APPEARANCES

BOARD MEMBERS
Ms. Mary Nichols, Chairperson
Dr. John Balmes
Ms. Sandra Berg
Ms. Dorene D'Adamo
Mr. Hector De La Torre
Mr. Ronald Loveridge
Mrs. Barbara Riordan
Dr. Alex Sherriffs
Professor Daniel Sperling

STAFF
Mr. James Goldstene, Executive Officer
Mr. Alberto Ayala, Chief Deputy Executive Officer
Mr. Richard Corey, Deputy Executive Officer
Ms. Lynn Terry, Deputy Executive Officer
Mr. Judson Cohen, Monitoring and Laboratory Division
Mr. Mike Ginty, Air Resources Engineer, Goods Movement
Strategies Section, SSD
Mr. Scott King, Air Pollution Specialist, Northern
California SIP Section, PTSD
Mr. Jack Kitowski, Branch Chief, Freight Transportation
Branch
ALSO PRESENT

Ms. Barbara Baird, South Coast AQMD
Mr. Tim Carmichael, CA NGV Coalition
Ms. Elaine Chang, South Coast AQMD
Mr. Harvey Eder, PSPC
Mr. D. Douglas Fratz, Consumer Specialty Products Association
Mr. Mike Freeman, WD-40 Company
Mr. Bob Hamilton, Amway
Mr. Greg Johnson, Sherwin Williams
Patricia Ochella, Deputy Policy Director, Coalition for Clean Air
Mr. Fred Minassian, South Coast AQMD
Mr. Christopher Pearce, SC Johnson & Son, Inc.
Mr. Andrew Palomares, Port of Hueneme/Oxnard Harbor District
Mr. Bill Quinn, California Council for Environmental and Economic Balance
Mr. Doug Raymond, National Aerosol Association, WD-40, Stoner, Inc., Blaster
Mr. Spencer Richley, Clean Energy Fuels
Mr. Matt Schrap, Crossroads
Mr. Timothy Serie, American Coatings Association
Mr. Jim Stewart
Mr. Lee Wallace, Southern California Gas
Mr. Mike Watt, San Diego AOCD
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CHAIRPERSON NICHOLS: Good morning, ladies and gentlemen. We're getting started a little bit late this morning, but we're ready to go.

Good morning. The January 25th, 2013, public meeting of the Air Resources Board will come to order. Actually, it already is in order.

Would you please join me in saying the Pledge of Allegiance to the flag?

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

CHAIRPERSON NICHOLS: The Clerk will please call the roll.

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

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

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

BOARD CLERK JENSEN: Mr. De La Torre?
Mayor Loveridge?

Mrs. Riordan?

BOARD MEMBER RIORDAN: Here.

BOARD CLERK JENSEN: Supervisor Roberts?
Dr. Sherriffs?
BOARD MEMBER SHERRIFFS: Here.
BOARD CLERK JENSEN: Professor Sperling?
BOARD MEMBER SPERLING: Here.
BOARD CLERK JENSEN: Supervisor Yeager?
Chairman Nichols?
CHAIRPERSON NICHOLS: Here.
BOARD CLERK JENSEN: Madam Chairman, we have a quorum.
CHAIRPERSON NICHOLS: Thank you.
I'll note we've also just been joined by Mayor Loveridge and that Mr. De La Torre is with us as well.
So a few opening announcements. Anyone who wishes to testify on any of the items on the agenda today or in the public comment period and has not signed up online is requested to fill out a card at the table outside the boardroom and turn it into the Clerk of the Board, who sits down there.
If you've already signed up online to speak, you don't have to fill out a form, but you do need to check in with the Clerk just so your name gets on the speakers' list.
We will be imposing our usual three-minute limit on speakers. So we appreciate it if when you get up to speak you just give your name and then quickly summarize the testimony in your own words. If you've given us
written testimony, we will have it and it will be in the record and we'll be able to read it anyway.

For safety reasons, please note the emergency exits that are at the rear of the room. In the event of an emergency, we're required to evacuate this room immediately and go outside the building until the all-clear signal is sounded. I think that's it as far as announcements is concerned.

But before we begin with our agenda this morning, I wanted to take advantage of the fact that we're here in the South Coast meeting room, and we are having an opportunity to say goodbye. I think this really is goodbye, at least as far as the Air Resources Board is concerned, to a Board member who has also served as a representative of the South Coast Air Quality Management District. So it's very fitting that we're here in this room. And we have a couple of small things to give to you, Mayor Loveridge.

But I understand that you also have some thoughts that you would like to share with us about ARB and your service on the Board and the state of the air and whatever else is on your mind. So we'd like to invite you to take this opportunity to address the crowd.

BOARD MEMBER LOVERIDGE: Chair, I think the most appropriate time would be the sort of final statement at
the end of the meeting, rather than -- so you finish the business of the Board.

CHAIRPERSON NICHOLS: When it's all over.

BOARD MEMBER LOVERIDGE: Then I have a final statement I'd like to make.

CHAIRPERSON NICHOLS: Okay. I'll honor your request and do it in the order that you subject then. But that's something you can all look forward to.

So let's then begin with James Goldstene's report on the Air Resources Board program priorities for 2013.

2013 is not going to be any less busy than 2012, you'll be happy to know. We have a number of major actions in the regulatory area as well as progress to make on our climate programs. And so we've asked the Executive Officer to give us an overview with the sense of the types of major Board actions that we're anticipating this year.

So Mr. Goldstene, would you please begin your presentation?

(Thereupon an overhead presentation was presented as follows.)

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

This morning, I'm going to provide an overview of the work we'll be considering this coming year and also describe some of the staff's ongoing work to implement the
existing programs and regulations you've already approved.

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EXECUTIVE OFFICER GOLDSTENE: You have a full Board calendar this year. Of course, yesterday and today you are taking action on the State Implementation Plan amendments for achieving national ambient air quality standards. And yesterday, staff updated you on SB 375 implementation in the San Joaquin Valley.

Looking past today, not surprisingly, much of our effort will be in the climate change arena. Staff will be providing regular updates as well as proposals for regulatory action.

Staff will also come back to you again later in the year with additional regional efforts to reduce GHGs through sustainable communities strategies. And we expect to bring you proposed revisions to ARB's mobile source and fuels regulations and guidelines, as well as another opportunity to reduce emissions from consumer products.

Staff will also ask for your guidance on ARB's research program and the projects that provide the scientific support for the Board's work.

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EXECUTIVE OFFICER GOLDSTENE: It's been four years since the Board approved the Scoping Plan at the end of 2008. Since AB 32 requires that ARB update the plan
every five years, this will be an important effort this
year.

But AB 32 is not only planning work in 2013, even
as you act on a SIP today, ARB and South Coast district
staff have already begun the technical work for SIP
amendments due in 2015 for the recently updated federal
ozone standard.

Finally, ARB will begin a freight transport
initiative in the middle of the year. The Haagen-Smit
Symposium in May and Advanced Technology Conference will
kick-off that effort.

Last June, staff briefed you on a framework for
coordinated planning intended to lay out a process and
identify the analytical tools to enable coordination among
these three types of planning efforts. The Scoping Plan
will address greenhouse gases. The SIP addresses federal
health-based standards for ozone and particulate matter.
And exposure to toxic diesel particles will be central to
freight transport planning.

The three planning efforts will address many of
the same types of sources, especially mobile sources. And
technology advances will be key to achieving the
multi-pollutant goals.

Coordinated planning drawing on the scenario
methodologies developed in the Vision for Clean Air effort
will be key to developing common strategies and understanding the broad environmental and economic impacts of technology and energy transformation.

The most frequent comment staff heard during the Vision effort was the need to consider a broader set of technologies and to evaluate more possible scenarios. These comments are good, and the planning efforts this year will take place to do just that.

EXECUTIVE OFFICER GOLDSTENE: In last month's Climate Change Program update, staff highlighted the upcoming milestones. These include the auctions and reserve sales, the investment plan for auction proceeds, new compliance offset protocols, and market oversight to deter, detect, and respond to market problems.

It remains important for ARB to continue our collaboration with federal authorities, including the Commodity Futures Trading Commission, the Federal Energy Regulatory Commission, and the Federal Department of Justice, as well as the California Independent System Operator, and the California Office of the Attorney General.

Later this year, staff will bring you an update to the Climate Change Scoping Plan which will assess progress toward the 2020 emissions target and begin the
planning for post-2020 goals.

With regard to the low carbon fuel standard, staff is acting on the Board's direction to focus on crude oil, carbon intensity indirect land use, electricity credits, flexible compliance mechanisms, and economic analysis.

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EXECUTIVE OFFICER GOLDSTENE: Work this year on the Advanced Clean Cars Program is primarily focused on implementation. Auto makers will begin introducing and certifying the cleanest vehicles in California. The first of these already occurred, thanks to the early opt-in provisions. Last month, the 2014 Honda Accord plug-in hybrid pictured on the right side of the slide became the first vehicle certified to meet the most stringent future LEV III standard known as SU LEV 20.

There is ongoing work to support the program, including research projects coordinated with the U.S. EPA and the National Highway Transportation Safety Administration, on consumer acceptance and usage of new vehicle technologies, developments in advanced engine technology, and societal and economic impacts of the program.

This research will support the mid-term review of the program in 2017 and an assessment of California's
progress towards meeting the zero emission goals.

ARB's laboratory staff is also developing new analysis methods needed to implement the advanced clean cars regulations lower particulate matter standard.

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EXECUTIVE OFFICER GOLDSTENE: Now on ARB's diesel program, staff is putting together significant resources to ensure the continued successful implementation of ARB's in-use diesel regulations so that by 2014 almost every diesel engine in California will have a particulate filter.

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EXECUTIVE OFFICER GOLDSTENE: ARB's extensive compliance assistance and education program is designed to ensure that fleet owners know how to comply with the fleet turnover requirements that phase in over the next ten years.

Public health benefits are happening already. A recent U.C. Berkeley study found that diesel emissions at the Port of Oakland have been cut in half as a result of ARB's clean diesel regulations.

Later this year, staff will update you on the diesel program. And of course, you'll be considering Proposition 1B actions today.

While California's diesel programs originated to
address public health impact in California, the program is also reducing emissions of black carbon, the second greatest contributor to global warming.

California's limits on residential and open burning are also reducing the state's contribution to global black carbon emissions.

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EXECUTIVE OFFICER GOLDSTENE: Even with the significant reductions we are achieving from our diesel program, filters and cleaner engines will not address all of the challenges posed by the freight transport system. Additional innovation is needed to further reduce risk in communities adjacent to the ports, to attain new, more stringent air quality standards, and to address greenhouse gas emission targets.

I mentioned the upcoming freight transport effort during my introduction. ARB will kick off the development of a sustainable freight strategy with the joint Air District/ARB Technology Conference this spring to assess potential advanced zero or near-zero emission technologies for the sector. And this year's Haagen-Smit Symposium in May will be devoted to a policy discussion on the path to a sustainable freight system.

Staff hopes to bring a proposal for the Board's consideration in 2014 after a series of public workshops.
and stakeholder meetings to develop the strategy. The goal is to build a broad coalition of stakeholders that can endorse a strategy for a more efficient, zero or near zero emission freight transport system. Transforming the freight system is critical for meeting the state's long-term goals for air quality and climate, transportation, energy security, and the international competitiveness of our logistics industry.

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EXECUTIVE OFFICER GOLDSTENE: A component of ARB's diesel program and others is reducing air pollution in heavily impacted communities and environmental justice areas.

ARB's enforcement division is coordinating with other agencies and prioritizing enforcement of our diesel rules and idling requirements, particularly near schools and heavily industrialized communities.

Staff is working with cities throughout California to get no idling signs installed wherever diesel emissions affect local residents.

And staff is also establishing new roadside monitoring sites to help us better assess the air quality impacts of diesel emissions on the most heavily impacted communities.

In our Climate Program, we are also working on
aspects of last year's cap and trade legislation, SB 535, which requires that a portion of auction proceeds be directed to disadvantaged communities. ARB staff is providing technical assistance to the Office of Environmental Health Hazard Assessment in the development of the screening tool, now known as Cal-Enviro-Screen to help identify these communities. This information will guide the administration as it allocates cap and trade auction proceeds.

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EXECUTIVE OFFICER GOLDSTENE: Switching to our work to support the development of sustainable communities, over the past three years, ARB reviewed the sustainable communities strategies from three of the large metropolitan planning organizations, or MPOs: San Diego, the Southern California Association of Governments, and the Sacramento Area Council of Governments. These regions are now implementing their adopted SCSs.

And yesterday, of course, staff briefed you on the progress in the San Joaquin Valley. As staff said, we expect to see the first of the valley plans later this year and the last of the large MPOs, the Bay Area will complete its plan this year as well.

We also anticipate receiving community plans from Tahoe, Butte, and Santa Barbara MPOs. From a research
perspective, our research staff is actively working with the MPOs to identify the types of academic research that would be most useful in the development of future SCSs. And we're continuing our involvement in the development and discussion of new methods and tools that will help quantify and describe the co-benefits of sustainable community strategies.

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EXECUTIVE OFFICER GOLDSTENE: Of course, all of the work we're doing can't be done without strong partnerships and effective collaboration. We've worked hard to build more productive partnerships and need to continue working at it. The leadership that you, as Board members, provided and continue to provide is crucial.

As an example, we are building an already established agreement with the Bay Area, San Joaquin Valley, and North Coast Unified Air Districts, and with the Port of Los Angeles to leverage resources to more effectively enforce the heavy-duty vehicle regulations.

We are hopeful that similar agreements can be reached with the San Diego Air District and the Port of Long Beach. We're partnering with MPOs, the California Energy Commission, CalRecycle, the PUC, and others on implementing the Scoping Plan, and will assist the Department of Conservation's Division of Oil and Gas on
the development of fracking regulations.

EXECUTIVE OFFICER GOLDSTENE: We also have very collaborative relationships with our academic partners and other non-governmental organizations. These relationships are crucial, providing essential support to our research program, advice on program implementation, and in many cases, a reality check on the impact of our actions on affected stakeholders.

EXECUTIVE OFFICER GOLDSTENE: We recognize that the success of our sustainable freight initiative this year will rely on successful collaborations between a wide range of stakeholders and the effectiveness of our outreach efforts.

One example of a recent successful collaboration is with the California Trucking Association and the California Bus Association on outreach and compliance assistance efforts relating to the heavy-duty diesel regulations.

EXECUTIVE OFFICER GOLDSTENE: Incentive program re-authorization is a major priority this year. The Carl Moyer Program, AB 118, and AB 923 complement our regulatory efforts.
However, several key funding sources will end in 2015, unless they are re-authorized by the Legislature, reducing funding from about $300 million annually to around $65 million.

Incentives are critical for demonstrating the State's commitment to new technologies, encouraging industry to invest, develop, test and market new emission reduction technologies, clean vehicles, and fuels and to build the essential supporting infrastructure.

We are continuing our partnership with CAPCOA, the Energy Commission, and other stakeholders to pursue the re-authorization. Two bills, Assembly Bill 8 by Assembly Member Perea and Senate Bill 11 by Senator Pavley would extend funding for these critical programs through 2023.

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EXECUTIVE OFFICER GOLDSTENE: ARB's research staff are actively implementing this year's research plan, including the nine projects the Board approved last month to support SIP development and advanced clean car diesel and sustainable community programs.

Later this year, in addition to bringing you next year's research plan, staff will also provide an update on some of the results from the research you have funded, including updates on indoor air quality research, the
health effects of traffic, and the CALNEXT field study.

Three major ARB-federal collaborations on air quality and climate science will also begin this year. As you heard yesterday in Bakersfield, NASA just began a four-year campaign to use satellites to monitor air quality in the San Joaquin Valley.

Another NASA funded effort is studying the impact of Asian emissions on California air quality. The National Institute of Standards and Technology is initiating a five-year project to monitor greenhouse gas emissions in Los Angeles.

These studies will contribute valuable information to our understanding of criteria pollutants and greenhouse gases.

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EXECUTIVE OFFICER GOLDSTENE: I would like to take a moment to highlight an effort to replace the existing Haagen-Smit laboratory in El Monte.

The current facility was constructed for ARB in 1972 when a staff of 40 supported a fledgling on-road vehicle control program. The Haagen-Smit facility now houses 360 employees who perform complex and often innovative tests on a wide array of on-road and off-road mobile sources and equipment and fuels.

The laboratory's work must meet the highest
standards as it supports the far-reaching decisions that
must be able to withstand the rigorous scientific and
legal review.

Over the years, ARB has added dynamometers,
dedicated test chambers and sophisticated emission testing
equipment. The facility can no longer accommodate the
demands placed on its mechanical and electrical
infrastructure. When new equipment is purchased and
installed, other equipment must be taken off line.

The aging facility also requires extensive
repair, maintenance and upgrades to address code
compliance with health and safety issues, including fire
alarm and employee notification systems, asbestos
abatement, and underground containment systems.

Under the Chair's direction, we have started to
look for a new lab site in the Los Angeles area and to
potentially partner with one of the universities.
Locating the new lab at a university would allow us to
build an Extremely efficient state-of-the-art facility and
would also enhance opportunities for academic
partnerships.

Our vision is that the lab would become an
international focal point for research on air quality and
climate.

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California Reporting, LLC
EXECUTIVE OFFICER GOLDSTENE: Let me conclude with the last few slides that highlight some of the specific items that come out of my general description of 2013 priorities that staff will bring to you for your consideration. These will be -- there will be several more state implementation, SIP, actions this year listed here along with those that were before you yesterday and now today.

Climate change actions will include SCSs from the San Joaquin Valley and the Bay Area, as well as an update to the Scoping Plan. And you'll consider amendments, linkage, and new offset protocols for the cap and trade program.

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EXECUTIVE OFFICER GOLDSTENE: Staff will propose several regulatory actions that deal with mobile source emission controls affecting off-road recreational vehicles, hybrid and zero emission buses, and specifications for all alternative diesel fuels and E85 ethanol.

You are also scheduled to consider the hydrogen production standard and designations for the new PM2.5 standard.

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EXECUTIVE OFFICER GOLDSTENE: In terms of
incentive programs, you'll be voting on funding plans and
guidelines for Proposition 1B, the Goods Movement Emission
Reduction Program, and for AB 118, the Air Quality
Improvement program.

Finally, last on the list are amendments to two
VOC programs: Amendments to the existing consumer
products and gasoline vapor recovery requirements.

As you can see, 2013 will be another full year.
Staff is looking forward to the challenges ahead and
continuing to support your decision making with technical
and scientific expertise.

Thank you. That concludes my presentation. And
we are available to answer any questions.

CHAIRPERSON NICHOLS: Thank you, James. I think
that's a pretty full report.

The Board members obviously meet once a month and
act on things you bring to us. But in between, my
observation is that every single member of this Board is
also doing a lot to assist both with the outreach part of
the program and with bringing ideas and suggestions back
to the staff.

And I just want to say that that's an important
dynamic, and I expect and hope it will continue in the
coming year.

We do have a couple of people who have asked to
address us on this overview. So we'll call on them. Tim Carmichael and Patricia Ochoa, come forward.

MR. CARMICHAEL: Good morning, Chair Nichols, members of the Board. Tim Carmichael with the California Natural Gas Vehicle Coalition.

Let me say that I appreciate Mr. Goldstene's comments about the Vision document. We were one of the parties that submitted comments suggesting that a broader approach would be a good idea.

As some of you have heard from me directly and some of my colleagues, we were very concerned that other agencies and other individuals looked at the Vision document and concluded that ARB either felt no other fuels or technologies were necessary or that they weren't going to support other fuels and technologies in the future. And that, of course, is problematic, not just for natural gas, but for other clean fuels and technologies that we believe will be part of the mix going forward.

So I'll leave it at that. We look forward to working with you on that broader approach because we think that is a recipe for success. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Ms. Ochoa.

MS. OCHOA: Good morning, Chairman Nichols and Board members.
My name is Patricia Ochoa. I'm the Deputy Policy Director for Coalition for Clean Air. I'm here also to talk about the Vision document and the importance of finalizing the Vision document.

Before I start, I do want to thank the staff at ARB for their work in finalizing or getting the document to the point where it's at.

As an organization that works to restore clean healthy air to California, we're in support of your efforts to develop and finalize the Vision document. We consider document visionary in its approach of integrating planning across various pollutants and necessary to inform critical decisions for how California can best address efforts to improve air quality and reduce greenhouse gases.

We consider the document -- it is the integrated and collaborative approach of the Vision document that will be needed in the following months as California updates its AB 32 Scoping Plan and prepares for ozone State Implementation Plans and kicks off the statewide sustainable freight initiative and tackles agriculture equipment rulemaking and decisions regarding new and existing funds.

We may lose an opportunity to coordinate strategies across various planning processes if the Vision
document is not finalized.

And we believe that a final Vision plan will inform our near-term decision making and future policies and funding will get us to achieving clean air and reducing greenhouse gases.

Therefore, we like to urge you to finalize the Vision document at this time because it will provide the direction, clarity, and the wisdom we need for the various planning processes and rulemaking that California will be engaging in in 2013. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Any further comments on this item from the Board?

BOARD MEMBER RIORDAN: Madam Chair, I just am very pleased to see that the staff has identified as an item sustainable freight strategies, because I think that's critical to both the economic health of the state of California as well as our personal medical health. And I think that this is a wonderful opportunity to come together and to really think about these things in a little less formal setting, those that you have identified here for sustainable freight strategies. And I want to thank you for that.

CHAIRPERSON NICHOLS: Thank you, Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Three comments.

One, I think it's important to get this kind of
framing of the priorities for this next year.

I do think one theme that James Goldstene emphasized that it's not simply the Board passing rules and regulations, but this idea of partnership and cooperation.

Two quick comments. One just mentioned before at South Coast meetings, but Tim Carmichael reminded me. I think the abundance now and the price of natural gas is sort of a game changer. And I think we need to rethink some of our choices based on what I think is going to be available in the immediate future.

But the primary reason for asking for a comment is slide number eight, which was communities and environmental justice, and the question of distribution centers and the role trucks have in terms of diesel affects on communities.

The inland area clearly has land, and there are a number of communities looking at distribution centers. The South Coast has been in the paper and comments made on Moreno Valley and steps on what mitigation measures should be taken to reduce the impact of diesel, particularly on the community in Moreno Valley.

Does CARB have a role in commenting on the environmental impact report or monitoring or participating with the South Coast on this development of major
distribution centers?

EXECUTIVE OFFICER GOLDSTENE: Well, we're not the
lead agency. I think that we think we have a role again
in the partnership. We want to work with our local air
district.

But even if we weren't partnering with them,
which we do, we would try to weigh in on something like
this. When you're dealing with these comments let's say
in a CEQA process, it can get complicated. But that
certainly shouldn't stop us from engaging in these areas,
particularly as you say as the need for these logistics
and distribution centers increases and they're getting
bigger and so much of the goods -- I've heard several
times over the years that 40 percent of the goods that
come into the United States come in through the ports of
Long Beach and L.A. And those go into the distribution
centers by train and truck and out again. So clearly
there is a role for ARB in weighing in on that.

CHAIRPERSON NICHOLS: Okay. Without any further
comments, I think it's time to move into our next item,
which though it's not regulatory is one that we do need to
take action on. That's the South Coast 2012 Air Quality
Management Plan.

Obviously, the South Coast faces tremendous
challenges, but has also made tremendous progress, which I
know this Board is aware of and proud of the role that we've played in it.

The document that we're considering here today, an Air Quality Management Plan, the 2012 Air Quality Management Plan, represents I think some of the most innovative thinking anywhere in the world on how to address air quality problems. The fact that there are elements in it that are specifically required by the Clean Air Act and which will be forwarded by us, as is our legal responsibility to EPA, as part of the State Implementation Plan and also that it contains other elements that are not necessarily required by federal law, but which are very important to explaining the overall strategy and knitting together approaches to more than one pollutant at a time is reflective of I think the kind of leadership that's been shown in this region for a long time in recognizing that we don't just breathe one pollutant at a time and that the sources of the major pollutants that we are dealing with are, in many cases, exactly the same. So it makes more sense from a point of view of government efficiency and also general effectiveness if we can address all these things in one overarching strategy.

Enormous resources have gone into the development of this plan, not only on the part of the district and our staff, but also of course of the community groups and the
private sector that participated along the way. And it's an important legal milestone that has to be met in terms of the region's compliance with federal law as well.

We, at ARB, are in the unique position of being both partners in this effort because many of the measures that are included in the plan are measures that we are responsible for developing and enforcing. But also as approvers and legal enforcers of a plan from time to time as well. So it's a constantly active partnership that we're involved in here. And it's one that is leading us to recognition that we need to keep on working to develop even newer strategies all the time.

So Mr. Goldstene, why don't you begin with this presentation?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Last month, the South Coast Air District adopted its 2012 Air Quality Management Plan, which includes a multi-pollutant strategy to reduce PM2.5 and ozone pollution. It is designed to satisfy several SIP requirements. Specifically, the plan demonstrates attainment of the 24-hour PM2.5 standard in 2014, demonstrates attainment of the 1-hour ozone standard in 2022, and includes actions to reduce emissions needed to meet the 8-hour ozone standard by developing and
implementing advanced technologies.

ARB staff has worked with district staff throughout the SIP development process to provide technical information on emissions and reductions for a variety of mobile sources that we regulate.

The technical collaboration also includes air quality modeling and data analysis. Staff finds these technical elements to be scientifically sound.

Staff's presentation will describe the SIP elements of the AQMP that we are recommending the Board approve for submittal to U.S. EPA.

Scott King of the Planning and Technical Support Division will provide the staff presentation. Scott.

(Thereupon an overhead presentation was presented as follows.)

AIR POLLUTION SPECIALIST KING: Thank you, Mr. Goldstene. Good morning, Madam Chairman and members of the Board. I will present the South Coast Air Quality Management District's 2012 Air Quality Management Plan.

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AIR POLLUTION SPECIALIST KING: The South Coast Air District regularly develops a comprehensive Air Quality Management Plan, or AQMP, to address the region's air quality needs.

The AQMP is an integrated planning document that
considers multiple pollutants, including PM2.5 and ozone, toxics, and greenhouse gases. And under state law, the AQMP is the region's portion of the State Implementation Plan, or SIP.

The 2012 AQMP would amend the California State Implementation Plan to address three health-based national ambient air quality standard by:

1. Demonstrating attainment of the 24 hour PM2.5 standard by 2014.
2. Demonstrating attainment of the 1-hour ozone standard by 2022;

And 3. Identifying measures and actions to fulfill federally-approved 8-hour ozone SIP commitments to achieve emission reductions from advanced technologies.

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AIR POLLUTION SPECIALIST KING: The South Coast Air Quality Management District Board approved the 2012 AQMP on December 7th, 2012. ARB staff has reviewed the AQMP and finds it meets the requirements of the Clean Air Act.

Therefore, staff is proposing the Board approve the 2012 AQMP and direct the Executive Officer to submit the plan to U.S. EPA as a revision to the California SIP.

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AIR POLLUTION SPECIALIST KING: The next series
of slides provide some background information on the region's air quality trends and how the 2012 AQMP control strategy and attainment demonstrations build on the region's existing SIPs.

AIR POLLUTION SPECIALIST KING: The South Coast air basin is home to approximately half of California's population. The population growth, warm climate, and robust economy, along with the air basin's complex terrain, create conditions that have historically led to unhealthy air quality with high ozone levels in the summer and high fine particulate matter, PM2.5, concentrations in the late fall and winter.

Never the less, due to the control programs being implemented today by ARB and the district, large parts of the basin now meet federal standards for PM2.5 and ozone. And by 2014, the entire basin is expected to meet both the annual PM2.5 standard of 15 micrograms per cubic meter set in 1997 and the 24-hour PM2.5 standard of 35 micrograms per cubic meter set in 2006.

Meeting the ozone standard will be a greater challenge, requiring advanced new technologies and the time to deploy them.

AIR POLLUTION SPECIALIST KING: This slide
illustrates the improvement in 24-hour PM2.5 levels between 2001 and 2011. It shows design values, which are based on measured pollution levels at monitoring stations throughout the basin.

In 2001, every monitoring site in the South Coast violated the PM2.5 24-hour standard of 35 micrograms per per cubic meter.

You can see that by 2011 nearly the entire area met the standard, with the exception of a single monitoring site at Mira Loma in Riverside County. That is the Orange colored area in the middle of the map. The PM2.5 portion of the AQMP focuses on the last increment of reductions needed to bring this area into attainment.

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AIR POLLUTION SPECIALIST KING: This slide illustrates that 1-hour ozone concentrations in the South Coast air basin have also improved markedly. Today, 81 percent of the South Coast population lives in areas that meet the 1-hour standard, compared with two percent in 1990.

By 2011, Orange County and the major portions of Los Angeles and Riverside Counties attain the standard.

Further, there are relatively few days that exceed the standard. In 2011, there were 16 exceedance days in the South Coast air basin, down from 131 days in
1990. The worst site, Crest Line, had eight days over the standard.

Although U.S. EPA has replaced the 1-hour standard with the 8-hour standard, some planning requirements remain. That is why a 1-hour ozone attainment demonstration is included in the 2012 AQMP.

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AIR POLLUTION SPECIALIST KING: This slide provides a similar comparison for the 8-hour ozone standard. Like 1-hour concentrations, the improvement in 8-hour ozone design values has also occurred basin-wide between 1990 and 2011.

On average, the decrease in 8-hour ozone levels at all monitors is over 40 percent. As with the 1-hour standard, San Bernardino County and portions of the Santa Clarita Valley stand out as areas that continue to exceed the standard.

For the 8-hour standard, most of Riverside County also has design values above the level of the standard.

To give you a sense of the stringency of the 8-hour standard, I said on the last slide that in 2011 there were 16 exceedance days of the 1-hour standard. That compares to 71 days in the same year for the 8-hour standard.

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AIR POLLUTION SPECIALIST KING: Moving onto the 2012 AQMP strategy. Since much of the air quality improvements over the past few decades demonstrated in the last slides can be credited to the implementation of California's comprehensive air pollution control programs, the 2012 AQMP carries forward the control strategies and commitments in the SIPs adopted by the district and ARB in 2007.

U.S. EPA approved these SIPs in 2011 and 2012. The AQMP adds new district measures to ensure attainment of the 24-hour PM2.5 standard by 2014.

For ozone, the plan identifies measures and actions that ARB and the district are undertaking to identify and implement advanced technologies and address the long-term strategy commitment approved by U.S. EPA.

And as all SIPs must, the AQMP includes other mandatory elements, which I will address later in this presentation.

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AIR POLLUTION SPECIALIST KING: Since the 2007 SIP is also central to the 2012 AQMP, the next few slides review the control strategy and implementation of the 2007 SIP.

The core strategy in the 2007 SIP reduces emissions from diesel powered vehicles and equipment. It
relied on new engine standards and rules to accelerate fleet turnover so benefits of the new engines could be realized sooner.

Since 2007, the Board adopted regulations that accelerate the cleanup of commercial trucks, off-road construction and mining equipment, and freight transport equipment used at ports and rail yards.

The Board also adopted controls on consumer products which are sources of ozone-forming volatile organic compounds.

To ensure passenger vehicles remain as clean as possible, the California Bureau of Automotive Repair strengthened the Smog Check Program by including diesel vehicles, tightening cut points, and requiring inspection of evaporative emission control systems.

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AIR POLLUTION SPECIALIST KING: This chart illustrates the projected reductions of NOx in the south coast over time from ARB's adopted diesel regulations for on-road sources. It includes the benefits of rules to reduce emissions from trucks, buses, drayage trucks, utility and waste haul fleets. As seen by the arrows, implementation of these rules is being phased in over several years.

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AIR POLLUTION SPECIALIST KING: Complimentary to ARB's work implementing measures from the 2007 SIP, the district adopted and is implementing local measures from the 2007 AQMP.

They address: Wood burning sources, SOX reclaim, stationary source upgrades, solvent and lubricants, architectural coatings, evaporative emissions, green waste composting operations, ovens, dryers and furnaces and the SOON program.

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AIR POLLUTION SPECIALIST KING: The 2007 SIP included a federally-approved commitment to achieve emission reductions to meet the 8-hour ozone standard in 2023 from advanced technology as provided by the Clean Air Act section 182(e)(5).

There are also several important multi-agency efforts underway. As part of the effort to meet this commitment, in 2008, ARB, US EPA, and the South Coast and San Joaquin Valley Air Districts signed a Memorandum of Agreement establishing the Clean Air Technology Initiative, with the purpose of evaluating innovative technologies that have the potential to reduce emissions.

Funding assistance for this effort came through California's Assembly Bill 118, which established ARB and CEC incentive programs with the goal to foster advanced
clean technologies for vehicles and fuels they use.

Locally, the South Coast Air District has also the technology advancement program to explore advanced technologies that could reduce emissions from sources within its boundaries.

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AIR POLLUTION SPECIALIST KING: The remaining slides in my presentation address the 2012 AQMP in terms of meeting Federal Clean Air Act requirements for an approvable SIP.

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AIR POLLUTION SPECIALIST KING: Most importantly, the 2012 AQMP demonstrates attainment for the 24-hour PM2.5 standard.

As I just discussed, most of the reductions come from the implementation of the 2007 SIP. However, additional reductions are needed to meet the 2014 deadline.

To achieve this last increment, the new 2012 AQMP strategy reduce emissions on episodic high PM2.5 days that exceed the standard. These reductions come from the enhancement of existing programs to curtail emissions from wood burning and prescribed open burning. Benefits from these measures, in addition to projected reductions from ongoing incentive programs, provide the last increment of
reductions necessary for attainment by 2014.

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AIR POLLUTION SPECIALIST KING: Now turning to the 1-hour ozone standard.

U.S. EPA first adopted the 1-hour ozone standard of 0.12 parts per million in 1979.

In 2005, U.S. EPA revoked the 1-hour ozone standard and replaced it with the more stringent 8-hour standard. Recently, however, courts have ruled that states will need to meet certain 1-hour standard requirements, including an attainment demonstration.

U.S. EPA is now requiring an attainment demonstration for the 1-hour standard showing attainment by 2022 in the South Coast.

To meet this requirement, the district included a 1-hour demonstration in the 2012 AQMP that is consistent with U.S. EPA guidance and demonstrates attainment of the 1-hour standard by 2022. The control strategy for the 1-hour standard is the same as the control strategy for the 8-hour standard.

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AIR POLLUTION SPECIALIST KING: The 2007 SIP includes reduction from the development and use and advanced zero and near-zero emission technologies. To meet the 8-hour ozone standard in 2023, the advanced
technology provision of the Act, Section 182(e)(5), recognizes the further need for development and deployment of new technologies in regions with the most severe ozone air quality problems.

The Clean Air Act Section 182(e)(5) provision is only available to areas classified as extreme.

To meet the 182(e)(5) commitment in the 2007 SIP, the 2012 AQMP measures identifies actions to reduce mobile source emissions through programs to accelerate the penetration and deployment of partial zero emission and zero emission vehicles and to accelerate retirement of older gasoline and diesel powered vehicles.

The 2012 AQMP also lays out actions for the deployment of zero and near zero technologies for freight transport related sources, including on and off-road vehicles and equipment, locomotives, cargo handling equipment, commercial harbor craft, oceangoing vessels, and aircraft engines.

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AIR POLLUTION SPECIALIST KING: In addition to the core requirements for a control strategy and attainment demonstration, the Clean Air Act specifies submittal of other components, including an emission inventory, a reasonably available control measures analysis, contingency measures, vehicle miles traveled
offset demonstrations, and transportation conformity
budgets. The 2012 AQMP includes all of these necessary
components, fulfilling the requirements of the Act.

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AIR POLLUTION SPECIALIST KING: ARB staff
recommends that the Board approve the South Coast Air
District Air Quality Management Plan as a revision to the
California SIP with attainment demonstrations for the
24-hour PM2.5 standard by 2014 and the 1-hour ozone
standard by 2022.

That concludes my presentation. Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

I think we should go to the witnesses, unless we
have any question. We have a number of people that signed
up to speak.

I'm going to ask we have two representatives here
from the South Coast, Barbara Baird and Elaine Chang. And
last time we did one of these, yesterday, in fact, we
defered the speakers from the local air district until
the end so that they could respond to any comments that
came up along the way, as well as to their presentation.
Would that be acceptable to you? It's not a terribly long
list. Is that okay? All right. I see nodding out there.

Good.

Let's start with Spencer Richley and then Bill
Quinn and Lee Wallace.

MR. RICHLEY: Good morning, Chairman Nichols and Board.

My name is Spencer Richley. I'm from Clean Energy. We are a natural gas vehicle fueling company.

I'd like to thank the staff for their hard work on this plan. In the first draft of the AQMP, it was heavily focused on zero emission vehicle technologies, in all applications, from light to heavy-duty vehicles mainly focusing on battery electric and hydrogen fuel cell. This was much like the Vision for Clean Air document. It was clear that the Vision document had a large influence on the AQMP.

However, Clean Energy and many others submitted comments to the AQMD it needed to include a broad array of fuels, like natural gas, which provides great reductions in NOx, PM, and greenhouse gas emissions.

The staff did a great job in processing and responding to the comments, and it was clear they put in a lot of hard work into doing this.

The final product of the AQMP now includes a wide range of alternative fuels like natural gas. And Clean Energy is in full support of the final document in its current form. And we look forward to the same changes to be made in the Vision document. Thank you.
CHAIRPERSON NICHOLS: Thank you very much.

Mr. Quinn.

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

My name is Bill Quinn. I'm the Vice President of CCEEB, the California Council for Environmental and Economic Balance.

I'm here today to recommend your approval of the 2012 South Coast AQMP. During much of last year, we spent considerable time working with the South Coast staff to seek clarification and gain a better understanding of the various components of the plan and potential impact it would have on our members.

Our greatest focus dealt with how the plan would address the NOx reclaim program. We explained to the AQMD Board and its staff the extreme importance to provide facilities with as much certainty as possible to allow them to more accurately plan for capital investment expenditures necessary to meet their reclaim obligations.

From early in the AQMP development process, we expressed our concern of having multiple rulemakings with unknown shaves to the NOx reclaim program.

Our members recognize their obligation to reduce emissions, but again we ask the AQMD for some certainty to plan accordingly. We believe the plan before you today
will go a long way to provide the needed certainty to reclaim facilities. While the plan still includes a reclaim contingency measure for PM2.5, we're both hopeful and confident the basin will reach PM2.5 attainment without triggering this provision.

Most significant to our members, the plan contains clarifying language stating it is the district's intent to perform a thorough analysis in 2013 and '14 to be used as a reclaim shave that will be part of the 2015 AQMP for ozone. With this clarifying language added to the plan, we supported adoption by the South Coast Governing Board and we do the same with you today. Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Lee Wallace, and then Harvey Eder.

MR. WALLACE: My name is Lee Wallace. I'm from Southern California Gas. And I filed my testimony with you electronically. I understand we don't have an overhead projector, but I had three slides there I will just describe.

First of all, we also work with your staff on the Vision document. And we looked at what the data showed, which is that it is relatively easier for the State to get its California CO2 emissions down to the level that is necessary for attaining the 2050 goal. But the associated
NOx emission reductions are still not enough and not low enough to get to the attainment levels that are needed in 2023 and 2032 under the EPA 8-hour standard.

So the South Coast, in particular, needs more emission reductions a lot sooner than the rest of the state. And I can show you the chart. It is a line that goes almost straight down, it looks like. So what we are suggesting is that planning here has to rely on existing technologies and a multi-technology approach.

The staff and the AQMP took a novel approach at defining near zero emissions, and they opened the door to multi-technology approaches by saying, start with technologies that can go along a path that will get you to zero emission technology options.

In my testimony, I provided just a handful of examples of new natural gas truck technologies that are going to be even cleaner than the ones that are currently available. If we adopt a strategy of this path approach starting with these even cleaner natural gas technologies, then adopt parts of a strategy which will use such things as hybridization, even further emission reductions, blends of CNG and hydrogen and other innovations that the private sector can come up with, we can keep that progress going further down to get to zero emission transportation options.
We, at the gas company, have met with South Coast, CARB. And last week, we met with EPA Region 9 discussing this. We're going to be putting together more information and getting back with your staff about this. We look forward to talking to you further about this. But we think that this is the right way to go to meet the demand for earlier emission reductions that this district must have in order to reach the 2023 and 2032 ozone attainment standards.

Thank you very much. And we do support the adoption of the plan.

CHAIRPERSON NICHOLS: That's great. Thanks.

BOARD MEMBER LOVERIDGE: Madam Chair.

CHAIRPERSON NICHOLS: Sorry. Question.

BOARD MEMBER LOVERIDGE: No question. This is my 18th year of sitting here, and also my 18th year of listening to Lee Wallace. I just wanted to say that he has been a good champion of the Southern California Gas Company. But he's also been -- his comments have been clear and he has synergrated his comments with what I think are in the public interest. He's an example in my judgment of an outstanding participant to these kinds of hearings. I just want to acknowledge and thank him.

MR. WALLACE: Thank you. We want to express our great appreciation for all you've given to this region and
your work nationally. So we look forward to continuing to
work with you.

CHAIRPERSON NICHOLS: Thank you. Thanks very
much. You're right though about Lee and his role in
particular. He has been a stalwart in these efforts over
many years.

Timothy Serie from the American Coatings
Association.

MR. EDER: I'm Harvey Eder.

CHAIRPERSON NICHOLS: I'm sorry. Excuse me. I
called you first. I apologize. Go ahead.

MR. EDER: I'm Harvey Eder. I'm speaking for
myself and for the Public Solar Power Coalition.

What's needed both from the district and the
State is immediate total solar conversion plan. And this
was not done in the 2012 Air Quality Management Plan by
the district. It's not utilizing the Clean Air Act's
182(e)(5) and other parts of the Act. We should be using
the best available control technology, not reasonably
available control technology, even LAER lowest achievable
emission rates.

The cost of solar has gone down considerably.
It's gone down about 75 percent since '06 and continues to
go down.

Also, interest rates are now lower than they have
been almost ever. And this greatly effects the cost of installing solar.

Most of the systems that are going now with photovoltaics are third-party financed. And the people that are installing the systems are saving money and reducing emissions. This includes criteria emissions, toxic emissions, and greenhouse gases. So this needs to be looked at. Needs to be implemented. And I'm talking in opposition to the plan. This is something that's got to be dealt with now, not waiting for -- could be done in the next five to ten years. And I don't think the State or the district is doing their job and not implementing it. It should be considered as part of the Scoping Plan review and whatever else you do on that. And there is consideration of litigation. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Now Timothy Serie and then Mike Freeman.

MR. SERIE: Thank you, Madam Chair, and members of the Board. We appreciate the opportunity to provide comment here today.

My name is Tim Serie, and I'm here on behalf of the American Coatings Association.

And first, we'd just like to acknowledge the South Coast Air Quality Management District staff and Governing Board for their tremendous work on the Air
Quality Management Plan and for considering and responding to many of our comments. However, we still have a number of significant lingering concerns regarding the plan that have yet to be addressed.

Our chief concern is a lack of justification for some of the continued VOC reductions as a part of the California's ozone attainment goals. And in particular, the VOC reductions for coatings and associated solvents contained in CTS 01, 02 and 03. We ask that these provisions be removed from the California SIP.

And in particular for architectural coatings, for CTS 01, even though the paint and coatings industry has strived to drastically reduce the VOC from its coating products, it continues to be a target for further reductions.

From 2002 to 2014, the industry will have reduced the VOC content of its products by 70 percent, which is a severe drop and well below the district's estimated targets.

And now in the Air Quality Management Plan, there is a further two to four tons per day reduction target, which is another 25 percent reduction to the VOC inventory. And the district is seeking to eliminate a critical compliance option referred to as the small container exemption, which has been a part of the

California Reporting, LLC
regulations since their inception. So we believe it's time to stop targeting architectural coatings and look for further reductions from other sources.

And we will continue to work with the South Coast Air Quality Management District on all these regulations, but we ask that CTS 01, CTS 02, and CTS 03 be removed from the California SIP. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Mr. Freeman and then Chris Pearce.

MR. FREEMAN: Good morning. My name is Mike Freeman. I'm President of the Americas with the WD-40 company, a company that was born in San Diego, was in San Diego for our 60 anniversary year coming up. We do business in over 180 countries. Thank you for the opportunity to share our perspective and concerns.

We have a long history of working with ARB and other regulatory agencies with the result being clean air for all of us, and we want to continue in those efforts.

We thank and fully support the South Coast Governing Board's action to do additional research with industry regarding CTS 04 and the LVP topic.

For the past decade, every ounce of WD-40 sold in California and for 49 other states was formulated in full compliance of CARB VOC regulations. We figured if it brings clean air to California, it should bring clean air
to the other 49 states.

And in addition, every ounce of WD-40 sold in California has been assessed a VOC fee, regardless of where and how it is used. That was worth about $250,000 last year.

Proposed control measures CTS 03 regarding mold releases used in manufacturing, not the mold in the walls, but mold releases used in manufacturing could put an additional set of regulations on WD-40 product that is already 100 percent CARB compliant with VOCs. Those new regulations use a different VOC definition, a different VOC testing methodology, and have a different measure of success criteria.

Based on a very similar regulation that's already been past several years ago by South Coast, Rule 1144 that will to do with metal working fluids, our experience with that, the 100 percent CARB-compliant WD-40 would be banned from mold release uses in manufacturing, but only in the South Coast Air District. It would be perfectly legal to use in all the other air districts.

So we are just asking you, please, can you help stop this regulatory overlap and the market confusion that comes from it. WD-40 company requests withdrawal of CTS 03 from the 2012 Air Quality Management Plan. Thank you very much.
CHAIRPERSON NICHOLS: Okay. Thanks.
Christopher Pearce and then Bob Hamilton.

MR. PEARCE: Chairman Nichols and members of the Board, thank you for the opportunity to testify today.

My name is Christopher Pearce. I'm Director of Government Relations for the consumer product company SJ Johnson and Son. We're a family-owned and managed company headquartered in Racine, Wisconsin. We manufacture and market a number of consumer products that are regulated by ARB for VOC content, including products for home cleaning, insect control, air care, and shoe care. And many of these products are optimally formulated using low vapor pressure VOCs. That's what brings me here today.

Let me stress SJ Johnson strongly supports the important goal of improving air quality for all California residents. Working both directly and through our association, CSPA, Consumer Specially Products Association, we have engaged ARB over the years to develop and implement regulatory proposals that have resulted in significant VOC emission reductions. And we'll continue to work on product advances in our formulations to ensure that our products deliver maximum benefits for consumers and minimal environmental impacts in California and elsewhere.

In the time I have today, I want to touch briefly
on two points. We wish to acknowledge the decision by the
South Coast to remove the proposed control measure you
just heard reference to, CTS 04 related to LVP VOCs from
the 2012 Air Quality Management Plan. We realize that the
proposal was moderated during the drafting process, but we
believe that the Board's decision to remove that control
measure in favor of further evaluating exempt LVP VOCs is
the right decision and will allow for a thorough review
and understanding of LVPs impact on emissions and air
quality. We strongly support that decision and appreciate
South Coast action in this regard. If the AQMP moves
forward today, we respectfully request it be without the
CTS 04 control measure.

Second, SJ Johnson will be very pleased to
partner with ARB staff to develop the necessary technical
information that will allow ARB to accurately access the
environmental fate and effects of LVP compounds and
ultimately determine whether the current exemption in the
consumer products regulation should continue as is or if
it should be modified.

Our scientists and formulators have significant
experience and expertise in this area, and our company
stands ready to collaborate with ARB on this important
endeavor.

On behalf of SC Johnson again thank you for this
opportunity to testify, and we look forward to working with ARB in the future.

CHAIRPERSON NICHOLS: Thank you.

Mr. Hamilton and then Doug Fratz.

MR. HAMILTON: Thank you, Chairman Nichols and members of the Board.

I represent Amway Corporation. We are a multi-national corporation that has about $11 billion in sales in 2011 and produce a wide variety of consumer products.

Amway has a long history of being interested in the environment and has expressed that interest by having me allocated as a resource to the participation in development of air control measures and technical support and have done so for the state of California and ARB and with other states, the federal government, and internationally, including Canada and Hong Kong.

This has resulted in a continuity of air quality management that has built upon the experience of California. And that continuity is extremely valuable in that it provides a standard for manufacturers to use in developing products.

I'd like to focus on the CTS 04 and the low vapor pressure VOC definition and the consumer products exemptions that are associated with the current rule.
That was a rule that was developed over two decades ago, and it has been relied upon by industry extensively. Industry at the time commented -- and in fact, I was a co-author of a paper for the RRWG, a Federal Government Advisory Group, and ARB also participated as well as South Coast -- talking about some of the issues that have been recently raised about the LVP exemption.

We would only state that any change in this rule should be done extremely carefully and with due deliberation to both the science and the practicality of the regulation. It is a regulation that has been relied upon extensively. And if there are changes, there ought to be a careful participation on the part of industry and other stakeholders to make sure that all of the issues are considered.

I have been particularly appreciative of ARB and South Coast as I have met with them, and I expect that they will continue to be open to industry suggestions and participation in research projects. And I would like to encourage the Board to consider this as the recommendation goes forward.

CHAIRPERSON NICHOLS: Okay.

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

I'm D. Douglas Fratz, the Vice President of California Reporting, LLC
Scientific and Technical Affairs of the Consumer Specialty Product Association. And we have submitted written comments, but I want to make some observations based on my 25 years or more working the issues for clean air in California, and years that I think have had some success and where we've had some good progress in the scientific area. While we, of course, oppose and are supportive of the removal of CTS 04, we are not -- we are fully vested in investigating the scientific issues behind the LVP exemption and the issues around it that relate to ozone strategies.

We think that there's an opportunity here with an investment of some research efforts and some further analysis to revolutionize and expand the toolkit for ozone attainment. And a toolkit that needs to be expanded because of the challenges we're going to face meeting newer clean air standards in the future.

So we are looking forward to this. In fact already have started and engaged in it. We met yesterday with the South Coast scientists. Had a group of industry scientists across the associations. My colleague, Dr. Bennett, did a full presentation of what we know today. And we had a full discussion of what we think the research opportunities are. And in a few weeks, we're going to do the same with your ARB staff, and we're going to go over...
and hopefully come up with a joint research effort.

We think that there's a -- we have spent over 20 years and a billion dollars in our industry working towards clean air. And we want to make sure that as we go forward that we know that we are getting the most effective strategies to meet the clean air standards. And I appreciate the chance to talk to you.

CHAIRPERSON NICHOLS: Thank you.

Doug Raymond and then Greg Johnson and Chris Shimoda.

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

My name is Doug Raymond. I'm here representing the National Aerosol Association, Stoner, Incorporated, WD-40, the Blaster Company, Radiator Specialty Company, Spray Products, the CRC Company, and the WMR company.

We support the South Coast decision to remove the draft provision CTS 04 on the lower vapor pressure substances from the AQMP.

We also support the concept of additional research on the LVP substances.

Related to this, CARB regulates the consumer products industry through the consumer product regulation. We are very concerned with the staff's current proposal that will be brought to you in July to modify the low
vapor pressure substance definition before the critical studies can be done.

We respectfully request that this Board direct staff to not make any changes to the low vapor pressure substance definition before those studies can be carried out. Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Greg Johnson.

MR. JOHNSON: Thank you for this opportunity, Chairman Nichols and members of the Board. My previous colleagues covered most of the points I was going to talk about, so I'll shorten this up quite a bit.

I work for the Sherwin-Williams Company. We've spent the last 20-plus years working with ARB and the South Coast to try to improve our products for the sole purpose of improving air quality.

The other companies that you've heard speak before me have also been engaged in those endeavors. And there are quite a few other companies here today that I would like to have stand just so you can see how important these issues are to us.

We didn't think it was necessary for them all to testify.

CHAIRPERSON NICHOLS: Thank you. Thanks for being here. I was wondering who all those folks were.
Now I know.

MR. JOHNSON: We believe we're sort of at a crossroads. The science now shows clearly that NOx is more important in the ozone equation than VOCs. And we've spent a lot of money and time, over 20 years, reducing VOCs. And we're now to the point where it is diminishing returns. High cost, very little, if any, benefit to the air quality for further VOC reductions.

And just to reiterate the point that Mr. Raymond just made, the ARB staff is now considering a measure that would eliminate the exemption for low vapor pressure VOCs from a category of products.

The LVPs, it's questionable if they play any role in ozone formation, and they certainly are less important than the average VOCs. So the study that has been requested by the South Coast Board, we fully support that. And our industry intends to commit any time and resources necessary to further that study so that we can understand before we go forward.

So I would also reiterate that we would request the Board to please direct the staff to table that measure on LVPs until the science reaches a point where we can make an informed decision. Thank you.

CHAIRPERSON NICHOLS: Thank you.

We also have here Chris Shimoda from California Reporting, LLC
Trucking and Jim Stewart. And then we'll hear from the
district. Is Chris here? No. All right. Then Jim.

MR. STEWART: So I'm Jim Stewart, Co-Chair of the
Energy Climate Committee for Sierra Club California. And
also an inner-city resident of the city of Los Angeles and
breathing our polluted air here.

And the issue that we have to bring before your
attention is the huge black box. And of course the black
box is referred to as the technologies that we need you,
CARB, to implement as soon as possible.

But what's inside -- the pollution that's inside
the black box is very clear. It's on Figure 4.2 in the
plan that the South Coast has submitted to you and the
biggest one in terms of -- well, the issue is is that
there are 370 tons per day now, and we need to get to 110
tons per day of the NOx by 2023. 260 tons down -- wow.
How are you going to do it?

The issue is that the biggest contributor to that
are the heavy duty diesel trucks, as you know. And from
our perspective, you failed to control that emissions.
And it's time for CARB to stand up and say, okay, let's
close this black box. Can we do it sooner than 2023? Our
lawyers say that maybe you can't even use a black box to
meet the 1-hour ozone standard. That was passed back
in -- promulgated back in 1979. We're supposed to wait
now 43 years for the attainment of that? This is a travesty. I mean, the South Coast has done the best job they can in terms of ratcheting down the stationary sources, and CARB has failed to control the on-road and off-road vehicles.

So it's time for you to step up and bring us clean air. It's your job. Do it. Thank you.

CHAIRPERSON NICHOLS: Mr. Stewart, before you leave the podium there, did you see the first presentation this morning? Were you here for the opening?

MR. STEWART: I was. I looked very impressive, didn't it.

CHAIRPERSON NICHOLS: No. That's not what I'm asking. I'm asking you, did you notice the events that are scheduled in April coming up just around the corner now? Joint technology conference between AQMD and ARB on zero emission freight and the Haagen-Smit Symposium coming up in May, be there or be square.

MR. STEWART: We're going to be there. We need those technologies. And thank you for your leadership on that. Let's close it up.

CHAIRPERSON NICHOLS: Good. Thanks. Okay. Now to the district, Ms. Chang and Ms. Baird, if you would come forward, whatever order you arranged. And I don't know if you want to respond, but I would suggest you do
respond to the specific requests that you heard. Thanks.

MS. CHANG: First of all, good morning,
Chairwoman Nichols and members of the Board. I would like
to first thank you for holding the hearing down here and
the opportunity to address you today.

Before I respond to the specific comments, I want
to concur with your staff presentation that we did make
great strides toward meeting the PM2.5 standards. In
fact, our preliminary data indicates that we are hitting
the annual and 24-hour PM2.5 throughout entire basin 2012.
We understand we need three years of clean data to declare
victory, but we believe we're well on our way to get
there.

Yes, ozone standards remain our biggest
challenge. For that effort, we're take kicking off our
first 2012 AQMP Advisory Group meeting to initiate the
public process next week, and we are looking forward to
continue working with your staff. Also participate in
various events you outlined in this year.

With respect to the need for the VOC emission
reductions, I would just say that in our modeling
analysis, yes, we're NOx heavy. But we still need some
concurrent very modest VOC emission reductions.
Therefore, we only committed about six tons reduction in
this one.
It's evident in our modeling analysis that if we don't have concurrent VOC emission reductions, we're going to simply shift our hot spot from Crest Line today to western region. It's already showing in the 2012 AQMP our highest ozone area by 2023 with the current program will shift it to Glendora. So we don't want to be after the fact chasing the hot spot. So we do need to have some modest VOC emission reduction. We're going to work with our stakeholders and the State Air Resources Board staff to design a program in a very common sense and reasonable manner to move forward.

With that, on behalf of the district, I urge you to approve the 2012 plan.

CHAIRPERSON NICHOLS: Thank you.

MS. BAIRD: Good morning, Chairman Nichols, members of the Governing Board, and staff.

I'd like to address specifically a couple of comments that were made by representatives of the architectural coatings industry and the WD-40 argument regarding the mold release compounds measures.

Basically, the liens address the need for VOC generally. With respect to architectural coatings, the gentleman suggested it's time to look at other sources and not at architectural coatings.

As your Board probably knows, however,
architectural coatings notwithstanding having made great progress still remain the largest source of VOC emissions within the authority of the South Coast district. So we still need the modest reductions that Elaine has described from that industry.

With respect to the measure for mold release compounds -- I think that illustrates that we are looking at other sources beyond just architectural coatings. The gentleman was concerned that there was duplicative regulation because WD-40 is regulated as a consumer product and it is also used as a mold release compound.

For many years, our staff and your legal staff have concurred that the district may adopt regulations for VOC containing products that are used in industrial applications, as would be the case for the mold release compounds, even though they may also be a consumer product that is regulated within the consumer product regulations. So we believe that we need to go forward with that. It's not being used as a consumer product when it's being used in the industrial application. We have other examples, such as our solvent regulations, which establish this precedent of legal concurrence between your agency and ours.

And finally, just want to note that we have already removed from the plan the measure that was to seek
to change the LVP exemption. Your staff has agreed with our staff to conduct research into that issue and determine what changes are appropriate.

Along with this, I would urge you to make sure to adopt the 1-hour ozone standard plan. The reason is there is currently litigation in which the environmentalists are arguing that we can't use the district's internal bank of offsets, which we used for essential public sources and other exempt sources because we don't have an approved 1-hour plan. And although we disagree with that legal argument, we would like to moot out that argument by having you Board approve the plan as soon as possible and forward it onto EPA. Thank you, and I would be happy to answer any questions.

CHAIRPERSON NICHOLS: Thank you, Ms. Baird.

The draft resolution that we have in front of us does call for us to approve both.

MS. BAIRD: Yes.

CHAIRPERSON NICHOLS: So I think that would be the next order of business. We could have a motion for approval.

BOARD MEMBER LOVERIDGE: So moved.

BOARD MEMBER DE LA TORRE: Second.

BOARD MEMBER BERG: Madam Chair.

CHAIRPERSON NICHOLS: Yes.
BOARD MEMBER BERG: I'm going to recuse myself from this vote. We've had quite a few people testifying specifically asking this Board to remove some coatings regulations. Being President of a coatings manufacturing company, I think it is appropriate for me to recuse myself.

CHAIRPERSON NICHOLS: I understand. And we will accept that decision on your part. Thank you.

Okay. So we have a motion and a second. Is there any additional discussion or questions of staff before we move on this?

BOARD MEMBER RIORDAN: Madam Chair, may I just ask one question of staff?

Would you concur with the counsel from the South Coast that the WD-40 issue is as they stated?

DEPUTY EXECUTIVE OFFICER TERRY: Yes. We've had a number of meetings, including with our legal staff, to distinguish between these products being used in an industrial setting in large volumes, as opposed to what are typically very small container consumer products.

BOARD MEMBER RIORDAN: Thank you.

CHAIRPERSON NICHOLS: Okay. Any other -- yes, Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Well, before I vote, just a couple of brief kind of big picture comments. But
one minor one is that this is the identification I guess of monitoring stations, one being Mira Loma, is that Mira Loma is now one of the four million incorporated cities in Riverside County. It's the Jurupa Valley. Most all monitoring stations seem to be identified by the city. I think that it would be appropriate that the Mira Loma name be changed to what is now the name of that city, Jurupa Valley.

CHAIRPERSON NICHOLS: I think we can just do that. I don't think we have to do anything formal. We just start calling it by another name.

BOARD MEMBER LOVERIDGE: Mayor Dan Welders once made a comment about Southern California as being the most complex and diverse social, economic, and political society in the history of mankind. And I thought it is a defensible, defensible premise.

And I say that because you look at the number of speakers who are here today, it really is quite remarkable. It's only 15 speakers. And I don't think that's because this is not a very important plan establishing priorities and emphasis. But it speaks well of the outreach, and the, I think, sitting down at the table and identifying accepting that there is a problem and trying to figure out the best solutions.

So I just want to -- I think if we do this, I
want to acknowledge the good work of the South Coast and this matter of outreach.

And the last is obviously sort of self-serving. As you look at what has taken place over the last ten years, both for PM2.5 and ozone on Table 6, 7, and 8, it is remarkable how much change is taking place in ten years. And it gives you kind of hope that ten years from now whoever is sitting up here at the dias will see a similar chart with better numbers even than what we have here.

So I'm honored to be able to have a chance to make a motion to approve what I think is a constructive and important plan that the South Coast has taken broad and received general endorsement of.

DEPUTY EXECUTIVE OFFICER TERRY: Chairman Nichols, I'm sorry to interrupt. We had a very minor wording correction in the Resolution that counsel for the district requested. So the Board could just delegate to the Executive Officer to make the minor clarification in the resolution.

CHAIRPERSON NICHOLS: I'm a lawyer, so I want to know what it is.

DEPUTY EXECUTIVE OFFICER TERRY: Oh, okay. Absolutely.

EXECUTIVE OFFICER GOLDSTENE: I want to know what
DEPUTY EXECUTIVE OFFICER TERRY: It has to do with which contingency measures are being referenced. So this will be, I hope, our page number six on the resolution, the fourth whereas.

CHAIRPERSON NICHOLS: Section 182(e)(5) measures.

DEPUTY EXECUTIVE OFFICER TERRY: I'm going to have Kurt Karperos read it because it's his handwriting.

ASSISTANT DIVISION CHIEF KARPEROS: It's a finding that relates to the background about the contingency measures in the approved SIP.

So whereas Section 182(e)(5) contingency measures in the 2012 AQMP, we would change the reference in 2012 AQMO to read "approved SIP meet," and the rest of the whereas would follow.

It's a finding that the contingency measures that we've already adopted, EPA approved, meet the letter of the law.

CHAIRPERSON NICHOLS: Got it.

BOARD MEMBER RIORDAN: I'll second the motion.

CHAIRPERSON NICHOLS: I just have one final comment. I know I really probably shouldn't do this. But I was taken by the comment from the gentleman who wanted us to go to the 100 percent solar plan and the need to move in that direction.
And I just wanted to say on behalf of the state of California that we have a very aggressive plan in this state for moving all forms of renewables, including solar, both base load and distributed generation. And although we certainly haven't reached the limit of what's possible, it's becoming very clear that there is a need for some phase-in as we do this in order to accommodate things like the distribution system and reliability of the grid and the ability to integrate not only the renewables, but also maximum efficiency, which is really our number one resource when it comes to meeting our state's needs for energy, both in residential and business applications.

So lest anybody think that this AQMP is the state's only energy plan or the only thing that's going on with respect to renewables, I feel like on behalf of my administration I need to at least say a word to correct that, this impression.

So without further ado, if there is nobody who wants to do a role call vote, could we just agree we will vote all in favor please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed? Or abstentions? We have one recusal.

If not, the AQMP is unanimously adopted. And thanks and congratulations to the South Coast.
CHAIRPERSON NICHOLS: We have another regulatory item, which is adoption of regulations to amend fuel test procedures.

We are now going to be considering some regulations, as I mentioned, to amend fuel test procedures.

The Board has, from time to time, changed the test methods that are specified in our fuel regulations. And while these are very technical changes, they are extremely important to the people who are regulated as well as to air quality as a whole. We've over the years provided new test methods for enforcing regulations and reflected improvements in existing test methods for measuring the physical and chemical properties of fuels.

At this time, I'm going to ask Mr. Goldstene to introduce this current set of proposed amendments.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

In 1999, the Board approved California Phase III reformulated gasoline regulations prohibiting the use of NTBE in California and establishing standards for denatured ethanol intended for blending with gasoline. Today's proposed amendments to the fuel regulations serve to address short comings in the analytical test methods used to enforce these regulations.
The presentation will include background information on how ARB's fuel enforcement program operates.

I'm now going to ask Judson Cohen of our Monitoring and Laboratory Division to present the item. Judson.

(Thereupon an overhead presentation was presented as follows.)

MR. COHEN: Thank you, Mr. Goldstene. Good morning, Chairman and members of the Board.

The previous item discussed the significant reductions in ozone that California has seen in recent years. ARB's clean fuels program was an important factor in achieving these reductions. Due to the continuing importance of clean fuels in improving air quality, the associated regulations are periodically updated.

I'm going to be presenting proposed changes to several of the fuel test methods specified in ARB's fuel regulations.

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MR. COHEN: Here's a brief outline of today's presentation. I'll begin with some background information on ARB's fuel testing program, what we test and why test it.

I'll then discuss the new fuel specifications
that were added with the Phase III reformulated gasoline regulations.

After that, I'll present the new test methods being proposed, followed by the test methods we're recommending to update to their latest versions.

I'll conclude with a discussion of the costs of the proposals and a statement of the staff's recommendation.

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MR. COHEN: The millions of vehicles and people in the state, combined with the state's unique climate and geography, have dictated our wholistic approach to reducing air pollution from the vehicles themselves, the vehicle miles traveled, and the fuels used. Accordingly, ARB has had the most advanced motor vehicle fuels program in the US since the early 1970s. Our reformulated gasoline and ultra-low sulfur diesel fuel regulations are among the most effective programs we have, yielding substantial reductions in criteria pollutant and toxic emissions.

Our clean fuels programs substantially improve the state's air quality and provide core contributions to regional attainment strategies because they are more stringent than the federal requirements on fuels.

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MR. COHEN: As noted, California has unique air quality needs and the Legislature has given ARB statutory authority to adopt fuel specifications in order to reduce harmful emissions from vehicles.

Moreover, the Federal Clean Air Act acknowledges California's authority to set standards, which are separate from and more protective than federal standards. Accordingly, ARB has established gasoline and diesel fuel standards that are cleaner than those promulgated by U.S. EPA, covering more fuel parameters or having tighter specifications. This requires the use of different test methods, which are chosen and developed after consultation with stakeholders.

In addition to providing ARB with a mechanism for enforcing its fuels regulations, the test methods also make it possible for the refiners themselves to check their own compliance status.

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MR. COHEN: This is a list of the primary chemical and physical properties that ARB regulates for gasoline and diesel fuel. The chemical compounds limited by the regulations can occur due to either their presence in crude oil or their production during the refining process, or they can be deliberately added in order to improve fuel quality.
For each of the regulated properties, the main associated air pollutants are listed.

Next, I would like to discuss ARB's fuel enforcement program.

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MR. COHEN: ARB has a strong program for the enforcement of its fuel regulations. Inspectors from the enforcement division obtain samples of gasoline, denatured ethanol and diesel fuel throughout the state. The samples are analyzed for regulated chemical and physical properties by the staff of the monitoring and laboratory divisions.

The purpose of the fuel regulations, as well as the testing which enforces them, is the reduction of harmful air emissions. ARB's fuel testing program does not determine the quality of the fuel or its energy content.

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MR. COHEN: ARB's enforcement division samples gasoline and diesel fuel at all points within the production and distribution system. Inspectors can enter any refinery or terminal at any time, with no advance warning, and obtain samples of any fuel currently being offered for sale. Enforcement division staff also obtain samples from service stations and ships delivering
imported fuels at California ports.

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MR. COHEN: In most cases, fuel samples are analyzed the same day they are obtained. This rapid turn-around time depends on ARB's mobile fuel analysis laboratory, pictured here. The mobile lab is a completely self-sufficient chemistry laboratory. It carries enough supplies to operate for weeks without restocking and provides its own electricity and cooling.

Same-day analysis is crucial for keeping non-complying fuels out of the marketplace. When a non-complying fuel is discovered, its source can be notified immediately and its sale halted, minimizing any excess air emissions. Additionally, a duplicate sample can be obtained in order to confirm the violation, while the suspect material is still available at its source.

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MR. COHEN: This is the interior of the mobile laboratory. MLD chemists are shown here analyzing gasoline and diesel samples obtained earlier that day, determining whether the fuels comply with the State's regulations.

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MR. COHEN: When the Phase III reformulated gasoline regulations were adopted, several of the new
specifications presented analytical challenges for compliance determination.

The maximum allowable levels for prohibited oxygenates, including MTBE, in gasoline were below what the existing test method could measure.

In addition, no test methods existed for measuring benzene, total aromatics or olefins in denatured ethanol. The regulations were written to specify testing for these compounds in the denaturant before it is added to the ethanol.

However, neither ARB enforcement, nor downstream purchasers of the denatured ethanol have access to the denaturant. As a result, there is no mechanism for determining whether denatured ethanol in California complies with the regulations.

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MR. COHEN: In response to these challenges, ARB staff has worked with ASTM International, instrument manufacturers, and the Western States Petroleum Association to develop new test methods capable of determining compliance with the new Phase III specifications.

Staff is proposing to designate a new test method for trace oxygenates, which is sufficiently sensitive for enforcement of the Phase III RFG regulations.
Staff is also proposing to add an option to test denatured ethanol with the other two new methods. Ethanol producers would still be able to analyze the denaturant for benzene total aromatics and olefins.

ARB enforcement and downstream users would be able to use the new test methods in order to determine whether a batch of denatured ethanol complies with the regulations.

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MR. COHEN: Staff is proposing to update the four existing test methods shown to their most recent published versions. Three of these test methods are for gasoline, the last is for diesel fuel. The updated versions contain various improvements to make their use easier.

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MR. COHEN: Staff is proposing to remove one of the adopted test methods for sulfur in gasoline, D2322-94. This test method cannot measure sulfur at concentrations below ten parts per million. And most gasoline in California contains less than ten parts per million of sulfur.

ARB's enforcement division stopped using this method in 2000 and recent discussions with WSPA members indicated that no California refiner is currently using it. Its removal would leave ASTM D5453-93 as the adopted
test method for sulfur in gasoline.

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MR. COHEN: Only one of the proposed new test methods is expected to create any costs. The cost of the instrument for measuring trace oxygenates is $86,000 including five years' worth of maintenance and upkeep. Across all 14 gasoline refineries in California, the total five year cost comes out to $1.2 million. And at current levels of gasoline production, that works out to about two-thousandths of a cent per gallon.

Since ethanol producers are not expected to use the proposed new ethanol test methods, no costs are associated with their adoption. There is no additional cost associated with any of the test methods being updated to their most recent versions.

Production levels of California fuels should not be affected by staff's proposal, since no changes to the fuel specifications are required.

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MR. COHEN: The low carbon fuel standard co-exists with and does not supercede or otherwise modify ARB's other fuel regulations, including the test methods used to implement those other regulations.

The industry subject to the LCFS program comply primarily via a reporting tool, in which they report the
volumes and carbon intensities of the fuels they provide and have to meet other specified recordkeeping and reporting requirements. Because the LCFS is based on reducing a fuel's life cycle, or wells to wheels, greenhouse gas emissions, no analytical testing of the fuel itself can measure those life cycle emissions. Therefore, no analytical testing of the fuel is used in support of the LCFS program.

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MR. COHEN: Staff will propose two 15-day changes.

First, the refining industry has requested a defined effective date since at least up with terminal operator will require the use of the new trace oxygenates test method as soon as the regulation takes effect. Staff will propose a specific date or two months after filing with the Secretary of State, whichever comes later.

Second, the proposed ethanol test methods are intended to be an optional alternative to testing the denaturant. Staff will change the language of the proposed regulation to make this cleaner.

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MR. COHEN: In conclusion, staff recommends that the Board adopt a resolution approving the proposed fuel test method amendments. Thank you for your time and
attention. And I would be happy to answer any questions you may have.

CHAIRPERSON NICHOLS: Thank you. That was an excellent presentation on a very difficult topic. That was very clear. I also like the picture of the mobile testing lab. That was very cool. Okay.

We have one witness who signed up to testify on this item, Jim Stewart from the Sierra Club. Oh, it was not for this item. Okay. We have no one who signed up to testify on this item.

Any other comments? Dr. Sperling.

BOARD MEMBER SPERLING: Thinking a little forward with a lot of new fuels coming into the fuel stream, you know, slight variations we're talking about drop-in -- so-called drop in biofuels that have attributes very similar to gasoline and diesel. Are these test methods anticipating all that? Is there an issue here that -- and kind of associated with that also is EPA keeps trying to push E15 as a fuel. So as the fuel mix changes, are we all over this?

MR. COHEN: Well, we're certainly trying. Those test methods we develop are through ASTM International. I do try to attend these meetings every six months and keep them aware of California's needs. And of course, there's representatives from EPA apprising them of the federal
That being said, new test methods are difficult and slow to produce. So this is an area where we and I are working very hard.

But as you can see from the fact that it's ten years after the Phase III regulations were put in and now we finally have test methods. So it can be a slow process.

DEPUTY EXECUTIVE OFFICER COREY: This is Richard Corey.

I wanted to add to that, because with respect to alternative diesel, both bio and renewable diesel, staff are working on some standards for those fuels that they plan to return to the Board late in 2013 and are working with the lab in terms of establishing ATSM methods or the need for some supplemental methods.

CHAIRPERSON NICHOLS: So we're not exactly in a position to anticipate everything new that might be happening in the world of fuels. It is a very methodical process, which is very important, especially when enforcement is at stake.

But at the same time, given the pace of change that you're talking about, you really ought to be thinking about whether there's some sort of break through-in testing that could go along with the break-throughs in
fuels. It sounds like the kind of thing that maybe our Research Program should be looking at.

BOARD MEMBER SPERLING: Brilliant idea.

CHAIRPERSON NICHOLS: I didn't want to put words in your mouth, of course. I think that is really something we should ask staff to take a look at and come back to us as well.

Okay. Any other comments? Yes, Ms. Berg.

BOARD MEMBER BERG: After reviewing the written testimony, I think that staff is to be congratulated with the work with the industry, because you do have very strong support for the changes. And that is fabulous.

The one overriding theme that I am seeing is the need for time to be able to adjust equipment, such as GC equipment, and also for sufficient transition time.

Does staff feel that we've had the opportunity to address this and that we do have the timing we're sensitive to the fact that these things need certainty and we've given them that?

MR. COHEN: Yes. We have actually developed or have been thinking about our proposed 15-day changes, which we will be putting in formally. And discussions with the refining community have indicated that they are happy with what we are going to propose.

BOARD MEMBER BERG: Thank you.
CHAIRPERSON NICHOLS: Great. Do we have a motion to approve the Resolution to adopt this -- I should close the record. The record is closed. Okay. Now, a motion to approve.

BOARD MEMBER BERG: So moved.

BOARD MEMBER SHERRIFFS: Second.

CHAIRPERSON NICHOLS: And second from Dr. Sheriffs.

All in favor say aye.

(Ayes)

CHAIRPERSON NICHOLS: Opposition? None.

No recusals or abstentions. Good. All right.

We have one last item on today's agenda, which is an extremely important item. This is another one that we've done before from time to time.

In 2008, the Board adopted the initial guidelines and funding targets to implement Proposition 1B, which is a bond funded incentive program for cleaning up the freight sector.

We've awarded more than $500 million in funding to local agencies for projects to reduce emissions from diesel freight equipment, primarily trucks.

With the current economy and regulatory deadlines approaching, we all appreciate the importance of these incentives, and we want to continue to pursue our ability
to get funding from new bond sales as the State's economic position is also improving. We want to be sure that we're present in the bond market and able to capture as much of those funds as is appropriate under the authorization.

So Prop 1B has really been a tremendous success in terms of both public health benefits and economic stimulus, benefits because the funding has helped thousands of business owners to clean up diesel equipment. This financial assistance also helps to create and retain jobs in California, while supporting businesses that design, sell, and install green products here.

We need to act today to update the program guidelines so that we're ready and able to quickly deploy the next round of funds.

One of the hallmarks of this program, I have to say -- and this is in the nature of bragging about ARB -- is that we have been very efficient at getting the money out and doing it for projects that have really withstood all questions or audits in terms of their cost effectiveness.

So without further ado, Mr. Goldstene, please introduce this item.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

In this update to the Prop1B Goods Movement
Program, we're recommending improvements and modifications based on upcoming regulatory deadlines, current economic conditions, and experiences gained through implementation of the program.

Prop. 1B has played a critical role in ARB's suite of incentive programs by supporting thousands of clean diesel projects in the most polluted areas of California.

While Prop 1B compliments other incentive efforts, it is unique because funding comes from periodic bond sales instead of annual appropriations. The priority of the program will continue to be on reducing the diesel health risk in communities near freight facilities by getting clean equipment into operation.

However, the focus of the program is shifting because regulations such as the truck and bus drayage truck rules are currently in effect, there are limited opportunities to obtain more early emission reductions. Therefore, the program must focus instead on funding projects that go beyond regulatory requirements to provide extra emission reductions. This includes proposing more project choices for hybrid and zero emission technologies which will also achieve climate change benefits.

The proposed updates also incorporate suggested improvements that we've heard over the last year from California Reporting, LLC
local air districts, ports, truckers, railroads, and environmental advocates. These include administrative changes to streamline and improve the effectiveness of the program.

Mike Ginty of the Stationary Source Division will now provide the staff presentation. Mike.

(Thereupon an overhead presentation was presented as follows.)

AIR RESOURCES ENGINEER GINTY: Thank you, Mr. Goldstene.

Good morning, Chairman Nichols and members of the Board.

Today, I'll be presenting staff's recommendations to update the Goods Movement Emission Reduction Program guidelines.

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AIR RESOURCES ENGINEER GINTY: After a brief review of the existing program, I'll highlight the progress of the program to date and then summarize the proposed changes to the program.

I'll conclude with staff's recommendation for Board action today.

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AIR RESOURCES ENGINEER GINTY: In 2006, California voters approved Proposition 1B authorizing one
billion dollars in bond funding to reduce emissions from freight transport in the four priority trade corridors. The funds provide incentives to owners of diesel equipment to upgrade the cleaner models and reduce the health risk related to diesel emissions in heavily-impacted communities.

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AIR RESOURCES ENGINEER GINTY: The program focuses on reducing emissions in four priority trade corridors which encompass the most heavily traveled regions of the state. Program funding is available to owners of equipment that operate at least 50 percent of the time within these corridors. This slide shows the existing trade corridor funding percentages the Board approved in 2008. We are not recommending changes to the funding percentages.

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AIR RESOURCES ENGINEER GINTY: The implementing statute defines the core requirements of the program. First, ARB must adopt guidelines for implementation and award grants to qualifying local agencies. The local agencies administer the implementation of equipment projects.

Another requirement is that bond funds must be
used to achieve early or extra emission reductions, compared to what is required by regulation or enforceable agreements.

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AIR RESOURCES ENGINEER GINTY: The program typically pays one-third to one-half of the total project cost. The remainder of the matching funds can come from the equipment owner, local agency, or federal sources.

Finally, projects must compete for program funding based on emission reductions and cost effectiveness.

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AIR RESOURCES ENGINEER GINTY: The emission reductions achieved with program funding must be early or extra in comparison to the regulations shown on this slide.

As we move closer to or pass the compliance dates of these regulations, the opportunities for early emission reductions diminish.

Therefore, to continue offering incentives, the program will need to shift its focus toward projects that achieve extra emission reductions with equipment that is cleaner than required by regulations in effect.

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AIR RESOURCES ENGINEER GINTY: To administer this
program, the Legislature appropriates funding to ARB through the State budget. Funding is obtained through bond sales administered by the State.

Next, ARB adopts the program guidelines to define how the program will work and to specify eligible projects. We then solicit project proposals and the Board awards funds to local agencies, like air districts and sea ports.

Finally, the local agencies solicit and evaluate applications from equipment owners, and then fund eligible projects in a competitive process for each source category.

Of the one billion total, so far this program has received approximately $587 million through bond sales.

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AIR RESOURCES ENGINEER GINTY: Now I'll discuss the progress that ARB and the local agencies have made to implement the program.

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AIR RESOURCES ENGINEER GINTY: This graph shows the distribution for each funding category. So far, over 80 percent of the project funds have been dedicated to cleaning up old diesel trucks, including those used at ports and rail yards.

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California Reporting, LLC
AIR RESOURCES ENGINEER GINTY: We expect over 10,700 cleaner truck projects and 37 upgraded ship berths funded by the program to be operational by the end of this year.

In addition, most of the 25 low-emission locomotives are operational with the rest to be completed by next year.

We estimate that these projects will eliminate around five million pounds of particulate matter and over 130 million pounds of NOx from our California skies over their lifetime of five to 15 years.

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AIR RESOURCES ENGINEER GINTY: Maintaining transparent and accountable project results are a key component of the program.

A new tool is our online database which will soon provide program implementation details to the public.

The database allows access to detailed program information that can be filtered by trade corridor, legislative district, project category, and a number of other details.

This slide shows a screen shot of the home page.

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AIR RESOURCES ENGINEER GINTY: Now let's move on to discuss ARB staff recommendation on the updates to California Reporting, LLC
the Goods Movement Program guidelines.

ARB staff released a concept paper and held three workshops in the trade corridors in November 2012. Input was received at the events in comment letters and during follow-up discussions with stakeholders.

The proposed update to the guidelines incorporates many of the suggestions we've heard from local agencies, equipment owners, affected industries, and environmental advocates.

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AIR RESOURCES ENGINEER GINTY: ARB staff is proposing to revise two main areas of the program guidelines: Project eligibility and program administration requirements.

Each project category was analyzed and staff has incorporated the most current information available regarding regulatory implementation dates, available technologies, and potential project costs. This included looking for opportunities to further incentivize zero emission and advanced technologies. This proposal also includes administrative changes to improve effectiveness and expedite the implementation of projects that achieve emission reductions.

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AIR RESOURCES ENGINEER GINTY: The largest
project category in the program is heavy duty diesel trucks. The truck and bus and drayage truck rules will require that most trucks have a particulate filter within the next several years. Therefore, there are significantly fewer opportunities to obtain early emission reductions from these vehicles.

Based on this, we see an opportunity to obtain additional emission reductions by expanding the eligibility to include vehicles without near-term replacement requirements, such as class six delivery type trucks, and trucks with 2004 to 2006 model year engines.

Similarly, to ensure a reasonable amount of emission reductions are achieved, it has become necessary to exclude trucks with 1993 or older engines, increase the minimum mileage, and require that replacement trucks must meet the model year 2010 emission level.

Staff is also recommending changes to the truck documentation requirements to streamline the implementation of projects.

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AIR RESOURCES ENGINEER GINTY: Since there are now fewer emission reductions available from truck projects, staff is also proposing to reduce the funding levels for trucks. As a point of comparison, the program currently provides $60,000 for a class eight truck, which
is a line haul type truck. This change would ensure cost
effective use of funds as required by the Legislature.

Although funding would be reduced, these proposed
amounts would still be able to cover 40 to 60 percent of
the cost of a truck. Additionally, this would extend
program funds further by allowing more trucks to
participate.

For small and medium truck fleets, we expect that
loan guarantees will also be available to increase their
access to finance the remainder of the cost.

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AIR RESOURCES ENGINEER GINTY: As the program
continues to transition to the cleanest engines, we are
working closely with the AB 118 incentive program to
enhance the funding opportunities for zero emission
trucks. Equipment owners could receive the same amount of
Prop 1B funding as those meeting the 2010 engine standard,
plus additional AB 118 funding, if available, for choosing
a zero emission replacement truck.

The ability to combine Prop 1B and AB 118 funding
would enhance the incentive for truck owners to switch
over to zero emission technology. In addition, we are
proposing that zero emission replacement projects be given
the highest priority in the competitive process.

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AIR RESOURCES ENGINEER GINTY: Now let's talk about opportunities for locomotive projects.

Locomotives can be in operation for 30 years or more. Due to this long life, it's critical to upgrade existing locomotives with the cleanest technology to maximize the emission reductions achieved in the future.

Tier 4 locomotive engines are over 90 percent cleaner than those with no emission controls and are expected to become available in 2015. Since there is an opportunity to achieve a significant amount of emission reductions in this category, we propose locomotive projects in the future be limited to this Tier 4 technology.

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AIR RESOURCES ENGINEER GINTY: In order to encourage manufacturers and railroads to accelerate the introduction of Tier 4 locomotive engines in California as soon as they become commercially available, we are proposing that the program pay a greater share of the cost along with an added incentive for projects implementation in 2015.

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AIR RESOURCES ENGINEER GINTY: Let's move on to discuss ships at berth and cargo handling equipment. For ships at berth, it is necessary to revise the eligibility
requirements due to the 2014 compliance deadline under the at-berth or shore power rule. For cargo handling equipment, we are proposing to increase funding for zero emission technologies and include a minimum cost effectiveness requirement.

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AIR RESOURCES ENGINEER GINTY: The Governor directed ARB to provide flexibility in reimbursing ports for payments on grid-based shore power projects, and this has been included. Container and refrigerated cargo ships need to begin plugging into shore power in January 2014. The berths for these ships already received Prop 1B funding awards. The opportunity for extra reductions now comes from equipping berths that handle only other types of ships with shore power or the bonnet system to capture and control emissions.

Because all the benefits are extra, we are proposing that the program offer greater funding for this category.

For rubber tired gantry cranes, funding would be increased for zero emission engines, and the program would allow reimbursement of infrastructure expenses that supply electricity to the equipment.

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AIR RESOURCES ENGINEER GINTY: Our final
equipment category is commercial harbor craft. Staff is proposing to fund only Tier 3 or cleaner engines at increased funding levels for this project category and is also recommending to extend the operational boundary for upgraded vessels further out to sea. ARB staff is also recommending a minimum cost effectiveness for this category.

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AIR RESOURCES ENGINEER GINTY: Staff's proposal includes increased funding to align with the higher cost of Tier 3 engines and allow a higher funding amount for vessels that are not subject to the in-use requirements of the harbor craft regulation.

We are also proposing to fund the installation of hybrid power systems in all vessels to reduce both fuel consumption and emissions. Funding for a hybrid system can be combined with one of the other funding sources.

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AIR RESOURCES ENGINEER GINTY: The last revisions I'd like to discuss are those to streamline the program administration requirements. ARB staff would like to thank the air districts for their extensive coordination over the last six months in developing and refining the proposed modifications to the administrative requirements within the guidelines.
These changes will streamline implementation of the program by reducing documentation and simplifying reporting requirements while including robust accountability standards.

The proposal also allows local agencies the ability to solicit equipment projects prior to the award of grant funds by the Board and thus expedite the process. As a result, more truck owners would be eligible for the next round of grant funding in 2013.

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AIR RESOURCES ENGINEER GINTY: ARB and the local agencies are poised to move quickly. If the Board adopts the update to the program guidelines, ARB will seek funding in the spring bond sale and issue a call for local agency project proposals. If funds are received from a spring bond sale, the program will move ahead with the public process to recommend funding awards for your consideration in June.

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AIR RESOURCES ENGINEER GINTY: ARB staff recommends that the Board adopt Resolution 13-5, the attachment to the resolution, which describes additional minor clarifications, and the proposed 2013 update to the Proposition 1B Goods Movement Program guidelines.

Staff also requests that the Board establish
trucks, locomotives, and the transition to zero emission technologies as priorities for upcoming program funding.

This concludes the staff presentation. Thank you, and we'd be happy to answer any questions you may have.

CHAIRPERSON NICHOLS: Thanks.

I didn't see anywhere in the presentation the information as to where in terms of the overall authorization that's in Prop 1B. So we talked about all that's been achieved so far with the bonds that have been sold and the grants that have been made. But where do we stand with respect to the overall goals of 1B?

BRANCH CHIEF KITOWSKI: At this point, we have expended about 600 million of the one billion dollars. So we would expect about another -- we're hopeful for about another 150 million in the spring bond sale in that ballpark.

CHAIRPERSON NICHOLS: We're reaching the end of this program is the point, really like maybe one more year and that would be --

BRANCH CHIEF KITOWSKI: In our view, we believe this is the penultimate guidelines. And we'll have one more coming back to the Board.

CHAIRPERSON NICHOLS: Well, I don't think that's inappropriate, given the goals of the program, which is to
see the turn over happen. And I think that the timing may actually sort of work out well in terms of where you're headed with the plans for the next iteration of a clean freight program.

But I just want to flag for people's attention that there's going to be a need for major funding for that as well. And we should be thinking about how that can happen.

Okay. We have a number of witnesses. Oh, yes. Sorry, Dr. Sherriffs.

BOARD MEMBER SHERRIFFS: If staff could comment in terms of the cost effectiveness question. Thinking about what we've achieved with, say, the first 600 million and what we are looking at achieving with the next 400 million, if it's there.

AIR RESOURCES ENGINEER GINTY: Yes, the cost effectiveness is not quite as good since we've lost the opportunity to get most of the PM reductions on the truck projects. And I assume you're talking about trucks mostly. And so the reduced funding level allows us to keep most of the cost effectiveness that we've previously gotten on projects that are being funded right now.

ASSISTANT DIVISION CHIEF MARVIN: This is Cynthia Marvin.

If I could add to that. Part of the shift we're
seeing is right now grants have been going to help fund
the incremental cost or help aid the incremental cost
primarily for cleaner trucks to a lesser extent for the
ships at berth, the shore power projects.

As we look beyond the current guidelines in front
of you, as we look at the last increment of funding, the
last roughly 250 million because we expect that would be
focused on zero emission technology, there will be again a
delicate balancing act we will bring to you to say how
much money does it take to get people to be leaders and
innovate and jump into that technology ahead of the rest
of the world. And what then happens in terms of cost
effectiveness.

So when we come back to you with the final set of
guidelines focused on zero emission technology, you'll be
able to specifically deliberate on how much is it worth to
get that technology out there and get everyone comfortable
with it so that we can then look at what's possible in the
future potentially in terms of regulatory requirements for
that same technology.

CHAIRPERSON NICHOLS: Yes. Go ahead.

BOARD MEMBER SHERRIFFS: And also in terms of --
thank you for that answer -- the commercial harbor craft,
it seems like a small -- a very small piece of this whole
project. And it seems like a very small impact on all the
harbor craft that must be out there. Do you want to comment on why spend any money there? Do we get branding rights on the side of the tugboats?

BRANCH CHIEF KITOWSKI: I think we have a strategy to fund the program moving forward now.

Harbor craft is one of those -- it is part of goods movement. It is a fundamental component. I think we need to do everything we can in each of the areas.

What we've found with this program as we've coordinated with other incentive programs, like the Carl Moyer program, it was easier for the participants to go into the Carl Moyer program rather than to fit into this one. And so we have not had a whole lot of applicants for that category.

We've made a few teaks. And basically, this is our chance to see if participants do come or not. We've made some changes. We think it will provide some more pull into the program. If it works, well, great. We'll go from there. If it doesn't, I think as you said, we've tried.

CHAIRPERSON NICHOLS: Yes, Sandra.

BOARD MEMBER BERG: Thank you very much. Been a great report. And this has been a fabulous program. I think that we have a lot to be proud of. I was looking at the funding to date. If my memory serves me correctly,
didn't we have 200 million on school buses in the Prop 1B bond money?

BRANCH CHIEF KITOWSKI: Yes, the original legislation had a billion dollars for the Prop 1B goods movement portion and an extra $200 million for school buses. That funding is mostly all spent. I think they're dealing with some reversions and some funds that came back. But for the most part, that was successful in replacing the oldest, unsafest school buses, putting clean retrofits on those buses.

BOARD MEMBER BERG: So even though it was a tag onto a billion, I always like to take the opportunity to remind us that we did take the dirtiest school buses off the road and that was also a job well done. Thank you.

CHAIRPERSON NICHOLS: Great. Thanks.

Okay. Turning to the people who have signed up to speak to us here, we'll start with Tim Carmichael followed by Mike Watt and Spencer Richley.

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

Tim Carmichael with the California Natural Gas Vehicle Coalition.

Some comments on this important item.

First, context. I didn't hear the staff share with you that this pot of money is actually the largest
pot of money that will be given to clean up goods movement anywhere in the country this year. It is very, very significant. For a long time, our organization has been encouraging ARB to modify this program to use the funds to get more benefits from, albeit a billion, a limited pot of funds. A billion goes quickly, as you have witnessed, and do more to support alternative fuels with this pot of funding and achieve fuel diversity, fuel security, greenhouse gas benefits, and the criteria emission reduction benefits that you are proposing to get with this program.

In this round of guideline revisions, we're pushing for more money per vehicle. There was some discussion of reducing the per truck money to 30,000 dollars and they bumped that up. That's a good thing.

And we were pushing for an augmentation for alternative fuels and/or a carve out for alternative fuels. We're finally some signal to the air districts that you want to prioritize alternative fuels.

The staff proposals increases the funding per vehicle, which is good but it's not enough. I'll explain why in a second. It augments the funding for zero emission vehicles and hybrids. And the problem with this is in the goods movement sector, there is limited applicability of these technologies today. So you're
going to be able to fund some vehicles, but in a limited range of applications in the goods movement sector and, in our opinion, not get as much benefit as you could with those funds if they were available to all fuels more broadly. And there is no carve out recommended by the staff for alternative fuels.

The reason why increasing the money per vehicle isn't enough to support alternative fuels is that this program and the projects that come forward are measured on their cost effectiveness. And so you have a diesel truck project versus a natural gas truck project, for example. Diesel trucks today cost less money per vehicle than natural gas trucks. So a proponent for those could ask for less money per vehicle and still make their project look more -- have their project be more cost effective for the evaluators. So going head to head with the same amount available per vehicle with no signal that you want to prioritize alternative fuels, it's not going to work, we don't think.

And my final comment is staff indicated that you are prioritizing zero emission projects in this round of funding, which is okay. I get that. But it would be wonderful if the Board also said we want to prioritize alternative fuel projects ahead of diesel projects.

CHAIRPERSON NICHOLS: Tim, you're in negative
time now. You delivered the message.

MR. CARMICHAEL: My parting message is, Mayor Loveridge, it's been a pleasure working with you all these years. Thank you.

CHAIRPERSON NICHOLS: Thanks.

Mr. Watt.

MR. WATT: Good morning, I guess. Mike Matt, Manager of Mobile Source Incentives with the San Diego Mobile Air Pollution Control District.

We've been involved with the program since its inception working with ARB staff. And I do want to extend my thanks to them in working with us on some of the streamlining measures that ended up in this version of the guidelines.

We submitted a comment letter to you guys for review. There is one item in particular that I want to discuss. It has to do with the requirement for new equipment funded under this program to operate at least 90 percent of the time within the state of California.

Down in San Diego, we're home to one of the busiest border crossing ports in the entire country. And one of the priorities outlined in these guidelines is to do something to reduce emissions from border crossing activities.

We found that that requirement for new equipment
to operate 90 percent of the time within the state has been a hindrance to the ability of those border-crossing vehicles that take advantage of the funds. What we'd like to see is that number reduced to 75 percent, which will align with the requirement that existed in these guidelines for the existing vehicle, as well as lining up with the requirements that already are in place for the Carl Moyer program. We feel that will encourage more participation from these trucks that operate at the border and allow us to achieve some additional reductions from those vehicles. While maybe not operating as much time in California, some of those vehicles are much older and dirtier, and we think they could get some significant reductions.

Additionally, those vehicles will still have to compete on the cost effectiveness scale with the other vehicles. So we're not going to be funding vehicles that are less cost effective.

With that, like I said, we do support these guidelines. And we appreciate the way the program has worked out. I think we've cleaned up somewhere on the order of 300 trucks in San Diego, reducing more than 1200 tons of emissions. So it's been of great benefit to us so far. Thank you.

CHAIRPERSON NICHOLS: Thank you.
BOARD MEMBER RIORDAN: Madam Chair, could I just ask staff if they want to comment on the request? I had not thought about that. And might make good sense.

BRANCH CHIEF KITOWSKI: Absolutely. And I want to echo Mike's comments that we've worked closely with the San Diego Districts over the past months and other districts as well and working through a variety of different streamlining measures. So we really appreciate the cooperation of the districts in working with us and having a more efficient program.

With regard to this specific point, the Board may remember that during the last guideline changes in 2010, they made modifications that would change the minimum requirement in California where we were limited to 100 percent in California previously, and we modified that down to 90 percent.

And the concept behind that, the idea behind that flexibility was to allow for various operational flexibility. Once in a while, you need to go out of state. But fundamentally, these were still California vehicles. Their primary use was in California. They may need a trip to Las Vegas or Phoenix once a week or something like that. But for the most part, they're still California vehicles.

Our concern is a change to 75 percent
fundamentally changes the types of vehicles that would be coming into this program. Yes, it would bring in more vehicles. We think it may bring in a lot more vehicles. We're already well subscribed now. Suddenly, it's not just an occasional trip out of state. We have vehicles that would make regular service to Oregon, Nevada, Arizona, and Mexico now pulling into this program. And that creates more pressure on the program. We are well subscribed to the current level. We thought it was appropriate to keep it where it's at.

CHAIRPERSON NICHOLS: Just to follow up on that though. If San Diego found itself or we found ourselves through some happy circumstance with extra funds, would that be an appropriate thing to use funds from this border issue in San Diego is obviously fundamental to their quality problem. They do have a large border and a lot of trucks that go back and forth. That seems like that would be something that you would want to give special consideration for, even if you weren't changing the whole program.

BRANCH CHIEF KITOWSKI: The difficulty is it's a statewide program. We have consistent requirements across all districts. And it's an interesting -- it's a difficult dynamic to try to carve out a San Diego border Mexico issue. I mean, I think we could.
CHAIRPERSON NICHOLS: I think Cynthia might have an idea.

ASSISTANT DIVISION CHIEF MARVIN: Well, I usually like to jump in with the positive and what we can do. That's not the case here.

CHAIRPERSON NICHOLS: In that case, I didn't call on you. Go ahead.

ASSISTANT DIVISION CHIEF MARVIN: What I wanted to do was just say, you know, we are very interested and concerned about what's happening in the border regions in both San Diego and Imperial County because we're aware of the severity of the pollution there.

What I wanted to point out was that we are right now working through our drayage truck program to get more information about the trucks that are making those border crossings, where are they coming from and too, what are they carrying.

I think it's important to note for the Board's benefit that many of those trucks are carrying goods that are destined to or from ports or rail yards. You may recall that with the changes that you made to the drayage truck rule, those are, by definition, now drayage trucks. Even if those trucks themselves don't make it all the way to the port or the rail yard, they are subject to the accelerated cleanup requirements initiated drayage truck
rule.

So what that means is for all of those trucks, even if we were to look at changing this 90 percent, 75 percent, they wouldn't be eligible because the drayage truck rule is nearly fully implemented now. So it's a practical consideration.

CHAIRPERSON NICHOLS: Okay. Good point. But thank you for raising it and reminding us of the issue. Spencer Richley and then Fred Minassian.

MR. RICHLEY: Good morning again, Chairman Nichols and the Board.

Again, my name is Spencer Richley with Clean Energy, and I share similar concerns with Tim Carmichael. We're pleased with the fact that Prop 1B funding is based on meeting standards, because it makes it available not only to diesel, but alternative fuels as well. However, in its current form, there is no incentive for trucks to use alternative fuels like natural gas, which is currently the cleanest fuel available for large heavy duty trucks. Because natural gas and diesel are certified at the same PM and NOx level, they're viewed in the eyes of Prop 1B as the same, essentially.

Furthermore, applicants receive a higher ranking the less money they request. And because natural gas trucks have about a $20,000 premium cost over diesel,
diesel truck applicants are, therefore, ranked higher than natural gas.

To change this, we believe that greenhouse gases should be a factor in ranking applicants because California has aggressive greenhouse gas reductions goals that need to be met. This would also encourage the use of alternative fuels over diesel.

We also support an optional low NOx standard which we understand is being considered but would not be put into place until possibly the fall. And there is a large chunk of money, about $150 million, which is expected from the sale of these bonds in the spring and summer that even if the optional low NOx standard was put into place, it might be too late.

Again, as Tim stated, zero emission vehicles receive a priority status under Prop 1B, and we ask that natural gas also receives a similar higher ranking and/or more funding so that there is an incentive to choose alternative fuels over diesel. This will maximize the benefits from the Prop 1B funding. Thank you.

CHAIRPERSON NICHOLS: Mr. Minassian.

MR. MINASSIAN: Chairman Nichols, members of the Board, good morning. I'm Fred Minassian, the Director of Technology Implementation at the South Coast AQMD.

On behalf of my agency, I would like to thank

California Reporting, LLC
your staff for having worked closely with us in amending and finalizing the proposed Proposition 1B Goods Movement Program guidelines.

We appreciate your staff's consideration of our comments, specifically those related to the increased grant amount per truck, compared to the initial proposal and the simplification of some of the reporting requirements.

Our one comment is related to page one of the proposed guidelines. It currently states that CARB may extend or shorten the obligation and expenditure deadlines of the grant funds. We believe the ability to shorten this deadline would create uncertainties both for air districts and applicants. Thus, we request further clarification of the proposed language that the obligation and expenditure of the grant funds won't be shortened after the excuse of grant agreement between CARB and local air districts.

The South Coast AQMD supports the adoption of the proposed Proposition 1B Goods Movement Program guidelines, and we look forward to working closely with your staff.

Thank you.

CHAIRPERSON NICHOLS: Thanks. I think we'll wait until the end, and there's going to be some other questions probably. Appreciate that.
Mr. Palomares. We have your letter also. Thank you.

MR. PALOMARES: You're welcome. Good morning, Chairman Nichols and members of the Board.

My name is Andrew Palomares. I'm the Chief Financial Officer for the Port of Hueneme. I'm here on behalf of our Port Director Kristin Decas, who is traveling on port business and could not be here today.

We are here today to express our support for the proposed guideline amendments related to short power projects. The proposed amendments are crucial for the Port of Hueneme to successfully implement the shore power infrastructure project. Accordingly, reimbursement will ensure the port meets its contractual financial obligations.

The port has a $12 million operating budget and slightly six million in unrestricted reserves to support our critical capital repairs for the port's $63 million net capital assets.

The shore side power for our port is about eleven and a half million. Without an early reimbursement plan, the port would exhaust its reserves, break our debt covenants with our bond debt, and would have to defer our critical maintenance projects.

As a matter of update, we are meeting all of our
project milestones. We have ordered equipment, are executing construction contracts, and are scheduled to go live by January 1st, 2014.

Our proposed reimbursement plan is also attached with our letter of written testimony for your information.

We'd like to express our gratitude to Chairman Nichols for her support. Chairwoman Nichols has made time to meet with the port's CEO and learn about our project challenges and was open to hear our ideas on how to ensure the project's success.

In addition, the ARB staff has been extremely helpful and collaborative. And we are deeply grateful for that.

Thank you all for your leadership on this program. This promises to realize significant benefits to industry and the environment, my grandchildren. So I'm personally grateful. Please accept our letter of support from the Port of Hueneme. And thank you for your time.

CHAIRPERSON NICHOLS: Thank you.

Matt Schrap and then Jim Stewart who seems have taken over the old Tim Carmichael role on the person who speaks last on every item.

MR. SCHRAP: Thank you, Madam Chairman and Board members. My name is Matt Schrap. I represent Crossroads Equipment Lease and Finance, as well as California Fleets Reporting, LLC.
Solution, CFS, the Grants and Compliance Division of the Velocity Vehicle Group, VVG here in southern California.

Our organizations have been very supportive of the 1B program over the years. And its solicitation alone, we are able to help our customers obtain millions of dollars in fundings for clean diesel and alternative fuel. In fact, of the 900 applications that we submitted to the South Coast Air Quality Management District, over 400 of them were selected for funding.

Crossroads, the finance company, was able to supply over $20 million in residual financing using the Cal Cap Program, very successful program from the treasurer's office. I know ARB has been very supportive over the years.

We stand before you today in full support of the changes to the guidelines, and we look forward to continued work with the local districts in upcoming solicitations as well as new applicants for these programs.

These improvements are consistent with stakeholder feedback from the workshops late last year, including suggestions contained in the formally submitted comments by Crossroads and California Fleet Solutions from November 29th.

We are especially encouraged by the level of
detail committed to the compliance check, the flexibility and G WR consideration, lease to own revisions, along with the streamlined district requirements pertaining to pre- and post-inspections, along with other administrative considerations, to name a few.

With monumental enforcement challenges facing ARB staff over the next few years, it is of the utmost importance the onroad requirements are clearly communicated to end users, as well as third parties who seek to assist applicants with eligibility requirements.

We look forward to the upcoming solicitation and offer ourselves and our sister divisions any assistance that we can provide.

Thank you for your consideration.

CHAIRPERSON NICHOLS: Thank you. You have a minute to spare and you're such a fast talker. It's amazing. Okay.

MR. STEWART: Hi. Jim Stewart representing the Sierra Club. And really, I think I can say on behalf of the whole environmental and environmental justice community, we're certainly thrilled about the prioritizing of the diesel locomotives and the people that have been suffering so long among those rail yards. And so let's keep up that cleaning up that mess there.

We're also thrilled with the enhanced funding for California Reporting, LLC
the zero emission trucks. And I think I need to go toe to
toe with my former colleague, Tim Carmichael, on this
natural gas baloney. The issue, as you well know -- and
if you haven't, I'll be glad to supply you with the
studies is that the escaping natural gas, especially, of
course, from the fracking fields, is contributing more to
global warming than oil or coal even. And if you don't
believe that, I'll be glad to distribute the recent
scientific studies that have demolished this myth of
natural gas being clean.

So let's -- I mean, it sure does have less PM,
but it's global warming impacts from the fracking in
itself as well as, of course, the transportation, as well
as the leaks are around the system and on the truck are
not acceptable.

The question of the subsidy of the cost of the
trucks is an interesting one, because I don't understand
why you actually did decide to raise the price. If this
is such a popular -- we need to get the maximum benefit
out of every dollar. Right? We're down to the last 400
million here. And I'm disappointed actually that the cost
per truck has gone up. And I'm hoping that there's some
way that you can use this cost effectiveness and keep that
down.

And also, I don't know anything about the
regulations relative to the ARB's issue on this thing, but is there a way of getting cost benefit from true greenhouse gas reductions included? I mean, we're all trying desperately to make the AB 32 goals. If we can get to these zero emissions, let's do it.

So thank you very much. Good program.

CHAIRPERSON NICHOLS: Thank you for your comments.

I'm certainly not going to get into the middle of the natural gas debate.

I do want to say something though about sort of the principles behind this program. And staff may correct me or want to add something as far as the amount of subsidy per vehicle.

But having been involved in this program since I've been at ARB, I've tried to keep in mind a couple of basic principles, which we don't always articulate. One is that Proposition 1B was a bond. And a bond means that the people of the state of California voted on it. There is a contract with the people. And if you spend money not in accordance with what the bond said, it's illegal.

In this case, the purpose behind this was very clearly to deal with air pollution related to heavy duty transportation. The whole purpose of this bond was to facilitate -- I mean, it's part of the bigger bond act,
but it was really a Goods Movement Program for the state of California. And this wonderful chunk of money was set aside to deal with the terrible pollution problems around ports, rail yards, and associated with the goods movement system in general.

So, you know, despite the desire to tack on our other goals relevant to climate, which, you know, obviously is an overarching part of what we do, we've implemented this program in a way that just focused on cost effectiveness for tons of toxic contaminants taken out of the air and not -- and resisted the temptation to use it for broader purposes. I know that's frustrating to our friends in the natural gas industry and probably to other alternative fuels people that are not here represented today.

But it just seems to me that our obligation was to do as much as we could in as short a time as possible to make air quality better for the people who are subjected to these particular sources. So that's really kind of the underlining principle of this whole thing as it has played out.

In terms of how much we're giving per truck, perhaps Mike or someone else you might want to just explain why we've gotten to the point of being willing to put more money into each one.
BRANCH CHIEF KITOWSKI: Certainly. We'll start with the base line of previous solicitations. We offered $60,000 for a line haul type truck. It was a conventional amount.

As we're moving forward, as we mentioned during the presentation, we're losing about half of emission benefits. It shouldn't really say losing because the truck and bus rule is being implemented. The State is getting those benefits. That's all a positive thing. It is a good thing. But there's less emission reductions as we're buying emission reductions with this funding, there's less emission reductions for us to buy.

Since we're losing half, a little less than that, our official proposal was to cut that dollar amount in half at about $30,000. As we started talking to the stakeholders and looking at the dynamics of what a new truck will cost, a used truck will cost, we felt that might be a little severe.

We also have the benefit of looking at other factors, such as in 2013, there will be new on-board diagnostic requirements coming up for all new trucks. And so we feel if they're buying a new truck, the State will have greater assurance that those trucks will be cleaner through the life of their entire usage. And so there were some other factors like that that we thought, okay, we can
incrementally bump this up. And we came to the proposed levels that you see before you.

CHAIRPERSON NICHOLS: Okay. Thank you for that. I see that you've distributed some additional minor changes and corrections in the Resolution that was before us.

BOARD MEMBER BERG: Chairman Nichols, may I make one comment? This is Board Member Berg.

Just following up, I did have some extensive conversations with staff on the dollar amount. And one thing is is that the stakeholders that are available are the small businesses, small trucks. We still can get some early emissions from them. And I felt pretty strongly that we wanted to make sure that the dollar amount was fair, since usually when we get to the tail end these programs, they're the ones that it's their turn. So I would support that.

CHAIRPERSON NICHOLS: Good point. Okay. Do you want to go over whatever changes you're proposing to the resolution?

BRANCH CHIEF KITOWSKI: It turned out the original resolution that was in front of the Board attachment was left out. We were able to swap out those attachments. So what you see in front of us is the final version. And the change was simply giving staff the
flexibility to make minor corrections, fix typos, and make changes.

CHAIRPERSON NICHOLS: Do you want to address the one question that was raised by South Coast?

BRANCH CHIEF KITOWSKI: Yes. Thank you.

We've been working with South Coast as well as San Diego who had a similar question about that, about the length of time and that the State allowed for them to finish up grants and contracts. And we're supportive of the language that Mr. Minassian relayed. We will work with them and just finalizing it and incorporating it into the guidelines lines.

CHAIRPERSON NICHOLS: Okay. Great. Any other Board member questions or comments? If not, can we get a motion on the resolution?

BOARD MEMBER RIORDAN: I move approval, Madam Chairman.

BOARD MEMBER BALMES: I second.

CHAIRPERSON NICHOLS: All in favor, please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed? Any abstentions? Great. Good work. It's nice to have this done.

Before we adjourn, we do have one public comment,
one person who's asked to address us in general if he's still here, Mr. Eder. Wanted to come back as I understand it. Yes. There you are.

MR. EDER: Thank you.

I'd like to agree with what the gentleman from the Sierra Club just said about natural gas.

Also, I'd like to incorporate into your record by reference everything that happened at the district in reference to their plan. This was done in writing and submitted to you. There were three separate written submissions.

About 12 or 14 years ago, I came before you and talked -- you had a ZEV plan. And Alan Lloyd was here with CARB then, and he had been with the district before that. And I got to know him a little bit there. And did testify before you about using zero emission vehicles, solar electric vehicles, could be solar hydrogen as well with electrolysis.

But there are quite a bit of people that are doing this. I know you weren't portrayed or the old CARB was not portrayed very favorably in "Who Killed the Electric Car?" And there is a new movie out. And one of the fellows that was involved in that movie now sells Leafs. And he said he's had 80,000 miles of solar powered travel in his vehicle, and there is a lot of other people
that are doing this. And it's something that should be
looked at. Stationary sources with solar and the
connection with mobile sources, which you basically
regulate, except for fleets.

So I think this should really be looked at. And
the connection should be made there. I think it's really
important.

Back to natural gas, there are toxics, and there
are particulate matter and the ultrafines and natural gas
that aren't even being looked at now. And this has to be
considered as well when compared to solar. By solar I
mean the sun makes the wind blow, the water flow, and the
plants grow. It's the engine of our ecosystem. It's the
way of the world works. Thank you.

CHAIRPERSON NICHOLS: Thank you.

That is the conclusion of the public comment
list. But it's not quite the end of our meeting because
now we turn to the moment we have not been waiting for,
which is an opportunity to hear a few words from our
departing Board member, Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Chairman, thank you.

This really is my last time to comment. It's
time to say thank you and kudos to the Chair, to the
Board, to the staff, and to offer my reflections and
highlights of making a difference over the past eight
years.

I was appointed in 2004. The Board has become importantly a world leader in addressing climate change as well as continuing the innovations and reducing smog-forming emissions.

And my comments really that we tend to see at Board meetings, it's meeting after meeting. And this is trying to take a step back and see what has happened over the some eight years that I have been on the Board.

2004, the Board adopted the first passenger vehicle regulations to reduce greenhouse gas emissions. This is obviously a response to Senator Pavely's legislation and a prelude to the enactment of AB 32 in 2006.

Before the climate program, I think to highlight the actions taken to improve air quality here in the South Coast and in all our communities that are highly impacted by diesel pollution, during my first years on the Board we were very active in adopting a number of regulations to implement ARB's Diesel Risk Reduction Plan. These regulations were focused on reducing diesel particulate matter to improve air quality where people live. Remember these Board meetings as being highly contentious in terms of public comment and participation.

It's also important to reduce NOx emissions in
order to meet the air quality standards for PM2.5 and ozone. As a result, this Board adopted a series of major rules for diesel engines, both on- and off-road covered private trucks, buses, and construction fleets, public and utility fleets, refrigeration and trucks, restrictions on truck idling, on-board diagnostic systems for trucks, Tier 4 standards for new off-road engines.

This Board also adopted a plan with a special focus in reducing emissions from freight transport. A number of rules were adopted to address port-related emission, including controls for cargo handling equipment, a rule specific to drayage trucks, cleaner fuels for locomotives, oceangoing vessels, harbor crafts, emission controls for ships at berth. We recognize we're a part of the south coast SIP, as well as ARB's Goods Movement Plan.

Taken in combination, these regulations have helped the South Coast remain on track to meet 2014 federal deadlines for particulate pollution as well as progress on requirements for ozone standards. The diesel regulations along with Prop 1 bond and other incentives, which we've heard discussions today, reduce monitored diesel pollution by estimated over 50 percent in our harbor communities, 50 percent in our harbor communities. And it's clear there are more reductions to follow.

2007, we adopted a major rule to improve indoor
air quality in homes and schools. And this air toxic control measure put tight limits on the cancer-causing chemicals formaldehyde and building materials.

Let me just move to the climate program beginning with the Scoping Plan that ARB adopted in 2008. I've looked at a lot of State plans. And I think the Scoping Plan is the most impressive policy document, State document that I've read.

ARB was obviously assigned to develop the game plan for the goal of AB returning to 1990 emissions levels by 2020. You know, this involved evaluating the sources of greenhouse gases in ways even more complex than conventional air pollution, the term life cycle emissions introduced to our thinking, energy and transportation, systems rather than individual facility emissions, and to be considered. And what AB 32 did is challenge us to have a new way of analyzing and responding.

SB 375 then followed, requiring ARB to set greenhouse gas reduction targets for regional transportation plans for the development of sustainable community strategies. The success of this program depended on effective outreach of particularly CARB staff, other MPOs.

And I think this Board's effort to reduce the SCAG's issues was particularly important. The Regional
Transportation Plan and the Sustainable Community Strategy Plan by everyone who has observed this and participated in it in the South Coast said it was the most important plan that's been adopted.

But what's interesting, it was done unanimously from right to left, from BIA to even to Jim probably said good words about this.

The implementation of AB 32 Scoping Plan requires a range of new activities new to the Board and staff, both technical and policy. And new challenging issues were raised. The Board deliberated a number of regulations to reduce greenhouse gases, including advanced clean cars, low carbon fuel, emission reporting, cap and trade, reporting regulations, and greenhouse gases.

Each of these efforts required partnerships with other agencies and the academy, as well as outreach to stakeholder groups. Participation -- and Mary, it must have been interesting. The Western Climate Initiative is one example of the scope of new activities undertaken to engage with others on the climate issue.

But all of these Board actions and activities that helped build the foundation and I think the word important here is transformation of our energy and transportation systems, which are necessary to meet our air quality and climate goals.
CARB's leadership has been essential to focusing attention on the possibilities for the future. Our strength has been on advancing technology, and that's a key going forward.

The new challenge -- and I would emphasize encompasses more than engineering and technology-forcing. It's the social context of change and the potential of economic development become equally important.

As regions implement 375, there is a real opportunity for individuals, groups, and cities to engage in the broad discussion of urban form. Quality of life begins with our homes and jobs and communities, but also relies on investment and energy and transportation systems to serve our local, regional, and global economy.

Sort of in summary, you think about the last eight years. We have made a difference. See it in the numbers. This region's air quality continues to improve. And ARB has played a major role through its regulations and mobile sources, fuels, consumer products, toxic air contaminates. ARB's leadership on climate is there for the world to see, take measure of, and to share.

Finally, going forward, the Board must continue to develop and nurture the many partnerships which have been identified this past morning that are necessary to support our air quality and climate goals.
And finally, as a representative of the South Coast District, it was my opportunity and honor to serve for the past eight years. Thank you to the best in the world Chair, superb Board, and outstanding staff. Thank you.

(Applause)

CHAIRPERSON NICHOLS: Last month, we presented Mayor Loveridge with our Haagen-Smit award, which is the Board's most prestigious award. It's our only award, actually. And we were very pleased to do so.

But you're not going to escape without a little further embarrassment or decoration for your walls. So I have two items that I would like to present to you today. One is just a small plaque from the Air Resources Board itself with the seal of California on it recognizing your contribution.

(Applause)

CHAIRPERSON NICHOLS: And then the other, which was somebody took the initiative to frame it, but I guess you don't have to keep it in its frame, is a letter from our Governor Jerry Brown, who remembers your career. As you know, he was around for a lot of it, too. And I wanted to share some thoughts with you as well.

BOARD MEMBER LOVERIDGE: Thank you.

CHAIRPERSON NICHOLS: That's it. We are
adjourned.

(Whereupon the Air Resources Board meeting adjourned at 12:13 PM)
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 8th day of February, 2013.

________________________
TIFFANY C. KRAFT, CSR, RPR
Certified Shorthand Reporter
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