APPEARANCES

BOARD MEMBERS
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Dr. John R. Balmes
Ms. Sandra Berg
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Mr. Ronald O. Loveridge
Mr. Daniel Sperling
Mr. Ron Roberts
Mr. John Telles

STAFF
Mr. James Goldstene, Executive Officer
Mr. Tom Cackette, Chief Deputy Executive Officer
Ms. Ellen Peter, Chief Counsel
Mr. Michael Scheible, Deputy Executive Officer
Ms. Lynn Terry, Deputy Executive Officer
Ms. Kathleen Quetin, Ombudsman
Mr. Michael Benjamin, Chief, Mobile Source Analysis Branch
Mr. Tony Brasil, In-Use Control Measures Section, MSCD
Mr. Michael Carter, Chief, Emission Research and Regulatory Development Branch, MSCD
Ms. Edie Chang, Chief, Program Planning and Management Branch

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
APPEARANCES CONTINUED

STAFF

Ms. Cynthia Garcia, Population Studies Section, Research Division

Mr. Jack Kitowski, Chief, On-Road Control Regulations Branch, MSCD

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

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
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
APPEARANCES CONTINUED

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, Deflecker
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
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
APPEARANCES CONTINUED

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

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
APPEARANCES CONTINUED

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

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
ALSO PRESENT

Mr. Rick Row, Sustainable Silicon Valley

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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PROCEEDINGS

CHAIRPERSON NICHOLS: Welcome, everybody, to the last meeting of the Air Resources Board for calendar year 2008. I want to welcome you to the Byron Sher Auditorium. And it's our custom before we begin to call the meeting to order, and then we all rise and say the Pledge of Allegiance. I'll ask you to join me.

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

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

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

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

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

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

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

And for safety reasons, I want to remind you in the back of the room there are exists. In the case of a fire, you'll hear an alarm. And we're required to evacuate the room immediately through those exits, to go downstairs, out of the building, and wait until the
all-clear signal. It has actually happened to us. So it's a good thing to note.

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

BOARD CLERK VEJAR: Dr. Balmes?
BOARD MEMBER BALMES: Here.

BOARD CLERK VEJAR: Ms. Berg?
BOARD MEMBER BERG: Here.

BOARD CLERK VEJAR: Ms. D'Adamo?
BOARD MEMBER D'ADAMO: Here.

BOARD CLERK VEJAR: Ms. Kennard?

Mayor Loveridge?

Ms. Riordan?

Supervisor Roberts?

BOARD MEMBER ROBERTS: Here.

BOARD CLERK VEJAR: Professor Sperling?
BOARD MEMBER SPERLING: Here.

BOARD CLERK VEJAR: Dr. Telles?
BOARD MEMBER TELLES: Present.

BOARD CLERK VEJAR: Chairman Nichols?

CHAIRPERSON NICHOLS: Here.

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

CHAIRPERSON NICHOLS: Thank you very much.

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

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

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

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

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

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

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

Both the draft resolution and the proposed plan edits are available outside the auditorium for the public.
and posted on the website. And Board members have them in their packets.

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

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

CHAIRPERSON NICHOLS: Thank you, Mr. Goldstene. I also want to extend my thanks to the two statutory committees, the Environmental Justice Advisory Committee and the Environmental Economic Technology Advancement Committee for their work and for their efforts over the past two years to strengthen this plan and to find areas where they could reach consensus.

In the testimony in November that I heard as well as in the discussion that I read in the transcript, one of
the things that struck me was the overwhelming support
that we heard for proceeding with the Scoping Plan.
There's no question in my mind that the vast majority of
Californians understand the problem of global warming and
understand the need to give some direction and some

certainty to our efforts here.

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

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

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

And so it's important that we acknowledge that we
are listening and noting and we are going to continue to
address those issues as we move forward into the
regulatory process to actually flush out many of the
details of the plan through individual measures, including
further review both of the impact of the individual
measures and the plan as a whole and also of the public
health impacts on our approach.

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

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

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

And I also want to note that although I'm sure
most of you who are here today are sophisticated about the
process, it's just important to remember that for us
sitting up here, we don't actually weigh our decisions based on the number of people who testify on one side or another. We don't count the numbers. We don't vote according to the number of cheers for any contestant.

It's not that kind of process.

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

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

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

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

And if you know that you're going to be coming next in line, I can give a couple more names. Audrey
Chang, Michele Pielsticker, and Amisha Patel, if you could
be ready and waiting to come up, that would be helpful
also.

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

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

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

We also wish to move even further empowering
these communities in the future for alternative energy yet
we continue to identify barriers such as building solar
facilities greater than one megawatt and our longstanding
concerns with the continued ability to use B-20 fuel. The
military services must be able to train as we fight. And
while California's initiative to control global climate is important, DOD must ensure regulations do not impair deployability of assets and not prevent the military from adapting to the battle fields of tomorrow.

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

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

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

And now I turn it over to Major Jungreis.

CHAIRPERSON NICHOLS: Thank you.

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

I will ask the Board to please review our written comments. We submitted those yesterday and we have much more amplification to our comments I'm going to provide.
right now very, very quickly.

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

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

One of the ways to facilitate that would be a DOD representative in the ex officio capacity on the Regional Targets Advisory Committee or some subcommittee or task force organized therein. I realize there are a lot of folks who are interested in being part of the RTAC process. We want to make sure that Department of Defense voices are heard and some of our unique requirements are taking into account.
Another point that some of the other commenters raised was about the enforcement authority. I know CAPCOA wants to have a more significant role perhaps in the implementation process of AB 32 Scoping Plan.

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

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

And I thank you for your time.

CHAIRPERSON NICHOLS: Thank you.

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

Audrey Chang, followed by Michele Pielsticker,
and Amisha Patel.

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

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

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

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

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

We strongly support the plan's overall approach to tackle global warming. There is no single silver bullet, and the plan uses the combination of policy tools
to curb global warming throughout all sectors of the economy.

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

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

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

Michele Pielsticker from California Tax. And then Amisha Patel.

MS. PIELSTICKER: Good morning, Madam Chair, members of the Board. My name is Michele Pielsticker with the California Taxpayers Association.
I'm here to provide comments on the proposal by CARB to use an auction mechanism as a means of distributing carbon offsets. We view the auction proposal as a potential hidden tax on business in violation of Prop. 13. Case law interpreting Prop. 13 requires to avoid characterization as a tax. Fees must not exceed the cost of the regulatory programs they support and the apportionment of the cost among fee payers must be reasonable.

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

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

CHAIRPERSON NICHOLS: Thank you very much.

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

Amisha Patel.

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

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

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

The deepening recession has affected businesses throughout the state, and we must ensure that we are using...
the most cost effective strategies to lead us to the AB 32 goals.

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

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

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

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

Thank you.

CHAIRPERSON NICHOLS: Thank you. We agree.

Kristina Skierka, Dorothy Rothrock, Janet

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

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

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

CHAIRPERSON NICHOLS: Thank you very much.

Dorothy Rothrock.

MS. ROTHROCK: Thank you, Madam Chair and members.

My name is Dorothy Rothrock with the California Manufacturers and Technology Association.

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

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

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

We believe that the economic analysis as you go forward should be used as a tool to develop the most cost effective regs you can, to determine costs that you cannot control in the plan so that we can determine how to mitigate those costs, and also identify other State policies that could be used to reduce costs.
So we look forward to working with you on this.

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

Thank you very much.

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

Janet Abelson, city of El Centro.

MS. ABELSON: My name is Janet Abelson, and I'm the Mayor Pro Tem of the city of El Cerrito, which is next to Berkeley in northern California. Separate from Cerritos in southern California. They get us mixed up.

We would like to have their car dealerships, but we don't.

Anyway, we do have two BART stations, however.

And we're the kind of place where development should occur under AB 32. And we would like to lead. We've taken a number of steps that lead us in that direction already.

But we need the resources to do so.

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

Research clearly shows in the end, sprawl costs cities more money than it generates for the communities in...
taxes. What AB 32 can do and what your proposal seems to do as it's presented now is send a signal for SB 375 by setting a target in the range of 11 to 14 million metric tons for greenhouse gas reductions in each region.

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

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

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

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

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

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

A subset of our partners, including such organization as CV Therapeutics, Adobe Systems, Marine
Systems, Palo Alto Research Center, and a number of others have reported on this year emissions by electricity and natural gas usage in their facilities each year from 2000 to 2007 have successfully reduced their emissions an average of 27 percent over these years, over twice the regional reduction during this time.

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

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

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

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

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

MR. KARRAS: Greg Karras, I'm the Senior Scientist with Communities for a Better Environment.
CBE has asked you to reject pollution trading in the Scoping Plan in favor of proven direct controls. We've testified and submitted extensive comments that pollution trading would exacerbate environmental injustice, and I won't repeat those now. We have also presented evidence previously that it would not work.

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

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

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

The recent work we submitted is specific to California refineries. It supports this finding in
general and specifically it shows that substantially
increased pollution from the beginnings of this
accelerating oil switch is already occurring.

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

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

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

CHAIRPERSON NICHOLS: Your time is up.

MR. KARRAS: -- electricity.

CHAIRPERSON NICHOLS: Thank you. Julia May,

Therese McMillan, and Mike McKeever.

MS. May: I'm Julie May also with CBE. We didn't
get to speak last time, so I appreciate you taking
testimony today.
We appreciate your hard work. And we agree the people in California want you to adopt a strong plan. But we're terribly frightened the plan is not going to work.

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

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

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

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

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

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

Chairperson Nichols: Ms. May, your time is up.

Ms. May: Thank you very much. We beg you to add controls on oil refineries and industrial sources. Thank you.

Chairperson Nichols: Ms. McMilan, and then Mr. McKeever, and Elizabeth Deakin.

Ms. McMilan: My name is Therese McMilan. I'm the Deputy Executive Director for Policy with the
Metropolitan Transportation Commission in the San Francisco Bay Area. And I want to thank you for the opportunity to share some comments with you. I was not available to come in November.

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

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

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

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

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

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

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

Mike McKeever, Elizabeth Deakin, Autumn Bernstein.

MR. MC KEEVER: Good morning, Madam Chair.

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

I want to echo my colleague, Therese McMilan's, comments. I think the way you handle the regional planning issue in the draft plan is the right balance.

Those of us who were part of the coalition of the
impossible that worked on Senate Bill 375 very much
appreciate your Board's endorsement of letting that
process work as it is intended. And your RTAC after you
have it appointed as you know will have to be back in
front of you in pretty much nine short months with some
recommended methodology.

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

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

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

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

And the targets are the trigger for the
application of those CEQA benefits. That's what the
targets do. And so we very much want them to be set in
our region so that our members that have worked so hard
and are so far down the road to put smart growth on the
ground, whether that's our inner areas in Sacramento and
west Sacramento, or our inner ring employment centers in
Rancho Cordova and Roseville and elsewhere that are doing
this, both in master planned communities and infill, those
projects in those communities need that CEQA benefit.
We're not particularly interested in the target being set
so low that what anyone would call sprawl, low density
residential development miles and miles and miles away
from employment center find it easier to build their
projects under Senate Bill 375, instead of just keeping
the playing field where it was before. So that target
triggers that CEQA relief and is important.
And lastly I want you to know I know you have had
some people commenting on your economic analysis. And
while it's true for this area, we're going to need transit
and infrastructure funding to really make excellence
happen. There is also substantial economic savings from
building 375 style growth. In our region alone, we
estimated $15 billion worth of infrastructure savings from
building our blueprint instead of the classic sort of
sprawl type of development.
Thank you very much.

CHAIRPERSON NICHOLS: Thank you.
Elizabeth Deakin.

Did I see Senator Fran Pavley in the audience? Are you here? She is here. Would you -- excuse me, but before we proceed to the next witness, would you like to speak to the Board? You didn't sign up, but I'd like you to stand up at least to be acknowledged as the lead author.

(Applause)

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

We were going to hear next Elizabeth Deakin.

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

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

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

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

My name is Autumn Bernstein. I'm speaking on behalf of the Climate Plan, which is a partnership of leading environmental, civic, public health, and social
equity organizations, including NRDC, Local Government Commission, Policy Link, Transform, American Lung Association, just to name a few.

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

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

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

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

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

So we would like to see the Board make an affirmative statement that you will change the Scoping
Plan target to reflect the outcome of the SB 375 process and to match the most ambitious targets that are developed through that process. We think this represents a tremendous opportunity to reduce greenhouse gases and achieve a wealth of multiple co-benefits in public health, as well as many other benefits.

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

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

Steve Brink.

MR. BRINK: I'm Steve Brink with the California Forestry Association, Vice President OF Public Resources. Appreciate this opportunity of the Board, Madam Chair, to make a couple of comments. And I'll make just three.

One is in the calculation of the 169 million ton reduction needed to get back to 1990 levels, I'm hopeful that the Board and the staff are well aware that while our emissions count in the state emissions inventory and CEC's inventory from 1990 to 2006 estimated those emissions at two million tons per year, staff reviewed all that information in the forestry sector and decided at the time to stick with that number.
In 2007, you may or may not be aware three different experts, including ARB staff, estimated emissions from just the southern California wildfires at six to 19 million tons. That was half the acres burned in the state in 2007. So total for 2007, it was probably something more like 12 to 38 million tons. And a reminder that in 2008, we burned more acres in that state than we did in 2007.

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

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

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

And I hope State government will consider this
winter having evacuation plans for those communities that have the experience of hazardous pollution levels.

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

MR. BRINK: Thank you very much.

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

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

MS. REHEIS-BOYD: Thank you very much, Chairman. My name is Cathy Reheis-Boyd. I represent the Western States Petroleum Association.

We have submitted many comments, so I'll keep this very short. I was able to testify last time. But I just wanted to note I had a chance to read the resolution language. And I think it's important to note and as we've expressed, the resolution language is really important. It's your expression of compassion to all of the comments that have been made by many stakeholders.
And for the business community, the comments in particular that you've noted on the importance of the economics, on the importance of ensuring adequate reliable energy supplies as we move into this low-carbon future, whatever it's going to be -- I don't think any of us even know at this point what it's going to look like as we down the road. And it may look different today than it does in the middle and the end.

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

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

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

So thank you again. And I think it's important as well as we go forward you have acknowledged working
with the Energy Commission and the PUC on the natural gas, transportation fuels, and electricity issues on the energy side. So thank you for the resolution in acknowledging those really important messages.

CHAIRPERSON NICHOLS: Thank you.

Tara McClanahan, James Brady, Robert Tichelman.

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

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

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

"As the owner of an e-waste management company, I take environmental issues very seriously and appreciate the work that the Air Resources Board and the state of California in general have done to establish California as a leader in environmental policy. However, environmental responsibility and fiscal responsibility cannot and should not be mutually exclusive.
"We cannot achieve a healthy environment if we attempt to do so at the expense of our economy. In order for AB 32 to succeed, it must be based on realistic economic analysis with policies that deliver the most emission reductions at the lowest possible cost.

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

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

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

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

Thank you for your consideration. And hopefully
you will allow Ms. MaClanahan to speak once she does arrive.

CHAIRPERSON NICHOLS: Of course. Sorry.

Robert Ticherman, Ticherman. Are you here?

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

CHAIRPERSON NICHOLS: All right.

Ken Cooley, Jim Gray.

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

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

The League of California Cities ended up supporting Darryl Steinberg in his SB 375 process, the coalition of the impossible. We believe that the best way to address transportation-related emissions was the process thought through and laid out in that bill to use sound data in a collaborative process at the local level and regional level to tackle that problem.
We agreed to creating the Regional Targets Advisory Committee with the view they would spend months working through this issue and come back with recommendations that all parties would know were rooted in the best data available and an exhaustive study of the science.

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

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

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

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

face --

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

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

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

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

Mr. Gray.

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

We have submitted written comments, but I'd like
to make some general comments briefly highlighting three
areas that are of local government concern: Land use, infill, and cost.

We need to maintain local land use authority.

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

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

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

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

With the State now rating redevelopment funds, future programs must acknowledge and provide for funding.
and incentives so that mixed use, compact infill projects will pencil out.

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

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

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

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

MR. FORESTER: I'm Larry Forester.

CHAIRPERSON NICHOLS: I'm sorry. Mr. Gray.

Wrong person.

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

CHAIRPERSON NICHOLS: Good luck with that.

MR. FORESTER: In 27 cities, we represent the 2.2 million people. The COG has already done several things working with CARB to reduce greenhouse gases. And that's
our truck replacement program where we replace 600 heavy
polluting diesel trucks. And we believe the Board should
mandate similar type movements for the replacement program
and reduction in cost giving.

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

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

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

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

Setting the target too high without an
understanding to the risk to local government could lead
to failure in other states.
There are always unintended consequences. We
look at the transit agency program you're planning.
Unless that's done wisely, we might have increased density
and increased traffic congestion.
The members of the COG, we ask you to look at
financial incentives with all the problems we're now
having in both cities and states. We agree that we need
to do our fair share. But it needs to make sense. In
that, we ask that we be represented on the Regional Target
Advisory Committee.
And I have summarize that we stand ready to work
with you in the 27 cities of the COG, 2.2 million people,
and look forward to it.
CHAIRPERSON NICHOLS: Thank you.
Janice Keating.
MS. KEATING: Good morning, Chairman Nichols and
members of the Board.
My name is Janice Keating, a seven-year member of
the Modesto City Council located in the heartland of our
state.
Thank you for the opportunity to speak to you
again from a local perspective on the Global Warming
Solutions Act.
I'd like to repeat my earlier contention that local governments need to be an integral part of the process if the ultimate vision is to be realized. As an elected official in a community with a particularly challenged economy, I would like to present my concerns regarding the land use target in the AB 32 Scoping Plan. I would have preferred the Board stay with the original recommendation of two million metric tons because it represented a realistic interim goal while the economic impact report was re-visited. But since that ship sailed and none of my colleagues or I knew it was even in the harbor, I would ask the Board not to increase the target any further.

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

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

Earlier this week, German Chancellor Angela Mirkel indicated that she would not approve any European Union climate rules that endanger jobs or investment in Germany. This statement by the leader of the Europe's
most industrialized nation and incoming EU leader was profound. If the nations of west Europe are being forced to take a hard look at the economic impact of climate change regulation, I dare say we have no choice but to do the same.

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

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

CHAIRPERSON NICHOLS: Council member, your time is up.

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

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

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

The issue about the land use item in the Scoping
Plan does not carry over into a burden on local
governments to achieve those reductions from sources
within their jurisdictions. It only relates to land use
and transportation.

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

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

CHAIRPERSON NICHOLS: I understand this concern.

Thank you.

Linda Park, Diane Dillon.

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

My name is Linda Parks. I'm on the Ventura
County Board of supervisors and on the Executive Committee
and Regional Council of the Southern California Association of Governments, SCAG. And SCAG is the largest metropolitan planning organization in the state of California comprised of six counties, 188 cities -- I don't know how many minutes that gives me -- and nearly half of the state's population.

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

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

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

Due to the size of our region and our current development pattern, it will be difficult to achieve these goals by 2020. In fact, our most aggressive compass blueprint work is still short of SCAG's region's share of the proposed five million metric tons in the proposed Scoping Plan. However, it is a challenge that we are up for.
Although ambitious, I'm confident with the diligent effort this target can be achieved for our region.

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

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

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

I'd like to commend the Board for the important step that you are considering today. We understand the level of challenges that you have taken on, and we are glad that and we want to be partners in that endeavor. Thank you for your time and consideration. And we have provided written copies of this testimony. Thank you.
CHAIRPERSON NICHOLS: Thank you, Supervisor.

Diane Dillon.

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

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

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

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

We feel that we have two good reasons for asking
you to retain that level that was in the draft Scoping Plan. And those reasons are as important to you as they are to us. And those two reasons are about success and precedent. I'm sure I don't to tell you there are skeptics as to this process.

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

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

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

Our second shared reason for objecting to the threshold is concerning the fact that SB 375 is a very aggressive landmark approach to addressing transportation and land-use related greenhouse gas reductions. California is the leader. The rest of the nation is looking at us. We want SB 375 and this process to be successful and set a precedent.
CHAIRPERSON NICHOLS: Supervisor, I have to cut you off. I'm sorry

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

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

Supervisor Linda Arcularius.

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

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

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

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

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

During the development of the implementation regulations, we request that funding and technical
assistance be included in any discussions and resulting
regulations.

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

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

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

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

CHAIRPERSON NICHOLS: Thank you very much. Thank

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
for joining us today. Nice to see you again.

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

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

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

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

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

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

That's why I'm particularly concerned about the
costs of the Scoping Plan that you all are about to adopt.
The State's Legislative analyst and distinguished panel of
pure reviewers have concluded that the plan's near-term
cost will be prohibitive, and that is based on incomplete
and flawed economic analysis.

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

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

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

As a consumer, I'll be paying not only higher
utility bills, but more for food and just about everything
else as other businesses pass their increased costs on to
me. Based on what I've seen, ARB staff are the only
people who actually believe the AB 32 Scoping Plan as currently structured won't cost much of anything.

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

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

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

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

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

I think the Department of Forestry testimony this morning to underscores the need for us to maximize all
those controls that we have ability to put in place to
make room for those things that are out of our control.
The other important detail of course is above and
beyond that to, the extent that we put in place a market
mechanism that we put in place 100 percent auction require
that all of California's largest polluters pay for the
right to pollute our air, our common resource.
We not only feel in way, but we submitted over
the course of the summer 50,000 public comments from
Californians across the state also in strong support of
requiring polluters to pay to funnel those moneys into
proven energy efficiency and other global warming
solutions.
So with that, I want to thank you for the
strengthened language in the Scoping Plan indicating
California is headed towards 100 percent auctions. We are
confident once we set down the path of developing the
auction program that California will set up 100 percent
auction as soon as possible.
Thank you very again much.
CHAIRPERSON NICHOLS: Thank you.
Ken Johnson and then Chris Busch and Norman
Pedersen.
MR. JOHNSON: Good morning. My name is Ken
Johnson. I have three very brief questions relating to
cap and trade.

The first two questions are for staff, the.

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

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

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

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

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

Chris Busch.

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

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

I'd like to talk about the peer reviews that have
been released since the last hearing. I think the
criticism in these peer reviews has been unfair and overly
harsh. And I think the Board -- the staff deserves credit
for diligent work and useful progress.

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

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

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

And let's look at the big picture. CARB's results are essentially in line with most results showing the results of the impact of climate policy to be relatively small. That's when you're excluding all the many benefits of action, including public health benefits, introduced innovation, improved energy security, not the mention the damages that would come from unabated climate
We've heard the excuse that more study is needed many times as an excuse for delay. And I ask the Board to reject that argument at this time. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Norman Pedersen, Michael Rubio, Martin Hopper.

MR. PEDERSEN: Thank you, Madam Chair.

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

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

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

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

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

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

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

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

MR. PEDERSEN: With these cautions, we urge you to adopt the plan and thank you very much.
CHAIRPERSON NICHOLS: Thank you.

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

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

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

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

But in moving forward with this Scoping Plan and putting it into action, we ask you to consider three things. The first, to put a face on what the fine marine stated. I believe he was the first speaker here, and the military installations. We are proud to partner with them as they are the largest employer in the county of Kern. And if they were an incorporated city, they would be the third largest incorporated city in our great county. So when you establish our targets, please hold them
responsible for their rolling back of greenhouse gases,
not us.

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

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

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

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

CHAIRPERSON NICHOLS: Thank you, Supervisor.
Martin Hopper and Rachel Katz and Michelle
Passero.
MR. HOPPER: Good morning, Madam Chairman.

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

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

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

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

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Rachel Katz.

MS. KATZ: Good morning, Chairman Nichols,
I'm Rachel Katz with the Pacific Forest Trust. We are a nonprofit organization dedicated to conserving America's working forests for all of the public benefits they provide.

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

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

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

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

California is home to some of the most productive
forests in the world. With this Scoping Plan, we now have
the tremendous opportunity to ensure those forests are
appropriately recognized for their climate benefits and
that policies are implemented to avoid or mitigate
significant losses of their forest climate benefits.

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

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

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

CHAIRPERSON NICHOLS: Thank you very much,

Ms. Katz.

Michelle Passero, Barry Wallerstein, Peter
Montgomery.

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

TNC appreciated and supports the Scoping Plan and
as well as the proposed modifications, particularly as
they relate to forests and natural systems.
We also support the resolution. Appreciate the acknowledgement of the nexus between adaptation and mitigation. This is critical I think as implementation moves forward.

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

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

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

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

CHAIRPERSON NICHOLS: Thank you.

Barry Wallerstein, followed by Peter Montgomery and Emanuel Jones.
MR. WALLERSTEIN: Good morning, Madam Chair, members of the Board. Barry Wallerstein, the Executive Officer of the South Coast Air Quality Management District.

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

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

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

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

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

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

MR. MONTGOMERY: Peter Montgomery, CBIA.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
In mutual respect for all of our time, I don't echo what has been said regarding the coalition of the impossible, SB 375, the RTAC, et cetera, et cetera, because that was the basis for the testimony.

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

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

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

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.
Emanuel Jones, Max Ordonez, Adam Stern.

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

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

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

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

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

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

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

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

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

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

We suggest that the Scoping Plan include
discussion of innovative measures, such as retrofit programs and/or pricing incentives to address existing infrastructure.

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

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

CHAIRPERSON NICHOLS: Thank you.

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

I think was here in November, and I did talk a little bit about this big transition that we're looking at from I guess we could call it older businesses into the green technology and the lack of capital for a lot of the smaller companies and particularly the minority community. I'm not going to repeat that statement I made. But talk about something new.

I think the Chairwoman mentioned talk about new topics that have come up since then. And the LAO report
was something that came across that's been talked about in in the local chambers and NFIB, I'm a member of that. And also Treasurer of the California Hispanic Chamber of Commerce.

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

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

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

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

CHAIRPERSON NICHOLS: Thank you very much.

Appreciate your continued involvement. And I hope we will be able to continue to work with you as we develop those
programs beyond just the conceptual stage.

Adam Stern, then Chris Brown, John Kabateck.

Mr. STERN: Thank you, Madam Chairman.

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

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

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

CHAIRPERSON NICHOLS: Thank you.

Chris Brown.

MR. BROWN: Chair Nichols, members of the Board,

Chris Brown, AICP Mendocino County Air Quality Management District.

I just wanted to echo the comments of my colleague Barry Wallerstein. We appreciate all the hard
work James and his staff and Edie who I've known for quite
a while have put into this. And especially appreciate the
language in the resolution that reflects the cooperation
and the coordination that's going to happen between ARB
and the districts. Thank you.

CHAIRPERSON NICHOLS: Thank you.

John Kabateck, Naomi Kim, and then Jane Williams.

Mr. Kabateck?

Naomi Kim.

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

And I'm with the California Environmental Rights Alliance.
And I'm here on behalf of 63 organizations and 93
individuals representing thousands of individuals from
around the world who have signed on to the California
environmental justice movements declaration against the
use of carbon trading schemes to address climate change.

The declaration is a 28-point document affirming
our commitment we will fight at every turn to establish a
system of carbon trading and offset use in California,
BECAUSE the overwhelming body of evidence from prior
pollution trading programs proves that such a program will
not reduce greenhouse gas emissions at the pace called for
by the international scientific community. And it will
not result in the needed shift to a clean energy economy,
without which the climate change problem will never be
properly addressed.

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

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

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

And most recently, just in the last few days, a study by the US Government Accountability Office finding that "The use of carbon offsets in a cap and trade system can undermine the system's integrity, given it is not possible to ensure every credit represents a real,
measurable, long-term reduction in emissions."

The American Enterprise Institute last year --

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

MS. KIM: The implementing Cap and Trade Program

could be the costliest mistake in human history.

CHAIRPERSON NICHOLS: Thank you. And thanks for

all the documents you submitted as well.

Jane Williams.

MS. WILLIAMS: Good morning, Madam Chair and

members of the Board. Thank you for the opportunity to
testify before you today.

I want to make sure that you understand that we

worked with the ETAC Committee to submit joint comments to

you, recommendation that you're in receipt those.

I want to thank Dr. Epstein and Dr. Lloyd and the

members of the ETAC Committee for working so diligently

with us.

I want to underscore the previous speaker.

Article yesterday in the international Harold Tribute. EU
carbon trading systems brings windfall profits for
polluters with little benefit to the climate. The outcome
of the EU trading scheme has been four years of squandered
opportunity to reduce greenhouse gas emissions.

There are now 40 proposed coal-fired power plants
for the EU. And the lessons learned are that there are
fresh windfall profits to the worst polluters not EU, huge
price increases for food, for services, and for energy.
And of course in California those price increases are
going to be felt most harshly by the poor.

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

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

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

We believe very strongly that the statute has not
been followed. We do not agree with the economic
analysis. We believe that some of the criticisms are very
real. And we urge the Board to think very carefully as it
moves forward here on what the impact is of your vote
today and the impact of how we move forward with this program.

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

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

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

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

CHAIRPERSON NICHOLS: Thank you.

Ernie Silva.

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

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

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

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

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

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

The program is very, very complex. There are match amounts grant levels a great diversity among school districts in house in how schools are actually paid for. Both from the State side and local side the ability to float bonds, developer fees, and other mechanisms create
real complexity. And we want to work with you so ensure
we don't get ahead of what school districts are able to
do.

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

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

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

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

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

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

CHAIRPERSON NICHOLS: The work that you're
talking about needs to be done, and we agree with you. It isn't in the Scoping Plan itself.
And I'm going to ask people to try to focus on what's in the plan, because that's what we're acting on today. I think we all agree that there's work that needs to be done going forward.

Bill Magavern, Tara Marchant, Tim Carmichael.

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

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

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

But also what we seen happen just in the last few weeks is the economic signals nationally are getting even worse. And that has caused some who had actually always opposed AB 32 to call for its delay. They say that we can't afford these measures. And my response is, we cannot afford delay. California cannot afford to wait
before putting into place measures to reduce the pollution
that causes global warming.

You're going to be doing additional economic
analysis, and I think that's absolutely appropriate. I
hope that analysis will include the costs of inaction.

What will be the cost to California if we do not take the
steps that are outlined in the Scoping Plan. And let's
weight that against the costs of actually going forward.

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

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

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

Tara Marchant, then Tim Carmichael, and Matt
Vander Sluis.
MS. MARCHANT: Hi. My name is Tara Marchant. I'm presenting on behalf of the Greenlining Institute. And I want to say good morning to the chair and the directors. Thank you for this opportunity in speaking. And congratulations to the staff of and your hard work.

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

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

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

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

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

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

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

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

So overall, we encourage this process and the solution by inviting our communities to the table. We
recommend an aggressive land use target if it invites the kind of participation.

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

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

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

Tim Carmichael.

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

We appreciate the strengthening changes the staff has incorporated into the recommended adopting resolution. That said, we think it’s really imperative that the Board direct the staff to include that resolution in all of its components in the final plan. I believe that’s the intent of the staff recommendation, but I haven't heard it today. And think about people around the world that are going to look at this plan. And if many of the key elements in the resolution aren't in the document they see, it will be less impactful.

Two specific changes I want -- one specific change, one note of concern.
On the top of page 10 in the proposed resolution, there's some bullets that talk about use of auction revenue. It's really generic language, and we encourage the Board to just add a phrase or two that says something like to include a community benefits fund to assist with adaptation and pollution reduction needs in low income and minority communities. Something to that effect to call out the need to focus on revenues on that need.

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

But let me just raise a caution for the Board and the staff. Think forward to the potential for projects that are going to claim carbon neutrality whether it's a fuel provider for a power plant that's going to do it through sequestration. We need to be very conservative. And I rarely ask this Board to be conservative. In not just granting carbon neutrality to a given project lightly, because it's not the same to sequester carbon as a solution here as it is to achieve the reductions at the facility because of the co-benefits of other pollutants that will be reduced if you reduce carbon at the facility.
CHAIRPERSON NICHOLS: I'm practicing making a gesture. Time is up.

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

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

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

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

There were two points that I wanted to note today that are changes from when we met last month. In particular, on the provisions regarding auctioning, I wanted to thank the staff for the resolution to say you are heading towards 100 percent auction. As we're struggling to pay teachers and bus drivers, it doesn't make sense to provide financially valuable emission allowance to our worst polluters for free. So I think we
can continue moving in this direction to make sure that polluters pay at 100 percent.

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

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

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

CHAIRPERSON NICHOLS: Thank you.

Amy Kyle.

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

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

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

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

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

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

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

CHAIRPERSON NICHOLS: Thank you.

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


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

But on a serious note, this process -- one of my favorite books is by Mary Shelley called Frankenstein.
about the monster created by private science. And we
would just draw a corollary to propagandized science.

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

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

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

With respect to the individual clients, the
Automotive Institute and Refrigeration Products Institute
was the target of an Early Action Item. We've spent the
last two years working with you closely to avoid the ban
of the product and we appreciate your work. Our major concern is that in Scoping Plan now your in addition to the rulemaking we're in, you're laying on top of it a upstream fee. And we think —

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

MR. PLOTKIN: That's the port we're opposed to.

We continue to work with you. Thank you.

CHAIRPERSON NICHOLS: We heard you.

Alfredo Medina, Barbara Lee, and Sarah Skikne.

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

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

However, we are still concerned with the language that is vague in regards to the various scenarios for the
use of auction revenues. And we would like to urge the
Air Resources Board to include the formation of a
community benefits fund for the adaptation and emission
reduction measures for low income and minority
communities.

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

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

CHAIRPERSON NICHOLS: Thank you for
participating.

Barbara Lee.

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

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

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

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
appreciation to this Board and especially to Mr. Goldstene for your commitment to collaborative implementation of the Scoping Plan.

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

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

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

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

Sarah Skikne and then Vladimir Kogan and David Bolland.

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

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

Just want to highlight three points from our comments that we submitted as we move forward.
One idea would be to -- in terms of revenue from auctioned emission allowances to consider creating a standing advisory committee. The stakeholders could set the criteria and priorities for investment in allocation.

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

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

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

And we thank you for your consideration and your work on this comprehensive plan.
CHAIRPERSON NICHOLS: Thanks to the Climate Group for all your help.

Vladimir Kogan, David Bolland, Tim Frank.

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

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

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

Just want to emphasize couple of point.

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

And second one, we believe it's essential public services, in particular waste water treatment facilities, should be excluded in all kinds of Cap and Trade Program.

You see, we cannot guarantee any cap established will be
met.

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

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

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

CHAIRPERSON NICHOLS: Thank you very much for your participation.

David Bolland, Tim Frank, Peter Cooper.

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

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

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

California water agencies are already taking many
actions on adaptation that would reduce energy use, their own energy use, to generate more renewable energy. We have quite a number of efforts in the queue as well as on the ground that substantially increase the renewable energy portfolio of many of our water agencies. We believe that the California water agencies can make a substantial contribution to the expansion of near-term renewable energy opportunities. But there are several specific administrative and legislative barriers that need to be removed. And there's no time right now to get into the details on those, but we've identified those in our comment letter. We would like to work with CARB through the regulatory process to remove those barriers and be an early asset to the State in terms of substantial commitment to some renewable energy to displace our current reliance on electricity specifically.

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

ACWA is fundamentally opposed to the public goods charge on water, its member agencies as well. Transferring the public goods charge from the California Public Utilities Commission investor-owned utilities regulatory structure to a State fee on public water
agencies we believe is fundamentally unsound and
counterproductive to our investment in local sustainable
resource management.

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

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

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

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

MR. BOLLAND: And we thank you.

CHAIRPERSON NICHOLS: Thank you.

Tim Frank, Peter Cooper, Lisa Wilcox.

MR. FRANK: Thank you very much. I'm Tim Frank
representing the American Farm Land Trust.

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

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

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

And finally I'd like to note that the agricultural section of the document which now is sort of formative in its approach. You know, you note there is a good deal of research that needs to be done and a lot of
work in developing the best management practices that will help succeed. We'd like to work with you on that. We think there's lots of opportunity for agriculture to contribute, not so much as part of the problem, but as a part of the solution. There is a lot that agriculture can contribute. Thank you very much.

CHAIRPERSON NICHOLS: Thank you, Mr. Frank.

Peter Cooper.

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

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

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

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

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

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

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

CHAIRPERSON NICHOLS: Thank you, Mr. Cooper.

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

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

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

Ms. Wilcox.

MS. WILCOX: Good morning, Chairwoman.

My name is Lisa Wilcox. I'm a student of the
State of California community college system.

CHAIRPERSON NICHOLS: You need to put the mike closer.

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

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

CHAIRPERSON NICHOLS: Thank you.

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

Mr. Marquez.

MR. MARQUEZ: Good morning. My name is Jesse Marquez, Executive Director of Coalition for Safe Environment. We're an environmental justice organization headquartered in Wilmington, a community in Los Angeles. Where I come from, the port of Los Angeles is located. The port is of Long Beach is our neighbor. Even in your scoping plan refers to four oil refineries in Wilmington. But what it left out was we have two bordering us in Wilmington and in Carson. It also left out seven petroleum industry bulk loading and distribution
facilities and numerous other types of facilities that release toxic emissions.

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

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

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

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

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

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

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

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

CHAIRPERSON NICHOLS: We do have your comments.

Mr. Newell.

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

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

I want to touch on two points, one of which I
made during the last hearing, which is the Scoping Plan's failure to regulate agriculture. Agriculture represents a significant fraction of the state's GHG inventory.

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

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

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

Thank you.

CHAIRPERSON NICHOLS: Thank you, Mr. Newell.

Mr. Duran.

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

The Hispanic Chambers repeatedly voiced its concerns about the cost of AB 32 Scoping Plan, especially
to minority businesses and low income families and communities.

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

They conclude the Scoping Plan is based on flawed assumptions and severely understates the cost associated with AB 32 implementation. They observe that because the plan fails to quantify the near and mid-term cost of the plan, which are expected to run into the billions, the plan's assertion there will be no net cost is meaningless. In other words, this plan is an economic train wreck waiting to happen. Up until now, that train wreck has existed on paper. If you approve this plan as presented, it will play out in every life and business in California. Most severely in the lives least able to afford it, our minority-owned companies and low income families.

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

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

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

Thank you.

CHAIRPERSON NICHOLS: Thank you, Mr. Duran. Thank you for sticking to the time limit.

Ms. Holmes-Gen.

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

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

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

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

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

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

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

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

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

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

CHAIRPERSON NICHOLS: Thank you very much.

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

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

CHAIRPERSON NICHOLS: Sorry?


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

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

First, the Scoping Plan relies primarily on...
pricing measures as its major policies. Therefore, I believe it's fair to expect local governments to do the same and implement pricing measures such as parking charges at the workplace and indirect source review in their programs.

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

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

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

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

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

3 MR. JOHNSTON: Thank you for your patients.

4 CHAIRPERSON NICHOLS: Thank you. Okay.

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

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

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

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

9 We question whether there is sufficient scientific information to support quantifying greenhouse gas reductions from passenger vehicles and at the proposed
five million metric ton level. And we do not know of any credible scientific evidence that would indicate that larger reductions are reasonably achievable without causing dislocations and extreme economic hardship.

So appreciate the opportunity and thank you for your consideration.

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

Finally, before we take a brief break, I want to recognize my colleague and partner who has been doing great work on our behalf with the Western Climate Initiative and elsewhere, Eileen Tutt from Cal/EPA.

Usually we have public agency officials at the beginning, but this time we're wrapping up instead.

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

My name is Eileen Tutt with Cal/EPA. I'm here today on behalf of Secretary Adams in strong support of the draft Scoping Plan. Among many other things that this plan does, it does set us on a path to energy independence. It reduces our reliance on oil, provides clean renewable energy, gives California and many other states the clean cars they want and are demanding, reduces waste, and increases recycling.
As you may know, Secretary Adams Chairs the Climate Action Team. And I just want to acknowledge the Air Resources Board staff in particular because they worked so collaboratively with the other members of the Climate Action Team. And that's clearly reflected in this plan, which is both broad and comprehensive across all state government and local government.

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

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

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

CHAIRPERSON NICHOLS: Thank you very much. We
will recess and come back at exactly quarter to 12:00.

And then we'll turn to Board discussion on the resolution and the plan. Thank you.

(Thereupon a recess was taken.)

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

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

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

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

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

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

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

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

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

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

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

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

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

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

Mr. Loveridge.

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


BOARD MEMBER BERG: Thank you. I think I was also very vocal about the roles of the districts, and I appreciate this language.

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

Thank you.

CHAIRPERSON NICHOLS: All right. Thank you. Perhaps one of the biggest issues that we've heard addressed is the issue of public health coming from the public health organizations like the Lung Association, but also I think it's reflected in the comments that we've
heard from environmental justice groups and the Advisory Committee and also from the business community. There is this concern that although public health is explicitly mentioned in AB 32, there's some concern about whether it's a primary objective, whether it's a part of our normal or our traditional air pollution control programs and just generally how it fits. How our greenhouse gas work fits within the context of our ongoing work on public health. And I think there has been a lot of testimony in favor of the idea that there should be a more formal role for the public health community. I know there was a proposal in the draft for a task force. But we have to flush that out of course.

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

And we have identified I think already in the
plan some ways in which we think implementing AB 32 is
going to have a beneficial effect on public health. But
there are many more questions that continue to come up in
this area.

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

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

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

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

As well, the technical aspects of looking at our
regulation going forward, we've made two specific
commitments. One is to look at the -- to develop methodologies to look at cumulative impacts of regulations that will be developed to implement the Scoping Plan.

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

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

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

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

Dr. Balmes.

BOARD MEMBER BALMES: Thank you.
So I have a specific question first. So a working group. Could you educate me on what the exact bureaucratic meaning of that? Because Bonnie Holmes-Gen from the Lung Association was clearly making a plea for voluntary health organizations like hers and others to be included in the public health dialogue about implementation of AB 32. And the working group language in the proposed resolution sounds like it's just confined to State departments and local public health agencies.

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

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

But that's a unit that's been working without resources -- internal State resources. They're externally funded by the CDC to do this work. And that's a specific area that I think would help us down the road if we had
ongoing data being collected about the health effects of climate change in a systematic fashion.

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

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

CHAIRPERSON NICHOLS: Are there other comments?

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

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

So why don't we hear from the staff about how you intend to move forward, assuming that we adopt the plan and resolution as they are, what you're trying to do here
with this resolution and how you feel that responds to the
comments that we've received.

DEPUTY EXECUTIVE OFFICER TERRY: Yes. I they'll
briefly highlight the approach we took in the resolution.
The Chairman clearly outlined the major issue,
which is should the number be increased now or should the
SB 375 process proceed before changes to that target are
made?

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

So as staff, our proposal is to use the RTAC
process to really come to grips with many of those
technical issues. We will have participation of different
regions. We will have participation of various experts.
And so as staff, we think that will be very valuable
exercise to have recommendations from the RTAC within
nine months. That would September of 2009.

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

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

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

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

EXECUTIVE OFFICER GOLDSTENE: I'd like to add
just one more point, which is that in January we're going
to bring a slate of names before you for approval, which
will be the RTAC Committee membership which will be composed of NPOs, air districts. The counties and cities have representatives. This is all spelled out in SB 375. So that will begin the process in January to develop the methodology to assess the regional targets.

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

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

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

But my sense is that we have to find a way as the ARB, while recognizing that we are not the land use and transportation planning agency of the State, to be clear and to be forthright about what we think is needed, not necessarily what we know about what can be done. Because again this is not our primary area of expertise. But I think we do know a lot about what has to happen if we're
going to not just make it to 2020, but make it to our 2050
goal and get on target in the right time frame.

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

BOARD MEMBER SPERLING: Thank you very much.

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

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

So I think there is this general sense that we
can make our cities and communities much better in an
environmental sense and in an economic sense, in a social
sense.
And as Chairman Nichols said earlier, there's been many failed efforts at managing our cities and our transportation systems, smart growth and transportation demand management, transportation control measures, you know, the litany goes on.

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

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

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

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

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

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

So what we're talking about is this idea of a living process, a living document, working with the regions to see what makes sense, but being aspirational
about it, not being someone I think who -- as Mr. McKeever said, don't make the targets so low it makes the whole CEQA process and the other parts of SB 375 meaningless or even negative.

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

CHAIRPERSON NICHOLS: Thank you.

Ms. D’Adamo.

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

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

So my main concern into going into this process is to make sure that we get it right. I am one that has spoken out at many previous hearings that I think the number needs to be increased. I still believe that the number needs to be increased. But I had hoped that in the
interim since our last hearing that staff would be able to
provide us with some information so as to put us in a
better position to be able to make the decision about
exactly what that number should be.

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

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

CHAIRPERSON NICHOLS: Thank you.

Supervisor Roberts.

BOARD MEMBER ROBERTS: Thank you, Madam
Chairwoman.

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

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

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

I've worked with our planning agency and our NPO and our Air Board. And we are projecting some very drastic measures that are going to be needed to be able to reach these goals. And 2020 I think is going to be
doable. As you start to go beyond 2020, it's going to become extremely difficult in some respects.

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

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

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

CHAIRPERSON NICHOLS: Mayor Loveridge.

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

My own judgment, this is the most complex and
comprehensive and important policy initiative in the state of California. I think I would argue that at any forum. What we're doing here today is not just another vote. It is considered a defining vote.

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

Second, just a comment on land use. And I like to shift the focus as many of the speakers did from local government. There's a lot of legislation passed in Sacramento and we get kind of immune to the numbers. SB 375 is not just another piece of legislation. It was seen as one of the most dramatic, important, extraordinary pieces of legislation that's been passed by State Legislators. Comparatively as well as in California.

Its author is the head of the pro tem of the Senate. He's going to be there, as I understand, at least his colleagues let him another six years. He is going to
be closely following this SB 375 and what happens to it.
And so I think the institutional placement of this is
important. It's not simply with ARB. It is with the
Legislature and with the regions and cities and counties
across the state.

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

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

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

And finally at least as a Professor let me close
by reading what the final paragraph in Thomas Friedman's
book. Friedman's a columnist for the New York Time, three
times Pulitzer prize winner, author "The World is Flat"
and others. He has access to the best and brightest in
the world. This is his conclusion to his book called,
"Hot, Flat, and Crowded: Why We Need a Green Revolution
and How It Can Renew America."

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

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

CHAIRPERSON NICHOLS: Thank you for that.

Dr. Balmes.

BOARD MEMBER BALMES: For of all, I'd like to

echo first the comments of Dr. Sperling and sort of

framing the issue in reading the specific language.

Because I think the specific language commits the Board to

an ongoing review of the targets. And I think that's
critical. We have to adjust them up or down. I hope up.
Depending on the data that we generate.

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

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

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

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

CHAIRPERSON NICHOLS: Did you want to add another comment?

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

One of the things that was so clear on our analysis is the role that public transit is going to have to play. I said we live in a little bit of a schizophrenic state right now and we are cutting public transit. And I don't know a public transit agency in this
state is not reeling. At the same time, as we're setting up mechanisms to put a greater obligation, the land use, the smart growth, no matter what you look at, you're going to find at the center of that is going to be a mandate for a public transit systems that are far better than anything that we have today. And somehow in terms of other policies in the state that's not been acknowledged.

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

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

CHAIRPERSON NICHOLS: Well, I'm taking it as a segue -- invitation to segue into the last item on the agenda. It's really two related items in my view. One is the cap and trade itself and then the other is the
economic analysis that looked at the effects of the plan as a whole and where we go from here with further economic reviews of the plans.

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

One of the reasons why a program like that is attractive to many people is that if you auction the allowances, you not only get the security that there are not too many allowances out there. You know exactly how many there are. But also you can raise a very substantial amount of revenue that can be used to address the problems we're trying to deal with here.
Many people -- I think most people who look at what you could use revenue for immediately gravitate in the direction of mass transit because of the need that you've identified, Supervisor Roberts, for an alternative to business as usual in the land use area and the way we use our vehicles, the ability to do it in a way that could be more sustainable. So this raises the question of where we are with that issue.

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

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

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: As noted in the draft resolution, the ARB is committed to a Cap and Trade Program as an important component of the
overall comprehensive program to achieve greenhouse gas
reductions.

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

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

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

We have also acknowledged that there is much hard
work still in front of us in terms of the detailed program
design in the regulatory development process. There are
many difficult issues that we have to address in the design process, many of which you heard about from some of the speakers today. But these are issues that we are confident we will be able to resolve through the course of the regulatory process.

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

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

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

As we move forward, staff will not decide these
issues in isolation. In addition to conducting an open transparent process for the program and regulatory development, staff will be returning to the Board at least twice a year to update the Board on our progress and considering these issues and our progress in developing the regulations themselves.

By the end of 2010, we will bring the cap and trade regulation back to the Board for your final position on all of these key issues.

In addition to our normal stakeholder processes, staff also intends to seek out expert advise from the outside on a number of key issues. Foremost among these issues will be how to distribute allowances and what to do with any revenue that is generated from the Cap and Trade Program through auctioning. We will also be seeking expert input on the more detailed economic analysis that will be needed for the rulemaking.

One particular element of the cap and trade regulation will be the detailed rules that ensure a high quality for the offset credits that might be accepted in the program. These standards are important so that we can be sure that the credits are for reductions that are real, permanent, quantifiable, verifiable, and in addition to reductions that would otherwise be required.

One important element of the rule will have to be
that the reduction credits are enforceable by the Board.

All of these are requirements of AB 32 itself. We
recognize that there remain differences of opinion on the
role of offsets in the program and want to remind the
Board that you will have the final say on what the rules
will look like as we establish their use in the program.

In particular with respect to auction, the
proposed plan described ARB's belief that 100 percent
auction is a worthwhile goal. Based on our discussions
with Chairman Nichols and others since the November
meeting, we have included in the revised plan language
that was distributed today a revised statement of our
interest, not just in that as a worthwhile goal, but also
in pursuing that goal as we move forward in the program.

So that's where we stand. I think the important
thing for the Board to remember at this stage is that as
we are moving forward, the key decision points will all be
brought back to the Board. They will ultimately be your
decisions on what the resolution of these issues are and
we will have extensive work with stakeholders over the
next two years as we help develop those answers.

CHAIRPERSON NICHOLS: There is a lot of work to
be done, although I would point out we're still further
ahead in term of designing a comprehensive cap and trade
economy-wide system than anybody else that I'm aware of,
certainly at the state level or within our sister regions around the world really.

I mean, the Kyoto itself didn't cover as many sources as we do and did have some serious problems that we heard about earlier on when we were considering the draft with respect to the inability to even tell how many tons were out there so they didn't know how to allocate their allowances.

And I think to echo what Mayor Loveridge said earlier, it is important to remember that while we have plenty left to do before we actually start the program, at the same time we are being looked to literally by people around the world as the leaders in terms of dealing with these issues. And I think it's reflected in the level of concern that we hear on all sides about whether we get it right.

Are there additional comments?


BOARD MEMBER TELLES: At the last meeting, as you know, I was the only doubting person in regards to cap and trade on the Board. And I still have some of my doubts still present, despite the fact I spent the last month honing up on cap and trade. And my concerns are some of the same concerns that were voiced here today and that in fact the market may not be the most protective mechanism
for some of the communities that might be affected.

In your comments just right now, you didn't mention anything about designing a Cap and Trade Program that puts into it a very strong design feature that actually protect the environmental justice communities, the health of some of our communities that are heavily impacted in air pollution.

And I think that's very important as we move ahead with this that those things be put in there. And that's almost on the top of the list of the design of the Cap and Trade Program, not on the bottom of the list.

CHAIRPERSON NICHOLS: Would you like to respond?

PROGRAM EVALUATION BRANCH CHIEF KENNEDY: That actually is an issue that is very much going to be a part of our rulemaking and is on the list. And it is on oversight on my part not to have specifically mentioned it in my comments.

But it is a requirement of AB 32 we're taking very seriously that in developing regulations to implement market mechanisms that we take a careful look at the sort of localized and cumulative impacts that the mechanism might have. And we will be looking very carefully at both the design mechanisms within the program itself and potential uses of revenue that could help get co-benefits from the overall program. So it is something that is very
much part of our plan for moving forward.

CHAIRPERSON NICHOLS: I've struggled myself with
the cap and trade issue, both for the reasons that Dr.
Telles mentioned but also because as a perhaps somewhat
overly cynical regulator, I find whenever somebody
advocates a policy mechanism as being simple and easy, you
should always hold on to your wallet.

And in the case of cap and trade, I think it was
originally sold as a fast quick way to get a cap in place
and start the reductions moving. And of course we see
that it's not. First of all to do it in a way that
actually assures the reductions you have to have in place,
very detailed and extensive monitoring and enforcement
mechanisms or you can't have a market that anyone would
have any confidence in.

And secondly, to actually design it in a way that
those who are subject to it are willing to participate in
also requires an awful lot of information at a level that
frankly you don't have to have when you do source by
source regulation.

The goal of course is to come up with something
that's more flexible and ultimately more cost effective,
but it isn't easy to do. So I think we all would love to
find something that met those requirements and didn't
involve as much work as the cap and trade system does to
get right.

At the same time, every other tool has its own set of built-in flaws and weaknesses as well. I think that we're pretty far down the road in terms of understanding what can be done and what's wrong with the previous efforts in this area. But there still be some thorny practical, legal, economic issues to be dealt with.

And I think the thing that makes me feel most comforted is the fact that once again we have the advantage of being able to use some of the best minds that are out there in academia, in the business community, and elsewhere. People who may have very differing views, but who are willing to come in and engage with each other and with us to try to put something together that will actually work.

Yes.

BOARD MEMBER SPERLING: So I'd like to follow up on these comments. And I think it is very important for us to be alert to the impact on disadvantaged and impacted communities. And that should be uppermost in our minds.

At the same time, if there's anything we've learned through history, it is that we're going to need a price signal. We're going to have to mobilize market forces if we're going to accomplish the kind of changes that we're talking about here. And in a broad sense, that
means a carbon tax or cap and trade.

Otherwise, we're talking about government picking winners. If we think government is going to decide how to get these reductions over time in oil use and in greenhouse gases, then, you know, you have more faith in government than I do.

But we can put in place the process. And we do need to use these price signals and these market forces in some way. And clearly, I think the staff has done a brilliant job. As an academic, I don't use that word very often. But it's really been brilliant, the Scoping Plan that's been put together, the mix that's been put together of market instruments and regulatory instruments and covering all the sectors. It really is a very, very impressive document. At the same time, as we're hearing, it's just the beginning.

But I do want to bring that back. So the cap and trade is a part of it. I do think I would like to suggest that we keep the carbon tax idea on the table, not push it off yet too quickly. And I know the political forces are against it. But, you know, circumstances change. And it is a simpler more elegant approach than cap and trade as any policy wonk will tell you. But it does carbon tax has that T word. And I know that's the problem in the policy process. But anyway, I would urge that we not completely
disregard the possibility of carbon taxes here.

But I do want to defend cap and trade. My last thought. There's been a lot of criticism of cap and trade, it hasn't worked, and the disaster in the EU. And it's just not true. In the EU, in particular, it's taken them a while. They started out with a pilot experimental phase. But it is working. And just the fact that the EU is continuing to strengthen it, to work out the details of it and is more committed than ever to it tells us that, you know, that's the bottom line. That it is working and it has the support of all the member nations in Europe and it is being put in place and the rules -- the auctioning is increasing. The rules are being tightened.

So if you take a long-term view on it, it has been a success. What it hasn't done -- and this is probably where a lot of the confusion comes about is that in the near term some of the -- as it's introduced, the changes that happen are smaller operational changes. Power plants use natural gas instead of coal, start using some renewables. But they're not completely transforming the capital stock, making completely new investments yet.

So sometimes there is impatience on that.

But this is putting a market signal in it. We're in it for the long term. You've got to have a price signal. And either you do the carbon tax or you do cap
and trade. And there's really no other long term strategy that's possible.

So I'm very comfortable and very supportive of the path we're on, with the caveat that we don't forget the carbon tax.

CHAIRPERSON NICHOLS: All right. Thank you.

Other comments here?

BOARD MEMBER D'ADAMO: I would like to compliment staff, including the language in the resolution on page 9 and 10 listing all of the considerations that you must include as you go forward in the design of the program. And just want to state I believe that the interplay between the offsets, the regulatory component, exactly how the auction is going to be structured, all of that fits in with the goals that we have later on on that same page. And that is the goal to provide for a thorough economic analysis as we go forward. And want to thank staff for including time certain of coming back to the Board on December 31st on the economic piece. I believe between the design of the program and this more thorough economic analysis that we will be in a better position to be able to structure the program so that it is truly going forward and providing an economic stimulus, particularly in this time where we have such serious concerns with the economy. And I know we all have
an optimistic view we're going to convert over to a green economy. But without this analysis and without considering all the different components of the design of the system, it would be very easy to misstep. So thank you for including the language. I think you did a good job balancing the considerations.

CHAIRPERSON NICHOLS: Thank you.

Ms. Berg was first.

BOARD MEMBER BERG: Thank you, Chairman.

I would like to echo Board Member D'Adamo's comments on the economic analysis and also would like to state that I believe that this is the first plan that we have looked at that has so many moving parts. And the need to be able to keep track of these parts and to report back to us as a Board where the individual parts are within the Scoping Plan and the big picture. So we don't lose focus of the big picture and what our actual outcome intends.

And so I, too, would like to thank staff. I think you've done a tremendous staff in addressing the issues that we brought to you. I have heard from the small business communities, as many of the Board members have their concerns. I think that communication and outreach to these folks as to the additional information that we get on the analysis is critical.
I also think that we've got to remember to deeply focused on the goal, which is the reduction of greenhouse gases and no question that the co-benefits are very important. But it's been my personal experience in business that a dynamic and effective plan cannot serve two masters. And we really need to keep the goal in front of us, because then both parts will win. But if we don't, then between losing sight of what we're trying to accomplish and the economic impacts and then the disbenefits health wise, that's where I believe that then we'll see the unintended consequences.

So thank you very much for your hard work.
And I want to thank the public for their intense participation. And to say it's not over. We're going to continue.

CHAIRPERSON NICHOLS: Before I call for a vote and make a few last comments, I want to acknowledge other Board members if they have additional comments.

BOARD MEMBER ROBERTS: Let me turn this on.
There's a couple of things, and I'll go quickly.
First of all, one of the speakers from one of the counties spoke about the military's presence. And I think that's an issue that in San Diego we're very cognizant of. We like the military. We want them to succeed in their mission. But they're a large part of the issue as we
start to look at the county.

There's also a second group that hasn't come up that in our county is terribly significant over which we have no control, and it's the Indian casinos. They are major contributors and are not acknowledged anywhere that I know of. And I think that has to be taken into account. We have the largest concentrations of casinos, every one of which is in a remote area in generating prodigious amounts of vehicle miles traveled. And I think these are issues that are major enough that we have been concerned.

And when I told you we did an analysis, these are things that have come to light. So in both of those areas, I would hope that staff would work with us.

I would also tell you that I have a letter for our Chairwoman, because our regional planning authority would like to speed up the setting of goals for San Diego, because they're intent on having the first regional transportation plan adopted under the new ordinance. A lot of work has been done already. And rather than slow it down, they're asking if you would cooperate with them to perhaps even try to establish a goal in advance of the --

CHAIRPERSON NICHOLS: San Diego could be our case study perhaps.

BOARD MEMBER ROBERTS: This is a part of the
local cooperation I told you is out there. It's genuine. And perhaps there are things that others will be able to learn by one area of going even a little quicker than you might expect.

I also would join my colleagues here in thanking staff. They've been very patient with the numerous stupid questions I've had to ask and have helped me to understand everything from cap and trade to auctions and some of the other esoteric concepts here.

This truly is a significant plan, and I think each of us in our own way feels very, very good that we're involved in it. But not just being involved, but being involved in and informed. And helped to be put in a position to make a good decision. For that I thank you.

CHAIRPERSON NICHOLS: Dr. Balmes.

BOARD MEMBER BALMES: I'll try to keep my comments brief, because I sense the Chairman wants to move on.

CHAIRPERSON NICHOLS: I have a time period in mind and we're --

BOARD MEMBER BALMES: I'm supportive of your efforts. I'm usually talking about public health, but I want to say strongly I support the staff's proposal to do a more intensive extensive economic analysis.
I've certainly heard from some of the small business stakeholders that Ms. Berg mentioned. I've also heard from the environmental justice community about their concerns about cap and trade. So I was glad that Professor Sperling brought up the T word. And what I would ask is in the economic analysis that we do that we consider how a carbon fee/tax fits into a potential future picture. Because, again, I'm a data-driven kind of person in terms of making decisions. And I don't see anything wrong with going ahead with the Cap and Trade Program that's been outlined, but also keeping options open with regard to analyzing a carbon tax.

And I was very much taken by an idea raised by Amy Kyle, a colleague of mine at U.C. Berkeley, about trying to do a comparative analysis of the moving parts that Sandy Berg spoke of with AB 32 with regards to public health impact. I think that's a good idea. How actually to do that, more work for staff I think. But I think it's a good idea and will help us in trying to see how these moving parts will impact public health.

And finally, though I don't want to really wordsmith at this late time -- I throw this out with some caution. But I think it would send a useful signal to beef up the top point on page 10 where we say the Board will look at various scenarios for the use of auction
As Tim Carmichael pointed out, that's very generic. I think it would be helpful if we had something about saying specifically that we would include adaptation and emissions reduction measures in low income and cumulatively impacted communities. Something to that effect. It doesn't have to be real fancy.

But I think saying right up front we are going to comply with what I think is the intent of the law would be a good idea.

And with that, I wanted to say again, I think the staff has done a really good job in the intervening time which was short between our last meeting and this one in trying to address the many concerns of many stakeholders and Board members. And again, compliment them for their efforts.

CHAIRPERSON NICHOLS: Would the staff except as an interpretation of the language that's already there the suggestion that Dr. Balmes just made? I think it's included in your view. I don't know that we can add something at this point. If it's not -- it's what we intend I think.

OFFICE OF CLIMATE CHANGE CHIEF SHULOCK: There's a list of issues identified in the Scoping Plan. And the ones that you raise are part of that list.
CHAIRPERSON NICHOLS: So this alludes to those.

OFFICE OF CLIMATE CHANGE CHIEF SHULONG: In putting this together, we didn't single out any particular issues. But it is on the table for what would be considered when looking at the uses of revenue.

BOARD MEMBER Balmes: Just if I could make one more comment.

I think it would be useful to make sure that those additions to this Scoping Plan actually get published with the Scoping Plan. I think somebody made that suggestion.

EXECUTIVE OFFICER GOLDESTENE: That is our plan.

CHAIRPERSON NICHOLS: Before it actually goes out in print.

Yes, Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Just the obvious point. I was trying to emphasize the importance of collaboration with local government. But the whole Scoping Plan is not going to work unless there's collaboration, support, and agreement by all those who are participating in today's and the past week's discussions. So I just think that this is not simply our dictum that we want people to conform to our direction. But this is a corroborative statewide collaborative effort.

CHAIRPERSON NICHOLS: Well, let me then take the
privilege of the Chair in adding a few last words.

I agree with you about the critical role of local government and in fact would acknowledge that there are many cities and counties in this state and regional entities that have already taken very progressive actions to try to reduce their use of energy, to operate more efficiently, to try to purchase alternative fueled vehicles, you know, to have incentives for their employees to car pool, et cetera. This has been going on for a long time.

And we also have to acknowledge the role that many entities and individuals have played on a voluntary basis in the absence of any kind of binding requirements on them to look for ways to reduce their carbon footprints.

This is an issue and a movements that goes far beyond what State government can do. But in addition to that, the Air Resources Board didn't develop this plan alone either. As Deputy Secretary Tutt mentioned when she came and spoke at the very end of the public hearing, we had a group of State agencies that actively participated in looking for ways in which they could participate in developing this plan. And their involvement is going to be critical in making this plan work as we move forward as well. So I don't want to fail to acknowledge any of them.
Having said all of that, however, when AB 32 was passed, I know there was a struggle over who was going to be given the assignment to actually develop the plan. And at the end of the day, the Legislature handed that assignment to the Air Resources Board. And I don't think there was universal agreement the ARB had all the necessary tools or skills to bring that about.

I'm deeply proud of the work that's been done by the staff and by this Board in taking on this mission. It was huge. It involved increasing our staff certainly, and we were given resources to do that for which we are all are very grateful.

But this didn't just involve bringing in some new people and starting a new project. It really ended up involving every part of the Air Resources Board in one way or another. And the untold hours that people have put in to try to get it right, to get the process right, to truly listen and reflect everything they heard and then to incorporate it into something that made sense and could be used as a model, which we know was the intent in drafting AB 32 I think is a remarkable feet. And frankly I don't know anything like it that's ever been done by any government agency in this or any other state ever. And so I don't think it's saying too much to say that this is in a class by itself.
This is a season in which people like to use metaphors about coming out of the darkness and into the light as we get to the end of the year and the days go shorter and we celebrate major holidays in all parts of the world. And I think it really is a remarkable thing. And I want to ask us all to just take a moment to reflect on the fact that although this is just a plan, it's just a road map. There's much work to be done. It is the beginning. Never the less, we have laid out here a path which if followed can actually transform our economy and put us on the road to a healthier state in what I hope is going to be all of our lifetimes and certainly the lifetimes of most of the people in the room.

The task of coping with global warming is not something that California can do alone. And it's not something that's going to be finished by 2020 by any means. It's something that our children and grandchildren are going to have to cope with as well.

But I think if we can use the road map and the process that we've laid out here that we can honestly say that we've put California on the right track to transforming our economy in a way that's good for the environment, good for our health, good for our future. And so I'm very proud to ask for your vote for this document. I think we probably want to make it
unanimous. But just so everybody gets a chance to cast
their vote, I'm going to ask the clerk to read the role
and everybody can vote.

BOARD MEMBER ROBERTS: Could I put a motion on
the floor that we can vote on?

CHAIRPERSON NICHOLS: Of course you can. It's
Robert's Rules.

BOARD MEMBER ROBERTS: That's with the apostrophe
after the S. I'd be pleased as at least the senior member
present today to do that.

CHAIRPERSON NICHOLS: Thank very much.

BOARD MEMBER BALMES: I would like to be the
second.

CHAIRPERSON NICHOLS: All right. We have a
motion and a second then.

Clerk will call the role.

BOARD CLERK VEJAR: Dr. Balmes?

BOARD MEMBER BALMES: Yes.

BOARD CLERK VEJAR: Ms. Berg?

BOARD MEMBER BERG: Yes.

BOARD CLERK VEJAR: Ms. D'Adamo?

BOARD MEMBER D'ADAMO: Aye.

BOARD CLERK VEJAR: Mayor Loveridge?

BOARD MEMBER LOVERIDGE: Yes.

BOARD CLERK VEJAR: Supervisor Roberts?
BOARD MEMBER ROBERTS: Aye.

BOARD CLERK VEJAR: Professor Sperling?

BOARD MEMBER SPERLING: Appreciating the great responsibility and the great impact of this, I vote yes.

BOARD CLERK VEJAR: Dr. Telles?

BOARD MEMBER TELLES: Yes.

BOARD CLERK VEJAR: Chairman Nichols?

CHAIRPERSON NICHOLS: Yes.

BOARD CLERK VEJAR: Yes votes win. Motion passes.

(Applause)

CHAIRPERSON NICHOLS: Thank you, all.

And I note that it is on my watch exactly 1:00. And we will break for an hour and then come back and take up the truck rule.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: I know there are many people here for the truck item. We do have one other brief presentation before that, because it's part of our regular schedule that we have a research update at every meeting. So for this monthly meeting, we're going to hear a report on current research about lung cancer in the trucking industry, which obviously is relevant to the topic we're going to be discussing later.

But before I turn to Mr. Goldstene to introduce
the item, I want to reiterate something I said first thing this morning, which is that translation services are available for anyone who wishes to use them in both Spanish and Punjabi. The headsets are available outside the hearing room at the attendance table, and the two translators are here. So I'm going to ask both of them to repeat this in Spanish and Punjabi.

(Thereupon the announcement was translated into Spanish and Punjabi.)

CHAIRPERSON NICHOLS: Thank you both, very much.

I know there is an overflow room where people can listen and watch what we're doing here on a big screen. It's right next door. So no one will miss hearing if their name is called, although we're not going to be getting into any testimony right away. But the fire marshals ask us to be vigilant about not letting people line up in the back of the room.

Whether you're ARB staff or here as a witness or to testify, if you can't find a vacant seat somewhere, we would appreciate it if you would be willing to sit in the other room. I'm going to ask nicely so we don't have to get the strong arm guys in to actually clear the room.

I appreciate it. Thank you.

Okay. Mr. Goldstene, would you begin?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
A number of scientific publications have shown an association between exposure to ambient particulate matter and adverse health effects, such as hospitalizations for cardiovascular and respiratory reduce, lung cancers, and even premature death.

Diesel particulate matter or diesel PM contributes to the mix of ambient particulate matter and also to the adverse health effects. In fact, ARB staff recently estimated that exposure to direct diesel PM can contribute to 3,500 deaths statewide and 2,000 deaths in the South Coast air basin on an annual basis.

Furthermore, in 1998, California identified diesel exhaust PM as a toxic air contaminant based on its potential to cause cancer, premature death, and other health problems.

To reduce these risks, ARB has adopted several control measure to achieve emission reductions from diesel sources.

Today's health update reviews the latest findings from a national study on lung cancer in the unionized United States truck industry that examines the association between exposure to diesel PM and adverse effects.

Cynthia Garcia from our Health and Exposure Branch will make the staff presentation.
Cynthia.

(Thereupon an overhead presentation was presented as follows.)

MS. GARCIA: Thank you, Mr. Goldstene. Good afternoon, Chairman Nichols and members of the Board.

In today's health update, I will present the latest findings on lung cancer mortality impacts by job categories in the US trucking industry. This study is part of a much larger ongoing nationwide assessment of the health impacts on workers in the trucking industry who are routinely exposed to motor vehicle exhaust, including diesel particulate matter.

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MS. GARCIA: First, I will briefly go over some background information on diesel particulate matter, PM. California identified diesel exhaust PM as a toxic air contaminant in 1998 based on its potential to cause cancer.

As you know, trucks are major contributors to diesel PM. And diesel PM is a contributor to outdoor PM2.5 levels in California.

A growing body of literature exists which links outdoor PM2.5 exposure to adverse health effects such as heart disease, lung cancer, and even premature death.

Additionally, recent studies have begun to
investigate further the effects associated with occupational exposure to diesel engine exhaust, which is a concern because employees working in and around trucks may be particularly at risk due to their continued exposure.

Earlier this year, we reported on a study by Laden and colleagues who found an increased risk of lung cancer and heart disease deaths for drivers and dock workers in the trucking industry as compared to the general US population of the same age group.

MS. GARCIA: The results I'm presenting today are from a national study led by Dr. Garshick, which involves the participation of about 31,000 members of the Teamsters union from four companies.

The analysis was limited to men older than 39 years of age in 1995 with at least one year in the trucking industry. The investigators obtained detailed work records and cause of death of teamsters employed from 1985 to the year 2000. Each job category in this population has distinct exposure patterns. For example, long haul and pickup and delivery drivers are exposed directly to traffic, while dock workers are exposed to trucks in the yard and exhaust from the forklifts.

To provide insight into lung cancer death patterns associated with these exposures, the
investigators examined lung cancer death rates by
different job categories in the trucking industry compared
to all the remaining workers within the same age group.
The investigators accounted for the healthy
worker effect, which is that people who are able to stay
in their job tend to be healthier than those who leave
employment. On average, people in the Teamsters union
worked 22 years; 73 percent worked between 20 and 40 years
in this industry.

MS. GARCIA: During the time of the study, there
were 4,306 death recorded, with 779 lung cancer deaths.
After adjusting for age and healthy worker survivor
effects, the study found that lung cancer mortality risks
were elevated in workers with jobs associated with regular
exposure to diesel and other vehicle exhaust and that risk
increased with more years on the job.
The calculated increased risk associated with an
estimated 20 years of work for each specific job versus
all workers ranged from 65 percent to 120 percent for
long-haul, dock workers, pickup and delivery, and
combination workers. Combination workers are those that
worked both jobs as dock workers and pickup and delivery.
Despite the limitations of the study shown on
this slide, the results showed a trend in lung cancer
mortality risk that was positively associated with the years of work in jobs with regular exposure to freshly emitted diesel vehicle exhaust.

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MS. GARCIA: To give you an idea how this increase in lung cancer risk in the trucking industry compares to other industries, we looked at the national occupational mortality surveillance system, a national database from the Centers of Disease Control, and saw that for white males between 50 to 64 years of age from 1984 to 1998, the trucking industry had lung cancer rates that were among the five highest of all surveyed industry. Moreover, the re-analysis of Dr. Garshick's previous studies of railroad workers supports the conclusion that working in an industry with elevated exposure to vehicle exhaust and diesel PM increases risk of lung cancer.

Probably one of the most well-known risk factors for lung cancer is regular exposure to second-hand tobacco smoke. How does this environmental tobacco smoke risk compare to the risk to industry workers who have had regular exposure to vehicle exhaust from diesel and other vehicles? The surgeon general's 2006 report found a similar lung cancer risk for non-smokers who live with a smoker.
compared to that reported in the literature at large for industry workers exposed to vehicle exhaust and diesel PM. 

MS. GARCIA: The results of this study are important. They show that workers in the trucking industry who are exposed to diesel and other vehicle exhaust have an increased risk for lung cancer and the risk of dying from lung cancer is likely to increase with increasing time on the job.

The results from the study are consistent with previous studies in the United States and Canada that show an increased risk of lung cancer in occupations which are likely to be associated with exposure to diesel vehicle exhaust. These results imply that reductions of diesel PM emissions will have health benefits associated with job-specific exposures to diesel and other vehicle exhaust in the trucking industry.

In addition, the health impacts from diesel PM emissions are of concern to all Californians. We are all exposed to diesel particles.

Diesel PM control measures implemented by the ARB, including the one that will be heard today which reduce exposures on roadways and from idling trucks will help reduce the risk of adverse health impacts from diesel PM exposure, not only in the trucking industry, but also
in the general population that lives, commutes, works in
proximity to diesel exhaust sources.

That concludes my presentation, and I will be
happy to answer any questions.

CHAIRPERSON NICHOLS: Thank you.

Board member questions? Seems pretty straight
forward, unfortunately.

BOARD MEMBER BALMES: I guess I would make one
comment.

Staff choose to highlight this particular paper
showing a risk of lung cancer related to occupational
exposure to diesel exhaust. But this is just the most
recent in a series of papers. There's probably about 40
that contribute to this literature.

And the Scientific Review Panel of Cal/EPA used
information available up to maybe five years ago -- I
can't remember exactly if it was longer than that -- when
it was determined that diesel exhaust particles were a
toxic air contaminant. And the Scientific Review Panel
carefully looked at the literature back then and came to
that determination, which I agree with. And there's been
a number of studies subsequent to that which were
mentioned today.

So it's just sort of one in a series of studies
showing that people exposed to diesel exhaust over many
years at the workplace are at increased risk of lung cancer.

CHAIRPERSON NICHOLS: So this was not a study that was designed to focus on truck drivers?

BOARD MEMBER BALMES: Well, it was, because they wanted to find a population that was exposed to diesel exhaust on a regular basis, so they used truck drivers. The same group of investigators has looked at railroad workers as well.

CHAIRPERSON NICHOLS: Okay. I see. All right. Thank you very much. Thanks. Yes.

BOARD MEMBER TELLES: Have you run across a corollary study as far as increased cardiovascular in truck drivers? I've had the privilege of taking care of hundreds of truck drivers. And my impression is there may be an increased cardiovascular risk as suggested by literature indicating that the exposure to PM that most of the mortality is related to cardiovascular, not just lung cancer.

MS. GARCIA: Actually, we presented earlier in January of this year a study by Dr. Laden, and Dr. Garshick was also part of that study. And they did find that there was elevated risk to ischemic heart disease in addition to lung cancer in the same cohort.

CHAIRPERSON NICHOLS: Okay. Thank you. All...
right. Thanks, staff.

We'll now move on to our next item, which is actually two agenda items that are being heard together. These two items represent a comprehensive strategy.

EXECUTIVE OFFICER GOLDSTENE: Chairman Nichols, we're having trouble hearing.

CHAIRPERSON NICHOLS: Is there something wrong with the sound? Okay. Sorry, everybody.

I said -- I'll repeat -- that we are now about to consider two agenda items that are taken together. It's a somewhat complex set of items, but they actually do go together and affect the same industry and the same vehicles. And so it made more sense I think from a hearing perspective and from the public's perspective to put the two of them together.

So we're dealing with both criteria and greenhouse gas emissions from nearly one million heavy-duty diesel vehicles and the box type trailers they pull that travel on California's roads every year.

The staff is going to make one presentation describing the features and impacts of both proposals, and then testifiers that are here to comment on both proposals should comment on both of them at the same time. So in other words, if you're here to talk on two different rules, you should combine your testimony when it comes.
time for you to get up and testimony. I just want to make
sure people are aware of that in advance. We're not going
to go through one whole rule and come back and go through
the second rule.

Item 8-11-3 is the proposed regulation to reduce
NOx and PM emissions from in-use on-road diesel vehicles,
also known as the truck and bus rule. This proposed rule
also includes proposed amendments to several existing
diesel regulations to they will better integrate with the
truck and bus rule.

Item 8-11-4 is the proposed regulation to reduce
greenhouse gas emissions by improving truck and trailer
efficiency.

The proposed truck and bus regulation is the most
significant emissions reduction proposal that this Board
has considered in the last decade. Annually, trucks and
buses produce one-third of California's nitrogen oxide
emissions about and 40 percent of its toxic diesel
particulate emissions.

The reductions from this rule would provide the
largest remaining piece of diesel particulate emissions
reductions needed to meet the diesel risk reduction goals
established by this Board eight years ago. They would
also meet the Board's emission reduction commitments that
are contained in our PM2.5 and ozone implementation plans

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that have been submitted to the United States Environmental Protection Agency for the state's two most polluted air basins, the San Joaquin and the South Coast air basins. These rules would save more than 9,000 lives over the next decade that would otherwise be lost from exposure to diesel truck pollution.

The second regulation we consider the truck greenhouse gas regulation also establishes the first requirements anywhere in the country to reduce greenhouse gas emissions from heavy-duty long-haul tractors and trailers.

Adoption of this regulation is consistent with the Scoping Plan that we just adopted this morning which identifies reducing heavy-duty truck greenhouse gas emission as one of the discrete early action measures called out in AB 32.

Implementing the regulations will require a substantial investments on behalf of the many businesses that will be affected. To further help business and truck owners comply, the Governor, Legislature, and voters have made more than one billion dollars available in grants and low cost loans. And the Air Resources Board is going to continue to look for additional funding sources and opportunities to assist those affected by these rules.

We know that today's economy is in a slump. But
we also realize that we have to keep in mind that the first compliance deadlines under this rule, assuming that we were to adopt it tomorrow at this hearing, will not occur until 2010. And we hope that any recovery is well underway at that time.

At this point, I want to ask Mr. Goldstene to introduce this item and to begin the presentation.

(Thereupon an overhead presentation was presented as follows.)

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols. Good morning, members of the Board.

Today, staff is presenting for your consideration a comprehensive strategy to reduce emissions from nearly one million trucks that travel California's highways each year. This strategy is comprised of two parts: A regulation to significantly reduce criteria pollutants from existing trucks and buses, and a companion measure that would improve the fuel efficiency of many of the long haul trucks operating throughout the state and would reduce greenhouse gas emissions.

EXECUTIVE OFFICER GOLDSTENE: To better describe these proposed regulations and to discuss how they are connected, staff is combining both agenda items into a single staff presentation. To do this effectively, I'll
give a short overview to introduce the items and then turn it over to the program staff that have worked on each of the specific proposals.

First, Gloria Lindner will present the proposed truck and bus regulation targeting criteria pollutant emissions. This will be followed by Stephan Lemieux and staff's proposal for heavy-duty greenhouse gas emission reduction measure, which is an important down payment on the commitments and the just approved AB 32 Scoping Plan.

After staff's discussion on these two items, we've planned a short break. And then we'll go on to talk about Tony Brasil from the staff will discuss the integration of the two proposed regulations and explain how for the most part each proposal targets different types of fleets with very little overlap, which has been a concern from the industry.

Jessica Dean will present information on over one million dollars in incentive funding available to assist fleets in modernizing their vehicles and trailers and show how this funding can be used to make compliance more manageable.

Finally, I'll present a few slides to recap and close the staff presentation and will provide staff's recommendations to the Board.
EXECUTIVE OFFICER GOLDSTENE: Trucks and buses represent the largest source of NOx and diesel PM emissions in the state. If we're to meet the Federal Clean Air Standards and our SIP targets, we need significant reduction from these vehicles. In fact, the largest share of new emissions reductions in the 2007 PM SIP is expected from existing trucks and buses, and no viable alternative source of emission reductions exists. In other words, there is no Plan B for the state to meet its SIP commitments and to achieve the emission reductions we need.

While meeting the SIP commitments is important from a legal perspective, even more important of course is protecting public health. Emissions from trucks and buses are significant contributors to the health risks associated with exposure to diesel PM as well as to poor air quality throughout the state which results in thousands of lives lost each year. If we were to address the impacts, action is needed now. There are no federal programs to fall back on. California must demonstrate its continued leadership in addressing emissions from all sources in the state to protect the health of Californians.

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EXECUTIVE OFFICER GOLDSTENE: Under the Scoping
Plan approved by the Board this morning, this early afternoon, we also must move quickly to implement the State's strategy for achieving its 2020 greenhouse gas emissions target. Today's proposal to reduce greenhouse gas emissions from long-haul tractors and trailers would be the third discrete early action measure considered by the Board.

The truck greenhouse gas proposal is the only discrete early action measure identified to reduce greenhouse gas emissions from heavy-duty vehicles. Like the Pavely regulation for passenger cars, this proposal reflects California's leadership role in reducing greenhouse gas emissions from the transportation sector at a time when the federal government simply has not acted. Without approval of the proposal before you, California cannot meet the goals of AB 32.

A unique aspect of this proposal is it will result in fuel savings that will exceed the cost of compliance. At a time of near-record diesel fuel prices, such cost savings will provide long-term benefits to regulated fleets. Staff's proposal clearly shows as the Governor has stated that it's possible to improve both the environment and the economy at the same time.

EXECUTIVE OFFICER GOLDSTENE: While the health
and environmental benefits of the proposal before you are both significant and cost effective, you will hear from industry today that these benefits will result in additional costs that the industry just can't bear, especially in the current economic climate and that more time is needed.

We certainly do acknowledge that today's economic environment is challenging and that it is difficult to predict exactly when the economy will recover. However, postponing the adoption of these proposals will only allow the adverse health and environmental impacts from trucks to continue at a significant economic cost to the state. Estimates done by staff and independent outside institutions indicate the cost of inaction greatly outweighs the cost of cleanup.

Despite the considerable cost of staff’s proposals, staff has made every effort to extend flexibility and additional time wherever possible with no capital investment required until the end of 2010 at the earliest and no trucks required to be replaced until the end of 2012. The requirements would be phased in over more than a decade. This has allowed staff to minimize and spread out the cost and economic impacts on the fleets while obtaining the emission reductions that are needed.

Staff has developed both regulations in a way...
that would minimize overlapping costs between not only two
proposed regulations before you today, but between these
and other existing regulations as well.

EXECUTIVE OFFICER GOLDSTENE: As you will hear
later in the Ombudsman report, staff has conducted an
unprecedented public process for the development of the
proposed regulations. Staff sought and incorporated
stakeholder input into both proposals throughout all
stages of their development. Because of this, staff
believes that they have crafted proposals that provide
considerable flexibility and are responsive to industry's
needs, while meeting the state's air quality goals.

In listening this stakeholders, staff has
included provisions that provide multiple compliance paths
and that extend the compliance dates for many types of
vehicles, including those owned by owner-operators,
farmers, and businesses in many rural areas. These
elements should help lower compliance costs and more
uniformly spread out costs.

Perhaps most importantly, staff have structured
the proposed regulations to effectively integrate them
with new and existing incentive funding perhaps. This
will help ensure that considerable incentive funding
opportunities exist for many fleets, and in particular for
small fleets. While the more than one billion dollars of available incentive funding is not sufficient to cover all the costs of the proposed regulations, for those fleets that move quickly to take advantage of these funds through a combination of grants and low interest loans, a newer truck can be purchased and financed for about $800 per month.

In addition, the technology needed to meet the proposal requirements of these regulations, whether it's a newer truck or retrofit, is available now.

I'll now ask Gloria Lindner of the Mobile Source Control Division to present the staff proposal for the proposed trucks and bus regulations. Gloria.

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MS. LINDNER: Thank you, Mr. Goldstene. Good afternoon, Chairman Nichols and members of the Board.

Today, I will present staff's proposal to reduce PM and NOx emissions from in-use on-road diesel vehicles operating in California.

I'll refer to this proposal as the truck and bus regulation.

Today's presentation will also include proposed amendments to several existing regulations. These amendments will allow better integration of the requirements of the existing regulations with the proposed
truck and bus regulations.

MS. LINDNER: I'll begin my presentation by first discussing why we need the PM and NOx reductions from trucks and buses.

Then I will describe the proposed regulation including staff's proposed changes to other existing ARB regulations.

I'll then summarize the impacts of the proposal, including its significant emission and health benefits, as well as its associated costs.

Then I'll summarize staff's analysis of the other alternatives considered.

MS. LINDNER: Existing fleets of heavy-duty diesel trucks and buses are the largest contributors to PM and ozone-forming emissions from all sources in the state. As you can see, in 2005, they contributed more than a quarter of all of the NOx and almost 40 percent of all of the diesel PM emitted statewide from all sources.

MS. LINDNER: In 1998, the Board identified diesel PM as a toxic air contaminant. It is responsible for 70 percent of the known cancer risk from all air toxics. And as you heard earlier today, results in even
greater risk for those who work closely in and around sources of diesel PM, such as truck drivers and dock workers.

In 2000, the Board approved the Diesel Risk Reduction Plan, which has as its ultimate goal in 2020 the reduction of diesel PM emissions and their associated cancer risk by 85 percent from 2000 baseline levels.

The proposed truck and bus regulation is the largest remaining piece of the Diesel Risk Reduction Plan to be considered by the Board.

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MS. LINDNER: In addition to the risk impacts from directly emitted diesel PM emissions, trucks are a significant contributor to poor air quality throughout the state.

Fifteen areas in California are designated non-attainment of the federal ozone standard. In addition, the South Coast air basin and the San Joaquin Valley are designated non-attainment of the federal fine particulate matter or PM2.5 standard.

As the maps show, most area of the state and in fact the areas where most people live are out of attainment with one or both of those standards.

Federal law mandates the development of State Implementation Plans documenting the actions the State
will take to attain the federal air quality standards in these areas.

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MS. LINDNER: In September 2007, the Board approved the State Implementation Plan or SIP which committed the State to develop measures to achieve emissions reductions from sources under State regulatory authority with the largest share of new emissions reductions of NOx and directly emitted PM expected from trucks and buses. NOx is a precursor to both ozone and PM.

Substantial reductions in NOx and PM are needed by 2014 to meet the PM2.5 attainment deadline, and by 2023 to meet the ozone attainment deadline.

Nowhere in the state and arguably in the country are these emission reductions as critical as they are in the South Coast and the San Joaquin Valley, which have the farthest to go toward meeting federal air quality standards.

Staff has used the targeted reductions in the SIP as the goal for this rulemaking, as no other measure can achieve this level of reductions.

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MS. LINDNER: The failure of many regions of the state to meet clean air standards has a significant impact
on the health of all Californians.

This year alone, approximately 4,500 premature deaths are associated with emissions from on-road heavy-duty diesel vehicles. By comparison, secondhand smoke is associated with 4,000 premature deaths per year in California.

In addition, there are significant other adverse health impacts from trucks and bus emissions, including tens of thousands of cases of asthma and lower respiratory symptoms, almost half a million lost work days, and more than two million restricted activity days.

It should be noted that these impacts are consistent with those found by outside researchers as well.

The results of a recent study released by researchers at California State University, Fullerton showed similar results for the impacts of poor air quality in southern California and the central valley.

The researchers noted significantly increased mortality, asthma cases, and lost work days associated with failure to meet federal clean air standards in those regions.

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MS. LINDNER: I will now describe staff's proposal.
The proposed regulation would apply to heavy-duty diesel fueled vehicles operating in California with a gross vehicle weight rating greater than 14,000 pounds. The proposed regulation would apply to any person or entity that owns, operates, or sells an affected vehicle in California. It would apply equally to these entities whether based in state or out of state. Drayage trucks and utility owned vehicles would be subject to the regulation, but not until January 1st, 2021. Certain vehicles, such as emergency vehicles, military tactical vehicles, personal use motorhomes, and historic vehicles would be excluded.

This slide illustrates a wide variety of truck types covered under the scope of the regulation. The regulation will apply to many different types of vehicles used in almost all aspects of the California economy.

In total, nearly one million vehicles that travel California's roads each year are included. Over 400,000 of these are registered in the state, and another half a
1 million are out of state registered vehicles that visit
2 California each year.
3
4 Now I will provide an overview of the proposed
5 requirements.
6
7 MS. LINDNER: The regulation would phase in
8 requirements that would achieve substantial NOx and PM
9 reductions such that by 2014 most engines would have
10 filters, and by 2023, all engines would be the cleanest
11 available.
12
13 The first requirement would be for fleets to
14 begin installing filters on certain older vehicles in
15 their fleet by 2011. If no filter is available or can't
16 be safely installed, then no action would be required. If
17 by 2018 an engine still does have a filter, then it would
18 have to be replaced. Vehicle replacements to reduce NOx
19 emissions would not begin until 2013 and are phased in
20 over the next decade. The regulation is structured so
21 that the requirements can always be met through the
22 purchase of used vehicles.
23
24 In other words, the proposed regulation never
25 requires the purchase of new vehicles.
26
27 In general, the regulation would never require
28 the installation of a filter on a vehicle less than seven
29 years old, nor require the replacement of a vehicle less
than eleven years old. Staff recognized that it was appropriate to include a number of special provisions, such as less stringent requirements for small fleets, lower use vehicles, and other provisions which I will describe later.

To optimize flexibility for fleets, the proposed regulation includes three compliance options.

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MS. LINDNER: The BACT schedule prescribes which vehicle must be retrofit or replaced based on the engine model year.

The percentage limit option identifies the minimum percentage of vehicles in each fleet that must be retrofit or replaced each year.

The fleet averaging option provides the most flexibility by allowing fleets to determine which vehicles to retrofit or replace provided specific emission targets are met. This option also allows fleets to take advantage of available NOx control technology.

Each year, fleets can demonstrate compliance with any of the three options and can change compliance options from year to year. Importantly, the proposed regulation is structured such that once any one of the three compliance option is satisfied, the fleet is done for that year for that pollutant.
MS. LINDNER: To provide a better perspective of what the regulation would require, this table identifies the engine ages that would have to be replaced under the BACT compliance option in each calendar year.

As you can see, this option would never require the accelerated replacement of an engine that is less than 11 years old. And in fact, it routinely allows vehicles as old as 14 years to continue to operate. Considering the other compliance options, a fleet may be able to keep some older vehicles even longer.

MS. LINDNER: Currently, many vehicles, particularly long haul trucks that routinely travel over 100,000 miles each year, are replaced within seven years. This means that many vehicles will be replaced on a normal cycle well before the regulation would require. Because of this, there will be no requirements for many vehicles subject to the regulation. However, for fleets that keep vehicles longer or operate older vehicles, they may be required to retrofit and/or replace some or all of their vehicles over the next decade.

As you can see on this chart, nearly two-thirds of the vehicles covered by the proposed regulation would not be required to take any action. However, for older
fleets, the proposed regulation would require some action. Staff estimates about a quarter of the affected vehicles would need to be retrofit at some point to meet the PM requirements of the regulation. And about a third of the total vehicles would ultimately need to be replaced ahead of their normal schedule.

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MS. LINDNER: By looking at these figures, it is clear to see the reason for requiring accelerated vehicle replacements.

Until just a few years ago, existing in-use vehicles emitted about the same level of NOx, 22 grams per mile.

It wasn't until 2004 engines were introduced that we started to see significant improvements in the NOx performance of in-use diesel engines.

As you can see on the left, the last increment of improvement in NOx emissions is not realized until 2010 when the cleanest NOx engines will be available.

Because of the long life of a diesel engines, it will take considerable time for these cleaner engines to replace older engines under typical replacement schedule.

For PM, the story has been somewhat better. We have seen improvements in diesel PM emissions since 1991, with the cleanest diesel engines for PM having been
available since last year.

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MS. LINDNER: In developing the proposed regulation, staff carefully considered the impact it would have on small fleets.

This is important because staff believes that many small fleets face significant challenges in retrofitting and accelerating the replacement of their vehicles.

Because small fleets have few vehicles, they have fewer opportunities to take advantage of the fleet averaging or minimum percentage options of the proposed regulation.

Scaling back the requirements for small fleets is challenging since small fleets represent such a large portion of the California vehicle fleet and small fleets tends to have older vehicles than average.

As can be seen on this slide, almost half of all trucks registered in the state are owned by fleets with three or fewer vehicles.

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MS. LINDNER: To address concerns about small fleets, staff has included special optional provisions for fleets with three or fewer vehicles. These provisions would exempt small fleets from any cleanup requirements.
through 2012. After that date, the requirements would vary depending on the size of the fleet.

Under staff's proposal, an owner-operator having just one vehicle would need to upgrade that vehicle to one having a 2004 model year or newer engine with a filter by January 1, 2013. The vehicle owner would not have to take any further action until January 1st, 2018, at which time that vehicle would need to meet the PM and NOx performance requirements of the regulation. If these requirements are met with an eight-year-old used vehicle that has a 2010 or equivalent engine, no more action is required.

For fleets with two vehicles, the second vehicle would be required to meet the PM and NOx performance requirements by January 1, 2014. Fleets of three vehicles have additional flexibility to meet the proposed PM and NOx performance requirements, giving them until as late as 2016 to upgrade their older third vehicle.

By 2023, all vehicles must have the cleanest engines.

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MS. LINDNER: Staff believes that it is appropriate to provide some special provisions that would delay the proposed NOx requirements for some vehicles, while keeping them subject to the PM requirements.

Accordingly, staff is proposing to include
provisions for unique vehicles until 2021 such that no vehicle would be required to be replaced if a used vehicle with a cleaner engine is not available. This provision addresses uncommon vehicles such as blood collection vehicles, and guarantees that new vehicles are never required to be purchased to comply with the regulation. Staff is also proposing special provisions for certain types of cab-over engine truck tractors that are no longer manufactured, as well as providing early credit for vehicles that have filters installed prior to 2010. Staff is also proposing that vehicles traveling below specified mileage thresholds as well as vehicles operated exclusively in cleaner areas of the state, as shown on the slide, be exempt from any replacement requirements until 2021.

To take advantage of all of these special provisions, fleets would have to report information about their vehicles.

MS. LINDNER: A number of other provisions to assist fleets in complying with the proposed regulation are also included. These include an exemption from all cleanup requirements for vehicles operated less than 1,000 miles and 100 hours per year, double credit until January 1st, 2018 for hybrid vehicles, and credit for cleaner
alternative fueled vehicles.

The proposed regulation also never requires the installation of a filter if one is not available or cannot be safely installed. However, by 2018, the vehicle or engine would have to be replaced with one able to except a filter.

Also, fleet owners would not be penalized if there are manufacturer delays in the availability of retrofits, new engines, or new vehicles.

Finally, to provide flexibility to out-of-state fleets, provisions are included to allow them to obtain a pass to operate a single noncompliant vehicle in California once each year for up to three consecutive days if they did not anticipate operating that vehicle in California.

To utilize all of these provisions, fleets must report information about their vehicles to ARB.

MS. LINDNER: The proposed regulation also includes special provisions for agricultural vehicles that in some cases delay compliance with the PM and the NOx requirements.

Vehicles that may qualify for this provision include those used exclusively for agricultural operations, which includes logging operations, dedicated...
fertilizer and crop protection, chemical delivery trucks, farmer-owned vehicles used to support the farm, vehicles that perform specialized work on the farm or on a for-higher basis, and vehicles that are exclusively used the transport harvested crops to first processing centers. Vehicles that perform other function in addition to agricultural operations would not be considered agricultural vehicles.

Under staff's proposal, agricultural vehicles that operate below certain annual mileage thresholds would be exempt from the cleanup requirements for a specified period of time, with the number of vehicles qualifying for these provisions set in 2010 and not allowed to grow. The mileage threshold vary initially by model year between 15,000 and 25,000 miles until 2017 when they decline to 10,000 miles per year. All other vehicles in the fleet, except for specialty farm vehicles, would need to meet the same performance requirements as other fleets. Specialty farm vehicles encompassing four specific types of vehicles used on the farm, have no mileage limits and would be exempt from all cleanup requirements until 2023. However, the number of specialty farm vehicles, both in San Joaquin valley and statewide, would be capped under staff's proposal.

By January 1, 2023, all agricultural vehicles
must meet the 2010 model year engine requirements,
regardless of mileage or use.

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MS. LINDNER: Because staff's proposal will delay
the installation of filters on a number of agricultural
vehicles, staff performed a screening analysis of the
potential diesel PM exposure risk from these provisions.

As shown in the figure, staff's preliminary
analysis indicates there could be an elevated risk of
greater than ten in a million resulting from emissions of
uncontrolled vehicles delivering products to a point of
first processing. This increased risk appears to be
focused along roadways leading to the processing facility
and resembles observed risk levels along freeways in urban
areas. The risk would vary depending on the number of
uncontrolled trucks traveling on the roadway, distance
from the roadway, and other factors.

While staff does not believe that these findings
are sufficient to delay staff's proposals for agricultural
vehicles, staff believes it is necessary to better
understand this potential impact by evaluating several
actual facilities throughout the state.

Staff is proposing to report back to the Board in
2009 and present appropriate recommendations to address
potential impact on communities.
MS. LINDNER: Reducing diesel PM emissions from school buses is critical due to health risks associated with childhood exposure to diesel PM.

As such, the proposed regulation targets reductions in diesel PM by establishing a retrofit time table specifically for school buses. Buses that cannot be retrofit would need to have the engine replaced with one that can be retrofit by 2018. However, unlike other sectors, school buses would not be required to provide NOx reductions through accelerated fleet turnover.

The exception is the remaining 50 or so school buses manufactured prior to April 1st, 1977, before minimum federal safety standards were established.

These buses will be required to be removed from service by January 1, 2012. And the State has provided funding for this through $200 million in the lower emissions school bus program.

If districts use these funds in the most judicious manner by selecting the most cost effective projects to funds, up to 95 percent of the cost would be covered. Local air districts also have additional local program funds to assist school districts.

Because of concerns raised about potential shift for reduced school bus transportation levels due to the
potential cost of the regulation, staff is proposing to
monitor any shifts in student transportation associated
with staff's proposal.

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MS. LINDNER: Today, all new heavy-duty diesel
engines are equipped with PM exhaust controls, typically
filters. This means that there is a current pool of
vehicles already operating in the state that meet the PM
performance requirements of the regulation.

As a result of previously adopted ARB regulation
and incentive programs, there are several thousand
vehicles in operation that have filters installed. These
vehicles utilize eleven currently verified PM retrofits
produced by eight different manufacturers. These
retrofits are currently available for most trucks on the
road today.

Looking forward, new engine manufacturers are on
track to meet 2010 engine standards with engines that are
expected to be more fuel efficient than the engines they
are producing today.

Also, retrofit manufacturers are currently
demonstrating high level NOx control technology on about
70 vehicles in California and Texas using selective
catalytic reduction, or SCR, while in Europe, there are
over half a million vehicles in operation already equipped
with this technology.

Finally, sufficient new and used cleaner diesel vehicles should be available to meet the anticipated increased demand for the proposed regulation.

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MS. LINDNER: Staff believes it is appropriate to modify several other existing regulations to provide relief to vehicles that are subject to multiple existing regulations and to make changes to improve their overall clarity and enforceability.

These changes include provisions for privately owned street sweepers and two-engines cranes. Currently, these vehicles may be subject to three other regulations.

In addition, changes are needed to the public fleet and utility regulation to ensure that filters are installed on all vehicles, that appropriate retirement credit is provided to all fleets, and that private utilities have a clear path towards meeting the requirements of both regulations.

Also, changes to the drayage truck regulation are being proposed so that filters will be installed on all vehicles traveling to port and intermodal rail facilities in the state. Staff is also proposing that certain vehicle types, in particular armored cars and workover rigs, be allowed to idle consistent with the necessary
operating requirements of those vocations.

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MS. LINDNER: Now that we've covered the
requirements of the proposed regulation, let's turn to the
total cost and benefits it will provide.

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MS. LINDNER: To evaluate both the environmental
and economic impacts of staff's proposal, it is first
necessary to ensure that staff has the most accurate
emission inventory available.

The updated truck and bus emissions inventory
developed for the proposed regulation builds upon ARB's
current on-road emissions inventory model, EMFAC 2007.

Over the past several years, staff analyzed a
variety of new data sources, including DMV records, fuel
tax and registration fee programs, US Census data, and
specialized surveys.

Using this information, staff developed more
detailed truck and bus categories which better
characterize the diversity of truck and bus operations in
California.

The improved inventory differentiates between
in-state and out-of-state trucks, combination and single
unit trucks, different vocations, and fleet sizes.

Each of these new vehicle categories have their
own unique population, age distribution, and mileage accrual. This specificity enables staff to model the variety of truck fleets and compliance options included in the proposed rule. Based on this inventory, and as can be seen by the black line on this slide, NOx emissions from existing diesel vehicles will decrease over time as older vehicles are replaced with newer, cleaner ones. However, because older vehicles tend to stay in the fleet for as long as 20 to 30 years, this decline in emissions is not sufficient to meet ambient air quality standards. As such, additional emissions reductions from these engines are necessary. Staff's proposal, shown in red, would expedite this reduction in NOx emissions from existing vehicles by 124 tons per day in 2014 and 98 tons per day in 2023. These reductions represent the single largest installment of emissions reductions from any regulation approved by the Board in the last decade. --o0o--

MS. LINDNER: The significant emission benefits of the proposed regulations are not limited to NOx. As can be seen in this figure, diesel PM emissions are expected to be significantly reduced. Again, the black line in the figure is the
baseline emissions without the regulation. And the red line represents expected emissions with the regulation. As you can see, the proposed regulation would reduce diesel PM by nearly 13 tons per day in 2014 and 5.2 tons per day in 2020. These PM reductions are the maximum achievable by 2020, consistent with the intent of the Diesel Risk Reduction Plan.

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MS. LINDNER: Overall, the proposed regulation is expected to avoid 9,400 premature deaths, 150,000 cases of asthma-related symptoms, and nearly a million fewer lost work days, as well as many other health impacts. The estimated 9400 mature deaths is higher than the total estimated premature deaths associated with all previous in-use diesel control measures combined. The health benefits from this regulation are valued at 48 to $68 billion.

The emission reductions from the proposed regulation also meet the combined PM and NOx SIP targets in the San Joaquin Valley and the South Coast regions in all years with no other measure able to provide this level of reductions.

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MS. LINDNER: Just as the overall benefits of the
proposed regulation are significant, so are its costs. Staff estimates the costs of the proposed regulation to be $5.5 billion between 2010 and 2025. Of this, about 4.5 billion is attributable to California registered vehicles, and one billion for out-of-state vehicles, with most of these costs falling on the warehousing and transportation sector.

In estimating these costs, staff's analysis compared the costs of normal replacements to the costs expected to comply with the regulation for nearly 700 actual fleets.

The analysis was predicated solely on vehicle replacements and filter costs. To the extent NOx retrofits become available, costs could be lowered. The analysis also included both capital and annual costs, including things such as loss in value of older vehicles, increased cost for newer vehicles, and reporting costs.

Overall, the cost effectiveness compares favorably with previous regulations adopted by the Board.

MS. LINDNER: In considering the costs, it is important to understand how used vehicles play a significant role in reducing the overall compliance costs for fleets.
As you can see in this slide, new vehicle prices decline by more than 50 percent in just the first four or five years. This is why staff structured the regulation to allow cleaner used vehicles to be a viable compliance option to lower the overall cost.

In fact, the proposed regulation guarantees that new vehicle replacements are never required, and no vehicle need to be replaced until 2012 at the earliest, when used 2010 vehicles should be available.

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MS. LINDNER: The proposed regulation will also require the retrofit of a significant number of vehicles. To estimate these costs, staff used actually installed costs for filters that have been funded through the Carl Moyer Program, as well as what has typically been charged by installers for devices compliant with other ARB retrofit regulations.

Staff also included annual filter costs such as cleaning.

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MS. LINDNER: Staff also evaluated the impact of other existing regulations on affected fleets, primarily by evaluating impacts on actual individual companies. This evaluation was done for both the TRU and the off-road regulations. For a refrigerated transportation
company, staff concluded that the impact of the proposed regulation would be relatively small because these fleets typically replace most of their vehicles sooner than the regulation would require. Staff estimates the impact to be about a penny per mile compared to typical revenues ranging from $1.00 to $1.50 per mile.

For large construction companies with off-road equipment, staff estimates that the proposed regulation would add about six percent of the cost of the existing in-use off-road vehicle regulation.

Staff has also determined there will be little overlapping costs between the proposed regulation and the proposed truck and trailers greenhouse gas regulation. A more detailed discussion of this will be provided later in staff's presentation.

Staff also considered the impact of several existing regulations on cranes and two-engine sweepers and concluded that there could be a significant impact.

To address this, staff has developed this proposal to better reduce emissions from these vehicles, while resulting in lower compliance costs.

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MS. LINDNER: Staff recognizes that the current economic climate is poor and it is unclear when the economy will recover. However, it's important to note
again that the first retrofit requirements of the proposed
regulation don't begin until 2011 and no vehicles would be
required to be replaced until 2013, providing time for
fleets to realize a recovery in their revenues before any
capital investments would be required.

In evaluating the impacts on the economy of the
state, staff used a peer-reviewed economic model to
evaluate the impact the regulation would have on
California's $3.1 trillion economy and found that there
would be a reduction in grows domestic product of about
0.014 percent.

For jobs, staff believe the proposed regulation
could slow growth in some sectors, while increasing it in
others.

Staff expects most fleets to pass through their
costs to customers and consumers. However, the impact on
the consumer should not be noticeable, resulting in a few
more dollars from increased transportation costs on the
price of a new car or on a pair of shoes.

Although the overall impact to the economy and
the consumer should be small, it will affect fleets
differently. To better understand this, staff evaluated
the potential impacts on actual individual companies. The
following three slides provide a summary of the impacts on
one such company.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
MS. LINDNER: In this example, staff evaluated the impact of the proposed regulation on a trucking fleet having 35 tractor trailers that run about 80,000 miles per year. Typically, this fleet replaces two to three trucks per year and normally buys used four-year-old replacement trucks. The current age of the trucks in this fleet is shown in the table to the right. This fleet would not qualify for any of the special provisions of the proposed regulation.

MS. LINDNER: This slide illustrates the number of replacements and retrofits the regulation would require for this fleet. The yellow bars show the number of truck replacements, and the blue bars show the number of filters that would we need to be installed.

The dashed line represents anticipated truck replacement scheduled this fleet would typically perform, which is normally two trucks in most years, which three trucks in 2011 and to '15.

As can be seen, this fleet would need to replace more vehicles than normal in 2012 and 2013 and would need to install filters early in the program. However, it would not need to replace any vehicles in 2014, 2017, or 2018.
MS. LINDNER: This shows the estimated costs associated with the compliance actions just shown. Normally, this fleet would spend about $80,000 per year purchasing used four-year-old vehicles.

The dashed lines show the normal investments made when replacing vehicles without a regulation in place. This fleet would comply by continuing to buy used vehicles. To lower the capital investments required, the fleet can purchase older vehicles than normal that are otherwise cleaner.

MS. LINDNER: To help fleets understand what actions are needed and what they need to do to comply with the regulation, staff also plans to develop and conduct an extensive ongoing outreach program. This campaign will build on the outreach staff has already done throughout development of the proposed regulation. Staff is committed to continue to work with industry groups to inform their members about the regulation.

Staff will hold training workshops across the state and invite manufacturers of verified filters to share information about their products with affected fleets.

Staff would provide training and educational
materials at the workshops and on our website to help fleets understand the choices they will face with respect to finding the most cost effective path to compliance. Staff will also operate a toll free number set up to answer questions about the regulation. Staff also plans to develop and provide electronic tools for compliance planning that will allow fleets to determine what retrofits are available for their vehicles, and to experiment with the various possible compliance paths. In addition, staff plans to develop and provide electronic reporting forms that will allow fleets to report their vehicles on line and demonstrate how they have met the requirements.

MS. LINDNER: I will now discuss staff's evaluation of an alternative proposed Driving Towards a Cleaner California Coalition, known as DTCC, a coalition of industry stakeholders impacted by the proposed regulation.

MS. LINDNER: The proposal from the DTCC coalition includes more generous mileage exemptions would delay the NOx compliance schedule and would exempt more vehicles from any cleanup requirements.
This graph compares NOx emission benefits from the proposed regulation with the benefits from the DTCC proposal. The top black line shows the baseline emissions in the absence of a regulation. The bottom red line shows NOx emissions for the proposed regulation. In between is a blue line which shows the NOx emissions with the DTCC proposal.

As can be seen, the DTCC proposal would achieve about 50 percent less emission reductions in 2014 and 2017 than staff's proposal. Thus, it would prevent many fewer deaths and would mean we would not achieve the emissions reductions necessary to meet California's SIP targets.

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MS. LINDNER: At the request of industry, staff also evaluated the impacts of the current recession on heavy-duty truck emissions in California. Economic conditions are one of the many factors that may impact the total emissions from trucks on the road. For this analysis, staff analyzed trends in the number of miles driven by trucks in California from 2003 to late 2008, sales of California diesel fuel and the relationship of national truck sales to gross domestic product in the truck industry.

Staff found that truck miles driven in California
increased from 2003 to 2007, reflecting the economic growth during that period, and then declined from 2007 to late 2008 as the nation entered the current recession. Diesel fuel and truck sales are also closely linked to economic conditions with both decreasing during the current recession.

In summary, fewer miles are being driven by trucks in California, less fuel is being used, and fewer trucks are being replaced such that older trucks are staying on the road longer.

Although the observed decrease in truck miles driven and diesel fuel used has resulted in lower emissions, overall emissions in the critical SIP attainment years may increase due to the higher emission rates associated with older trucks staying in the California fleet.

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MS. LINDNER: Finally, staff is proposing a few 15-day changes. These changes are shown in the strike-out and underline in your Board packets and are available on the table outside of the hearing room and have been posted on the website for the proposed regulation.

Staff is proposing to provide fleets credit for the early retirement of their vehicles during the initial years of the regulation. These provisions would apply.
when fleets are downsizing and are an important addition
to the proposed regulation considering the current
economic climate.

Staff is also proposing to provide additional
hours of use, until 2014, for two-engine sweepers that are
used for back-up service. This is important to address
some of the unique economic issues facing small,
independent sweeper fleets.

Staff is proposing to delay the replacement
requirements for motor coaches to provide more time for
fleets to replace these vehicles, which can cost as much
as 250 to $300,000 used.

Finally, staff is proposing other minor
clarifying and corrective changes to the proposed
regulation.

This concludes my part of the presentation.

CHAIRPERSON NICHOLS: Why don't we take just a
brief pause here so Board members can ask questions. This
was a lot of material to cover here. So this would be a
good point if anybody has any specific questions about the
material that was presented if you want to go into any of
it now.

Does anybody want to raise anything?

Yeah. Go ahead.

BOARD MEMBER ROBERTS: Back to what's indicated
in slide 47. Back to what is our slide 47, it's called impacts of recession on emissions.

Is this -- I mean, is there some analysis or is this -- it almost reads like, well, you have one thing that's there and something else. It's hard for me to believe even in the older vehicles they're not traveling for fewer miles with a net effect there's less emissions, but we've kind of dismissed that. It seems a little quick to me to dismiss so quickly.

CHAIRPERSON NICHOLS: Yeah. I think this is worthy of some more discussion. And I'm sure it's going to come up.

Does somebody want to take that one on?

MR. BENJAMIN: Yeah. This is Michael Benjamin, Chief of the Mobile Source Analysis Branch.

My staff did this analysis, and we looked at a number of different data sets. The first data set that we looked at was monthly VMT data from Caltrans. They have a network of 10,000 imbedded roadway censors around the state. With that information, they can see what the trends in vehicle miles traveled are, not just for passenger cars, but for trucks. So we looked at that data for the past about eight years.

We also looked at monthly fuel sales, diesel fuel sales data published by the Board of Equalization, and
this represents diesel fuel sold from the refinery to the distributor. And the relationship between these two tract very well. So in other words, when there is an economic expansion as we saw up until about 2005, 2006, there was an increase in diesel fuel sales as well as truck VMT driven.

There is quite a bit of variability in the data from month to month and a various pronounced seasonal effect with more driving and fuel usage in the summer than the winter.

We also looked at national truck sales data from Wards database. We looked at the historical relationship of those truck sales to the GDP and the economic in the trucking sector. And there was again a strong relationship with during recession periods new truck sales were down. So clearly during those periods of time during a recession, the fleet as a whole will tend to get older as you have less replacement of older vehicles.

And since the emission rates between new vehicles and the older vehicles are quite significant, it definitely does counter the VMT reduction that you would have. So we definitely see that there will be emission reductions as we said in the staff presentation related to less fuel use and to less VMT.

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
6 BOARD MEMBER ROBERTS: That's really at the heart
7 of my question. Because it seems to me your analysis goes
8 so far and then you kind of jump or at least lead us to
9 our conclusion I'm not comfortable with. Because
10 intuitively I guess I come to just the opposite conclusion
11 that you do.
12
13 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
14 WHITE: Maybe we can put up slide number 21, which I think
15 what you're hearing is is that -- you're absolutely right.
16 As vehicle miles go down, less fuel is used. Less
17 emissions occur.
18
19 But what you have competing with that is the
20 delay that fleets will take in terms of perhaps putting
21 off the purchase of a newer vehicle and the importance of
22 just even a year or two in terms of model year how
23 important that is. And on the slide we show how in-use
24 NOx emissions change by model year.
25
26 BOARD MEMBER ROBERTS: No. I understand that.
27 But let me say what if I own three or four trucks. It may
28 be that I'm using the newer trucks and not the older
29 trucks.

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So I think you're making a big guess on this.
And I don't have the confidence in that guess that you seem to have.

(Applause)

CHAIRPERSON NICHOLS: We're trying to --

BOARD MEMBER ROBERTS: It's not going to help with the applause. You don't want to do that.

RESEARCH DIVISION CHIEF CROES: Let me take another quick shot at it.

If you look at the left-hand one on NOx, you can see that even for the 2004 to 2006 trucks, which are virtually new, the NOx is way, way more than it is for the 2007 to 2009 and way, way more than 2010.

So what we're seeing is that fleets that can make decisions to even keep these newer trucks and not turn them over. In fact, making a decision to have way more NOx than they would if they chose to turn them over as they could under normal economic times.

BOARD MEMBER ROBERTS: Maybe I'm not clear on what I'm saying. We'll get there eventually.

CHAIRPERSON NICHOLS: Intuitively, this is a tough sell, frankly.

BOARD MEMBER ROBERTS: But to some extent, I think to just say it's a wash is a little speculative. I mean, I would feel better if you could say we don't know
for sure.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

WHITE: I think -- I don't think we do know. I mean, you can make certain estimates and guesses as to how things will change and certainly arrive at a different number.

And you have two competing impacts of emissions coming from used and also holding on to the vehicle longer and which one ultimately wins in terms of which way emissions go. I don't think we could say with certainty we know one way or the other.

BOARD MEMBER ROBERTS: That was the point I was trying to make.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

WHITE: Maybe that's not what you were looking for.

BOARD MEMBER ROBERTS: You've kind of led us to that conclusion. But you're saying there's two things happening. But at the end of the day, we're not quite sure whether they're equivalents or not.

I notice you didn't chart it out and show us how it happens over time. I mean, there's two different things are happening. We're not quite sure of the weight, whether they're equal or unequal. Maybe it's even better.

But I'm not convinced at least as I look at this that -- and I'm not comfortable with just sort of saying it's a wash. I understand there are two different things
happening, and it's hard to get a pretty good handle on
either of them.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
WHITE: That's right. And it has both near term as well
as long term implications as well.

BOARD MEMBER ROBERTS: I understand. It's going
to shift some of the gains would you get from the trucks
you could otherwise buy. But it also maybe that given the
nature of the economy, you may find the older trucks
aren't being used and that there's a benefit -- a net
benefit to the lower vehicle miles traveled. I don't
know.

CHAIRPERSON NICHOLS: Well, I think the one
area -- I mean, there is data available on both of these
things actually. I think that's what the staff is saying
is they've got the data that exists and they've just run
the data. They're not making up numbers or models here.
They're actually working with what data exists that can
tell you how much these vehicles actually are being driven
and what's happening in terms of fleet turnover. And I
don't think we -- I don't know that we can pursue it right
now.

But that is the question is where else are you
going to go for information if you're not going to look at
the data that we do have.
Anyway, I think it's time to continue. We unless -- sorry. Another question.

BOARD MEMBER D'ADAMO: Just a quick question about the so-called three-day pass.

EXECUTIVE OFFICER GOLDSTENE: For out-of-state vehicles?

BOARD MEMBER D'ADAMO: Yeah. I'm just concerned about gaming the system. And I understand you're saying it would be a pass that would be available only for a truck that wouldn't otherwise have come to California. What exactly is the criteria?

MR. BRASIL: The provision is in there that the out-of-state fleets can take advantage of all the provisions we built in for the in-state fleets. Fleets that are using the fleet averaging provision would have to identify annually which vehicles are coming to California or are in California and include those in their average. A fleet who replaces a vehicle or does not -- did not include in their average a vehicle that would come to California a single time would be able to bring in that vehicle just the one time. This is largely to address the owner-operators who may not come to California normally has a load to pick up in California. He could come one 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.
BOARD MEMBER D'ADAMO: Okay.

CHAIRPERSON NICHOLS: Dr. Telles.

BOARD MEMBER TELLES: I have quite a few questions. One is the economic impact. I'll start with that. I think it was slide 47.

I think the question that is going to be probably asked today and I would like an answer to is which is -- not addressed in the economic impacts slide anywhere in here is how many truckers would actually be put out of business by this provision?

I know that's a very hard to thing to ask, but I think that's one of the things we're going to be hearing today. And I wonder if you have any analysis of that, what would be the economic -- I mean, that's a fatal economic impact if you're put out business if you're that particular trucker. But what kind of numbers have you come up with, or do you have any numbers?

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Well, I guess we didn't really estimate that the regulation was going to put businesses out of business or prohibit independent owner-operators from continuing to perform in the vocation that they are.

And we did that really in one of two ways. One was to provide some stringent requirements, provide them more time and give them a smaller first step so they can
go buy an older used truck -- cleaner than what they had, but older used truck to comply with the requirements of the regulation.

The second is really looking at targeting the incentive funding towards the owner-operators as a way to combine existing grant programs as well as low interest loans and allow them to get into a newer used truck for what we would hope would be at a reasonable monthly payment and allow them then to continue to operate with that.

And that newer truck brings along several advantages to them that they don't have with the older vehicles. More reliable. Maintenance cost will be lower. So our expectation is that that type of situation will occur as well as though there's going to be a need to pass through the cost. We expected many if not most fleets to pass through the costs to their customers, to the consumers and so --

BOARD MEMBER TELLES: I don't want any hisses or boos. I'm just trying to look for data. I think this is one of the major data items which is missing is we don't know the economic impact to certain small businesses.

MR. BENJAMIN: We actually do have a source of information we could use, which is one of our primary data sources was the DMV registration data that we used to
determine how many trucks there were in California and
their fleet size.

So we can use that same source of information as
we go forward to understand how does the fleet change in
terms of the number of fleets, the number of trucks that
are going to be on the road and their age. And we can
then link that to the economy.

But again this is going to be more as a
retrospective.

BOARD MEMBER TELLES: I want a number. How many
are we going to put out of business?

I don't want any claps or anything. I mean, this
is a serious issue and I think it should be addressed.

I don't think we're dealing with, you know, the
CEO of General Motors. I think we're dealing with a lot
of the small businesses here.

EXECUTIVE OFFICER GOLDSTENE: Dr. Telles, there
are a lot of factors that would go into trying to predict
what that would be. I don't know it's possible to predict
it and present to the Board a single number because so
much would depend on how an individual -- how an
individual runs their business and their customers.

We're very sensitive to that, which is why in the
proposal we've come up with nearly a billion dollars in
funding which we're going to target towards really smaller
owner-operators. That's why the rule has been structured the way it is, because we're sensitive to the question you're asking, but I don't know how we can give you a number.

CHAIRPERSON NICHOLS: I think I'm going to suggest that with several of these questions it doesn't make a lot of sense to try to answer them off the cuff. Dr. Telles clearly isn't happy with the answer. I suggest that we -- you, I should say, regroup and prior to this coming back for a vote tomorrow decide how to address that question. The question has been put on the table.

BOARD MEMBER TELLES: I probably have some perspectives you'll be more happy with.

What is the cost per ton? Do you have an estimate there? Coming from an air pollution control district, you always look at cost per ton for NOx emissions reduction. And I think it's a helpful way to look at that.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Yes. And we actually had it in there in one version of the presentation but took it out to streamline it.

But typically what we've done in the past is look at cost per pound, but same metric. For this particular
proposal, it's about $1.40 to $1.90 per pounds of NOx which is actually very cost effective relative to many of the measures the Board has approved in the past.

And on the PM side, we're about 42 to $48 per pound, which is well below many of the other PM only type of control measures that the Board has approved in the past.

BOARD MEMBER TELLES: And the way we look at it in the San Joaquin Air District is dollars per ton. And if you reduce the total NOx by 480,000 tons, which the rule does, and you divide it by 5.5 billion, you end up with somewhere around $12,000 per ton reduction of NOx for this rule, which is an acceptable number in what it's done in their districts where, you know, our ISR rule number is somewhere around ten to $15,000 per ton. And we have passed things -- and I'm sure some of the other air district control people here probably passed some rules up around $50,000 a ton.

So I think from that perspective this is an affordable rule. I mean, it's not totally out of line.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Dr. Telles, we've typically used something around $11 a pound for NOx or HC. When it gets into that level, you start taking a pretty close look at it. And that's $22,000 a ton. So even with your calculation, this is about half of
And on the PM one, I think the cost benefit ratio for that breaks even as somewhere in the 250 to $275 dollars a pound for PM. So we are well below that in this rule as well.

CHAIRPERSON NICHOLS: Thank you.

Are there any other questions? Ms. Berg.

BOARD MEMBER BERG: I think what I'd like to do is if any other Board members of course have any comments but get to the public testimony when you're comfortable and reserve my comments and questions as we get into the testimony. Because I do also have quite a few questions on the economic impact and certain ways we're going to -- who's going to determine what is safe and what is not safe. But instead of going into a lot of different things, I'd like to hear some more testimony.

CHAIRPERSON NICHOLS: Okay. Fair enough.

I think we're going to hear another staff presentation on the greenhouse gas rule next before we even get to public testimony here. This is a long set of presentations by the staff. But I think it makes sense to lay out what's on the table first before we get to the public.

But if people are planning the rest of their day and their evening, I want to tell you what our plans are.
here. I think most people know that we're starting tomorrow morning and we're planning on taking tomorrow as long as it takes to get through all of the public hearing items before we take any action on these rules.

But the Board has agreed to stay into the evening so that we can accommodate as many people who want to testify tonight as possible. And so we will take a couple of fairly short breaks for stretching, comfort, and food, but we will be going on into the evening probably until about nine o'clock which I think is about as late as anybody should try to listen or speak. So just so you know, that's what our plan is. And then come back tomorrow and start in again in the morning early, 8:30 actually the Board is going to get together.

So I'm going to turn its back over to the staff for the next piece of this presentation.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Now Stephen Lemieux will present staff's truck and trailer greenhouse gas proposal.

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MR. LEMIEUX: Chairman Nichols and members of the Board, I will now discuss staff's proposed regulation that would reduce greenhouse gas emissions in California by reducing the aerodynamic drag and rolling resistance of
1 heavy-duty tractors and trailers.

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3 MR. LEMIEUX: First, to provide some perspective on the importance of the proposed regulation, shown here is a breakdown of manmade greenhouse gas sources within the state during the years 2002 through 2004.

As shown, the transportation sector, which includes on-road vehicles, airplanes, trains, and marine vessels, is the largest contributor to the total statewide greenhouse gas inventory, producing approximately 38 percent of the state's total greenhouse gas emissions.

In 2020, greenhouse gas emissions from this sector are projected to increase by 50 percent relative to the 1990 levels. Thus, emissions from the transportation sector need to be reduced significantly in order to achieve the AB 32 goal of reaching 1990 greenhouse gas levels by the year 2020.

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MR. LEMIEUX: To see how heavy-duty trucks in particular contribute to greenhouse gas emissions, this pie chart shows just the greenhouse gas contribution from the transportation sector. As shown, heavy-duty trucks have a significant impact, contributing 19 percent of the transportation sector greenhouse began emission. Note that passenger cars are already subject to greenhouse gas
requirements in California, pending a waver from US EPA.

MR. LEMIEUX: The goal of the proposed regulation is to reduce greenhouse gas emissions from long-haul tractors and trailers by improving their fuel efficiency. Specifically, improvements in fuel efficiency will be accomplished by requiring the use of more streamlined new tractors and the installation of aerodynamic technology on new and in-use 53-foot long box-type trailers.

In addition, the proposal would require low rolling resistance tires for both new and in-use long-haul tractors and the trailers they pull.

The technologies that would improve fuel efficiency will be described in greater detail later in the presentation.

MR. LEMIEUX: The proposed requirements are based on existing U.S. EPA SmartWay Program. The SmartWay Program is a voluntary partnership between the U.S. EPA and the freight industry with the goal of increasing energy efficiency while reducing greenhouse gas emissions. The SmartWay Program has established test protocols and guidelines for certifying fuel efficient tractors and trailers equipped with aerodynamic...
technologies and low-rolling resistance tires. Also established are technical specification and requirements used to verify the performance of individual aerodynamic technologies. SmartWay certified tractors, trailers and aerodynamic technologies are discussed in the next few slides.

The proposed regulation would create a mandatory program in California requiring the use of SmartWay certified tractors and trailers and SmartWay verified aerodynamic technologies and low-rolling resistance tires.

MR. LEMIEUX: This table shows the estimated number of tractors and trailers that would be impacted by the proposed regulation. As shown, the vast majority of tractors impacted by the proposal would be from out of state. This is understandable since the focus of the proposal is on long-haul operation.

Note that the number of trailers is greater than the number of tractors that pull them. This is because many fleets typically own more trailers than tractors in order to maximize operational efficiency and reduce tractor down time while waiting for the trailers to be unloaded and loaded.

The ratio of tractors to trailers varies considerably from fleet to fleet. But using the industry
average, trailer to tractor ratio of 2.5 to one, staff estimates that the total number of trailers affected by the proposed regulation would be over one million.

MR. LEMIEUX: SmartWay certified tractors need to meet the requirements of staff's proposal are available today. As SmartWay certified tractor must meet US EPA's design specification, to qualify as a SmartWay certified tractor, it must have an overall aerodynamic profile and be equipped with most of aerodynamic technologies briefly mentioned on an earlier slide.

Most major tractor manufacturers currently offer at least one tractor model that is SmartWay certified. A SmartWay certified tractor will reduce fuel consumption by three to four-and-a-half percent compared to a regular tractor, resulting in an annual fuel savings of approximately $1800. When considering that the average incremental capital cost of purchasing a SmartWay certified tractor model is 2,100, the return on investment from fuel savings is a little over one year, an excellent return on investment for any business.

MR. LEMIEUX: Like the tractors, new SmartWay certified trailers are also currently available today. These trailers are outfitted with a combination
of aerodynamic technologies and low-rolling resistance
tires that together have been demonstrated to provide a
6.5 percent or greater improvement in fuel efficiency and
greenhouse gas reductions compared to a traditional
trailer. This fuel efficiency improvement would result in
an annual fuel cost savings of approximately $3,300 if
tractor-to-trailer ratio is 1-to-1 or to $1300 if the
trailer-to-tractor ratio is 2.5-to-1.

The average incremental cost of a SmartWay
certified dry van trailer over a traditional trailer is
about $2900.

The regulation also applies to refrigerated van
trailers, although a new SmartWay certified refrigerated
van trailers are currently not offered by trailer
manufacturers. This will change in the near future,
because U.S. EPA plans to expand the SmartWay Program to
certify new refrigerated vans.

For now, in order to comply with the proposed
regulation, the purchaser of a new refrigerated trailer
would be required to retrofit the trailer with individual
SmartWay verified aerodynamic technologies and low-rolling
resistance tires. The requirements are identical to those
that will apply to owners of existing trailers as
described in the next few slides.
MR. LEMIEUX: I will now discuss retrofit technologies for in-use trailers.

Shown here are three examples of verified side skirt technology. When traveling on the highways, side skirts direct the flow of air around the trailers, away from the rear wheels, reducing aerodynamic drag. Through testing, these designs have demonstrated a four percent or greater improvement in fuel efficiency. These fuel efficiency improvements have been verified by fleets throughout the country. In fact, staff has received comments from 13 fleets located in eight different states and two Canada provinces that have experienced positive results using side skirt technology.

Currently, there are four companies that manufacture SmartWay verified side skirts. The average cost of these technologies is about $1900 installed.

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MR. LEMIEUX: Also there are SmartWay verified front gap fairings and rear trailer fairings.

Front gap fairings as shown in the top three photos reduce the flow of air swirling behind the tractor and collecting in front of the trailer. The resulting reduction in aerodynamic drag has been verified to improve fuel efficiency by at least one percent.

Currently, there are three companies that
manufacture SmartWay verified front gap fairing. The average installed cost of a front gap fairing is about $870.

As shown on the bottom three photos, rear trailer fairings are devices that are designed to be attached to the rear of a trailer. Designs vary from inflatable devices called boat tails to trailer side and top extensions. All are designed to prevent the air from swirling around the rear edges of the trailer, reducing aerodynamic drag.

The SmartWay Program requires these devices to achieve at least a one percent improvement in fuel efficiency. However, there is one SmartWay verified rear trailer fairing that has achieved a five percent improvement, shown in the lower left picture.

Currently, there are four companies that manufacture SmartWay verified rear trailer fairings. The average cost of these devices is about $2800 installed.

MR. LEMIEUX: Two types of SmartWay verified low-rolling resistance tires are currently available: Dual wide tires and single wide tires.

Both the dual and single wide models reduce rolling resistance through tread design and material. The single wide design offers additional benefits by reducing...
the overall weight of the wheel, since it requires only one rim instead of two.

Testing has shown that replacing all of the conventional tires on an 18-wheeler with low-rolling resistance tires can increase fuel efficiency by three percent or more.

Currently, there are six tire manufacturers that offer SmartWay verified low-rolling resistance tires. The incremental cost of low-rolling resistance dual tires over a conventional tire varies from no increase to about $50 per tire. So at most, the incremental cost of replacing all 18 tires at the normal replacement interval would be about $900.

MR. LEMIEUX: Aerodynamic technologies continue to evolve, as manufacturers improve both the functionality and durability of existing verified technologies and develop new ways to reduce aerodynamic drag.

As shown in the figures above, skirt manufacturers have responded to customer concern with a number of innovative solution such as:

Skirts that retract and deploy as a function of speed;

Skirts that can be folded up manually to provide more clear an with loading ramps;
And flexible materials in skirt construction.

Innovative approaches to reducing drag in the front and rear of trailers are also being explored. Shown in the lower left photo are two examples of the flow control devices that reduce drag by modifying the air flow on the front and rear of the trailer.

Staff will monitor the development of these and other emerging technologies.

I would now like to discuss the specifics of the staff's proposal, including the scope of the regulation and the proposed requirements.

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MR. LEMIEUX: The proposed regulations would apply primarily to Class 7 and 8 tractors, 53-foot or longer box-type trailers operating in California.

The term box-type refers to either a dry van trailer or a refrigerated van trailer. These tractor trailers are the focus of staff's proposal because of their long haul operation, resulting in by far the greatest greenhouse gas benefit from the proposed requirements.

The proposed regulation applies not just to California registered long-haul tractors and trailers, but also all in-state and out-of-state long-haul tractors and trailers traveling in California.
Responsibility for compliance would primarily rest with the owners of the tractors and the trailers, but various other parties would also share the responsibility including the drivers, the motor carriers, the California-based brokers that dispatch the tractors and trailers and California-based shippers that ship freight.

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MR. LEMIEUX: I would now like to focus on the specific requirements of the proposal.

The proposed regulation would require 2011 and newer model year sleeper cab tractors that operate in California, regardless of the state of registration, to be SmartWay certified. This requirement would take effect on January 1, 2010. These tractors would be equipped with a full aerodynamic package and low-rolling resistance tires.

For day cab tractors operating in California, beginning with model year 2011, the proposed regulation would only require the use of low-rolling resistance tires beginning on January 1, 2010. The proposed regulation would not require these tractors to be SmartWay certified since US EPA has not yet developed SmartWay specifications for day cab tractors.

Lastly, for 2010 and older year model year tractors operating in California, only the use of low-rolling resistance tires would be required, beginning
on January 1, 2012. Retrofitting with aerodynamic equipment would not be required on these older models since in most cases it would not be technically feasible or cost effective.

MR. LEMIEUX: Staff's proposal would also require 2011 and subsequent model year 53-foot or longer box-type trailers that operate in California to be either SmartWay certified or be retrofitted with SmartWay verified technologies.

For those that are retrofitted, they would need to be equipped with SmartWay low-rolling resistance tires. They would also need to be equipped with SmartWay verified aerodynamic devices that would improve the fuel efficiency by five percent for dry vans and four percent for refrigerated vans. This reason for this fuel efficiency difference is that some technologies are not available for refrigerated vans.

MR. LEMIEUX: For the 2010 and older model year trailers that operate in California, they would be subject to the same requirements applicable to the newer trailers, except they would have more time to comply, until January 1, 2013.

2010 and older models year trailer owners would
also have the option of an expended compliance plan based
on whether their fleet size is considered small or large.
A separate optional compliance plan would also be
available for refrigerated vans. I will briefly discuss
these three plans in the next few slides.

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MR. LEMIEUX: To ease the burden of up-front
capital costs, fleets with 20 or fewer 2010 and older
model year trailers would have the option to participate
in the small fleet compliance schedule. This is a
deferred schedule, allowing smaller fleets to stretch out
compliance requirements over several years. Fleets would
be given until December 31st, 2016, to complete their
compliance phase in.

Similarly, fleets of 21 or more 2010 and older
model year trailers would also have the option to
participate in an optional compliance schedule which would
allow them to delay full trailer compliance until December
31, 2015. However, by opting to participate in this
schedule, fleets would be required to begin bringing some
trailers into compliance earlier, starting in 2010.

Large fleets also can act early and bring
trailers into compliance prior to 2010 and receive credit.
Specifically, fleets with trailers brought into compliance
prior to January 1, 2010 would use earned credits to delay
the compliance of other trailers until the 2016 Calendar year.

To participate in both the small and large fleet compliance schedule, a fleet would be required to submit a compliance plan and must allow ARB staff to audit their records periodically.

Those fleets that do not submit a compliance plan would have to have every trailer operating in California in compliance by 2013.

In consideration of up-front capital costs imposed on fleets that have refrigerated van trailers also subject to the previously adopted transportation refrigeration unit rule during the same time period, staff's proposal would allow fleets to delay compliance with the proposed requirements for certain refrigerated trailers. These trailers would have between 2017 through 2019 to comply, depending on the model year of the trailer.

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MR. LEMIEUX: In developing the proposal, it became clear that some tractors and trailers should be exempt from the proposed requirements because of either their operation or their design.

For example, short-haul tractors and trailers would be exempt because they typically travel a majority
of their miles at slower speeds, greatly reducing the
greenhouse gas emission benefits resulting from the use of
aerodynamic technologies.

For purposes of the proposed regulation, a
short-haul tractor is defined as one that either travels
exclusively within a 100-mile radius from its local haul
base or travels no more than 50,000 miles a year.

Drayage trailers and tractors that pull them
would also be exempt, if they limit their travel to within
100 miles of their port or rail yard of origin or
destination.

Container chassis, drop frame vans, and curtain
side vans as shown on the slide would be exempt because of
their designs, which are not compatible with existing
SmartWay verified aerodynamic technologies. This could be
reconsidered if SmartWay verified technologies become
available for these types of trailers.

Emergency and military tactical vehicles would
also be exempt.

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MR. LEMIEUX: Presented here are the potential
greenhouse gas emissions reductions based on staff's
proposal.

In 2020, the proposal is expected to reduce
approximately one million metric tons of carbon dioxide
equivalent emissions in California and approximately seven million metric tons of carbon dioxide equivalent emissions nationwide.

Staff also estimates that from 2010 to 2020 as new fuel efficient tractors and trailers are introduced and in-use tractors and trailers are retrofitted with fuel efficient technologies, greenhouse gas emissions will be reduced by cumulative total of approximately eight million metric tons of carbon dioxide equivalent statewide and approximately 52 million metric tons of carbon dioxide equivalents nationwide.

MR. LEMIEUX: In addition to the greenhouse gas benefits, reducing aerodynamic drag and tire rolling resistance would also reduce oxides of nitrogen emission. The proposed regulation will reduce oxides of nitrogen emissions by approximately 4.3 tons per day in 2014 and 1.4 tons per day in 2020. These reductions will contribute towards attainment of ambient air quality standards for ozone and PM2.5 as set forth in our State Implementation Plan.

In addition, the proposed regulation is also expected to reduce California's demand for petroleum. It is estimated that from 2010 to 2020 a total of 750 million gallons of diesel fuel would be saved from operations
within California alone, and approximately five billion
gallons of diesel fuel from nationwide operation.

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MR. LEMIEUX: The proposed regulation imposes up
front capital costs to purchase and install technologies.
One installed, fuel savings will quickly recoup the
up-front costs.

Shown here is an example of the average cost of
compliance, the fuel savings realized, and the payback
period.

The two columns compare the cost and savings
between a typical tractor and trailer based on whether the
tractor was a new SmartWay certified tractor or was an
older, yet compliant tractor retrofitted with low-rolling
resistance tires.

Note that because the SmartWay tractor is more
aerodynamically styled than the standard in-use tractor,
the fuel efficiency gains are greater for the SmartWay
tractor, 10 percent versus 8 percent.

Correspondingly, the incremental cost of the
SmartWay tractor is higher, $2100 versus $250. But the
payback period for the retrofitted tractor and trailer and
the SmartWay tractor and trailer is roughly the same.

As mentioned earlier, the ratio of tractors to
trailers varies considerably from fleet to fleet. Many
fleets typically own more trailers than tractors in order to maximize operational efficiency.

Staff used the industry average trailer to tractor ratio of 2.5 to 1. A higher trailer to tractor ratio would result in a longer payback period.

MR. LEMIEUX: As mentioned in the previous slide, businesses will incur up-front capital costs to comply with the proposed regulation. However, the initial costs will be quickly recovered from fuel savings. As a result, the proposed regulation would result in an overall savings to the affected industry.

Staff estimates the total cost incurred and the total savings realized by businesses to comply with the proposed regulation over an eleven-year period from 2010 to 2020. Staff estimated that businesses will incur a total annualized cost of approximately $8.5 billion from equipment cost and maintenance, and a total annualized savings of approximately $17.1 billion, resulting in a net savings of $8.6 billion.

These costs and savings figures have recently been updated and thus differ from the cost estimates found in the staff report. Specifically, it was recently discovered that the estimates in the staff report over estimated the costs by

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double counting new tractors and trailers sold each year
and underestimated the savings of such vehicles.

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MR. LEMIEUX: Based on the comment received by
stakeholders during the 45-day comment period, staff
proposes to the Board the following 15-day changes to the
proposed regulation.

Staff proposes removing the 100-mile operating
range exemption from the tire requirements, but keeping
the exemption for tractors that travel less than 50,000
miles annually. The rationale for this proposal is that
tractors and trailers that accrue more than 50,000 miles
per year but stay within 100 mile operating range are
likely to be traveling a significant portion of their
mileage at highway speeds and will receive greenhouse gas
reductions. Even if tractors are operating at lower
average speeds, benefits will accrue due to high truck
utilization and the relatively low cost or no incremental
cost of the tires.

Another proposed modification applies to
refrigerated van trailers. Staff proposed to remove the
reporting requirements for refrigerated van trailers
because compliance would be determined by the model year
of the trailer and not based on any plans made by the
fleet owner. This change would remove a reporting burden
and reduce cost to the affected fleets.

Staff also proposes to exempt solid waste trailers because these trailers often travel off-road to landfills. And thus, side skirts and low-rolling resistance tires may not be appropriate for these trailers.

Staff also proposes to make other minor modifications as appropriate to add specificity and clarity to the proposed regulation.

EXECUTIVE DIRECTOR GOLDSTENE: Thank you.

Madam Chairman, we didn't know if you want to take more questions on this item.

BOARD MEMBER BALMES: I was wondering why flatbed trailers are not included. I understand that flatbed trailers would have less aerodynamic drag to start with. But the tractors and their tires could be streamlined. But the tractor could be streamlined. You have an improved tires. Is there a specific reason why flatbed trailers are not included?

MR. LEMIEUX: Specifically, the design of a flatbed trailer is different than a dry van. They do a lot flexing. And so when you look at an unloaded flatbed, you'll see it has an arch to it. So the designs of skirting technologies that typically fit right along the underneath of the trailer -- and usually those trailers
are straight -- so it requires additional design. That's one factor. There's not really any currently designs available for those trailers.

BOARD MEMBER BALMES: So I understand that. But why not the tires, for example?

MR. LEMIEUX: Also, flatbeds oftentimes go off-road to deliver equipment in different facilities. So staff didn't have the opportunity or the time to really evaluate the effects of the tire needs for that type of equipment or that type of operation. So we plan to come back to the Board and evaluate that and propose tire requirements for flatbed and other trailers in the future.

CHAIRPERSON NICHOLS: The very good numbers on this reflect the fact that this is the SmartWay Program certified devices that already have been through a process of being certified. And all we're doing is really taking them and putting them into our early action plan for AB 32.

Okay. Well, at this point I think we should take a break of about 15 minutes, no more. Try to make it ten. But 15 and we'll come back. Resume.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: Mr. Goldstene, we are going to begin.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
Eric White is going to discuss the overlap between the two proposed regulations. And then we're also going to talk about the incentive funding. And you may want to take a break in between depending.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Thank you, Mr. Goldstene.

I will now discuss how the requirements of the truck and bus regulation and the truck and trailer greenhouse gas regulation generally do not effect the same fleets and most of the costs do not overlap.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: In general, most long-haul trucks travel considerably more than 100,000 miles per year, are purchased new, and are replaced in three to seven years.

These trucks, which must meet the requirements of the proposed truck and trailer greenhouse gas regulation, are normally replaced ahead of the schedule proposed in the truck and bus regulation.

In contrast, a typical truck that would need to be cleaned up under the truck and bus regulation would be about 12-years-old, with most traveling less than 50,000 miles per year. This means that most older trucks would
not be subject to the truck and trailer greenhouse gas regulation. Because some fleets operate older trucks more than 50,000 miles each year, they could experience costs from both proposed regulations. Staff considered this and provided a compliance option in the truck and trailer greenhouse gas regulation to reduce overlapping compliance costs by beginning more slowly and extending the compliance period. Staff also intends to make incentive funding available to comply with both proposed regulations.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: This chart shows the tractor trailer combinations by age and mileage that operate in California. It does not include other types of trucks and buses. The green area on the chart shows which tractor trailer combinations could have cost impacts from both regulations. These are the trucks that travel more than 50,000 miles per year and are eight years old or older. Recall, trucks that are this old would have to be either retrofit and/or replaced under the truck and bus regulations.

As you can see, the other trucks shown on the graph would either need to meet the requirements of only
one of the two regulations or are too new and travel too few miles to be impacted by either regulation. The next slide shows the proportion of the truck population operating in California that could have cost impacts from both regulations.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: This chart represents the nearly 1 million trucks and buses operating in the state covered by both regulations. The colors on this chart correspond to those on the previous slide.

As you can see, the only about five percent of the trucks operating in California could have costs associated with both regulations.

Throughout the development of both proposed regulations, staff emphasized the need for effective enforcement. This is because a robust enforcement program provides a level playing for fleets who are making a significant financial investment to comply.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: To address this, staff will place a high priority on the effective enforcement of both regulations. ARB's enforcement efforts will build on our existing diesel enforcement programs and will include a strong presence
both in the field as well as auditing fleets. We also plan to expand our existing reporting systems to receive and maintain vehicle information and intend to cross check the information reported with other existing registration programs.

Staff will also request additional resources to augment ARB's existing enforcement, outreach, and implementation activities.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: I will now discuss the availability of incentive funding and how ARB's incentive programs are being coordinated to assist fleets.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: In aggregate, ARB's incentive programs will provide greater financial assistance to on-road fleets than ever before.

As you'll likely hear in comments and testimony, industry faces significant economic challenges with the proposed regulations. In these changing financial times, many fleets may have trouble obtaining traditional lines of credit for new equipment purchases.

Existing and upcoming grant programs can provide substantial down payments, and new loan guarantee programs
can help secure financing for the remaining balance of a truck purchase.

The grant and loan guarantee programs I will describe can help fleets considerably, and the State's funding will play a key role in the success of both regulations.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: An unprecedented amount of funding is available to fleets through a variety of incentive programs. In many cases, these programs can be coupled together to provide maximum assistance to effect the fleets.

I'll introduce the menu incentives and then speak more specifically about each program, and finally address the option available to the different types of fleets affected by the proposed rules.

First, let's focus on the portfolio of incentive option. The Carl Moyer program provides approximately $140 million per year throughout California for purchasing mobile vehicles and equipment in advance of the compliance deadlines.

Future funding for exhaust retrofits and new vehicle purchases will be available as grants and vouchers, and proposed changes to the program guidelines will expand fleet eligibility.
The Goods Movement Emission Reduction Program enabled by Prop 1B provides over $1 billion expected over several years to achieve early or extra emission reductions from freight movement in California's trade corridors.

Staff expects that future funds will be distributed as grants and loan guarantees. Assembly Bill 118 provides funds that will allow fleets to access approximately $350 million in loans they may not otherwise obtain on their own. These funds issued as loan guarantees to participating lenders will be available to smaller fleets throughout the state.

Approximately $200 million distributed through the Lower Emission School Bus Program will assist California school districts to retrofit their school bus fleets.

Let's look at these programs in more detail.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

WHITE: The Carl Moyer program has funded over 2,000 on-road heavy-duty vehicles in the first ten years of the program and will continue to be an important source of funding for on-road fleets.

Many stakeholders and the Board have requested that staff integrate incentive options with regulatory
requirement. In response, staff developed several changes to the 2008 Carl Moyer program guidelines to align more closely with the regulatory proposals before you today. We anticipate an Executive Order in January to formally implement these changes.

First, we will extend the eligibility criteria for old trucks by three years so that 1993 and older trucks can participate in fleet modernization. Next, we will shorten the minimum surplus requirement from three years to two years only for small fleets complying with the 2012 compliance deadline in the truck and bus regulation. This will allow more funding and additional time for small fleets to receive funding and will create an incentive for them to purchase 2010 trucks.

Also, a new option will allow an owner to retire two trucks and combine their usage to help qualify for one new replacement truck. A similar option already exists in the current Moyer guidelines for off-road equipment.

These changes are supported by local air districts and will primarily help small fleet owners by increasing the number of vehicles eligible for funding.

To take advantage of this additional flexibility, Carl Moyer Program grants recipients would need to use the BACT compliance schedule during the contract term.

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WHITE: The majority of Carl Moyer Program funding will still be allocated and administered by California's local air districts in the traditional manner, with the changes just described.

Additionally, staff has developed a new grant option for small fleets scheduled to begin in spring of 2009.

This new grant program greatly simplifies the application process. A truck owner could choose a compliant new or used truck at a dealership, complete the grant application while still at the dealership, and within a week receive a voucher worth up to $35,000 for a down payment on that truck.

Staff has streamlined the administrative requirement to make it easy for local air districts, dealerships, and truckers to participate statewide.

The voucher option could also pair with the loan guarantee at the same time, to provide a complete financing package for a small fleet owner.

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WHITE: Authority granted under AB 118, AB 109, and AB 1338 allows ARB to implement loan guarantee programs for small fleets and fleets under financial hardship.
We have partnered with the State Treasurer's office to develop a loan guarantee program through the existing CalCAP, or California Capital Access Program. Beginning in the spring of 2009, ARB and CalCAP can assist small businesses to obtain loans they otherwise would not receive. This program targets companies that fall just outside lender's standard loan criteria, including those that likely could have until recently obtained financing, but who would now be turned away in today's more conservative credit climate. The program is not intended for very high risk borrowers.

This program design will allow ARB and CalCAP to leverage State dollars at a ratio of about seven to one. This means our initial allocation of funding under AB 118 can secure at least $350 million of competitively priced loans for truckers complying with the proposed rules.

As you have probably noticed in your packet of stakeholder comments, a number of banks have written letters of support, voicing their intent to participate in this program.

Trucking companies will be able to use loan proceeds to purchase used trucks, new trucks, SmartWay products, and exhaust retrofits to comply with the proposed regulations.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

WHITE: About half of the one billion dollars Prop 1B dedicated to emission reductions in California trade corridors has been appropriated to ARB so far.

Funds from most recent appropriation will go toward replacements of 2003 and older trucks in the form of grants, regardless of fleet size. Grants will be awarded competitively, based on cost effectiveness and total reductions. Staff is also developing a loan guarantee component for small fleets.

Similar to the Carl Moyer Program requirements, a Prop 1B funded truck could not be part of fleet averaging during the two- to three-year period in advance of the BACT compliance date for that truck.

The Board will consider program guideline revisions at the February 2009 Board hearing. The proposed changes will include lowering the minimum gross vehicle weight rating to 31,000 pounds to make most Class 7 trucks eligible for funding. Staff will also propose to allow funding up to two years prior to a compliance deadline, rather than a three years currently required.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF

WHITE: Now that I’ve explained the options available, let’s look in detail at what this may mean for the various
types of fleets affected by the proposed rules. Small fleets of one to three trucks have the most funding opportunities. They are eligible for Carl Moyer funding, Proposition 1B funds and loan guarantees. The financial assistance these programs offer will help truck owners upgrade to 2007 or newer trucks, which will bring their fleet into compliance beyond 2020. Upgrading to 2010 or newer trucks will complete their compliance obligations under the proposed regulations.

The Fleet Modernization Program provides Carl Moyer funding to replace 1993 or older trucks, granting up to $75,000 per truck replacement. Fleet modernization is only available in air districts that have approved Carl Moyer Program Fleet Modernization Plans. Currently, these districts include the South Coast, San Luis Obispo, Sacramento, and Butte County.

The new voucher program offers a significant grant for truck replacement as well. Although the grant amount is lower than that for the fleet modernization option, vouches will be available statewide and offer a quick simplified application and award process.

Truck replacement funds are also available under the Proposition 1B Goods Movement Program if the trucks move goods in California's trade corridors. These include the Central Valley, Bay Area, Los Angeles Inland Empire,
and San Diego areas.

Loan guarantee programs will be available in spring of 2009. We expect many truck owners to use grant funding as a significant down payment in combination with the loan guarantee for the balance of the cost of a replacement truck.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Large fleets operating in trade corridors have replacement funding options available through the Prop 1B Goods Movement Program. The maximum funding amounts for 2003 and older trucks are identical to those for small fleets.

Enabling legislation allows some flexibility for loan guarantees for large fleets if they face financial hardship. Staff generally defines fleets of ten trucks or less as meeting this criteria.

Large fleets are also eligible for grants to offset the cost of verified Level 3 exhaust retrofit filters.

New retrofit technologies such as selective catalytic reduction are expected to achieve NOx reductions that make emissions from used truck equivalent to those meeting 2007 engine standards and later. When those devices become ARB verified, they will also be eligible.

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for incentive funding. During the technology tour tomorrow morning, you will have a chance to preview some of these innovative devices.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Agricultural vehicles and school buses have unique funding options.

Since the proposed regulation provides agricultural vehicles with extended compliance deadlines, they will have longer surplus funding opportunities. Whereas, incentives from most fleets will end by 2010, we are providing agricultural vehicles funding eligibility through 2019.

School buses are eligible for retrofit and replacement funding through the $200 million Prop 1B Lower Emission School Bus Program. The Board has strongly supported the retrofit portion of the program over the years, although most school districts have preferred new buses. Retrofits make economic sense since they can bring ten buses in compliance for the same cost as one bus replacement.

The School Bus Program will provide full funding for at least 3500 exhaust retrofits. When staff presented to this Board in March, we estimated the Lower Emission School Bus Program would also replace about 1100 new
buses, although the exact split between bus replacement and retrofit is legislatively left to the discretion of local air districts.

Overall, the program has more than enough funding to retrofit every public school bus in California that can be retrofitted if a small portion of the expected replacement funding is dedicated to retrofits.

With this shift, 95 percent of the regulatory costs for school buses would be paid by the State funding. In addition to the current Prop 1B program, school bus replacements can be funded by other sources, including local air district motor vehicle fees and the California Department of Education.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: As I've outlined here, 2009 will bring an unprecedented commitment of on-road funding programs and the widest variety of program options ever afforded to truck owners. This diagram shows the variety of location a truck owner can choose to access the various incentive programs, including local air districts, ending institutions, truck dealerships, and truck stops.

Although most access points specialize in particular program, ARB is developing a collaborative outreach plan that will enable each access point to offer
information regarding all funding options.

Comprehensive outreach will be especially important to help truck owners match grant funding from air districts and truck dealerships with loan guarantees from banks.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: This chart offers another way to view the incentive options we've discussed today. No matter the funding source or the fleet type, fleets that act early will have the greatest opportunity to receive incentive funds.

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HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Today, I've presented to you a number of incentive option for funding heavy-duty on-road fleets, representing the greatest amount of funding available yet. Staff will closely collaborate as we implement these funding options so we can best assist affected fleets to access these significant opportunities.

This completes the overview of the availability of incentive funds.

Now Mr. Goldstene will finish the rest of the staff presentation.

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EXECUTIVE OFFICER GOLDSTENE: Thank you, Eric.

Board members, you've heard a lot today about just how important these proposed regulations are to meet our SIP attainment demonstration. Without these reductions, both the South Coast and San Joaquin Valley Air Basins will not achieve federal clean air attainment. This could place over half of the three billion dollars of federal transportation funding that California receives each year and the jobs it provides at risk.

But more importantly, without swift and aggressive action, thousands of lives will continue to be lost prematurely each year from the effects of truck pollution with an economic valuation of tens of billions of dollars. So while the cost of the proposed regulation is significant, the benefits it provides greatly outweigh its costs by greater than a factor of ten.

Staff has made every effort to reduce the economic impacts of the proposed regulation by providing significant flexibility and additional time where feasible. However, the State's obligation to meet federal clean air standards simply doesn't provide any opportunity to slow down our efforts, and the alternatives that have been forwarded by industry won't provide sufficient emission reductions for us to meet our SIP targets.

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EXECUTIVE OFFICER GOLDSTENE: The truck greenhouse gas proposal is one of the nine Discrete Early Action measures. As one of the early action measures, the only one identified to reduce greenhouse gas emissions from heavy-duty vehicles, it's an important part of the greenhouse gas emissions target in AB 32.

Although there is a cost associated with initial compliance, purchasing new tractors and trailers or retrofit existing units, compliant trucks and trailers will useless fuel, saving their owners and operators money. Thus, the initial capital investment in control technology is an investment that will pay for itself often in as little as a few years.

EXECUTIVE OFFICER GOLDSTENE: A key element that makes both of the proposed regulations feasible is that this technology needed to comply with them is here today. There are nearly a dozen exhaust retrofit devices currently verified and available for fleets to use to comply with the PM requirements of the truck and bus regulation, with thousands having already been installed here in California. In addition, new trucks are rolling off assembly lines today already equipped with filters, and engine manufacturers are on track to produce even cleaner 2010 compliant engines.
For the proposed truck greenhouse gas regulation, new SmartWay certified tractors and trailers are already being produced and driven on roadways across the country and everyday low-rolling resistance tires are replacing conventional tires on tractors and trailers as a way for fleets to save money. For fleets that have integrated this technology into their operations, they are already realizing the savings from reduced fuel consumption.

To provide an opportunity for the Board to see this technology firsthand, tomorrow morning staff has arranged a display on 11th Street. This in the morning. The display will include a SmartWay certified tractor and trailer as well as new retrofit technology that is similar to what will be used by engine manufacturers to meet tough 2010 new engine standards.

EXECUTIVE OFFICER GOLDSTENE: Throughout the development of both proposed regulations, staff has made every effort to minimize the economic impacts on affected fleets while preserving the emission benefits they provide.

For example, the first compliance requirements do not begin until 2010 and are phased in over the next decade, while for small fleets additional time has been provided. Also the multiple compliance option provides
significant flexibility to fleets to choose the least cost compliance path.

In addition, there is little overlap between the two regulations because long-haul trucks needing to comply with the truck and trailer greenhouse gas regulation are replaced more frequently and are ahead of the requirements of the truck and bus regulation.

EXECUTIVE OFFICER GOLDSTENE: The economic impact of both proposed regulations would be reduced by incentive money being made available to fleets particularly small fleets. Staff is coordinating more than one billion dollars to assist fleets with actions associated with reducing emissions from trucks and is taking a leadership role in building relationship with private lenders who are key partners in making low interest loans available.

EXECUTIVE OFFICER GOLDSTENE: Staff recommends the Board approve both of the proposed regulations with 15-day changes. Staff would also suggest to monitor impacts of the proposed regulation on student transportation services and to report back by the end of next year on localized impacts of the proposed agricultural vehicle provisions.

Before we introduce Mr. Lurmann to present his
study, I don't know if the Board wants to ask any
questions about the rule or if you want to move.

CHAIRPERSON NICHOLS: I think we want to get
going.

EXECUTIVE OFFICER GOLDSTENE: Okay. So let me
introduce Mr. Lurmann, who is a principle investigator in
the recent Cal State Fullerton study that evaluated the
adverse health and economic impacts of poor air quality in
Southern California and in the San Joaquin Valley.

Mr. Lurmann.

MR. LURMANN: Members of the Board. My name is
Fred Lurmann. I'm manager of Exposure Assessment Studies
and President Emeritus at Sonoma Technology.

I'm here today to describe a recent study of the
benefits of meeting federal clean air standards in the
South Coast and San Joaquin Valley air basins.

This study was conducted with my colleagues Jane
Hall and Vic Brajer at Cal State University Fullerton and
it was funded by the Hewlett Foundation.

Briefly, the purpose of our study was to assess
what's the cost to more than 20 million people living in
the South Coast and San Joaquin Valley of sort of the
status quo in air quality where there's frequent and
severe exceedances of the ozone and PM2.5 standards.

We addressed this question using a fairly well
established and widely accepted methodology to assess exposure, health impacts, and economic values. We began using this approach about 20 years ago and published the methodology and science.

MR. LURMANN: The general approach has been used by EPA, by ARB staff, and so forth. There are minor differences in the parameter choices and spatial resolution and other things. But the general approach has been used many place.

Our findings from the study on the exposure are really what most of you probably know. There's no clean season for air pollution in either of these regions. You have a warm season with unhealthful levels of ozone and a cool winter season extended, winter, fall and winter, with elevated PM levels.

We have about 65 percent of the population of these regions that live in areas where the annual PM2.5 standards exceeded. A lot higher percentage exceed the State standard.

And for ozone, we have residents living all the way from Fresno County down to Kern and the Inland Empire, Riverside to San Bernardino, where there's 40 or 50 days per year above the ozone standard.

Now, the most troubling consequence of this is
really the --

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MR. LURMANN: -- premature mortality. We estimate in our study 3,000 early deaths every year in the South Coast. Another 800 early deaths in the San Joaquin Valley, for 3,800 total. Just to put this in perspective, this is more than the number of automobile fatalities in those counties per year.

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MR. LURMANN: Other health benefits are listed here. I'm not going to read them all. But they are substantial. You know, 1900 cases of chronic bronchitis in adults. Another 1,600 cases of acute bronchitis in children; emergency room visits; hospital admissions; non-fatal heart attacks, in significant numbers. And 140,000 asthma attacks. And a large number, over a million, of school absences. This is quite a laundry list.

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MR. LURMANN: Now the estimated the cost -- the economic value of meeting the standards and eliminating these health impacts. In the South Coast, it's nearly $22 billion per
year, or $1200 per resident.

San Joaquin Valley, it totals about almost 6 billion per year, or $1,600 per resident, for a total of $26 billion.

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MR. LURMANN: This actually has some conservative aspects built into it. We've always used this in our methodology. But it emits some important health benefits that cannot be valued economically.

One of the most important health effects of air pollution is reduction in pulmonary function and also new cases of asthma. And these are things with present methodologies can't really be valued. So in that respect, our estimates are on the lower side.

Also, it ignores important health impacts on people living very close to busy roadways which are additional and we believe independent effects from regional air pollution.

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MR. LURMANN: So in conclusion, I'd really like to keep this simple. We are talking about a large cost associated with adverse air quality and the public health benefits of reaching the standards in our view are quite substantial.

And as an air quality scientist who's been

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involved with California air quality issues for more than 30 years, I believe progress on compliance with these standards can only be achieved with regulations that address these remaining poorly controlled emission sources like diesel trucks and buses.

I don't believe the argument that it's simply too costly. It's too costly not to do anything about this. It really boils down to the question of whether you want to spend money on health care or emission controls. And I strongly prefer spending on emission controls to improve public health.

Thank you.

CHAIRPERSON NICHOLS: I know for many years, going back to when I first started doing this work, you know, in the '70s people were trying to find ways to put a number on the benefits so you could actually weigh the costs against the benefits. And it may not be perfect, but it's at least getting better. So we appreciate your contribution.

Thank you.

We have, as you can all tell, a lot of people who want to testify. And I just want to say a few things about how I hope we can get through this both expeditiously and civilly.

So there's going to be a two-minute time limit on
all witnesses.

There's a list. And you can find the list. It's up on a big screen out in the hallway. There's about 80 copies of it floating around so that people can see where they are. If I don't have to keep reading the names and getting people to come down when they're called for, we will save everybody a lot of time. If you would come in groups of, you know, three, five or so at a time and be lined up waiting for your turn, you will save yourselves and all your fellow members of the group here time as well. And if we can get you to cooperate, that will be really helpful.

The other thing I'm proposing is an incentive program. So for those of you who don't know, Air Resources Board members don't get paid for lunch or snacks. So if you see us up here munching on a piece of candy, it's because everybody wrote a check and somebody went out and got it for us. But we've decided to contribute our snacks to you. And we're going to use an honor system here. If you finish your comments in your two minutes or less, please help yourself to a snack from the bowl that's up on the podium. If not, you know who you are, and you'll be -- you know, you'll be very bad and Santa will notice if you take something without having actually met the two-minute limit.
But I'm usually kind of relaxed about this stuff. You know, I let people wrap up, finish up. I'm not going to do it this time. I'm going to be tough. I'm just cutting you off when you get to your two minutes. And really it's only fair, because everybody has something to say but not everybody has new information to actually bring to the debate.

The other thing I want to just admonish people -- I know you know this, but I'm going to say it anyway. The Board members have indicated, some of us very openly, questions and concerns that we have. We are here to listen, and we do want to learn from you and get more information. However, we don't actually make decisions based on how many people are for or against a rule. We can't do that, for one thing, because legally we have certain parameters that we have to operate in. So there are going to be people who are speaking for, there are going to be people speaking against, and there's even a few I see who are neutral. Please, if you can restrain yourselves from cheering. A laugh or two if somebody says something funny is okay. But other than that, you know, jeers and boos and stuff like that are really not appreciated.

So with that, let's get started. And the first group of people, Michael Delbar, Jack Broadbent, Shawn
Guttersen, Steve Weitkamp, David Piech, let's come on
down.

And welcome.

MR. DELBAR: Good afternoon, Madam Chair and
members of the Board. I'm Michael Delbar, 1st District
Supervisor from the County of Mendocino. And I'm here to
represent my unanimous board and our comments in regard to
these rules.

You have our resolution I believe, and I won't go
into those details. And given the time constraint, I'm
going to read you some bullets.

We are in attainment in Mendocino County. In
fact, we have an A rating by the American Lung
Association.

We have an economy that's based on natural
resources, primarily agricultural and timber. These are
seasonal activities. And we cannot, despite your staff's
claims, simply pass on the cost of these regulations to
our consumers. We cannot do that.

We are completely dependant on heavy-duty diesel
equipment for the delivery of goods in and out of
Mendocino County. We have no airport, we have no
railroad, we have no ports.

We have a median income of 27 percent below the
state average. And we have an unemployment rate of 7
Sixty percent of our heavy-duty equipment --
diesel equipment is model year '94 and older; 76 is 2000
and older. Banks will not loan on equipment older than
ten years.

And just like the rest of the State of
California, we're struggling. And these proposed rules
for both on- and off-road diesel equipment will absolutely
cripple our economy.

The question came up, Doctor, as to what the
percent that would go out of business. In Mendocino
County, 37 percent surveyed said they will downsize,
50 percent said they're out of business. I hope that
answers the question for Mendocino County. And I think
that is probably typical for most rural counties in the
State of California.

We gave money back to the state, something
counties cringe to do. We gave $64,000 back to CARB
because our Carl Moyer applicants cannot do the project
and meet the new regs. That I think says a lot.

We had 107 fires in Mendocino County this
summer - lightning strikes. Not one piece of the fire
equipment on those fires would meet these regs. That I
think says a lot.

We are adamantly opposed as you see by that
resolution. Again, unanimously approved by my diverse board. And that says a lot for Mendocino County, believe me. And we request the Board complete a detailed economic impact analysis for rural counties. That is critical.

CHAIRPERSON NICHOLS: Thank you.

Time. Thank you.

MR. DELBAR: Thank you, Madam Chair.

CHAIRPERSON NICHOLS: Jack Broadbent.

MR. BROADBENT: Good afternoon, Madam Chair, members of the Board. My name is Jack Broadbent, and I serve as the Executive Officer for the Bay Area Air Quality Management District.

On behalf of the air district -- the Bay Area District, I offer our very strong support for the staff's proposed In-use On-road Diesel Vehicle Rule and the other rule amendments before you today.

In the San Francisco Bay Area there is a heavy reliance on trucks to move goods and provide services. Because the diesel PM represents about 80 percent of the risk and because we have a somewhat dense population in the Bay Area, we have a number of impacted communities including the West Oakland, Richmond, the Bayview in San Francisco, Concord, San Jose, and the 880 corridor.

From our Community Air Risk Evaluation Program, the West Oakland community alone, the residents in that
community run the risk of about three times higher than
the rest of the Bay Area just from breathing the air. And
this is in large part due to just all the truck traffic
along the 880 corridor.

The rule before you today will significantly
reduce the risks and improve air quality in the Bay Area
as a whole.

We also support the flexible compliance
approaches that are recommended by your staff. And we
stand ready to help implement this rule, not only through
our grant program, but also our enforcement efforts as
well.

So in closing, we strongly support this rule,
Madam Chair, members of the Board.

Thank you very much for this opportunity.

CHAIRPERSON NICHOLS: Thank you. You've earned a
pretzel or a --

(Laughter.)

MR. BROADBENT: Thank you.

CHAIRPERSON NICHOLS: Thanks very much.

Mr. Guttersen, followed by Mr. Weitecamp.

Is Mr. Guttersen here?

All right. Dave Piech.

MR. PIECH: Thank you, Madam Chair and the rest
of the Board. Thanks for the opportunity to comment.
Dave Piech from Navistar. We're certification and compliance of new engines. And Navistar is one of the largest -- a large producer of new diesel engines and diesel engine emission technology.

The two items that I really want to mention - I've already submitted comments - but specifically the regulation suggests that the installer and manufacturer of the emission retrofit will determine the OEM warranty. And that is the wrong. The original engine manufacturer will determine that warranty. And they'll generally determine that warranty at the time of failure. And that's important because, as it applies to '06-'07 and through '09 engines, those engines have an integrated DPF -- as far as manufactured by International, have an integrated DPF and engine control technology to regenerate the DPF. And removal or replacement or changing that after-treatment system can affect and will affect emissions performance of that engines. And at that point in time if there's either replacement by another manufacturer of an emission control technology or some other sort of add-on technology such for NOx reductions, that would have to be determined at that point in time.

And the last item as far as the truck, because we do manufacture trucks that go into various configurations, we are concerned at Navistar that the truck configuration...
with this after treatment may not be applicable in all circumstances.

So we're willing to work with the ARB staff to see what we can do to make the rule applicable to these considerations. And we look forward to that discussion.

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

Mr. Mangalindan.

MR. MANGALINDAN: Chairman Nichols, members of the Board. My name is Alvan Mangalindan, a representative of the Crane Owners' Association and Association of Crane Rental Contractors out of northern California.

Our members currently own approximately 1,000 mobile cranes, of which a large portion are two-engine cranes that are licensed for travel on California roadways. As you are probably already aware, our industry is currently subject to multiple CARB regulations and their respective record keeping and reporting requirements, specifically the PERP and the off-road regulations.

In an effort to address these issues, we've worked with -- we continue to work with CARB staff as a means to address issues in our industry regarding cost efficiency and while still being able to achieve CARB's emissions goals.
We'd like to thank CARB staff for their efforts and for their continued willingness to work with us.

We request from the Board today that the two-engine crane provisions contained in the rulemaking package today be adopted immediately, independent of any possible delay as to the rest of the provisions contained in the rulemaking package.

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

Is Mr. Goliti here?

Apparently I skipped over Mr. Weitecamp, California Moving and Storage Association. If you're here, I didn't -- I'm sorry. Please come testify.

No?

And we're trying to move in people from the other room who apparently didn't realize. If you're on the list, on the first page or two, please come on in.

Okay. Wendy Mitchell.

Thank you.

MS. MITCHELL: Good evening, Madam Chair and members. My name is Wendy Mitchell. I represent W.M. Consulting, and I'm here on behalf of the investor-owned utilities.

I'm here to congratulate staff on the wonderful job that they did on this complicated issue. We feel that
they streamlined on both the Public Utility and the Private Fleet Rule and actually reduced the criteria pollutants. And, therefore, we think this is a win-win for the policy and for the State of California. We know these are difficult decisions and difficult times for everyone. But we appreciate the hard work of the staff and the Board.

Thank you very much for your efforts.

CHAIRPERSON NICHOLS: Thank you.

David Allen, Matthew Marsom.

The gentleman who's standing here, did I fail to call you?

MR. GOLITI: Rob Goliti.

CHAIRPERSON NICHOLS: I'm sorry -- oh, Rob Goliti, come up on. Sorry. I called your name and then passed over you.

MR. GOLITI: I thought I took an invisible pill.

CHAIRPERSON NICHOLS: You're being too polite.

MR. GOLITI: I'm Rob Goliti. I'm President from Air Carrier. We're located in Fresno, California. I have 12 tractors and 16 refrigerated trailers. I'm going to have to comply with two rules at the same time.

But I'm actually not here to either oppose or support the rule. I'm concerned about the notion that we're going to be able to pass the cost on to consumers.
In that light, if you do not enforce whatever rule you adopt - I don't mean just throw it out there and do it randomly - you're going to create a really bad situation for those of us that have been in business for a long time. Because what's going to be created is I'm going to pay $125,000 for a truck, $65,000 for a trailer, and my competitor will spend $10,000 for a truck and $5,000 for a trailer. So you don't have to be an accountant to understand the numbers there when they go in and they bid on loads that I'm doing.

My friends and I have already lost a substantial amount of business this year from rate cutting, mostly from out-of-state carriers that come in. So I'm a little concerned about the three-day provision for the out-of-state carriers, because typically what they do is they come into California, deliver their load, perhaps in the Bay Area; in order to reposition the truck in Los Angeles, they'll take a load at below cost to get to Los Angeles. So you have intrastate carriers here that need those loads at a fair profit in order to do these things.

So when you start carving out portions of the industry, you're going to create fraud. And it's going to be there whether you do it or not. And that's why I hope you have a plan in place, whether it's holding the shippers or receivers liable for using carriers like that,
because it's going to be very hard to monitor the situation. And if you don't, those of us that have been around for a long time will not be around any more. Thank you very much.

CHAIRPERSON NICHOLS: Thank you. Good point.

I'm making a note to ask about that later.

David Allen.

MR. ALLEN: Yes, ma'am. My name's David Allen. I'm with Alenco Consulting in Fresno, California.

Earlier today I heard a question about what the cost is of people going out of business -- truckers going out of business. If we take 10 percent of the truckers on the road, which would be about 15,500 truckers, and extrapolate it out, what they would lose -- what the state would lose in terms of revenue into the state coffers: We talk about income taxes based on two drivers; one office worker; DMV fees with two tractors and two and a half trailers; DOT fees based on two tractors, two and a half trailers; state sales tax based on paying just $2,000 per company for annum, which is a low number; and fuel tax revenue based on $1500 per company per annum, you're looking at a yearly net loss to the state in revenue of $64,606,000 at 10 percent. That's 15,000 trucks.

If we double it and we lose 20 percent of our fleet, we end up with $129,212,000 in lost revenue to the
State of California.

If we go with the numbers from Mendocino County, which was 30 percent, we end up with $193,818,000 in lost revenue to the state of California.

We are in a financial crisis. Do we want to strap small businesses and run them out of business, cause the State of California to lose the kind of revenue that you're talking about here, in a time when we need to worry about the coffers of the state?

I thank you for your time, ladies and gentlemen.

CHAIRPERSON NICHOLS: Thank you.

Matthew Marsom.

MR. MARSOM: Good afternoon, Chair Nichols, members of the Board. My name is Matthew Marsom, Director of Public Policy at Public Health Institute. And we're pleased to have the opportunity to add our voice to the many others who are to vote of adoption on the proposed diesel truck and bus regulation without delaying implementation or weakening health protections.

We applaud CARB for tackling smog-forming emissions, particulate matter, and global warming emissions from the single biggest source of toxic diesel pollution in the state. CARB must adopt both regulations to protect public health from poor air quality and the impacts of climate change.
Of course we are well aware of the challenging economic times that we face here in California and that you are presented with -- as you are presented with this regulation. However, the cost of doing nothing to address the harmful health, social, and economic costs of these emissions are far greater. CARB's own estimates show that the regulations will save over 9,000 lives over the course of the next decade and between 49 to 69 billion in health care costs due to the prevention of early deaths, illness, and hospitalizations.

In the short time I have I want to emphasize two points: First, that the health effects of diesel pollution, specifically in air pollution in general, are most burdensome in low income communities and communities of color, most impacted by the multiple sources of pollution. The public health community sees at firsthand the devastating impacts of these pollutants on those who are most at risk through increased burden of chronic disease and lost lives.

Secondly, truck drivers themselves have an excess lifetime cancer risk. Long-haul drivers with the longest driving records are one and a half to two times as likely as workers not exposed to diesel exhaust to develop lung cancer during their lives. New research shows that short-haul truckers face even higher rates of death and
The study concluded that a reduction of diesel particulate matter would have health benefits for the trucking industry and the general public who live, commute, or work near diesel vehicles.

Children are especially susceptible to the harmful effects of diesel soot because their lungs are still developing.

Finally, we do hope that CARB will continue vigorous outreach --

CHAIRPERSON NICHOLS: Time's up.

MR. MARSOM: -- to truck drivers.

Thank you for allowing me the time. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Jay McKeeman.

MR. McKEEMAN: Good evening, Board members,

Chairman Nichols.

Dr. Telles, I have a very unscientific way of giving you an estimate of how many people might go out of business. Will all those people in the audience that might go out of business because of this regulation please raise your hand.

Very unscientific, but at least an expression of interest.

I'm Jay McKeeman with the California Independent
California motorists rely on a largely invisible system when they fuel their vehicles. Almost 20 billion gallons of gasoline and other fuels are distributed annually in this state and motorists have become accustomed to the ability of shopping fueling locations at their leisure, with confidence that the fuel will be there when they need it.

Californians do not realize that this distributed-just-in-time system works based upon a myriad of small independent and family-owned businesses. Those are our members, fuel distributors.

In addition, there's been a significant change in the ownership of retail stations in the state. Many of the major oil companies are quickly divesting their interest in service stations to small or medium-size businesses. And also a number of our members own and operate service stations as well.

The reason I go into this detail is that there is a perfect storm brewing on the horizon. That perfect storm is related to air quality and other environmental mandates that are providing significant expense to our members.

The first element of the perfect storm is something that you're familiar with called the enhanced

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vapor recovery. And by April 1st of next year all service
stations need to be retrofitted --

CHAIRPERSON NICHOLS: Time. I'm sorry. But you
have submitted written comments and we make sure that we
can --

MR. McKEEMAN: These were not in my written
comments.

CHAIRPERSON NICHOLS: This is addition --

MR. McKEEMAN: And I'll forgo the cookie.

(Laughter.)

CHAIRPERSON NICHOLS: I know. But you'd have to
get three other people to give up their space to you as
well, if anybody wants to donate their time.

Thank you. I'm sorry. We're trying to give
everybody a chance.

Linda Weiner.

MS. WEINER: Good evening. My name is Linda
Weiner with the American Lung Association. Thanks very
much to the CARB staff for all of your hard work.
I'd like to speak very briefly about the health
costs of the regulations in terms of public health
history, so to speak.

Any time a new industry sector is regulated there
are always issues of cost of compliance, understandably.
But just as with seat belts and catalytic converters and
other vehicle pollution controls, California benefits by
taking the lead. And as with other CARB diesel controls,
this regulation will provide many times more benefits to
the health of the public than the cost of the regulation.
And this is especially true now.

With every new study and with improved research
methodology, we have a better picture of the health
impacts in terms of cost and in terms of number of
impacted California residents from illness. And the
results show at least $8 in benefits for every dollar
spent on the diesel truck and bus regulation.

In addition, this is the largest amount of
available funding ever provided the state being offered to
offset compliance costs. So by enacting this regulation,
not only would the State of California save money but also
relieve the genuine toll of human suffering from asthma,
lung cancer, heart disease, and premature deaths, with the
high burden on seniors, elderly, truck drivers, and low
income communities who are the most impacted.

We know the human suffering is real because at
the Lung Association we work with people who can't breathe
because of air pollution. And we respectfully ask today
that you adopt a strong regulation and make public health
history by doing that.

Thank you.
CHAIRPERSON NICHOLS: Thank you.

Dr. Janet Abshire.

DR. ABSHIRE: Hello. Thank you to the Board for hearing our presentations.

I'm Dr. Janet Abshire and I'm here at this -- the California Medical Association asked me to present today. I'm an occupational and environmental medicine physician and a preventive medicine physician. And I also have a nutrition degree before my M.D., so I'm very motivated to do anything that's preventive.

I'm in the first line as a physician and I've seen the trend of the increasing asthma patients. I have a patient who is a 68-year-old PhD student in a program, believe it or not, and she actually wears a mask every time she goes outside. She had late onset asthma at the age of 60 while living in southern California, so she's probably a good example of an asthma onset.

And I think that there's plenty of evidence already spoken about about the billions of dollars of cost in medical care and in lost work days and in lost school days caused by the particulate matter and the nitric oxide. But also consider not just the absenteeism and the lost days but also the presenteeism in patients that are suffering from an illness and that are not as productive on the job as they would be and not doing as well in
school as they would be. So we would be improving productivity in the workforce and improving potential in our school children.

So the California Medical Association has had longstanding policies in helping prevent pollution sources. And in October the delegates on the board actually also proposed a specific regulation to limit diesel exhaust. They applaud the Board -- the Air Resources Board for their leadership in this position and establishing this regulation. I believe we can no longer separate the health care problems from the pollution problems that cause them.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Bonnie Holmes-Gen, followed by John White substituting for Dr. Seavey.

MS. HOLMES-GEN: Chairman Nichols and Board members. Bonnie Holmes-Gen with the American Lung Association of California.

And the America Lung Association of California has joined with 16 other state and local public health organizations to urge adoption of this measure. And you have our letter from all of these organizations I believe in your packet that calls on the Board to adopt this critical public health measure without delay, and comments
that this measure is critical not only to prevent premature death and illness but to protect the health of vulnerable populations, as Dr. Abshire was talking about. I wanted to make the comments that as we face the staggering health care costs of diesel pollution, our conclusion is that this regulation is not just something that you could do or you should do but it is something that you must do. You must do this to address the public health crisis created by diesel pollution. You must adopt this regulation to ensure that we meet our federal clean air standards and to ensure further investments toward a clean energy economy.

We have been flooded with concerns about soot pollution from the public. One 70-year-old woman, newly diagnosed with asthma and concerned about rising health care costs, commented that there may be retrofits available for trucks but there are no retrofits available for her lungs. I think this puts a human face on the crisis that we're facing.

You will have and you have heard many complaints today from truck owners and operators, and this is not surprising. There's a big change that you're instituting here, and this industry has escaped regulation for some time. But we urge you to keep your focus on the public health impacts of this regulation and the leadership that
is critically needed from your Board to make this
transition to cleaner vehicle technologies.

We believe your staff has developed a fair and
balanced regulation and done everything possible to
balance a flexibility compliance choices. And the funding
incentives, as you've heard, are tremendous and
unprecedented.

CHAIRPERSON NICHOLS: Time.

MS. HOLMES-GEN: Thank you very much. We urge
you to move forward and adopt both the truck and bus and
the greenhouse gas.

CHAIRPERSON NICHOLS: Thank you.

MS. HOLMES-GEN: I guess I can't have --

CHAIRPERSON NICHOLS: Right.

(Laughter.)

MR. WHITE: Thank you, Madam Chair and members of
the Board. My name's John White representing the Clean
Power Campaign.

I worked on the original legislation that
established the Toxic Air Contaminant program. It's been
a long, long time since the passage of that legislation in
1983. The Diesel Risk Assessment was adopted a
significantly long time ago as well.

We've worked together to put programs in place to
jump start and develop the technology. We now have the
fruits of that labor. We have very, very substantially
good equipment available. And we have now, with the work
that you're doing with the Treasurer's office, a
significant amount of assistance available. In addition
to the Moyer program, that will continue, we also have the
loan programs that you put in place.

I think this is a moment to step up and invest in
our energy economy and in new technologies. I think this
program can and should be expanded to the rest of the
country. We should pool our resources and work together.
I know implementation is going to be tricky, but I think
we all have it in us to work together. And we pledge our
support to you and your staff and to those affected by the
rule because, as Ms. Holmes-Gen said, we know this is
going to be a large step but we think working together we
can get there and accomplish great things for the economy
and public health.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Ryan Wiggins.

MR. WIGGINS: My name is Ryan Wiggins. I'm here
on behalf of Communities for Clean Ports and a large
number of Californians who signed in on my petition to
urge a very strong diesel and truck rule.

This state has been facing a silent economic and
health crisis for many decades. Dirty diesel trucks cost us over $28 billion a year in premature deaths, hospital visits, lost days of work and health costs. According to CARB's own study, this regulation will save between 48 and $68 billion. That's 42.5 -- between 42.5 and $62.5 billion above and beyond the cost of this regulation.

Many say that we should seek alternatives on this. In truth, it would be a great error to delay cleaning up diesel emissions, because you know the economy will recover. And as it recovers, there'll be more trucks on the roads, driving more miles, and emitting more pollutants.

Also CARB made it publicly known to industry and the public through its pieces of legislation including the Diesel Risk Reduction Plan, the State Implementation Plan, the Goods Movement Emissions Reduction Plan, that it intended to pursue these measures and reduce PM emissions by 85 percent by 2020 and comply with federal air quality standards.

The over one billion dollars in public financing should be directed towards small fleets and the older fleets.

One other thing I would like to point out is, as we did this petition, we had over 3,000 signatures outside of California, although we didn't intend to do this. Many
of these benefits will also accrue to other states as well, because we don't just operate in a vacuum. So essentially this program will actually benefit other states, reducing particulate matter petitions in their areas as well.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Dr. Joseph Kubsh.

DR. KUBSH: Good afternoon, Madam Chair and members of the Board. My name is Joe Kubsh. I'm the Executive Director of the Manufacturers of Emission Controls Association. And I'm here today to provide my industry's strong support for the truck and bus reg that's before you today.

Our industry is providing emission control technology solutions for new trucks for 2007 and 2010 trucks as well as a large variety of retrofit technologies that are available already on California's verified list to provide options for compliance with this regulation.

With respect to retrofits, by our count more than 250,000 diesel particulate retrofit filters have been installed successfully on trucks and buses around the world today. And not only do our members develop and verify and manufacture technologies, but we have extensive experience with the safe application of retrofit
technologies on both on-road and off-road equipment, and
we pledge our support to work with your staff to make sure
we put together a good set of safety guidelines with
respect to the applications of retrofits on both on-road
and off-road equipment.

And, finally in this day when green jobs is a
good buzz word that we hear every day on the news media, I
like to think of the emission control industry as the
father of green jobs. We were green before green was
cool. And these regulations, along with other elements of
your diesel risk reduction plan, have and will continue to
produce clean green jobs for California.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you. It must be nice
to be fashionable.

(Laughter.)

CHAIRPERSON NICHOLS: Sean Graham.

MR. GRAHAM: Good evening. My name's Sean
Graham. I'm the President of Freight Wing, Incorporated.
Freight Wing produces aerodynamic trailer attachments that
have been approved for use on EPA SmartWay trailers.
Tomorrow morning our side skirt and gap fairing products
will be demonstrated for the Board.

I'd like to quickly address the primary concerns
regarding trailer dynamics, including fuel savings, return
on investment, durability, and availability.

Freight Wing alone has participated in ten testing projects using industry standardized SAE J1321 procedures that are conducted by respected third parties including the Department of Energy, EPA, and Transport Canada. This testing, in addition to a great deal of data generated by other companies, has clearly demonstrated the 5 percent fuel savings specified by the SmartWay trailer for aerodynamic aids.

We've also conducted extensive fleet operational testing. Over 80 percent of the fairings we sold this year, approximately 2,000 fairings, were sold to return fleet customers that have been pleased with the product's performance.

In a recent J1321 test we demonstrated a 7 percent fuel savings with the new skirt technology that will be on display tomorrow alone. Consequently this product has been approved by the EPA as a standard-alone solution to the aerodynamic requirement of the SmartWay trailer, meaning it does not also require a gap or rear fairing. Note that this is new information and the product was previously considered an emerging technology in the staff evaluation.

With this level of fuel savings and a list cost of $1,600, an ROI can be achieved in approximately 60,000
miles of trailer operation with diesel at the current cost of two-forty per gallon.

Our skirt and others are constructed of very durable plastic panels that can flex to absorb impacts from the side and ground low-clearance situations. Our products are also compatible with intermodal operations due to an angled mounting configuration.

Several suppliers are well positioned to meet the industry's potential need for aerodynamic attachments. Through relationships with major industry suppliers and trailer OEMs, we currently have extensive national product support and manufacturing capability.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Andy Garcia.

MR. GARCIA: Madam Chairperson, members of the Board. My name is Andy Garcia and I'm here representing GSC Logistics as Chairman of the Board, while opposing the Private Fleet Rule.

My company employs over 150 drivers at our logistics facility within the Port of Oakland. Many of our drivers have purchased 2004 tractors, attempting to abide by existing CARB regulations. The Private Fleet Rule will be devastating to port drayage drivers because their 2004 tractors will be in violation of CARB's
regulations after December of 2011. All port drivers have financed their 2004 tractors over a minimum of 60 months and could not trade it in for a newer tractor if the Private Fleet Rule is implemented. Fundamentally the drivers would be out of business.

The downturn of the economy is affecting the Port of Oakland as an import or export gateway. Oakland still remains as a discretionary port for all importers. The current trends for container fees, infrastructure fees, and CARB's regulations are forcing importers to choose alternative import gateways in the northwest, the east, the southeast, and the gulf ports.

We have recently lost in the last 90 days over 13,000 containers per year to the northwest ports, who coincidentally have guaranteed a four-year moratorium on any container fees, infrastructure fees, and environmental regulations. Port of Oakland carriers are being seriously affected and are unable to compete against the northwest ports because of fee assessment and environmental regulations. We are doing the best we can financially to achieve CARB's requirements and retain our customers.

The beneficial cargo owners utilizing the Port of Oakland will not support drastic price increases required to meet the Private Fleet Rule. Instead, they will direct their container volumes to other ports northwest, east,
and the gulf. The overall reduction of import and export volumes --

CHAIRPERSON NICHOLS: Mr. Garcia, your time is up. I'm sorry.

MR. GARCIA: Thank you.

CHAIRPERSON NICHOLS: I see somebody else from your company was right behind you, is that correct?

MR. TAYLOR: I'll pick it up from there, Madam Chairman.

CHAIRPERSON NICHOLS: Very well done.

MR. TAYLOR: My name is Scott Taylor. I'm the President and CEO of GSC Logistics. We operate a fleet of over 150 tractors at the Port of Oakland, serving large manufacturers and retailers such as Target, William Sonoma, Wallgreen's, Hewlett Packard, JC Penny.

I'd like to address the amendment to the Port Drayage Truck Rule that changes the requirements that was established by CARB in December 2007. Along with our drivers and customers, we will meet the current CARB requirements even if we cannot get help from the state in the form of port grants or loans, because along with our drivers and customers, GSC Logistics is committed to doing our part.

However, it's time that Sacramento also do their part by making decisions that are business friendly. GSC
Logistics and some of our owner-operators have already purchased 2004 trucks so we can be compliant by 2010. But now at the last minute CARB wants to amend these rules. You told us a 2004 truck would be good for four years, and now it's only going to be good for two years.

Furthermore, with the state of the economy, we cannot absorb costs that go beyond the current CARB requirements. The beneficial cargo owners are willing to do their part. But California's going beyond what's fair and reasonable. You may think the beneficial cargo owners do not have a choice. But they do. They can pick other ports. As my associate, Andy Garcia, just mentioned, they're already leaving our company and going to Seattle-Tacoma. If you do not removal the amendment requiring port drayage trucks to adhere to the Private Fleet Rule, I can guarantee you we'll lose more business and more jobs. If you do not remove this amendment, beneficial cargo owners will find gateways other than California, such as Seattle, Tacoma, Prince Rupert in Canada, and eventually Mexico.

In conclusion, we support the DTCC and ask that CARB remove the amendment that port drayage trucks meet the Private Fleet Rule.

Thank you.
Mitch England, followed by Ron Hall.

MR. HALL: My name is Ron Hall. I'll actually be speaking for Mitch and myself.

Thank you for the opportunity to speak. I'm the Director of Business Strategy for CR England. And before I comment on our position, I'd like to say a few things about CR England. We are the largest refrigerated carrier in the nation and transport topic's 36th largest for hire carrier. So we have a big stake in this decision.

I'd also like to mention that CR England is currently a SmartWay certified provider at the highest level, 1.25 compliance point. And we see new technologies on fuel conservation as a core concept in our management of fuel expense. In fact, we're having conversations with Freight Wing right now. So I thought I should mention that.

Regarding the truck and bus regulation, the SmartWay regulation, I would like to say as a statement of position we are opposed to both regulations. We support the written statement submitted by the California Trucking Association on October 3rd and December 4th. I'm not going to review those details. They're already on record.

I would like to comment, however, on the equipment modifications and what we perceive as full fleet requirements based on the current proposed legislation.
We believe that freight destined for California
is broad enough in its origin throughout the country that
equipment that would be required to be positioned for
California-destined loads and be certified for this rule
basically would require us to implement a full fleet
implementation, not just an isolated California fleet
implementation.

There's an additional reason that we feel that
would be required. Transloading is not an option with
most of the food products that we haul. The assumption
that we can transload on to a certified trailer at the
border is --

CHAIRPERSON NICHOLS: Thank you, Mr. Hall. Your
time's up.

MR. HALL: Thank you.

CHAIRPERSON NICHOLS: Thank you.

Mr. Osofsky, followed by Doug Britton.

BOARD MEMBER D'ADAMO: Mr.

MR. OSOFSKY: My name is Allen Osofsky with
Rogers Trucking Company. We're a family-owned trucking
company in the San Francisco-East Bay Area. We have been
in business for the last 45 years and employ 150 people.
Our drivers are members of Teamsters Local No. 70 in
Oakland.

We are concerned over the aggressive nature of
the truck and bus rule in regards to replacing or
retrofitting trucks that do not have the latest emission
technology. Our company purchases good quality used
trucks when it is time for replacement.

Due to the nature of the competition we face and
typically a non-union environment, we have to watch our
costs in order to stay competitive and to continue to
employee quality union labor. The point being, that we
can provide an attractive working environment using the
latest equipment we can afford that suits our operational
needs.

In the past two years we have replaced 17 of our
oldest equipment, 1980 with vintage, with late 1990-early
2000. For us to purchase new equipment is not
economically feasible even with the help of the grant
programs.

We feel that through attrition we can do our part
to deal with the emission problems that our state is
facing and still maintain a competitive posture in these
uncertain times.

We ask that you support the proposal adopted by
CTA and endorsed by DTCC. We appreciate the fact that
clean air is a human necessity and should be clean. We
also believe that jobs and a viable supply chain bringing
food and other needed products for human consumption are
also a human necessity. We need to maintain a viable and

clean transportation network.

Thank you very much.

BOARD MEMBER D'ADAMO: Thank you, sir.

Mr. Britton, followed by Barry Wallerstein.

MR. BRITTON: My name is Doug Britton, President
and owner of Britton Trucking.

I am currently running ten trucks, with the age
of the trucks ranging from 11 years old to 20 years old.

I am your target.

In early 2009 I will take delivery of four new

trucks with the 1B proposition money. My debt will
explode to two and a half times the amount that I have

ever carried in my last 20 years. This scares the heck

out of me.

By the end of 2013, before this debt is retired,

I will have to buy three more trucks. This will push my
debt level to three times my current level. Imagine

buying a house three or four times the value of your

current house with no guarantees of a pay increase or more

work. Most of our current financial problems in America

are due to people carrying debt that they thought they
could service but now cannot. Yet this is what your Board

is currently mandating on an entire industry. In my case,
as many as 70 percent of my upgrades will come within the
first five years.

I ask you to at least accept the driving towards a cleaner California alternative on the three options of compliance. I also ask you to consider the enforcement proposal of tying emissions compliance to the bid program and DMV. If not, I will be competing against non-complying competitors who will run for years before getting caught, figuring that they have nothing to lose, all the while charging less than I need to operate.

Thank you again for this opportunity to speak.

CHAIRPERSON NICHOLS: Thank you, sir.

Barry Wallerstein, followed by David Case.

MR. HOGO: Good afternoon, members of the Board.

Dr. Wallerstein had to leave. And I'm Henry Hogo, Assistant Deputy Executive Officer of our Mobile Source Division at South Coast Air Quality Management District.

I want to express the staff's strong support for the proposed regulation. And we urge the Board to adopt the regulations as proposed by staff.

Recognizing that the regulation actually has the single largest emission reduction in NOx in the State Implementation Plan, without it we would not be able to meet our attainment goals. And, more importantly, the diesel emissions still contribute 80 percent to the air
toxics problem in southern California.

We do want to make a request of the Board and staff to clarify the district's authority -- permitting authority relative to the two-engine cranes and sweepers since they're moving out of the registration program. And historically local air districts have been able to permit unregistered equipment with conditions to meet local air quality needs. I think with the -- there's some concern with the air districts that with the amendment to move these two-engine cranes and sweepers out of that program or keep it unregistered, we need a clarification on that. So we request that the Board clarify our district authority.

With that, we do urge the Board to adopt the regulations.

BOARD MEMBER D'ADAMO: Thank you.

All right. Mr. Goldstene.

EXECUTIVE OFFICER GOLDSTENE: Mr. Hogo's talking about an area of state law, it's in the Health and Safety Code. We're not intending to change the permitting authority. But if there's an issue, we'll work it through with them.

BOARD MEMBER D'ADAMO: Thank you.

MR. HOGO: Thank you.

BOARD MEMBER D'ADAMO: All right. David Kayes,
followed by Sam Zugzda.

MR. KAYES: Good evening. I'm David Kayes. I'm an engineer with Daimler Trucks North America. I was active in the development with the U.S. EPA of the SmartWay tractor-trailer program. And I work for a company that strives daily to improve the fuel economy, lessen the fuel consumption, lessen the greenhouse gas emissions of our customers' vehicles. And we manufacture many SmartWay vehicles. Yet, we object to the greenhouse gas proposal.

The fundamental reason that we object is, in contrast to what Mr. Lemieux said, there actually is no test protocol or guideline for certifying SmartWay vehicles; and in contrast to what Chairwoman Nichols said, there is no thorough process for certifying vehicles. This is something very important to understand.

The vehicles selected for the SmartWay program were done on a sort of "you know it when you see it" idea of what constitutes an aerodynamic vehicle. It was done in such a way that there is the very real possibility that some vehicles that are more efficient than SmartWay certified vehicles are actually not SmartWay certified and may be barred from pulling the most common trailers on the roads. And, therefore, you run the very real possibility of barring from California roads vehicles based upon no
scientific reason.

What we at Daimler Trucks recommend in our efforts to constantly improve fuel economy in California and elsewhere is that California work with the DOT and the EPA to develop an actual rigorous program to measure fuel economy from vehicles. And only after that program exists --

BOARD MEMBER D'ADAMO: Thank you, Mr. Case. Your time is up.

Mr. Zugzda, followed by Walt Simmons.

MR. ZUGZDA: Hello. I'm Sam Zugzda with Leonard's Diesel Repair. We're an affiliate member also of the CDTOA.

The biggest threat the people face if this bill becomes law is that of our freedom. To even think of telling a citizen of the United States of America they no longer have the right to operate the equipment they use to earn their living is a disgrace.

Not only will this put a lot of independent trucking companies, owner-operators, and other small businesses out of business. The costs associated with dealing with the regulations and everything in general -- the property values are going to go down on all these vehicles. It's taken away the people's value, what they've earned, their livelihood - it's taken that away.
just for passing a law that, if you study the charts, all
this is doing is saving a little bit of time as far as the
cleanliness of the air. The quality of the air is going
to improve whether this law goes through or not. With the
law, it goes through a little bit faster, it gets the air
a little cleaner. But the quality is still improving with
or without the law.

Everything we own is transported in a truck. The
building here, all the materials were hauled in with a
truck. All the food we eat. This isn't just affecting
trucking industries and a certain number of businesses.
It's going to affect all of us, every citizen of the State
of California -- that trickles down through the whole
nation. It's an added expense on everything that we
consume.

BOARD MEMBER D'ADAMO: Thank you very much, sir.
Thank you for your testimony.

MR. ZUGZDA: Thank you.

BOARD MEMBER D'ADAMO: Walt Simmons, followed by
Bill Magavern.
Mr. Simmons?
Bill Magavern?
Michael Graboski.
MR. GRABOSKI: I'm Mike Graboski from the
American Rental Association. ARA is in opposition because
the rule is unfair to medium heavy-duty vehicles and especially lower-use vehicles.

Can I have the next slide.

--00o--

MR. GRABOSKI: The proposed rule rewards higher use and therefore higher polluting vehicles and penalizes lower use and lower polluting vehicles. We think it disproportionately shifts costs to lower-use fleets like the rental fleets.

Next slide.

--00o--

MR. GRABOSKI: Rental vehicles are driven typically about 8,000 miles a year. The average medium heavy-duty vehicle drives about 23,000 miles a year. And the average heavy-duty tractor-trailer runs about 60,000 miles a year. The rule does not account for this disparity.

Rental vehicles also have low total accumulated miles. These vehicles are less deteriorated, and the rule does not also consider deterioration.

--00o--

MR. GRABOSKI: This slide shows averaging. The off-road rule considers a ten model year fleet, which is typical of a rental fleet, as clean. This on-road rule considers ten model year fleet as a dirty fleet.
MR. GRABOSKI: The in-state medium heavy-duty fleet produces only about 14 or 15 percent of the total emissions of NOx in 2008.

MR. GRABOSKI: And yet when you look at capital compliance costs, it looks more like about 25 to 30 percent of the useful dollars being spent to reduce emissions that are being charged to the medium heavy-duty fleet.

MR. GRABOSKI: On a dollar-per-ton basis, we estimate that 8,000 mile fleet may cost as much as seven times the heavy heavy-duty fleet cost.

MR. GRABOSKI: Please distribute the cost fairly based on your own cost effectiveness guidelines. In my complete slides and written testimony I provided some ideas for fixing the rule. But I propose one here today that would help. Modify the averaging provisions to account for deterioration of emission factors and weight the average by VMT. You provided a similar option in the off-road rule using hours of use. This would provide fairness by moving the burden to the higher use, higher polluting fleet. You could also examine the 2014 and 2015...
averaging targets to preserve the NOx benefits but provide
some flexibility for particulate.

Thank you.

CHAIRPERSON NICHOLS: Time's up. Thanks.

Perfect.

Bob Ramorino.

MR. RAMORINO: Let me be the first to say good
evening, Madam Chairwoman and members of the Board. I
think it's probably evening time by now.

I'm Bob Ramorino. I'm president of a family
company based in Hayward, California, known as Roadstar
Trucking. We are currently 49 years old. Next year will
be our 50th year if we get there. We employee 60 people,
good, hard-working people. And we run 30 diesel trucks.

So what does this regulation me for me? In five
calendar years after you pass this regulation I will
essentially have to replace each one of those 30 trucks.
Now, we can argue with staff and look at details and look
and see if I should retrofit a couple of them. To me,
it's not a good use of my money. I'm going to try and
stay ahead of this and replace all 30 trucks.

That's a $3 million price tag. And by the end of
the fifth year I will simultaneously be paying on all 30
trucks at one time. That's $900,000 in annual payments.
That's inconceivable how we would pay for that. No bank
will loan any company that type of capital to make those payments.

I heard a number thrown out here today, $800 payments. We're taking delivery of a brand-new truck tomorrow morning, and those payments are going to be $2,052.57. So there's a disparity there.

Just in the last two months with the economy tanking and the fiscal markets crashing, things are much different than they were a few months ago. I have been notified that our company is going to receive Prop 1B funding for five replacement trucks. That's $250,000 of public money that's going to be given do my company. For the first time in 20 years, I hope I can secure a new line of credit. We're having trouble with the bank. We've never had that trouble in the last two decades.

I also heard the comment a few nights ago on TV from Mr. Kay, an ARB spokesman, saying no money, not a dime has to be spent until 2010. That's a simplistic approach. We can't wait until 2010.

CHAIRPERSON NICHOLS: Your time's up.

MR. RAMORINO: We need to start replacing them now. Please support the DTCC and the CTA alternative.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

John Fleck.
Okay. We'll take the next person.

Matt Coen.

MR. COEN: Chair Nichols and Board. Thank you for hearing this. I'm going to shortcut this because, one, it's sort of a side to the main thing. I'm neutral on these regulations.

But there's a part of the regulation that I don't understand. The technical support document seems to be the foundation of the regulations. And recently there was an advisory sent out that states that you cannot use an aftermarket fuel additive in a V-Deck. They don't seem to have any source of information in the technical support documents to state why this is so. In my conversations with ARB, they seem to be a little confused. Obviously there are some products on the market that don't belong on the market. But there's already state laws and EPA laws that state if a fuel additive could raise emissions or damage any emissions control devices, it's against the law and you could ban them. So you don't really need to write a new regulation for something that already exists.

But what worries me is an aftermarket additive can become a viable additive if the V-Deck manufacturer says so. So in other words, the industry that the fuel additive industry competed with or tried to several years ago now has control over it.
Now, we tried in the '90s to interest ARB in emissions reductions with additives. We didn't make it. Natural gas came in and kind of beat us. Then biodiesel came in and that kind of beat us.

And we're not sore losers. But now V-Decks, which are actually extremely effective, still need to be protected, and clean fuel is critical.

So there's a whole lot of fuel additives that are on the market that need to keep fire trucks and ambulance running that are getting banned along with some of the flaky ones. And I think ARB needs to come back and look at another mechanism to get these additives approved. Not verified, but just approved, yes, they're not going to damage V-Decks, without giving that right to the V-Deck manufacturer.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Are you ready?

Okay. Good.

MR. FLECK: Hello. My name is John Fleck. And if you read that little quip from Tom Friedman, who is a native of the State of Minnesota, I believe that what I have in my bag may be just the next green Google or the next green Microsoft.

--o0o--
MR. FLECK: You could read about, if you cared, in Chapter 3 of the Walmart effect entitled "Makin' Bacon - a Walmart Fairytale" to learn a little bit about me. I'm from Birchwood Village, Minnesota, a place that's brought Scotchtape and other notable items to America.

--o0o--

MR. FLECK: This regulation that you speak to deals with the aerodynamic front bumper, it deals with an aerodynamic mirror, it deals with over-the-cab fairing, it deals with a cab side extender, it deals with fuel tank fairings.

It also in the trailer portion of the reg deals with side skirts as well as boat tails, trailer wing, whatever you want to call them.

Go ahead.

It does not deal with this specific area, the wheels. The wheels are standard on everything, regardless of the configuration. They're on all of those things that you eliminate.

Go ahead.

--o0o--

MR. FLECK: Twenty years ago I developed a product that failed. It saved energy under SAE Type 2. But in the real world it failed.
MR. FLECK: Under the current criteria that SAE -- or that EPA requires, the No. 3 is that the testing must be done on the track.

Go ahead.

MR. FLECK: We have been doing testing with Schneider National. They have tested this product in '07, in '08. And we are currently right now introducing this product on to their trucks.

This product has been parsed, tractor only, trailer only, tractor and trailer only. And it has been found to save one quarter of one percent per wheel cover. I believe it is the least amount of investment for the highest payback than any of the technologies that are being discussed right now.

Go ahead.

CHAIRPERSON NICHOLS: Thank you. Your time's up.

MR. FLECK: Thank you so much. There's the product.

CHAIRPERSON NICHOLS: Okay. Sounds intriguing.

MR. FLECK: You're going to see it on the roads of --

CHAIRPERSON NICHOLS: Okay. Thank you.

Robert Tichelman.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
MR. TICHELMAN: I'm just waiting for my slide deck to load, please.

CHAIRPERSON NICHOLS: All right. Let's -- is it there? If it's not, we can go with the next person. Tim McCarthy.

Tim McCarthy?

Patty Senecal.

See, it helps not to have slides.

(Laughter.)

CHAIRPERSON NICHOLS: Us low-tech people.

MS. SENECAL: Thank you, Madam Chair, Board members. My name is Patty Senecal. I represent the International Warehouse Logistics Association and International Association of Refrigerated Warehouses. These are supply chain providers to retailers, manufacturers, importers and exporters.

The rule as defined includes the shippers as the owners of the freight, a distribution center, or a temporary freight storage facility. Our members fit the latter two categories. We are not cargo owners. We are third party logistics providers. We do not -- or, excuse me. Change pages.

We oppose to having the California shipper warehouses as the enforcement arm for CARB, because CARB is transferring costs -- enforcement costs and liability
to the California shipper warehouse. We do not have
direction or control over these motor carriers and the
trucks and trailers that they have. Since the trucks or
trailers will not have a CARB sticker on them, the shipper
warehouse will be required to inspect all equipment.

How will the shipper warehouse know if the truck
qualifies for the 100-mile short-haul rule, if the
equipment is in good operating condition, not damaged or
properly functioning or if the trailer is part of the
optional fleet schedule?

The warehouse will have to inspect and document
every single piece of equipment that comes through our
terminals. And some of our distribution centers have at
least a hundred dock doors running on two shifts. The
cumulative cost of staff time and delays for drivers are
unfairly incurred by the warehouse shipper.

Our employees and workers in warehouses are not
trained as truck mechanics. And we would have to go out
and add staff that is certified in truck mechanics to
inspect every truck to make sure it's SmartWay compliant,
that the equipment is in good order. And this would be at
a significant cost.

We recommend the removal of the California
shippers from enforcing this rule and subsequent
penalties. CARB can enforce the rule with CARB staff,
through weigh stations at state lines, roadside with the smoke testing teams, or through DMV registration.

An example of this rule is if CARB was to pass a regulation that every person who left this building could only be loaded out into a vehicle that was alternative fueled. How would you enforce that? You'd have to add staff, mechanics, because you wouldn't let people leave the building unless they had a specific car. You're asking us not to load freight until we've inspected every single truck and trailer that comes through a facility is an enormous burden for us to have to facilitate. So we would ask that the warehouses be removed from the rule.

CHAIRPERSON NICHOLS: Question?

BOARD MEMBER LOVERIDGE: Could Staff respond to that?

CHAIRPERSON NICHOLS: Oh, yes. You extended your time with a question here.

Staff, can you respond to that?

MR. LEMIEUX: Yeah, Ms. Senecal, I think she maybe misunderstood the changes that we recently made to the proposal. What we've done is we removed the receiver, and now we just have the shipper responsible. But in that, the shippers are only responsible when there's a violation given to the motor carrier and that they're notified. So once the shipper is notified that a motor
carrier that they've been using is in violation, then they have to take some action.

So if they don't get notified, there's no penalty associated to the shipper. But once they're notified, then they can receive penalties if they don't notify the motor carrier and make sure that they're in compliance.

MS. SENECAL: May I respond?

CHAIRPERSON NICHOLS: Sure.

MS. SENECAL: Thank you, Madam Chair. Thank you, Stephan.

I understand the rule has been changed on the back. And so if the warehouse distribution center gets an NOV, we would be responsible to work with the motor carrier. That would mean inspection of every single truck and trailer, because we're going to have to document that we have talked to them, that they're aware of the rules. And, again, we're going to do everything not to be penalized so we can comply with the rules. So we still believe we're in the rule at the end and we shouldn't be enforcing CARB rules. There's enough CARB staff and other mechanisms, rather than adding cost on to our side to have to go out and police the equipment.

CHAIRPERSON NICHOLS: I'm not following you.

MS. SENECAL: So in other words if we get a notice of violation at the warehouse --
CHAIRPERSON NICHOLS: You're told now -- you're leaving the building.

MS. SENECAL: I'm leaving the building.

CHAIRPERSON NICHOLS: Okay. And somebody hands you a piece of paper or gives you a card, it says, "Patty, you can't get into the car because it doesn't meet our standards." I don't see why that's an extra burden on you.

MS. SENECAL: Because what the rule is intended, as it's been discussed with us, is that once we have a Notice of Violations, we have to make sure the motor carrier understands, the shipper understands. And if for some reason equipment is still loaded out, then the warehouse is part of the penalty process. So we would notify the carriers. But, again, the only way we're going to protect ourselves to our customer is to inspect and document every single piece of equipment that we're not loading out non-compliant equipment.

CHAIRPERSON NICHOLS: I think we'll talk about this further.

MS. SENECAL: Okay. Thank you. I appreciate that.

CHAIRPERSON NICHOLS: Okay. Thank you. I understand your point.

MS. SENECAL: Okay. Thank you.
CHAIRPERSON NICHOLS: Are you ready, Mr. Tichelman?

Yes.

MR. TICHELMAN: Thank you, Madam Chairman and Board. My name is Robert Tichelman. I'm President and CEO of a company called Windyne. We provide fuel efficient aerodynamic add-ons to the long haul trucking industry and transport and currently provide the highest rate of return on the SmartWay approved system.

--00o--

MR. TICHELMAN: I'm not actually here to sell my product or give a technical presentation. But I was asked by your staff as well as the SmartWay staff to come make a presentation that I've been talking do them about. In fact, we've only been dealing with CARB for the last two and a half weeks and they were unaware of our product beforehand.

What I want to take a look at and what SmartWay vehemently supports me on is the fact that the standards that they identified at 6 1/2 percent are over two and a half years old and are based around older technology that was low in its capabilities at the time it was originally developed.

--00o--

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
marketplace, you're going to have to identify three of those areas to just meet that 6 percent, leaving very little room to add another product and increase the number as it goes by. And it would be unfair to, you know, the transporters who put this equipment on their trailers. Are you going to then grandfather them in or are you going to have to require them to take the stuff off and then meet the new compliance numbers? And that's what we call the crisis of conscience, is you gave them a number, they met that number, and now you've changed the number on them.

So, you know, what we're trying to promote is -- you know, SmartWay is looking at a number more of like 8 percent. And they were saying that we should suggest that don't take their number as it was two and a half years ago, look at the industry today, look at the products that we have. We have a technology that takes one of those areas and meets and beats the 6 1/2 percent requirement, leaving three areas available for increased efficiencies, adding a boat tail, adding the gap fairing as we go along.

--o0o--

MR. TICHELMAN: So you take a look at what it is. You know, require us as an industry to come up with better and more concise products that we're working with. And we've come up with products that now allow for -- what,
they change?

EXECUTIVE OFFICER GOLDSTENE: That's the automatic shut-off. But the lights will be back on shortly.

CHAIRPERSON NICHOLS: Oh, we're going to get the lights back on again. Sorry.

Okay. Continue, please.

MR. TICHELMAN: So what you see is, you know, a thoughtful solution. Don't have a bar set so low that the transportation industry will put a 2 percent belly fairing on, a 2 percent gap fairing and a 2 percent boat tail, meeting their six percent number, leaving very little room to go. Make it a thoughtful decision, take a 6 1/2 percent belly fairing, and then have some room as we go through and change this. And it requires innovations like we've done. We've provided for, you know, horizontally adjustable and vertically retractable, giving the most surface area available of any trailer fairing that's out there.

So consider raising the number, believe it or not, from 6 1/2 to 8 percent, in fact, because once SmartWay gets their testing protocol in place, they're going to raise that number themselves.

Thank you.

CHAIRPERSON NICHOLS: Okay. Thank you.
Matt Griffin.

Henry Hogo.

Oh, he spoke already. Okay.

Barry Broad.

MR. BROAD: Good evening. Barry Broad with the Teamsters.

I'll just say that we're sticking our neck out and we're strongly supporting this regulation. However, there was one really big problem with it, which can be fixed in your 15-day comment period, and I hope you take this seriously.

You're essentially killing your regulation with kindness, because the owner-operators that get a deal for not complying to this -- with this for a long period of time, they mostly work for trucking companies as a replacement for employee drivers. They're under-capitalized. They don't make very much money.

And what happens in the trucking industry and what will happen here, because it has happened before many times, with all the port drivers, with much of agricultural trucking, is overnight these trucking companies will convert employee drivers to independent contractors, generally misclassifying them, in order to avoid having to comply.

So trucking companies like Rodgers or whatever,
that got 30 truck drivers, they will have to comply. But
a trucking company that's working 135 owner-operators -
you heard that guy, 135 owner-operators, no employees - he
won't have to comply at the same time. That's a very bad
result. And what you're going to do is actually
contribute to furthering the underground economy in this
industry, which is the second worst industry in America
for all this kind of fraud.

And what needs to happen is that you need to make
sure that the carriers that actually employ these
people, whether they're employee drivers or they're
owner-operators, that they are on the hook to comply. And
you don't create perverse incentives in the marketplace to
undermine -- that will undermine your own regulations.

CHAIRPERSON NICHOLS: So your testimony is the
anti-Patty Senecal testimony basically?

MR. BROAD: I love Patty --

CHAIRPERSON NICHOLS: Not a personal --

MR. BROAD: -- but she's not always right.

However, I am. So that's -- thank you.

(Laughter.)

CHAIRPERSON NICHOLS: But you would be taking the
opposite perspective on that issue, that they should be
forced to and --

MR. BROAD: Yes, absolutely. Or everybody should
be treated the same. And if they're forced -- I mean, it
really is the carriers who hire them. The only real
independent single truck operator or system left is in
construction trucking. There really isn't much of it left
anywhere else, where a truck driver actually deals with a
shipper. There I can see, you know, you could delay this,
because these are true entrepreneurs.

In the vast part of the marketplace where these
people are just a way to get around paying Social Security
tax, you're making a big mistake because you are going to
create all kinds of unfair competitive imbalances. But I
think it's fixable, and I think you can fix it pretty
easily.

So I'd love to work with your staff. Thank you.

CHAIRPERSON NICHOLS: Thank you, Mr. Broad.

Charles Diaz.

MR. DIAZ: Good evening, Madam Chair, Board
members. My name's Charles Diaz, owner of Charles Diaz
Trucking.

CHAIRPERSON NICHOLS: Do you like this romantic
lighting that we have here?

MR. DIAZ: Yes.

(Laughter.)

CHAIRPERSON NICHOLS: Should be putting candles
out.
Sorry.

MR. DIAZ: Our company plans to stay in California as we do -- we can do what our state asks for. This new regulation, timing, speed, could not be the worst. Our customers and inventors are pushing our margin to their lowest point. This new regulation is an additional cost that is unbearable at this time. We too want cleaner air, but there are alternative solutions that must be looked at to slow this implementation.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Gary Gaussoin.

MR. GAUSSOIN: I'm Gary Gaussoin. And ironically my initials are GHG. So every time I see that it jumps off the page at me.

(Laughter.)

MR. GAUSSOIN: I'm Chairman of Silver Eagle Manufacturing Company. And it appears today I'm one of the many aerodynamics manufacturers. And I'm here to support that element of the proposal, because they really do work.

And I would also agree with the gentleman from Daimler Trucks that SmartWay really doesn't have a testing protocol. They are trying to develop one. It's based only on test tracks. Temperature, 68 degrees to 86
degrees. So you couldn't prove a product that might be the best thing going at this time of year. So I think it has some fatal flaws.

And also, they are rules that are dependent on methodology rather than on results. So I would suggest that you work on results instead of methodology. And I think you'll find a federal code for motor vehicles. They try to take that approach for that very reason, because it really does provide a barrier to technology.

For instance, we have a product that goes against the idea of closing the gap, because it actually can create a suction on the front of the trailer just like the suction on the back of the trailer and help pull it forward. So those rules don't work very well.

Also, I did a little economic payback analysis. As much as a manufacturer's selling stuff, you want it to have a high payback. I think the results are a little exaggerated. All these tests are run at highway speeds. And of course a vehicle has an average speed that's lower than that. And then if you take a 100,000 mile truck, if you divide by 2.5 on the trailers, you get 40,000 miles.

So be conservative on your payback calculations.

So, in conclusion, I think you should have rules that regulate for performance, not for methodology, to keep things open. You should allow for proven devices.
Have other methodologies -- if people can prove to the Air Resources Board that these things meet your requirements, your performance requirements, you should accept them.

I think SmartWay is being underfunded, and it's a bit of a dilemma of a horse to hitch to right now.

I think you should also allow removable devices for aerodynamics.

CHAIRPERSON NICHOLS: Your time's up.

MR. GAUSSOIN: Thank you.

BOARD MEMBER SPERLING: Chairman Nichols?

CHAIRPERSON NICHOLS: Sorry. Yes.

BOARD MEMBER SPERLING: This issue's coming up several times about the SmartWays.

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER SPERLING: And he was making a recommendation that I didn't understand that seems relevant about there's a problem with a method. And I didn't understand what the fix was. I mean we've heard this enough that I was wondering --

CHAIRPERSON NICHOLS: People have devices that SmartWay hasn't certified that they think we should be allowing is how I'm understanding that.

BOARD MEMBER SPERLING: Well, it's even broader -- yeah, and it's even broader than that, the deficiencies of the SmartWay program.
MR. LEMIEUX: Yeah. For one thing to start off, the SmartWay program is a voluntary program. So they've worked with the industry to come up with some of these methodologies that would, you know, be able to be used. And for the tractor side right now, the way they've approached it, it's sort of a groundbreaking program for them, is they sit down with each manufacturer and look at the lines of the models of their tractors; and they want the manufacturers, you know, initially to come up and demonstrate to them what is the most fuel-efficient tractor and why.

So you couldn't really compare the tractor efficiency from one brand to another. But within the brand of a tractor - and that's the way it currently is right now - you can look at the way it's built, the way it's designed to see which ones are more aerodynamic. And then they establish that particular model for that manufacturer as the SmartWay certified.

Now, in the future to replace that they have to do more in terms of demonstrating why the next generation is better than the current one. And they are also working towards establishing a protocol that's sort of being able to set a threshold to where each manufacturer can try to meet that threshold. Then it's not limited to a couple models per manufacturer.
BOARD MEMBER SPERLING: So there's this fundamental --

RESEARCH DIVISION CHIEF CROES: I think the simple answer -- the simple answer is I think we've recognized that there are deficiencies in the SmartWay program. We've been working with EPA to try and collaborate on improving those, not entirely successfully. And we're going to try and jump ahead of where things are. But right now SmartWay's the best that we have. So we're proposing its adoption, understanding that, and planning to bring more back to you like in a year or so when we do more work on it.

MR. LEMIEUX: And if I could add one more thing. The other part of this that we didn't talk about is the component part where you get the biggest bang for the buck in terms of efficiency improvements. For example, the side skirts. In the cases like that, they are thoroughly tested. It isn't a random mode - this looks good, that's good enough - it's SmartWay certified. They do have to certify them SAE procedures and verify it.

BOARD MEMBER SPERLING: And tires?

MR. LEMIEUX: And tires, they also have methodologies that they use to determine efficiency of the tires. And they are going towards an ISO-established methodology that all tire manufacturers will be using.
Right now there's a few methodologies that they can use to demonstrate fuel efficiency.

So, again, you can't compare one make tire to another. But within a make of a tire you can establish which one's more fuel efficient. And that's the way it's working right now.

BOARD MEMBER SPERLING: That's not very reassuring.

RESEARCH DIVISION CHIEF CROES: There are standard tests for tire efficiency which were used by the tire manufacturers.

BOARD MEMBER SPERLING: Could I just ask that maybe tomorrow there'd be just a very brief presentation on how we're going to -- this whole process is going to be improved, give us some assurance that it's on a more sound basis than it is now and what's the time table for that and how that fits in with our requirements. I mean I've heard this story from enough people to believe that there's a real fundamental problem here.

EXECUTIVE OFFICER GOLDSTENE: Yes. We also hope to have representatives from EPA here tomorrow as well.

BOARD MEMBER BERG: And also that if we're going to change and bring things back in a year, where does that leave the people that are buying this equipment?

RESEARCH DIVISION CHIEF CROES: That's for
additional equipment.

BOARD MEMBER BERG: Okay. I'm just saying that overall I don't want to pass one regulation and come back a year later, put more -- people get confused, and it's costly.

MR. LEMIEUX: Right. We do plan to broaden the program and establish new requirements in the future, but not as a retrofit but for newer trailers and tractors that come into the marketplace. So we will not be requiring companies that are investing in technology to replace those technologies.

CHAIRPERSON NICHOLS: Okay. Tom Carroll.

MR. CARROLL: Good evening, Madam Chair, members of the Board. Thank you for allowing me to speak this evening. My name's Tom Carroll. I represent about three speakers that you'll be hearing from tonight that represent the school pupil transportation industry.

I myself represent 5,000 students from 1800 square miles of Shasta County who are in support of clean air. However, we are opposed to these regulations. These regulations would basically cripple the school pupil transportation industry in California; and at a bare minimum we ask that you remove school buses from this regulation.

Twelve months ago I was involved in talks...
regarding these proposed regulations, and I was guaranteed
at that time that school buses were not going to be part
of this regulation. February 1st, 2008, that all changed.

According to the proposed school bus BACT
schedule, it would cost my school district $1.8 million by
January 1st of 2014 to comply with the best available
control technology. That's approximately four school
budget years from now. That would require that we replace
eight school buses and retrofit ten school buses in a time
frame that we would normally purchase four school buses.
As you can see, that's a significant capital expense for
us.

In my school district we have approximately a $15
million budget, of which is $1.5 million goes to school
pupil transportation. That's money that's diverted
directly from the classroom to transportation because it's
considered a necessary service in our large rural area.

We're also experiencing a $2 million reduction in
funding this year, thanks to the $14 billion deficit in
the State of California. We're anticipating another $2
million deficit -- or $2 million reduction in funds next
year.

Funding opportunities that were spoken of. The
Department of Education has a small school district bus
replacement program -- grant program that's not applicable
to any school district in the State of California that has
more than 2500 students. So my district would not qualify
for that. Never have, never will. We have 5,000 kids.

The Lower Emission School Bus Program that was
mentioned earlier, and Eric made some mention about 95
percent of the retrofits could be paid for that, I
respectfully disagree with Eric's numbers. The money is
not divided up equally among the state, with a dollar or
two dollars going towards every bus. It's predominantly
aimed at the southern part of the state.

As an example, my district operates 10 percent of
the 220 school buses in Shasta County. We have not been
awarded any retrofit money under the Lower School Bus
Emission Program. Fifty-four of the 220 school buses in
our county are pre-'87 and an additional 50 are pre-'94,
which means there's over a hundred buses that require
retrofits and/or replacement.

Shasta County received $4 million underneath this
program, of which $124,000 was absorbed by our local air
quality district for administrative oversight. We can
afford to replace with $875,000 left approximately 50 to
65 retrofits, depending on what you consider the fair
price for that. And approximately 17 school buses will be
replaced with about $2.5 million. As you can see, that
leaves a lot of school buses in my county. We're not
going to get 95 percent of them retrofitted and replaced.

That money's got to come from some place. It's going to come from the General Fund.

And that doesn't even take into account the reduced capacity on the school buses because of the recently implemented seat belt regulation. We're trading in 84 passenger buses for 50 passenger buses. Nationally 800 students lose their lives while being transported back and forth to school by means other than a school bus. Children in a school bus, nationally we lose 6 students annually going back and forth to school in a school bus versus 800 that don't ride a bus. So I don't know what the cost methodology is for figuring that out, but I'd like to see somebody do it.

Also, I'm also concerned, if this rule is going to pass, why haven't the opacity check regulations been removed? Worst diesel trucks would have to be opacity checked. If we're going to go through the particulate trap and the NOx reduction, why are we still going to be burdened with a 40, 50, 60, 70 dollar test on an annual basis for these vehicles?

CHAIRPERSON NICHOLS: Your time is up.

MR. CARROLL: Thank you very much. I appreciate the time.

EXECUTIVE OFFICER GOLDSTENE: Madam Chair, could
we just -- I'd like to ask Jack Kitowski to make a quick update to the Board on this.

CHAIRPERSON NICHOLS: All right.

ON-ROAD CONTROL REGULATIONS BRANCH CHIEF KITOWSKI: I did want to clarify one point. And at least this part of it would be good news for Mr. Carroll.

There is no part of the school bus requirement that would require replacing buses by 2014. The earliest school bus -- it is primarily a PM retrofit requirement.

And the earliest replacements would not occur until 2018 if the bus could not be retrofitted.

MR. CARROLL: That's not a very good lengthening strategy to wait another four years to replace another --

CHAIRPERSON NICHOLS: Come on. You've had your turn. Thank you.

Robert Isom.

MR. ISOM: Good evening, Madam Chair.

CHAIRPERSON NICHOLS: Excuse me. Everybody's being given an opportunity to speak here. And we're not engaging in dialogue. Thank you.

MR. ISOM: Good evening. Well, I must say first, I liked it better when the lights were off. I know the light's reflecting off my balding head --

(Laughter.)

MR. ISOM: -- blinding my colleagues in the other
My name is Roger Isom. I'm with the California Cotton Ginners and Growers Associations, and representing a coalition of over 70 ag groups that have worked a long time with the ARB staff, over 18 months, on trying to develop something that works.

But let me be very clear. We don't like this regulation. Our members don't like this regulation. You've already heard from one of my members today.

But with that said, we understand the ozone situation, especially in the San Joaquin Valley and the South Coast; we understand the trucks are number one source; we understood when we had our first meeting with ARB and they said, "Look, guys every ag truck's going to have to be replaced in this." So, you know, we get that.

However, I think it also has to be understood that ag trucks are a little bit different. Most of our ag trucks are low mileage.

I think Dr. Telles brought up the issue of cost effectiveness. The cost effectiveness number that Mr. White brought up is an average. And that's driven way up by all the long-haul trucks that drive a lot of miles. When you look at the low mileage ones, you know, we're not talking a few dollars per pound, for example, the 15 or 20,000 mile-per-year trucks; we're talking over $100,000
per ton. So it's very expensive. Some of our trucks are highly specialized. For example, a cotton module mover used in my industry, a brand-new cotton module mover truck is $193,000. They're so specialized that there is no used market. I can't go to the Freightliner dealer, the Peterbilt dealer in Fresno and buy a used one. I have to buy brand-new. So there had to be some special considerations given to those trucks.

It's also important to note that the incentive funds that we've talked about, the majority of ag trucks are not eligible for those. They're below the weight limit. And I know that ARB's working on lowering that. Or the low mileage, they're not going to rank high enough in the priority to get the funding. The ones that drive more miles, they're going to be higher on the priority list and get the funding.

So I think what we did is we sat down with ARB, took all those things into consideration and developed something that we think is workable. We would oppose anything that makes this rule any more stringent than what it is today.

The last thing that I would say and leave with you is that we would encourage ARB after this rule's adopted to work to try to find more funding. And I will
give you my personal commitment that we'll do anything we can to find -- bring more funding. Because if we had enough money, we'd buy new trucks tomorrow. We don't like driving 1970 and 1980 trucks.

CHAIRPERSON NICHOLS: Thank you.

MR. ISOM: So I would just encourage you guys to do all you can to bring more money.

Thank you.

CHAIRPERSON NICHOLS: Time's up. Thank you.

Allan Lind.

MR. LIND: Thank you, Madam Chair. I'm Allan Lind. I'm here on behalf of the California Council for Environmental and Economic Balance. And we're here to support your proposed regulation.

I wanted to expression our appreciation for the staff's help in working with us on a couple of complex problems. And the challenge of writing a new regulation and intertwingling it with nine or ten other existing regulations is a formidable task.

In our previous communication with you we were concerned about some of those overlaps. And I think your staff has done an excellent job of addressing those.

I wanted to be clear though that in the latest changes with respect to the two-engine cranes, it's our understanding that because this rule doesn't take --
there's an acceleration provision -- or accelerated compliance provision in the existing regulation that says if you can get some changes made before March of 2009 -- it's based on horsepower of the total fleet. In a two-engine crane thing, you move a couple of engines into the existing fleet and you might skew that qualification. It's my understanding that since this rule will not take effect until after March 1st, that that conflict doesn't exist. And I just wanted to get that on the record.

We do have two concerns. And maybe staff can sort this out for us. The incentives that you provide for hybrid vehicles and alternative fuel vehicles are curious to us. They compel, they require the Executive Officer to provide credits for hybrid vehicles if they provide at least 20 percent greater fuel economy. I'm wondering if that's a disincentive for somebody to try to provide 40 percent or 80 percent. Because if you only have to provide 20 percent, you get the incentive.

Likewise for the alternative fuel vehicle. There is an anomaly here where it provides the incentive of counting their PM index, if you will, towards a fleet as zero. Well, at some point some of these alternative fuel vehicles I think that you'd want to go from -- maybe kick-start it with a zero credit for PM. But all of the alternative fuels have PM, I mean with the Board's concern
1 over health costs.

   CHAIRPERSON NICHOLS: Time's up, Mr. Lind. I
2 hate to cut off somebody who's supporting us, but we've
3 got to do it.

   MR. LIND: Thank you.

7 Did she leave?
8 Michael McDaniel.
9
   MR. McDaniel: Boy, it's getting late, isn't it?

   CHAIRPERSON NICHOLS: It is.

   MR. McDaniel: I'm Michael McDaniel.

   CHAIRPERSON NICHOLS: We're going to take a break
10 actually for -- we're going to take a half hour break
11 in -- I'm hearing dissent from the audience. We'll
12 consider that.
13
   Okay. Go ahead.

   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
tires are now only about 6 percent of all the products that we make. And they are certainly suitable for long-haul trucks. In California, only less than 30 percent of trucks are made for the line-haul service. A whole different class of tires work on regional, urban or intrastate trucks. If we put the current approved SmartWay tires, and all of the manufacturers at the current tires approved, they will not work well on the service. So what will happen, fleets will get 30 and 40 percent less mileage on tires, which is certainly a tremendous cost to the fleet and it's also an environmental problem of another sort.

The other problem, and the most significant problem, there's no provision in the tire bill for retreads. Eighty-some percent of fleets retread for economic considerations. It cuts a fleet's costs about 30 percent. But also, saliently, it is environmental. If we take the three million, three and a half million tires retreaded every year in California, which is a 130-pound tire, and we put them in landfills rather than put them back in service, you've got an environmental train wreck. Tires are extremely difficult to handle in landfills that handle environmentally.

We're making two recommendations. One's that the standards be moved to regional and urban tires, a whole...
different standard, be made --

CHAIRPERSON NICHOLS: Your time is up.

MR. McDANIEL: -- so that you could have a broad range of tires.

Thank you.

CHAIRPERSON NICHOLS: Okay. I need to check with the court reporter about your need for a break here. Are you okay with continuing or do you want to take a break?

You need a five-minute break?

All right. We will take a five-minute break and then we will reconvene.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: I know there are people who need to testify tonight. And we want to make sure that those of you who can only testify tonight get heard.

There are other people who seem to be saying that they want to shift over till tomorrow. But as far as I can tell, the clerical staff here is just plain confused about whether people are leaving tonight and thinking that they can just come back tomorrow and pick up where they left off. I don't want to do that. If there are people who left already, who just disappeared without telling us they were, you know, planning to come back, they're going to have to sign up and take their place in order just like everybody else, because it won't be fair to the other
people.
And I have no idea if there are going to be hundreds of more people showing up tomorrow to testify. I hope not, because we've heard a lot of good testimony today. But we'll just have to take that as it comes.
Meantime, our Board has some refreshments in the back and the ability for people to just get up and take a break. And we have both closed-circuit TV and audio back in the back. So that when people aren't sitting here, as long as they are in the area back there they are hearing everything that's going on out here.
So we are not going to take a dinner break. The Board is going to stay here and we will just continue for as long as we can. And hopefully that will accommodate as many people who came here with the intent to be heard tonight as we possibly can. That's our goal.
BOARD MEMBER LOVERIDGE: Are you going to establish a time?
CHAIRPERSON NICHOLS: I had said previously 9 o'clock. I believe that 9 o'clock is as long as I can stay here tonight and still be listening. I need my sleep. So that will be when we will close off.
All right. So those are the ground rules.
Let's proceed with Steve Brink.
MR. BRINK: Thank you, Board members and Madam
Chair. Steve Brink, California Forestry Association, representing many of the forestry fleets throughout northern California.

And I'd just like to say, it was very interesting. You heard Mendocino County earlier. And in our surveys with them, we find -- throughout rural counties in California, we think that, as forestry is, 60 percent of those fleets are older trucks. And it's primarily because those trucks are running 50 to 60,000 miles a year. They need 20 years to get the useful life out of the truck. And so they have old trucks. Surprise, surprise.

And we also find in there fleet owners are running -- the fleet calculator on-line to have business plans in anticipation of the rule. And they are running into what we call crunch time, just as staff showed earlier in the graphs, that 2011 to 2014 is crunch time, particularly for fleets with older trucks. And many of our fleet owners, when they run the numbers, they run out of cash at about year three. You heard that earlier as well. They simply cannot get through the rule. And so that leaves them with just -- then the only two options they have is you significantly reduce the size of your fleet or you save the pain and go out of business now.

A couple other things I wanted to mention. We
support the earlier testimony that talked about VMT.

There's a lot of what I believe you'll have 2004 trucks, for instance, long-liners on the road today putting on 150,000 miles a year versus a 1991 truck putting on 40,000 miles a year in rural counties. That 2004 truck will be emitting more NOx than the 1991 truck.

Second, we believe the cost of the rule has been substantially understated. Earlier staff showed that 23 percent of a million trucks are going to need filters. We find that filters cost 20 to $45,000 installed per truck, depending on how many filters you have to put on. Let's say 20,000 times --

CHAIRPERSON NICHOLS: Your time is up. I'm sorry.

Mary Pitto.

Sayed Sadredin.

MR. SADREDIN: Good evening, Madam Chair, members of the Board. My name is Sayed Sadredin and I'm the Executive Director and Air Pollution Control Officer for San Joaquin Valley Air Pollution Control District.

Simply put, there is no way for the San Joaquin Valley to come into attainment with the particulate standards and the ozone standards without major reductions in NOx emissions from heavy-duty diesel trucks. That is the biggest source of emissions in San Joaquin Valley.
And without the rule that is before you, we will not be able to meet those standards. They are the largest source of emissions, with 50 percent of our entire NOx emissions inventory being attributed to heavy-duty diesel trucks.

So we urge you to adopt the strongest rule that you can adopt today, which is the rule that is proposed to you by your staff.

Having said that, we are also quite sympathetic to the economic concerns that have been raised by the small, medium, and agricultural sector of trucking operations. And we believe incentives can play a major roll in softening the blow and reducing the economic burden.

We are taking a number of actions at the local level to increase funding. We are using our indirect source review fees and mitigation fees towards reducing emissions from trucks. And we are looking at increasing DMV funding to provide additional funding for the sources that are under your consideration today.

We do ask, however, that your staff and your Board also work with us to both streamline the incentive guidelines, the Prop 1B guidelines that will come before you next year, to make that process work easier. And then more effectively -- we have already had effective conversations with your staff. And some of those
recommendations from your staff will address those needs.

We also ask that you work with us and the

stakeholders - and I'm almost done - to help us secure

additional incentive funding both at the state and federal

level to deal with this problem.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Oralia Ornelas.

Michael Collier.

MR. COLLIER: Good evening. My name is Michael

Collier. I'm the Operations Manager for C.D. Matthes

Trucking in Fresno, California.

By industry standards, we're a pretty small

company. We have 20 power units. All our power units are

cab-over engine trucks that exclusively haul 57-foot

trailers.

Under the rules that I've read here today, our

company is not eligible for the exemption of 57 footers.

And under the research I've done over the last two weeks,

approximately 30 trucks that haul these trailers would be

eligible. However, they work for a mixed fleet trucking

company. They do not haul exclusively 57s. We are the

only carrier out of approximately seven carriers that are

exclusively 57 footers.

In answer to Dr. Telles' question earlier this
evening, 90 percent of the 57-foot fleet will be out of business in 2012. That will leave a whole 10 percent left. And they will be out of business in 2018. There is no solution for us. We have to either completely re-equip our fleet with trucks and trailers, and then we cannot service our customers the way we are now.

I'm definitely opposed to this. And I'm speaking for the owner of C.D. Matthes as well, Janice. She's also opposed. Our company cannot afford this change.

CHAIRPERSON NICHOLS: Thank you.

Is Janice Matthes also speaking?

Okay. Paul Trump.

MR. TRUMP: Thank you. Good evening to the Board. My name is Paul Trump, company called Mike Campbell & Associates. We are in the City of Industry in Stockton, California. We're a warehousing trucking company throughout California.

ARB has affected us this year with many regulations. And to Ms. Berg's comment, the TRU regulation, which isn't part of today, but we complied. We changed out 300 refrigerated units this year. And about six week ago, maybe a little less, you guys said six more months to figure it all out. You've got to figure out whatever you're going to do on this rule and get it right before you make changes, because it's a substantial
change. Change out one thing to another, it's going to be a real problem.

A lot of technology's not there yet. And my colleague will talk a little bit more about that and how it will affect you guys and how it affects us.

One of the comments earlier staff talked about on some page 75 of your regulation how only 5 percent of the companies were affected by both regulations. How many are affected by three? TRUs, trailers, and the heavy-duty -- and the bus and truck. So it affects a lot of us in many, many ways.

While we support the clean air, we'll also be permitted to sell our old equipment to other states. So if you really want to clean up the air here in California and the rest of the world, why can we move our equipment over to Nevada and Arizona? Doesn't seem to do what you really are trying to do, which is to make clean air.

We hope that this Board would adopt the DTCC alternative proposal. And thank you for your time.

CHAIRPERSON NICHOLS: Go ahead. And then we'll hear from Oralia.

I'm sorry. When I call your name, please stand up and say something, or I won't know you're here.

MS. ORNELAS: Sorry.

Okay. Go ahead.
MS. ORNELAS: Hi. I'm Oralia Ornelas. I'm here on behalf of Juarez Brothers Trucking and De La Garza Trucking. They're based out of Bakersfield. Our primary haul is we haul the raw bulk carrots from the field to the packing shed.

And first I would like to emphasize on how everything that surrounds us is dependant on the trucking industry in one way or another. And with this emissions problem that we've been faced with, the trucking industry has had very negative publicity.

And, first of all, we weren't there when these standards were set when we purchased this equipment. You know, the emission standards were set at, you know, whatever it was. But yet now we're being faced with -- we're being penalized and having to rectify this problem, where -- I think where this needs to be directed is it needs to be directed to the manufacturer, who's more familiar on how to fix this. All this grant and funding money should be given to them and let them try to figure out the most effective way on reaching our goal of attaining better quality of air.

You know, I've been listening to everyone up here today, and there's so many pros and cons on this. And we just need to stop passing the buck and, you know, let them do it and fix it.
Thank you.

CHAIRPERSON NICHOLS: Thanks for your comment.

Okay. Mr. Cox.

MR. COX: My name's Andy Cox. I work for Mike Campbell & Associates. And I just wanted to comment on the heavy-duty greenhouse gas measure.

I really wanted to be for this measure. And I read it and unfortunately I'm not.

Dr. Sperling, I wanted to address a couple of things that you were asking about the U.S. EPA's project -- the SmartWay project. The U.S. EPA has in their SmartWay project 13 different strategies that they use to certify different trucks and trailer combos as SmartWay certified. The aerodynamics technology is only one of those strategies. There's 13 different strategies.

The driver training strategy combined with electronic speed reduction as well as just improving logistics strategy, both of those account for more reduction in greenhouse gas than solely the aerodynamic technologies.

Now, the ARB is using the U.S. EPA's SmartWay model to completely model this entire regulation around. It's not the way that the U.S. EPA intended it. They intended for carriers to use many different strategies to come up with the good numbers.
They also did all their studies at 62 miles per hour -- 62 miles per hours. The speed limit for trucks in California is 55 miles per hour. Aerodynamics work at higher speeds. According to the DOT's website, the average highway speed in California is 48.43 miles per hour. And then according to another U.S. EPA study, these aerodynamics overcome friction over 50 miles per hour. That's a big range right there. That aerodynamics may not even be working so much for trucks that are traveling around in areas that are very impacted.

I know that our fleet averages around 39, 40 miles per hour. We're not seeing anything from these aerodynamics.

We did a test with three different phases. The first one was standard operation. Second one was with side skirts. The third one was with low rolling resistance tires.

The low rolling resistance tires helped. They did help.

The side skirts we used -- and, mind you, we're going from Chino, California, to Las Vegas, Nevada. We actually saw a slight reduction in fuel efficiency with the side skirts we used. I'm not going to name the company or anything that we used.

But those were our tests over a month's time.
I have my written comments up on the website. And I urge you all, please, to read them before you think about this and vote tomorrow.

CHAIRPERSON NICHOLS: Thank you.

MR. COX: Thank you.

CHAIRPERSON NICHOLS: Gayle Lopopolo.

MS. LOPOPOLO: My name is Gayle Lopopolo. I'm co-owner of Ganduglia Trucking, a 70-year-old trucking firm in Fresno, California. I'm also the Chief Financial Officer of the company. And as such, it is my job to make sure we pay our bills.

Ganduglia Trucking maintains a fleet of 27 truck-tractors with 30 employees. Put another way, we support 30 families, for a total of 106 adults and children.

Normally, we would replace one or two trucks, new and/or used, each year, but only if we can afford to do so. We maintain our annual payments at about $250,000 for tractors and trailers.

The trucking industry operates on a small profit percentage of 2 to 3 percent annually. This means we all have to watch our budgets very closely. And herein lies the problem with the current CARB proposal. Trucking is a hugely capital intensive business. And we are being told to replace too many trucks in too short a period of time.

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1 for our finances to allow.
2
3 With the current CARB proposal, Ganduglia
4 trucking would have to replace seven new trucks in 2013.
5 That's 26 percent of our fleet in one year, at a time in
6 which there would be no compliant used vehicles available.
7 Other years would require purchases of three vehicles.
8 This would increase our payments for trucks, trailers, PM
9 and NOx retrofits from $250,000 annually to between
10 525,000 and 613,000 annually from 2013 to 2018.
11 Our budget simply cannot support these enormous
12 increases. And neither can we assume that these costs can
13 be passed on as rate increases. In our case, we would
14 have to have a 7 to 8 percent rate increase for at least
15 six years, and this is unheard of in the trucking
16 industry. If we're competing against a large trucking
17 company not faced with forced truck replacement, guess
18 what? We don't have a haul.
19 CHAIRPERSON NICHOLS: Ms. Lopopolo, your time is
20 up. But Mr. Ganduglia, your partner, is here, and he
21 signed up.
22 MS. LOPOPOLO: Yeah, but he'd rather not
23 interchangeable.
24 CHAIRPERSON NICHOLS: Well, I'm sure that's true.
25 MS. LOPOPOLO: Can I have 15 seconds?
26 My solution is: To consider easing the PM 2.5
deadline of 2014, because that's a killer deadline for us;
or, number two, consider the CTA proposed plan.
I urge you all to consider the enormity of your
decision to our company, the business community, and the
State of California.
Thank you.

CHAIRPERSON NICHOLS: Thank you.
They're very effective. But it's going to come
out of your time now, Jim.

MR. GANDUGLIA: That's fine.
I'm concerned about one thing, ladies and
gentlemen, and to the staff: How can we pass these costs
on? Because the global marketplace competitiveness of the
State of California is the key issue here. If we can't
pass these costs on and somebody outside of the State of
California can buy products from God only knows where
cheaper than they can buy it from California and we can't
sell these products, we then cannot do anything about air
quality problems because the State of California will be
in the dumpster.
Thank you.

CHAIRPERSON NICHOLS: Okay. Thank you.

Dan Souza.

MR. SOUZA: Good evening, Madam Chair, members of
the Board. My name is Dan Souza. I'm Vice President of
Maintenance and Environmental Affairs with Mountain Valley Express a regional less-than-truckload carrier in California and Nevada.

We believe improving the air quality in California is very important. And we have strived to do our part by early retrofits and replacement programs of our truck and auto fleets, as well as retrofitting our lighting at all of our major terminals in California. As you can see, we have been very proactive when it comes to the environment, but still have major concerns with the timeline schedule in staff's proposal.

The aggressive time frame places a very heavy economical burden on our company through 2014. The cost will exceed over $8 million through the next six years for retrofit and replacement, 2014 being the most aggressive, at an over-three-million-dollar investment. Even with these numbers and utilizing the staff fleet average calculator, we find that additional investments in equipment will be needed by 2017, not to mention a double turnover with some equipment at additional cost to our company.

Staff has recommended rate increases to our customers to help offset the cost. But with the competitive market we operate in, a rate increase above our general increase will not fly. After working the
numbers, we found that on average with our general increase we would have to ask for an 8 to 12 percent increase overall. With the struggling economy and reduction in the national gross domestic product, shippers will not be able to accept the added cost in shipping rates, and most will ask for a rate decrease. Companies will be forced to look at their costs very closely and cut where needed.

Unfortunately, with the high price of health care coverage in California, this will probably be the first place many companies look to reduce their costs, along with retirement plans and wages.

Mountain valley Express is a strong proponent of the CTA and DTCC alternative language and strongly urge the Board to reconsider the alternative language proposal alongside with your staff's recommendations.

CHAIRPERSON NICHOLS: Time's up. Thank you.

MR. SOUZA: Thank you.

MR. BLEVINS: Good evening. I'm Scott Blevins, President of the Mountain Valley Express.

We employee 400 families here in California. We are a California-based carrier. So this regulation certainly affects us very adversely. We are not strongly opposed to it. We certainly have embraced the regulation.

And I'd like to acknowledge Tony Brasil and Eric White,
your staff members, for their time helping educate our industry in regards to the regulation. That has been very beneficial.

We are on a road to early compliance, as Dan just indicated, through $2 million in equipment purchases in 2008. Two million dollars in one year for our company is a huge number. We cannot continue on that pace year after year, when you have to finance your equipment. The margins in the trucking industry average 3 percent. We're not making a lot of money out there as it is. It's a huge expense.

As I said, we embrace the green image. We run hybrid vehicles, hybrid Toyota Priuses in our sales fleet. We do all that we can to encourage green practices throughout our industry and throughout our company, and to our shippers and our employees.

But the biggest hit that we see with this rule is exactly that. The years 2013 and 14 we cannot financially make this happen in our company. We would either have to reduce our fleet or totally go out of business, which we certainly are not focused on doing. We're focused on compliance, as we have been through every California regulation, from the BIT program to universal waste recycling programs, storm water pollution control. We do all the compliance issues we have to do here in
California, and we've been very successful with that. But that year, '13-'14, is the biggest hit that we see, and I think everybody in this room sees, as the financial hit that this rule will give us.

And I've asked the question, if we can prove that we have done everything financially possible to meet the regulation and to meet the rule through equipment replacement, retrofitting and certainly funding opportunities that we are enjoying through the state and through the taxpayers - thank you very much - that if we can prove we cannot quite get there in '13-'14, what exemption or relaxation of this rule could occur? And I'd ask the Board to certainly take a look at that, because I think we're hearing that somewhat uniformly here today.

I also ask that you do embrace the DTCC alternatives through the CTA.

Thank you very much. Happy Holidays.

CHAIRPERSON NICHOLS: Thank you.

Albert Nunes.

MR. NUNES: My name is Albert J. Nunes. I'm President of A.C. Trucking in Manteca, California. We have a 25-truck fleet. Our operation runs over 150 trailers. So our operation is a little different than some that were mentioned in the program.

We have embraced the program. We want to do all
we can to bring our fleet into compliance. This year I've
already purchased three tractors that are '08 and
compliant. We have retrofitted tractors with the exhaust
systems.

But if you take the fleet calculator, put it
together, my fleet will not be able to exist past 2012.
This has become a major problem for me, a decision of what
I'm going to do with my 47 employees.

And, by the way, you know, Dr. Telles, you talked
about health care and those issues. Well, this industry I
think, as many of us, pay a hundred percent of our
employees' health benefits and their families. And those
things are not going to be available to us. We're going
to have to find other alternatives.

When we talk about the SmartWay program, I'm a
proud year and a half certified SmartWay carrier. We have
done things that they have asked us to do, in low
resistance tires - super singles, you might call them -
all kinds of different air fairings. But have we seen the
benefit of it? No. Our company has not seen the benefit
of that issue.

Also, Chairman Nichols talked about in her
videotape of 400,000 diesel trucks in California, and she
also mentioned there were 500 visiting our state on a
regular basis. I think there's the real problem we have
to deal with. There's no way that I believe that your staff or any other enforcement is going to be able to monitor that and keep those trucks from polluting our air. After we've done all we can do, it's still incumbent upon your group to monitor and police it, and I don't believe it's possible.

These are some of the things that I think need to be looked at. Please embrace the CTA alternative, which might get us through this ordeal.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Brian Rood.

MR. ROOD: Good evening. My name is Brian Rood and I represent a company by the name of Colonial Life. We are an employee benefit partner of the California Trucking Association. And I'm here this evening to encourage the Board to consider the collateral impact of the proposed regulations as it relates to companies that rely on the trucking industry to support their own businesses, especially in light of the current economic malaise.

Here's a specific example of something that I came across in the last month or so. There's a small company in Adelanto, California, by the name of D.J. Transportation. As part of our business model, we call on
CTA members, introduce ourselves, and then hopefully set up an appointment to come back and present our products and services. Between that two-week period from the initial appointment till the time I called on them they had laid off six employees. If we continue to put pressure on companies like this, which are the heart of the trucking industry, you will put them out of business. It's only a reality when you walk into the bay and you find a second generation owner of a trucking company that's been handed down by his father that you understand the reality of what actually happens on a day-in, day-out basis. And this is not isolated. It happens over and over again for people like me who call on members of the trucking industry.

The decisions that are made here will have an impact that reaches far past the individual trucking companies themselves. It will impact myriad vendor relationships like the one that our company enjoys. We rely on a vibrant trucking industry to keep our doors open, hire employees, provide benefits to those employees, participate in charitable organizations and make contributions, et cetera. And we strongly urge you to consider the alternate proposal that is put on the table under the DTCC.

Thank you for your time.
CHAIRPERSON NICHOLS: Thank you.

Wayne Teece.

MR. TEECE: Good evening, folks. I work for Dispatch Transportation Group of Companies. We are based in Fontana, California, and run at our peak 900 vehicles throughout Fontana, San Diego, Los Angeles, Oxnard, and Bakersfield.

We've been involved in every major freeway, onramp, offramp, and housing tract that's been built in southern California. And much of it, Mayor Loveridge, we built the bypass outside your window.

On a personal note -- oh, and I want to give you this because it would describe the majority of the California Dump Truck Owners' Association and the California Trucking Association members. I'm a father of three, 28 years married to the same woman, a horseman, volunteer for a posse down in southern California where we go out on search and rescues, and I work with the cub scouts.

And, in fact, I'm not someone who's trying to skirt regulations, as the Lung Association might have led you to believe. So much so that I invited Tony Brasil and his group of people to our company headquarters, put together a staff of maybe eight or ten other industry owners and executives, and tried to help Mr. Brasil put
these together.

It all went very well until I tried to explain to
him that the economic impacts -- and, Dr. Telles, this
should answer your question -- the economic impact on
these companies, and his answer was "I don't care." I'm
not taking him out of context. His flat-out response was
"I don't care. I have a mandate to meet. If that puts
some people out of business, so be it."

That brings the entire study, in my opinion, into
question, its validity. I would urge you to force them
not to just adopt some of the other proposals but to come
back to us with an -- an industry, and let us work jointly
to come up with a project or a rule that will serve
everyone and not put the balance of us out of business.

Thank you very much for your time.

CHAIRPERSON NICHOLS: Thanks, Mr. Teece.

Mike Shuemake.

MR. SHUEMAKE: I'm Mike Shuemake. I own Central
Valley Trailer in Fresno and Stockton. We employee 60
people. We've been in business about 25 years.

We service all the trucking customers in the area
with their trailer needs, or as many as we can. And I'm
here today to express my opposition to the proposed
heavy-duty greenhouse gas rule, even though it would
benefit my company greatly. But if I can't -- I cannot
sell something I don't believe in. While aero devices may help a small number of our customers achieve greater fuel economy, most would see no improvement, while incurring higher maintenance costs and higher acquisition costs.

I believe staff used numbers provided by manufacturers of these devices without taking into account the unique California transportation industry's real-world challenges, which include lower speed limits and heavy congestion on our roadways.

While these devices have their place, it should be up to the individual companies to determine their economic viability.

I urge the Board to adopt the position of the National Trailer Manufacturers Association and the National Trailer Dealers Association, which is to leave the SmartWay as a voluntary program.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Donald Redfearn.

Dan Miller.

MR. MILLER: Good evening, Madam Chairman members of the Board. My name is Dan Miller. I represent Save Mart Supermarkets. We operate 200 tractors and approximately 500 trailers in northern California and northern Nevada.
We are very concerned about the environment as a company and we will continue to replace our tractors on a regular basis and we will continue to strive to offset those additional costs that we incur. However, we reach a point where we can't offset all those costs and ultimately it has to be passed on to our customer, which are many people in this room.

We will continue to strive to reduce our fuel consumption, which in turn reduces greenhouse gases, through aerodynamic tractors, governing of tractor speeds, cruise control, and enforcement of idle shutdown as well as APU installations.

We do have some serious concerns about the SmartWay portion of the greenhouse gas regulation, however. Number one has already been mentioned - the study was based on 62 miles an hour. We as a fleet with those 200 tractors average 45.7 miles per hour. We will not offset that additional cost of those requirements of those fairings and those trailers with any fuel savings.

In addition, by putting fairings on our 53-foot trailers, it reduces our access to our stores. Where we have pits in many of those stores, those fairings will not clear the pits. We will be forced to dispose of those 53-foot trailers and replace them with more than the number we dispose of with a smaller trailer, thereby
increasing our loads on the road, increasing our greenhouse gas.

Thank you very much. And I urge you to consider the SmartWay portion of the regulation.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Andrew Smith.

MR. ANDREW SMITH: Good evening. My name's Andrew Smith. I'm the CEO of ATDynamics, a California-based company commercializing fuel efficiency technology in the global trucking industry.

We're here today to share some fleet experiences with trailer aerodynamics equipment and to share a brief story.

Two weeks ago I returned from a trip to the Middle East, specifically the United Arab Emirates, or UAE. The UAE is a small desert country on the Persian Gulf, but it is a small country with 9 percent of the world's oil reserves. The United States has about 3. Literally billions and billions of dollars are pouring into this country. And while money's not available for redoing bridges in the United States, they're literally building exotic island resorts on their coasts in order to have a place to build bridges.

The reason I bring up this story is because of...
the irony that U.S. trucking fleets are sending another
two to three billion dollars a year to this part of the
world because of unaerodynamic box-like trailers. And
we've had an incredible time over the last two years
working with fleets to end this unnecessary transfer of
wealth.

The ATDynamics flagship product is a trailer
tail. It's a rear-mounted device dealing with drag behind
the trailer that delivers 5 percent SAE-tested results to
long-haul fleet operations.

Our customers who use this technology are already
fully compliant with the proposed CARB regulations for
trailer aerodynamics, and they met these regulations at
what will be a net profit. Their payback period is about
6 to 24 months. Some fleets like the trailer tail because
it avoids some of the damage that side skirts are exposed
to. But most fleets that we are working with are looking
at combinations of side skirts and trailer tails to get 9
to 12 percent fuel efficiency gains.

In summary, we are proud to be part of a growing
movement to reduce greenhouse gas emissions, to reduce
global oil dependency, to increase green manufacturing
jobs, and to save fleets money.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
Kenny Lloyd.

MR. LLOYD: Good evening. I drove here all the way from Bishop. I'm here representing my two kids, Carly and Bodie. I look around here and I see bottles of Crystal Geyser. The water either came from the Owens Valley where I live or from Shasta. And my kids said, "Dad, what are people going to do if this thing goes into effect?" And I said, "Well, if you're a small business person and you've got two or three trucks, you're probably just going to pack up and move to Nevada or Arizona and not deal with it anymore." You're going to be the shipper if you're the manufacturer. You're going to have to be taking care of all of your garbage once again that comes out of this building.

Nobody above me has to compete for a job. Everybody out here competes for a job. You people have no clue about your regulations. You're going to amend them, you're going to add on to them, and you're going to continue to strangle this state. It's disgusting. I'm a sixth generation person in the People's Socialist Republic of California and I'm disgusted with some of the stuff that goes on here.

Science is built up of facts as a house is built of stone. But an accumulation of facts is no more science than a heap of stones is a house.
Thank you.

CHAIRPERSON NICHOLS: Okay. I don't think we actually disagree with that, by the way.

Perry Shusta.

MR. SHUSTA: Good evening. I own a small towing company in east Contra Costa County. I have two heavy wreckers. At original purchase these trucks cost anywhere from 350 to $400,000. In 2012, I will be forced to get rid of them. I cannot retrofit them. They are too old.

East Contra Costa County has two heavy wreckers. I operate them. Trucks will have to come from great distances to deal with uprighting tractor-trailers that have rolled over and blocked the freeway. How much more smog and pollution and time congestion will be wasted because I have no choice. I cannot afford to buy new trucks. I will have no choice but to get rid of them and actually let about five drivers go.

Thank you.

CHAIRPERSON NICHOLS: Thank you for your testimony.

George Little.

MR. LITTLE: My name is George Little. I operate College Oak Towing and COT Transportation right here in Sacramento. I employee 40 people, run about 35 units overall between the two companies.
I'm not opposed to the continued putting on of these products on the new manufactured trucks. I'm totally opposed to the retrofit device. The reason I'm going to tell you that is in the last 40 years that I've been in business, 37 of those was in the automotive repair business and I ran a licensed smog shop for 37 years. We installed every device that was ever okayed in this state on automobiles and light trucks. The retrofit devices of the NOx's created nothing but problems. People had no power in their units. They ping'd. They would heat up dramatically.

At the same time, the manufacturers of the new cars kept making progress. 1974 they made a great progress when they come out with high energy ignition. In the '80s they come out with throttle body injection, which more than reduced the smog putout. In the '90s they've come out with the electronic fuel injection. And after about 2000 -- right now we can probe the tailpipes of these cars and come up with zero practically every time. You can even get five years without a smog certificate now they don't even require because the cars are running so clean. I firmly believe the trucking industry can do the same thing.

I talked to people that was putting out these devices many times. They told me that, "Oh, they're going
to work on these trucks." I said, "I'm very concerned about the metallurgy in the engines and the radiator capacity and the heating that it's going to cause." "It's going to be okay."

Now, I just ordered and took receipt on a brand-new Peterbilt. And I always order a 378, which is a sloped nose in the front, so where we can have good vision on the road. It's not available. "Well, why isn't it available?" I asked the manufacturer. "Because it's four inches higher in the front and it's about eight or ten inches wider along the front." "Why?" "Because we had to make room for that big cooling system to where we can cool these new engines and have the right capacity for it."

CHAIRPERSON NICHOLS: I didn't mean to interrupt your story but your time is up.

MR. LITTLE: Well, okay. Let me say one more thing. Nine-eleven in our history was a bad day. A lot of people died. We went to war over it. I'm going to remember 12/11 if you vote for this as a bad day for the truckers of California. It's their deathknell.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Glenn Neal.

MR. NEAL: Thank you. My name is Glenn Neal and I'm representing this evening the California Tow Truck
Association, and I'm representing over a thousand member companies with over about 15-plus thousand employees and families.

Timing is everything in the world that we live. And I need not remind this group of the economy and where we're at. So I'd like to highlight on some things that are very specific to our industry, some things that I think that had been slightly overlooked with staff's report.

One of which is simply that our industry is comprised of a lot of smaller companies, some of them with revenues at less than $500,000. It's a multitude of companies networks throughout the state, because we are first responders. We don't qualify for the emergency vehicle status. We're not emergency vehicles, but we are first responders. And we're available 24 hours a day, 365 days a year to deal with whatever happens.

It is our best guess through discussions and the state-of-the-industry survey that we did recently, in June of this year, that approximately 40 percent of our industry will be taken out based on the type of program that is put together here in front of us today.

Our units don't run 20, 30,000 miles in a year. They sit and wait. Twenty-four hours a day, 7 days a week, 365 days a year they're sitting and waiting in the
majority of the time. So the mileage is low, the fuel output is -- the cost is great. The cost of replacement, there are technical problems with the retrofitting due to the hydraulics involved on the units. Idling time, obviously we have to run because we can't function without that. And, lastly, on a more personal note, I happen to own a truck distributorship for towers. And I can tell you that the new truck sales have dropped in excess of 60 percent in 2008, partly because nobody knows what's happening. There is no market for used trucks. And unfortunately --

CHAIRPERSON NICHOLS: Your time is up. Sorry.

MS. LOPOPOLO: -- I can't finance anybody.

Thank you.

CHAIRPERSON NICHOLS: Bob Berry.

MR. BERRY: Madam Chair, members of the Board.

I'd like to say thank you very much for the opportunity to speak tonight.

I've been in business for 36 years. I own 16 trucks. Nine of those will be in compliance by July 1st of this next year. I won't have them paid for until 2013. And then I have to replace the most expensive part of my fleet; that's the heavy-duty end of it. I sit in the corridor of Highway 24, 580, and I-80. We work a lot of
truck wrecks. And as it stands right now, I don't think it's economically possible for us to replace the trucks we need to deal with the major rollovers, the major truck wrecks. And we deal with those now. This is a very expensive proposition.

I'm all for clean air. I have four children -- four daughters and I have six grandchildren. I believe in the quality of life, has to take precedence over the absolute quality of the air being cleaner than it is today.

I was told by one of your staff members, this gentleman over here, Tony, that if we did nothing that we would be in full compliance by 2025. That's 60 months. And you're going to uproot this economic -- we're already in a terrible situation now.

Mark Twain said there's three types of lies. There's a white lie, there's a damn lie, and then there's statistics. And I think I've heard all three tonight.

Thank you very much for your time.

CHAIRPERSON NICHOLS: Okay. Dick Stewart.

Is Mr. Stewart here?

Mark Castro.

MR. CASTRO: Good afternoon. I'd like to thank the Board for giving me the opportunity to speak today.

And my name's Mark Castro, and I'm the co-owner

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
of Castro & Castro Trucking. My family's been in business
for over 40 years. My grandfather originally started the
trucking company. My father took over. And then now he
just recently gave it to me because of his illness.
I'm here in opposition of the rule, because I
operate three trucks and I just can't see it being
economically feasible of actually being able to carry this
over.
I'd like to thank the ARB staff for considering
the ag provision and also the small truck rule provision.
But at my highest point in the season I operate
15 trucks. And right now I'm operating four. And I
recently just had to lay one of my trucks off and -- it
was one of my personal trucks, not one of my
owner-operators, just because from a cost-benefit analysis
I would make more money. And therefore I just -- one of
my main concerns is if -- many of these people, they don't
have year-round work. And if you had a brand-new truck,
therefore you'd have to have insurance on the truck for
year-round. And if these people don't have year-round
work, then therefore they wouldn't be able to have an
insurance payment or afford a truck payment. And I'd just
like you to take that into consideration when you're
taking your vote.
Thank you so much.
CHAIRPERSON NICHOLS: Thank you.

Bob Nieuwenhuis from Con-Way Freight. Are you here?

MR. NEIL SMITH: He just wanted to fill out a card to say he was against it.

Good evening, Madam Chair --

CHAIRPERSON NICHOLS: Hi.

MR. NEIL SMITH: -- and the Board. I'm Neil Smith.

CHAIRPERSON NICHOLS: Okay.

MR. NEIL SMITH: Okay. And I wasn't jumping in front of anybody else.

CHAIRPERSON NICHOLS: Nope. Got it.

MR. NEIL SMITH: I'm Vice President of Operations for Con-Way Freight. Con-Way is a large transportation logistics company, with 31 locations in the State of California, employing 1500 people, and also serving over 40,000 customers.

Our three main components are SmartWay participants and, two, Con-Way Truckload and Con-Way Freight have achieved the highest scores possible from SmartWay. In other words, we are the best of the best, and yet we still don't meet ARB standards.

Today I would like to focus my comments on the 53-foot trailer rule. Con-Way is the only major fleet to
have installed and operated with aerodynamic trailer skirts. After two years of operation on 400 trailers, we decided the maintenance costs and operational issues were not offset by the fuel savings.

Our experience also leads us to question ARB's assumptions about payback on the investment in various trailer technologies. We already use low rolling resistance tires. The assumed fuel savings are much higher than we experienced in real-world operation. The purchase and installation costs assumed were substantially less than we experienced. And the miles run and cost of fuel are both much lower than the assumptive modeling.

Con-Way's experience is that there are other means available to meet the desired fuel efficiencies and therefore the corresponding emissions reductions with alternative means of compliance making use of various tractor and trailer technologies in combinations that suit a particular company's operational characteristics rather than one-size-fits-all approach being proposed.

Con-Way asks that rather than unfunded, untested mandates, that the ARB Board allow alternative means of compliance, including consideration that a carrier with the highest SmartWay score possible would be considered in compliance of the proposed rules.

Bottom line for us, that this is a multi-million
1 dollar mandate without significant benefits for us or the
citizens of California at a time when trucking companies
and all other businesses are dealing with the most
challenging economic environment since the great
depression.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Bruce Wick.

Stephen Rhoads.

MR. RHOADS: Thank you. My name is Stephen
Rhoads. I represent the School Transportation Coalition.

Madam Chair, you were hoping that this economy
might turn around in 2010. It's not. Ledge analysts did
a report last month, said that state revenues would not
reach last year's revenue levels until the year 2013-14,
five years from now.

Education is going to take between a 5 and an 8
percent cut this year. This year, in the middle of the
year. It's a major crisis for the state. It's a major
crisis for education.

You should make your rules in education
contingent upon available funding for school buses.

Should do that for several reasons. One had to do with a
conversation that Jack and a fella from Shasta were going
to have.
Your rule -- under your rule, 1,769 pre-1987 buses that do not have any particulate standards as it relates to PM do not have to be replaced until the year 2018. 2018 kids are going to ride in those school buses. Those school buses are more cost effective from an air quality perspective to replace those than it is to put traps on new buses. That should be your number one priority. Move the date up. Let's make it contingent upon funding and let's get funding to replace them.

Number two.

CHAIRPERSON NICHOLS: Is your microphone on? They're losing sound apparently.

MR. RHOADS: Can anybody hear me?

CHAIRPERSON NICHOLS: Now we can. You just need to be closer to the mike.

MR. RHOADS: The second issue: We have differences with the staff on the calculation of the impact of the rule. But one thing is very, very clear. And, that is, to school districts -- school districts will have to spend $500 million in the next ten years to do what the rule requires. Five hundred million dollars and the replacement of the school buses and the installation of the traps and maintaining them. We believe, your staff does not, that that is a state mandate under the constitution, a reimbursable mandate. It's a fiscal
liability to the state of $500 million. You do not want
to have in these fiscal times a newspaper article or a
reporter or a headline that says you have passed
regulations that have a potential $500 million state
mandate.

In order -- if you're not going to make it
contingent, I would take these rules and I would just wait
until the end of this fiscal crisis that the state is in
right now until the spring and then adopt it. We
cannot -- will not be able to borrow money to pay our cash
flow in February. We can't even get bond money to do the
school facilities and the state transportation facilities.
The state does not need another potential liability right
now. The fiscal community does not need to see this. Put
it off. Deal with it at the end of June. That would be
the fiscally logical thing to do.

Thank you very much.

CHAIRPERSON NICHOLS: Your time's up. But thank
you.

Okay. Richard Mello.

Are you here? Richard Mello.

Nathan Crum.

Anna Arriola.

Good evening.

MS. ARRIOLA: Good evening. My name is Anna
Arriola. Thank you for letting me speak. Thank you for
the Board members to give me the opportunity.
I come from Commerce. It's a city east of Los
Angeles. I bought a home in 1948.
In 1978 it was a nice community. It was a small
town and perfect for raising a family.
Now, it has turned into our worst nightmare.
Commerce has now become the hub of distribution, and the
pollution is unbearable. Too many people are becoming
ill, too many children are getting asthma, too many people
are having leukemia and cancer.
I know over here everybody's talking about money
and jobs. Well, I'm talking about give me a chance to
live a healthy life, to give that chance to the children
of my community.
You don't value life. You just value things,
material things.
The truckers are fighting for a job. The
businessmen, they don't want to lose money. Money can be
replaced. Jobs can be replaced. Life cannot be replaced.
All the Board members, you can help me or help
money. You can help the jobs and the truckers. So it's
your choice. Either you help the children and the people
in my community or you help the other people.
Thank you.
CHAIRPERSON NICHOLS: Thank you very much.
Actually we hope we could do both. That would be
the goal.
David Atwater, are you here?
John Browning, are you here?
Seth Hammond?
Yes.
MR. HAMMOND: Good evening, members of the Board
and Chairman. I'm here representing Specialty Crane and
Rigging in Santa Barbara. And also I'm the past president
of the Southern California Mobile Crane Operators Group.
We represent 14 companies that provide the majority of the
crane service in southern California.
I want to thank the staff for working with us.
We first appeared in front of you in December of 2006 in
Bakersfield to have the Board take a look at the need for
special treatment on our cranes. Cranes are low mileage
use, very expensive. Made most of them in Europe.
And we want to thank Eric White and Tony Brasil
for their efforts to work with us to come to an agreement
on this.
We figure that -- we feel that the provisions of
your -- the modifications that you're making to the rule
that will help our cranes, we feel that that's going to be
a good provision to help us. And we want to thank the
association for that work. It shows that if you show up and you give a good reason why things can be worked on collectively, you can come to some good decisions. So we do support the proposed changes in this rule that will affect our cranes.

Thank you so much.

CHAIRPERSON NICHOLS: Thank you.

Lee Steinberg.

MR. STEINBERG: Good evening, Madam Chair and staff. I want to thank you very much for the opportunity to have worked with you folks for the last several years. I'm the president of the Mobile Crane Owners Group in southern California. And our members own and operate more than 90 percent of the mobile crane rental fleet in southern California.

We support immediate adoption of Appendix L, the requirements for two-engine cranes, even if there happens to be a delay in the adoption of the balance of the proposal.

The adoption of L provides a comprehensive approach to regulating the diesel-powered cranes, which are now subject to three different rules - the off-highway, PERP, and on-highway. Adoption will help our relatively small industry to continue to invest in equipment required by California industry contractors and
state and federal agencies to provide efficient means of
lifting, hoisting, and support a competitive California
economy.

Thank you.

CHAIRPERSON NICHOLS: Thank you, sir.

Jim Lyons, Sierra Research.

MR. LYONS: Good evening. I am Jim Lyons from
Sierra Research. I'm here on behalf of DTCC. I've
submitted written comments as No. 394 in the package if
you're interested in reading them.

As you've heard today, all of the benefit
estimates that have been presented are all based on an
assumption that we're not undergoing a recession of
historic magnitude. The question is how big might the
impact of this recession be on emissions from the trucking
fleet in California?

I've made some assumptions to check this out.

What I've done is I've looked at diesel fuel sales as
reported by the Board of Equalization in the State of
California. They're down 8 percent so far this year. I
assume they'd be down another 8 percent for next year,
there'd be a slow economic recovery thereafter, picking up
steam as we move from 2012 onward.

If I can go to slide 5, please.
MR. LYONS: Thank you.

But back one, please.

This is the NOx emissions inventory. The red line at the top is what's in your staff's assessment, the blue line is their assessment of the benefits of the regulation, and the green line is the impact of making these changes in VMT assumptions for the base line that I've just mentioned to you.

As you can see, the potential magnitude of the VMT impact is as big as the effect of the regulation.

Now, I've got two points to make here. My analysis has been done based on assumptions. Your staff may have some other assumptions that may not agree with mine. These are all going to be assumptions. There's been no rigorous analysis done of the impact of this economic situation on VMT in the truck industry or emissions. That needs to be done before you adopt a regulation. Therefore, I would urge you to get that assessment - this is a $5 billion regulation that, as you've heard, may affect the livelihoods of thousands of people - before you make that decision. I'm not saying don't adopt a regulation. I'm saying look at the proposed regulation and the alternatives in light of a base line that reflects today's economic reality.

Thank you.
CHAIRPERSON NICHOLS: Thanks, Mr. Lyons.

Matthew Schrap.

MR. SCHRAP: Hello. And thank you very much for the opportunity to present here this evening. I'd have to start by introducing myself. My name is Matthew Schrap. I'm Director of Environmental Affairs with the California Trucking Association.

I would like to start off by commending ARB staff, especially the Private Fleet Rule staff. We've been working with them for almost three years now, and I've watched this regulation -- or that one in particular regulation evolve quite substantially.

Now, I won't repeat anything you've already heard today and I won't go into detail on our comments, because I'm sure that staff has analyzed them thoroughly, despite the fact that one of the staff members of the greenhouse gas staff hadn't seen the ATA comments as of this morning. But nevertheless we hope that the Board members thoroughly take a look at ours as well as ATA's comments. They have some very interesting information.

We understand the need for the reductions, the need to meet the federal guidelines, the need to address the health impacts. You can tell nobody here today, on the industry side especially, has said, "Don't do anything." Everybody realizes that there are reductions
that need to be achieved, and no one is saying, "Don't do
anything."

Now, there are a lot of issues. But, again, no
one wants dirty air. But these issues are representing
several challenges. And we look at the potential for
cargo diversion, we look at the ability for carriers to
pass on their costs, the availability of equipment. The
list can go on and on. I won't even address the inflated
motor coach inventory. But nevertheless there are several
issues.

Now, it is obvious, as Mr. Lyons has stated, that
one way or another there are emissions reductions
associated with this economic downturn. VMT and fuel use
is down, and that means that emissions are down. Coupled
with the fact that people are going out of business,
people are getting laid off and people are losing their
benefits, it makes for a very unique situation.

And, Dr. Telles, I know that your question about
job loss or businesses have been addressed through an
informal pole. But by staff's own admission, in 2014
we're looking at up to 14,000 jobs being lost. And it's a
proverbial drop in the bucket in the overall grand scheme
of things, unless that's your job, I guess.

CHAIRPERSON NICHOLS: Mr. Schrap, your time is
up. But we do have your written testimony.
MR. SCHRAP: Okay. Thank you.

CHAIRPERSON NICHOLS: And I think the Board members have been pretty diligent about reading their way through the mountains of things that we've received on this issue.

Brian Rees.

Shirley Batchman.

MS. BATCHMAN: Good evening. I'm Shirley Batchman. I'm with California Citrus Mutual.

And I just want to echo the comments that you've heard from an earlier ag rep. Do we like this rule? No.

But with the majority of the citrus acreage located in the San Joaquin Valley, we recognize that we have a role to play in helping that air district meet its SIP commitments.

So with that, I want to focus my comments tonight just specifically on incentive funding. There has been a lot said tonight about the dollars that are available to help people comply with this rule. And, yes, there are dollars. There's Carl Moyer. There's Prop 1B.

Agriculture will not be able to take advantage of that, as you have heard in the past, because we are low mileage and we cannot compete with the people who are doing 75,000, 100,000 miles a year.

You haven't heard yet tonight, but I think you
might tomorrow, that there's some money coming from the
farm bill. It's $150 million, it's over five years, and
it's spread through all the states. So we do not know
what's coming to California and if agriculture will be
able to compete for that money. And even if we can, it
will still be a very small part.

So the message I want to leave you with tonight
is that the ag component of this rule is critical in
helping us be compliant in helping the San Joaquin Air
District meet their SIP requirements.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Kent Johnson.

MR. REES: Oh, I'm sorry. Madam Chair, I wasn't
able to run in quick enough. I'm Brian Rees with the
California Poultry Federation.

CHAIRPERSON NICHOLS: Oh, sorry.

MR. REES: I'm sorry to go out of order. I'll be
very brief, because a lot of what I was going to say and a
lot of what our membership has said has been said already.

Basically I'm here not to argue on behalf of my
membership against clean air, against the need for
attainment. What we're here to argue with is the timing
of this issue.

We have said since this process began that we're
willing to work with the Board. What has changed significantly since AB 32 was passed and these regulations were -- the process began was a significant change in the economic climate of not only the state but the nation. And these economic realities have affected not only the entire ag community but our folks in particular via grain production costs. We compete with ethanol for corn, obviously increased transportation costs.

These are not insignificant costs to an industry. Where our membership has run the numbers, they at their most economically viable option for reaching attainment with the regulations would cost our membership upwards of $12 million; and at a time when again the economic climate is not conducive to those kinds of outlays when you're not expecting them. And we as producers of poultry products have significant out-of-state competition. And that is not an insignificant issue for us in terms of an economic disincentive and putting us at a disadvantage with out-of-state producers, who will not have to retrofit their fleets to the extent that our in-state producers will.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Kent Johnson.

MR. JOHNSON: Good evening, Madam Chair and
members. Thank you for this opportunity to comment on the proposed on-road diesel regulations. My name is Kent Johnson, and I own a local farm input supply business in Stanislaus County. We supply local farms in my area with commercial fertilizers used during the busy planting season.

I would like to thank the ARB staff that recognized the unique aspects of agriculture and developed the provisions to address their issues.

This rule will cost my business a substantial amount of money. Most of my trucks will fall under the rule. However, the agricultural provisions will provide a more economically viable time frame in which to replace the specialty vehicles that deliver these necessary products into the field for our growers.

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

Gary Montgomery.

MR. MONTGOMERY: I'm Gary Montgomery. I have a single-truck trucking operation in the Sierra Foothills of Tuolumne County, and I haul construction materials.

I don't argue with the intent of this proposal. But the economic timing and the nature of the proposal really couldn't have come at a worse time for most of us.

At the conclusion of 2006 in our area there were
25 trucks of my nature hauling around our area. At the present time, there are 8. There's people that have been repossessed. Their trucks have been -- either walked away from the payments or they just parked them.

My own personal gross income is about 45 percent off from what it was at this time. I purchased a brand-new truck in 2006. I usually trade my trucks off every seven years. Under the current proposal, I won't make it till seven years before I have to retrofit the truck to be able to trade it in. I could trade it off earlier, but the dealer don't take it because they have to spend the money to retrofit the truck.

The State of California at last count is about $28 billion in debt. The last time I spent my biennial terminal inspections it went up 400 percent, from a hundred bucks to three hundred seventy-five. The vehicle license fee will probably go up. To what nature, we don't know. And the state is planning to do away with all the public works projects in the next two weeks. So I'm not really sure where the income's going to come for our kind of business.

Because of my circumstances, the present state of the economy probably won't make me go bankrupt. But this proposal at this time, with the nature of the way it is, may very well convince me to just close my business as it
is, because it won't be viable financially anymore.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Cynthia Cory.

MS. CORY: Chairman Nichols and the Board.

Cynthia Cory, California Farm Bureau.

I want to thank the staff for all the time they worked with the ag community to help the small family farmers be able to comply with this rule. I just want to emphasize that it's not going to be a panacea, it's not going to work for all family farmers, or foresters, as you heard. It is going to -- especially not going to work for those who -- when you go into the produce section and you see that wonderful lettuce and your milk and your eggs, those are the folks that won't be able to take advantage of the ag provisions, because that's the stuff that has to come on a regular basis because it's very perishable.

But I just want to emphasize that, you know, ag has been voluntarily trying to reduce our emissions for a long time. But since 2004, we're being required -- we're being mandated because of SB 700. And I just want to -- keep this in mind as we go forward, that the stationary sources that have been around for a long time, since the beginning of the Clean Air Act since 1970, have had a long time to comply. We're doing a lot in a very short period
of time, where we air permits on our farms, dust permits.  

We're cleaning up our forklifts, we're cleaning up our  
irrigation pumps, now our trucks, and next our tractors.  

So I just want to make sure you understand we're trying to  
do a lot in a short period of time.  

But I do want to -- we really appreciate the  
effort that you have made for the limited amount of family  
farmers that will be able to take these low mileage  
provisions. And we want to thank the staff for their  
help.

CHAIRPERSON NICHOLS: Thank you.  

Kathy Fitzgerald.  

MS. FITZGERALD: Madam Chair, Board members. My  
name is Kathy Fitzgerald. I'm dealer-principal for  
Fitzgerald Truck Sales in Oakland. I've been peddling  
trucks in northern California for the last 25 years.  

The first thing I want to share with you folks is  
that you've been hearing mostly from people in the  
trucking business. We're a very chatty group of people.  

But what you haven't been hearing from is the other  
50 percent of the people who operate trucks that are not  
in the trucking business, that largely don't know anything  
about this regulation at all. I know this, because when I  
go talk to them and I tell them, they want do shoot me,  
shoot the messenger. So just be aware that there is a
whole nother roomful of people that don't know about this
regulation yet.

The second thing is, our business is off a full
50 percent with just the threat of this regulation. What
happens is the customers don't have any trade value. So
when they come to buy a truck, they can't put their truck
down to buy the next truck. They've got to reach into
their pocket and pull out their hard earned money.

Well, you all say about the grants, the grants,
the grants. Well, the grants are great. I've worked with
quite a few customers putting the grant proposals
together. They have to pretty much dedicate a full-time
staff person to putting these grants together. And then
they hope and pray and light candles; and, you know, one
ten is going to get the grant money. So, realistically, I
don't think that the grants are going to bail these people
out.

These people have been in business for a long
time, they've been bringing your products to you.
Everything they say, all the -- everything we have is
brought to you by a truck. And this is going to affect
the entire trucking business.

I saw on your slide a new truck would be $800 a
month. That's not even close. Three times that amount --
$2400 a month is about an average payment on a new truck.
So just realize that your numbers, your statistics need to be quadrupled.

Finally, I support the Coalition's proposal, the DTCC proposal.

And the last thing I want to leave you with is, remember, a world without trucks stops.

Thank you.

CHAIRPERSON NICHOLS: Perfect. You did two minutes exactly.

Jean Etcheverry.

MR. ETCHEVERRY: Good evening. My name's Jean Etcheverry. I'm with Antonini Fruit Express in Stockton. We're an agricultural commodity hauler.

We have 65 trucks in our fleet. We also use about 40 independents during the season and we rent about 40 trucks during our season.

We have about -- during season we have about 200 truck drivers that we employ. But because this past year has been rather difficult in coming up with money, we've had a high turnover because we haven't been able to afford to pay our drivers any more than we paid them three years ago.

Our customers also were not very nice to us this year with the fuel price issue that we all had. We've had to absorb a big increase in cost because we weren't able
to pass our fuel costs on to our customers very easily.

Now that the prices have come down, of course our customers are asking for price decreases immediately.

Next year we don't think that things are going to be much better in the ag trucking business. This year profits were pretty bad for us and I think across the whole industry. Next year we don't anticipate to be any better than this year.

Over the past couple of years we have upgraded our fleet considerably at the cost of many millions of dollars. Sixty percent of our fleet is 2007 or newer. Many more millions will have to be spent in the next few years to upgrade our fleet to the current regulations as proposed.

Our ability to increase our hauling rates to cover current and future equipment cost is very, very limited. The margins in the agricultural industry from farmer to hauler to processor are very low. We cannot expect to pass any costs on very easily.

Much has been made of the money available to assist trucking companies through Prop 1B. Unfortunately, this money is largely unavailable to my company and others in the agricultural business. The restrictions on funding being available only to replace or retrofit trucks that will operate wholly within California -- Pardon?
Am I not close enough? I'm sorry.

The restrictions on funding being available only to replace or retrofit trucks that will operate wholly within California having GBWR upgraded and 33,000 pounds and have continuous registration for the prior two years have effectively eliminated my fleet from consideration. More than 99 percent of my fleet miles are within California. But that 1 percent out of California eliminates 15 percent of my fleet for funding consideration. Many of our trucks do not meet the GBWR restrictions, as ag trucks need to be as light as possible.

Also, ag trucks typically operate four to six months a year, so registration is limited to those months, requiring two years --

BOARD MEMBER ROBERTS: Your time is up.

MR. ETCHEVERRY: Pardon?

BOARD MEMBER ROBERTS: You had the benefit of going over two minutes because we lost a little time in the transition.

MR. ETCHEVERRY: Oh. I get to go on, is that what you're saying?

(Laughter.)

BOARD MEMBER ROBERTS: No, you don't.

MR. ETCHEVERRY: Darn.
BOARD MEMBER ROBERTS: But you get an A for trying. Okay?

Yeah, Leonard Gollnick, followed by Mike Anderson, followed by Myles Anderson.

In any order.

MR. ANDERSON: Okay. Mike Anderson from Fort Bragg, Mendocino County. For those of you that don't know where that's at, that's part of that other state - rural California.

Rural California is the area that has no particulate matter problem, has no NOx problem, has no opportunity to take part of the 1B money. That's the area where the Carl Moyer money all goes to the county and the municipalities and doesn't come down to the private fleets.

That's the area where 60 percent of the trucks are pre-'95 trucks. Those trucks have got mechanical engines in them that costs $45,000, not $15,000, to update.

There's a real serious inequity in this rule package. I know you've heard it from the people in Shasta, you've heard it from a lot of people today. And there's two things that I think that you need to do.

I'm relatively sure you're going to pass this package as is. But when it's passed, I think the science
needs to be looked at by an independent third party. And I think in addition to that this cost analysis needs to be analyzed by an independent third party so that, going forward, money that's available to help these businesses survive this rule package is dealt to the individuals that really need it.

We put on 50 to 60,000 miles a year on our trucks. When we buy them new, they're good for a million miles. That takes us 15 to 20 years to wear a truck out. If you're working in the commerce corridor where the billion dollars is going, you put on 150,000 miles a year and you update your truck every six to seven years. I think you really need to look at these issues. There's a real serious issue of inequity here and it needs to be addressed going forward.

Thank you.

BOARD MEMBER ROBERTS: Thank you. We have Myles Anderson, followed by Ed Wallace. MR. ANDERSON: Thank you very much. My name is Myles Anderson, following up. I'm also from Mendocino County. You might recognize a little bit of a resemblance there.

But I think he pretty much spelled out issues with Mendocino County that we have. I just want to talk about something that should be an economic solution to
this problem, and that's DPS. And by looking at CARB's
web page and looking at the DPS for on-road trucks, going
through them, there's six filters on there that supposedly
work for a wide range of engine model years. Now, if you
really look at those closely, three of them are
de-verified this month. So we've got three filters left
to choose from, right now, right when the Board's going
the make a decision on this package.

First, the Cleaire Horizon. A 370 horsepower
limit. Regeneration takes five hours. It has to be
plugged into the 208 volt service, and it has to be done
every eight hours of service. There's virtually no trucks
that run around here -- that run in this state for an
eight-hour period and then can take five hours of down
time.

Engine Control Systems' Pure Filter. The
Executive Order states it's only verified for engines with
PM emission levels of .1 to .01 gallons per brake
horsepower-hour. That's an electronic engine. This will
not work on a mechanical engine.

The previous filter I talked about will not work
on a mechanical engine.

The cost of Cleaire Horizon, 22 to $25,000 per
filter; engine Control Systems' Pure Filter, $16,000.
Those two will work on an electronic engine.
HUSS, an active filter, the only one that will work on a mechanical engine pre-93. It has to have an opacity score of less than 25. It has to be a relatively clean mechanical engine. It has a horsepower limit of 250 horsepower. That means these filters have to be stacked. Each filter costs between $21 and $23,000. That's $45,000 per truck, mechanical engine. It's not feasible. The truck's worth about five to ten.

BOARD MEMBER ROBERTS: Thank you, Mr. Anderson. I've got Ed Wallace and then Eric Carleson.

MR. WALLACE: Good evening. I'm Ed Wallace, a partner in Robinson Enterprises. We're in Nevada City, California.

We're going to be subject to four rules when the ag rule comes down next year. We've got portable, off-highway, this rule, and then ag and forestry next year. We're very concerned about the cumulative effect of all these rules coming in at one time.

I want to talk specifically about filters. We have 55 old trucks that are pre-2005. Interestingly, we purchased a 2006 truck. We've got 115,000 miles on it. It hasn't missed one day of work. It doesn't have a DPF on it.

Now, it was so good that we bought six 2007 trucks. We have in excess of 10 percent down time with
those trucks. They have -- we're putting a third
 generation heating coil on there - Arg, it is called.

We have two 2008 trucks. And to make us feel
 good, we're very proud of those 2008 trucks. They've run
 fine until yesterday morning. All the shop crew was going
 to do was take it from the line and put it into the shop.
 It failed. "Failure to combust" is the code. It's a
 priority code we're not allowed to fix. It had to be
 towed back to the shop. So we're what, 60 miles away from
 the registered dealer.

Anyhow, I'd urge you to really take a good look
 at these filters and filter rules. Better delay -- in my
 view, delay the implementation of them until they work.

As Myles just pointed out, they're very expensive for
 these filters. They have a short life. We can't afford
 the 10 percent down time in our businesses. We have five
 to seven month logging season, is it.

Thanks for your time.

BOARD MEMBER ROBERTS: Thank you, Mr. Wallace.

Eric Carleson, followed by Susan Nixon.

MR. CARLESON: Hello. And that was Ed Walker
 with Robinson Enterprises, one of our member companies.

You've heard from our members on financial,
 economic, and filter availability data. I'm here to bat
 cleanup.
Our industry is in a fragile condition. Housing is down, log prices are down, mills are closing, we're not taking any more logs at this time.

Meanwhile, our trucks and equipment can help with fire fighting and the collection of woody biomass and the cleaning up of fires and the carbon that they put into the air in the state. We would like to be around to help you with that, but we need to be around to help you with that.

We have members with large fleets. You've been hearing from some of them this evening. And they're facing the struggles, with potentials of bankruptcy if they have to buy and make the changes to these trucks over the next few years. They have concerns about the filter availability, the filter affordability. These are very important issues to them, and I think that's one of the reasons we wanted to bring them up with some of the data we had here tonight.

They operate mainly in clean, low population, NOx and particulate matter attainment districts - timber country. We have a number of members who are owner-operators. They have just a few trucks, in some cases just a single truck, and they have to earn their living in six months or less and during that time try to make what profit they can, stay in business, raise their families.
Next, in terms of the clock running out, it's true. We've heard some of this tonight. But we would agree that as we try to tell our own members about this, many of them still don't know that this rule is potentially coming, this devastating rule. We have members who are trying to buy trucks now to comply, that if this rule passes will not be in compliance in a year. And though we're doing what part we can, we think it's incumbent on this Board and its staff to continue to communicate through all means necessary that this rule is coming and give people the proper lead time to try to prepare for it. Because we keep bringing the people who simply don't know it's out there. Large state, large population.

To the extent that there are health concerns being reviewed by the Board in the preparation of this rule, we would add that there's always reason as you review job loss data to review the health impacts on heads of households who lose their jobs and the impact on their health to sustain job loss, by the impact on their children with health insurance loss.

We have many older members in their sixties who have been driving --

BOARD MEMBER ROBERTS: Thank you.

MR. CARLESON: Thank you.
BOARD MEMBER ROBERTS: I've got Susan Nixon. Is Susan here?

Charley Rae, CalCIMA. Is Charley here?

David Hagen, followed by Eric Bassett.

MR. HAGEN: Great. I get a chance to get up and move. Been here all day.

I'm David Hagen from RSI Insurance Brokers. We have offices in Costa Mesa and Gridley. We have 54 employees and family, and we are a family business. And we treat our customers as family too. We've been in business for over 20 years.

We're a specialist in trucking. That's what we do - wheels. And we're real concerned about these measures.

Commend staff for their hard work. I've heard it from CTA staff members and others commending staff for all of their hard work on a monumental task.

But the fact of the matter is that I've sat here all day and listened. And Dr. Sperling, I heard his comments very clearly. And I want to go back to that, about methodology, equitability, parity -- pull up whatever word you want. I am real concerned about that.

We all are after the same goal.

Chairperson Nichols brought up the fact to
Ms. Arriola from Commerce that we all hope to win in this. At the end of the day we all hope to win. But I am concerned about things I hear.

I'm going to get off with this one comment. The studies on premature deaths related to diesel particulates, did they consider the guy in the cab with his four packs a day of cigarettes, or obesity, you know, and other health issues? I'm an asthmatic myself. You know, I don't suck diesel particulates all day long. I just hope that you use common sense and be reasonable.

Thank you.

BOARD MEMBER ROBERTS: Thank you.

Eric Bassett --

MR. BASSETT: Good evening. Thank you for your time.

BOARD MEMBER ROBERTS: -- and followed by Michael Mortensson.

Go ahead.

MR. BASSETT: My family owns and operates a heavy truck dealership here in Sacramento. We've got 80-plus employees.

Everybody here has talked tonight. We don't want not to do a rule. We want to do a rule, but we want to do it in a timely manner. If you look at the replacement vehicles that are going on, these companies are replacing
vehicles as needed. We'll continue to do that. We want to do our part.

I've got a dealership, so I've got ability to maybe profit from this and sell trucks. But on the other hand, I've got a huge rental fleet that caters to a lot of businesses in the Sacramento Valley. So 250-plus trucks that all have to come into compliance as they go. They're 2005 or newer, so I'm not worried they're going to turn them out. But when they come back, I expect to get good dollars in the market.

What you're creating in California is taking the value of these trucks when they come back and they're not worth what they should be. You're unfair for the state and the businesses in California because we're losing the value of our assets. That's all we're doing right now, is you guys are taking this rule and -- that used truck that's a great asset for a new person that's trying to run a business, he can't buy it because it's not going to be worth what it should be.

So we're in favor of passing a rule, but it's got to be in a timely manner where everybody can catch up, take into account the economic problems that we're having with the state, budget problems. Think of the state's fleet. Can the state comply with this? I don't think so.

BOARD MEMBER ROBERTS: Thank you.
Michael Mortensson, followed by Steve Sharp.

MR. MORTENSSON: Good evening, members of the Board. I'm Mike Mortensson. I'm the Executive Director of the California Groundwater Association, commonly known as CGA.

CGA represents about 430 water well drilling and pump installing contractors throughout the state. They employ about 2400 people. So the industry is small in numbers.

But its function is critical to the well being of the state. In times of drought - and we're hearing about that these days - groundwater supply is up to 50 percent of the state's water needs.

Our members deal with complex conditions throughout the state and they must have a wide variety of equipment to develop groundwater supplies. And much of that is quite specialized and is of limited or low usage.

For example, you could have a drill rig that's in good, sound condition that is 25 years old and has less than 10,000 miles on it.

I was at the National Groundwater Association Expo last week and saw a number of drill rigs. And some new rigs will cost up to a million dollars. So keeping this equipment in its long-term useful life is critical to our rig owners.
We have to comply to a large number of ARB rules, and our members are trying to comply with the current regulations. But many of the groundwater contractors in the state are small and local operators, and they're being forced to downsize or even close their doors.

We talked to one contractor who said he'd have to cut his drill rig fleet in half. And another one said he looks at the replacement costs for his equipment to come up to standards, and it would cost two times his company's net worth.

We are concerned that the potential loss of the industry's capability to provide water will be -- because of these regulations, could cripple the state. One can live without many things, but water is essential.

Now, we know that there's a proposed regulation that includes agriculture provisions. And certainly the reasoning that resulted in those could definitely apply to the groundwater industry, which provides water for ag, domestic, municipal, and industrial uses.

Now, we've had an air emissions study done by a manufacturer very recently. I just saw it last week. He said that water well equipment in the United States --

CHAIRPERSON NICHOLS: Thank you, Steve.

MR. MORTENSSON: -- covered only 2/10 of 1 percent of the total emissions.
BOARD MEMBER ROBERTS: Thank you.

MR. MORTENSSON: Thank you. And we ask that you delay and ask for conditions for the groundwater industry.

BOARD MEMBER ROBERTS: Thank you.

Steve Sharp, followed by Joe Rosa.

Steve.

Joe Rosa.

MR. ROSA: Good evening. My name is Joe Rosa. I'm the Operations Manager for Renner Petroleum. We're an independent petroleum marketer in Eureka, California, where the air is crisp and clean.

Well, I'm here to tell you a little bit about our business and how it's going to be affected by the regulations that you're about to -- or are potentially going to approve.

As a small business, we have a fleet of trucks that about 95 percent of our trucks are local trucks. They don't run more been about 30, 35,000 miles a year making deliveries to our customers. There's no way in the world that we can go out and spend the kind of money it takes to buy these trucks and get our value out of these trucks, our return on investment, in the six or seven years that you're proposing here.

In the last three years we've spent over one and a half million dollars upgrading our fleet. And in five
years we've also spent somewhere in the neighborhood of three and a half million dollars upgrading other portions of our business for other recommendations from the state that we were required to meet in our card lots.

The point I'm trying to make is there's a lot of different things that are attacking these businesses in all of our profits lines, our bottom lines, in many different areas. This is just one of them. At some point we just can't shoulder those burdens any longer. The money that's being handed out here, the Prop 1B money that's being available, is not made available to us up in our neck of the woods, unfortunately. We have the same costs to replace our trucks as anybody else does, but yet we're not having the funding coming our way.

In real life -- one gentleman was talking about the assets value. If you want to know a real-life scenario, just Monday I signed a deal to pick up another piece of equipment. I traded in six pieces of equipment and I got $33,500. Now, one of those things with a tank wagon that three years ago would have been worth about $15,000, which is now worth $30,000, the replacement cost of that piece of equipment, to get the new one that's going to replace it, is $241,000. Those are just some of the costs that we incur in our industry.

And with the impact it has on our business and
all of our customers' business, pretty soon we're not going to be able to meet any of those needs.

Thank you.

BOARD MEMBER ROBERTS: Thank you, Joe.

Doug Van Allen, followed by Allen Burmeister.

MR. VAN ALLEN: Doug Van Allen with BJ Services Company.

BJ Services would like the Board to modify the proposed rule to allowed body-load trucks to be included in the special mileage limitations that were provided for agricultural vehicles. This would allow the body-load trucks that operate below 25,000 miles per year to be exempt from the PM and NOx requirements until 2017.

Staff thought about body loads. I'm not sure what they thought. Slide No. 45 is a picture of one of my body loads in there, but there's nothing written about it.

A body-load truck is a truck that has specially designed machinery built on to the back of the truck to perform a specific job. They are not designed to haul a load up and down the highway. The machinery that's on the back is actually their load. The machinery may have its own PERP engine or it could be operated from a PTO driven by the road engine or both. And because the machinery actually uses the truck frame as the backbone for the machine, each component is mounted separately to the truck.
frame. And we do that so that -- it allows us to keep the vehicle weight down, because they have to be DOT legal to be on the highway for weight legal.

We're asking for this modification because of the very large capital investment to manufacture a new body-load truck. They range from $600,000 to $1.1 million, depending on the truck.

And, also, the additional expense to transfer the machinery from an old truck frame to a new one normally costs an additional 150 to $250,000 above the price of the cost of the truck.

Due to a large capital investment for body-load trucks, BJ Services would like the Board to ask staff to give body loads the same consideration that they've given to dual-engine cranes and sweepers, agricultural trucks and school buses. And I've submitted a more detailed letter in there.

And thank you for your time, and Merry Christmas to everybody.

BOARD MEMBER ROBERTS: Thank you. And the same to you. And we'll ask staff when we -- I was going to hold it and have them comment.

BOARD MEMBER LOVERIDGE: Tonight or tomorrow?

BOARD MEMBER ROBERTS: Tonight -- well, we're going to be done tonight.
BOARD MEMBER LOVERIDGE: There's more testimony tomorrow.

BOARD MEMBER ROBERTS: Well, I think we're going to get through it.

BOARD MEMBER LOVERIDGE: No.

BOARD MEMBER ROBERTS: Well, okay. We're going to get through the names that are in front of us.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, there are quite a few -- there's a large list of people that signed up for tomorrow. And so that's still to come.

BOARD MEMBER ROBERTS: Okay. But you'll have time for staff to comment tonight.

BOARD MEMBER LOVERIDGE: Okay. Well, it seems to me that was a reasonable question I would like --

BOARD MEMBER ROBERTS: I agree. Make a note. Also from BJ Services, Allen Burmeister, I think.

Is he --

MR. BURMEISTER: Yes. Yeah, over here.

I'm Allen Burmeister

BOARD MEMBER ROBERTS: -- followed by James Thomas.

Excuse me. Go ahead.

MR. BURMEISTER: My name's Allen Burmeister.

We would like to address the section relating to adding vehicles to a fleet. The current draft states that
before a fleet may operate a newly added vehicle in California, we must file a report with the Executive Officer within 30 days of adding the vehicle. Fleet owners will receive the equipment all during the year. So you could have to make 12 reports then. And what we would -- the proposed regulation would require fleet owners to file several reports to the Executive Officer to remain in compliance with the regulation. It's very labor intensive and costly.

What we suggest and would like to do is modify the proposed regulation, stating that the addition of 2010 model trucks or newer would be reported in the annual update to the Executive Officer. So report just once a year.

The addition of new 2010 or newer model trucks to a fleet is going to help the fleet move closer to compliance anyway. They would be compliant engines.

This modification would reduce some of the cost -- the administrative costs. It would reduce our costs and your costs.

The other thing I'd like to talk about is, the staff report states that fleets naturally replace their vehicles on a regular basis that is faster than what the regulation would require. I believe that statement refers to long-distance cross-country trucks traveling 200,000 --
approximately 200,000 miles a year. However, many trucks, and almost all of ours, are kept for 15 to 25 years because of low mileage. BJ Services trucks may be on location for a few days to a few weeks while the crews commute back and forth in vans or pickups. And this results in low annual mileage for the trucks.

BOARD MEMBER ROBERTS: Thank you, Mr. Burmeister.
MR. BURMEISTER: Thank you.
BOARD MEMBER ROBERTS: James Thomas, followed by Chris Torres.
MR. THOMAS: My name is James Thomas with Nabors Well Services out of Bakersfield, California.

We would like to propose the Board to make a modification to the reg on the NOx requirements in the proposed reg to reflect the current available technology. The regulation requires the installation of V-Decks that will reduce NOx from 40 to 85 percent. Today there’s only two technologies that will reduce NOx at all. That's 25 percent and 40 percent on a small group of engines.

Forty percent is far away from 85. Without the development of an 85 percent V-Deck, that will limit the life of our vehicles. Vehicles -- what we are proposing, that whenever we have to start buying diesel particulate...
filters in 2010, why can't we buy diesel particulate filters that has a NOx in it already. Might be 25 percent. Then we would be in compliance with the reg, generating NOx reductions early.

And one of the Board members asked about what will the economic impact have on the crisis that we currently have. Well, due to the crisis, my company reduced its capital budget for 2009 by 70 percent. My company has repowered approximately 400 engines over the past 12 years. Without this capital, that makes us put on our brakes.

Thank you for your time.

BOARD MEMBER ROBERTS: Thank you.

Chris Torres, followed by Lee McCorkle.

MR. TORRES: Good evening. Thank you for your time. I'm Chris Torres, President of F & L Farms Trucking. We are an agricultural transports, also a construction transporter. We've been in business for 28 years. We run 12 trucks, employ 15 people. We have an annual payroll salary of a half a million dollars. We pay approximately a million dollars to our outside vendors for our product -- for fuel and the rest of our expenses.

In the past two years we've replaced four of our trucks out of the 12, approximately $300,000 of capital outlay. We have -- and these cost us approximately 1600
to $1800 a month, which are way in excess of the $800 that we heard earlier in the testimony.

We need to extend this timeline on this regulation, on the implementation. This compacted timeline is not going to -- it will not work for my company or many others. We cannot continue -- I cannot continue to replace two trucks a year and be in compliance by the time you want for us folks to be there. It's just impossible, especially with the economic situation.

You know, the agricultural end of our business is possibly suffering this year because of the drought. We don't know if all of our customers are going to get their crops planted, so we don't know if we're going to be able to haul their products.

The construction side of our business, we don't know how many road projects they're going to allow this year or anything.

So a whole lot of stuff's in the air. We don't have contracts to go to a bank and say, "I have this guaranteed income to come in," and so that I can guarantee I will be able to pay the loan. So that's my point.

Thank you.

BOARD MEMBER ROBERTS: Thank you, Mr. Torres.

MR. McCorkle, followed by Darlene Din.

MR. McCORKLE: Thank you very much. My name is
Lee McCorkle. I live up in Glenn County, called McCorkle Trucking. We're an ag carrier, and there's quite a bit of our work is done seasonal. That means that those trucks that are on seasonal-type work do not get a lot of miles, maybe 25 or 30,000 miles per year. So it's going to be difficult for us to meet these compliances.

Now, we certainly understand the people that are concerned about the air quality. That's important. Gosh, we've heard people talk about that here this afternoon, and I can understand that that's certainly a big potential problem -- or it is a problem.

So, anyway, we've got bad economic times surrounding us all over the place. The economy's in very bad shape. People are losing jobs. Just not very good timing.

And I've heard all kinds of facts and figures from the Air Resources Board, plus all the people that's been testifying as far as facts and figures. And there's certainly one big discrepancy in a lot of those. So where are we with all those discrepancies that we have? Are any of them right? Are they somewhere in the middle? Or what is going on? And I'm not that much up on this whole thing. I've been trying to catch up here the last few days. And so I can't answer those questions. But something's wrong with the figures.
So, anyway, I think that the Air Resources Board at this time is probably, even though I'm sure you'd like to be on schedule, you're probably really not on schedule as far as the reality of the real world is. So I'm going to ask that you please very strongly consider the recommendations from the DTCC coalition. And let's give ourselves a little bit more time. And hopefully --

BOARD MEMBER ROBERTS: Thank you, Mr. McCorkle.

MR. TORRES: -- in the end we'll come out right.

Thank you.

BOARD MEMBER ROBERTS: Thank you.

Darlene Dinn.

Is Darlene here?

Tracy Roberts.

Is Tracy Roberts here?

With that last hand I was going to give her an extra minute. But --

(Laughter.)

BOARD MEMBER ROBERTS: David Norris.

We're doing great now.

Kevin Abernathy.

Come on up here, Kevin.

Followed by Christopher Valadez.

MR. ABERNATHY: Good evening. My name is Kevin
Abernathy. I'm the Executive Director with the California Diary Campaign.

Appreciate the fact that you folks have been able to sit up there for this amount of hours and you're getting close to the end.

Real quickly, on behalf of the numerous diary families and family businesses that support our farms in the State of California, I would like the Board to -- or I basically have a simple request. And it gets real specific on to page A-13 of section 2025, Item No. 64.

And I would hope that it's just an oversight on the staff's part. But I would like to see a broader definition of specialty agricultural vehicles that is more inclusive to the dollars that have to be spent to specially retrofit certain types of equipment for specialty uses on farm.

And specifically under B, we've got cotton modules that are listed, which I respect the fact that that is a significant investment on the grower's -- or the harvester's part. But we also have the same cost for something as simple as a silage truck. We cannot simply take a replaced highway truck and use it to collect silage in the field. It requires anywhere from -- most of the time around $45,000 to upgrade that to where it will actually last in the field.
Secondly, Item D. Hey, guys, a feed truck is a feed truck and livestock is livestock. And if I was to go home tonight and see my cows and they looked at me and I didn't make the comment that, "Hey, we're livestock too. We're also a bovine species," and the fact of the matter they might kick the hell out of me in the milk barn the next day without bringing that up to the Board's knowledge.

(Laughter.)

MR. ABERNATHY: You know, my heart really goes out to everybody in this room because we in the diary industry and agriculture, we rely on everybody that's behind me and all these other industries that are going to be severely economically hit.

BOARD MEMBER ROBERTS: Thank you, Kevin.

MR. ABERNATHY: Thank you.

BOARD MEMBER ROBERTS: Mr. Valadez, followed by Andy Acott.

MR. VALADEZ: Good evening, Mr. Chair, members of the Board. Chris Valadez here representing our membership for the California Grape and Tree Fruit League. We're a statewide public policy organization representing the table grape and tree fruit growers and shippers, again, up and down the state.

Our bottom-line concern with the rule is this:
That all trucks -- agricultural trucks will have to be replaced under this rule. That's the reality, as we see it, as this rule's progressing as discussed here today.

As we've discussed, and as you may know, financing options even for those in agriculture are a grim reality. And the reality is it's not likely.

In tree fruit this year it's been -- this year, last year, and projected into the next year, very significant ramifications for the industry. A reduction of tree fruit plantings will likely occur. In going forward, that industry specifically is going to be economically impacted. Therefore, their decisions to go forward, whether or not, and to purchase new trucks in an aggravated or aggrieved time schedule is going to impact and weigh on them greatly.

For us in agriculture, the reality is we are just consumed about what is before us today. We saw a video that Chairwoman Nichols put out, an informational video, and we think she put the issue before you today very succinctly. ARB's role is to find solutions.

With that, to us the solution should be both reasonable and practical. In sum, we acknowledge that the Board will likely move forward with a recommendation from staff on what a rule is going to look like for the future and how it's going to impact us all. Everybody in here...
will be impacted.

But as you move forward and take your considerations, we hope that you acknowledge the maintenance of ag-specific and for specific sectors those proposals with which they will -- which they will need in order to make sure that they can have enough time to adapt to this rule as it affects them given their proportionate size in relation to the rule and the scheme.

Thank you. And we do appreciate this opportunity to provide testimony.

CHAIRPERSON NICHOLS: Thank you.

Andy Acott.

Lan Dahn.

Steve Lopes, followed by Daniel Del Moro.

MR. LOPES: Good evening. I'm a principal with Western States Oil Company.

CHAIRPERSON NICHOLS: Please speak in -- thank you.

MR. LOPES: I'm a principal with Western States Oil Company. We're based in San Jose. We've been there since 1956. And I'm here to oppose the CARB rule as you guys currently have it written. And I'd like to see supported the DTCC's alternative.

I'm really overwhelmed by the testimony I've heard in opposition to this rule. I can't imagine how you
guys could go forward and pass it after hearing all the various arguments from the people that actually make this state work.

Bottom line is CARB is mandating companies like mine and these people to replace assets and trucks before they need to be replaced. And it just doesn't make any sense.

And for our company, unfortunately -- and I've got about 200 other members. I'm also a member of California Independent Oil Marketers. We have a double hit upon us, because next year in April due to CARB's regs we have to spend huge amounts of money in upgrading our service stations with EVR and ISD compliance. And we just took possession of a brand-new tank truck, about $230,000, two weeks ago, and replaced a couple of smaller trucks last year. But all these mandates are really starting to hurt us.

And luckily we'll be able to -- we think we might be able to make the timeline. But I know there's other people, some of my competitors, other people in our association and surely a lot of people out here that just won't be able to find the financing to make these upgrades.

CHAIRPERSON NICHOLS: Thank you, sir.

MR. LOPES: Thank you.
CHAIRPERSON NICHOLS: Daniel Del Moro, if you are here. And you are the last speaker. Unless somebody stands up and says we missed them, that is it.

MR. DEL MORO: Thank you very much for the opportunity. Yes, my name is Daniel Del Moro. I'm with PVM Transportation out of Fontana, California.

I think by now you've pretty much heard it all. And, yes, a lot of the concerns being expressed here by a lot my industry fellow members are the same concerns that we're dealing with.

So I will echo one of the issues -- or one of the main issues that we are dealing with right now. And, that is, the fact that -- we kind of saw this coming some years back. So we'll begin changing our business model by basically, you know, starting to buy brand-new equipment. And I believe that us by doing that have gotten -- being a small company, you know, we got into so much trouble because, yes, our monthly payment per truck is 2400 bucks on the average. That's one thing.

The next thing is that these trucks have so much issues. I mean it's very ironic to see a 2008 truck being breaking down so much, and all of these failures being related to all the new technology or results of the new technology that these trucks are equipped with, you know.

Some of this new technology, I just think that
it's not working.

So I will say it again. You know, I think we are into some deep trouble, by us making this investment into our company and because of the way we all know the economy is and such, you know, being able to really pull it off.

So, again, and as a lot of people have said tonight, you know, I ask for time. I ask for some leniency with this regulation, because I'm a perfect example of that second generation whose parents' business has been passed on to me and I really don't know if I'm going to make it. You know, my father says, you know, I'm young and I'll be able to pull it off. But I feel tired already.

Thank you very much.

CHAIRPERSON NICHOLS: Well, it's a little late in the evening. That could have something to do with it.

MR. DEL MORO: Well, you know what I mean.

Thank you very much for the opportunity to talk to you.

CHAIRPERSON NICHOLS: Thank you. Thank you for spending the day with us.

Thanks to all of you. I know you're here because -- not because you didn't have better things to do.

Yes.
BOARD MEMBER LOVERIDGE: There's one technical question that staff was going to respond to, that there was a reasonable -- there was a body-load vehicle that struck me as a reasonable question. So what's the staff answer?

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Well, I think it's twofold. First, we've had some conversations around those -- especially those particular vehicles that we had the picture for and with that particular fleet about how that fleet would likely comply with the proposed regulations in terms of for all of the vehicles they had in their fleet. And the feedback we had gotten back from them was was that by looking at their other vehicles first, they were going to be able to do those towards the end of the program and be able then to replace those with new vehicles.

Now, that said, we also have the unique vehicle provisions in there which would allow for retaining vehicles that cannot be purchased used with the 2000 -- a cleaner engine amendment in them, and then they can hold on to those vehicles as long as till 2020. So we felt we had addressed the issues with -- between that with that particular fleet in particular and more broadly with unique vehicle provisions that are already in the regulation.
CHAIRPERSON NICHOLS: For tonight, are we ready to call it a day?

One more question.

BOARD MEMBER ROBERTS: Yeah, one of the things that's been a reoccurring theme -- and I'm not sure how it's been factored in or if it's been factored in. But when we talk about the economy and we talk about the cost and the purchase price of new vehicles, there seems to be something operating where there's now the older vehicles -- any used vehicle is now only a fraction of what it might have been worth a year or two ago. And I don't know if we've taken that into account, but it's been one of the things that I know that I've heard.

CHAIRPERSON NICHOLS: The resale value.

BOARD MEMBER ROBERTS: Yeah, the retail value --

CHAIRPERSON NICHOLS: Resale.

BOARD MEMBER ROBERTS: I mean people who would otherwise like to sell, take that value and even put it -- they have a lot less of an asset, which has exacerbated anything we've asked them to do. And I don't know -- it doesn't seem to me that we've acknowledged that.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Well, actually we have. And I very much believe that the phenomena we've seen is real, that these vehicles are not worth as much today as they were. And, you know,
part of that may be due to the economy and part of that
may be due in fact to anticipation for the rule.

When we estimated the cost and we came up with
our $5.5 billion number, it took into account both reduced
costs -- reduced value of existing vehicles, that the
vehicles that they have today would be worth less simply
because they would not be compliant.

We also factored into that compliant vehicles,
the ones that they would need to be buying on the used
truck market, would be more expensive than they are today.
And that was reflected by -- you know, as the market's
supply and demand would dictate that those vehicles would
be more valuable since more people were seeking them.

So we did account for both. I haven't heard any
of the comments with stakeholders since we put our
economic assessment out whether our estimates were on
target or we missed the mark on either end. But we did
make an effort to do just that.

CHAIRPERSON NICHOLS: Everybody wants things to
chew on overnight.

BOARD MEMBER TELLES: Yeah. One of the recurring
themes here is the cost of buying a new truck and the
monthly payment. You know, from the trucking industry
we're hearing it's more in the range of 2,000, 2400. And
from the rule it's 800.
Myself, I don't understand how you could have $800 for a month for a $115,000 asset. To go out and buy a new car for $35,000 and you have a five-year payment, you're saying about six to seven hundred dollars a month if you're not leasing it.

Are these real numbers we're talking about or are we way -- are we way off on the estimate of the cost of this thing?

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: No, I don't think that we are. The numbers that we showed in terms of an $800 monthly payment to get a compliant truck, I think two things have to be remembered in that. First, we are financing the cost of a used truck. And, again, it gets to the fact that the regulation never requires new and is really set up to allow used trucks to be a viable compliance option for fleets. And some of the chart -- the chart we had showed just how important that is in terms of how the prices come down in time. Four or five years the value of the truck is about half of what it was new.

The second is is that one of the attractive things about the low interest loan program is just that. It can offer loans and rates that are significantly less than what they could get on the open market today. And that's part of ARB using its money to reduce the risk to
the lenders that they're able to offer those lower rates.

So I think when you look at both of those, we feel pretty strongly that the numbers we've run, about $800 a month, are pretty good figures.

CHAIRPERSON NICHOLS: Not as to what it would take if you were to go buy a truck today. And certainly not what it would take to buy a new construct.

HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF WHITE: Correct.

CHAIRPERSON NICHOLS: But what you're saying is that for the kinds of trucks that you believe would comply, that people should be buying at the rates that we think we can get them using the state's money, that that's a realistic number. And of course there's a lot of doubt about that. Clearly not -- most of the people in the audience that aren't convinced that that's real.

But one of the things that I think is interesting about this whole discussion is that, you know, everybody wants a new truck. Nobody wants a used truck, you know. We're suggesting that people do things that are economically rational to do the minimum amount that's required to comply and still keep running your business. And we've run numbers accordingly.

But, you know, if you ask people what would they rather do, it would be something completely different,
right? They'd rather wait longer and then get a brand new
track because that's clearly a more attractive option from
their perspective.

ON-ROAD CONTROL REGULATIONS BRANCH CHIEF
KITOWSKI: Excuse me, Ms. Chairwoman.

CHAIRPERSON NICHOLS: Yes.

ON-ROAD CONTROL REGULATIONS BRANCH CHIEF
KITOWSKI: I believe it's important -- I wasn't sure if it
was clear. The times when we've mentioned 800, it was
always in the context of the incentive programs in terms
of the grants. So it is assuming that folks are taking
advantage of the grants in addition to the loans and the
whole package. And if they were not able to get a Moyer
or a Prop 1B grant, again that dollar amount would be
higher.

CHAIRPERSON NICHOLS: Yeah.

MR. BRASIL: And just not to confuse matters. I
mean the $800 also coincidentally is what it would cost to
buy a five-year-old truck and have a 12 percent interest
payment. So those numbers just coincidently come out to a
similar place. So --

BOARD MEMBER TELLES: If you use the grants that
you just mentioned and if you use the amount of money
that's available for the grants, that's like a billion and
a half dollars. And so a billion and a half dollars of

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trucks you can get an $800 payment and the other four and
a half billion is going to be a $2,000 payment?

ON-ROAD CONTROL REGULATIONS BRANCH CHIEF
KITOWSKI: It doesn't quite work out that way. It's never
quite clean. There are different grant amounts. And so,
again, it depends if you're using that.

The maximum grant amount you could get for a 2010
truck might be as high as 75,000. And then you could have
a very modest payment. You might take advantage of the
voucher program and have a down payment of $30,000. The
dollar amounts will vary, so it does not come out that
clean. It's not going to be an on-off switch, you're
going to be 800 or you're going to be 2,000. There's
going to be a lot in between depending on the price of the
truck, the age of the truck you buy, the available grant
incentive for your --

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Dr.
Telles, I think the biggest difference is that everybody
that said the 2400 said, "I bought a new truck and it cost
$2400 a month." In the scenario we have, putting aside
the interest rates and all that other thing, it's a
four-year-old truck, which we showed was about half the
price of a new truck. So right there your 2400 is divided
roughly in half. Then easy numbers here as to what it
would be even without a low interest loan or without extra
grants.

So the big difference is whether you buy the new truck, because that's what you want to for the other reasons, or whether you go with the low cost option -- the minimum cost option, which is to buy a four-year-old truck.

BOARD MEMBER TELLES: If you buy a four-year-old truck, when do you have to replace it?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, if you buy a four-year-old truck in this period of 2013-2014, you don't. It will have all the stuff on it. And if you buy it earlier than that, then it's going to be at least 12 years before you have to replace it under the program, which will put it out near 2020 or so.

CHAIRPERSON NICHOLS: But the only reason for doing that is that you're trying to take advantage of the incentive program, right?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Right.

CHAIRPERSON NICHOLS: Otherwise why would you bother? You'd wait until the 2013 period.

Supervisor Roberts and then Dr. Balmes.

BOARD MEMBER ROBERTS: Just stick with the big aggregate numbers. When we started off today I thought we were talking about, you know, the cost of the -- is like five and a half billion dollars. And then do you subtract
about a billion and a half off of that? So that the real
cost -- I mean the industries that we're talking about,
there's a four billion dollar bill somebody's going to
have to pay?

Okay. I mean that's a lot of money. And it
doesn't spread itself out evenly. So that the fact that
there are some people concerned who may be on the edge of
a new career probably have good reason to think that.

CHAIRPERSON NICHOLS: No. Well, I think you're
right. I was just going to say though that, you know, my
experience with government funding is in the resources
side of things where we've raised money through bonds time
and time again for water projects, land purchases, parks,
et cetera. And the only way you get more money is to
spend all the money you've got. So I would never advocate
that we sort of hold on to the money and try to parcel it
out. I mean if we go this route, I think we should try to
use the money as quickly as we can to solve as much -- to
do as much as we can.

BOARD MEMBER ROBERTS: Yeah, but I could see
somebody who's got a business being nervous that we're
sort of rolling the dice with their business.

CHAIRPERSON NICHOLS: Understood.

Yes.

BOARD MEMBER BALMES: Well, it's a somewhat
So I've been impressed with the testimony from individuals in the rural counties where a) the air is cleaner so there's less of an immediate health impact; and there's relatively low miles so that there's not likely to be as -- it's not likely to be as easy to qualify for the incentive programs. And I'm a little troubled with one size fits all. I mean what do we do about the folks that aren't going to be able to qualify for those funds?

CHAIRPERSON NICHOLS: Well, I think we're sort of getting into the discussion of the vote here.

But one of the things I would say is that I believe we're in the process of talking about redoing the Moyer program so it is less focused on just getting tons per dollar spent, which was our sole purpose before, and more focused on dealing with some of these other equity issues. But I think our resident Moyer expert here might want to add something.

BOARD MEMBER BERG: Well, we are looking at that. I think Jack would be able to address that better than I.

But I think we still have the issue that we're oversubscribed. So we still have more people in need of the funding than we have funding dollars even if we do change some of the requirements. So the concern is valid.

And one of the things I'd like staff to take a
look at is in these rural areas that are in compliance, it seems to me that the NOx turnover is the way to go. And so at the end of the day, we have new trucks, but they aren't going through the added expense of the PM. And so if you could take a look at that and how that would affect the overall numbers, I'd appreciate that.

CHAIRPERSON NICHOLS: I guess I'm going to be a grinch here on that issue. It would be nice if we could just divide the state into rural and urban. And it does divide itself somewhat by counties. But if I lived in the small town where I had logging trucks rolling by every day, even if it was only a small truck -- I mean a small town and, you know, we didn't violate the air quality standards except -- you know, my exposures were regular, I don't think I'd be content to think that, you know, this was only happening in the big city. And I think it's a little more complicated than just dividing up into the rural versus urban.

Mayor Loveridge has some wisdom to add here.

BOARD MEMBER LOVERIDGE: I'm ready to engage that argument tomorrow. I don't think I agree with you. So let's talk about it tomorrow.

CHAIRPERSON NICHOLS: Okay. Fair enough. Yeah, and I'm prepared to argue about it too.

(Laughter.)
CHAIRPERSON NICHOLS: We could argue about that for a while.

Okay. We are, however, going to call it quits because we've had enough fun for one day, and also because we do have to come back tomorrow. And at 8:30 we're going to look at some trucks out on the street on the 11th Street side of the building. And then we're going to come back here at 9 and start the meeting.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, we're going to come in here I think first to --

CHAIRPERSON NICHOLS: Oh, start first here. I'm sorry.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: -- actually --

CHAIRPERSON NICHOLS: We'll actually be here at 8:30.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: -- to convene and then walk out.

CHAIRPERSON NICHOLS: Ah, Okay. I apologize. I was confused. 8:30.

Good night, everybody.

(Thereupon the California Air Resources Board recessed at 8:47 p.m.)
CERTIFICATE OF REPORTER

I, TIFFANY C. KRAFT, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing hearing was reported in shorthand by me, Tiffany C. Kraft, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of December, 2008.

TIFFANY C. KRAFT, CSR, RPR
Certified Shorthand Reporter
License No. 12277