway, this rule, and then ag and forestry next
17 year. We're very concerned about the cumulative effect of
18 all these rules coming in at one time.

19 I want to talk specifically about filters. We
20 have 55 old trucks that are pre-2005. Interestingly, we
21 purchased a 2006 truck. We've got 115,000 miles on it.
22 It hasn't missed one day of work. It doesn't have a DPF
23 on it.

24 Now, it was so good that we bought six 2007
25 trucks. We have in excess of 10 percent down time with

1 those trucks. They have -- we're putting a third
2 generation heating coil on there - Arg, it is called.

3 We have two 2008 trucks. And to make us feel
4 good, we're very proud of those 2008 trucks. They've run
5 fine until yesterday morning. All the shop crew was going
6 to do was take it from the line and put it into the shop.
7 It failed. "Failure to combust" is the code. It's a
8 priority code we're not allowed to fix. It had to be
9 towed back to the shop. So we're what, 60 miles away from
10 the registered dealer.

11 Anyhow, I'd urge you to really take a good look
12 at these filters and filter rules. Better delay -- in my
13 view, delay the implementation of them until they work.
14 As Myles just pointed out, they're very expensive for
15 these filters. They have a short life. We can't afford
16 the 10 percent down time in our businesses. We have five
17 to seven month logging season, is it.

18 Thanks for your time.

19 BOARD MEMBER ROBERTS: Thank you, Mr. Wallace.

20 Eric Carleson, followed by Susan Nixon.

21 MR. CARLESON: Hello. And that was Ed Walker
22 with Robinson Enterprises, one of our member companies.

23 You've heard from our members on financial,
24 economic, and filter availability data. I'm here to bat
25 cleanup.

1 Our industry is in a fragile condition. Housing
2 is down, log prices are down, mills are closing, we're not
3 taking any more logs at this time.

4 Meanwhile, our trucks and equipment can help with
5 fire fighting and the collection of woody biomass and the
6 cleaning up of fires and the carbon that they put into the
7 air in the state. We would like to be around to help you
8 with that, but we need to be around to help you with that.

9 We have members with large fleets. You've been
10 hearing from some of them this evening. And they're
11 facing the struggles, with potentials of bankruptcy if
12 they have to buy and make the changes to these trucks over
13 the next few years. They have concerns about the filter
14 availability, the filter affordability. These are very
15 important issues to them, and I think that's one of the
16 reasons we wanted to bring them up with some of the data
17 we had here tonight.

18 They operate mainly in clean, low population, NOx
19 and particulate matter attainment districts - timber
20 country. We have a number of members who are
21 owner-operators. They have just a few trucks, in some
22 cases just a single truck, and they have to earn their
23 living in six months or less and during that time try to
24 make what profit they can, stay in business, raise their
25 families.

1 Next, in terms of the clock running out, it's
2 true. We've heard some of this tonight. But we would
3 agree that as we try to tell our own members about this,
4 many of them still don't know that this rule is
5 potentially coming, this devastating rule. We have
6 members who are trying to buy trucks now to comply, that
7 if this rule passes will not be in compliance in a year.
8 And though we're doing what part we can, we think it's
9 incumbent on this Board and its staff to continue to
10 communicate through all means necessary that this rule is
11 coming and give people the proper lead time to try to
12 prepare for it. Because we keep bringing the people who
13 simply don't know it's out there. Large state, large
14 population.

15 To the extent that there are health concerns
16 being reviewed by the Board in the preparation of this
17 rule, we would add that there's always reason as you
18 review job loss data to review the health impacts on heads
19 of households who lose their jobs and the impact on their
20 health to sustain job loss, by the impact on their
21 children with health insurance loss.

22 We have many older members in their sixties who
23 have been driving --

24 BOARD MEMBER ROBERTS: Thank you.

25 MR. CARLESON: Thank you.

1 BOARD MEMBER ROBERTS: I've got Susan Nixon.

2 Is Susan here?

3 Charley Rae, CalcIMA.

4 Is Charley here?

5 David Hagen, followed by Eric Bassett.

6 MR. HAGEN: Great. I get a chance to get up and
7 move. Been here all day.

8 I'm David Hagen from RSI Insurance Brokers. We
9 have offices in Costa Mesa and Gridley. We have 54
10 employees and family, and we are a family business. And
11 we treat our customers as family too. We've been in
12 business for over 20 years.

13 We're a specialist in trucking. That's what we
14 do - wheels. And we're real concerned about these
15 measures.

16 Commend staff for their hard work. I've heard it
17 from CTA staff members and others commending staff for all
18 of their hard work on a monumental task.

19 But the fact of the matter is that I've sat here
20 all day and listened. And Dr. Sperling, I heard his
21 comments very clearly. And I want to go back to that,
22 about methodology, equitability, parity -- pull up
23 whatever word you want. I am real concerned about that.
24 We all are after the same goal.

25 Chairperson Nichols brought up the fact to

1 Ms. Arriola from Commerce that we all hope to win in this.
2 At the end of the day we all hope to win. But I am
3 concerned about things I hear.

4 I'm going to get off with this one comment. The
5 studies on premature deaths related to diesel
6 particulates, did they consider the guy in the cab with
7 his four packs a day of cigarettes, or obesity, you know,
8 and other health issues? I'm an asthmatic myself. You
9 know, I don't suck diesel particulates all day long. I
10 just hope that you use common sense and be reasonable.

11 Thank you.

12 BOARD MEMBER ROBERTS: Thank you.

13 Eric Bassett --

14 MR. BASSETT: Good evening. Thank you for your
15 time.

16 BOARD MEMBER ROBERTS: -- and followed by Michael
17 Mortensson.

18 Go ahead.

19 MR. BASSETT: My family owns and operates a heavy
20 truck dealership here in Sacramento. We've got 80-plus
21 employees.

22 Everybody here has talked tonight. We don't want
23 not to do a rule. We want to do a rule, but we want to do
24 it in a timely manner. If you look at the replacement
25 vehicles that are going on, these companies are replacing

1 vehicles as needed. We'll continue to do that. We want
2 to do our part.

3 I've got a dealership, so I've got ability to
4 maybe profit from this and sell trucks. But on the other
5 hand, I've got a huge rental fleet that caters to a lot of
6 businesses in the Sacramento Valley. So 250-plus trucks
7 that all have to come into compliance as they go. They're
8 2005 or newer, so I'm not worried they're going to turn
9 them out. But when they come back, I expect to get good
10 dollars in the market.

11 What you're creating in California is taking the
12 value of these trucks when they come back and they're not
13 worth what they should be. You're unfair for the state
14 and the businesses in California because we're losing the
15 value of our assets. That's all we're doing right now, is
16 you guys are taking this rule and -- that used truck
17 that's a great asset for a new person that's trying to run
18 a business, he can't buy it because it's not going to be
19 worth what it should be.

20 So we're in favor of passing a rule, but it's got
21 to be in a timely manner where everybody can catch up,
22 take into account the economic problems that we're having
23 with the state, budget problems. Think of the state's
24 fleet. Can the state comply with this? I don't think so.

25 BOARD MEMBER ROBERTS: Thank you.

1 Michael Mortensson, followed by Steve Sharp.

2 MR. MORTENSSON: Good evening, members of the
3 Board. I'm Mike Mortensson. I'm the Executive Director
4 of the California Groundwater Association, commonly known
5 as CGA.

6 CGA represents about 430 water well drilling and
7 pump installing contractors throughout the state. They
8 employ about 2400 people. So the industry is small in
9 numbers.

10 But its function is critical to the well being of
11 the state. In times of drought - and we're hearing about
12 that these days - groundwater supply is up to 50 percent
13 of the state's water needs.

14 Our members deal with complex conditions
15 throughout the state and they must have a wide variety of
16 equipment to develop groundwater supplies. And much of
17 that is quite specialized and is of limited or low usage.
18 For example, you could have a drill rig that's in good,
19 sound condition that is 25 years old and has less than
20 10,000 miles on it.

21 I was at the National Groundwater Association
22 Expo last week and saw a number of drill rigs. And some
23 new rigs will cost up to a million dollars. So keeping
24 this equipment in its long-term useful life is critical to
25 our rig owners.

1 We have to comply to a large number of ARB rules,
2 and our members are trying to comply with the current
3 regulations. But many of the groundwater contractors in
4 the state are small and local operators, and they're being
5 forced to downsize or even close their doors.

6 We talked to one contractor who said he'd have to
7 cut his drill rig fleet in half. And another one said he
8 looks at the replacement costs for his equipment to come
9 up to standards, and it would cost two times his company's
10 net worth.

11 We are concerned that the potential loss of the
12 industry's capability to provide water will be -- because
13 of these regulations, could cripple the state. One can
14 live without many things, but water is essential.

15 Now, we know that there's a proposed regulation
16 that includes agriculture provisions. And certainly the
17 reasoning that resulted in those could definitely apply to
18 the groundwater industry, which provides water for ag,
19 domestic, municipal, and industrial uses.

20 Now, we've had an air emissions study done by a
21 manufacturer very recently. I just saw it last week. He
22 said that water well equipment in the United States --

23 CHAIRPERSON NICHOLS: Thank you, Steve.

24 MR. MORTENSSON: -- covered only 2/10 of 1
25 percent of the total emissions.

1 BOARD MEMBER ROBERTS: Thank you.

2 MR. MORTENSSON: Thank you. And we ask that you
3 delay and ask for conditions for the groundwater industry.

4 BOARD MEMBER ROBERTS: Thank you.

5 Steve Sharp, followed by Joe Rosa.

6 Steve.

7 Joe Rosa.

8 MR. ROSA: Good evening. My name is Joe Rosa.

9 I'm the Operations Manager for Renner Petroleum. We're an
10 independent petroleum marketer in Eureka, California,
11 where the air is crisp and clean.

12 Well, I'm here to tell you a little bit about our
13 business and how it's going to be affected by the
14 regulations that you're about to -- or are potentially
15 going to approve.

16 As a small business, we have a fleet of trucks
17 that about 95 percent of our trucks are local trucks.
18 They don't run more than about 30, 35,000 miles a year
19 making deliveries to our customers. There's no way in the
20 world that we can go out and spend the kind of money it
21 takes to buy these trucks and get our value out of these
22 trucks, our return on investment, in the six or seven
23 years that you're proposing here.

24 In the last three years we've spent over one and
25 a half million dollars upgrading our fleet. And in five

1 years we've also spent somewhere in the neighborhood of
2 three and a half million dollars upgrading other portions
3 of our business for other recommendations from the state
4 that we were required to meet in our card lots.

5 The point I'm trying to make is there's a lot of
6 different things that are attacking these businesses in
7 all of our profits lines, our bottom lines, in many
8 different areas. This is just one of them. At some point
9 we just can't shoulder those burdens any longer. The
10 money that's being handed out here, the Prop 1B money
11 that's being available, is not made available to us up in
12 our neck of the woods, unfortunately. We have the same
13 costs to replace our trucks as anybody else does, but yet
14 we're not having the funding coming our way.

15 In real life -- one gentleman was talking about
16 the assets value. If you want to know a real-life
17 scenario, just Monday I signed a deal to pick up another
18 piece of equipment. I traded in six pieces of equipment
19 and I got \$33,500. Now, one of those things with a tank
20 wagon that three years ago would have been worth about
21 \$15,000, which is now worth \$30,000, the replacement cost
22 of that piece of equipment, to get the new one that's
23 going to replace it, is \$241,000. Those are just some of
24 the costs that we incur in our industry.

25 And with the impact it has on our business and

1 all of our customers' business, pretty soon we're not
2 going to be able to meet any of those needs.

3 Thank you.

4 BOARD MEMBER ROBERTS: Thank you, Joe.

5 Doug Van Allen, followed by Allen Burmeister.

6 MR. VAN ALLEN: Doug Van Allen with BJ Services
7 Company.

8 BJ Services would like the Board to modify the
9 proposed rule to allowed body-load trucks to be included
10 in the special mileage limitations that were provided for
11 agricultural vehicles. This would allow the body-load
12 trucks that operate below 25,000 miles per year to be
13 exempt from the PM and NOx requirements until 2017.

14 Staff thought about body loads. I'm not sure
15 what they thought. Slide No. 45 is a picture of one of my
16 body loads in there, but there's nothing written about it.

17 A body-load truck is a truck that has specially
18 designed machinery built on to the back of the truck to
19 perform a specific job. They are not designed to haul a
20 load up and down the highway. The machinery that's on the
21 back is actually their load. The machinery may have its
22 own PERP engine or it could be operated from a PTO driven
23 by the road engine or both. And because the machinery
24 actually uses the truck frame as the backbone for the
25 machine, each component is mounted separately to the truck

1 frame. And we do that so that -- it allows us to keep the
2 vehicle weight down, because they have to be DOT legal to
3 be on the highway for weight legal.

4 We're asking for this modification because of the
5 very large capital investment to manufacture a new
6 body-load truck. They range from \$600,000 to \$1.1
7 million, depending on the truck.

8 And, also, the additional expense to transfer the
9 machinery from an old truck frame to a new one normally
10 costs an additional 150 to \$250,000 above the price of the
11 cost of the truck.

12 Due to a large capital investment for body-load
13 trucks, BJ Services would like the Board to ask staff to
14 give body loads the same consideration that they've given
15 to dual-engine cranes and sweepers, agricultural trucks
16 and school buses. And I've submitted a more detailed
17 letter in there.

18 And thank you for your time, and Merry Christmas
19 to everybody.

20 BOARD MEMBER ROBERTS: Thank you. And the same
21 to you. And we'll ask staff when we -- I was going to
22 hold it and have them comment.

23 BOARD MEMBER LOVERIDGE: Tonight or tomorrow?

24 BOARD MEMBER ROBERTS: Tonight -- well, we're
25 going to be done tonight.

1 BOARD MEMBER LOVERIDGE: There's more testimony
2 tomorrow.

3 BOARD MEMBER ROBERTS: Well, I think we're going
4 to get through it.

5 BOARD MEMBER LOVERIDGE: No.

6 BOARD MEMBER ROBERTS: Well, okay. We're going
7 to get through the names that are in front of us.

8 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah,
9 there are quite a few -- there's a large list of people
10 that signed up for tomorrow. And so that's still to come.

11 BOARD MEMBER ROBERTS: Okay. But you'll have
12 time for staff to comment tonight.

13 BOARD MEMBER LOVERIDGE: Okay. Well, it seems to
14 me that was a reasonable question I would like --

15 BOARD MEMBER ROBERTS: I agree. Make a note.

16 Also from BJ Services, Allen Burmeister, I think.
17 Is he --

18 MR. BURMEISTER: Yes. Yeah, over here.

19 I'm Allen Burmeister

20 BOARD MEMBER ROBERTS: -- followed by James
21 Thomas.

22 Excuse me. Go ahead.

23 MR. BURMEISTER: My name's Allen Burmeister.

24 We would like to address the section relating to
25 adding vehicles to a fleet. The current draft states that

1 before a fleet may operate a newly added vehicle in
2 California, we must file a report with the Executive
3 Officer within 30 days of adding the vehicle.

4 Fleet owners will receive the equipment all
5 during the year. So you could have to make 12 reports
6 then. And what we would -- the proposed regulation would
7 require fleet owners to file several reports to the
8 Executive Officer to remain in compliance with the
9 regulation. It's very labor intensive and costly.

10 What we suggest and would like to do is modify
11 the proposed regulation, stating that the addition of 2010
12 model trucks or newer would be reported in the annual
13 update to the Executive Officer. So report just once a
14 year.

15 The addition of new 2010 or newer model trucks to
16 a fleet is going to help the fleet move closer to
17 compliance anyway. They would be compliant engines.

18 This modification would reduce some of the
19 cost -- the administrative costs. It would reduce our
20 costs and your costs.

21 The other thing I'd like to talk about is, the
22 staff report states that fleets naturally replace their
23 vehicles on a regular basis that is faster than what the
24 regulation would require. I believe that statement refers
25 to long-distance cross-country trucks traveling 200,000 --

1 approximately 200,000 miles a year.

2 However, many trucks, and almost all of ours, are
3 kept for 15 to 25 years because of low mileage. BJ
4 Services trucks may be on location for a few days to a few
5 weeks while the crews commute back and forth in vans or
6 pickups. And this results in low annual mileage for the
7 trucks.

8 BOARD MEMBER ROBERTS: Thank you, Mr. Burmeister.

9 MR. BURMEISTER: Thank you.

10 BOARD MEMBER ROBERTS: James Thomas, followed by
11 Chris Torres.

12 MR. THOMAS: My name is James Thomas with Nabors
13 Well Services out of Bakersfield, California.

14 We would like to propose the Board to make a
15 modification to the reg on the NOx requirements in the
16 proposed reg to reflect the current available technology.

17 The regulation requires the installation of
18 V-Decks that will reduce NOx from 40 to 85 percent. Today
19 there's only two technologies that will reduce NOx at all.
20 That's 25 percent and 40 percent on a small group of
21 engines.

22 Forty percent is far away from 85. Without the
23 development of an 85 percent V-Deck, that will limit the
24 life of our vehicles. Vehicles -- what we are proposing,
25 that whenever we have to start buying diesel particulate

1 filters in 2010, why can't we buy diesel particulate
2 filters that has a NOx in it already. Might be 25
3 percent. Then we would be in compliance with the reg,
4 generating NOx reductions early.

5 And one of the Board members asked about what
6 will the economic impact have on the crisis that we
7 currently have. Well, due to the crisis, my company
8 reduced its capital budget for 2009 by 70 percent. My
9 company has repowered approximately 400 engines over the
10 past 12 years. Without this capital, that makes us put on
11 our brakes.

12 Thank you for your time.

13 BOARD MEMBER ROBERTS: Thank you.

14 Chris Torres, followed by Lee McCorkle.

15 MR. TORRES: Good evening. Thank you for your
16 time. I'm Chris Torres, President of F & L Farms
17 Trucking. We are an agricultural transports, also a
18 construction transporter. We've been in business for 28
19 years. We run 12 trucks, employ 15 people. We have an
20 annual payroll salary of a half a million dollars. We pay
21 approximately a million dollars to our outside vendors for
22 our product -- for fuel and the rest of our expenses.

23 In the past two years we've replaced four of our
24 trucks out of the 12, approximately \$300,000 of capital
25 outlay. We have -- and these cost us approximately 1600

1 to \$1800 a month, which are way in excess of the \$800 that
2 we heard earlier in the testimony.

3 We need to extend this timeline on this
4 regulation, on the implementation. This compacted
5 timeline is not going to -- it will not work for my
6 company or many others. We cannot continue -- I cannot
7 continue to replace two trucks a year and be in compliance
8 by the time you want for us folks to be there. It's just
9 impossible, especially with the economic situation.

10 You know, the agricultural end of our business is
11 possibly suffering this year because of the drought. We
12 don't know if all of our customers are going to get their
13 crops planted, so we don't know if we're going to be able
14 to haul their products.

15 The construction side of our business, we don't
16 know how many road projects they're going to allow this
17 year or anything.

18 So a whole lot of stuff's in the air. We don't
19 have contracts to go to a bank and say, "I have this
20 guaranteed income to come in," and so that I can guarantee
21 I will be able to pay the loan. So that's my point.

22 Thank you.

23 BOARD MEMBER ROBERTS: Thank you, Mr. Torres.

24 Mr. McCorkle, followed by Darlene Din.

25 MR. MCCORKLE: Thank you very much. My name is

1 Lee McCorkle. I live up in Glenn County, called McCorkle
2 Trucking. We're an ag carrier, and there's quite a bit of
3 our work is done seasonal. That means that those trucks
4 that are on seasonal-type work do not get a lot of miles,
5 maybe 25 or 30,000 miles per year. So it's going to be
6 difficult for us to meet these compliances.

7 Now, we certainly understand the people that are
8 concerned about the air quality. That's important. Gosh,
9 we've heard people talk about that here this afternoon,
10 and I can understand that that's certainly a big potential
11 problem -- or it is a problem.

12 So, anyway, we've got bad economic times
13 surrounding us all over the place. The economy's in very
14 bad shape. People are losing jobs. Just not very good
15 timing.

16 And I've heard all kinds of facts and figures
17 from the Air Resources Board, plus all the people that's
18 been testifying as far as facts and figures. And there's
19 certainly one big discrepancy in a lot of those. So where
20 are we with all those discrepancies that we have? Are any
21 of them right? Are they somewhere in the middle? Or what
22 is going on? And I'm not that much up on this whole
23 thing. I've been trying to catch up here the last few
24 days. And so I can't answer those questions. But
25 something's wrong with the figures.

1 So, anyway, I think that the Air Resources Board
2 at this time is probably, even though I'm sure you'd like
3 to be on schedule, you're probably really not on schedule
4 as far as the reality of the real world is.

5 So I'm going to ask that you please very strongly
6 consider the recommendations from the DTCC coalition. And
7 let's give ourselves a little bit more time. And
8 hopefully --

9 BOARD MEMBER ROBERTS: Thank you, Mr. McCorkle.

10 MR. TORRES: -- in the end we'll come out right.

11 Thank you.

12 BOARD MEMBER ROBERTS: Thank you.

13 Darlene Dinn.

14 Is Darlene here?

15 Tracy Roberts.

16 Is Tracy Roberts here?

17 With that last hand I was going to give her an
18 extra minute. But --

19 (Laughter.)

20 BOARD MEMBER ROBERTS: David Norris.

21 We're doing great now.

22 Kevin Abernathy.

23 Come on up here, Kevin.

24 Followed by Christopher Valadez.

25 MR. ABERNATHY: Good evening. My name is Kevin

1 Abernathy. I'm the Executive Director with the California
2 Dairy Campaign.

3 Appreciate the fact that you folks have been able
4 to sit up there for this amount of hours and you're
5 getting close to the end.

6 Real quickly, on behalf of the numerous diary
7 families and family businesses that support our farms in
8 the State of California, I would like the Board to -- or I
9 basically have a simple request. And it gets real
10 specific on to page A-13 of section 2025, Item No. 64.
11 And I would hope that it's just an oversight on the
12 staff's part. But I would like to see a broader
13 definition of specialty agricultural vehicles that is more
14 inclusive to the dollars that have to be spent to
15 specially retrofit certain types of equipment for
16 specialty uses on farm.

17 And specifically under B, we've got cotton
18 modules that are listed, which I respect the fact that
19 that is a significant investment on the grower's -- or the
20 harvester's part. But we also have the same cost for
21 something as simple as a silage truck. We cannot simply
22 take a replaced highway truck and use it to collect silage
23 in the field. It requires anywhere from -- most of the
24 time around \$45,000 to upgrade that to where it will
25 actually last in the field.

1 Secondly, Item D. Hey, guys, a feed truck is a
2 feed truck and livestock is livestock. And if I was to go
3 home tonight and see my cows and they looked at me and I
4 didn't make the comment that, "Hey, we're livestock too.
5 We're also a bovine species," and the fact of the matter
6 they might kick the hell out of me in the milk barn the
7 next day without bringing that up to the Board's
8 knowledge.

9 (Laughter.)

10 MR. ABERNATHY: You know, my heart really goes
11 out to everybody in this room because we in the diary
12 industry and agriculture, we rely on everybody that's
13 behind me and all these other industries that are going to
14 be severely economically hit.

15 BOARD MEMBER ROBERTS: Thank you, Kevin.

16 MR. ABERNATHY: Thank you.

17 BOARD MEMBER ROBERTS: Mr. Valadez, followed by
18 Andy Acott.

19 MR. VALADEZ: Good evening, Mr. Chair, members of
20 the Board. Chris Valadez here representing our membership
21 for the California Grape and Tree Fruit League. We're a
22 statewide public policy organization representing the
23 table grape and tree fruit growers and shippers, again, up
24 and down the state.

25 Our bottom-line concern with the rule is this:

1 That all trucks -- agricultural trucks will have to be
2 replaced under this rule. That's the reality, as we see
3 it, as this rule's progressing as discussed here today.

4 As we've discussed, and as you may know,
5 financing options even for those in agriculture are a grim
6 reality. And the reality is it's not likely.

7 In tree fruit this year it's been -- this year,
8 last year, and projected into the next year, very
9 significant ramifications for the industry. A reduction
10 of tree fruit plantings will likely occur. In going
11 forward, that industry specifically is going to be
12 economically impacted. Therefore, their decisions to go
13 forward, whether or not, and to purchase new trucks in an
14 aggravated or aggrieved time schedule is going to
15 impact and weigh on them greatly.

16 For us in agriculture, the reality is we are just
17 consumed about what is before us today. We saw a video
18 that Chairwoman Nichols put out, an informational video,
19 and we think she put the issue before you today very
20 succinctly. ARB's role is to find solutions.

21 With that, to us the solution should be both
22 reasonable and practical. In sum, we acknowledge that the
23 Board will likely move forward with a recommendation from
24 staff on what a rule is going to look like for the future
25 and how it's going to impact us all. Everybody in here

1 will be impacted.

2 But as you move forward and take your
3 considerations, we hope that you acknowledge the
4 maintenance of ag-specific and for specific sectors those
5 proposals with which they will -- which they will need in
6 order to make sure that they can have enough time to adapt
7 to this rule as it affects them given their proportionate
8 size in relation to the rule and the scheme.

9 Thank you. And we do appreciate this opportunity
10 to provide testimony.

11 CHAIRPERSON NICHOLS: Thank you.

12 Andy Acott.

13 Lan Dahn.

14 Steve Lopes, followed by Daniel Del Moro.

15 MR. LOPES: Good evening. I'm a principal with
16 Western States Oil Company.

17 CHAIRPERSON NICHOLS: Please speak in -- thank
18 you.

19 MR. LOPES: I'm a principal with Western States
20 Oil Company. We're based in San Jose. We've been there
21 since 1956. And I'm here to oppose the CARB rule as you
22 guys currently have it written. And I'd like to see
23 supported the DTCC's alternative.

24 I'm really overwhelmed by the testimony I've
25 heard in opposition to this rule. I can't imagine how you

1 guys could go forward and pass it after hearing all the
2 various arguments from the people that actually make this
3 state work.

4 Bottom line is CARB is mandating companies like
5 mine and these people to replace assets and trucks before
6 they need to be replaced. And it just doesn't make any
7 sense.

8 And for our company, unfortunately -- and I've
9 got about 200 other members. I'm also a member of
10 California Independent Oil Marketers. We have a double
11 hit upon us, because next year in April due to CARB's regs
12 we have to spend huge amounts of money in upgrading our
13 service stations with EVR and ISD compliance. And we just
14 took possession of a brand-new tank truck, about \$230,000,
15 two weeks ago, and replaced a couple of smaller trucks
16 last year. But all these mandates are really starting to
17 hurt us.

18 And luckily we'll be able to -- we think we might
19 be able to make the timeline. But I know there's other
20 people, some of my competitors, other people in our
21 association and surely a lot of people out here that just
22 won't be able to find the financing to make these
23 upgrades.

24 CHAIRPERSON NICHOLS: Thank you, sir.

25 MR. LOPES: Thank you.

1 CHAIRPERSON NICHOLS: Daniel Del Moro, if you are
2 here. And you are the last speaker. Unless somebody
3 stands up and says we missed them, that is it.

4 MR. DEL MORO: Thank you very much for the
5 opportunity. Yes, my name is Daniel Del Moro. I'm with
6 PVM Transportation out of Fontana, California.

7 I think by now you've pretty much heard it all.
8 And, yes, a lot of the concerns being expressed here by a
9 lot my industry fellow members are the same concerns that
10 we're dealing with.

11 So I will echo one of the issues -- or one of the
12 main issues that we are dealing with right now. And, that
13 is, the fact that -- we kind of saw this coming some years
14 back. So we'll begin changing our business model by
15 basically, you know, starting to buy brand-new equipment.
16 And I believe that us by doing that have gotten -- being a
17 small company, you know, we got into so much trouble
18 because, yes, our monthly payment per truck is 2400 bucks
19 on the average. That's one thing.

20 The next thing is that these trucks have so much
21 issues. I mean it's very ironic to see a 2008 truck being
22 breaking down so much, and all of these failures being
23 related to all the new technology or results of the new
24 technology that these trucks are equipped with, you know.

25 Some of this new technology, I just think that

1 it's not working.

2 So I will say it again. You know, I think we are
3 into some deep trouble, by us making this investment into
4 our company and because of the way we all know the economy
5 is and such, you know, being able to really pull it off.

6 So, again, and as a lot of people have said
7 tonight, you know, I ask for time. I ask for some
8 leniency with this regulation, because I'm a perfect
9 example of that second generation whose parents' business
10 has been passed on to me and I really don't know if I'm
11 going to make it. You know, my father says, you know, I'm
12 young and I'll be able to pull it off. But I feel tired
13 already.

14 Thank you very much.

15 CHAIRPERSON NICHOLS: Well, it's a little late in
16 the evening. That could have something to do with it.

17 MR. DEL MORO: Well, you know what I mean.

18 Thank you very much for the opportunity to talk
19 to you.

20 CHAIRPERSON NICHOLS: Thank you. Thank you for
21 spending the day with us.

22 Thanks to all of you. I know you're here
23 because -- not because you didn't have better things to
24 do.

25 Yes.

1 BOARD MEMBER LOVERIDGE: There's one technical
2 question that staff was going to respond to, that there
3 was a reasonable -- there was a body-load vehicle that
4 struck me as a reasonable question. So what's the staff
5 answer?

6 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
7 WHITE: Well, I think it's twofold. First, we've had some
8 conversations around those -- especially those particular
9 vehicles that we had the picture for and with that
10 particular fleet about how that fleet would likely comply
11 with the proposed regulations in terms of for all of the
12 vehicles they had in their fleet. And the feedback we had
13 gotten back from them was was that by looking at their
14 other vehicles first, they were going to be able to do
15 those towards the end of the program and be able then to
16 replace those with new vehicles.

17 Now, that said, we also have the unique vehicle
18 provisions in there which would allow for retaining
19 vehicles that cannot be purchased used with the 2000 -- a
20 cleaner engine amendment in them, and then they can hold
21 on to those vehicles as long as till 2020. So we felt we
22 had addressed the issues with -- between that with that
23 particular fleet in particular and more broadly with
24 unique vehicle provisions that are already in the
25 regulation.

1 CHAIRPERSON NICHOLS: For tonight, are we ready
2 to call it a day?

3 One more question.

4 BOARD MEMBER ROBERTS: Yeah, one of the things
5 that's been a reoccurring theme -- and I'm not sure how
6 it's been factored in or if it's been factored in. But
7 when we talk about the economy and we talk about the cost
8 and the purchase price of new vehicles, there seems to be
9 something operating where there's now the older
10 vehicles -- any used vehicle is now only a fraction of
11 what it might have been worth a year or two ago. And I
12 don't know if we've taken that into account, but it's been
13 one of the things that I know that I've heard.

14 CHAIRPERSON NICHOLS: The resale value.

15 BOARD MEMBER ROBERTS: Yeah, the retail value --

16 CHAIRPERSON NICHOLS: Resale.

17 BOARD MEMBER ROBERTS: I mean people who would
18 otherwise like to sell, take that value and even put it --
19 they have a lot less of an asset, which has exacerbated
20 anything we've asked them to do. And I don't know -- it
21 doesn't seem to me that we've acknowledged that.

22 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
23 WHITE: Well, actually we have. And I very much believe
24 that the phenomena we've seen is real, that these vehicles
25 are not worth as much today as they were. And, you know,

1 part of that may be due to the economy and part of that
2 may be due in fact to anticipation for the rule.

3 When we estimated the cost and we came up with
4 our \$5.5 billion number, it took into account both reduced
5 costs -- reduced value of existing vehicles, that the
6 vehicles that they have today would be worth less simply
7 because they would not be compliant.

8 We also factored into that compliant vehicles,
9 the ones that they would need to be buying on the used
10 truck market, would be more expensive than they are today.
11 And that was reflected by -- you know, as the market's
12 supply and demand would dictate that those vehicles would
13 be more valuable since more people were seeking them.

14 So we did account for both. I haven't heard any
15 of the comments with stakeholders since we put our
16 economic assessment out whether our estimates were on
17 target or we missed the mark on either end. But we did
18 make an effort to do just that.

19 CHAIRPERSON NICHOLS: Everybody wants things to
20 chew on overnight.

21 BOARD MEMBER TELLES: Yeah. One of the recurring
22 themes here is the cost of buying a new truck and the
23 monthly payment. You know, from the trucking industry
24 we're hearing it's more in the range of 2,000, 2400. And
25 from the rule it's 800.

1 Myself, I don't understand how you could have
2 \$800 for a month for a \$115,000 asset. To go out and buy
3 a new car for \$35,000 and you have a five-year payment,
4 you're saying about six to seven hundred dollars a month
5 if you're not leasing it.

6 Are these real numbers we're talking about or are
7 we way -- are we way off on the estimate of the cost of
8 this thing?

9 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
10 WHITE: No, I don't think that we are. The numbers that
11 we showed in terms of an \$800 monthly payment to get a
12 compliant truck, I think two things have to be remembered
13 in that. First, we are financing the cost of a used
14 truck. And, again, it gets to the fact that the
15 regulation never requires new and is really set up to
16 allow used trucks to be a viable compliance option for
17 fleets. And some of the chart -- the chart we had showed
18 just how important that is in terms of how the prices come
19 down in time. Four or five years the value of the truck
20 is about half of what it was new.

21 The second is is that one of the attractive
22 things about the low interest loan program is just that.
23 It can offer loans and rates that are significantly less
24 than what they could get on the open market today. And
25 that's part of ARB using its money to reduce the risk to

1 the lenders that they're able to offer those lower rates.

2 So I think when you look at both of those, we
3 feel pretty strongly that the numbers we've run, about
4 \$800 a month, are pretty good figures.

5 CHAIRPERSON NICHOLS: Not as to what it would
6 take if you were to go buy a truck today. And certainly
7 not what it would take to buy a new construct.

8 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
9 WHITE: Correct.

10 CHAIRPERSON NICHOLS: But what you're saying is
11 that for the kinds of trucks that you believe would
12 comply, that people should be buying at the rates that we
13 think we can get them using the state's money, that that's
14 a realistic number. And of course there's a lot of doubt
15 about that. Clearly not -- most of the people in the
16 audience that aren't convinced that that's real.

17 But one of the things that I think is interesting
18 about this whole discussion is that, you know, everybody
19 wants a new truck. Nobody wants a used truck, you know.
20 We're suggesting that people do things that are
21 economically rational to do the minimum amount that's
22 required to comply and still keep running your business.
23 And we've run numbers accordingly.

24 But, you know, if you ask people what would they
25 rather do, it would be something completely different,

1 right? They'd rather wait longer and then get a brand new
2 truck because that's clearly a more attractive option from
3 their perspective.

4 ON-ROAD CONTROL REGULATIONS BRANCH CHIEF

5 KITOWSKI: Excuse me, Ms. Chairwoman.

6 CHAIRPERSON NICHOLS: Yes.

7 ON-ROAD CONTROL REGULATIONS BRANCH CHIEF

8 KITOWSKI: I believe it's important -- I wasn't sure if it
9 was clear. The times when we've mentioned 800, it was
10 always in the context of the incentive programs in terms
11 of the grants. So it is assuming that folks are taking
12 advantage of the grants in addition to the loans and the
13 whole package. And if they were not able to get a Moyer
14 or a Prop 1B grant, again that dollar amount would be
15 higher.

16 CHAIRPERSON NICHOLS: Yeah.

17 MR. BRASIL: And just not to confuse matters. I
18 mean the \$800 also coincidentally is what it would cost to
19 buy a five-year-old truck and have a 12 percent interest
20 payment. So those numbers just coincidentally come out to a
21 similar place. So --

22 BOARD MEMBER TELLES: If you use the grants that
23 you just mentioned and if you use the amount of money
24 that's available for the grants, that's like a billion and
25 a half dollars. And so a billion and a half dollars of

1 trucks you can get an \$800 payment and the other four and
2 a half billion is going to be a \$2,000 payment?

3 ON-ROAD CONTROL REGULATIONS BRANCH CHIEF

4 KITOWSKI: It doesn't quite work out that way. It's never
5 quite clean. There are different grant amounts. And so,
6 again, it depends if you're using that.

7 The maximum grant amount you could get for a 2010
8 truck might be as high as 75,000. And then you could have
9 a very modest payment. You might take advantage of the
10 voucher program and have a down payment of \$30,000. The
11 dollar amounts will vary, so it does not come out that
12 clean. It's not going to be an on-off switch, you're
13 going to be 800 or you're going to be 2,000. There's
14 going to be a lot in between depending on the price of the
15 truck, the age of the truck you buy, the available grant
16 incentive for your --

17 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Dr.
18 Telles, I think the biggest difference is that everybody
19 that said the 2400 said, "I bought a new truck and it cost
20 \$2400 a month." In the scenario we have, putting aside
21 the interest rates and all that other thing, it's a
22 four-year-old truck, which we showed was about half the
23 price of a new truck. So right there your 2400 is divided
24 roughly in half. Then easy numbers here as to what it
25 would be even without a low interest loan or without extra

1 grants.

2 So the big difference is whether you buy the new
3 truck, because that's what you want to for the other
4 reasons, or whether you go with the low cost option -- the
5 minimum cost option, which is to buy a four-year-old
6 truck.

7 BOARD MEMBER TELLES: If you buy a four-year-old
8 truck, when do you have to replace it?

9 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
10 if you buy a four-year-old truck in this period of
11 2013-2014, you don't. It will have all the stuff on it.
12 And if you buy it earlier than that, then it's going to be
13 at least 12 years before you have to replace it under the
14 program, which will put it out near 2020 or so.

15 CHAIRPERSON NICHOLS: But the only reason for
16 doing that is that you're trying to take advantage of the
17 incentive program, right?

18 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Right.

19 CHAIRPERSON NICHOLS: Otherwise why would you
20 bother? You'd wait until the 2013 period.

21 Supervisor Roberts and then Dr. Balmes.

22 BOARD MEMBER ROBERTS: Just stick with the big
23 aggregate numbers. When we started off today I thought we
24 were talking about, you know, the cost of the -- is like
25 five and a half billion dollars. And then do you subtract

1 about a billion and a half off of that? So that the real
2 cost -- I mean the industries that we're talking about,
3 there's a four billion dollar bill somebody's going to
4 have to pay?

5 Okay. I mean that's a lot of money. And it
6 doesn't spread itself out evenly. So that the fact that
7 there are some people concerned who may be on the edge of
8 a new career probably have good reason to think that.

9 CHAIRPERSON NICHOLS: No. Well, I think you're
10 right. I was just going to say though that, you know, my
11 experience with government funding is in the resources
12 side of things where we've raised money through bonds time
13 and time again for water projects, land purchases, parks,
14 et cetera. And the only way you get more money is to
15 spend all the money you've got. So I would never advocate
16 that we sort of hold on to the money and try to parcel it
17 out. I mean if we go this route, I think we should try to
18 use the money as quickly as we can to solve as much -- to
19 do as much as we can.

20 BOARD MEMBER ROBERTS: Yeah, but I could see
21 somebody who's got a business being nervous that we're
22 sort of rolling the dice with their business.

23 CHAIRPERSON NICHOLS: Understood.

24 Yes.

25 BOARD MEMBER BALMES: Well, it's a somewhat

1 related.

2 So I've been impressed with the testimony from
3 individuals in the rural counties where a) the air is
4 cleaner so there's less of an immediate health impact; and
5 there's relatively low miles so that there's not likely to
6 be as -- it's not likely to be as easy to qualify for the
7 incentive programs. And I'm a little troubled with one
8 size fits all. I mean what do we do about the folks that
9 aren't going to be able to qualify for those funds?

10 CHAIRPERSON NICHOLS: Well, I think we're sort of
11 getting into the discussion of the vote here.

12 But one of the things I would say is that I
13 believe we're in the process of talking about redoing the
14 Moyer program so it is less focused on just getting tons
15 per dollar spent, which was our sole purpose before, and
16 more focused on dealing with some of these other equity
17 issues. But I think our resident Moyer expert here might
18 want to add something.

19 BOARD MEMBER BERG: Well, we are looking at that.
20 I think Jack would be able to address that better than I.
21 But I think we still have the issue that we're
22 oversubscribed. So we still have more people in need of
23 the funding than we have funding dollars even if we do
24 change some of the requirements. So the concern is valid.

25 And one of the things I'd like staff to take a

1 look at is in these rural areas that are in compliance, it
2 seems to me that the NOx turnover is the way to go. And
3 so at the end of the day, we have new trucks, but they
4 aren't going through the added expense of the PM. And so
5 if you could take a look at that and how that would affect
6 the overall numbers, I'd appreciate that.

7 CHAIRPERSON NICHOLS: I guess I'm going to be a
8 grinch here on that issue. It would be nice if we could
9 just divide the state into rural and urban. And it does
10 divide itself somewhat by counties. But if I lived in the
11 small town where I had logging trucks rolling by every
12 day, even if it was only a small truck -- I mean a small
13 town and, you know, we didn't violate the air quality
14 standards except -- you know, my exposures were regular, I
15 don't think I'd be content to think that, you know, this
16 was only happening in the big city. And I think it's a
17 little more complicated than just dividing up into the
18 rural versus urban.

19 Mayor Loveridge has some wisdom to add here.

20 BOARD MEMBER LOVERIDGE: I'm ready to engage that
21 argument tomorrow. I don't think I agree with you. So
22 let's talk about it tomorrow.

23 CHAIRPERSON NICHOLS: Okay. Fair enough. Yeah,
24 and I'm prepared to argue about it too.

25 (Laughter.)

1 CHAIRPERSON NICHOLS: We could argue about that
2 for a while.

3 Okay. We are, however, going to call it quits
4 because we've had enough fun for one day, and also because
5 we do have to come back tomorrow. And at 8:30 we're going
6 to look at some trucks out on the street on the 11th
7 Street side of the building. And then we're going to come
8 back here at 9 and start the meeting.

9 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
10 we're going to come in here I think first to --

11 CHAIRPERSON NICHOLS: Oh, start first here. I'm
12 sorry.

13 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE:

14 -- actually --

15 CHAIRPERSON NICHOLS: We'll actually be here at
16 8:30.

17 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: -- to
18 convene and then walk out.

19 CHAIRPERSON NICHOLS: Ah, Okay. I apologize. I
20 was confused. 8:30.

21 Good night, everybody.

22 (Thereupon the California Air Resources Board
23 recessed at 8:47 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, TIFFANY C. KRAFT, a Certified Shorthand
3 Reporter of the State of California, and Registered
4 Professional Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing hearing was reported in shorthand by me,
7 Tiffany C. Kraft, a Certified Shorthand Reporter of the
8 State of California, and thereafter transcribed into
9 typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said hearing nor in any
12 way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 18th day of December, 2008.

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TIFFANY C. KRAFT, CSR, RPR

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