APPEARANCES

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Mr. Ronald Loveridge, Acting Chairperson
Ms. Dorene D’Adamo
Mr. Hector De La Torre
Mrs. Barbara Riordan
Supervisor Ron Roberts
Dr. Alex Sherriffs
Professor Daniel Sperling
Supervisor Ken Yeager

STAFF
Mr. James Goldstene, Executive Officer
Mr. Tom Cackette, Chief Deputy Executive Officer
Ms. Ellen Peter, Chief Counsel
Ms. Lynn Terry, Deputy Executive Officer
Ms. Sarah Carter, Low-Emission Vehicle Implementation Section, Mobile Source Control Division
Ms. Jennifer Gress, Legislative Director
Ms. Karen Magliano, Chief, Quality Data Branch
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Will Barrett, American Lung Association
Mr. John M. Cabaniss, Jr., Global Automakers
Mr. Tim Carmichael, CNGVC
Mr. Steven Douglas, Alliance of Automobile Manufacturers
Ms. Erica Morehouse, Environmental Defense Fund
Ms. Karen Snyder
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PROCEEDINGS

ACTING CHAIRPERSON LOVERIDGE: Good morning. Ron Loveridge, Mayor of Riverside. Member of the CARB Board. I will be today's Chair. Mary Nichols, the Chair, is meeting with the Governor this morning and cannot be here. Will you please join me in the pledge of our flag?

(Whereupon the Pledge of Allegiance was recited.)

ACTING CHAIRPERSON LOVERIDGE: Roll call.

BOARD CLERK ANDREONI: Dr. Balmes?
Ms. Berg?
Ms. D'Adamo?
Mr. De La Torre?

BOARD MEMBER DE LA TORRE: Here.

BOARD CLERK ANDREONI: Mayor Loveridge?

ACTING CHAIRPERSON LOVERIDGE: Here.

BOARD CLERK ANDREONI: Mrs. Riordan?

BOARD MEMBER RIORDAN: Here.

BOARD CLERK ANDREONI: Supervisor Roberts?

BOARD MEMBER ROBERTS: Here.

BOARD CLERK ANDREONI: Dr. Sherriffs?

BOARD MEMBER SHERRIFFS: Here.

BOARD CLERK ANDREONI: Professor Sperling?

BOARD MEMBER SPERLING: Here.

BOARD CLERK ANDREONI: Supervisor Yeager?
BOARD MEMBER YEAGER: Here.

BOARD CLERK ANDREONI: Chairman Nichols?

Mr. Chairman, we have a quorum.

ACTING CHAIRPERSON LOVERIDGE: Thank you. And there is a quorum.

That may be my next to last meeting. I'm not sure. So I'm honored to Chair the Board this morning.

There are a few traditional remarks that are identified, so let me repeat them, at the risk of not doing so seems to me something we should not do.

If you wish to testify, there are speaker cards. You need to turn those into the Clerk of the Board. You have the option to include your name on the speaker card. If you've already taken advantage of the online sign-up feature, you do not need to fill out a request to speak card. However, you must check in with the Clerk of the Board or your name will be removed from the speakers' list.

There is a three-minute time limit, and one needs to respect the time limits of this Board.

Please note the emergency room exits. You can see them rather visibly in front and behind, around us.

Now move to the agenda. The first item has been removed from the consent calendar because of a written comment that was submitted.
Mr. Goldstene, would you summarize this item?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Loveridge.

Whenever U.S. EPA adopts a new air quality standard or revises an existing standard, the Federal Clean Air Act requires states to develop a State Implementation Plan, or SIP. The first step in the SIP process is for each state to show it has the authority and administrative programs needed to implement the standard. This documentation is generally referred to as an infrastructure SIP.

In 2010, U.S. EPA reaffirmed the existing annual nitrogen dioxide standard and adopted a new one-hour standard. This action triggered development of a nitrogen dioxide infrastructure SIP that you're considering this morning.

As required by federal statute, the infrastructure SIP addresses a number of items, including stationary source permitting, enforcement programs, ambient monitoring, provisions for stakeholder input, and California's air pollution control authority.

These elements have been in place for many years, and the proposed infrastructure SIP simply reaffirms our commitment to comply with these elements as they relate to nitrogen dioxide.
The infrastructure SIP does not contain any proposed control measures, and all areas of the state currently attain the federal nitrogen dioxide standard.

Chairman Loveridge and members of the Board, based on the staff's proposal, we recommend that the Board approve the proposed changes to the SIP plan that addresses the infrastructure elements for nitrogen dioxide.

ACTING CHAIRPERSON LOVERIDGE: Questions from the Board?

Is there a public comment card? There's no one here to speak.

What was the comment that was made? Do you want to share that?

ACTING CHAIRPERSON LOVERIDGE: Ms. Terry will respond to that.

DEPUTY EXECUTIVE OFFICER TERRY: One individual submitted a number of comments that are unrelated to this item. They are related to the diesel control program and rules previously adopted by the Board.

ACTING CHAIRPERSON LOVERIDGE: There's a Resolution before us. Is there a motion?

BOARD MEMBER ROBERTS: Move approval.

BOARD MEMBER RIORDAN: Second.

ACTING CHAIRPERSON LOVERIDGE: Motion and second.
All in favor say aye.

(Ayes)

ACTING CHAIRPERSON LOVERIDGE: Opposed?

Resolution 12-34 has been approved.

The next item on today's agenda is a proposal to amend California's greenhouse gas regulations for passenger vehicles.

In January, CARB approved the California second generation of passenger vehicle greenhouse gas regulations as part of the LEV III element of the Advanced Clean Cars Program. These regulations require significant reductions of greenhouse gas emissions from passenger cars, light-duty trucks, sport utility vehicles during the 2017 through 2025 model years.

The development of LEV III greenhouse gas standards as part of the cooperative effort between this agency, U.S. EPA, and the National Highway Safety Administration, but also included commitments by California auto makers, federal government to develop comparable national greenhouse gas standards for model years 2017 through 2025.

Our intent was to ensure that California continues to set the most ambitious, yet achievable, emission requirements to reduce passenger vehicle greenhouse gas emissions by allowing comparatively
stringent federal emissions standards to serve as a compliance option for manufacturers sales in California.

Today's proposal completes California's commitment to the national program by proposing our consideration amendments to LEV III greenhouse gas regulations to allow manufacturers to demonstrate compliance with them, the year 2017 through 2025 model years, by complying with national passenger vehicle greenhouse gas standard.

I'll entertain staff comments and presentation.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Loveridge.

As you mentioned, today's proposed amendments are the final step in fulfilling California's commitment to the National Greenhouse Gas Vehicle Program. California will fulfill its commitment by allowing compliance with the National Vehicle Program for the 2017 through 2025 model years to serve as compliance with California's Greenhouse Gas Program.

It's important to note that this commitment was made with the understanding that the National Program would provide equivalent or better overall greenhouse gas reductions nationwide than California's program. Staff have reviewed the final federal rule and have determined that it does provide the benefits we expected.
I also want to mention that a second part of California's commitment was adopted by the Board earlier this year. This action allows credits earned through over-compliance with the federal program to be used to reduce a manufacturer's zero emission vehicle obligations.

And finally, today's proposal also contains a number of minor changes to the LEV III criteria pollutant regulations and zero emission vehicle regulations to correct errors and clarify the regulations.

Sarah Carter of our Mobile Source Control Division will now provide the staff's presentation.

Ms. Carter.

(Thereupon an overhead presentation was presented as follows.)

MS. CARTER: Good morning, Chairman Loveridge and members of the Board.

Today, I will be presenting staff's proposal to amend the Low-Emission Vehicle, or LEV III regulations. These amendments will allow compliance with the National Greenhouse Gas program to serve as compliance with California's program for the 2017 through 2025 model years. In addition, as James mentioned, staff is proposing a number of minor revisions to the LEV III and Zero Emission Vehicle, or ZEV, program.

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Ms. Carter: The key points of our proposal are listed on this slide.

In 2010, U.S. EPA adopted its first greenhouse gas emissions standards for passenger vehicles. These standards closely mimicked ARB's standards, which this Board adopted in 2004. ARB amended its regulations to allow vehicle manufacturers that certified to EPA standards to be considered in compliance with ARB requirements as well. This reduced compliance costs and resulted in the same greenhouse gas emission reductions.

In the summer of 2011, ARB participated in negotiations with vehicle manufacturers and the federal government on a second set of more stringent standards for the 2017 to 2025 model years.

As part of the negotiations, ARB agreed to continue accepting compliance with EPA standards to fulfill ARB requirements, provided the final EPA regulations achieved equivalent greenhouse gas emission reductions.

As you recall, the Board adopted the negotiated greenhouse gas standards in January, and in October, EPA finalized its rule. Staff has determined the federal rule will provide emission reductions equivalent to ARB's regulation, so we now propose to formally accept federal compliance as satisfying ARB's requirements through the
ARB's regulation will stay on the books, just in case. Also note that this commitment only applies to the greenhouse gas requirements. Vehicle manufacturers will still have to meet ARB standards for smog-forming emissions and comply with the ZEV mandate in California and the states that have adopted our standards.

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MS. CARTER: A bit more history may help you understand how this proposal developed. Following EPA's adoption of our standards for the 2012 to 2016 model years, the President issued a memorandum directing U.S. EPA and NHTSA, the agency responsible for fuel economy standards, to work jointly to develop continuing national greenhouse gas and fuel economy standards for model years 2017 through 2025. He also directed the federal agencies to work with California in adopting these standards, and we accepted.

We began working closely with the federal agency staff to assess which standards were feasible and what compliance costs would be. This resulted in a joint technical assessment report, or TAR, issued in September of 2010, that suggested a range of possible emission standards. Following the report, the agency staff began
meeting with auto manufacturers and other stakeholders and competing technical studies to narrow down the options.

In summer 2011, we entered into intensive negotiations with stakeholders and reached an agreement with most to propose specific standards and requirements. The President announced the agreement in the Rose Garden. ARB committed to adopting standards consistent with the agreement and assuming EPA would do so, allowing compliance with the federal standards to satisfy ARB's requirements.

EPA issued a notice of intent in July 2011 memorializing the agreement and issued a formal rulemaking proposal in August. Based on the EPA proposal, ARB adopted greenhouse gas standards in January 2012 for California and states that follow our standards and then we waited to see if EPA would finalize its standards essentially as proposed. It did in October 2012.

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MS. CARTER: The auto makers, California, and the federal governmental all committed to a series of actions that would allow for the development of the National Greenhouse Gas Program for model years 2017 through 2025 that would meet the needs of California as well as the nation as a whole.

For our part, California made three commitments,
which are as follows:

First, California committed that if U.S. EPA proposed federal greenhouse gas standards and NTSA proposed CAFE standards for model years 2017 and beyond, substantially as described in the July 2011 Notice of Intent and the agencies adopted standards substantially as proposed, California would not contest such standards. We have met that requirement.

Second, California committed to revising our ZEV program for the 2018 through 2021 model years to allow over-compliance with the federal greenhouse gas standards to reduce, in part, a manufacturer's ZEV obligation. This provision was adopted by the Board last January.

Third, California committed to allowing compliance with the national greenhouse gas standards as compliance for the California standard for 2017 through 2025 model years, provided that the national standard was substantially the same as though those with the federal Notice of Intent. The federal government has adopted the national standards as expected. So what we are proposing today will complete our commitments.

It is important to note at this time that California did not either give up or accept any limit to our authority to control greenhouse gas emissions from motor vehicles by agreeing to these regulatory
flexibilities.

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MS. CARTER: While LEV III greenhouse gas standards and the federal standards are numerically identical, there remain a number of differences between the two regulations that affect the comparative stringencies of these programs. These differences exist because California's regulations are designed to more accurately reflect the emission impact of individual vehicle's technologies, while the federal program includes a number of incentives that are designed to encourage commercialization of certain vehicle technologies.

ARB's regulations include counting upstream emissions from plug-in hybrid electric vehicles, battery electric vehicles, and fuel cell vehicles, while the national program does not.

The national program provides vehicle multipliers for some advanced technology vehicles, such as plug-in hybrid electric vehicles, battery electric vehicles, fuel cell vehicles, and natural gas vehicles. This means that each advanced technology vehicle will count as more than one vehicle when determining compliance with the national greenhouse gas requirements. California's program does not include such multiplier.

Finally, there are minor differences between the
two programs in terms of how credits are earned for off
cycle and air emission technologies.

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MS. CARTER: The impact of these differences
between the California and the national greenhouse gas
programs result in a slight decrease in CO2 reductions in
California. Staff estimates that the adoption of today's
proposal will result in a 4.5 percent loss of accumulated
CO2 emission reductions for California in 2025.

However, the California-specific loss will be
more than offset by reductions from the substantially
greater number of vehicles covered by the national program
compared to the California program, and that's the value
of having a national program.

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MS. CARTER: Finally, in addition to the changes
to the LEV III greenhouse gas regulations, this proposal
also makes minor changes to the LEV III criteria pollutant
regulations and ZEV regulations. In general, these
proposed changes correct errors and update procedures to
reflect information received since adoption of the
regulations in January 2012.

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MS. CARTER: Staff is also proposing a number of
15-day modifications to the original proposal in response
to comments received after the staff report was published.

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MS. CARTER: While our current greenhouse gas regulations received a waiver, which permits us to enforce them, the waiver request for the advanced clean cars regulations has not yet been approved. In May, ARB submitted a waiver request to U.S. EPA for the LEV III and ZEV elements of the Advanced Clean Car Program.

Since this program combines the control of smog-causing pollutants and greenhouse gas emissions into a single coordinated package of requirements for model years 2017 through 2025, we asked U.S. EPA to evaluate the Advanced Clean Cars Program as a whole when considering our request.

It is important to note that our waiver request is for this program as approved by the Board in January of this year and the Board's adoption of today's proposal is not a prerequisite for this waiver.

Furthermore, although staff will continue to evaluate the technological feasibility of our program, U.S. EPA may not consider any planned future review of this program as a condition for granting our waiver.

On September 19th, U.S. EPA held a hearing on our waiver request in Washington, D.C. At that hearing, ARB staff demonstrated that the Advanced Clean Cars Program
meets the criteria for issuing a waiver based on California's current regulations. We also requested that U.S. EPA grant the waiver prior to the end of this year to accommodate manufacturers' production plans for the 2014 model year.

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MS. CARTER: Staff believes that we have met all of the conditions for granting of a waiver and that U.S. EPA must approve our waiver request for all model years. If the Board has further questions regarding the waiver, we'll be happy to discuss them at the end of the presentation.

ACTING CHAIRPERSON LOVERIDGE: Thank you very much.

Any specific questions from members of the Board? We have four speakers this morning. Like the welcome you here to the November 15th, 2012 meeting of the Air Resources Board.

In order, John Cabaniss, Global Auto Makers; Will Barrett from American Lung Association; Tim Carmichael from National Gas; and Steven Douglas, Alliance of Automobile Manufacturers. John and then Will.

MR. CABANISS: Good morning. My name is John Cabaniss. I'm with the Association of Global Auto Makers. I'll be very brief.
We support the proposed amendments that have been described by Ms. Carter. And one of our overriding principles throughout this process, of course, has been that manufacturers' need to have the greatest flexibility possible in order to meet these stringent standards going forward. And we, too, have worked with EPA and DOT along with California in terms of the commitments that have been financed in the past year, and we appreciate the Board's willingness to work with all of us to ensure a single national program that provides the kinds of flexibilities the manufacturers need.

The other amendments regarding the ZEV over compliance option and the small manufacturer provisions are again very valuable flexibilities that manufacturers need to meet these stringent requirements. And we appreciate the Board's actions on that.

ACTING CHAIRPERSON LOVERIDGE: Thank you.

Will.

MR. BARRETT: Good morning. My name is Will Barrett with the American Lung Association of California. We support the staff proposal to move forward with this phase of the agreement between California, the federal government, and the auto makers on a national GHG standard.

We are happy to see California's leadership and
cooperation advancing a program that will extend clean air and climate benefits nationally. And the American Lung Association and the broader California public health community strongly support the development of these rules as well as the full advanced clean cars package.

Along with the greenhouse gas standards, we view the more stringent particulate matter standard and the zero emission vehicle standard as critical steps to helping California protect public health during our unique air quality challenges.

And also I want to pointed out, my colleagues at other Lung Association chapters around the country are working hard and recognize the leadership of California. And they're working their own jurisdictions to bring about the responsibility standards there. California's history of clean air leadership is very well known and recognized and appreciated around the country, and I think we saw a letter come in on this topic from Pennsylvania to that effect.

So your vote today is an important milestone in advancing the cleaner transportation choices that we need to protect public health and the consumers want so we do encourage you to approve the proposal today.

We do look forward to working with staff as the program moves forward to ensure that California has the
authority and stringency remain in tact as the national program goes forward.

    And just wanted to end with a thank you and congratulations to Tom Cackette for your leadership on this program. So thank you very much.

    ACTING CHAIRPERSON LOVERIDGE: You'll be with the CARB for one more Board meeting; is that correct?

    CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: One more.

    MR. CARMICHAEL: Good morning, Chairman Loveridge, members of the Board.

    I long thought you would be a good Chair. I guess it just took a while for my memo to get to the Governor. Nothing against Mary. I'm a big fan of Chairman Nichols.

    Tim Carmichael with the Natural Gas Vehicle Coalition. I just wanted to make a few comments in support of today's proposal.

    We appreciate that ARB will be adopting the national greenhouse gas standards for model years 2017 to 2025. We believe that the national standards recognize the important role of natural gas role that we can play in reducing greenhouse gas emissions, as well as provide some economic benefits because of the low cost, the abundance of the fuel here in the U.S.
One of the things that was mentioned by staff, I just want to touch on, is that the national program gives a multiplier benefit for a variety of fuels, including natural gas. And we're hoping that that will be a good motivator for some of the manufacturers that are producing natural gas vehicles in other countries but aren't producing them in the U.S. and they should be. We're hoping that this will be helpful in giving that nudge.

Finally, want to note that we believe that performance-based standards are a really good way to go, send a clear signal to industry what targets they need to get to and foster the competition between the different fuels and technologies and we like that.

We're here in full support of the proposal. And thanks for the staff's efforts on this.

ACTING CHAIRPERSON LOVERIDGE: Thank you.

Steven Douglas.

MR. DOUGLAS: Thank you. I'm Steve Douglas with the Alliance of Automobile Manufacturers.

Before I get started on my formal remarks, I would like to recognize Tom Cackette since this will be the last time I have the pleasure of testifying while they're here before they retire.

Certainly, they have -- in large part the respect this Board enjoys is because of the hard work, the
leadership, and the vision of Tom who's been at the helm through numerous regulations LEV I, LEV II, greenhouse gas ZEV. And I think it's the Board and in fact the State is fortunate to have the service of such talented individuals. Certainly from the Alliance's standpoint, they have the respect of the alliance members and certainly it's been my personal distinct pleasure to work with him. Thank you.

The Alliance members I think you're familiar with the members of the Alliance.

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MR. DOUGLAS: We submitted written comments so I just wanted to touch on three of those. And two of these don't require any action and the first is for the staff.

The greenhouse gas, like others, we support the changes to accept federal compliance for compliance with the ARB regulations. We do recommend leading the state by state greenhouse gas reporting requirements that's California is section 77 states. It adds burden for the manufacturers and it's not necessary for compliance. Manufacturers, of course, will have that extra date all out of compliance.

If you go forward and don't delete the greenhouse gas reporting, we recommended some changes in our written comments.
MR. DOUGLAS: Flex fuel vehicle testing, flex fuel vehicle effects all the vehicles that are tested over numerous cycles at different temperatures using different fuel combinations. And just for one test cycle, manufacturers use ten percent ethanol and they run tests at 75 degrees and they run another test at 50 degrees. And then they change out the fuel to 85 percent, and then run tests at 75 degrees and they run test at 50 degrees. And it's this last test that could derail flex fuel vehicles in California. It adds substantial cost. It's a hard road requirement on the vehicles. There is no federal equivalence. And in the future -- it's not right now been -- but in the future, it could add deterrent to certifying flex fuel vehicles in California.

MR. DOUGLAS: Moreover, it's unlikely vehicles will experience the conditions in the test. The minimum temperatures are during the ozone season, and this is an ozone test procedure primarily. And E85 availability and use is very, very low right now. And flex fuel vehicles do provide a benefit.

MR. DOUGLAS: We are working with the staff. We hope to come back to the Board if we have a recommendation.
or if changes are warranted.

    And then last is the criteria organization. I've talked about this before.

    ACTING CHAIRPERSON LOVERIDGE: If you could bring to a close.

    MR. DOUGLAS: I'll wrap it up now. I'll be happy to answer any questions.

    BOARD MEMBER SPERLING: After all these nice things he said.

    ACTING CHAIRPERSON LOVERIDGE: That's right.

Finish that slide.

    MR. DOUGLAS: Thank you very much.

    EXECUTIVE OFFICER GOLDSTENE: Mayor Loveridge, we are committed --

    ACTING CHAIRPERSON LOVERIDGE: We have one additional comment from Erika Morehouse from the Environmental Defense Fund.

    BOARD MEMBER RIORDAN: While she's coming forward, in a discussion with staff, we are open to doing some more work with study of E-85 and the testing?

    CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes.

This is -- the real issue here is lack of information. I can't tell you that we know that the cold start emissions that are occurring in the absence of putting more hardware on the car that would be required if you run this test
that those emission won't effect ozone. It's not just at 50. But what about a 60 degree morning when there is an ozone exceedance you're flooding the atmosphere with VOCs in the morning and you're going to work to create ozone in the afternoon and we need to know how much that is.

We asked the auto manufacturers for more data on this. If we don't get that, we'll probably have to do some testing ourselves.

And there is also an issue that ethanol vehicles put out acid aldehyde, which is one of the top five toxics from motor vehicles. And we need to figure out whether that's going to create any kind of a local hot spot or issue, how much more acid aldehyde is there from these cold start emissions, which would be overcome if, in fact, this test has to be run and they have to put more hardware on to reduce the cool start emissions. We need to do due diligence on the issue, and staff can do that and the auto manufacturers are cooperating. So if there is a need for regular change, we can come back to you. If there's not, we'll let you know.

BOARD MEMBER RIORDAN: So it's an ongoing agreement to seek more information.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, from our standpoint.

BOARD MEMBER RIORDAN: Fine. Thank you.

I'd like to start by thanking the ARB staff for their tireless work and the Board for their incredible leadership in reducing greenhouse gas emissions from our passenger vehicles.

California's leadership and effective collaboration with the auto industry and current administration means that not only Californians, but the nation's fleet of vehicles will become less polluting, more fuel efficient, creating health and economic benefits for all of us.

EPA estimates that the net benefits brought to society from model year 2017 to 2025 national program will be in the range of 326 billion to 450 billion.

We support CARB's decision here to accept compliance with the National Greenhouse Gas Program's compliance with California's program for 2017 through 2025 model years. Without California's commitment to this compliance framework, we might not have seen a national program developed, and this opportunity to reach our emissions goals while fostering economic growth might not have materialized. Instead, California's leadership as the first in the nation to set greenhouse gas standards for passenger vehicles has helped lead to a strong
national standard that we can all support.

This is truly been historic collaboration and has generated results that will bear fruit for more than a decade to come. Thank you all very much.

ACTING CHAIRPERSON LOVERIDGE: Thank you.

We'll now close the record on this agenda item. The record will be reopened when the 15-day notices of public availability are issued. Written or oral comments received after this hearing date but before the 15-day notices are issued will not be accepted as part of the official record of this item.

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

We have before us resolution Number 12-35.

James, any further comments based on the testimony today?

EXECUTIVE OFFICER GOLDSTENE: No. We are committed to working with the auto makers on the issues they raised and we recommend the Board adopt the amendment.

ACTING CHAIRPERSON LOVERIDGE: Questions, comments by Board members?

Motion to approve the resolution?
BOARD MEMBER ROBERTS: Move approval.

BOARD MEMBER RIORDAN: Second.

ACTING CHAIRPERSON LOVERIDGE: Motion and second.

All in favor say aye.

(Ayes)

ACTING CHAIRPERSON LOVERIDGE: Opposed?

Now move to the next item on the agenda, 12-8-4.

This is an informational update on the implementation plan process that's part of our federal program required by the Federal Clean Air Act. The Clean Air Act required efforts to effect health-based air quality standards. The Act sets forth requirements for the design of technology and public process.

The heart of the Act is the requirement that states develop an implementation plan to demonstrate how national air quality standards will be met. Several regions of California now meet the national ambient air quality standard of California's comprehensive clean air programs.

Millions of people in Southern California and the Central Valley still experience air pollution levels that greatly exceed federal standards. Health studies are finding adverse effects at increasing low levels of air pollution and people with health problems are especially vulnerable.
Assessing the current problem how implementation of the new program will help and what further actions will be needed is fundamental to CARB's mission of protecting public health and meeting the Clean Air Act requirements.

Staff will provide an overview of the planning requirements, progress made, and preview of what's coming. We work in partnership with air districts, EPA, and other agencies. James Goldstene.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Loveridge.

California's improving air quality has resulted in significant public health benefits and ARB actions over the past two years are helping ensure this progress continues.

However, achieving clean air statewide will be a long-term challenge as federal air quality standards become more stringent. We're working to meet Clean Air Act requirements for State Implementation Plans through a number of important programs, developing inventories of all emissions, monitoring air quality, analyzing the data, performing air quality modeling, and developing regulations to reduce emissions are all core SIP efforts.

Today's presentation focuses on the major SIPs, which are the comprehensive air quality plans required for each region that violate air quality standards. There are
also dozens of minor SIPs required each year primarily to update previous data and information. Some of these minor items appear on the Board agenda as consent items. Others are processed administratively, including this submission of adopted regulations to U.S. EPA.

Staff brings all major SIPs to the Board for consideration after the plan is adopted by a region's air district. Staff's presentation will provide an overview of SIP requirements and the status of regional air quality and then identify the major SIP activities for the next three years.

Ms. Karen Magliano, Chief of our Quality Data Branch, will make today's presentation. Ms. Magliano.

(Thereupon an overhead presentation was presented as follows.)

AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Thank you, Mr. Goldstene.

Good morning, Mayor Loveridge and members of the Board.

My presentation today will highlight the air quality progress California has made as a result of air quality plan's developed and implemented to comply with the Federal Clean Air Act, as well as preview the next round of plans that will be required between now and 2015 to address more protective air quality standards.
AIR QUALITY DATA BRANCH CHIEF MAGLIANO: The Clean Air Act has guided the nation's efforts to improve air quality, requiring U.S. EPA to set national ambient air quality standards, or NAAQS, that protect public health.

The Clean Air Act requires states to develop and carry out plans known as State Implementation Plans, or SIPs, that are designed to meet these standards. SIPs must consider not only the science and technology involved in air pollution chemistry and control, but must take into account technological feasibility and the cost of compliance.

SIPs must also be enforceable. Therefore, SIPs include enforceable regulations and commitments to achieve emission reductions needed to attain air quality standards.

Finally, to ensure that public health goals are met in the most expeditious time frame possible, the Act establishes specific deadlines for attainment with consequences for failure to take action or implement SIP obligations.

AIR QUALITY DATA BRANCH CHIEF MAGLIANO: EPA sets air quality standards designed to protect public health.
The standards of continuing concern in California are ozone and particulate matter.

Fine particulate matter, called PM2.5, and ozone are responsible for most of the health impacts of air pollution in California. PM2.5 is linked to premature mortality, hospitalization for cardiovascular disease, and exacerbation of asthma. Exposure to ozone exacerbates asthma and other chronic pulmonary diseases, reduces lung function, and with repeated exposure can also cause permanent lung damage and even premature death.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: The Clean Air Act requires EPA to review standards every five years. Over time, an improved understanding of health science has shown that impacts are occurring at lower levels of exposure, leading to more stringent standards. As a result, the ozone standard has been revised several times with further revision expected in 2014.

A similar pattern has occurred with the PM2.5 standard, with a further revision to the annual standard expected next month. Despite ongoing progress, as standards become more stringent, more areas are designated as non-attainment and current non-attainment areas have farther to go to reach the new standards.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO:

California's statewide SIP is a collection of many elements. Emission inventories for each region of the state are developed in order to estimate the amount of existing and forecasted air pollution. California's comprehensive air monitoring network is used to determine current air quality status, as well as track long-term progress.

Adopted rules and commitments for action by ARB and local air districts are the measures that reduce emissions. Contingency measures are additional rules that can be implemented quickly in the event a region fails to show timely progress or meet the standards by its attainment date.

Other administrative requirements include demonstrating that the State has the resources and authority to implement standards. These are also known as infrastructure SIPs, such as the one for NO2 that was on the Board agenda earlier today. These SIPs, along with progress and maintenance plans, are straight forward and generally appear on the Board agenda as consent items.

The comprehensive SIPs that come before the Board are plans that must demonstrate attainment with new and revised standards. These SIPs are more complex and include most of the elements on this slide.
AIR QUALITY DATA BRANCH CHIEF MAGLIANO: The SIP planning process established the framework for our path to attainment and our commitment to meet the standards. The attainment demonstration in the SIP is built on a strong scientific foundation based on monitoring data and air quality models. These analytical tools are used to determine the magnitude of reductions from different source categories that are needed to demonstrate attainment.

Depending on the pollutant, the Clean Air Act provides up to ten years for attainment of a standard and for extreme ozone areas up to 20 years. Because of the long planning horizon, SIPs are frequently updated. These updates will typically include new emission inventory data and progress updates on the implementation of the SIP control strategies.

AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Local air districts and the ARB worked together closely in the development of the SIP, which includes public workshops and consultations with affected industries and stakeholders. Attainment plans are adopted first by the local air districts and then by ARB. Under State law, ARB's role is to make sure the SIPs meet the requirements
of the Clean Air Act.

The SIPs are then submitted to EPA for approval. EPA reviews SIPs for compliance with federal law, solicits comments, and then takes final action to approve. Upon approval by EPA, a SIP is enforceable in federal court. Although the EPA approval process can be lengthy, both ARB and air districts begin actively implementing rules and programs upon State and local adoption.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: ARB has a long history of air pollution control, beginning prior to the enactment of the 1990 amendment to the Clean Air Act. In the 1980s, the emphasis was largely on passenger vehicles. In the '90s, our focus expanded to address heavy-duty diesel trucks, off-road engines, along with cleaner passenger vehicles.

There were also a number of regulations which addressed emissions from consumer products. Currently, ARB programs are focused on cleaning up our legacy fleets as well as the next generation of passenger vehicles.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: This slide provide a snap shot of some of our most significant rules to implement these programs over the past 30 years. Ongoing implementation and enforcement efforts have
resulted in significant decreases in emissions and corresponding air quality progress as the following slides will demonstrate.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: The benefits of California's long-standing control program can be seen in the trend in NOx emissions in the South Coast and San Joaquin Valley. Large reductions in NOx occur through 2025 as a result of implementation of existing SIPs, which have attainment deadlines through 2023.

However, the pace of emission reductions slows beyond 2025 due to the maturity of the existing control program as well as continued growth in population and vehicle travel. The next round of SIPs will need to identify a path forward to further reduce emissions by 2032.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Similar to the NOx emission trends, VOC emissions have decreased in both the South Coast and San Joaquin Valley as well. As with NOx, VOC emissions also tend to plateau in later years, indicating the need for new emission reductions.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Significant air quality progress has occurred as a result
of these ongoing emission reductions. While challenges remain in the South Coast and the San Joaquin Valley, all other areas of the state now meet the federal one-hour ozone standard.

In addition, San Diego, Ventura, and the Bay Area now meet the 1997 8-hour ozone standard, as well as the other smaller regions of the state, which were originally designated as non-attainment. The remaining focus for the current 8-hour ozone standard is on the South Coast and San Joaquin Valley, as well as Sacramento and the desert areas downwind of South Coast.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: The federal PM2.5 air quality standards have also been met in significant portions of the state. Over the next few months, you will see plans that address the remaining SIP requirements for these areas coming before the Board as consent items. While PM2.5 air quality has improved in the South Coast and San Joaquin Valley, these are the only two areas in the state that continue to exceed both the annual and 24-hour standards.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Now let's take a closer look at the air quality improvements that have been made in the South Coast and San Joaquin
Valley, starting with ozone.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: These maps show the dramatic improvement the ozone over the last two decades in the South Coast.

Green indicates air quality that meets the 1997 standard, while the yellows, oranges, and reds indicate areas with increasingly higher ozone concentrations.

The map on the left shows concentrations in 1990, when most of the South Coast was the darkest shades of red. There were only two small circles of green near the coast that met the standard. The map on the right reflects ozone concentrations in 2010. The two darkest shades of red are completely gone.

In addition, the green areas now includes the entire coastal region. This, and the yellow area, which indicates concentrations within about ten percent of the standard, cover more than half the map. Today, 10 million people in the air basin live in communities that meet the 8-hour ozone standard. However, another four million live in portions of the air basins that do not meet the standard with the highest concentrations in the eastern basin.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Next,
here are similar maps for the San Joaquin Valley. In 1990, most of the San Joaquin Valley exceeded the standard. The highest ozone concentrations were found throughout much of the central and southern portions of the valley.

In comparison, in 2010, the green areas now include much of the northern valley. The darker orange is limited to the Fresno urban area and the area downwind of Bakersfield. And the red areas are completely gone.

Today, about a million residents live in communities that meet the standard. The remaining two million people live in areas where concentrations are still above the standard, but air pollution levels are lower than in the past.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Although progress in reducing ozone levels and public exposure continues, as noted earlier, EPA is also required to review new health science and revise air quality standards as appropriate.

As a result of this process, in 2008, EPA set a more stringent 8-hour ozone standard of 75 parts per billion. The South Coast and San Joaquin Valley, which continue to be extreme non-attainment areas, must meet this tighter standard by 2032. We expect that NOx
reductions will continue to be the main focus with an estimated 90 percent reduction from today's levels needed to meet the standard in the South Coast. While current programs will get us about halfway to the 2032 target, we will also need to rely on new advanced technologies as well as consider the potential for further VOC control.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Meeting the revised ozone standard will provide opportunities to integrate planning efforts for ozone, PM2.5, and greenhouse gases.

Still, as the standards continue to become more stringent, they are approaching background levels. As a resulted, several issues will take on increasing importance in our efforts to attain the standards. This will include the role of biogenic emissions, long-range transport, and the impacts on air pollution from climate change.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Now let's take a look at the air quality improvements that have been made for PM2.5.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: To address acute and chronic health effects, EPA set both
annual and 24-hour standards for PM2.5 in 1997. The 24-hour standard was further revised in 2006 and the annual standard is under review again with an expected revision in December of this year.

The science of PM2.5 is complex, stemming from its many components. Some particles are emitted directly from a source, such as wood smoke and diesel particulate matter. Other particles form in the atmosphere from gaseous precursors that are emitted from automobiles, trucks, and industries.

Both the South Coast and San Joaquin Valley experience regional contributions to PM2.5 from NOx emissions, as well as local contributions from sources such as wood smoke and commercial cooking.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Despite this complexity, our ongoing control programs for ozone have also been effective in reducing PM2.5.

In the South Coast air basin, annual average concentrations of PM2.5 have decreased by 47 percent since PM2.5 monitoring began. The only South Coast site that still exceeds the annual standard is in Mira Loma in Riverside County. The South Coast now meets the 1997 24-hour standard, though it still exceeds the more stringent 2006 24-hour standard.
AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Progress has also occurred in the San Joaquin Valley, where annual average PM2.5 concentration have decreased by 34 percent. Today, the annual standard is exceeded primarily in the central and southern portions of the valley. The valley meets the 1997 24-hour standard, but still exceeds the 2006 standard and faces a greater challenge in attaining this more stringent standard than the South Coast.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: In the last portion of today's presentation, I'll highlight the current and future SIP planning activities that will be coming to the Board over the next three years.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: As I discussed earlier, the standards for ozone and PM2.5 are ARB's current focus and multiple SIPs for these pollutants will be required.

Currently, the South Coast and San Joaquin Valley are the nation's only extreme ozone areas, highlighting the magnitude of the emission reductions these areas will require to meet the standard.

Additionally, EPA is currently considering
further strengthening both the ozone and PM2.5 standards, which will likely bring more areas into non-attainment.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Given the magnitude of emission reductions needed in areas with the highest concentrations, the Clean Air Act provides 20 years for extreme ozone areas to achieve the standard. In contrast, PM2.5 areas have shorter time frames, up to ten years to reach attainment. Section 182(e)(5) of the Clean Air Act also recognizes that advanced technologies are needed in extreme ozone areas. Transitioning to these new technologies will require coordinated interagency planning and substantial new infrastructure investment, both public and private.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: California has adopted a large number of major SIPs since the Clean Air Act amendments of 1990, with more to come as federal standards continue to be strengthened. This time line shows when we have submitted and expect to submit ozone and PM2.5 SIPs for the San Joaquin Valley on the top in blue and the South Coast below in purple. Dates for SIPs that have already been submitted are shown in black, while dates for future SIPs are shown in green. Each new SIP requires the time and expertise of
air districts and ARB staff in many program areas in order to perform the modeling and technical analysis required, along with control strategy development. In addition, prior SIPs are also updated as new information becomes available.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: In the next three years, a number of attainment SIPs will be coming before the Board.

In January, the Board will consider SIPs from the South Coast for the 24-hour PM2.5 standard and the one hour ozone standard, and from the San Joaquin Valley for the 24-hour PM2.5 standard.

Then in July of 2013, we will bring the Board the San Joaquin Valley's one-hour ozone SIP. Although the one-hour ozone standard has been revoked, EPA has found the existing one-hour SIPs for the South Coast and San Joaquin Valley to be inadequate, as neither area met the 2010 attainment deadlines and thus new SIPs are required.

The following year, an update to the San Joaquin Valley's current 8-hour ozone SIP will be the main priority.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: In 2015, the focus will be on the attainment SIPs for the new more
stringent 8-hour ozone standard. Both the South Coast and San Joaquin Valley remain classified as extreme non-attainment areas for the new standard. Sacramento and the desert areas of Mojave Desert, Antelope Valley and Coachella Valley are classified as severe, and Ventura is classified as serious.

In addition, there are a total of ten areas classified as marginal areas, including the Bay Area and San Diego. Although marginal areas must submit an emissions inventory every three years, attainment SIPs are not required for these areas, as they are expected to be able to meet the standard expeditiously through existing control programs. In fact, based on preliminary inventory data for 2012, the Bay Area already meets the revised ozone standard.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: We continue moving forward to meet the goal of attaining increasingly stringent standards. While California's air pollution program has made great strides, we are alone in the nation in terms of the magnitude of needed reductions. Recent court decisions have constrained EPA's interpretation of the Clean Air Act provisions, requiring, among other things, that EPA may need to reassess previously approved SIPs.
To meet these and other challenges, we'll need a combination of regulations, incentives, sustainable land use and transportation measures, and infrastructure investments.

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AIR QUALITY DATA BRANCH CHIEF MAGLIANO: Even more now than in the past, we'll need to integrate our SIP planning efforts with the work being done for AB 32 and with goods movement planning efforts. We'll need to work closely with our sister State agencies as well as with our federal, regional, and local partners. Teaming with local air districts as they develop their SIP measures and with the metropolitan planning agencies as they develop sustainable community strategies presents the opportunity to develop innovative strategies that are tailored to California's unique air quality issues.

That concludes the presentation, and we would be happy to answer any questions you may have.

ACTING CHAIRPERSON LOVERIDGE: Thank you very much. There is no request for public comments.

I would invite the Board to make any comment or questions. Are there any --

BOARD MEMBER D'ADAMO: I have a question. Just looking for more information on slide 18, biogenic emissions, long-range transport, climate impacts. What
are staff's plans to look at those issues and possibly incorporate them into the analysis? Or is it more along the lines of further study?

And if I could add another issue to that. This is something that the San Joaquin Valley keeps bringing up and that is emissions coming over from Asia.

AIR QUALITY DATA BRANCH CHIEF MAGLIANO: ARB has sponsored a number of studies that have looked at potential impacts of long-range transport. As you mentioned, the San Joaquin Valley District itself is sponsoring its own field research that is going on now to better understand what is coming into the boundaries of that area. So as that research becomes available, it is certainly something we'll be looking at and incorporating how to better address what's coming in at the boundaries.

We continue to work with the U.S. EPA to update our emission inventory efforts for biogenic emissions. And so as staff research becomes available, we do incorporate that into the air quality modeling and the attainment demonstrations for the plans.

And then climate impacts, certainly as we're looking out to much longer time frames for the ozone standard into 2032, there is the potential that higher temperatures and changes and things like that may need to be considered. And perhaps it's part of the scenario
development as we look at different possibilities that may be occurring and how that may impact attainment demonstrations.

BOARD MEMBER D'ADAMO: Just looking ahead as the standards get ratcheted down and it becomes more and more of a challenge for regulated entities to meet the standard, I think that it would be useful either when we have these SIPs or perhaps even a separate day these issues come before our Board, better yet in the regions in South Coast and San Joaquin Valley, because I think a lot of stakeholders are concerned about these issues and they can be pretty challenging to sort through, but just as information sharing.

For example, the issue that I always just -- I think we all keep hearing about is our standards are so close to background. I think it would be useful to have some information, whether it's part of the SIP workshop process or some other workshop to get information out so that stakeholders can be made better aware of the actual facts.

DEPUTY EXECUTIVE OFFICER TERRY: That's a wonderful suggestion. As part of the PM SIP development over the last few months, our staff, most of them are sitting at that table, did some science symposiums in the valley to walk through the science specific to the 24-hour
PM2.5 standard.

We have a lot of work going on in our research division, our collaboration on the CalNEXT study and additional studies with NOAA and NASA coming down the line that I think it's a real opportunity.

I think it would be nice to brief this Board as well as work with the air districts on perhaps some scientific symposium specific to their individual regions. We're happy to do that and work with the districts on it.

BOARD MEMBER D'ADAMO: And then slide 26, I should know the answer to this, but I have to confess I don't. It's always been confusing to me, I think for pretty much everybody. We have all these different SIPs, but then we also have previous SIPs.

For example, you went through the 1997. At what point -- is this just an ongoing rolling SIP on top of SIP? Or at some point does a SIP get dropped off? And what is the determining factor to drop the SIP off and no longer have it be something that is being complied with in addition to the current SIP?

DEPUTY EXECUTIVE OFFICER TERRY: Since I've been at this perhaps the longest in this group, I'll say they never go away. Once they're federally approved, we continue to implement them. And essentially, each time we do a new SIP, we build on the previously-approved SIP.
And so those reductions that you saw occurring as a result of those previous SIPs are the base for the SIP that we do each time there is a tighter standard or there is an update.

But as a practical matter, the regulations get adopted and implemented by the Board and the air districts. And so really, those SIPs become really historical for the most part, except with the exception of the new technology provisions for ozone, because those are commitments to achieve a certain level of emission reductions. And that's the challenge that essentially gets carried forward each time we do a new ozone SIP. So when we do the air quality science and modeling, we may find a number of tons that we need to achieve through new technologies is updated each time we do a new modeling analysis for a new SIP. Essentially, we still have that ongoing obligation to achieve new reductions to meet the new technology provisions.

ACTING CHAIRPERSON LOVERIDGE: When will the SIPs from South Coast and San Joaquin be before the CARB Board?

DEPUTY EXECUTIVE OFFICER TERRY: January we will be in Bakersfield on Thursday and South Coast Friday morning.

ACTING CHAIRPERSON LOVERIDGE: Thank you.

BOARD MEMBER SHERRIFFS: I was just going to
suggest SIPs are part of the Twilight series. I haven't seen any of that.

And also reminding us why we do this because the health effects, the best science at the moment I think suggests these are linear. So although the standards get tighter and tighter and harder and harder to achieve, in fact, it's not some lower level of benefit that -- it's a very linear effect in terms of the levels of pollutants like the PM2.5 and the health effects.

So we're looking in the valley order of magnitude 400 excess deaths per year by going from the old standard to the new standard. We're looking at well over 120,000 lost work days every year. These are real, real health impacts and also real economic impacts. So it does make a difference. And as hard as it is to take the next step, the science suggests it's absolutely linear. So we continue to get the same magnitude of benefit.

ACTING CHAIRPERSON LOVERIDGE: Moving to the right and --

BOARD MEMBER SPERLING: Down to the left winning here -- sorry, well --

BOARD MEMBER ROBERTS: From their perspective, we're on the right.

BOARD MEMBER SPERLING: Going beyond politics, you know, to build on this conversation that Board Member
D'Adamo started, here we are talking about dramatic reductions in NOx. I think I saw somewhere 90 percent reductions.

You know, we have this process, the SIP process, that's kind of very structured and we've been grinding on for decades now. And there is a lot of maybe broader newer ideas, more system level ideas. As we think about SB 375 and greenhouse gas goals, and we have these ideas about visioning and integrating it together that are somewhat vague at this point, but I just heard a presentation recently, for instance, talking about in urban areas -- in fact, in the South Coast region -- about the urban freight, the idea that what has been happening is there has been a sprawl in the logistics in freight movement so that they've been moving all of these big warehouses and distribution centers more and more around the periphery, and so more truck movement, longer truck movement. And that effect is not just NOx and PM and greenhouse gases, but indirectly it has lots of land use implications as well, which further accelerate these increases in NOx.

So I have a question really because I don't know the answer. And it is how can we start bringing some fresh thinking to some of this? In the South Coast, they do put quite a bit of effort into it. But I think even
much more so. And maybe we need to bring in some outside
people like we've had these Advisory Committees for AB 32
and Market Advisory Committee and Environmental Justice
Committees. The experts that are helping with the market
program of cap and trade. Maybe it's time to start
thinking a little more broadly about how do we do -- we're
transforming the vehicles that we talked about earlier in
the meeting is really impressive. It's dramatic. It's
revolutionary what we're doing, the path we're on with
cars. But that's one piece of this system.

And so I don't have a specific suggestion, but I
do think we need some fresh thinking here, and I think
there are opportunities that are synergistic.

DEPUTY EXECUTIVE OFFICER TERRY: I'll jump into
that. And perhaps Chairman Loveridge would have some
comments as an expert in government and in particular
regional government.

I think SB 375 from my perspective presents a
real opportunity to bring the planning community together
and make those connections between those, the broader
issues, from a system standpoint, which is not a role
that's been assigned to ARB to do unilaterally. That's
where the partnerships have to come into play.

But I do think working with the MPOs in
particular and major air districts and ARB together
because we have some very clear goals to meet and obligations to meet that we will not be able to meet if we can't bring the parties together and do this visioning from a more grounded perspective of jurisdictions and authorities and responsibilities.

ACTING CHAIRPERSON LOVERIDGE: What is the bridge to that process though, I think? That's really -- I mean, I question, but what is the bridge to that process?

DEPUTY EXECUTIVE OFFICER TERRY: I can't say that I have the answer to that, because honestly, it is a huge political issue, the relationship between State government, regional government, and local government. Even at the State level, the relationship between transportation agencies, who makes decisions on funding, we have a Strategic Growth Council. There may be opportunities there. It is a very good question and I think this Board's thought and advice to staff on this would be very helpful.

EXECUTIVE OFFICER GOLDSTENE: I was going to try to answer part of that question as well.

In addition to the systems that we've put in place and the laws like SB 375 and the existing rules relative to developing transportation plans, I think, Mayor Loveridge, one of the answers to the question about where the bridge is really comes down to the
harder-to-define issues about political leadership at the local level and the regional level. We really need commitments from the leaders from the City Council on up, Planning Commission to help make those.

ACTING CHAIRPERSON LOVERIDGE: Maybe since the next meeting is in Southern California, maybe we can talk about that and make some -- at least offer some proposal on this issue because I think it's an important issue.

BOARD MEMBER SPERLING: I just think -- I mean, yes, leadership is important and yes, regulations are at the heart of it. Policy is at the heart of it. But I don't think we know really how to do it. That's kind of where I am. I think we need fresh thinking to inform this process. Because I think we have the basic structures, more or less there. With SB 375, we need to create the carrots to make it happen.

But we don't know where to go -- we know pieces of it. But some of the integrating together land use and transportation and freight, I mean, that's -- there just isn't much really thinking going on even in academia. And I think we could play a role in stimulating that. And so before -- and then we'll get to the SIP process later.

DEPUTY EXECUTIVE OFFICER TERRY: Just if I may, a quick comment.

I think what you've described is the SIP process
for the 2015 ozone SIPs. And that was part of what we had
hoped to discuss with this item today, because the
conventional SIPs -- a list of regulatory measures -- is
not what the future holds when we're looking at 2032
attainment and integrated planning. So we would love to
see this kind of approach taken over the next couple of
years to get the engagement of the organizations and
individuals that can do the thinking.

I will say there is some good research going on,
but as you say, it's piecemeal. And I think that's the
challenge is to pull it together.

EXECUTIVE OFFICER GOLDSTENE: We also have an
opportunity or -- you do as the Board as we work through
the new Scoping Plan, which we're going to be starting to
work on at the beginning of 2013 and bring for your action
at the end of 2013. That is intended also to be a process
where we do this visionary thinking to tackle some of
these problems. So both the SIP process and the Scoping
Plan process provided at least one avenue -- two avenues
for having this discussion.

ACTING CHAIRPERSON LOVERIDGE: Ron, did you have
any comments?

BOARD MEMBER ROBERTS: Well, I'm kind of
surprised by the comments, to be honest with you. I think
things are working.
Look at all these charts. And maybe I think --
I'm seeing I've been on this Board for a long time now, and there's been considerable progress. Part of our problem, we're getting down to where it's very difficult. The low-hanging fruit disappeared a long time ago. You're more dependent on some technological things as well as political will.

We just went through an enormous battle in changing the general plan. It was almost ten years ago. We had hundreds of thousands of miles of road were completely eliminated, additional road network that's going to be needed. The benefits are it's brought down all the cost, but we have to be out there to support it.

But I see we have planners and health people working together hand in hand, which we didn't have ten years ago. And they're working on it. There is a public health thing that's out there because I guess I cross over with many hats and many different roles. But that was a jump bringing them together. And maybe we need to look at what's happening here and what's happening in San Diego and other areas, and similar things.

I understand there is some geography involved here that -- especially in the San Joaquin Valley that may make it more difficult. I'm not sure all of the things that are being done in areas that are achieving, are being
done in those areas. And we bring all the cities together and increase in the plans and you work very closely with your public health officials and bring those programs in.

   So I'm not sure -- I'm hearing something is really out of whack here. It's not. Look at these charts. And even though they're not maybe how to obtain the standards, the progress that's been made is pretty significant.

   ACTING CHAIRPERSON LOVERIDGE: I think it's really the point that was made maybe given that commentary we ought to look closely enough about what the SIP requires. That's really what the question is.

   Barbara, No.

   Just one quick narrow and more personal, but when I first came to teach at U.C. Riverside in 1965, there were 200 first stage smog alerts and 65 second stage smog alerts in 1965.

   Just a quick other personal comment about slide 21, which identifies Mira Loma site. Now in the city of Garupa Valley. It's not really what I would call the eastern basin. It really is in the South Coast basin.

   The comment with this, I walk something called Mount Roubidoux every morning. Within my sight line, I can see the South Coast monitoring station, Roubidoux monitoring station, which has usually the highest particulate
measures in the basin, sometimes in the country. But Mira
Loma is in the South Coast and now in the city of Garupa
Valley.

This is an update. There is no action required.
We will then move onto the next and last item, another
update. See what's been happening in Sacramento as we ask
what the Legislature has been doing general. Jennifer
Gress, the Legislative Director, will give us an update.
Do you want to introduce?

EXECUTIVE OFFICER GOLDSTENE: I'll introduce very
briefly the item. Thanks, Chairman Loveridge.

The two themes really that came out of last
year's legislative session, one is that the Legislature
has taken a very strong interest in the cap and trade
program. And we assume they will remain involved. The
second is that there was a lot of collaboration and
coalition building towards the end of the session. ARB
and the Energy Commission were involved in an effort to
re-authorize incentive funding for clean air programs such
as the Carl Moyer Program and the 118 Program.

Whether this bill SB 1455 by Senator Kehoe fell
two votes short of the two-thirds necessary for passage on
the last night of session, the bill brought together a
large and diverse coalition that included the air
districts, oil companies, environmental organizations,
auto manufacturers, and clean energy companies. And it was a really very impressive effort to get these programs re-authorized.

Senator Kehoe, by the way, is now the Chair for the Plug-In Electric Vehicle Collaborative. She was selected last week for that position.

Legislative Director Jennifer Gress is here to provide an overview of the year and describe key legislation and highlight what we think may be coming in the next year. Ms. Gress.

(Thereupon an overhead presentation was presented as follows.)

LEGISLATIVE DIRECTOR GRESS: Thank you. Good morning. It is a pleasure to be here presenting the legislative summary for 2012.

2012 was the second year of the two-year session and it was a busy one. As you might imagine, the cap and trade program was a prominent subject. As the implementation of the cap and trade program drew near, so, too, did the Legislature's interest in the program. We conducted a number of one-on-one briefings with members, group briefings with staff, responded to countless letters, e-mails, and telephone calls and participated in seven legislative hearings and town hall meetings.

While support for AB 32 appears strong among many
members of the Legislature, members had questions and some concerns about how the cap and trade program would work, its treatment of various regulated entities, the potential for market manipulation, and impacts on consumers. And of course, there was the WCI, Inc., which became a source of concern and numerous legislative inquiries.

What ultimately made this year successful was that members and staff are now more familiar with and involved in the program, particularly with regard to WCI, Inc., which now boasts two members of the Legislature on its Board of Directors.

And we, as an organization, have strengthened our efforts to keep the Legislature informed.

It is important to have a strong relationship with the Legislature, and I think the interest and activity we experienced this year has helped to put us on a good course.

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LEGISLATIVE DIRECTOR GRESS: With regard to legislation, there was significant activity regarding several ARB programs, most notably cap and trade. The bills that the Legislature passed and the Governor signed all strengthen ARB's mission and programs.

There were about 2,000 bills introduced in 2012; 52 percent of which reached the Governor's desk. The
Governor signed about 88 percent of the bills before him. We the Legislative office tracked 255 bills related to air quality and climate change, which included some two-year bills from 2011. Common themes included advanced technology, clean energy, incentives.

LEGISLATIVE DIRECTOR GRESS: This chart breaks down the number of bills we tracked by major subject area. As you can see, the majority of legislation that we tracked related to climate and energy, as opposed to ARB's historical focus, air quality.

LEGISLATIVE DIRECTOR GRESS: With that overview, I turn now to some key pieces of legislation.

Last year, I told you about two bills that relate to Board structure and functions: AB 146 Dickinson and AB 1095 Berryhill. AB 146, which was signed by the Governor this year, adds a member to ARB's Board from an air district in the Sacramento ozone non-attainment area.

AB 1095 would have required ARB to establish a Hearing Board to hear disputes and requests for variances related to AB 32 programs on a facility-by-facility basis. This bill was amended to deal with another subject matter and, therefore, did not move forward in that form.
LEGISLATIVE DIRECTOR GRESS: The program area that received the most attention was cap and trade. We saw a total of 20 cap and trade related bills. There were two types of bills, those dealing with elements of the regulation and how it is implemented and those dealing with how to spend auction proceeds.

In the end, the Legislature passed and the Governor signed three bills:

SB 1018, the budget trailer bill, prohibited ARB from linking its programs with that of other jurisdictions until the Governor makes specified findings, and it added two legislators as non-voting ex officio members to the WCI Board in order to provide greater legislative oversight over the organization.

SB 1018 also established administrative requirements for cap and trade revenues and limited which rate payers can receive utility auction revenue to residential customers, small businesses, and emission intensive trade-exposed entities.

The Public Utilities Commission is undertaking a rulemaking to determine how utility auction revenue can be used and a proposed decision is expected soon.

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LEGISLATIVE DIRECTOR GRESS: AB 1532 by speaker Perez establishes procedural and programmatic guidelines
for allocating cap and trade auction proceeds for fiscal years 2013/14 and later. It directs the Department of Finance to submit to the Legislature on behalf of the Governor and in consultation with ARB and other State agencies a three-year investment plan that establishes a framework for the expenditure of the funds. This plan must be updated every three years. The bill requires the investment plan and annual appropriations be considered during the annual budget process.

Under the bill, ARB must hold at least two public workshops in different regions of the State, and one public hearing prior to the Department of Finance submitting the investment plan to the Legislature.

SB 535 was coupled with AB 1532, and it directs the California Environmental Protection Agency to identify disadvantaged communities for investment opportunities of cap and trade auction proceeds. The bill also requires the Department of Finance to allocate in the investment plan it develops pursuant to AB 1532 a minimum of 25 percent of available moneys to projects that benefit disadvantaged communities and a minimum of ten percent of projects located within such communities.

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LEGISLATIVE DIRECTOR GRESS: On the energy side, biomethane was a major interest this year. Fueled by the
desire to better utilize California's own biomethane resources, a number of bills were introduced and ultimately supported by the Governor that helped achieve the Governor's clean energy jobs goal.

AB 1900 by Assembly Member Gatto removes existing statutory and tariff barriers that have effectively prevented biogas from California's landfills from being injected into common carrier natural gas pipelines. ARB is part of a multi-agency effort to develop health standards that will be applied to biomethane to protect public health and safety.

AB 2196 by Assembly Member Chesbro is intended to incentivize the use of biomethane from California landfills and other sources by conforming RPS eligibility of biomethane with procurement requirements under the new 33 percent RPS law enacted last year, and that bill requires that a direct environmental benefit to California be demonstrated.

SB 1122 by Senator Rubio requires the Public Utilities Commission to direct the State's electrical corporations to collectively procure and provide a feed-in-tariff for at least 250 megawatts of generating capacity from generators of bioenergy that begin operation on or after June 1, 2013. The bill allocates the amount of megawatts eligible for different bioenergy project
categories and allows PUC to reallocate the project allocations, if needed, in consultation with a number of State agencies, including ARB.

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LEGISLATIVE DIRECTOR GRESS: Mobile source pollution is typically an active area for legislation. This year, a major focus was on incentives for clean vehicles and advanced technology. Three bills, all signed by the Governor, exemplify the Legislature's desire to support clean vehicle technologies incentives.

AB 2405 by Assembly Member Blumenfield allows enhanced advanced technology partial zero-emission vehicles, such as plug-in hybrids like the Chevy Volt and zero emission vehicles like the Nissan Leaf to access high occupancy vehicle toll lanes without charge regardless of occupancy. This is an important incentive because it does not rely on existing State resources to support consumer choice of the cleanest most advanced vehicles.

AB 2583 also by Assembly Member Blumenfield directs the Department of General Services and Caltrans to develop advanced technology vehicle parking incentive programs. It also directs DGS to encourage the use of alternative fuels in State-owned vehicles, the development of alternative fueling infrastructure at state vehicle sites, and the promotion of State employee operation of
alternatively fueled vehicles.

Finally, SB 1128 by Senator Padilla extends eligibility for a sales tax exclusion to advanced manufacturing projects administered by the California Alternative Energy Advanced Transportation financing Authority, otherwise known as CAEATFA. It also adds greenhouse gas emission reductions as one of the quality characteristics for advanced transportation technologies and designates ARB to advise CAEATFA on whether potential projects meet specified criteria.

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LEGISLATIVE DIRECTOR GRESS: This takes me to SB 1455, which sought to re-authorize various motor vehicle tire and equipment fees until December 31st, 2013. These fees support the Carl Moyer Program to clean up diesel vehicles, air district programs that complement the Moyer program, and AB 118 programs.

To secure support for re-authorization, the bill also dedicated funding to establish hydrogen fueling infrastructure to support the pending introduction of fuel cell vehicles coupled with regulatory relief from the clean fuels outlet regulation.

Agreement was reached eight days prior to the end of session. And in that short time, garnered over 160 supporters. Because the measure extended fees, it
required a two-thirds vote in accordance with Proposition 26. We succeeded in the assembly, but fell just two votes short in the Senate as the clock struck midnight on the final night of session. It was dramatic.

These incentive programs provide about 300 million annually and are critical to achieving the near- and long-term emission reductions necessary to meet the State's air quality, climate change, and fuel diversity goals.

Looking to the coming year, we are working with the California Air Pollution Control Officers Association and other stakeholders as part of a coalition to reduce the bill and several members of the Legislature have signaled strong interest in authoring it.

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LEGISLATIVE DIRECTOR GRESS: So what are likely to be the big issues next year?

As I mentioned, certainly reauthorizing incentive funding will be a priority. As I'm sure there will be plenty of activity regarding cap and trade auction proceeds.

As a subset of those issues, towards the end of the past session there were several bills focused on the utility of auction revenue which sought to undue the provision in the budget trailer bill limiting who is
eligible for these revenues. I expect that issue to be raised again this year.

The low carbon fuel standard is also likely to be a target for this activity. We have been hearing the Western States Petroleum Association will be releasing a report that includes recommendations for modifying the LCFS, among other regulations, with the idea that it could serve as a resource for potential legislation.

Finally, CEQA reform appears to be at the top of the agenda. ARB is not typically involved in CEQA legislation, but we will be following it closely and it could have an indirect impact on other legislation that affects ARB.

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LEGISLATIVE DIRECTOR GRESS: What does the environment look like for these issues in the coming year? Let's talk about the elections. Two things of note: There will be significant turn-over in the Legislature and there are very few members now that were present in 2006 and voted aye on AB 32. Six senators and 22 Assembly Members are termed out and 22 members of both houses are leaving for other reasons, such as re-districting, retirement, or winning a race for higher office. The bottom line is that there are about 37 new members of the Assembly, almost half of the 80-member house, and nine new
members in the Senate. Of those, only nine returning
members voted aye on AB 32, eight in the Senate and one in
the Assembly.

So we will have quite a bit of work to do this
year to educate the new members about AB 32
specifically.

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LEGISLATIVE DIRECTOR GRESS: Before I close, I'd
like to acknowledge the excellent work of my staff. Bruce
Oulrey, who was Chief of Staff until October when he
accepted a position in the Enforcement Division. Robin
Neese, our Executive Assistant. Our analyst, Ken Arnold,
Dongmin Low, Daniel Seeman, Nicole Sotak and Steve
Trumbly. Jake Henshaw, a great joy in our office, retired
earlier this year. And our dedicated student assistant,
Andrew Breeze, was able to secure a full-time position at
another agency. I could not ask for better staff.

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LEGISLATIVE DIRECTOR GRESS: A copy of the annual
legislative report is available through our office and on
ARB's website. Thank you very much. I would be happy to
answer any questions.

ACTING CHAIRPERSON LOVERIDGE: Thank you for the
overview. There's no public testimony.

Questions or comments by members of the Board?
Seeing none, thank you for the report. We will indeed be tracking what takes place next year under cap and trade.

Before going to public comment, I would call upon James Goldstene for a couple of announcements.

EXECUTIVE OFFICER GOLDSTENE: We want to introduce two new staff to you.

One, who you've been seeing this morning is Tracy Jensen, who new Board Clerk, who replaced Mary Alice. Tracy Jensen, here is the Board. She was recently promoted to that position from another position she had in the legal office. And of course, you've seen her on the other side of the room working the slides and other things during Board meetings. So welcome, Tracy.

And the other person I'd like to introduce is Dr. Alberto Ayala. Are you here? Alberto has been selected to replace Mr. Cackette. So we wanted to give him a chance to say a few words. I don't know, Tom, if you want to say a few words about Alberto who has been working for you for a while.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes, I would like that.

I think you all know him and have met him before. He's currently the Division Chief of the Monitoring and Laboratory Division, which is one of the divisions that
works for me. He has a Ph.D. from U.C. Davis. He's an internationally recognized expert in measurement technology particularly for motor vehicles. He's published over 50 papers. But since being a researcher, he's moved onto other things in the monitoring and laboratory division.

It's not obvious, but like almost all of our divisions, they get assigned to do regulations. So he's been developing and has developed and been in front of the Board for evaporative regulations. There's several more coming to you in the next year. He's been responsible for our enhanced vapor recovery and service station controls, which I think as you know is always and will continue to be a controversial program. He's handled that extremely well, including some real oops we had with possible safety problems that you heard about earlier on. And that's been all taken care of under his guidance.

And so also an excellent manager. Been working for several years as the Division Chief and really has shown his interest and enthusiasm in achieving the Board's objectives, both technically and keeping us well administered -- keeping us administered as well. So I'm really confident that he will serve the Board extremely well and feel very lucky he's my replacement. So Alberto.

DEPUTY EXECUTIVE OFFICER AYALA: Thank you.
Thank you, Tom. That's a very gracious introduction.

I need to start off by acknowledging the fact that I'm still trying to get my head around just exactly what I got myself into.

But putting that aside, I'm just incredibly honored to have this opportunity. Obviously, Tom has set a very high bar for us. And as Jennifer said, I, too, am lucky because I have three divisions with extremely talented staff. The executive team is excellent and just very much looking forward to helping the Board and all of us continue on the path and continue the track of excellence that Tom is leaving behind us. And again just want to thank you and looking forward to it.

ACTING CHAIRPERSON LOVERIDGE: Do we have time to say thank yous to Tom and --

EXECUTIVE OFFICER GOLDSTENE: The December Board meeting I think will be the meeting of celebration. But in the mean time, all --

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I just want to say my comment about that will be my last meeting, I didn't mean to in any way imply I'm relishing not being in front of the Board. It's been really tremendous. And I'll keep my eye on what's going on here and maybe share a comment once in a while as I watch the Board proceed toward what are the large number of remaining challenges
in front of you. So thank you.

     ACTING CHAIRPERSON LOVERIDGE: No public comment.

Some one just signed up.

     Would invite Karen Snyder up.

     MS. SNYDER: I'm just short.

     After I spoke to you last month, Chairman Nichols asked Mr. Goldstene that what was in place at ARB for someone who feels bullying is happening here at the ARB. Of course, he properly answered that we had an EO office and that I could go to that or other off-site entities.

     Let me assure you that I have taken the appropriate steps before coming to speak on public record to the Board. Workplace bullying does not fall under EEO issues, because it cannot be connected to a protected class, then it is not covered under EEO issues.

     However, for myself the one time that it did fall under sexual harassment, the EEO office swept it under the rug. And when the EEO officer's own staff tells you not to bother to take it to the EEO officer, then you don't. And you begin to seek other avenues to be heard, up to and including desperately trying to bringing it to the attention of a Deputy officer -- I'm sorry -- Deputy executive, the Chairman, and the Executive Officer.

     So let me state again something I have stated before. When I arrived at the ARB, I was excited to work
here and excited for the possibility to work for an agency that fought against climate change and for the health of not only the people of California but for those around the world.

I very early on made the mistake to think that I could talk reasonably to someone about decisions made about myself. And since then, I have been unable to do anything right. Since then, my work product, my work ethic, my personality, and even the way I dress have been attacked. I was accused, tried, and convicted of workplace violence for cussing while coming in from my lunch break and still outside of the building. And let me tell you, the cussing flows freely on my floor.

Every part of my being has been attacked these past five years. So much so that on occasion I have been so utterly despondent I have been nearly suicidal. My health has suffered significantly and my ability to move on to a better position and away from my attackers have been blocked.

May I finish?

ACTING CHAIRPERSON LOVERIDGE: Keep going.

MS. SNYDER: All of which is very well documented. Right now, as you can probably guess, I'm angry and bitter and frustrated. And thank goodness for that because that is the only thing that has kept me
going.

I again strongly emphasize I'm not the only one this is happening to. And currently, what is going on in our own HR department is a travesty. I may be the only one speaking up, but I'm not the only one suffering these attacks. Both for my own well being and the well being of my co-workers, I will continue to speak up. And I will continue to try to make sure this is investigated by an outside entity.

I appreciate the time and opportunity to speak to you. Thank you very much.

ACTING CHAIRPERSON LOVERIDGE: Now move to closed session. Do we need to say some words about closed session?

CHIEF COUNSEL PETER: Not at this time, Mr. Chairman. We will just recess into closed session and come back and make a report at the conclusion of it if the Board chooses to take any action during the closed session.

ACTING CHAIRPERSON LOVERIDGE: There will be a report after closed session.

CHIEF COUNSEL PETER: There will be a notice of any action taken. There is none anticipated. But we will come back and then adjourn the meeting at that point.

ACTING CHAIRPERSON LOVERIDGE: Thank you.

(Whereupon the Board recessed into closed
session at 10:45 AM and returned at 11:27 AM.)

ACTING CHAIRPERSON LOVERIDGE: I would ask the Executive Officer is there anything we need to address after closed session.

EXECUTIVE OFFICER GOLDSTENE: I'll ask Ellen Peter, the Chief Counsel, to comment on closed session.

CHIEF COUNSEL PETER: Mr. Chairman, as you know, we had a closed session. We discussed pending litigation. And no action was taken by the Board so we have nothing to report on.

ACTING CHAIRPERSON LOVERIDGE: Therefore we stand adjourned.

(Whereupon the Air Resources Board meeting adjourned at 11:28 AM)
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 3rd day of December, 2012.

______________________________
TIFFANY C. KRAFT, CSR, RPR
Certified Shorthand Reporter
License No. 12277