APPEARANCES

BOARD MEMBERS
Ms. Mary Nichols, Chairperson
Dr. John R. Balmes
Ms. Sandra Berg
Ms. Doreene D'Adamo
Mr. Ronald O. Loveridge
Mrs. Barbara Riordan
Mr. Ron Roberts
Dr. Daniel Sperling
Dr. John Telles
Mr. Ken Yeager

STAFF
Mr. James Goldstene, Executive Officer
Ms. La Ronda Bowen, Ombudsman
Mr. Tom Cackette, Chief Deputy Executive Officer
Mr. Bob Fletcher, Deputy Executive Officer
Ms. Ellen Peter, Chief Counsel
Ms. Lynn Terry, Deputy Executive Officer
Ms. Mary Alice Morency, Board Clerk
APPEARANCES CONTINUED

STAFF

Mr. Kurt Karperos, Assistant Division Chief, PTSD
Ms. Lezlie Kimura, Local Government Strategies Section, Planning and Technical Support Division (PTSD)
Mr. Aron Livingston, Senior Staff Counsel, Office of Legal Affairs
Mr. David Mehl, Manager, Energy Section, Stationary Source Division (SSD)

ALSO PRESENT

Mayor Janet Abelson, City of El Cerrito
Dr. Janet Abshire, CA Medical Association
Mr. Tom Adams, California League of Conservation Voters
Ms. Sandra Benitez, Vice Mayor, Riverbank
Ms. C. Susie Berlin, NCPA
Ms. Autumn Bernstein, Climate Plan
Ms. Jane Block, Climate Change
Mr. Mike Bitner, Council of Fresno County Governments
Mr. Graham Brown, Council Member Steve Cohn
Mr. Robert Chase, Build It Green
Ms. Bernadette Del Chiaro, Environment California
Ms. Brenda Coleman, California Chamber of Commerce
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Cesar Covanubia, Kennedy Commission

Mr. Casey Cramer, CCGGA/WAPA/NFL

Mr. Bill Davis, Southern California Contractors Association

Mr. Irvin Dawid, California Conservation Committee

Mr. Randy Deshazo

Supervisor Roger Dickenson, Sacramento County

Ms. Amanda Eaken, NRDC

Ms. Shannon Eddie, Large Scale Solar Association

Mr. Alex Esparza, City of L.A.

Ms. Heather Fargo, Strategic Growth Council

Ms. Michelle Garcia

Ms. Julie Gardiner, The Nature Conservancy

Mr. Dan Geis, AECA

Ms. Laura Genao, Southern California Edison

Mr. Matthew Hargrove, California Business Properties Association

Mr. Woody Hastings, Clean Air Now

Mr. Peter Hathaway, Climate Plan

Mr. Sean Hebard, Carpenters Union

Mr. Andrew Henderson, Building Industry Legal Defense Fund

Mr. James Hendry, San Francisco Public Utilities Commission
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Henry Hogo, South Coast AQMD
Ms. Bonnie Holmes-Gen, American Lung Association
Mr. Curt Johansen, Terre Verde Ventures
Ms. Meea Kang, Domus Development
Mr. Andy Katz, Breathe California
Mr. Jim Kemp, Santa Barbaa County Association of Governments
Ms. Elizabeth Klebaner, Adams Broadwell Joseph & Cardozo
Mr. Mark Krausse, PG&E
Mr. John Longville, San Bernardino Community College District
Mr. Richard Lyon, California Building Industry Association
Mayor Virginia Madueno, City of Riverbank
Mr. Ed Manning, KP Public Affiars
Mr. John McCall, Geothermal Energy Association
Mr. Larry McCallum, SCAG
Mr. Mike McKeever, Sac Area Council of Governments
Mr. Bruce McLaughlin, State Water Contractors
Ms. Sabrina Means, California Transit Association
Mr. Clayton Miller, CIAQC
Ms. Danielle Osborn Mills, CEERT
Mr. Dave Modisette, California Municipal Utilities Association
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Rahmon Momoh, CPUC, DRA
Ms. Cindy Montanez, Los Angeles Department of Water and Power
Ms. Kristie Moore, Codding Enterprises
Mr. Chris Morfas, Sac Metro AQMD
Ms. Crystal Muhlenkamp, CalSTART
Mr. Michael Murray, Sempra Energy Utilities
Mr. Janus Norman, AFSCME
Ms. Cheryl O'Connor, BIA Bay Area
Mr. Terry O'Day, City of Santa Monica
Ms. Elizabeth Patterson, City of Benicia
Mr. Norman Pedersen, Southern California Public Power Authority
Mr. Ben Phillips-Lesenana, Sacramento Sustainability Forum
Mr. Michael Quigley, California Alliance for Jobs
Ms. Nancy Radar, California Wind Energy Association
Ms. Mary-Michel Rawling, City of Merced
Mr. Phil Reyes, Council Member, City of Duarte
Mr. Michael Rubio, Kern County Board of Supervisors
Mr. Seyed Sadredin, SJVAPCD
Mr. David Schonbrunn, Transdef.org
Mr. Mitch Sears, City of Davis
Mr. Dan Severson, Turlock Irrigation District
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Mott Smith, Civic Enterprise Associates
Ms. Julie Snyder, Housing California
Mayor Dan Tabor, City of Inglewood
Mr. Tim Tutt, SMUD
Ms. Tonia Reyes Uranga
Ms. Jane Warner, American Lung Association
Supervisor Raymond Watson, Kern County
Mr. Mike Wells, Fresno Metro Ministry
Ms. Catherine Garoupa White
Ms. Laura Wisland, UCS
Mr. Denny Zane, Move LA
Mr. Scott Zengel, Bay Area Council
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CHAIRPERSON NICHOLS: Good morning, ladies and gentlemen. We have a quorum of the Board here within the building and within the sound of my voice, but we're just assembling, so it'll take another couple minutes.

I would appreciate it very much if everybody that's here for the SB 375 meeting would take a seat. And we will be taking public testimony, of course, after we hear from the staff and have an opportunity for the Board members to ask questions and make a few comments before we take any action on that.

If anybody is here for the renewable electricity standard item, that will not be taken up until after lunch. And if you're watching somewhere on the web and thinking about when to come over, I think you're safe in not planning to arrive here any earlier than 1:00. So hopefully that will help people plan their timing a little bit that we set aside the morning for this item.

Okay. The September 23rd public meeting of the Air Resources Board will come to order.

And we will begin the meeting as we normally do by saying the Pledge of Allegiance to the flag. Please stand.

(Thereupon the Pledge of Allegiance was Recited in unison.)
CHAIRPERSON NICHOLS: The Clerk will please call the roll.

BOARD CLERK MORENCY: Dr. Balmes?
BOARD MEMBER BALMES: Here.
BOARD CLERK MORENCY: Ms. Berg?
BOARD MEMBER BERG: Here.
BOARD CLERK MORENCY: Ms. D'Adamo?
Ms. Kennard?
Mayor Loveridge?
Mrs. Riordan?
BOARD MEMBER RIORDAN: Here.
BOARD CLERK MORENCY: Supervisor Roberts?
BOARD MEMBER ROBERTS: Here.
BOARD CLERK MORENCY: Professor Sperling?
BOARD MEMBER SPERLING: Here.
BOARD CLERK MORENCY: Dr. Telles?
BOARD MEMBER TELLES: Present.
BOARD CLERK MORENCY: Supervisor Yeager?
BOARD MEMBER YEAGER: Here.
BOARD CLERK MORENCY: Chairman Nichols?
CHAIRPERSON NICHOLS: Here.
BOARD CLERK MORENCY: Madam Chairman, we have a quorum.

CHAIRPERSON NICHOLS: Thank you very much. We have a Chairman too, actually. We have both a quorum and
a Chairman. Thank you.

A couple of routine announcements before we get started this morning, especially for any of you who may be new to our meetings.

Anyone who wishes to testify, we appreciate it if you sign up with the clerk of the Board. We'd prefer it if you give your name, but it's not actually required. We will limit the time each person has to speak. We'll start at a three-minute limit, but if it seems as though things are getting repetitive or we just have too many people, we might possibly put an even stricter limit on the amount of time.

We do read the written testimony and the letters that are sent to us. We already have large volumes of mail that have been submitted on both of our big items today. But if you brought written testimony, we really appreciate it if you, rather than reading it, just summarize it in your own words. It works better for us. We hear better and you'll still have all your comments in the record.

I'm also supposed to tell you that the exits for this room in the case of an emergency are at the rear of the auditorium and to either side of me. And in the event of a fire alarm, which does happen sometimes, we're required to evacuate this room immediately, go down the
stairs, and leave the building. People just assemble on the street or in the park across the way. And then when the all-clear sign is given, we'd come back into the building.

Okay. I think with that, we can get to the agenda. And the first item on our agenda is an informational report. It's not an action item. But it's a report regarding the San Joaquin Valley agricultural burning rule.

Mr. Goldstene.

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

This item is a follow-up from the May 27th Board meeting. At that meeting, the Board concurred with the San Joaquin Valley Air Pollution Control District's rule of phase out of agricultural burning as required by Senate Bill 705. At the May Board meeting, staff from Senator Florez' office, the author of SB 705, told the Board that the Senator planned to hold a legislative hearing on the topic.

The Board asked that we come back this month to report on the legislative hearing, if it occurred. It was held on July 28th, and a summary of the hearing is included in the memo in your packet and is available on the table in the lobby for members of the public today.
In summary, the San Joaquin Valley Air Pollution Control District provided an overview of the district's rule to phase out agricultural burning. The limited exceptions to the phase out are subject to the district's smoke management program, which restricts burning to days with the best meteorological conditions. And as you know, every day, ARB staff determines whether any burning is allowed and works closely with air districts to implement the statewide smoke management program to avoid public health impacts.

If the Board has any questions this morning, we do have program staff available if you'd like more information. That's the extent of it.

CHAIRPERSON NICHOLS: Thank you. Do any Board members have any questions or comments on the report?

We do have one person who indicated a desire to speak. Since no action is being taken, I'm not sure that she wants to. But I will ask if Betsy Reifsnider, did you wish to speak on this item?

MS. REIFSNIDER: No. Since no action is being called for today, that's fine.

CHAIRPERSON NICHOLS: Thank you very much. Nice to see you. So with that, we can turn to the rest of our agenda I think.

Before we take up the next item, I know there's
going to be some staff moving from place to place to get ready for the next presentation, we have a couple of general Board announcements or I guess comments to make. Although we don't always shout out all the great things that happen to our Board members or all the things they do, there is one that was just announced this week that I can't resist sharing with the rest of the group, in case anybody missed it. And that is that our Board Member Dan Sperling was awarded the Heinz foundation prize this year. This is an extremely prestigious award in the environmental science world. There are ten of them given I believe every year. It carries a substantial financial prize, which we'd love to find out what you're planning to do with, Dan.

In reading the citation for the award, in addition to his book which was a best seller for an academic book, I must say phenomenal accomplishment, he was sited for some of the things he has worked on and advocated for, including the low carbon fuel standard, which are things this Board has had an opportunity to participate in and follow his lead on. So I know we all want to congratulate Dan on this incredible honor. And maybe, Dan, you might just say a word or two or three.

BOARD MEMBER SPERLING: Well, thank you very much. It really is a great honor. I'm especially
appreciative, because much of the work that I was honored for was actually work that hundreds of people at ARB participated in in different kinds of ways and supported. So it really couldn't have happened without ARB staff and Board. So I'm -- it has an extra meaning for that purpose.

And, Mary, there are various people that have come up with ideas on how to spend the money.

CHAIRPERSON NICHOLS: I'm sure. There will be no shortage of that.

BOARD MEMBER: Maybe Heinz ketchup.

CHAIRPERSON NICHOLS: Well, the relationship between Dan's day job at the Institute for Transportation Studies which he Chairs and the Air Resources Board is a longstanding one and has benefited us very greatly. We feel we can bask to some degree at least in the glow of this award.

The other thing I want to mention is there is going to be a resolution circulating that we're going to ask the Board members to sign for Dr. Arthur Weiner who has officially announced his retirement from the UCLA School of Public Health. Dr. Weiner has been one of the pioneers in air pollution research going back to the days of the State Air Pollution Research Center at U.C. Davis where he was the Deputy Director for many years before he
moved to UCLA. He's trained generations of scientists, and he's still very active as a researcher, but he's decided to retire officially. And we are going to ask the Board members not only to send him a resolution congratulating him, but also to establish a lectureship in his name, which we would hope to do as an annual lecture on a topic in air pollution science here at the building, Cal/EPA. So just to announce that.

Okay. Are we now ready for the next agenda item? Okay. So the first action item on our agenda is the staff proposal for regional greenhouse gas reduction targets, which are to be set under Senate Bill 375, which is also known as the Sustainable Communities and Climate Protection Act of 2008. SB 375 established a process for reducing greenhouse gas emissions from transportation by utilizing more sustainable land use and transportation planning. The targets that we are looking at today will set in motion the work of regional planning agencies and local governments to develop plans for more sustainable communities.

I would really like to emphasize the fact, because I know there is a lot of people here as a result of some organizing efforts underway, that what we're talking about doing here is establishing a target that would be used to set in motion a plan which would be
designed to have impacts in 2020 and 2035. And that's not
to say that this is not important, because it is important
in terms of focusing everybody's attention on what the
goals are. But I do want to make it clear that not only
is there no effect in terms of any mandate or punishment
if people don't meet those targets, but also that this is
a long process to actually get these plans in place.

We realize that there are some significant
challenges ahead, however. We have a long way to go for
local governments to update their land use and
transportation plans and any changes that would actually
be experienced on the ground in terms of more walkable and
livable communities will take years to effectuate.
Success is going to take not only a lot of work by a lot
of different organizations, both in the public and the
private sector, but it's going to take a commitment in
terms of additional resources. And there need to be
incentives as well, because this is a program that is
completely intended to work through carrots rather than
sticks.

And we all know that in light of the current
economic situation that we're living with and the very
severe budget challenges that cities and counties are
facing as well as the state that the resources to do
planning, not to mention the implementation or building
new infrastructure, which is what we're really talking about here, to support sustainable development, these are things that are all in very short supply right now.

Now, the last time our Board was briefed on this item, I think that we all agreed that our job here, in addition to establishing a number, is not to just set a number and then walk away from the process, but really to work with the regions and local government and with our sister agencies who will play a key role in this. I mean, Air Resources Board is not able to, nor does it want to, nor should it take over the role of the Housing and Community Development Department or the Department of Transportation, to mention just two of the very, very critical agencies that are involved here. But we need to stay involved and stay at the table and to make sure that whatever we are doing to help with implementation is also helping them to focus attention and new sources of revenue on the need for additional planning.

I think as we proceed today, we will be reminded repeatedly -- and I know because we have several local elected officials on our Board, that we will not be allowed to forgot that local land use is a local prerogative and that it's local decision makers who ultimately have to decide whether and how these targets that we're going to be looking at setting today will be a
reality.

So one of the things that I'm pleased about and that gives me some sense of confidence in what we're doing here today is that we have had extremely active participation in this process from the very beginning by the local metropolitan planning organizations in the actual development of the targets. I know that the technical staffs of these agencies have been extremely active in trying to make sure that their decision makers as well as the ARB had a strong technical foundation for the recommendations that they've made.

But I'm also really encouraged by the fact that many local elected officials had the vision and the courage to step up to the plate and to make recommendations of targets themselves, not to just wait for ARB to come up with a number and then hand it out to them. But actually to do the kind of ground up process that we sometimes pay lip service to but don't always necessarily actually get to see happen. This has been a process that has included very, very active participation, not just by the advocates or the environmental groups or the business community, but by people who actually participate on a day-to-day basis in making the local land use and transportation decisions.

So that has been probably the single most
important aspect I think of this to date, really, is that there's been so much work already done in the area of sustainable planning taking place.

So with that, I'm going to ask Mr. Goldstene to introduce this item.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Last year, we briefed the Board on Senate Bill 375. We provided an update on target setting efforts and presented draft targets. As part of that briefing, you heard from several executive directors of the regional planning agencies about the tremendous amount of effort they put into developing initial planning scenarios in their commitment to continue work refining this information for use by the ARB in setting final targets.

Because considerable work was still underway, staff released the draft targets as ranges. After the release of the draft targets, ARB staff received additional information from a number of the metropolitan planning organizations. Many of the MPOs engaged in additional public processes with their Boards and community stakeholders, refined their initial technical work, engaged in regional policy discussions, and ultimately approved new or updated target recommendations for submittal to ARB.
In July, a number of MPOs considered target recommendations. The San Diego Association of Governments Board voted on July 23rd. The Bay Area Metropolitan Transportation Commission voted on July 28th. And the Shasta County Regional Transportation Agency voted on July 27th.

ARB staff also received further input through its public workshop process in July, which consisted of seven public workshops around the state.

Using information from both the MPO Board actions and public process, staff developed and released its proposed targets in our August 9th staff report.

Now, since the release of the staff proposal in early August, additional metropolitan planning organizations have submitted information and recommendations on targets for their region. Actions have been taken by the eight MPOs in the San Joaquin Valley to support a unified recommendation from the valley through the San Joaquin Valley Air District Board. The Sacramento Area Council of Governments took action on August 19th. The Southern California Association of Governments took action on September 2nd at their regional council meeting. And the Association of Monterey Bay Area Governments and the Santa Barbara County Association of Governments took final actions as well. All of this work was done in
public view and very robust public process.

This new information will now be summarized for your consideration as part of the staff presentation.

Lezlie Kimura from our Air Quality and Transportation Planning Branch will start the staff presentation. Lezlie.

(Thereupon an overhead presentation was presented as follows.)

MS. KIMURA: Thank you, Mr. Goldstene.

Good morning, Chairman Nichols and members of the Board.

Your action today is to consider setting greenhouse gas emission reduction targets for passenger vehicles for the 18 metropolitan regions in California pursuant to Senate Bill 375. It is an opportunity for the Air Resources Board to promote better transportation and land use planning and to provide regions the opportunity to achieve community benefits that extend beyond greenhouse gas reductions.

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MS. KIMURA: There is a long history of regional planning in California by Metropolitan Planning Organizations, or MPOs. Local elected officials who sit on the MPO Boards are regularly called upon to make decisions in the context and region at large. SB 375
re-enforces this regional planning perspective, allowing local decision makers and the public to examine how their decisions on future land uses and transportation affect travel patterns. It helps to discover ways to best use employment opportunities, transportation options, and regional resources in providing the quality of life improvements that communities want.

In addition, SB 375 better integrates the state's transportation, housing, and environmental review programs to promote on-the-ground action. It makes changes to housing planning, to ensure that plans for housing become aligned with the regional vision that will be set forth in regional transportation plans.

It also creates several new provisions to the California Environmental Quality Act to reduce the cost of and ease the environmental review of projects in order to assist communities in making their plans a reality.

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MS. KIMURA: If California is successful in implementing improved regional plans under SB 375, many public health benefits beyond greenhouse gas reductions can be realized. More efficient prioritization of land use, transportation infrastructure, and municipal services can help regions and cities reduce air pollution, design healthier communities, with more walkable neighborhoods,
open space, and less congestion, and provide overall enhanced quality of life for residents.

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MS. KIMURA: As a reminder, SB 375 requires most regions in the state to add a sustainable communities strategy, or SCS, to their regular regional planning process that looks at how different land use and transportation strategies can help meet long-term sustainability goals.

To help guide these regional planning efforts, ARB sets regional greenhouse gas emission reduction targets for 2020 and 2035 and updates them over time.

The law is clear that the targets to be set by ARB are not regulatory standards for regional or local governments, and that local governments are not required to change their local plans and policies due to targets.

Rather, the law creates incentives that are intended to help communities implement regional plans that meet the targets, if they choose to do so.

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MS. KIMURA: SB 375 places the responsibility for developing regional plans on the 18 MPOs in California. These regional agencies are created by federal law to carry out comprehensive multi-modal transportation planning. MPOs are governed by locally elected officials.
from within the region, which include city council members and members of county boards of supervisors.

The shaded area of this map shows the areas covered by the 18 MPOs, which accounts for overwhelming majority, nearly 98 percent of the state's residents and passenger vehicle greenhouse gas emissions.

The four largest MPOs in the state include the Southern California of Association of Governments, SCAG; the Bay Area's Metropolitan Transportation Commission, MTC; the San Diego Association of Governments, SANDAG; and the Sacramento Area Council of Governments, SACOG.

Collectively, these four regions are home to over 80 percent of the state's population, vehicles miles traveled, and CO2 emissions from passenger vehicles.

The eight MPO's covering the San Joaquin Valley and eastern Kern County include the counties of San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and Kern. The area covered by these MPOs make up roughly 10 percent of the statewide population, vehicle miles traveled, and CO2 emissions.

Most notably, this area of the state is expected to experience growth at more than double the rate of the rest of the state in 2020 and 2035. The remaining six MPOs include the Association of Monterey Bay Area Governments and the counties of Santa Barbara, San Luis
Obispo, Butte, Shasta, and Tahoe which cover five percent of the state's population, vehicle miles traveled, and CO2 emissions and are not expected to experience future high growth.

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MS. KIMURA: In many ways, MPOs and local agencies across California have already started the kind of regional planning envisioned by SB 375. Many of the strategies that will be considered as these agencies develop plans under SB 375 have already been identified through a decade's worth of regional blueprint planning efforts throughout the state, which have emphasized a broad based local collaborative process for identifying how regions want to grow. Some are even being actualized at the local level through the updates to general plans, development of Climate Action Plans, and development of more sustainably designed projects on the ground.

Current travel trends are already showing an improvement. The growth in vehicle travel is no longer double that of population growth, which was the rule of thumb in the 80s and 90s. Over the past ten years, growth in vehicle miles of travel did not exceed population growth.

MPOs are now projecting that with their current transportation plans in place, vehicle miles of travel per
person will actually decrease around 2 percent over the next decade.

While this trend is certainly influenced by the recent economic recession, changes to local and regional planning practices, demographic shifts, and changing consumer preferences over the past decade are the key drivers.

SB 375 builds on the momentum of these regional and local actions which helps the communities begin discussions of what the sustainable community strategies for their regions should look like.

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MS. KIMURA: Your decision on targets today arguably kicks off the most important part of SB 375: The first formal regional planning process where MPOs must develop sustainable community strategies as part of their regional transportation plans, or RTPs. RTP development is a detailed and time intensive process that is governed by state and federal laws. This is where the very general and generic analysis that MPOs have done to date are turned into concrete and real plans.

Typically, the process spans one to two years and includes multiple rounds of technical modeling work, analysis of alternatives, extensive public participation, and an environmental review process.
Throughout the RTP development process, MPO Boards are called upon to make policy and technical decisions about population projections, land use patterns and transportation infrastructure that directly affect the expenditures of billions of local, state, and federal transportation dollars. The MPOs develop new regional transportation plans every four or five years and make periodic amendments to existing RTPs as needed.

In general, it is important to recognize that regional transportation plan development by the MPOs is based on more detailed technical information, complex regional policy considerations, and a lengthier public process than has occurred in the development of informational scenarios by MPOs for the target setting process.

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MS. KIMURA: To add a sustainable communities strategy to a regional transportation plan, SB 375 requires MPOs to set an integrated development pattern and transportation network for the region, identifying things such as general location of different land use, residential densities, and areas to house the region's population, among other things that, if implemented, would achieve the targets set by ARB.

Since the content and requirements for regional
transportation plans are defined by both State and federal law, an MPO's development and adoption of a sustainable community strategy must also remain consistent with State and federal planning requirements.

If it is determined that, if implemented, the prepared SCS will not achieve the targets set by ARB, an MPO must prepare a separate alternative planning strategy that shows how the region could achieve its targets.

Regardless of which document demonstrates how the region can achieve its targets, the SCS as part of the federally required RTP or the APS as allowed by SB 375, qualifying projects that are consistent with the plan that meets the targets will have access to the environmental relief incentives created in SB 375.

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MS. KIMURA: Clearly, most of the implementation effort in SB 375 is carried out at the regional and local levels. SB 375 outlines a few specific roles for ARB that are intended to help begin and guide these efforts.

The first, which is the topic of your consideration today, is to establish emission reduction targets for the MPOs. Starting immediately and extending over the next several years, ARB staff will be reviewing MPO technical methodologies for quantifying greenhouse gases. In addition, once MPOs develop and adopt their
sustainable communities and alternative planning strategy
plans, SB 375 gives a limited role to ARB to either accept
or reject the MPO's determination that its SCS or APS
would, if implemented, achieve the regional targets.

Finally, SB 375 requires ARB to update the
targets at least every eight years and provides that the
Board may revise the targets every four years.

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MS. KIMURA: As a first step in developing
targets, this Board convened the Regional Targets Advisory
Committee, or RTAC, and charged it with providing
recommendations on target setting. Composed of
individuals with a mix of expertise and experience in
planning, home building, environmental resource
protection, and social equity, this Committee's work led
to many valuable insights for the target setting process.
The Committee submitted a report to ARB in September of
last year, which staff brought to the Board in November.
Highlighted here are three of the Committee's key
recommendations on: How the targets should be expressed;
the value of the highly collaborative process with MPOs
for target setting; and lastly, the need for additional
funding and other resources to help local and regional
governments with implementation.

Since the release of the report, the MPOs put a
tremendous amount of work in developing alternative land
use and transportation scenarios to inform target setting
and have included ARB staff in its development processes.

The initial results of their scenario work were
provided to ARB and the public beginning in May and
presented to this Board in June. Since that time, several
MPOs have continued work and provided additional
information to ARB.

ARB staff has continued to work to maintain
public stakeholder engagement throughout the target
development process. Information, data, and analyses
provided by the MPOs were shared in real time with the
public and discussed through a public process, which
included meetings in May and June, as well as a series of
seven public workshops around the state in July.

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MS. KIMURA: This chart illustrates how staff's
proposed targets are expected to work in each region. It
uses data for the Sacramento region as an example.
Starting with the left most bar in the diagram, you see
the region's per capita carbon emissions in 2005 from cars
and light trucks.

Moving right to the diagram's middle bar, you see
the effect of staff's proposed 2020 target on the region's
per capita emissions, a seven percent reduction from their
2005 level.

The last bar shows the effect of the staff's proposed 2035 target on the region's per capita emissions, which is a 16 percent reduction from their 2005 level. As you can see, the targets are not additive. They represent reductions from the same base year.

CHAIRPERSON NICHOLS: Also just to be clear, I know everybody understands that per capita means per person. But the way this works, if a region was growing, its total emissions for the region could actually go up or at least remain stable.

MS. KIMURA: That is correct.

CHAIRPERSON NICHOLS: Under this scenario.

MS. KIMURA: Yes. And actually, I will address partially that question in the next slide. So I'll talk a little more about that.

While we are looking at this slide, I wanted to point out that the target reductions as shown here are not from SB 375 efforts alone. A proportion of the target reduction in 2020 and 2035 will be achieved by the region's baseline. In other words, by what the region expects is already going to happen with their currently adopted plans.
targets add up and combine with ARB's greenhouse gas vehicle and fuel standards to achieve significant overall greenhouse gas emission reductions statewide.

The top black line represents the greenhouse gas emissions from passenger vehicles based on the updated MPO data.

The pink line represents the reduced emissions if all MPOs meet the targets proposed by the staff. As you can see, even though emissions per person are going down, total emissions continue to increase because of population growth. The proposed targets are not growth caps.

The bottom blue line shows what happens when you combine the targets with the vehicle and fuels benefits. The result is a dramatic net decrease in total passenger vehicle emissions.

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MS. KIMURA: While ARB staff served as the convener and focal point of much of the target-setting discussions over the past 18 months, it was the MPO staff who worked to develop new and updated region-specific information for those discussions. A significant portion of the information available for target setting includes technical scenario work done by the MPO staff to evaluate the impacts of different strategies on regional emissions.
recommendations that a number of the MPO policy boards provided to ARB. The MPO Board actions reflect the responsibility each locally elected decision maker accepts in sitting on an MPO Board, which is to consider the technical information along with policy considerations in deciding what direction is in the best interest of the region.

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MS. KIMURA: In contrast to the plans developed as part of the formal regional transportation planning process that I described earlier, the scenarios developed by the MPOs for target setting were intentionally much simpler. They reflect the generic impacts of general land use and transportation strategies on regional emissions using current data sets and models.

Typically, alternative scenarios are used in planning to evaluate how various bundles of transportation and land use policies will impact a given region. They give planners and the public an opportunity to get a preliminary view of what ideas might look like when implemented and which policy bundles may work better than others in a region.

While the target-setting scenarios represent some of the best available and most current information for regional target setting, ARB staff also recognizes that
the scenarios should not be interpreted as containing the final strategies or policy options that the regions will eventually pursue in their formal sustainable community strategies.

Over the past four months, ARB has received a wide variety of regional scenarios, representing varying degrees of information from the MPOs. Some MPOs looked at the impact of individual strategies. Others evaluated the impacts of combining different strategies.

While not an exhaustive list, some of the strategies looked at including increased compact development, expansion of transit networks, improved jobs/housing balance, and pricing.

Flowing out of the coordination efforts among the MPOs, they did, where it made sense, use some common assumptions and approaches when developing their scenarios. Most notably, they agreed on a common set of policy categories that they would evaluate. Many also used common approaches for projecting future fuel cost and available regional revenues. Recognizing the importance of accounting for near-term impacts of the economic downturn, many of the MPOs also reported that they adjusted the forecasts used in their scenarios to account for effects of the recession.
MS. KIMURA: ARB staff recommended in our August 9th staff proposal that this first cycle of target setting be focused on the largest and fastest growing regions of the state and recommended that targets for the remaining six MPO regions reflect the region’s most current projections for 2020 and 2035.

Subsequent to the release of staff’s proposal in August, both the Association of Monterey Bay Area Governments and the Santa Barbara County Association of Governments Boards approved target recommendations that would achieve greater greenhouse gas emission reductions than ARB staff’s proposal.

On August 23rd at a special meeting of the Board, the Association of Monterey Bay Area Governments Board of Directors voted to recommend a target of zero per capita change in 2020 from their 2005 level and a five percent reduction in per capita emissions from 2035 from their 2005 level.

On September 20th, the Santa Barbara County Association of Governments Board voted to recommend a target of a zero per capita change in both 2020 and 2035 from their 2005 levels.

In addition, yesterday, staff from the Tahoe Metropolitan Planning Organization asked to correct information that was used to calculate their region’s 2035
The correction changed Tahoe's projections for 2035, resulting in a greenhouse gas emissions reduction of five percent per capita from 2005 levels.

Over the next few slides, I'll talk some more about the additional information and recommendations provided to ARB since June by the four largest and eight valley MPOs.

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MS. KIMURA: The San Diego Association of Governments, or SANDAG, conducted additional modeling work under the direction of their Board which asked staff to model a revision to a previously modeled scenario assuming a land use allocation consistent with SANDAG's recently adopted 2050 growth forecast and including transportation demand and system efficiency measures, including expanded tele-commuting and ride sharing options, expansions of regional transit, bike, and ped systems and additional high occupancy toll lanes.

SANDAG staff presented the results to their Board at its July 23rd meeting. The SANDAG Board approved target recommendations of a seven percent per capita reduction for 2020 from their 2005 level and a 13 percent per capita reduction for 2035 from their 2005 level.

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MS. KIMURA: The Sacramento Area Council of Governments also continued to work on additional scenarios. SACOG staff developed three additional scenarios as part of their planning work related to their metropolitan transportation plan update. These scenarios were initially discussed by SACOG's Transportation Committee in early August and were discussed by the full SACOG Board at its meeting on August 19th.

The Board selected targets that represented the mid-range scenario. This scenario assumes an enhanced land use allocation that is more consistent with recent market performance and a blueprint distribution of new residential housing stock in the region. The scenario also reflects enhancements to transit as well as system and demand management strategies compared to the region's current plan.

At that meeting, the SACOG Board approved per capita greenhouse gas target recommendations of seven percent reduction for 2020 from their 2005 level and 16 percent reduction from their 2035 from their 2005 level.

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MS. KIMURA: In the Bay Area region, the Metropolitan Transportation Commission evaluated the potential emission reductions associated with separate land use, pricing, and maintenance policy options, as well
as the potential reductions of combining these policies.

In early July, MTC staff worked with the Commission's Policy Committee to review the initial scenarios and conducted additional work to provide potential impacts of reduction targets set at 12 and 15 percent for 2035. MTC staff presented the results of their analyses to the Commission at its July 28th, public meeting.

At that meeting, the Commission approved per capita greenhouse gas target recommendations of seven percent reduction for 2020 from their 2005 level and 15 percent reduction from their 2005 level.

Board Member Supervisor Yeager, who is also a member of the Commission, has asked that Steve Hemminger, MTC's Executive Director, present some additional information on the region's work following ARB staff's presentation.

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MS. KIMURA: The eight MPOs in the San Joaquin Valley, which includes the entire county of Kern, are in a unique situation, having just adopted eight new RTPs in July of this year as a result. Their first SB 375 SCSs will be done in the context of their 2014 RTPs.

To prepare for the 2014 RTPs, these MPOs have already initiated substantial model improvement efforts
and continue to discuss how to move forward with the flexibility SB 375 provides in allowing multi-county sustainable community strategy development in the valley. Given their unique circumstances, ARB staff proposes a process that:

One, establishes placeholder targets of a five percent per capita reduction from 2005 levels for 2020 and a ten percent per capita reduction from 2005 levels for 2035;

Second, establishes a process where the report on expected model improvements in 2012;

And lastly, establishes provisional targets in 2012 which would be formerly considered by ARB in 2014.

Since the release of staff's draft proposal on August 9th, the eight MPOs have had continued discussions with their local jurisdictions, stakeholders, and the San Joaquin Valley Air Pollution Control District. In a region-wide effort to bring a unified recommendation from the Valley, the San Joaquin Valley Air District Board supported by the eight MPO directors, adopted a recommendation in favor of ARB staff's proposed process, with the exception of staff's recommended placeholder target.

Instead, the air district and MPO's have recommended an alternative placeholder target of a 2
percent per capita reduction for 2020 from 2005 levels and
a five percent per capita reduction for 2035 from 2005
levels.

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MS. KIMURA: In the Southern California region, the Southern California Association of Governments, or SCAG, initially looked at five scenarios that assumed land use patterns that reflected locally supported land use policy concepts developed through the region's compass blueprint efforts as well as gradual improvements in transportation infrastructure and policy beyond what the current transportation plans achieves.

In our August report, ARB staff proposed an eight percent per capita reduction target for 2020 from 2005 levels, based on the recommended target range provided by SCAG in May.

For 2035, ARB staff proposed a reduction target more in line with the other major MPO regions of 13 percent per capita reduction subject to the pending SCAG Regional Council discussion. The ARB staff proposal recognized that SCAG staff was doing additional technical analyses on the region's scenarios.

Since that time, SCAG staff performed additional sensitivity testing of 2035 scenarios that considered additional transportation demand management and
non-motorized measures, refined forecasting analyses of
local socioeconomic input, and improved some technical
modeling and off model analyses.

SCAG staff concluded that a 13 percent per capita
reduction target in 2035 is ambitious, but possibly
achievable, assuming the successful implementation of
planned projects within the region, as well as commitments
from State and federal governments for additional funding
and resources.

On September 2nd, SCAG staff recommended that the
Regional Council approve target recommendations of an
eight percent per capita reduction for 2020 from their
2005 level and a 13 percent reduction for 2035 from their
2005 level, provided ARB accept a list of recommendations
to address funding and other resource concerns related to
SB 375 implementation.

After much discussion, the SCAG Regional Council
voted 29 to 21 to approve target recommendations of a 6
percent per capita reduction for 2020 from their 2005
level and an 8 percent per capita reduction for 2035 from
their 2005 level, with the provision that with ARB as a
partner, they would be willing to discuss higher targets.

MS. KIMURA: From the very earliest discussions
about SB 375, funding and technical tools have been
clearly identified as statewide implementation challenges. The concerns highlighted early in the process by the RTAC and more recently by the San Joaquin Valley MPOs and SCAG Regional Council reinforce the importance and urgency of these challenges.

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MS. KIMURA: Today, funding for transportation, local planning, and redevelopment efforts is in short supply. The recession has adversely affected local government resources, leaving many struggling to provide basic services.

Along with the recession, State budget cuts, especially to transit and redevelopment funding, are near-term obstacles to achieving the goals.

The solution to this funding dilemma is not something that can be fixed quickly or by any one source. It will require a continued commitment to bring together a host of funding sources across State and federal government, the regions, businesses, non-profits, and local governments.

In addition to funding, tools that help regional and local agencies assess the potential impacts of their land use and transportation policy decisions on the liveability of their communities must be improved. Local decision makers and the public will want to know how their
choices will affect emissions, how they affect commute times, will they affect household costs, health, and other things.

ARB, in cooperation with the Caltrans, the MPOs, and other state and local agencies already have a number of efforts underway to help address this issue.

ARB is providing funds to improve the San Joaquin Valley MPO's travel demand model using the statewide travel model Caltrans is currently developing with U.C. Davis as its framework. The San Joaquin Valley Air District is also contributing funding to the Valley model improvement effort.

Caltrans is facilitating a significant upgrade to the statewide household travel survey that will update and improve travel data throughout the state. This effort is being funded in part by the Strategic Growth Council as well as by contributions from a number of the MPOs. ARB has also contracted with a team of U.C. researchers to assess the empirical literature and identify the potential effects of different land use and transportation strategies on greenhouse gas emissions, including co-benefits.

In addition, the MPOs have started discussing appropriate performance indicators for guiding regional planning development and tracking regional progress over
time.

These efforts represent a promising start.
Continued commitment to improving these tools will be needed for ensuring successful long-term implementation.

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MS. KIMURA: Today's Board action sets in motion a whole series of discussions, technical exercises, and opportunities for the public engagement that will take place throughout the state at the regional and local levels.

Over the next several years, MPOs will go through the formal process of developing strategies to meet the targets set today. Local governments and community stakeholders will discuss and make decisions about the future of California's cities and counties. As modeling and data improve, regional policy discussions advance, and California's economy moves out of the recession, this Board will have the opportunity to incorporate new information into the next target-setting cycle.

Thank you. That concludes staff's presentation.

At this time, I'd like to turn the microphone over to Mr. Hemminger of the Metropolitan Transportation Commission.

CHAIRPERSON NICHOLS: While he's coming up, I'd like to let people in the audience know we're thrilled so
many of you have taken the time to come and be with us and participate in this decision. Obviously, it's something that people feel very intensely about.

There does appear to be a shortage of seats in the room, however. There is a few empty ones in the middle. We have just received notice that we have use of the Coastal Hearing Room, which is next door down the hall where you can hear, although I'm not sure that you can see everything that's being said.

And so what I would recommend for those of you who either are just monitoring this or after you've spoken if you would consider moving, I think it would make it a little more comfortable for everybody. So that's just an option out there for those who are standing in the back of the room or wedged up against a wall. Thanks.

Okay, Mr. Hemminger, go ahead.

BOARD MEMBER YEAGER: Madam Chair, if I may begin here.

Before we begin the public testimony, I feel compelled to set the record straight on where the Bay Area's Metropolitan Transportation Commission stands with respect to SB 375 and the greenhouse gas reduction targets for our region. I serve not only as the Bay Area's representative on this Board, but also as a member of MTC. I am one of 16 voting Commissioners, all locally elected.
officials representing Bay Area cities and counties on
matters of transportation planning and funding for the
region. I represent Santa Clara County.

As an MTC Commissioner, I was taken aback by the
misrepresentation of the MTC's position on SB 375
published Wednesday in the San Jose Mercury News. Two of
my fellow Commissioners wrote an opinion piece calling for
ARB's proposed emissions reductions targets for the Bay
Area extreme and unrealistic. They implied that ARB staff
turned its back on the wishes of the Bay Area's
representatives in the recommending that the Board adopt
15 percent per capita reduction targets for 2035.

I'm frustrated by this misrepresentation as well
as the misrepresentation by the Building Industry
Association and others. In truth, ARB staff
recommendation embraces the consensus of the MTC.

On July 28th, the Commission actually approved
emission reduction targets of seven percent for 2020 and
15 percent for 2035. It passed nine to four. The
majority of Commissioners favored these targets because of
their potential to improve the mobility, health, and
overall quality of life for Bay Area residents.
Health-related savings alone are projected to amount to
$140 million a year.

In truth, the Bay Area is already on track to
reach a greenhouse gas emission reduction of at least 12 percent by 2035 through measures in city and county general plans.

The Commission's vote on recommended reduction targets turned on whether and how to achieve another three percent reduction, raising the bar to 15 percent.

Opponents have misquoted MTC staff on how the higher targets could be attained claiming the Commission would have to impose some "massive tax and fee hikes" and force Bay Area residents to pay a freeway congestion fee.

I cannot speak for all of my fellow Commissioners, but it's safe to say that none of them are poised to enact that kind of taxes or fees raised in the commentary. We feel confident it can be achieved in ways that don't include a special VMT tax.

The bottom line is that MTC favors the proposed reduction targets before the Board today. The Commission thinks they are very achievable and is proud of being in front of the anti-sprawl measures.

I invited MTC's Executive Director Steve Hemminger to help clear the air on the Commission's position. I feel that many of today's speakers will misrepresent MTC's position, and I wanted Mr. Hemminger to speak to those concerns now, particularly the issue of the $9 price per gallon and how we arrived at our 2020, 2035...
Mr. Hemminger.

MR. HEMMINGER: Thank you, Supervisor.

With your permission Madam Chair and members of the Board. It's a pleasure to see you.

(Thereupon an overhead presentation was presented as follows.)

MR. HEMMINGER: I'm Steven Hemminger, MTC's Executive Director and also a member of your Regional Targets Advisory Committee.

But today, as Supervisor Yeager indicated, I hope I can provide a little clarification for our scenario planning results, which have proven to be quite quotable, if not misquotable. And that's all fair for me, because we've done a lot of work over the last several months, not just my agency, but agencies around the state. And I think it's important for that work to be represented accurately.

If we can go to the next slide.

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MR. HEMMINGER: What I'm going to give you is a very condensed version of the presentation that our Commission sat through for several hours in July and try to hit the high points of some of the places where I think some misunderstanding or perhaps misrepresentation may
have occurred. This is probably a good place to start. And this slide tries to show you the evolution that we have all gone through in understanding, in learning from each other, in recalibrating the various scenarios that we have run and their effect on greenhouse gas emissions per capita.

Let me dwell on two points on this slide. The first is at the far right. We adopted our long range regional transportation plan in the Bay Area just last year. And when we adopted that plan, we thought based upon the planning information we had at the time, that it would increase CO2 per capita by 2 percent by 2035. That's what we thought it did.

What we have done in this process is change the assumptions in that plan. We haven't changed the plan at all. The plan is still the adopted plan of the Bay Area. But we have taken account of the recession that unfortunately we are still mired in. We have taken account of the fact that reduces economic activity which reduces CO2 emissions. And what we find is that that same plan today would reduce CO2 emissions by 2 percent per capita by 2035. That's a four percent swing with the plan not changing at all, but the world changing around it.

And I would add to you that I think it's likely by the time we start our planning work for our sustainable
community strategy next year, we may need to re-visit those assumptions again, because unfortunately, the recession is persisting longer than we would like.

Now, some have indicated that we're somehow planning for a recession or rooting for a recession, and we are doing no such thing. But we are acknowledging that it exists. And if we did otherwise, we would be practicing very poor planning indeed.

At the left end of this chart, I would like also to draw your attention to the fact that we labeled an analysis one of the planning scenarios we considered several months ago most ambitious. And maybe that was a regrettable term of phrase, because it didn't turn out to be most ambitious at all. We were able to make some corrections, change some assumptions, add new measures that we had learned from our colleagues elsewhere in California to put a package of sensitivity tests together as they're labeled here that had the combined effect of reducing CO2 emissions in the Bay Area by 18 percent, not 11.

So I think part of the issue perhaps in the commentary that you're receiving is folks are plucking information from several months ago from several iterations ago and saying, uh-huh, that's what they said. Well, what we're saying is what we're saying today. And
we've done a lot of learning, and I think that learning has all been to the good in terms of how credible this process is becoming.

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MR. HEMMINGER: The packages that we presented to our Commission in July essentially were three-fold. This was quite similar I think to the kinds of packages that were represented to Board members and policy makers around the state. We had three of them, as you can see on the slide. One of them at the left, transportation demand management. Those are programs: To encourage employers for their employees to telecommute or bike to work or take transit instead of drive; road pricing, which I'll describe in detail in a second; and a land use strategy that concentrates more growth in established cities around public transit and the like.

You can see the estimated GHG reduction per capita for each of them by 2035. When you combine them, if you do the quick math, you'll notice that the combined effect is less than each of them individually because there's some double counting that you have to take account for. But the fact is you can see on this slide at least that the land use strategy we believe clearly holds the greatest potential for making positive improvement in CO2 emissions in our region.
MR. HEMMINGER: The direction we had from our Planning Committee, as your staff indicated when we dealt with this subject in July, we had initially recommended the staff to them a ten percent reduction by 2035. When they received that information and received a lot of public commentary, just like you're going to get today, they asked us to sketch out the impact, the road map, if you will, to a 12 percent or a 15 percent reduction. And that's what we did in the space of a couple of weeks between the Committee and a Commission meeting. And we presented them results like I'm going to show you right now.

MR. HEMMINGER: On the land use question, the one that I think is the most powerful strategy, I think this slide was quite revealing to the members of my Commission, including your colleague Supervisor Yeager, because it includes the largest city in our region and the one that he calls home.

What the slide does is show you the increase in population, the growth from 2005 to 2035 for the three largest cities in the Bay Area; San Francisco in blue, San Jose in orange, Oakland in green. It shows them for you in four different slices. On the far left is our adopted CALIFORNIA REPORTING, LLC
52 LONGWOOD DRIVE
SAN RAFAEL, CA  94901
(415) 457-4417
regional transportation plan. The one we adopted last year, the one that's been approved by the federal agencies for being reasonable in its planning assumptions and demographic assumptions. The other three, as you march off to the right of the chart, are based upon different percentages of emission reductions, 10 and 12 and 15.

And I think the lightbulb that went off for a lot of Commissioners on my Board is the fact that we are already planning and we have already committed to a very significant level of growth in these center cities, primarily through infill strategies and transit-oriented development. That's where we are starting from. The change from there to 10 or 12 or 15 percent is not nearly as great as the change from today to the plan we've already committed to.

CHAIRPERSON NICHOLS: Steve, may I interrupt you for just a second? I'm not sure if this is the right slide to ask this question with.

But this has in the last week or so been a time when clearly there has been a lot of agitation and organizing going on around these issues, both pro and con frankly. But some of the rhetoric has been pretty extreme.

And one of the comments that I've heard I believe from one of the representatives of the building industry...
is that your plan relies on the forced relocation of 
people. That's the term that they use, which is a 
pretty -- that's a pretty loaded term for those of us in 
this society. So obviously, that caught my attention. 
And I'm just wondering what that is referring to, what 
that is based on. And can you respond to that?

    MR. HEMMINGER: Well, I'm not quite sure. We're 
certainly not going to knock on anybody's door and take 
them out of their house and take them to San Francisco.

    CHAIRPERSON NICHOLS: I don't think you have the 
power to do that anyway.

    MR. HEMMINGER: No, I don't believe we do.

    What we're talking about in this challenge with 
CO2 reduction is not so much altering the behavior of 
people who are already here and who have already 
established patterns where they live and where they work, 
how they get around, although changing their behavior 
would be nice. But that's the toughest kind of behavior 
to change, all of us who were here and are used to doing 
what we're doing.

    What we are really talking about here is the 
increment of growth. The folks who aren't here yet, the 
children who aren't born. And planning an infrastructure 
and putting in place a set of incentives for those new 
folks to act somewhat differently and somewhat more
sustainably than those of us who are already here. That's what this is about.

And when I talk about movement of people, it's not the literal people who are here today and making them move houses or move jobs. It's about moving the forecast of where we thought those jobs and houses were going to go to somewhere else that makes more sense from a sustainability point of view.

CHAIRPERSON NICHOLS: Thanks.

MR. HEMMINGER: Again, just looking at this slide, you will see again that the main difference here is between today and the plan we've adopted, not among the 10 or 12 or 15 percent.

Now, clearly, San Jose would have to accommodate more housing at 15 percent than at ten. But the increment of that is relatively modest compared to what we believe we can already partner with them and do under our currently adopted plan. So that's one look at the land use question.

Let me turn to the other two packages quickly.

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MR. HEMMINGER: Transportation demand management is a whole suite of strategies that involve especially employees at large employers to get to work or in this case telecommuting, not get to work, in different ways to
reduce vehicle travel.

We currently in the Bay Area have about five percent of our workforce doing that. The assumption we made in this scenario is that we could double that to ten. Now, can we pull that off? I'm not sure. Can we do better than five? I believe we can. And when you look at the trend of work, the kind of work being done at the increasing sophistication of these computer instruments that we are all carrying around in our pockets now, we do believe this is a strategy that is right for improvement and that we could gain some significant air quality and CO2 emission benefit from it.

Now, how we pull that off is still an open question. Our air quality district is considering an indirect source regulation that could be one way of doing it. There could be incentive programs with employers as a different way of doing it. But we do believe it is a very viable and feasible strategy, which brings us to the last one.

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MR. HEMMINGER: The one that got you all that e-mail about $9 per gallon gasoline. We had a scenario in our planning that looked at road pricing, because one way you clearly -- the literature is well established -- can influence how people travel is if they're paying more to
drive. What we tested is a scenario under which -- and I think it's shown best perhaps at the bar on the left -- that in 2035 -- and remember that's when all this work is being done -- there will be a base cost to drive around, the cost of buying gas and maintaining your car and so on. And we essentially added a per mile fee, a vehicle miles traveled fee that roughly doubled that cost from, as you can see on the slide, a little bit under 30 cents per mile to something over 50.

Now, that's a planning scenario. That is not a policy proposal. In fact, if I had made that proposal to my Board in July, I doubt I could have gotten a single vote. I doubt I could get a single vote for that here.

We analyzed the scenario for the purposes of demonstrating to the Commission the relative power and influence of this strategy. But I think it is entirely the case that our Commission and policy makers like them around California first will be pursuing strategies they're used to and have comfort with and only at later or last in this case reports will they be looking at strategies that they are not comfortable with and not used to.

There's no question that this strategy is powerful in terms of the effect it has. That's one of the reasons it's quite controversial, because it has that kind
of power.

At the same time, I would mention our Commission in the middle of this recession acted several months ago to raise tolls on the Bay Area bridges. And as part of that action, they acted to have a variable toll on the Bay Bridge, the busiest bridge in the western part of the United States. So the toll is higher in peak hours and lower in off peak hours. That was a unanimous vote of our Board. Not exactly an uncontroversial idea.

So I don't mean to suggest that road pricing is something that we shouldn't even talk about. We should be afraid to even discuss it. But clearly at these levels it is something that I think is well beyond the current political consensus in any region of our state. I think those who suggest that somehow it is imminent or that it is an absolute pre-requisite to attain these standards, it is simply misleading for the public and your Board.

Again, I don't think it is all likely that my Commission is going to pursue this strategy. But we did believe it was important in terms of disclosure to show them the different ways that you could go about trying to reduce CO2 emissions.

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MR. HEMMINGER: The conclusions we gave them I will leave with you today in terms of all the scenarios we
evaluated. The first is that the Bay Area, as many of our counterparts are elsewhere in the state, is already embarked on a fairly aggressive focused growth strategy. My colleagues at the other big four MPOs, we have been doing what we call blueprint planning for several years. We did it before we ever heard of Senate Bill 375, and we are going to keep doing it with or without Senate Bill 375, because it's a good thing to do for a lot of reasons. That we believe gives us a lot of confidence that the -- I'll go to the third bullet now that the strategy that relies on land use and focused growth is really where we're going to go first.

And as you can see in this analysis, that gets you in the Bay Area about a 10 to 12 percent reduction in CO2 per capita. So that leaves us a gap if we want to get to 15 percent of about three to five percent. And how we fill that gap I think is going to occupy Supervisor Yeager's time and his colleagues for the next three years as we comply with the law.

I do not think they're going to turn to $9 gasoline as the way to do it. They're going to look at transportation demand management. They may look at strategies like smart driving where if all of us took the golf clubs out of our trunks, we could reduce CO2 emissions by that simple strategy alone. And that road
pricing, if it is considered, will be considered as a last resort, not a first one.

So all of that led my Commission -- and this is the last slide I have for you --

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MR. HEMMINGER: -- to give you the advice that you've received, which is namely that you establish Bay Area targets that don't exceed seven percent in 2020 and 15 percent in 2035.

Our Board, like the SCAG Board, as you heard earlier, also suggested that we have a lot of work to do together to make those targets happen by identifying incentives and other strategies that can help us get to and, if possible, exceed the targets that you establish. And that it be very important for your Board to regularly review these targets. If they turn out to be too high, to reduce them. If they turn out to be too low, increase them.

I think one of the members of my Commission, my Vice Chair, said it well we want to succeed. We like the idea of a challenge. You know, we're trying to win the National League West right now with no hitting whatsoever.

CHAIRPERSON NICHOLS: Good luck with that.

MR. HEMMINGER: So we like the idea of a challenge.
BOARD MEMBER ROBERTS: Some of us are enjoying that performance.

MR. HEMMINGER: I knew I shouldn't have gone to baseball. But we want to have a target we can reach. And we are clearly going to have to work hard to get to 15 percent. But we think with the right amount of work and ingenuity we can get there. And we've appreciated the work we've done together with your staff to date and look forward to working with you in the future.

I'd be happy to answer any questions.

CHAIRPERSON NICHOLS: Yes, I think we do have at least one question.

Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Could you just comment on the importance of the second bullet, the question of incentives and assistance outside the region, how important are such resources and incentives?

MR. HEMMINGER: I think, Mayor, it may be the tail of the take. We have a number of incentive programs in our region already. We have something called transportation for livable communities. We've had it for ten years now. We're spending tens of millions of dollars a year encouraging cities to do transit-oriented development and the like. And we have found very receptive partners. I think where we are right now in the
Bay Area, we have a lot of jurisdictions. A hundred of them volunteered for what we call priority development areas, transit-oriented infill opportunity. They volunteer. They want to do it. But they lack the resources.

And I think if we can find the resources, given where the market is moving for this kind of development, and given where cities want to grow and how they want to grow, I think the more incentives we can find, the more results we're going to have.

CHAIRPERSON NICHOLS: Yes, Ms. D'Adamo.

BOARD MEMBER D'ADAMO: This presentation was really helpful. Thank you.

I think the message that I'm getting from this is that you have a toolbox, and there's all kinds of tools in that toolbox. I'm just wondering -- I don't think you can answer the question now. If you can, that would be great.

It would be useful for us to see what those other tools are. Sort of a list. And if you miss a target on one, for example, commuting from home, how does that relate to the other tools that are remaining? How much more of a burden do those other areas end up with? Ultimately, these are local decisions anyway. And I think what's happened here is that one tool has just been plugged out of the toolbox and held up when, in fact,
there are so many other alternatives.

MR. HEMMINGER: I think that is very well said. And I showed you three different strategies or tools today. There are many more. And I'll just mention one that I think is quite important, and that is you all are in charge of the cars and fuels and making them cleaner. But if we can somehow accelerate some of that, maybe help folks get plug-in hybrids or whatever the case might be, that might be a cost effective way of also reducing CO2 emissions.

So there are lots of different ways to do this and we're not going to turn to the most difficult one first. We're going to turn to the ones that we know about, that we're comfortable with, that we're already doing. I think that is going to get us most of the way there.

CHAIRPERSON NICHOLS: Yes, Dr. Sperling.

BOARD MEMBER SPERLING: There's been people that criticize, say that this is going to result in more cost to our communities, to taxpayers.

It seems to me from some of the things you were hinting at and some other things that have been said that actually leads to increased revenue from federal sources that, you know, I'm wondering your reaction to this. It seems like you come up with a good plan. You get ahead of
the curve. The federal government in terms of like from HUD in terms of their sustainability community funding programs, the transportation funding, which is going more towards a performance-based approach, all of that -- it seems like all of that suggests that putting in place this SB 375 process will actually lead to getting more money and saving taxpayers' money in California. Does that seem true to you?

MR. HEMMINGER: I think it does. I think right now it's at a fairly limited level. You're absolutely right that US DOT and HUD now are very much looking at the same set of issues, the same tools and trying to encourage them. DOT calls it liveability. They come up with different names. It's all heading in the same direction.

I think the bigger question is that the federal program now is quite flexible in terms of how we can invest the funds. And whereas, 20 years ago, the federal program, you know, you had three choices with the money. You could build an interstate or build an interstate or build an interstate.

Now, you have a lot of choices. And this kind of an attempt to make our communities more livable and sustainable is entirely consistent with that flexibility. Twenty years ago, I'm not sure we could have pulled this off. We would have had far fewer incentives at our
The program I just mentioned, the TLC program in the Bay Area, that's all federal money. And 20 years ago, we couldn't have done that with federal money. I do agree that the policy direction is headed in this area in the place we want to go.

CHAIRPERSON NICHOLS: Ms. Berg.

BOARD MEMBER BERG: I also want to say thank you very much for this presentation. Maybe you can comment for me your perspective. I feel what I'm hearing is that there is a great deal of fear and concern of the unknown, which is very understandable. And in a regulatory process, there would be a lot of sticks that would accompany non-compliance.

Maybe you could help us understand from an MPO perspective on as you're looking at driving this process, the review process and the what if. What if we don't get the incentive we need? What if the recession does go on longer than any of us hope or anticipate? What are the consequences for not being able to achieve a plan and kind of addressing the fears and the concerns?

MR. HEMMINGER: I'd like to give you two answers. The first, unfortunately, gets back to this recession question. Ironically, if the recession continues longer and is more severe, it will make these targets easier to...
reach. That's hardly the strategy we all want to pursue. But the simple fact is where there's less economic activities, there's less driving and less emissions. That's why the first slide I showed you showed that our current plan has gone from 2 percent positive to 2 percent negative without a change in the plan. It just reflects the depth of the economic difficulty we're in.

So I'm certainly hopeful the recession is over quickly. If it is, that will probably make it more challenging to reach these targets, because that will increase economic activity. But I think that's the underlying condition we all want to see is a robust economy.

I would like to draw an analogy for you if I could to answer the other part of your question. The MPOs, my colleagues in the room, and I think your staff as well are familiar with this process called conformity, which is in the criteria pollutant realm where our plans under federal law have to be consistent with your State Implementation Plan to reduce air pollution. And they are really joined at the hip.

And it's also a computer modeling exercise. If the model suggests that you're one little micron above, you're out of conformity and all kinds of consequences ensue, like losing transportation money.
I think what is far preferable in this process, Senate Bill 375, is instead of all these frightful consequences occurring, if you fail to meet the target, the requirement is that you do an alternative planning strategy and you show the public, your Board, the Legislature, the Air Resources Board how you could meet the target if certain things were changed, if there were additional resources available, or if you had additional authority.

From a planning point of view, I think that is so much preferable to the conformity process where as soon as there is a failure, you know, it's call in the lawyers. What will help in this case, I believe, is that where we do have regions -- and there may be some who aren't able to reach the targets -- will learn a lot of lessons about why they didn't and they have the obligation in this alternative planning strategy to suggest ways in which they could if, for example, they had additional resources from the state.

CHAIRPERSON NICHOLS: Are there any -- yes, Dr. Telles.

BOARD MEMBER TELLES: Thank you for your presentation.

As an MPO leader, I have a question that I've asked our MPOs in the San Joaquin Valley. And it's a very
fundamental question that I think is the basis of this
whole thing. And that is what's the importance of these
numbers, you know, the seven percent, the 15 percent,
especially given the fact -- I read SB 375, and it seems,
as I mentioned the San Joaquin Valley, there's really no
huge stick and no huge carrot, unless I'm missing
something in it. The carrot is you get some relief from
CEQA planning, which seems pretty nebulous to me, being a
non-elected official. And I was looking for some
transportation funds that are there. And it doesn't seem
like there's any there at all. And so my fundamental
question is why are we struggling so hard with these
numbers, given that they're not standards. They're goals
to be set. And they're not etched in stone today. As an
MPO or anybody in the staff, I wonder if you can just make
a comment on my angst here.

MR. HEMMINGER: I'm afraid I share it. I think
it's a point very well taken. In the sense that what
we're trying to do here is show what the climate
benefit -- in my opinion, what the climate benefit is of
growing in a more sustainable way.

As I said earlier, we have already been embarked
on this path, many of us for a decade or more in our
planning. And we're doing it for a whole host of reasons.

This is one of them. This in fact may not be the most
powerful one. The notion of improving mobility in our communities, improving social equity in our communities, making our communities a more attractive place to live so that kids can afford to live in the neighborhood where their parents did, all of those reasons -- public health benefits -- I think are equally if not more powerful than the climate imperative.

So I do look at this process as really just sort of pile on a bit to an existing set of policy initiatives that are pursuing these strategies for a whole host of reasons. And I do think it's unfortunate if we get too fixated on the numbers and too fixated on the results, when what we're really doing is adding another layer I think of richness and complexity to our planning process to acknowledge that when we do this kind of a thing, in terms of the built environment, it has this range of benefits. And the one that you're dealing with today happens to be one of them.
CHAIRPERSON NICHOLS: We have a large list of witnesses. We've taken them in the order they signed up. So let's get started. We will be imposing a three-minute limit. There is a timer there. You will save us and yourselves trouble if you keep track of the list. I believe the list is posted, and I'll try to read the names a few in advance so people can come forward and just be ready to speak when it's your turn.

We're going to start with Mayor Abelson from El Cerrito, and then next will be the Vice Mayor of Dublin and the Mayor of Riverbank.

BOARD MEMBER ROBERTS: Madam Chair, while she's coming up to the mic, I'd like to clarify I've asked our director of SANDAG to be here, but I didn't feel any need to make a presentation. I don't want you to think there's something wrong.

CHAIRPERSON NICHOLS: No, I was going to call you out on the fact that SANDAG has been moving forward ahead of all the other regions in the state and doing very well with this process and does not appear to be engendering much -- we may have had a lot of contentious local hearings. I can't say. But at least here we're not hearing a lot from folks in San Diego. So I think that's positive.

Okay. Mayor Abelson.
MAYOR ABELSON: There. Does that work?

CHAIRPERSON NICHOLS: That works for us.

MAYOR ABELSON: And thank you.

I'm honored to be the very first public speaker. I don't know if I'll set the tone or not.

I do represent the city of El Cerrito which is in the Bay Area. We're a small city of 24,000 people. And from our point of view, we're just trying to implement our Climate Action Plan, which seems to be going along on a parallel process to this. So we're finding it's for us very doable and very comfortable.

We currently are looking at for based on today in the year 2020 a 15 percent reduction in our planning process. We haven't completed our Climate Action Plan, but we are in the midst of it. And we are doing an innovative approach, and we've received an ARA Grant from the EPA to collaborate with three other small cities to work on our Climate Action Plans together. These cities are Albany, San Pablo, and Piedmont. They're all in San Francisco east bay. So it's been a very rewarding and fruitful experience for us to work together and get this done. So I think I'm here to say it's possible to do it. And we're very happy to be doing it.

We did have a report on Monday night, and so my information is pretty current I think.
We see it as providing real community benefits. One of them is better air quality. We do have a problem in our community with air quality. So this is a significant benefit to us.

And we also see that it will give us more energy, security, and independence. And most importantly, it will give us a more livable community, which we've been striving for for a number of years through some of the programs, for example, that were just mentioned by Steve Hemminger. And we've been using tools such as trends-oriented development to do that. And just to give you an example of what we're currently experiencing, and this is very, very current for us. We have a piece of property next to our city hall, which is actually not near a BART station, although we have two of them. We just went out to bid for proposed developers. We got eleven applications. That's current information.

So it looks to us like people are starting to want to develop. And that's very exciting news for us, because we see this as not only being good for our building industry, which we totally support, but also good for our local economy, our merchants, because we've been told that the only way we're going to improve our economy is to increase the number of shoppers in our communities. So people aren't going to come 20 miles to shop in our
community. We need to have them right there. And these kinds of projects fit -- they just fit into this whole larger picture.

CHAIRPERSON NICHOLS: I'm sorry. We are going to have to really enforce the time limits here.

MAYOR ABELSON: I think you get the idea.

CHAIRPERSON NICHOLS: We do. Thank you.

Jenny Bard, Virginia Madueno, and Mike McKeever.

Is Jenny Bard here?

Virginia Madueno.

MS. MADUENO: Good morning. Again, my name is Virginia Madueno, and I'm representing the city of River Bank. I'm the Mayor. We're located here in the Central Valley. And I'm here to support the Air Resources Board staff recommendation for the current target.

It is no secret that California and communities like mine and River Bank, we've experienced a huge crisis with the foreclosures and the bubble that burst with our housing crisis.

And I'm here because I've seen what could have been a wonderful opportunity to keep residents in our community by keeping them close to shopping, but we missed the mark. We missed the mark horribly.

What I'd like to see is SB 375 implement opportunities where we as policy makers can make
communities that are more sustainable, walkable, bikable, and more transit-oriented. But we need the State to help us as well.

I'm representing also the River Bank Oakdale Transit Authority where we've suffered immensely in terms of having to cut back on our public transit systems. If we are truly going to implement SB 375, we need help at the state level to also help us with our transit.

My vision for the community of Riverbank is to make it a wonderful community where again children can walk to school, can bike to school, where we can actually incorporate one side of the community with the other.

I've already had developers who are starting to come back saying we want to start developing. And I'm saying what you need to do is come back to me when you have a plan that makes sense, not just for Riverbank, but makes sense for the region.

I want to see how you're addressing the need that we're going to have in the very near future to accommodate our aging population. They're going to need to have more accessibility.

I want you to show me a plan that makes sense for our children where they're going to be able to actually go to school in their own community, in their own backyard.

I want you to show me a plan that again makes
sense that we're not going to create this urban sprawl, but really we're going to take care of the community that we live in, and again not just makes sense for Riverbank, but makes sense for the region.

In closing, I just want to let you know that strong targets will keep my community and my children's community a healthy and safer community by reducing the air pollution that causes asthma and making it safer for our children to walk and bike to school.

Right now, my children go to a school where they have to raise a flag that shows what the air quality is. It would be great for them to know that they don't have to look and depend on the flag, but know they're going to have better air quality for generations to come.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Mike McKeever, followed by Bonnie Holmes-Gen and Dr. Janet Abshire.

MR. MC KEEVER: Good morning, Chair Nichols, members of the Board.

Mike McKeever, Executive Director of the Sacramento Area Council of Governments here to support your staff recommendation, which is consistent with my Board's recommendation for targets of -7 percent, to encourage you to adopt targets consistent with the staff
recommendation which also was the unanimous recommendation of my 31 member Board of -7 percent for 2020 and -16 percent for 2035.

The kernel I want to leave you with about this process in the Sacramento region is this is an agenda we have been embarked on for some time. We adopted an RTP in the spring of 2008, several months before the Governor signed SB 375 into law.

One of the things that we have learned through this scenario process with our colleagues in the last six to nine months is that when we update the assumptions in our RTP for both the new economy and the financial constraints that come with it is that our adopted document will come close to meeting those targets, -6 percent by 2020 and -15 percent by 2035.

One of the things I'm hoping that gives you some comfort in is that the Sacramento region has done that without going to extremes. And we think only good things are coming from the fact that we're implementing that plan. It's in our rear-view mirror, but we're seeing changes on the ground now.

No one has blamed us for causing the great recession because we adopted that plan. We do believe that it increases the economic benefits in our region.

That's why my Board adopted it, not because they thought
it would degrade the quality of life or cause a loss of
jobs or hurt the economy, but that it would improve all of
those amenities for their constituents.

And so we're asking for a target that helps us to
proceed on that agenda, to ratchet up our performance
beyond where we are now, but we definitely believe we can
attain it. And I believe we will probably exceed it.

And that's the final comment that I want to make
is that the track record that Mr. Hemminger reviewed for
you with his agency is very similar to what all of the
rest of us have been through over the last six,
nine months. If you look at the trajectory of the
projected savings in carbon, greenhouse gas emissions from
regional transportation plans, all of our numbers have
been growing larger. The more we learn, the more we work
together, the more we challenge each other, and the more
we think about what in the net what the overall benefits
are of moving in that direction. I believe that trend
line will continue as we implement our RTPs, and I think
you're going to see several MPOs that exceed the numbers
that you adopt here today.

CHAIRPERSON NICHOLS: Great. Thank you.

I've been asked to make an announcement about the
webcasting, which I don't know if anybody is going to hear
we're having some problems with transmission between here and Chicago someplace. So people that are trying to follow this proceeding on the web are having a hard time. I don't know what to say other than we're sorry and they're trying to fix it. Okay. Thank you.

Go ahead.

(Thereupon an overhead presentation was presented as follows.)

MS. HOLMES-GEN: Good morning, Chairman Nichols and Board members. I'm Bonnie Holmes-Gen, Senior Policy Director with the American Lung Association in California.

I wanted to give you a snapshot today of the types of public health benefits and avoided health costs that will result in movement toward healthier, more compact, and sustainable communities. We know that smart growth reduces chronic illness and death, but we are convinced that more data is needed to illustrate the extent of these benefits and we developed some data to show you.

The American Lung Association contracted with TIAX LLC to evaluate the health benefits of the smarter growth scenarios in the Vision California report.

Can I go back on this?

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MS. HOLMES-GEN: As you recall, this report was...
heard by your Board at the June Board meeting, and we specifically reviewed the tons of criteria emissions avoided in California's mixed growth growing smarter scenarios compared to the business as usual scenario in 2035. The growing smarter scenario is the more progressive scenario and reflects emission reductions a little higher than the proposed targets from the larger MPOs before you today.

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MS. HOLMES-GEN: By applying the cost of health factors used by the U.S. EPA to assess pollution-related health costs and health problems avoided per ton of criteria pollutants reduced, we were able to quantify the public health benefits expected in 2035 from more compact mixed use and walkable communities.

Here are our a few slides that capture some of the data we found. Smart growth would annually avoid up to 132,000 tons of criteria pollutants. This is in the smarter growth scenario, including nitrogen oxides, sulfur oxides, and particulate matter by 2035.

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MS. HOLMES-GEN: Smart growth also equals tremendous reductions in avoided illnesses and death. We found reductions of over 105,000 asthma attacks and respiratory symptoms. We also found tremendous reductions
in health costs.

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MS. HOLMES-GEN: Smart growth equals 1.57 billion
in avoided public health costs.

Also we found that 16,000 avoided lost work days
and also found reductions in heart attacks, chronic, and
acute bronchitis cases, and other cases of respiratory
illness.

It's important to note that this data reflects a
small slice, really the tip of the iceberg of the public
health benefits related to improved air quality from
reduced vehicle emissions, yet the numbers are still very
compelling. We know that if health benefits from
increased physical activity were included for these
compact, more livable, walkable communities, there would
be even greater benefits. The snapshot of public health
benefit needs to be expanded -- I will conclude.

BOARD MEMBER RIORDAN: Thank you very much. I
apologize, but we need to continue on.

Dr. Janet Abshire, followed by Jane Warner.

DR. ABSHIRE: Thank you for the opportunity to
speak with you today.

My name is Dr. Janet Abshire. I'm speaking on
behalf of the California Medical Association and the
Health Network for Clean Air, a coalition of medical and
health organizations across the state.

As a physician, I have a deep interest in the root causes of health problems and environmental impacts facing on my patients. I strongly support SB 375 as a tool to help me help my patients.

The issue of land use and transportation planning is at the core of three crises affecting the health of my patients and our society. Because so many of our neighborhoods are designed for driving and often prevent safe and practical actions for walking, biking, and transit options, we face terrible costs of chronic illness, include diabetes and obesity that increasingly are effecting our children at alarming rates.

California's home to some of the worst air pollution in the nation, causing thousands of hospitalizations and premature deaths, including hundreds of thousands of asthma attacks.

Climate change will worsen these problems and exacerbate them and most severely effect our most vulnerable populations, including the young, the elderly, low income neighborhoods and others. By adopting strong targets like those set out in the staff report, you can help our development patterns shift to smart growth patterns that also are smart health principles. We can halt our unhealthy behavior and begin to improve our
quality of life. Establishing strong targets will underscore the message that we need to change and we need to reduce our focus on driving when planning our neighborhoods.

Leading public health organizations like the American Lung Association, the California Medical Society, the American Cancer Society, Health Officer's Association of California, and the California Academy of Family Physicians have signed onto this letter stressing the important health connections to your actions today.

In order to maximize the health benefits of SB 375, the public health community asks that you adopt the staff targets included in the August report, that you communicate to the public and local leaders the health benefits of strong implementation of SB 375, including reduced rates of asthma, obesity, diabetes, heart disease, certain cancers, and other chronic illnesses, that you support ongoing work to improve community planning models and work toward models that can effectively identify the health impacts of various plans and design choices.

That you work closely with the local and regional governments to identify and secure funding to assist with the implementation of these plans.

So, please, I urge you to break our habit of business as usual sprawl and move forward with the...
strongest possible description for healthier communities. Place take full advantage of the opportunity for a healthier future and by adopting this ambitious targets before you today. Thank you.

BOARD MEMBER RIORDAN: Thank you very much.
Janet Warner, followed by Tonia Reyes Uranga, followed by Henry Hogo.

MS. WARNER: I'm Jane Warner, the President and COE of the American Lung Association.

Today, I think we have more information than we've ever had that tells us that compact land use supports walking and biking and public transport and has huge, huge public health benefits.

SB 375 is critical right now for very important reasons. We must reduce our dependence on dirty petroleum fuels. We must reverse those skyrocketing trends in chronic illness. We know we can do that.

We must reduce the impacts of climate change. And as we all know, California is one of the worst states in the country for air pollution. And this measure will make an impact on that.

Your action today will have very long lasting health benefits, and it's critical that we know the
urgency of taking this action today.

The American Lung Association has been involved in working on SB 375 for a couple of years now. We've been working with our health partners, with local government agencies. And as you will see today, there are numerous people here today to express their support of these important targets.

Our automobile centered lifestyle has directly contributed to increased air pollution, decreased physical activity, and more chronic illness. We know that sustainable development and improved public health go hand in hand.

The American Lung Association in California plays an important role as we move forward in SB 375. And I am here as the President and CEO to pledge to you our support, our partnership, and our hard work. We will not give up.

Thank you.

BOARD MEMBER RIORDAN: Thank you very much. We look forward to that partnership.

Tonia.

MS. REYES URANGA: My name is Tonia Reyes Uranga, and I want to thank you for allowing me to speak.

I have been here before as past member of the South Coast Air Quality Management District governing body.
and as a council member for the city of Long Beach.

But today, I'm here as a mother with asthma and a mother with children with asthma, but also someone who lives in an EJ area, as you call it, an environmental justice area, an area impacted by the goods movement industry, by trucks, truck transfer facilities, and freeways and congested highways.

On behalf of these families, I want to thank CARB for all that you've done in the past to help with their quality of life. I want to say that these families really experience a double whammy.

First, in these tough economic times, they are affected in their pocketbook. But secondly, agencies and businesses cut back on environmental safeguards in an effort to cut costs and that results in tremendous health impacts. I hope that doesn't happen here today. We still breathe. We still have to drive, and we still have to live in these communities. We cannot move. Those with the least truly do suffer the most.

I'm here to strongly urge your support of 13 percent per capita greenhouse gas reduction targets for Southern California. And I'll say especially for Southern California.

This past -- I'm proud to say as a past regional council member for SCAG that the Executive Director did...
recommend those percentages. Also, last Friday, the California League of Cities overwhelming the voting delegates approved re-affirmed their support for AB 32 and SB 375. Coming from Long Beach, I have to say I'm proud that my city unanimously supported a resolution that I hope you received that urged CARB to place aggressive targets for reduction targets.

And so unless we really take these steps, it doesn't really mean much. I know many of us that do support AB 32, but unless we do what we need to do with SB 375, it's just not to going to happen. We need to implement it.

We should not be swayed by the cost issues, because the cost of doing nothing would be tremendous. It would be unfortunate that if you consider those costs or if you get too conservative or too cautious and we don't have those emission reduction targets that you are looking at. So there will be tremendous cost to our community in terms of health, in terms of quality of life, and of course traffic and congestion. But in the end, again the least will end up suffering the most.

I thank you for your time. But I urge CARB to support those approved recommended targets. I thank you for your support and truly for your leadership in this area. Thank you.
BOARD MEMBER RIORDAN: Thank you. We appreciate your being here today.

Henry Hogo, followed by Raymond Watson, followed by Heather Fargo.

MR. HOGO: Good morning, members of the Board.

I'm Henry Hogo, Assistant Deputy Executive Officer for the Mobile Source Division at the South Coast Air Quality Management District.

Our Chairman submitted a comment letter to you and you should have that. I'd like to highlight some of the points he wanted to make at this time.

The Board strongly believes that implementation of SB 375 is essential given the transportation sector contributes significantly to greenhouse gas emissions. In addition, there will be co-benefits in terms of criteria pollutant emission reductions.

We commend the MPOs and ARB in working closely to develop the greenhouse gas reduction targets and support the target expressed as percent per capita reduction. However, we continue to be concerned about the disparity in modeling tools and capabilities which will make it difficult to make comparisons between regions. As such, we recommend that ARB continue to develop reliable and consistent monitoring and tracking tools to ensure that reductions are real and properly incorporated into future
State Implementation Plans.

We strongly urge ARB working with the State Legislature to provide both financial and technical resources to the MPOs and local governments for their planning program development and implementation.

This is essential to make the target a reality. Without adequate funding, MPOs and local governments will not be able to afford to undertake the actions necessary to properly plan and implement transit-related projects that are critical to the success of this effort.

And in particular, special attention should be given to transit system expansion and development that will move towards zero emission technologies. We will continue to work with our local MPO, SCAG, and ARB on this effort. And want to thank you for this opportunity to comment.

BOARD MEMBER RIORDAN: Thank you. Thank you for your cooperation.

Supervisor Watson, followed by Heather Fargo and Jim Kemp.

SUPERVISOR WATSON: Good morning, Madam Chair and Board members. My name is Ray Watson, Chairman of the Kern County Board of Supervisors and on the Board of Directors of the San Joaquin Valley Air District.
the San Joaquin Valley Air District are committed to ambitious but achievable emission targets. We've already achieved 80 percent reduction in emissions in the last 30 years at the cost of $40 billion to Valley industry. We are one of the most improved areas in the nation, and that was achieved by ambitious goals and good science that demonstrates our commitment to results.

Kern County is more than the Valley. It includes over 8,000 square miles of valley, desert, and mountains with a population of over 800,000. Each area or sub-region has different characteristics. For example, the eastern part of Kern County is the desert area. It has two military bases with 16,000 employees, 8,000 of whom commute. The Department of Defense could assign thousands of personnel not housed on base, and Kern County would have absolutely no control over the development impacts. We also wouldn't have control over the transportation impacts, because of the security measures that might affect bussing and van pooling.

Kern County should not be held accountable for actions and uses controlled by the federal government. This also applies to the U.S. Forest Service Parks and BLM parks that are used by thousands of commuters from outside of Kern County every single week.
considerations of their own. Therefore, emission targets should be based on modeling by subregion, considering individual characteristics with ambitious targets but realistic and achievable.

Valley targets should be a compilation of the subregions. CARB proposed placeholder targets of five percent by 2020 and 10 percent by 2035. They are not based on modeling. They are not achievable or reasonable based on known factors. Kern County asks that CARB adopt alternative placeholder targets of 2 percent by 2010 and 5 percent by 2035 for the seven Valley MPOs and Kern COG and label the Valley MPO and specifically identify Kern COG on the decision including eastern Kern and express support credit for trips associated with uses on the federal land.

Kern County and the Valley Air District and the eight county MPOs are committed to developing ambitious emission targets based on realistic modeling, taking into consideration the realities of its various subregions.

In the mean time, we are committed to achieving the alternative placeholder targets of 2 percent and 5 percent as proposed. We believe the adoption of arbitrary unsubstantiated targets that we believe to be unrealistic and unachievable would be a disincentive to serious attempts to achieve all of our goals. The reduction of emissions to the lowest possible level.
BOARD MEMBER RIORDAN: Supervisor Watson, thank you.

As I was listening to you, I noted staff was taking some notes. So we may come back and address some of the issues you've raised. But at this time we're, going to move on with the speakers.

Next, Heather Fargo, followed by Jim Kemp, followed by Mike Bitner.

MS. FARGO: Thank you very much. And good morning to all of you.

My name is Heather Fargo. I'm the Executive Policy Officer for the California Strategic Growth Council. I'm here today on their behalf.

You obviously have a very difficult and important task to do today. As you set targets for California communities, we know that you and the staff and the community have spent countless hours in this effort. And we want to thank you for that.

I also want to remind you that you are not alone in wanting to improve air quality, to reduce greenhouse gas emissions, and improve the quality of our environments and our lives here in California. You have many partners, including the Strategic Growth council.

The Growth Council has been charged with a number of objectives as we join you in pursuing these same goals,
a sustainable of California, addressing environmental, economic, and equity issues. We have programs to assist the communities of California in reaching these goals of becoming more sustainable.

We are funding traveling models -- travel modeling by the MPOs and by Caltrans to provide valuable information to help cities and counties better understand the travel patterns and therefore better plan and meet the requirements of SB 375. The modeling efforts are already underway and should be ready to go, ready to be shared within about 18 months.

The SGC is gathering data, a lot of data, and making it available free of charge to the communities of California, to help them with their planning efforts. Again, an effort to try to reduce the cost of local planning in order for us to reach our regional targets and our statewide goals.

We all know that we have made a lot of mistakes over the last couple of decades in land use planning in California, and we have quite a ways to go to become more efficient and to recognize and respect the clear relationship between land use, transportation, air quality, public health, and the quality of life of Californians.

We are also undertaking a number of education
efforts to help to educate the planners, the elected leaders, the Commissioners and others throughout California to help them do a better job of meeting these goals. We are giving out grants for greening projects and for planning throughout California to help people clean the air, reduce energy usage, and reduce pollution.

We're awarding grants to cities, counties, and regional planning agencies to produce plans that they need to become more sustainable. Our recent deadline of August 31st resulted in 188 applications, requesting almost $94 million. We have 22 million to give out. I think that gives you some indication of the incredible interest statewide in producing better plans so that we can have a higher quality of life here in California for all of our communities.

As you know, there are many co-benefits of this effort in water conservation and energy savings, reduced congestion, preservation of natural resources and agriculture lands, better public health, and a better quality of life.

We also think this will help lead to a more robust economic life here in California as well. So we are ready to be your partners. We look forward to working with you as we reach goals of more sustainable California and a better quality of life for all of us.
Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

We're very glad to have you there.

BOARD MEMBER BALMES: Madam Chair?

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER BALMES: Madam Chair, I have a question for Ms. Fargo.

I have to say I'm just learning about the Strategic Growth Council. And you don't necessarily have a formal part in SB 375 at this point. You're saying you're willing to be partners with us and the MPOs and obviously are providing resources through grants and modeling tools.

MS. FARGO: Our role is in reducing greenhouse gas emissions. We do have a clear charge to work on doing that.

BOARD MEMBER BALMES: On SB 375 in specific though or in general?

MS. FARGO: I don't believe so.

BOARD MEMBER BALMES: I guess I would be interested in staff or the Chair's opinion on whether there should be a more formal partnership with the Strategic Growth Council.

EXECUTIVE OFFICER GOLDSTENE: Dr. Balmes, we work closely with the Strategic Growth Council. We are -- we
are being represented formally on the Council by Cal/EPA. And we are interacting with them on a regular basis.

BOARD MEMBER BALMES: It just seems that one area that I'd like to see be incorporated into the SB 375 process and with regional targets is an effort to maximize the co-benefits that Ms. Fargo just mentioned, as many other people have mentioned. And sounds like some of the tools that are being developed by the Strategic Growth Council could be of help to the MPOs.

Clearly, there is an effort to reach out from what she's saying. But it just seems like we could be a little bit better at integrating Strategic Growth Council with the SB 375 planning process.

MS. FARGO: If I could just comment on that a little bit. We do actually see ourselves as partners. And we do -- we feel the goals that we're all working towards are the same, even though we may have different names for them. We are working on trying to reach those co-benefits.

And one of our very clear charges is to bring the agencies of California together to work more collaboratively. So obviously working not only with the Air Resources Board, but all of the departments and agencies that we are made up of. We have a cabinet level Board that is made up of four of the agency secretaries.
And so we're very engaged in a lot of things going on in the state.

And one of the things I know that many people are looking at is what else could the Strategic Growth Council do? How else can we do a better job of working together and making progress? We're open to that.

CHAIRPERSON NICHOLS: Thank you.

We obviously are falling far behind in terms of the numbers of people who have signed up to speak. I'm going to start asking people to stick to two minutes at this point and see if we can make more progress.

This is Jim Kemp?

MR. KEMP: Good morning, Chair and members.

I'm Jim Kemp. I'm Executive Director of the Santa Barbara County Association of Governments.

You should have received a letter from the SB CAG Board from our Chairman reflecting our Board's position on the target-setting process. I just wanted to touch on a few key points that are contained in that letter.

First of all, we wanted to just indicate our support for the collaborative approach that's been taken by your staff in working with the MPOs in the target setting process. Your staff has considered in this process the size and projected growth of the different regions around the state, the severity of the existing air
quality problems that exist in the different regions, the
relative contributions that each area makes to the state's
greenhouse gas emissions, and also some of the limitations
that exist for particularly some of the smaller MPOs.

The SB CAG Board on Monday voted to request that
you set a more aggressive target for the Santa Barbara
County region. The CARB staff proposed limiting our per
capita greenhouse gas emissions to a six percent increase
in 2020 and a four percent increase in 2035. This is
consistent with our growth projections and with our
current plans. However, we believe that we can do better.

Our Board is requesting -- on Monday took a vote
to do so -- that you set regional target at zero net
increase in 2020 and 2035 in our per capital GHG
emissions. This puts us more in line with the other
smaller MPOs around the state and also reflects our desire
to contribute to meeting the State's greenhouse gas
emission reduction goals.

This request comes with one caveat. We would
request that since we have not yet developed our
sustainable communities strategy obviously, we are just
embarking on this process, and nor do we have modeling
tools available to us to test the feasibility and
effectiveness. We would just ask that you maintain your
flexibility in setting greenhouse gas emission targets in
the future.

    Thank you. I'll conclude my comments.

CHAIRPERSON NICHOLS: Thank you. We do have the letter. Okay.

MR. BITNER: Good morning. I'm Mike Bitner, principle planner with the Council of Fresno County of Governments.

    First, I'd like to thank the ARB staff for proposing additional flexibility for the San Joaquin Valley by allowing provisional targets for 2012.

    I also want to let you know Fresno COG supports the San Joaquin Valley Air District's recommendation for valley-wide alternative placeholder targets of 2 percent in 2020 and 5 percent in 2035. Fresno COG had a very successful SB 375 target-setting process. Our stakeholders helped us develop several alternative scenarios and consensus was reached as to ambitious and achievable targets for Fresno County. Our targets were approved by our Fresno COG Policy Board.

    Unfortunately, our member agencies were very discouraged that their voice through the Fresno COG process was not heard. And they have expressed serious concerns about implementation of unrealistic targets.

    SB 375 does not mandate meeting the targets and does not really provide incentives or disincentives in
regards to the SCS or the APS. What we are concerned about is that the targets will set -- targets set unreasonably high will discourage and disengage our cities from the process.

However, I do want to assure you that Fresno COG and the San Joaquin Valley MPOs are unified in our determination to work together to meet the requirements of SB 375.

We also understand that larger MPOs in the San Joaquin Valley will have to do their part and help the smaller MPOs by taking on a larger share of the required greenhouse gas reductions.

Finally, just to let you know that the San Joaquin Valley is moving forward with improving our transportation models. We just jointly released an RFP to improve each and every one of the traffic models as required for 375 using Strategic Growth Council money.

Thank you.

CHAIRPERSON NICHOLS: Thank you, Mr. Bitner.

I'm going to call out of order a couple of folks who are elected officials and who have to be elsewhere. I'm going to next call on Supervisor Rubio from Kern County. Thank you.

And then who else did I have? Alex Esparza from the city of L.A., Mayor Patterson from Benicia.
SUPERVISOR RUBIO: Thank you, Madam Chair and members of the Board.

First, let me thank staff for their hard work on this particular bill and these targets. I've worked with them endlessly, so I want to thank them for their hard work.

I come to you as a county supervisor and also someone who sits on the San Joaquin Policy Council which is representatives of each of the eight COGs making up the entire San Joaquin Valley. I'm here to tell you we all understand in the Valley that business as usual cannot be the future. But we have to work together in this collaborative effort and it is in that vain that I stand before you today.

But I do have some remarks that I'd like to leave with you. First, how the Valley is unique.

In your own targets and to reach the renewable energy goals that you have, over 50 percent of those renewable projects will be built in the San Joaquin Valley. And I think it's pretty significant when you look at the pie that you put up earlier in that the Valley only has ten percent of the population of the VMTs, we're actually going to generate over 50 percent of the renewable energy. Your particular plans have not taken into account the VMTs to those projects at all and they
are very significant.

You know, I heard from the gentleman from MTC earlier, and it's quite striking. I think it highlights the tale of the two cities in the state of California. It's not David versus Goliath. It's Patterson, California versus San Jose. No matter what you do, people are going to move, as did my mother-in-law, to Patterson, and then drive for a decade to work in San Jose.

These targets today do not take into amount the VMTs that originate in the Valley and then to that workplace in San Jose. So what do we get in the Valley for those vehicle miles traveled? In these targets, we get no consideration.

That's why I stand before you today, to ask that you do adopt the San Joaquin Air Pollution Control District targets of 2 percent in 2010 and 5 at 2035, because when you look at the Valley -- and I'll sum it up with this analogy. This is the Appalachian region in California. In fact, the studies have suggested it's worse off. We're not worrying about golf clubs in trunks. We're worried about putting groceries in trunks today with our unemployment rates.

CHAIRPERSON NICHOLS: Thank you. Very well said.

I think I had suggested we would hear from Mayor Patterson next. Yes.
MAYOR PATTERSON: Good morning. It's nice to see you again, Chairman Nichols.

I'm Elizabeth Patterson, mayor of the city of Benicia, the first incorporated city in California and among many firsts in the county of Solano, which is a city-centered growth county.

I'm here to support your staff's recommended targets and to continue your leadership role in implementing SB 375. We've long strived to achieve these on our own with our general plan that was adopted in 1999 which is a sustainable growth document. So we appreciate these targets which will further our goals.

My community of Benicia was the first city in Solano County to adopt a Climate Action Plan. This plan commits us to reducing greenhouse gas emissions community-wide ten percent by -- below 2000 by 2020 and our city government operations 33 percent levels by -- of 2000 by 2020. And we're well on our way, which I will describe briefly.

We have created a Community Sustainability Commission, one of the few in the state of California that makes recommendations to the city on implementation and prioritization of strategies. We're already working hard to make our community a healthy green safe place and to be the green gateway into Solano County.
We are doing this, because we recognize that our air quality is one of the fourth worst areas in the Bay Area, and it's not because we're large and we're contributing to it. But the larger contributors are elsewhere. Traffic and air pollution are regional problems, and there's only so much we can do to address that.

We stand ready with a long list of cities and counties proudly throughout California who have adopted resolutions to support ambitious targets and are committed to work with the Air Resources Board and our regional partners to meet the targets.

I would like to submit resolutions today and letters into the record today, which is a total of 28 local government resolutions, including two councils of government, 48 local elected leaders from all over California.

Again, I thank you. And I'd be happy to describe some of the programs we have.

CHAIRPERSON NICHOLS: Okay. Thank you.

We're going to hear next from Mr. Esparza, you're waiting, and then Supervisor Dickinson, Council Member Cone.

MR. ESPARZA: Thank you, Madam Chair, members.

Alex Esparza on behalf of the city of Los
Angeles. I'll keep my comments short, and I'll submit the longer comments to staff.

But I'm just here to strongly support staff recommendation on the regional targets for 2020 and 2035. The targets are a product of intensive coordination and collaboration between our RTAC, ARB, and the MPOs. It represents a feasible approach to creating more sustainable neighborhoods and communities.

The city will continue to work with SCAG to implement these targets that the Board has established. We do this for a number of reasons, but primarily because the targets maintain local authority over land use decisions and don't in any way mandate local governments to change their land use policies. These targets are readily achievable and reflect the goals and work already underway in Los Angeles.

In the city of L.A., for example, greenhouse gas emissions have been reduced by 11 percent. We are on our way to having 40 percent of our energy from renewables by 2045. The city knows meeting these goals will not be cheap. We will require additional funding for continued modeling and planning and to ensure that we develop our regional sustainable community strategies to meet these goals.

I want to assure the Board that we will continue
looking as we have done so far for funding opportunities from local, State, and federal sources. We will leverage these funds through our regional partnerships and take the kind of regional action necessary to reduce greenhouse gas emissions and improve our air quality and create a future Los Angeles that is healthy, vibrant, and sustainable.

    Thank you for your time.

    CHAIRPERSON NICHOLS: Thank you very much.

    I want to ask folks at the request of the sound crew here who are having some challenges today if can you use this podium over here. The other one is really set up for wheelchairs, and it's hard for people to get close enough to the mike to be heard. So those of you who are not in wheelchairs, we appreciate your standing over here.

    Thanks.

    SUPERVISOR DICKENSON: Good morning, Madam Chairman and members. I'm Supervisor Roger Dickenson from Sacramento County, Chair of that Board, and also a member of among other bodies the Sacramento Area Council of Governments.

    As one who served on your Regional Targets Advisory Committee, as well as one who is involved in the inception and throughout the development of our regional blueprint approach here in the Sacramento region, I greatly appreciate the necessity of adopting these targets.
such as your staff has recommended in order to advance the cause of both the environmental and economic future of not just this region, but of the state of California.

You've heard very, very good testimony, which I won't repeat about, the justification for adopting the recommended targets. But importantly, if I can, I would just add that we recognize here in the Sacramento region that both our environmental and economic future will be built on a different pattern of urban development. It will be built on the preservation of our natural resources and our agricultural farmland. It will be built on reducing congestion in our region and maintaining a quality of life that makes this a very attractive place to locate, to do business, and to raise a family.

We believe those same qualities apply across the entire state of California, but we also believe we will only achieve them by recognizing the necessity to take the steps that lead us to a future of more compact, more sustainable development, that leads to reduction in vehicle miles traveled, and provides the incentives contained in SB 375 for that kind of development.

I appreciate the time you're taking with this and thank you for giving me the opportunity to speak this morning.

CHAIRPERSON NICHOLS: Thank you.
From the city of Sacramento, Council Member Cohn, are you here? Yes.

MR. BROWN: He had to leave. I have a statement that he left. Do you want me to read it into the record?

CHAIRPERSON NICHOLS: If you want to do it quickly.

MR. BROWN: I'm Graham Brown. I'm with Transform on behalf of city of Sacramento Council Member Steve Cohn.

"I was just elected to a record fifth term as city council member in the city of Sacramento. A big part of my re-election platform was to carry out the forward-looking general plan the city adopted this year. The general plan accommodates thousands more housing units and jobs in the central city and transit centers. Two-thirds of all future growth in the city will be in in-fill areas near existing services such as light rail, schools, and jobs. Eighty-five percent of the city is located in transit priority areas as identified in SB 375, meaning that most of our population is close to existing or planned transit stations.

"The city has adopted a sustainability master plan, a sustainability implementation plan designed to reduce greenhouse gases from city
operations and ensure that the city operates in a sustainable manner.

"The city is also participating in the California FIRST Program, AB 811. Creates a special financing district to provide loans to residents to install energy efficiency and solar improvements in their homes.

"Other cities in California will follow this lead. In 2011, the city of Sacramento will adopt a Climate Action Plan that will reduce greenhouse gases from the city as well as residents. This plan includes a number of programs to address everything from transportation and land use to the use of efficient technology, all designed to reduce our carbon footprint.

"As the first target setting phase of SB 375 implementation comes to a close, I encourage the Board to finalize the draft greenhouse gas reduction targets proposed in the August 9th, 2010, ARB staff report. These achievable targets reflect the best expertise of transportation and planning experts from regions around the state. If anything, they are conservative.

"I also ask that ARB commit to provide the ongoing guidance necessary to ensure that
implementation achieves its goals. Such guidance is necessary to help regions measure progress on the full range of potential benefits."

Thank you so much for your time.

CHAIRPERSON NICHOLS: Thank you.

Do we still have Supervisor Watson with us? He's done. Okay.

And I have to take note of the fact that although there's only one member of the carpenter's union who signed up to testify, he's brought quite a large number of friends along with him. And I'd like to just call you up next, because you folks have been waiting patiently from the very beginning here. So Mr. Hebard, are you with us? Oh, no. Oh, dear.

Well, maybe while we're waiting -- oh, here he is. There you go. I just figure you deserve extra credit for being the only one to speak on behalf of this big group.

MR. HEBARD: Thank you. We're trying to be thrifty with your time. I'm Sean Hebard here on behalf of the Carpenters Union in Action. And it pains me a little bit to be speaking against an issue like this as an environmentalist. But what pains me more is the dire straits of my fellow carpenters. And I had to run to get back in here.
In my brief 25 years in this industry, I've seen a sea change around the green building movement. And I'm proud of that. The spirit of cooperation and flexibility between the management and labor, the environmental community, and the scientific community and government. And this cooperation has continued right up into these tough economic times and uncertain futures. And I fear that the targets that you're setting now are counter to that spirit of cooperation. They're going to be tough for us to reach.

And I'm not accusing you of not looking at all of the perspectives in this, but I do feel that you see the projects differently than we do. You see a project on a piece of paper, and I see a project -- when you look at concrete and wood, you see concrete and wood. When I look at concrete, I see an old man retiring with dignity. When I look at wood, I see a young couple buying their first home.

And when a project is delayed, I see that couple losing that home. And when a project is canceled, I see that old man putting his name on page 15 of the out of work list. It pains me.

So I urge you to just take a look at those projects through the eyes of the men and women I've brought here with me today and re-assess those targets.
When the day comes that you come back here with targets that we can all work together to achieve, we'll fill this room with those old men and those young couples in support of those targets. But it won't be these targets and it won't be today.

CHAIRPERSON NICHOLS: Well, thank you.

(Applause)

CHAIRPERSON NICHOLS: Hang on just a second before you leave. I think we have at least one question.

BOARD MEMBER SPERLING: I'm curious why you think this is going to result in less jobs. I mean, what this program does is its aim is to reduce sprawl and vehicle use. It does not aim to reduce construction or reduce employment. In fact, you know, there's every reason to think it will actually increase those kinds of investments.

MR. HEBARD: In the long term, that's our vision, too. That's the vision that we share with this Board. But in the short term, when our grasp on our homes and our health benefits is so, so tentative, the simple idea of the uncertainty of the cost of projects is enough to kill them at this point. The margins are so slim, and the industry is so frightened. You know, I hate to say we fear the change, but we do.

BOARD MEMBER SPERLING: You might want to look at
it more closely, because, in fact, the only real
carrot/horse stick associated with this program is to
expedite the review of new projects that are consistent.
And therefore one could argue just as much it's going to
accelerate those kinds of investment and those jobs.

MR. HEBARD: We're hesitant to wait and see. And
we're just -- the change at this point where we have such
just a tentative grasp on recovery. Our jobless recovery,
you know, our version of recovery right now is just
stemming the hemorrhaging right now. We're afraid that
this is going to create just another level of uncertainty
and funding of projects and slow things down.

CHAIRPERSON NICHOLS: One of the things that I've
heard said that may help explain this disparity here,
because I agree that your group, your members, and the
housing industry in general has been one of the real
leaders in terms of coming up with innovations to reduce
greenhouse gases, reduce energy use. This is an area
really one of the bright spots in California.

What I hear is that by setting the target, any
target, in effect, people are afraid that we're going to
hand a tool to those that would use it the litigate, to
stop any project they don't like for one reason or
another. And that's one of the major fear factors that's
out there. I don't know if that's your view as well.
MR. HEBARD: It's definitely an element, yeah.

CHAIRPERSON NICHOLS: So I think that's something that we may want to think about what we can do. Anyway, thank you so much.

MR. HEBARD: Thank you for your time.


Julie Snyder and then Richard Lyon and then Andrew Henderson.

MR. SNYDER: Madam Chairman and members, Julie Snyder with Housing California.

I want to draw attention today to the important issue of what happens after you set the targets. Once they're set, what role should you and other State agencies play?

We believe that ARB and other State agencies should continue to take a leadership role, including highlighting the innovative work being done around the state, providing an open forum to raise and discuss the issues that will continue to arise, and helping every region reach the goals in an equitable way. We wholeheartedly support your staff's recommendations by including the staff continue to participate in the MPO efforts to improve modeling and develop performance indicators.

We also support the recommendation that ARB fund
research projects that will increase the understanding of
the link between greenhouse gas reductions, housing costs,
equity, and other issues, other outcomes.

We would also urge you though to additionally
direct staff to spearhead a public forum where all
stakeholders can discuss issues as they arise. It isn't
enough for your staff and MPOs to meet privately, not when
key housing goals and other important State goals are at
stake.

Your RTAC demonstrated the value of such a forum
where the combined expertise of stakeholders from whole
range of interests produced a consensus approach.

In closing, I also want to note that regardless
of the targets that you set today, the law, SB 375 is very
clear. Every community in California retains its fair
share obligation to provide housing for families at all
income levels. MPOs and local agencies must determine how
they will reach the targets and provide these housing
opportunities. We will be watching closely to make sure
that the requirement is met, and we hope the Board and
other State agencies will as well. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Richard Lyon and then Andy Henderson and then
Woody Hastings.

MR. LYON: Good morning Madam Chair, members.
Richard Lyon on behalf of the California Building Industry Association.

By now, I'm sure you have heard that home builders have concerns with the staff recommendations that are in the report. Our concern is not whether the targets are set; rather, the concern is one of balance and degrees, the level at which they're set. The higher the targets, the more challenging it's going to be for regions to meet their emission reduction targets given the daunting economic planning, legal, and political challenges they'll face.

And when you factor in the overall economic condition of California, the slow pace of recovery that we have and we'll continue to have, it seems to us that common sense would demand that the first of a kind program we're talking about here and that we were involved in putting together and would like to see succeed be stepped out in a way that gives it the best possible opportunity to succeed. We believe that can best happen if the targets are set initially at levels that there is a high likelihood they can be achieved based on funding and resources and can be implemented through a sustainable community strategy.

What we urge you to do is not to get too far out in front of the horse with the cart. The approach that we
put together in 375 is complex and it's large scale. It links and aligns transportation delivery with land development forecast, air quality consideration, housing need, allocation plans, yes, greenhouse gas reduction goals, and attempts to accomplish all of this at a regional scale and requires a CEQA analysis accompany all of this. That's a pretty daunting task.

If this is going to work, the moving parts have to be scaled so they fit and function together. If we get too far out on one aspect, such as the targets, we risk forcing the transportation plans to have to strain to achieve the targets by making assumptions about the infrastructure, road, and pricing and demand management strategies that may or may not be feasible or have political buy-in. So we are concerned about the level of the targets.

We do recognize in San Diego they are achievable. And on that one major MPO, we recommend that you go with the staff recommendation on that. And in the short amount of time I have, Madam Chair, that's the truncated testimony. Be happy to answer any questions.


BOARD MEMBER D'ADAMO: Well, I believe I spoke with you the other day on the phone. And in that
conversation, you raised a concern that resonated with me. That has to do with CEQA compliance. I know that SB 375 was not -- it was intended to offer incentives and not sticks.

And the concern that you raised was that perhaps these plans could be used against developers as they move forward with projects in the event that the specific measures in order to meet the targets, if they're not met, they could find their way into a development project CEQA documents. And so I was wondering -- I understand that staff was going to address this with some resolution language. And I'm just not -- it looks like there's an attachment, but I'm just not finding it. So I was hoping that staff could address that issue while you're up here.

DEPUTY EXECUTIVE OFFICER TERRY: It's a long resolution. We added that language on page 13 of the resolution. It's the second paragraph. And Aron Livingston, our legal staff, can answer any questions about the nature of the language.

BOARD MEMBER RIORDAN: Is it the "be it further resolved"?

EXECUTIVE OFFICER GOLDSTENE: The Board intends the regional targets be used to guide regional planning processes and not to judge the environmental impact of any particular project.
CHAIRPERSON NICHOLS: So I think the idea here is to clarify. This obviously isn't regulatory language, but then there isn't a regulation that we are adopting either. It's a little awkward to see what you can do that would actually be the strongest possible armour against the misuse of the targets. But this would make an effort to go in that direction.

MR. LYON: I appreciate the effort with the language. Let me be clear. 375 has a mandate to achieve the targets. I understand it's not regulatory, but the mandate is a statutory mandate for the regions to achieve the targets.

And while the language is nice, we would have to suspend 40 years of history with CEQA challenges on a project by project basis to believe that project scale challenges are not going to occur. Of course, they're going to occur. And the higher the targets are set and the less achievable those targets are, the more opportunity and exposure that individual development projects, all types, transportation, housing, retail have to a CEQA challenge.

CHAIRPERSON NICHOLS: That's really at the crux of all of this, I think. And it's what we are trying to get away from, what we were all trying to get away from in the adoption of SB 375. And it remains the biggest
challenge, because nobody wants to touch CEQA in terms of taking away any of the protections that it provides. And yet, at the same time, we've seen there is a lot of mischief that can occur. So we need to do what we can to try to prevent that. Prevent our work from handing anybody any additional tools. That's I think what we all need to look to.

MR. LYONS: There is a tremendous amount of uncertainty out there, Madam Chair, with respect to the rules of the game that builders and project applicants would have to meet through the CEQA process. There are no rules of the game. Those are left right now to courts. With high targets, that compounds the problem even more. Again, we are not saying don't set the targets. We're saying set them at levels that we know can be achieved at least in the short term. And then as the funding becomes available for transportation and planning, then we can have a much more rigorous discussion about increasing those targets at a later time.

The concern we have is that if targets are set high and they really aren't supported by reasonable funding and political buy in, then we set the table for failure of the program. And we were at the table in putting this program together. We would like to see it succeed. And in order to do that, we're going to have to
continue to march together to make that happen.

CHAIRPERSON NICHOLS: So just to be clear, again, as I understand it, the 2020 targets which are pretty much business-as-usual targets or -- business as it is planned to be, the MPOs believe they will achieve these targets as a result of the plans they've already adopted and things they're already doing. That's not your concern? It's the 2035 targets.

MR. LYON: The 2035 targets are definitely of concern. We would also recommend that you adopt the targets that were recommended back to the Board from both the Southern California region and the San Joaquin Valley. We are deeply concerned though about the viability of the 2020 target in Bay Area.

CHAIRPERSON NICHOLS: Thanks.

Yes.

BOARD MEMBER TELLES: I have a question maybe to be answered later by legal staff. You can think about this.

But what's the difference between -- our resolution says in that statement there that these are guidelines and not standards. The building industry says they're mandates following the statute. Are we following the statute by putting them as guidelines and not standards? Making language that's a little more...
palatable? Or is there a problem here as far as the legality of this? Is that resolution -- basically I'm asking is that resolution legal? Is this truly a guideline? Is it a standard or a mandate? Or what is it? Please define to me what the mandate is. You don't have to answer that right now, but maybe at the end of the meeting or something.

CHAIRPERSON NICHOLS: Okay. Thanks.

Next we have Andrew Henderson, Woody Hastings, and Mitch Sears.

MR. HENDERSON: Thank you, Madam Chair.

My name is Andrew Henderson, Vice President and General Counsel at the Building Industry Association of Southern California. And we represent the home builders in the SCAG region which is an area that includes basically half of the population of the state.

As Richard Lyon just said, the Home Builder Industry has supported SB 375 up until now. We feel if it's moderately rolled out that it's a good thing that will lead to better regional planning and something we can all live with.

The problem is in moderation and the targets that are being proposed and my presentation really wants to focus back on the Scoping Plan, because there were a number of assumptions in the Scoping Plan that led up to
the placeholder target in that plan. One was the population was going to grow at 1.2 percent per year. Probably a little high. The other was that aggregate VMT was going to grow 2.2 percent a year. That was definitely high.

And the overall conclusion as stated in the appendix at C-57, there is this ridiculous trend in aggregate VMT growth and we need to slow it down. There was never any suggestion that we had to decrease per capita VMT or it was even possible in a burgeoning population to do so.

So this Scoping Plan had these numbers. If you look at passenger vehicles, it showed that the overall emissions from passenger vehicles in 2020 would be 160.8 million metric tons. And the goal then was to decrease that by five million metric tons, roughly from 160 to 155. This shows that same chart of the -- what the projected reduction needed was. The parabolic line is the 2.2 percent aggregate VMT growth. The misstated assumption, probably too high assumption. The yellow area shows the reduction you were looking for. It was five million metric tons in 2020.

Now, this shows instead what we're now looking at in terms of targets. And in the middle of the page you see the 2020 numbers. The business as usual has -- if I
could continue just a second. I got one more slide --
decreases from 132 to 128. Well, that compares to the 160
to 155 that was in the Scoping Plan. In fact, the Scoping
Plan wanted you to achieve 155 million metric tons.
You're now looking at 128.5, which is a little bit off
because it excludes through trips. But other than that,
those are the numbers you're comparing.

Look also with the business-as-usual projection
for 2020, just above that: 160 in the Scoping Plan; 132
now. These are obviously wildly different projections.
And I would just say you need to be very careful with
these numbers. They're really way off. And it all leads
back to our ask, which is moderation.

CHAIRPERSON NICHOLS: Thank you. I'm assuming
you're going to leave these numbers with us.

I'm also going to ask if Mayor Loveridge and then
Supervisor Roberts want to talk about this.

BOARD MEMBER LOVERIDGE: I just thought staff
comment on the numbers might be helpful.

CHAIRPERSON NICHOLS: Okay. Staff comment on the
numbers.

BOARD MEMBER ROBERTS: My question is do we have
copies of the numbers.

MR. HENDERSON: I've brought copies. I run 20
copies. I'm give them to staff.
And if I could just ask the Board to consider one question for staff it is: What is the number of million metric tons in 2020 that are related to through trips? Because if you have that number, you can equate everything in the comparison I just gave you. I think it's in the order of four or five million metric tons in 2020. Hopefully staff will know that. If not, they can get that answer quickly.

CHAIRPERSON NICHOLS: Okay. Thank you.

He's going to leave the copies with the clerk. But the question was would staff please address this issue of the SCAG numbers and then we'll take you.

AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

CHIEF KARPEROS: Kurt Karperos, ARB staff.

The number, the 132, it's also the number that we showed you on one of the staff slides. It had three lines which was a baseline and the benefits of the SB 375. And finally, we rolled in the benefits of the vehicle technology and fuel standards. At that chart at the 120 intersection it was 132 -- 2020 line year it was 132 million metric tons.

That baseline represents the emissions against which the targets apply. So it is not -- it is the 18 MPOs. It's not the entire emissions from all the greenhouse gas from passenger and light trucks in the
state. Remember, our early charts showed SB 375 applied to a subset of the state. Admittedly, it is most. It is 98 percent of the VMT. So first, you need to discount for that.

Next one of the first exercises that we went through in calibrating the targets as recommended by the Regional Target Advisory Committee this was to be a bottom-up process. And we understood that the baseline information we had in the Scoping Plan did not reflect the economic downturn. So the first exchange we had with the MPOs was to update our baseline information. And you heard Mr. Hemminger refer to the change in the greenhouse gas emissions in his region when he updated his plan for the current economic trends. So that also brought this down.

And then finally the commentor just spoke about the interregional trips. This was an issue that was discussed at some length at the RTAC Committee. Those are the trips that we take. We start in Sacramento and we drive to Disneyland. And some of those greenhouse gas emissions from that trip occur in the Central Valley. And the Central Valley doesn't have a policy option through its regional planning to reduce the emissions from that trip.
and has been applied to these numbers was to remove those
from the calculation. And then when you do that, then you
end up with the 132 million metric tons in 2020 that we
proposed.

One other thing I'd like to point out, the
Scoping Plan baseline actually did reflect -- the
commentor said there was a 2 percent per year increase in
greenhouse -- vehicle activity in the Scoping Plan. The
Scoping Plan baseline reflected about a one percent
decrease. So that trend that we actually are expecting to
see with the current plans is actually in the Scoping
Plan.

CHAIRPERSON NICHOLS: Can you just pull this back
together? This is really complicated.

I think what we're trying to understand is: Are
we suddenly imposing a much higher goal on VMT and land
use than the Scoping Plan called for? I think that's what
the issue is. Are we switching the table here?

AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

CHIEF KARPEROS: The simplest way to look at it is the
relative change that we are targeting -- would be
achieving with the MPOs are able to reach these targets in
terms of the amount of change, the percent change and per
capita emissions is on par with what we had in the Scoping
Plan.
CHAIRPERSON NICHOLS: So five million metric tons out of that list of tons that we were going to try to get from this particular type of activity is roughly what --

AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

CHIEF KARPEROS: In terms of maximum number, the benefits from these targets would be slightly less than that for the reasons I was describing the baseline.

CHAIRPERSON NICHOLS: Right. Okay. Thanks. I believe it's Woody Hastings and then Mitch Sears.

MR. HASTINGS: Madam Chair, if I may, I'd like to request to switch positions on your speaker list with my colleague, Curt Johansen, who has to leave. If we can just switch.

CHAIRPERSON NICHOLS: Wherever he was. He should be on the list.

MR. JOHANSEN: Thank you, Chair Nichols. Good morning.

In the 1970s, California suffered through a recession exacerbated by an oil embargo. In response, something remarkable happened; the California Energy Commission was created. Ambitious energy legislation followed, particularly Title 24, which then met with the same cautionary rhetoric you hear from business as usual interest today. Those energy efficiency standards helped
fuel innovation and the creation of tens of thousands of new jobs in California.

We now lead the nation in clean technology investment and manufacturing capturing 60 percent of all the U.S. venture capital in that sector. We use 40 percent less energy than the United States overall, and we've saved Californians $56 billion in the process.
The wisdom of that legislation seems obvious today.

In the 1970s, something unremarkable happened in California as well. We increased our pursuit of a failing strategy in land utilization known as sprawl zoning. Consequently, we shifted the burden of fiscal externalities for infrastructure from sprawl onto the backs of cities and counties.

The absence of wisdom in that underwriting of unsustainable development seems obvious today. Ambitious emission targets will not hurt our economy; they will help. The Silicon Valley leadership groups representing 325 of our most respected employers support stretches targets.

Over time, the infrastructure savings to California taxpayers will be in the billions of dollars again. Equally important, incentives for the creation of sustainable communities will give the majority of Californians what they want: Housing closer to jobs,
schools, shops, and transit. Aggressive targets will inspire California to innovate again. The marketplace is asking for this shift to occur. Moderating targets is like saying we probably won't win this game, so let's try to lose by less.

Please have the courage to do what you know we must do. Thank you.

CHAIRPERSON NICHOLS: All right. Thank you.

Mr. Sears and then -- did Seyed testify already?

MR. SEARS: Thank you, Madam Chair, Board members.

I'm here representing the city of Davis today, and I would like to echo the previous speaker. City of David was the first community in the country to adopt a climate-specific energy code which helped kick start the 1970s revolution that the previous speaker recommended. We're here -- it was kind of uncomfortable to fill out the opposition card. We're here not to oppose the movement towards greenhouse gas emission reduction targets from VMT, but to support a more aggressive approach.

The City of Davis has done quite a bit of work. We've been at this a good long time probably working on this stuff for about 40 years. And what we're finding at the local level with our local analysis is that the targets that are being set today, being considered today,
do not allow us to achieve our local greenhouse gas
emissions reductions. We need to reduce our local
greenhouse gas emission reductions associated with
transportation by approximately ten percent in the next
five years to stay on the path, even in a community as
progressive as Davis on these issues by ten percent.

And these targets do not allow us to do that,
because we need a much more robust regional approach that
allows our local actions to be multiplied by what's
happening at the regional level. Our local analysis does
not show that's going to occur as a result of those.

I would also point out the city's concern with
the methodology of going with a per capita approach. It's
been mentioned a couple of times by the Board. What our
basic local analysis shows is indeed in the Sacramento
region that when you combine the population growth with
the proposed reductions using a per capita rather than an
absolute, we actually end up with more emissions here in
the Sacramento region both in 2020 and 2035. Something on
the order of between 8 percent around 2020 and upwards of
18 percent by 2035.

Thank you. Concludes the City of Davis'
comments, though we do support the overall approach and
direction.

CHAIRPERSON NICHOLS: Thank you. You just think
we could do better.

Seyed and then Tom Jordan.

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

I know this is a greenhouse gas measure, but I'm here from a perspective of public health to urge you to do the right thing on this.

As you know, the Valley Air District is the single public health agency with jurisdiction over the eight counties in the Valley. As a public health agency, we want -- we need the strongest health targets you can set for the Valley when its comes to reducing vehicle miles traveled and reducing emissions from vehicles. Air quality goals cannot be achieved without major reductions in air pollution.

Now, I think what should be guiding for you to do the right thing for is a recent quote that I saw from Mayor Loveridge. He's not here right now. But he basically said that this is marathon, not a sprint when it comes to doing 375 right. And there is no place in California where that is more true than in San Joaquin Valley, given where we are and where we need to go.

But I think with all its imperfections, if you do SB 375 right, it can be revolutionary in San Joaquin Valley. It's a revolution that we need and want. You
have to be careful as to how you go about doing that.

Looking at this, the San Joaquin Valley Air District got involved late in the process, and we brought the MPOs together and have a recommendation before you that we urge you to consider, which really has two major components. One is the process which we are in total agreement with ARB with, with the staff. The other is the placeholder targets that we have suggested. This process in San Joaquin Valley will not work if any of those two components are missing. If you don't have the process we've laid out or we don't have these targets that will keep the Valley engaged and get us to where we need to go.

Now if I could borrow another phrase. There is an irrational exuberance by some to simply say let's come up with the highest targets that we can throw on the table and let's see what happens, even though we don't have the science.

If I could take one minute of Tom Jordan's time.

CHAIRPERSON NICHOLS: I'm sure he'd be happy to accommodate you.

MR. SADREDIN: If we go with the five to ten target that is on the table right now, SB 375 is dead on arrival in San Joaquin Valley. That will be a major blow to public health and to air quality that we need to keep on track.
So, you know, what basically it will do because of the CEQA issues that we talked about, there is nothing you can put in your resolution that will fix the CEQA problem. Having been involved in that, let me guarantee you that. Because you don't have to have the real legal argument for CEQA. You just to have a hook and you can delay projects and kill projects with just whatever you can put your hand on.

So forcing Valley to do an APS is a total missed opportunity, will get us no reductions. It will give us -- people that hold nice conferences and nice document to bring up when we have a land use conference and a nice academic discussion. APS would really not do the job in its sustainable community plans. And what we've laid out here will get us there. Most areas in the Valley -- I'll let Tom finish that thought.

CHAIRPERSON NICHOLS: Thank you. Tom Jordan.
All right. Got a question here though, Seyed. Sorry, you can't leave.
BOARD MEMBER SPERLING: I'm going to ask a nerdy academic question here.
How much confidence do you really have in these numbers that are being generated? For instance, this two percent and five percent. Just to make a little comment. My understanding, one of the models is that they're not
very refined. They're not very sophisticated dealing with the kind of things we're talking about.

And number two, there's no reason to think that it will be any more difficult to reduce VMT in San Joaquin than it would be in the Bay Area. Because we're talking about from wherever you are now, we're not creating some absolute target. It's a percent reduction. When you're starting with an area that has a lot of sprawl and is spread out, it seems like actually it would be easier to get reductions than in the bigger areas.

MR. SADREDIN: Actually, what Tom was about to tell you is that in San Joaquin Valley the baseline emissions right now in pounds per capita when you look at vehicular traffic and it's in your staff report in the Valley, we are already 20 percent below the average compared to all those -- all those MPOs. So we start with a much lower baseline that is a lot more difficult to meet.

But really your question goes to the crux of this problem. That is the reason that we have suggested the targets that we have, because the science does not exist. This Board unfairly, in my view, has been accused of not using science and which I totally disagree with. I think you have a long tradition of relying on good science.

First of all, there is no science to support the
ten to five -- or the two and the five that we are suggesting as absolutely the final numbers when it comes to achievable and -- ambitious but achievable.

But let me just give you some numbers that we run and to look at all the numbers that were put together by many areas. I'm going to focus on the 2035, because the 2020, as many have said, it's essentially a little bit better than business as usual the way most people are seeing it.

In Fresno County, pushing all the levers of creativity and hoping for funding and all the projects that are difficult to imagine would happen, we were seeing numbers like 4.1 percent. In Kern County, we were seeing a 4.1 percent reduction. In Kern County, we were seeing numbers as high as eight percent increase. So in our view, two to five does not total business as usual. It is something that still will push the Valley. To do two and five Valley wide, Fresno, city of Fresno, city of Bakersfield, city of Modesto, and all the major metropolitan areas have to do a lot better than the five percent and the two percent or what the ultimate goal will be.

My hope, as a public health advocate, is that with good science, keeping the Valley engaged in MPOs, we can actually push them to much higher target levels.
Whereas, if you go with this five and ten, at this point, it's every anecdotal and every bit of modeling that we have shows it's nearly impossible to meet it. My hope is that we put the model together and find it out it's actually doable. We might be able to do better. We need reductions in vehicle miles traveled.

CHAIRPERSON NICHOLS: Do you have anything left to say, Mr. Jordan? No. Thank you very much. Thanks a lot. That's very helpful.

I'm going to call next on Tom Adams from the California League of Conservation Voters, John Longville and Jane Block. And then we're going to take -- I'm going to ask you all to re-organize things a little bit.

MR. ADAMS: Thank you very much, Madam Chair.

I'm Tom Adams. I'm the Board Chair of the California League of Conservation Voters. I was one of the co-sponsors of SB 375 and, for good or ill, probably the principle drafts man of the bill.

I'm here today to support staff recommendation for ambitious and achievable targets.

I just want to make a couple of brief comments about the structure of the bill and why we think this will work. The bill was supported, as you know, by a very broad coalition of builders, local governments, housing advocates, labor unions, environmental groups, a coalition...
which is showing some fissures here today, unfortunately.

But the bill contains no mandates to achieve the greenhouse gas reduction targets. It, instead, sets forth a planning process in which people have to participate. And the bill does not create penalties for failure to achieve the targets. Instead, it relies on a system of incentives.

And the bill reflects specifically the existing federal requirements for transportation planning that mean that the plans have to be fiscally constrained. The planning has to be based on realistic forecasts of what transportation money might be available to support it.

Now, why do we think the plan will work? The plan does a couple of things.

One is for the first time it has an integrated climate land use and transportation planning system. Whereas, before SB 375, these planning processes frequently conflicted.

Secondly, I think SB 375 works because of the incentive system and because of social and economic changes in our society. It sort of rides the crest of a wave that is kind of happening anyway that SB 375 will help move along. So for example --

CHAIRPERSON NICHOLS: I'm going to extend your time on the grounds that you're speaking as the author of
almost the author of the bill. I'm sure Senator Steinberg would want you to be heard.

MR. ADAMS: Thank you very much. I'll be very, very brief.

The changing demographics are changing housing demand. Under SB 375, people will still be able to purchase a large lot single-family dwelling, even put a picket fence around it. But they will have choices of more housing types. SB 375 will lead to less expensive infrastructure for housing. And frankly, I think if we look at the fiscal system in the state of California, the money to continually expand the footprint of urban infrastructure simply does not exist.

SB 375 will result in shorter commute times. It will provide savings to household budgets. It will result in much greater water conservation. It will improve air quality. It will reduce energy consumption. And it will lead to more land conservation.

These benefits are felt by the people of the state of California and will help push and participatory planning process towards the goals this Board will set in the target process. And that's what we're relying on to make this work.

Madam Chair, thank you very much.

CHAIRPERSON NICHOLS: Thank you.
Let me just ask you one question, which I think is a mirror of a question or comments that -- dialogue I had with Mr. Lyon. That's about the uncertainty issue. Clearly, this is a worse time in terms of people's confidence level, at least in the California economy than when SB 375 was passed. We need to reflect that in some manner or another. Do you have any suggestion how that best to do that?

MR. ADAMS: I mean, given the coalition that worked on SB 375 -- I hope everybody knows it was scrubbed with litigation opportunities. The bill is designed to be an incentive voluntary planning bill.

The ULI, in its recent report, said that SB 375 will provide more consistency, more coordination, and more certainty for the land use planning process. And that's partly because it does something that the building industry has always wanted. That is it pushes more decisions up to the regional scale. It will allow projects and local governments to rely on the CEQA document that was prepared at the regional level. And it gives projects that will fulfill the targets set by this Board additional CEQA relief. So it provides incentives to good projects that will meet the targets, reduces the opportunity for litigation, and creates greater incentives.
I did just want to say if I could in response to a point that came up earlier. SB 732, which created the Strategic Growth Council, does have an expressed statutory provisions that authorizes that Council to cooperate in SB 375 plan. Sorry.

CHAIRPERSON NICHOLS: Thank you. All right.

Thank you very much.

John Longville, Jane Block.

MR. LONGVILLE: Good afternoon. It's a pleasure to be here in the Byron Sher auditorium. I had the pleasure of first meeting then Assemblymember Sher a couple decades ago when I was working with Kip Lipper in the working group on AB 2766, which I ended up as a member of the Mobile Source Air Pollution Reduction Review Committee for seven years, five years as Chair of it, working with him quite a bit. And later was a colleague in the Legislature.

I'm impressed with the fact that SB 375 is in the spirit of AB 2766 in a number of ways, one of which is the flexibility which I believe is crucial to the ability of this legislation to actually achieve pragmatic results.

I'm speaking here today in support of your staff recommendations -- strong support of those recommendations. I believe that the benefits of this are clear in many ways. A lot of people have spoken of the
health benefits. I'd like to focus instead for just a moment on the economic factors, because I believe that that has not gotten sufficient attention. The economic benefits, if we can achieve greater job/housing balance, if we can avoid having so many of our commuters wasting incredible portions of their workday, day after day, buried in horrible traffic, not only generating pollution but throwing away money, and in a time of rising energy costs, which we can foresee inevitably going on indefinitely into the future, that becomes especially crucial to people in my home area in the Inland Empire where people like Ron Loveridge and Barbara Riordan and our neighbors have to deal with extraordinary commuting costs.

So I really just came to urge you to support the staff recommendations and to thank the prior speaker and Senator Steinberg for the approach they took in designing such a flexible approach. Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

MS. BLOCK: Thank you, members of the Board. Thank you for the opportunity to speak on this vital issue.

My name is Jane Block. I'm a resident of Riverside City, and I'm a member of Clean Air Now and...
Climate Plan.

Before I comment on the standards for 375, I would like to thank each of you. I have lived in Riverside since 1969. And because of your efforts and wisdom, I can now see Mount Rubidoux and the Santa Ana mountains. And you have added years to my life with clean air. Thank you.

A few months ago, Clean Air Now and Climate Plan organized a hearing in Corona regarding 375 and greenhouse gas. The consensus among the participants was supportive of strong standards regarding air quality. They felt high standards would contribute to the creation of a green industry. Private interests are quite active in this field in our area.

And please follow the staff recommendations. Keep the standard high. The citizens of southern California need the clean air and green jobs. The children need clean air to grow and thrive.

Thank you.

CHAIRPERSON NICHOLS: Thank you. It's now ten past 12:00, and it's my goal to actually reach a conclusion on this item by 1:00. And that would be achievable if some of the people who have signed up to testify would agree to yield their time to others. In other words, if not everyone who is here felt they...
absolutely had to speak, but you could group yourselves by
those who are for, those who are against, we could do it
by NGOs and government and unions and business
representatives or some other fashion. But I think it
would actually -- I'm going to try at least calling people
that way for a while and just see if we can focus on the
issues that really we need to focus on if we're going to
do anything other than adopt the staff report that's in
front of us.

If there is anybody who has anything to say that
would cause us to do it differently, you know, then I'd
like to hear from them. Otherwise, if it's just support
or don't support, you know, I don't think that we really
need to extend the amount of time for the hearing beyond
just knowing that you're here and that you care.

So I'm going to try this with urban people. I've
got somebody from the city of Inglewood. I've got the
city of Merced. There may be some other cities -- city of
Duarte. And then maybe some other cities that are here
that all indicated that they're in support of the staff
recommendation.

Can one of you speak for the cities in that
regard?

It's the Mayor of Inglewood. Oh, my gosh. Okay.

Well, in that case, Dan Tabor. Okay. Mr. Tabor, go
MAYOR TABOR: Madam Chair, in deference to time, let me try to be quick. Inglewood, as you mentioned, is a urban community. Our largest suburb is the city of Los Angeles. We're the largest --

CHAIRPERSON NICHOLS: Thank you for doing just a great job.

MAYOR TABOR: We recognize this is an important issue to us. Many speakers have already commented on the science, so let me talk about it from a very different standpoint. We note in the city of Inglewood health studies have told us, research has confirmed that our residence, our children, and your seniors suffer higher incidents of asthma and other respiratory illnesses because we're born by two freeways, less than a half mile from the city's edge, sometimes running through the city, and Los Angeles World Airport and the sanitation refinery.

We recognize also that we have the opportunity because of that proximity to Los Angeles World Airport and now importantly because the Metropolitan Transit Authority of Los Angeles is bringing the LAX Crenshaw line through Inglewood, it would be the line that takes folks to and from Los Angeles World Airport, there is an opportunity for us to live the full vision of what SB 375 proposes,
that we can plan to increase our density, change our land
uses, and encourage and incentivize development that will
bring people into an area where there will be both jobs
and housing and reduce their dependency on public
transportation.

So we encourage this Board to adopt the highest
standards possible, those recommended by your staff, and
approved by SCAG and Los Angeles region to set those goals
higher than our reach so we can work towards them, not so
they're easily achievable today and reset goals in the
future. We encourage you to do that. We encourage
innovation. And California needs to do this now. Thank
you.

CHAIRPERSON NICHOLS: Thank you very much.

Other city folks? Elected officials?

MS. RAWLING: Yes. Good afternoon, Madam Chair,
members of the Board. My name Mary-Michal Rawling, a
member of the Merced City Council in the San Joaquin
Valley.

Sorry I don't feel comfortable speaking on behalf
of the other cities and other places.

I just wanted to start by telling you a few facts
about my communities, all of which I think are very
inter-related with each other. Eighteen percent
unemployment. Some of the highest foreclosures rates in
the country. Twenty percent childhood asthma prevalence rate and leapfrog development to such an extent that there are not one, but two measures on our November ballot for voters to take back power to direct growth to cities to save our treasured resources of farmland, air, and water.

I'm here today to ask for what your Board so ably has provided in the past, and that's leadership to help correct all of the issues listed above, by setting targets at what your staff is recommending at five and ten percent in the San Joaquin Valley, and to demonstrate that there is not widespread unity around lower targets in the San Joaquin Valley. Quite the opposite. And I stand by my colleagues at the League of Cities in support of SB 375.

Merced is set to have a very high influx of growth in the near future because of the University of California and high speed rail system. And having lower targets means more congestion, more sprawl, and respiratory illness, none of which will help my city.

In Merced, we're trying to be more proactive. We have a general plan in the works and we're developing a Climate Action Plan. As we're putting together these targets, we're looking around for guidance. And a finding of COG in its recent transportation plan has set a lofty goal of zero percent greenhouse gas emissions reductions in anticipation of new standards. So it's no wonder that...
five percent seems so unachievable to them.

So in conclusion, I'm asking for your leadership today. Please help my city to continue our work to revitalize our downtown and establish areas, support our green economy, and improve our overall quality of life. We can't fight this regional issue on our own. We need strong regional targets to facilitate efficient and effective regional planning. Thank you so much.

MR. REYES: Good afternoon, Madam Chair and distinguished Board.

My name is Phil Reyes, Counselman, city of Duarte. I'll try to be brief, considering respect to all those behind me. I think we may be at the point of redundancy.

So with that, you know, city of Duarte is in the San Gabriel Valley. Two million people in the San Gabriel Valley, 35 cities within that region. And I ask you very quickly again pointedly if you would please adopt SCAG's recommendation, adopt SB 375, and move forward from there. Obviously, there is a need and I appreciate your leadership and the direction we're hopefully all going in. Thank you.

CHAIRPERSON NICHOLS: Thank you. Okay.

City of Santa Monica.

MR. O'DAY: Good afternoon. Thank you.
I'm Terry O'Day, council member from the city of Santa Monica, and I'm here to support the staff recommendations.

But I want to just come up to say that -- given the time constraints here, I do want to offer the example of the achievableability of the staff recommended targets.

Let me tell you, we updated our general plan this summer in unanimous vote of both our Planning Commission and City Council. And it updates a plan that was adopted in the early 80s that encouraged growth commercially -- commercial growth in particular and accomplished over 25 years of a small percentage of what was envisioned for commercial growth, albeit quite a lot and created a lot of jobs and particularly jobs to housing imbalance. As a result, created a backlash in some of our neighborhoods. We have -- the neighborhoods had concerns about congestion and traffic as we see throughout our region, and housing affordability and concerns about preserving the existing character of our neighborhoods.

So as we set out to adopt a new general plan, we had those goals in mind, along with sustainability goals that we heard from our community.

But the sustainability goals were intangible. SB 375, when we embarked on this six years ago, didn't exist. AB 32 wasn't there to guide us. And so we built our new
land use and circulation updates to address these tangible community objectives. And what we did -- what happened was we found something specific. Our EIR when it came back to us this year showed not only no new traffic trips in our community with this plan, but also an 18 percent reduction in gross greenhouse gas emissions, and 31 percent per capita reduction in 2030, five years ahead of the targets we're discussing today.

And I think it's important to realize this is not a plan that is anti-growth by any stretch. Consider that it incorporates three new corporate headquarters, hundreds of millions in private investment, and multiple new large hotels.

So I encourage you to adopt the staff recommendations because I think we're proving it's achievable.

CHAIRPERSON NICHOLS: Thank you. It would be helpful, if you haven't already done so, if you'd submit some additional information about the specifics to the staff. That would be good. Thank you.

Okay. More elected officials or city reps? Yes.

MR. MC CALLUM: Thank you very much.

I'm Larry McCallum, Council Member from the city of Highland and President of the Southern California Association of Governments, or affectionately known as
I'm here -- I want to thank, first of all, the Board and your staff for working closely with all of the MPOs and for the three workshops that you held in the SCAG region. I was pleased to participate in all three of them, and your staff did an excellent job, very professional, and very attentive to all of the input that they received.

You know, SCAG is committed to trying to achieve the goal of SB 375, which is to reduce greenhouse gas emissions from passenger vehicles and light duty trucks. Since SB 375 was signed into law, SCAG and our local and regional stakeholders have spent countless hours analyzing how best to implement the law and what it really means for our region.

While we know much more now than we did two years ago, it is a matter which is still evolving. We're still studying it. Still modeling it.

While SCAG, our fellow MPOs, and our local jurisdictions are committed to the goal of SB 375, we also know that the success of SB 375 requires the commitment of all who are involved, which importantly includes the state and the federal governments and ARB.

For this reason, SCAG urges the ARB to focus not just on the targets, but on the conditions that must be in
place to successfully meet these targets. While the SCAG Regional Council debated the targets for 2020 and 2035, it is my opinion that the Regional Council was united in its understanding and belief in the need for ARB to accept the 11 conditions that were outlined by SCAG staff.

SCAG fully understands the impacts of the recommended targets for 2020 and 2035. However, they translate in — how they translate in southern California having a greater quality of life by breathing cleaner air and having more transportation choices, including improved transit, walkable communities, and less traffic congestion.

In summary, however, SCAG, the other MPOs, and our local jurisdictions throughout the state cannot do this alone. Regardless of what the final targets are, SCAG will do its best to achieve them. But we need the support and commitment from ARB and the State and federal governments to successfully achieve these targets and to make the goal of SB 375 a reality. Thank you very much.

CHAIRPERSON NICHOLS: Yes, Mayor.

BOARD MEMBER LOVERIDGE: Just I want to acknowledge and thank Larry for his leadership at SCAG this year. He's really been one of the best of the leaders I've seen in my 25 years of going to SCAG meetings.
Second, he mentioned that the staff -- and there's been some attention to SB 375 in southern California, but just take a guess at how many conferences, meetings, separate panels that you attended on this in the last, say, year and a half.

MR. MC CALLUM: I know SCAG we've had at least 100 outreach meetings, and I've probably participated in at least a quarter to 30 percent of them.

BOARD MEMBER LOVERIDGE: This is not an inside look. This has been established that has been taken around Southern California and SCAG has worked very hard on it. Thanks.

MR. MC CALLUM: Thank you.

CHAIRPERSON NICHOLS: Thank you, sir.

Okay. I think we have one more.

MS. BENITEZ: Hello, Board members. My name is Sandra Benitez. I'm the Vice Mayor for the city of Riverbank. I've been an elected official for the last 16 years.

And I'm here to let you know that we 100 percent support the recommendations that this wonderful staff has made on this in regards to SB 375.

Our city suffers the same as every other city in the state, and we will do anything to keep our air clean, because our motto is clean air means healthier people, a
sustainable city. You can't have all of it if you can't have clean air and water.

So I'm here to let you know that we're ready to work with you, that we support you, and we will be willing to work with our regional partners, which one of them is Patterson that Supervisor Murial mentioned earlier.

I have delivered to your staff a letter from one of the council members from Patterson. He was unable to attend today.

But I just wanted you to know our little tiny city does support you and that we look forward to your continuous leadership on this problem, because I don't envy what you have in the future as far as solving these problems.

And I would like to say one thing. Common sense and simplicity will get you way further than complicated and not running around in circles. If you can keep common sense and simplicity in mind as you work on these complicated problems, I know you'll be very successful.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you. Thanks for your good advice. Okay.

I'm next going to call on the business community and labor who are here, developers, contractors, associations, et cetera. All of you, if there's any
Mr. Manning, I believe.

MR. MANNING: Thank you, Madam Chair and Members.

My name is Ed Manning. It's been a hiatus for a couple years. I'm happy to be back.

I'm here representing in my testimony the California Major Builders Council, and I'm also speaking for the California Association of Realtors and the California Business Properties Association.

If Tom Adams was the driving force, I was the anti-Tom in the 375 discussions until Tom and I found commonality. And in the end, we ended up helping draft SB 375, strongly supporting it. And I can tell you it was a lonely place for our business to be the only business group, only major business group supporting SB 375. So we feel we have a lot invested in it and we want it to succeed.

There were a couple of very good questions asked earlier about what the consequences are of these targets and what does the number mean. And I want to focus like a laser on that issue, because I think Mr. Telles' question was the right one.

I agree with everything Mr. Adams said about the benefits that can come from 375, with one caveat: That only happens if you do a sustainable community strategy.
If you read the legislation, it is very clear that if you do an alternative planning scenario, you do not sink the RENA (ph) allocations for housing, and you don't imbed the same assumptions for transportation build out and housing allocations, which means you lose much of the benefit of 375.

Our concern is in three regions, and Mr. Lyon addressed the general concern. So we support the lower SCAG targets. We support the lower San Joaquin targets. We're good in many other parts of the state.

The place where I think that the problem is most acute is MTC. The reason for that is the following --

(Laughter)

CHAIRPERSON NICHOLS: Can't leave us hanging.

MR. MANNING: I will not leave you hanging.

They went from five percent in May to the RTAC to 15. They tripled the number. Imbedded in that number are assumptions about not funding but changes in land use and changes in transportation funding and transportation charging.

If you look at the EIR they did last year on their 2035, some of you have looked at the actual language. They said in that EIR that those changes allocating 200,000 more units in San Francisco, you can't do that under housing element law or federal housing law.
You can't concentrate populations. Every community has to do its fair share in California.

The pricing strategies call for VMT taxes, charges for dollar an hour for parking, increased automobile operating costs, et cetera, et cetera, et cetera. The number, Mr. Telles, means you're endorsing -- when you say 15 percent, you're endorsing the policies that get you to 15 percent. Those in the RTAC report and in their own EIR, they deemed legally, socially, and economically infeasible. And when they do their RTP, if those are infeasible, then they have only one option under 357: Have to do alternative planning scenario. Under that scenario, there are no CEQA benefits to builders in 375, because the land use allocations won't be realistic.

And more importantly, you will not get the full greenhouse gas benefits that you want. That's the lose-lose scenario.

And unless -- when you're running a marathon, the first thing you learn don't go out too fast or you don't finish the race. And that is what we're asking. We support you setting targets. We just want them to be achievable. If money comes, if dramatic changes happen in housing elements, law, if pigs fly, whatever, you can always come back and raise the targets. But to start out with targets that you know are not feasible in the EIR is
a problem for us. And that's why we have concerns.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

I appreciate that you gave us your explanation.

I'm sure we'll have further discussion on this item before we take a vote.

MR. DAVIS: Good afternoon, Madam Chairman and members of the Board.

My name is Bill Davis. I'm the Executive Vice President of the Southern California Contractors Association. But today I'm here as John Earp's mailman. Jim Earp is the Chairman of the California Transportation Commission. Yesterday, he addressed a letter to you, Ms. Nichols, that outlines concerns that the CTC has with regard to the target levels that are before you. And I've asked the clerk to distribute that letter so it would be on the top of the stack of the mail you guys get, which I know is fairly enormous.

To be very brief, there are five concerns expressed by the CTC Chairman. First, impact to the various target levels under consideration on jobs, bids, and the state's economy. I wish our friend from the carpenters union had managed to stay, because that's why they were here. All of these guys that were sitting in the seats today are at the hall, which means they're not
working. And they need jobs. That's one of the most
serious considerations that these targets are going to be
effecting.

Second, current lack of adequate funding to fully
implement and sustain SB 375. You guys don't have any
money, and you don't have the ability to create money out
of pole cloth. You have to get it from somewhere else.
That would mean the State or the federal government. We
are currently seeing the fact that the state is remarkably
incapable of even producing a budget, much less additional
funding for things of this nature.

I was a part of the process here. I was a member
of the subcommittee with several of our friends here in
the environmental community that put together the regional
transportation guidelines that the CTC has adopted. It's
a 275-page document. A big chunk of that is revolving
around modeling, modeling that doesn't currently exist and
no one knows exactly what that's going to cost.

May I continue briefly --

CHAIRPERSON NICHOLS: Actually, excuse me. This
letter was delivered to us a couple days ago. And I've
actually already responded to it.

MR. DAVIS: What did you say?

CHAIRPERSON NICHOLS: I said, right on. We agree
with you. So --
MR. DAVIS: His key point is the same one the
previous speaker made, which is the sustainable
communities strategies is the only way that transportation
funding is going to flow to these communities. The APS
will just cut them out of it completely. That's a grave
concern of ours.

Dr. Sperling talked about cost savings and
infrastructure. That simply means not building new
infrastructure in California. Frankly, if we did a good
job of fixing what we got, we'll all be working today.

CHAIRPERSON NICHOLS: Thank you.

MR. DAVIS: We appreciate it if you all still
employ the contractor's rule, which is measure twice, cut
once. Thank you.

CHAIRPERSON NICHOLS: Okay. Thanks. We're going
to not take a lunch break. We're going to work through
lunch. People will step out for a minute or two and
listen from the back while they grab a bite. We are
prepared to keep on listening to you.

EXECUTIVE OFFICER GOLDSTENE: Chairman Nichols.

CHAIRPERSON NICHOLS: Yes.

EXECUTIVE OFFICER GOLDSTENE: The court reporter
will need a break soon.

CHAIRPERSON NICHOLS: A ten-minute break.

All right. Well, we'll finish with the
gentleman -- I think we need to deal with the people who are standing in line, but please be quick, and then we will take a ten-minute break. Thank you.

MR. NORMAN: My name is Janus Norman on behalf of the American Federation of State County and Municipal Employees here in support of the staff recommendations, particularly the 13 percent per capita greenhouse gas reduction target for 2035 for the Southern California region. A couple quick points.

We think the strong targets will encourage best mix especially in transit systems.

And secondly, we think it's the strong targets will help with our chronic diseases. As a person who suffers from asthma, we think it's vitally important that we clean up our air so we can curb the increases in those chronic diseases. Thank you.

CHAIRPERSON NICHOLS: Thank you, sir.

MR. HARGROVE: Madam Chair, Board members, Matthew Hargrove here today representing California International Council of Shopping Centers.

We're here today to ask you to please go more in line with what SCAG and San Joaquin did. We're very concerned, and we'd like to associate with the comments of Ed Manning earlier and Richard Lyon. We believe that setting these very high targets is going to cause a lot of
problems with the projects. It's going to cause complications with CEQA. And we hope that you go with the more moderate reasonable targets to make sure SB 375 is implemented successfully. Thank you.

CHAIRPERSON NICHOLS: Thank you.

MR. COLEMAN: Good afternoon, Madam Chair, members of the Board.

Brenda Coleman here on behalf of the California Chamber of Commerce.

I, too, wish to echo the comments made by the business folks previous to me and just say that we ask that you consider setting realistic targets, rather than the ones that you're currently considering -- or that currently are before you. Just in keeping in mind with the current state of our economy and obviously also with our unemployment rate as high as it is. We ask for these things to be put into consideration. Thank you.

CHAIRPERSON NICHOLS: Thank you.

MS. O'CONNOR: Hi. My name is Cheryl O'Connor. I'm the CEO of the Building Industry Association of the Bay Area.

Politicizing of science has taken hold this past summer with the process in arriving at the proposed MTC targets for the Bay Area. The MTC process for setting the targets was flawed, arbitrary, and not subject to public
scrutiny. The process was inadequate and against the
spirit of cooperation in arriving at achievable and
realistic goals.

How did MTC get to this recommendation of a
variety of recommendations along the way? A July 14th
memo to the Joint Policy Committee said that the
milestones would be created on September 22 as a day for
MTC to take final action.

What really happened? MTC in May suggested we
can achieve a five percent reduction per capita in 2020
and five percent in 2035. Then, on June 29th, MTC
distributed a draft resolution setting the target for the
Bay Area at seven and ten percent. Then there were two
versions of the same resolution with the same date, one as
seven percent and ten percent for 2035 and one at seven
percent and 15 percent for 2035. So sometime during that
day, they changed their minds.

A month later, on July 28th, MTC Board decided to
recommend seven percent for 2020 and 15 percent for 2035.

From May to July, the MTC recommendation went
from five and five and seven to ten and then seven and 15.

Amazing three-month transformation with a
scientific approach.

From a personal perspective, I have been in all
building business for 35 years. And I’ve worked for
affordable home builders and am a lead AP green building advocate. I know what goals and targets do to stop any development, including smart growth.

I also know that 80 percent of our industry is out of work. The focus on land use strategy that Steve talked about earlier may be not notice that this is lowest number of permits pulled in any year in history. Steve said we also lack the reserves to build BDAs. Well, guess what. Housing prices falling 50 percent, you cannot make any of these projects pencil out. So they will not get built. You can do all kinds of incentives for planning, but you need to get the projects built.

My experience with the -- I'm also on the MTC Policy Advisory Council with the three Es. We took a vote on these standards.

CHAIRPERSON NICHOLS: Finish your sentence.

MS. O'CONNOR: I will finish.

It was actually a vote of two-thirds social equity and environment voting for the targets and business environment, which was the third, economy, we voted against it. And I think because we understand the cost/benefit ratio and don't just pull targets out of thin air. We encourage the MTC targets for the Bay Area to be a realistic and achievable five percent. Thank you.

CHAIRPERSON NICHOLS: Okay.
MR. ZENGEL: Thank you, Madam Chair.

Scott Zengel, Bay Area Council, on behalf of Jim Wonderland of RTAC.

I'll make this really quick. We want to first of all congratulate your hard work, CARB staff, the environmental community for coming up with very large and aggressive standards. But the business community from our standpoint is extremely concerned. We've got real concerns on how this is going to be executed.

We have two solutions. Number one, for you as powerful persuasive Board members, look and see how we can do transportation funding infrastructure funding for future. Number two, look at ways that we can help our developers do this infill development and not just the small amount of CEQA carve-outs that are in SB 375. We need to be progressive. Today is a start. So we welcome working with you, of course. And we support you and want you to be as proactive as possible. Thank you.

CHAIRPERSON NICHOLS: Thank you for those suggestions.

Go ahead.

MR. PHILLIPS-LESEMANA: Good afternoon. My name is Ben Phillips-Lesenana. I'm the Interim Executive Director of the Sacramento Sustainability Forum representing 60 local businesses and the green sustainable...
movement, as well as the incoming Board Vice President of
the Sacramento Rainbow Chamber of Commerce. Also a local
entrepreneur and business owner myself. And I'd like to
thank the Board for the community to speak today and the
staff for their due diligence on the recommendations.

I'm here in support of the recommendations as a
business owner. I'm asking the Board if not now, when do
we implement these types of needed and aggressive
recommendations?

We find ourselves in a perfect storm and
opportunity today with the ability to access funding from
outside of our own state in order to be able to help
implement some of these segments.

Additionally, I ask this Board when in history
have we established and sought out mediocrity? When have
we ever set low expectations and low goals for ourselves?

And in similar to the other Sacramento
sustainability supporters, forum supporters, my business
partner and I established our business during this great
recession, here in the state of California. While we may
not be part of the land use, we are a part of the
development industries. We are a part of the ancillary
manufacturing and wholesalers of product and commodities.

So in conclusion, there is a new economy and
there is a new face of businesses who rely on the
courageous actions of this Board. And we support the recommendations by the staff. Thank you.

MR. MILLER: Good afternoon. My name is Clayton Miller with the Construction Industry Air Quality Coalition.

Today, CIAQC appreciates the opportunity to provide brief comments on the proposed targets, and CIAQC understands the challenge of reaching the climate goals associated with 375. However, we believe the proposed targets, the higher targets are infeasible. And it will come with an extraordinary cost to California, one that California cannot afford.

During these desperate economic times, reasonable steps must be taken. The economic impacts of the elevated targets need to be clearly understood and the assumptions for which future transportation improvements upon which they're based need to be realistic.

The construction industry supports an efficient robust transportation system. However, the higher targets assume that the development of these transportation projects -- mass transportation projects are not likely to be completed any time soon and the funding opportunities for these are uncertain at best.

We're concerned that these uncertainties could result in increased mitigation fees under CEQA in the
future and that the higher targets will burden local
governments during a time when resources are being
stretched to their limits.

They will also jeopardize the flexibility of the
planning process and could result in significant
restraints on the local land use decisions.

And so for these reasons, we recommend that the
lower targets be considered. This is an important
decision you're making today. And it's pointing people in
a direction. And we want to make sure we're headed in
that direction in the right way. Thank you.

CHAIRPERSON NICHOLS: Okay. Thanks.

MR. QUIGLEY: Hello. My name is Michael Quigley, the Manager of Government Affairs with the California
Alliance for Jobs.

Not to be -- I won't be redundant. I just have
one additional point to add.

I represent 2500 union construction contractors
and 80,000 union construction members, and they were also
represented today. And I ask that you remember their
important message about how this economic downturn has
effected our industry.

And just my one point I would look to add on top
of previous testimony is that we have a concern there has
not been enough economic analysis of what the difference
in the levels of targets, how that would impact different regions. I think that's an important component that was left off of this target setting process.

And one thing I want to point out throughout the testimony today, you've heard all of the economic actors, the employers, developers, union members, those who have a direct benefit and concern to the way the markets function. They've all been opposed to higher targets and have had grave concerns about moving targets to unreasonable and unattainable levels.

Yet, at the same time, you've heard from people outside the economic purview, public health advocates, environmental groups are telling us that this is going to be good for the economy. Well, I think if that's true, then why aren't we setting targets even higher? Why stop at 15 percent if this is an economic development program? Why not raise them to 30 or 50 or 60 percent.

I think it's because we all know the truth that it's not necessarily -- this is not an economic development program. This is not going to have a benefit. But we don't know exactly where that line goes from smart growth to anti-growth. So I think that's something that we should study and do more to do more economic analysis of these regulations. I ask that you delay the 2035.

Thank you.
CHAIRPERSON NICHOLS: Thank you.

I should announce at this point that we're not accepting new cards from people who suddenly have decided they'd like to speak. It's kind of unfair to everybody else at this point.

Go ahead.

MS. KANG: Good afternoon, Madam Chair. My name is Meea Kang, and I'm with Domus Development, a California-based development company primarily building affordable housing, market rate housing in mixed use communities throughout the state.

I'm also President of the California Infill Builders Association. Our organization represents the interest of builders who support the development of attractive neighborhoods in our urban areas. As infill developers, we strongly support the recommended targets and urge you to support them as well.

Domus Development has been building projects that meet or exceed the proposed targets for years. We believe that focusing our energy on transforming abandoned properties in urban areas into attractive convenient neighborhoods is both good for business, good for California's quality of life.

As developers who paid close attention to market demand, Californians want homes that give them more
options that go from shops, work, and other destinations. They want to be able to walk to the store, ride their bike, and have choices, like the option of taking light rail versus driving and dealing with traffic and congestion.

My company is about to start construction on four major projects from the north, which is Lake Tahoe. We have projects in Sacramento as well as the Bay Area and Los Angeles. We estimate we're going to be creating or preserving 1,600 jobs, which start now. We believe that these targets are good for California, good for business, and good for jobs.

If you drive around any city in California, you quickly start to realize there are decades of redevelopment projects in our urban areas. Redeveloping these abandoned properties has many benefits, which include SB 375 and achieving these goals we're setting out today.

We believe that by placing housing in urban areas that already have infrastructure and are served by public transit is another way we can bring benefit to California.

The opposition to these targets are not about the current economy. It's about the unwillingness to adopt and respond to a growing problem. In supporting the proposed targets, we have builders and developers make the
statement that we are willing to be part -- to be
responsible when it comes to growth. Thank you.

CHAIRPERSON NICHOLS: Thank you.

After Tim Tuck, we're going to then take a break.

MS. MOORE: Good afternoon. My name is Kristie
Moore, and I'm with Codding Enterprises, an investment
holding company in Sonoma County. The California builders
with the California building industry does not speak for
me. At Codding Enterprises, we are already building
projects that go above and beyond the targets you are
considering. And the response from home buyers has been
overwhelming.

To give you an example, a Sonoma Mountain Village
project which has transformed manufacturing plants into a
vibrant neighborhood with a variety of retail and housing
option designed to meet the needs of a wide range of
residents at a variety of income levels.

In addition to being a zero waste community,
Somona Mountain Village is designed to support what we
call a five-minute lifestyle with parks, shopping,
services, and a town square all within a short walk of
homes and businesses. It will create over 4400 jobs, 700
of which are already in place. Incidentally, Codding
Enterprises is actually signatory to the Carpenters Union
and has been for over 50 years.
We have yet to break ground on the project, but have already leased 50 percent of the commercial space and have a waiting list of over 2,000 people for the residential. People want this kind of development. They are tired of business as usual. They want to walk to local stores. They want transportation options. They don't want to be tied to their cars and spend hours in traffic every day.

The proposed targets are a realistic goal and a solid step forward. I know you have heard from some developers that urge you to weaken the targets. I urge you to resist their advice and think of the future. The old model, the old way of doing business has changed and we need to change with it. On behalf of the Codding Enterprises, I thank you for being able to say my comments.

CHAIRPERSON NICHOLS: Thank you.

MR. SMITH: Good afternoon. Thank you, Madam Chairman and members of the Board.

My name is Mott Smith, and I'm principle of Civic Enterprise Development. We are a development company doing infill projects in Los Angeles, California. I'm also a member of the Board of the Infill Builders Association and Code Director of the University of Southern California Dean's Initiative Infill Planning
Policy and Development.

I'm here in strong support of the staff recommendations. And thank you for your courageous stance on this. For me, for us, it's really about nuts and bolts. We've heard a lot of rhetoric about should we be stopping sprawl or stopping the building. The answer really comes down to nuts and bolts. This move you're about to make is not about stopping anybody from doing business. It's entirely about making the business we're trying to do -- people are trying to make our urban neighborhoods more walkable, more sustainable communities, making our job easier.

We've been very fortunate to get to continue building over the last several years, despite the recession because of our focus on infill neighborhoods. And I tell you without exception every construction crew that we've worked with has cell phone numbers from the Inland Empire, from the desert, from areas where building has absolutely stopped, and we're happy to keep them employed. They come to me every day and say when are you going to have more work for us? The people that live in our projects -- their friends come to us and say when are you going to build more stuff like this?

The number one barrier for us really is the regulatory process. What you're about to do hopefully is
going to ease the regulatory process for people like us. I'll be able to report back to the construction crews we're trying to keep working that they're going to have more work coming to them. We'll be able to report to young families that wish they could stay in the city and raise their kids instead of moving out to the suburbs they're going to have a place to live.

So thank you very much. Hope you do the right thing.

CHAIRPERSON NICHOLS: Thank you.

Mr. Tutt, you are it before our break.

MR. TUTT: Thank you, Madam Chair and members of the Board. I'll be very brief.

I'm Tim Tutt. I represent the Sacramento Municipal Utility District. And we stand here in support of the staff targets. We believe they're achievable and can even be exceeded with ongoing cooperation as we implement these plans.

SMUD believes that achieving these kind of reductions in the transportation sector will reduce our customer's costs of meeting the commitments that we have for carbon reduction in our sector. And we believe also it will improve the efficiency of our distribution system over time, thereby continuing to keep our customer cost down and will ease the growing that we'll see as
transportation electrifies over the next 20 or 30 years. That will also help keep costs down for our customers.

We stand in support of the targets. And I thank you for your time and glad to give the court reporter a break.

CHAIRPERSON NICHOLS: Thank you. On that note, I think we should try to get back here -- let's just say five past 1:00.

(Thereupon a lunch recess was taken.)
AFTERNOON SESSION

1:19 P.M.

CHAIRPERSON NICHOLS: We're going to get started again. The rest of the Board is grabbing a bite of lunch.

For anybody that isn't familiar with the way we operate, we have speakers set up in the back room so that Board members can take a break and still listen to the testimony and they can also watch it on the video screen. We're going to get started again.

And having now heard from cities and from business interests, we're going to turn to the NGO community. And I'm going to ask the people who are here representing environmental and public health organizations or if you feel you're aligned with that particular community of interest, if you would please come line up and be prepared to speak. Thank you.

Go ahead.

MR. HASTINGS: Good afternoon. My name is Woody Hastings representing Clean Air Now, a Riverside, California based nonprofit organization advocating public policy to improve air quality in California since 1969. I'm a member of the Board of Directors of Clean Air Now. Thank you for the opportunity to comment.

Clean Air Now testified here back in June urging high but realistic targets pursuant to SB 375. And today,
we're here to ask you to support your staff's recommended targets.

We want to emphasize positive public health benefits as you heard from others this morning, but I'll be real brief. The positive public health benefits of implementing SB 375 targets, in addition to addressing GHG emissions when vehicle miles traveled are reduced, attempting those levels help to mitigate the negative impacts on public health.

Clean Air Now was co-founded by a medical doctor who was appalled at the rate of respiratory illness he saw in his clinic, especially that of young people. So we want to emphasize that strong targets will help reduce smog and the air toxics that lead to asthma and/or cardiopulmonary disorders. Better land use planning offers an excellent opportunity to reverse the alarming trends of chronic illnesses and tackle the root cause of California's worst in the nation air pollution.

Clean Air Now also always been supportive of a robust healthy economy. The strongest economies in the world are those that have strong statutes and regulations and protect natural resources and public health. Good environmental regulation and a long-term healthy economy are mutually inclusive. Strong SB 375 targets send the right signal to industry and investors that will
strengthen our economy through the growth in appropriate technologies for which the world is clambering for as countries strive to protect natural resources and reduce the ultimate costs and impact on the local and global environment.

In conclusion, Clean Air Now urges you to adopt your staff's recommendations and encourages the Air Board to continue its leadership role in SB 375 implementation. Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

MR. SCHONBRUNN: Good afternoon. David Schonbrunn, Transdef, the Transportation Solutions Defense and Education Fund.

I should have marked my speaker card reluctant supporter. I'm going to offer a different point of view here. We submitted a letter noting that we believe the bottoms-up process used here was inappropriate in achieving a science-based result. It was instead an inherently political process.

The climate truly does not care about the willingness of humans to change their lifestyles. Science tells us that serious reductions are needed in the very near term to prevent an accumulation of GHGs that will result in irreversible changes to the climate. The proposed targets will not do that.
These targets will result in increased emissions in this sector due to population growth. This is going in the wrong direction and would send the wrong signal to the rest of the world about ARB's view of the need for urgent reductions in GHG emissions.

We do, however, recognize you have a difficult problem in front of you with the challenges posed by the oil and building industries. While we consider these challenges to be nothing short of suicidal, we recognize you need to deal with them.

I reviewed the BIA comment letters and found them to be based on arcane calculations they did themselves. The results of these calculations appear counterintuitive and result in conclusions that are the opposite of our own. Their concern about CEQA vulnerability of projects is completely misplaced. A well designed project can show reductions upwards of 40 percent. They're confusing projects with an overall regional target. Totally different things.

It would be our strong preference for ARB to adopt targets that would result in a minimum of five million metric tons by 2020. However, if you're not going to do that, we ask that you adopt the staff proposal and reject the comments by the building industry as based in faulty math and faulty understanding of the transportation
regulatory environment. Thank you.

CHAIRPERSON NICHOLS: Thank you.

MR. ZANE: I'm Denny Zane with Move L.A.

I wanted to report to you that Move L.A. strongly supports your staff's recommendation, but also that we received communication not long ago that the Board of Los Angeles Metro has already voted strongly to support the recommended targets for the Southern California region. That is, of course, the agency who probably share their lion's share of the burden of making this happen. They're fully committed to this task. Let's move forward.

CHAIRPERSON NICHOLS: Great.

Good afternoon.

MR. HATHAWAY: Good afternoon.

I'm Pete Hathaway. I'm a transportation consultant working as part of a team to assess these targets for Climate Plan.

My expertise comes from 25 years as a Deputy Director at SACOG and at the California Transportation Commission.

Your staff recommendations would allow positive overall greenhouse gas increases in Santa Barbara, in Monterey, in the Tahoe basin, and in Shasta County.

This morning, you heard that within the last couple weeks the Boards of Santa Barbara volunteered zero
percent targets for 2020 and 2035. Monterey Bay's Board volunteered for zero percent targets for 2020 and a five percent reduction for 2035. And Tahoe's Board volunteered for a five percent reduction in 2035.

You should accept these new recommendations. You would recognize the region's efforts which haven't been easy to do better and do more.

I would suggest with my professional expertise that any small MPO should be able to achieve at least a minus four percent target by 2035. The major metros have figured this out, and they've made their targets more aggressive. This small ones don't have the staff and it takes them longer.

In fact, you, the CARB Board, should not give any urban region a positive greenhouse gas target. That represents permission to continue doing business as usual. Every region needs to do their fair share. Every region can do something to reduce their capita greenhouse gas emissions; some using land use, some using transportation, maybe even some using pricing.

I ask you that one of you make a motion to supplant the staff recommendation and accept the new recommendations offered in Santa Barbara, in Monterey Bay, and in Tahoe. And in fact, to set a policy that no positive -- no region should get out of town with a
positive target.

CHAIRPERSON NICHOLS: Thank you.

MR. COVANUBIA: Good afternoon.

My name is Cesar Covunubia, Executive Director of the Kennedy Commission in Orange County, California. First and foremost, I'd like to thank the Air Resources Board for the opportunity to speak and also for all the work that has been done leading to this vote today.

My organization works to increase affordable housing opportunities and also to improve quality of life for low-income working families. We do believe the implementation of SB 375 is key to providing new development opportunities, especially in redevelopment areas, that are responsive to community needs in the form of housing, transportation alternatives, air quality, and jobs. Also responsive to smart land growth ideas.

This will be an opportunity to ensure that sustainable communities achieve the goals of increasing connectivity and create alternative transportation by having the opportunity to live close to job centers. I'm here to ask you to support staff's recommendation and to help us all improve our quality of life.

I would also like to encourage the Air Resources Board to continue its guidance to MPOs on implementation
of key matrix and also encourage them to look at jobs/housing balance as a way to make sure the units that are being built out there in terms of housing are responsive to the community's needs in terms of housing that's also being produced, specifically in lower income areas where the largest generation of job service sectors jobs which pay minimum wage as a result.

We would also encourage public participation, especially in the SCAGs, in our case, Orange County's own SCS development, to make sure there is participation from non-traditional stakeholders, such as advocates that are not traditionally as they are planned.

We also want to make sure that the Air Resources Board does what it can to secure financing and additional resources for the process.

Thank you for your time.

MS. MEANS: Good afternoon, Board members.

My name is Sabrina Means. I'm with the California Transit Association. We straddle both labor and the environment. We do employ over 40,000 transit workers in the state, but we also help clean up the air.

And I just wanted to let you know that the transit industry here cares and we supportive of what the State is trying to do in terms of reducing emissions and keeping people out of their cars.
But we urge you to please put pressure on the State to find resources for us. If the State can't do it, please help us identify other resources that we can use for transit.

We're an industry that's done a lot with a little. If the trend continues, we're not going to be able to do more than a little in the sense the State would be sabotaging itself by finding alternatives to driving and taking away one of those alternative to driving.

So I just want to urge you please, please, please put pleasure on the State to find resources for us. And in turn, we will continue to work with the MPOs to reach their targets and we will continue to be innovative as an industry. Thank you.

MS. WHITE: Good afternoon.

Catherine Garoupa White with the Central Valley Air Quality Coalition. Our coalition represents over 70 different organizations working for clean air in the San Joaquin Valley.

I was also asked to issue a strong "me too" from Betsy Reifsneider, the Environmental Justice Coordinator of the Diocese of Stockton as she had to leave.

We're here to strongly support staff's recommendation for placeholder targets for the San Joaquin Valley of five and ten percent. As you know, our air
basin faces significant air quality challenges that seriously degrade our quality of life in the San Joaquin Valley. And SB 375 offers the opportunity for us to do something differently.

Now, as a general member of the public, I would like to strongly debunk any comments that you may hear today about the public being involved in the process of the eight MPOs in the San Joaquin Valley and the air district creating a counter proposal of targets for two and five percent. In the more than four years I've done this work, I've been a very active member of the communities on these issues for Madera County, my home county. I served as our representative for the Regional Advisory Committee and also participated at the local level.

I was not consulted by Madera County at all on SB 375 target setting or included in those conversations. Furthermore, I just concluded a two-year term at our air district on the Environmental Justice Advisory Group. And less than a month ago, we were given a presentation on SB 375 that didn't even mention the proposal of cutting our targets in half. So we were denied the opportunity to weigh in on that proposal.

On behalf of the public, we've consistently demonstrated our leadership and our willingness to do our
part even in a difficult economy. We supported a passed legislation authorizing our air district to raise our DMV fees in the San Joaquin Valley up to $30 to be able to help offset the cost of reducing air pollution emissions.

My question for you all is: Where is the leadership from the air district and the eight MPOs? They are not representing the voice of the public today, and I want you all to know that.

Unfortunately, while I would like to work with the local leadership to create a great strategy, I have to come to you at the state level and ask you to demonstrate your leadership of maintaining the targets of five and ten percent. Thank you.

MR. WELLS: Good afternoon. Mike Wells with Fresno Metro Ministry. I left home about eight hours ago, so I'm very hungry. So forgive me if I pass out. I'll try not to.

Fresno Metro Ministry is a faith-based community benefits organization, nonprofit. And as such, we keep at the forefront of our mission the people who are probably most affected by climate change, people who probably contribute the least to it as individuals, the people who grow our food, and the people who live in Fresno's areas of concentrated poverty.

Just wanted to let you know that many of those
people I just mentioned are very -- I would say the white population or Fresno in general is very excited about the things that Fresno is already doing: Updating the general plan, working on a specific plan and community plan for the downtown neighborhoods that are both in the spirit of SB 375. We just didn't wait for the implementation to get going on those things.

A couple of downtown infill developments are very popular in Fresno and have been received with a lot of enthusiasm. And these are developments who are doing the best they can under the current regulations that really make it hard to do infill development and encourage sprawl development.

People of Fresno are very excited about the co-benefits, the health benefits, the walkability benefits that will come from good planning, things that will lead to less obesity, less heart disease. We look to lessen Dr. Telles' caseload so he can spend more time on these important issues.

So we strongly support the staff's recommendations and hope that you will, too. Thank you.

CHAIRPERSON NICHOLS: Thank you for coming and sticking with us.

MS. GARCIA: Good afternoon.

My name is Michelle Garcia, and I'm here today to
provide comment from several physicians in the Valley who could not be here today.

As physicians, we see the effects that inefficient planning has on the health of Valley residents. Air pollution related illnesses lead to thousands of hospitalizations, ER visits, and premature deaths every year in California. Strong targets for the Valley will help us to clean up our air and better protect the health of our patients.

We urge you to support staff recommendation of the five to ten percent targets. We feel that they are not only achievable, but they are necessary.

Thank you on behalf of Alexander Sharess, family practice, geriatrics in Fowler, California; Don Gatty, internal medicine, vascular medicine, Fresno, California; Herbie Hudida (ph), allergy, immunology, internal medicine, Hanford; and Dr. Michael Doulis, psychiatry, Fresno.

Thank you.

MS. EAKEN: Good afternoon, Chairman Nichols, members of the Board. I want to respect your request, so I will be quite brief.

My name is Amanda Eaken. I'm speaking on behalf of the Natural Resources Defense Council and our 250,000 California members and activists.
I'm also speaking on behalf of Stuart Cohen, my fellow Regional Targets Advisory Committee member of Transform.

We want to applaud your staff and the MPO staff for all the excellent analytical work they have completed over the past year and a half. In fact, I'm proud to say we may emerge from this process with the richest collection of data ever assembled on the potential to reduce greenhouse gas emissions from land use and transportation planning.

As you heard from a number of the MPOs, the more the regions learn and exchange information, the more achievable they find these targets to be.

We strongly urge you to adopt your staff recommendation. And we thank you very much for your leadership today.

CHAIRPERSON NICHOLS: Thank you for all your work on the Regional Targets Advisory Committee and throughout the process.

MR. DAWID: Chairman Nichols, my name is Irvin Dawid, volunteer with Sierra Club, California.

Sierra Club supports the SB 375 targets. We are a member of climate plan. In the interest of time, I will let Autumn Bernstein speak. I just will say as a Bay Area resident, I did particularly enjoy and appreciate hearing...
MTC Director Hemminger speak and explain the high targets, which we do support.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

MS. BERNSTEIN: Good afternoon, Madam Chair.

Autumn Bernstein with Climate Plan. I'm also speaking on behalf of Shankar Prasad from Coalition for Clean Air who unfortunately did have to leave.

I will make my comments brief. I want to thank you for your hard work and your leadership in this process and let you know we do support staff's recommendation for the proposed targets.

One of the most important things that ARB has done over the last two years is to bring together stakeholders from around the state in an important conversation about our future. So as we transition to implementation, I encourage you not only to adopt the targets, but to continue that leadership role in helping us tackle the important challenges that we face on things like resources for implementation, improving the travel models, ensuring the targets to implement in a way that maximizes benefit for all communities.

Thank you.

MS. GARDINER: Hi. I'm Julie Gardiner with the Nature Conservancy. And I'm also speaking today on behalf
of the Defenders of Wildlife, Audubon California, the Trust for Public Lands, and Pacific Forest Trust.

Our organizations thank the Board, ARB staff, and MPO leadership and staff for your hard work and collaboration throughout the process. We support staff's proposed targets and urge the Board to adopt them today.

I want to thank Dr. Balmes and many of the previous speakers for raising the fact that full implementation of SB 375 will provide a broad suite of public benefits, including protection of their natural resources and the services they provide to our communities, including clean air and water, food and jobs, and habitats for fish and wildlife.

Conservation of forests and other natural lands is particularly aligned with SB 375 because of the climate benefits these lands provide by removing carbon from the atmosphere and storing it for hundreds of years.

We ask the ARB to continue to play a guiding role in SB 375 implementation to facilitate the integration of co-benefits into sustainable communities strategies. And we ask that you coordinate closely with the Strategic Growth Council and its member agencies to achieve these goals. And we offer our continued support as you work to achieve these greenhouse gas emissions reductions and critical co-benefits.
Thank you.

MR. CHASE: Good afternoon, Madam Chair, members of the Board. Thank you for your patience and letting us all have our say here.

My name is Bob Chase. I'm an architect, lead AP, green building professional. I'm here on behalf of Build It Green, which is a nonprofit in California promoting residential green building.

And before I go any further, I'm here to speak in support of the staff recommendations as submitted to you.

I think back as my days of the practicing architect over the last three years, there's two other major significant challenges that came before the building and design industry. One more recently was the ADA implementation, which I can speak to. And the other of course was Title 24. And we have to ask now looking back would any of us now say we should have lessened those goals at the time and reduced them? I think not.

As I say, Build It Green promotes green building. We think it provides the jobs that you heard other people mention.

Yet, we also realize to live in a green point rated house, which is what we promote, work in a LEED platinum building, such as this wonderful building, but drive 25 miles in a car to get between those two will
negate many of the attributes of both of them. So given that, it comes to why we do support and thank the staff for the tremendous amount of work here.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

MS. MUHLENKAMP: Good afternoon. Crystal Muhlenkamp on behalf of CalSTART. We're dedicated to growing California's clean transportation sector and to helping the state meet its climate and air quality targets.

We were very pleased to support SB 375 in a Legislature and we strongly support the proposal before you today. Thank you.

CHAIRPERSON NICHOLS: Thank you.

MR. KATZ: Good Afternoon. Dr. Andy Katz speaking on behalf of Breathe California and also for Public Health Institutes supporting the proposed targets for greenhouse gas emissions reductions from sustainable communities.

This is about public health. The emission reductions from achieving these targets is equivalent to avoiding 100,000 asthma attacks and respiratory symptoms annually and 140 premature deaths annually.

So we encourage you to adopt these targets and work closely with the MPOs and the public health community.
CHAIRPERSON NICHOLS: Thank you.

Is there any other group or individual who feels that they have not had a chance to speak and need to be heard from at this point? Somebody didn't fit any of my categories.

MR. DISHAZO: My name is Randy Deshazo. I'm from one of the categories that hopefully does fit MPO: The Association of Monterey Bay Area Governments.

I just want to reiterate some of the information that's already been provided that the MBAG Board of Directors provided for a letter to your Board recommending a zero percent increase in greenhouse gases from 2005 by 2020 and a five percent decrease by 2035. We're just here to reiterate our request. That's it. Thank you.

CHAIRPERSON NICHOLS: You're only the second person I've ever met whose name was Deshazo. Are you related to the professor at UCLA?

MR. DESHAZO: Probably distantly.

MR. MORFAS: Chair Nichols and fellow Board members, I'm Chris Morfas. I'm number 57 on your list of, the Sacramento Metropolitan Air Quality Management District and here today to offer our support for the staff recommendations and to confirm from the perspective of a local air district that the work being done by our...
colleagues at SACOG is, in fact, improving air quality, improving public health, is feasible and ambitious both, and that the benefits of the collaborative and integrated land use and transportation decision making is working in Sacramento and can work statewide.

We applaud the elected officials on the SACOG Board who have taken those steps, the daily efforts of the SACOG staff. And urge you today to show similar courage at this important juncture and improve the staff targets. We look forward to helping you and our friends at SACOG make those targets real in Sacramento and statewide.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

At this point, I think I'm going to bring the discussion back to the staff and to the Board then since we do need to take some action here.

I have to say, by the way, whenever somebody urges us to use courage, I always wonder what is it I'm facing that I'm not aware of? What is there out there that we should be worried about it that we weren't taking account of. But thank you for that.

Okay. I believe a couple of Board members had questions pending or have questions that they wanted to ask of the staff. But before we get to those, does the staff have any final or semi-final comments that you'd
like to make based on the testimony that you just heard?

DEPUTY EXECUTIVE OFFICER TERRY: I would just
make one, that obviously the request from the MPOs that
recently took actions, we're very supportive of changing
our staff proposal to reflect Monterey, Santa Barbara, and
Shasta and Lake Tahoe.

CHAIRPERSON NICHOLS: Yeah, Shasta and Tahoe.
And what about San Joaquin?

DEPUTY EXECUTIVE OFFICER TERRY: That's one I
suspect needs some Board discussion.

CHAIRPERSON NICHOLS: Okay. All right. Well,
that's fair enough.

Do you want to begin? I could ask -- well, I
mean, let's put a motion in place. We have a resolution
in front of us. It's long, as the staff has indicated.
Got lots of whereas and even more be it resolved, as well
as the numbers associated with them. And I suspect there
may be some proposals to existing or additions or
whatever.

So can we just put the resolution forward with a
motion --

BOARD MEMBER LOVERIDGE: So moved.

BOARD MEMBER BERG: Second.

CHAIRPERSON NICHOLS: A motion and a second from
Ms. Berg. So we ask have discussion. And I'll start with
BOARD MEMBER D'ADAMO: I just have a couple questions and maybe a few requests depending on how staff responds.

First of all, on the issue of developers and the concern that they have regarding these targets and the impact it may have on their projects, I guess the question was asked earlier of Mr. Livingston maybe if you could respond to the resolution language. And is it possible to tighten it up a little bit so it's more clear that this is not intended to -- nothing in this resolution is intended to be construed as a requirement from any specific project?

SENIOR STAFF COUNSEL LIVINGSTON: Right.

The additional language you could add to the resolution is, "be it further resolved that the regional targets approved herein set an overall regional target for each of the years 2020 and 2035, but do not express or imply greenhouse gas reduction target or goal for any particular project."

BOARD MEMBER D'ADAMO: Does it need to be tied to a permit process to have some language in there with respect to the environmental permit process or something along those lines?

SENIOR STAFF COUNSEL LIVINGSTON: It could. I
think between this and the other paragraph that's already in there, I think it would probably cover that.

BOARD MEMBER D'ADAMO: Okay. And then I have a question of staff regarding next steps. And I know that everyone has been really busy focusing on these targets. But what seems to be missing is a discussion about the value of open space and protecting open space. And just wondering as we move forward what can staff do -- first of all, does anything specific need to be added to the resolution or at a later time in order to ensure that the tools of open space could be used by the various regions. And specifically I'm thinking of farmland preservation where I live, that can be a very useful tool depending on strategically where those conservation easements are located. Wetlands easements, flood control easements, that sort of thing.

CHAIRPERSON NICHOLS: This is one of the areas where the Strategic Growth Council I believe could play a helpful role, because there's programs and there's even some funding, although it's never enough. But through bonds and sometimes from other grant funds for some of those kinds of programs.

And maybe, Mr. Goldstene, you could expand on that a little.

EXECUTIVE OFFICER GOLDSTENE: I think that's a
good idea. We should at least make sure that we reference that somehow in the resolution and maybe specifically call out a collaboration with the Strategic Growth Council.

BOARD MEMBER D'ADAMO: And beyond money, I know, for example, easements can be utilized as mitigation so that maybe one project pays for an easement, which would help to manage growth with respect to future projects. So not necessarily relying on state and federal funding. Just being open to that as a tool.

CHAIRPERSON NICHOLS: I think that's true. Again, we're not doing the planning. We're just setting -- we're just approving targets.

But I think all these things are already being considered by all the planners. We can certainly be more specific about our interest and paying attention to those things.

BOARD MEMBER D'ADAMO: And the third and final question has to do with jobs/housing balance and collaboration between regions.

I really appreciate how progressive the Bay Area is being, but if you look at where the Valley is coming from, there's quite a stark contrast. And the concern I have and I know it was raised by the BIA that, you know, we may be inviting an additional round of big housing developments in the northern part of the Valley, further
exacerbating the problem.

So anything we can do on our end to encourage collaboration between regions, not just the Valley and the Bay Area, but other regions as well, so there is a greater jobs/housing balance.

EXECUTIVE OFFICER GOLDSTENE: There is already a blueprint planning process that sets out to do that. And I think this all layers on top of that.

I don't know if staff wants to add.

BOARD MEMBER D'ADAMO: I guess what I'm saying is with respect to when you go to set targets, the targets are, you know, so different between the regions.

DEPUTY EXECUTIVE OFFICER TERRY: Well, I think this is something that the MPO directors and the ARB staff team have been obviously talking about as scenarios have been run. And I talked with Steve Hemminger last night about the fact that this issue would probably come up and it needs to be on the agenda for the technical team.

And since the Valley is on a different time frame of planning and really on a longer time frame, I think there is a real opportunity to have that dialog between the Valley -- north Valley and the Bay Area.

And then in terms of the air district's proposal, a lot of conversation needs to happen within the Valley with respect to -- within the Valley. That's one of the
issues that came up when the various eight MPOs were struggling with do they ask for individual targets or do they ask for a single target for the Valley, because they didn't want a similar situation that if Fresno County had higher target and the adjacent counties would then start to have better communities. So it's both an internal to the Valley and then it's north/south with the Valley and its neighbors.

BOARD MEMBER RIORDAN: It can actually happen even within very large planning areas. And I'm thinking of SCAG that has incredible difference between highly urbanized areas and those areas in our high deserts even to some degree low desert, which you know, jobs/housing balance is critical. It's critical to that. And you can't impede the location of new industrial projects or professional business complexes in an area that can really benefit under that.

CHAIRPERSON NICHOLS: We have a number of hands that have been raised.

I'm going to go with Mayor Loveridge and then Dr. Balmes and then Supervisor Roberts and then Dr. Telles.

BOARD MEMBER LOVERIDGE: Let me be very limited in the focus of my comments.

I do have a recommendation I'd like for the Board to consider to add to the resolution.
Talking about SCAG, six counties, 180-plus cities, 19 million people, more than half of state of California. It's not quite as SCAG goes as SB 375, but what happens in SCAG is important for the state and obviously for SCAG regions.

I serve on the Regional Council, although I was not there at the meeting where the vote that's reported. I've not attended every meeting that Larry McCollum has, but I've attended a lot of meetings in southern California talking about SB 375.

I've talked at length with the Executive Director of SCAG, as well as the SCAG leadership. And so what I'm saying is not simply my own, but reflects their agreement on what I will shortly recommend.

Just some obvious things that we live -- 21st century is a century of regions. That's where economic development and quality of life is experienced. We've not been very successful in connecting regions.

Just what I see is 375 is the first time in my political lifetime where there's been this serious regional conversations about urban forum and urban direction. This is not going to be easy. As someone said, it's a marathon and not a sprint. To be effective, it's going to require resources incentives beyond simply technical and planning funding.
There is a new book that Richard Florida has just given called "The Great Reset" which I could commend to you. But he says after his -- a third of major economic problems facing our county, what's going to happen afterwards is going to not be the same for settlement and transportation patterns.

I think the point is when you're looking at the future, can't look through a rear-view mirror. We have to look prospectively what's taking place.

And it's also I think clear that for this process really to work, there needs to be a collaborative approach. We need to be engaged and talking together about the future of Southern California.

So what I'd like to really propose -- and let me pass out a recommendation is the following: Is that as recommended by staff, we have the eight percent target for SCAG for 2020 and conditionally except the target of 13 percent for SCAG for 2035 with the following addition; that there be serious discussion between the CARB staff and SCAGs, both staff and elected leadership, regarding the eleven conditions which you find on the handout. These are eleven conditions which are a part of the SCAG motion before the SCAG Regional Council.

And at our meeting in February, the CARB staff return with a progress report of their discussions and a
recommended for target for SCAG for 2035.

So basically asking -- accepting the eight percent for 2020, conditionally accepting the 13 percent for 2035 conditioned on discussions between SCAG staff, leadership, CARB, and then a report back in our meeting in our February with a recommended target.

I'd like to ask that be included in the recommendation before us. I think it will move the ball forward. I think the kind of points that are identified in the conditions are points that should be talked about as we go forward with SB 375.

I would ask James if that's tenable and possible.

EXECUTIVE OFFICER GOLDSTENE: Yes to both questions. I think it is. We have conditional approval for 2035 and then come back in February with an update after more discussion and analysis.

CHAIRPERSON NICHOLS: I'd like to be clear. I think it's important that the discussion continue and that the analytical work be done, given the number of items and the fact that some of them are not within the control of the parties. I don't necessarily want to assume that we're going to have them all resolved. But certainly good to accelerate and concentrate the discussion and to have perhaps the requirement of a report would help get that to happen. If that's the understanding, I would be happy to
support it.

EXECUTIVE OFFICER GOLDSTENE: That's my understanding.

BOARD MEMBER TELLES: I would second it.

CHAIRPERSON NICHOLS: Great. I think it's an amendment. But whatever.

Yes, Bob. We'll consider this as part of the main motion then as this point.

BOARD MEMBER BALMES: Do you want to have any further discussion about this amendment? Because I was going to go back to what we were talking about.

CHAIRPERSON NICHOLS: Is there any further discussion about the proposed amendment that's been moved and seconded here in relationship to SCAG?

BOARD MEMBER ROBERTS: One observation to make here.

Several caveats that pertain to funding, I think those should apply to any region of the state. These are not unique the SCAG. We've done our forecasting based on being tax dollars and we may not be able to get. And I think that those several points I think are appropriate as we look at any standard for any region. Is that clear?

CHAIRPERSON NICHOLS: I understand your point. And I think it has been said several times by different people in different ways that securing additional funding
and focusing on the funding is going to be critical to any
of these targets being met.

I think the only difference in terms of the
process and honoring the process is that when the SCAG
Board took their vote, they made their -- they made their
number contingent on the specifics being addressed. And
other regions maybe would have done the same thing if they
thought of it. I don't know. But there is a problem of
continually revisiting numbers.

And so I think this is a way to deal with the
fact that the SCAG Board invited us to reconsider their
number, in effect. Whereas, other boards seem to be -- I
don't know if they're trusting, but they're more willing
to put a target in and then work with -- work to get those
funds. That's the only basis for distinction.

BOARD MEMBER ROBERTS: I know you had other
speakers.

I think this has implications beyond just
adopting this. I hope to vote on this, because I think
there are other things that need to be said here.

CHAIRPERSON NICHOLS: Okay.

BOARD MEMBER BALMES: So I wanted to go back to
the points that Ms. D'Adamo was making, because I was
going to make the same points.

I do want to call the Board's attention to the
"be it further resolved" on the bottom of page 12. There is a long resolution. And I'm sure not everybody has had a chance to go through it with a fine tooth comb. I know I haven't.

But I want to thank staff for including this. It addresses some of my concerns about trying to achieve co-benefits from the SB 375 planning process. It specifically mentions agricultural lands. But I don't know if that's -- if the mention is exactly what Ms. D'Adamo had in mind. I'd certainly be open to strengthening that.

But what strikes me about this "be it further resolved" is it's talking about encouraging. I realize we can't mandate MPOs to do specific things, but I'd like to give MPOs the tools, especially smaller MPOs that might not have to resources to do modeling and quantifying of co-benefits.

So I took the discussion we had about the Strategic Growth Council -- and I appreciate Chair Nichols mentioning it again just a few minutes ago -- that perhaps we can work with the Strategic Growth Council -- CARB staff and Strategic Growth Council to try to provide tools for MPOs to model and quantify co-benefits so that there's -- we're not just encouraging. We're giving people the tools they need to actually take these
co-benefits seriously.

And an example of something I think could be done at the MPO levels, we haven't heard anything about schools, for example, today. I think a lot of VMTs are generated by getting kids to school and back. And I think we can promote active transportation of walking, cycling.

Dick Jackson at UCLA, one of my environmental health heroes, gave talks about where he gets in front of groups of middle-aged folks like many of us and said how many of you walked or biked to school. Two-thirds of the room raises your hand. How many of your kids walk or bike to school? Nobody raises their hand.

It's a small point, perhaps. But given the childhood obesity epidemic we have in this country, I think that that's a specific example of where I'd like to see MPOs thinking about the planning process and co-benefits a little bit more carefully.

That was just an example, not that I want to dwell on that.

I was really pleased to hear Mr. Adams say that -- I forget the specific bill, but the Strategic Growth Council was formerly -- formed a part of the SB 375 planning process. I just want to encourage us to work with the Strategic Growth Council to work with MPOs to provide tools to model and quantify co-benefits.
CHAIRPERSON NICHOLS: Sorry. Dr. Telles, do you have anything -- you want more and then we'll come back.

EXECUTIVE OFFICER GOLDSTENE: Chairman Nichols, Supervisor Roberts, I just want to clarify Dr. Balmes' point.

Do you want language added to the resolution on that point? Or do you think this language, plus the language in the very beginning, the whereas on page one, paragraph two, takes care of that?

BOARD MEMBER BALMES: Well, I think that the spirit of what I would like to see is there already. And I thank staff for that.

I wouldn't mind having a couple words of specificity with regard to providing tools to MPOs to quantify -- to model and quantify potential co-benefits.

EXECUTIVE OFFICER GOLDSTENE: Which is what the Strategic Growth Council is trying to do. So we'll come up with some ideas.

Sorry, Supervisor Roberts.

BOARD MEMBER ROBERTS: Okay. We have our health people and other planners working together, and we're integrating that stuff in the community plans and you know --

BOARD MEMBER BALMES: I'm sure --

BOARD MEMBER ROBERTS: If you were thinking
everything is going to be planned from up at this dais or from this city --

CHAIRPERSON NICHOLS: Oh, hardly.

BOARD MEMBER ROBERTS: There's movements with respect to obesity and programs and all that that are going on.

I guess I get concerned that we lose --

BOARD MEMBER BALMES: If I might just respond.

I wasn't worried about San Diego. I think there's some smaller MPOs that don't necessarily have the resources and sophistication --

BOARD MEMBER ROBERTS: I'm still thinking I appreciate that sometimes we think every problem has to be solved from up here.

I guess it seems to me -- first of all, I don't have a problem with every region having different standards that grow out of their unique circumstances and their understanding of those circumstances. It seems to me that there's quite a disparity in terms of the range of possible goals here. I don't have a problem with that today.

It seems like one of the things that we have to build into this, we have to come up with probably on some kind of regular basis bringing this back for review. I would guess maybe it's four years to see what is really
happening, to see what the -- what the genuine efforts are that are being made and compare. Maybe we benchmark what's going on from one area to another and see who's maybe doing something that could be done in other areas. We're hearing a lot of excuses in some cases of why things can't be done. I'm not familiar enough with each of those areas to know if there are other things that maybe could be done or couldn't be done.

But I think what would be better if we could today would be to adopt the goals, accept the fact that there are going to be a range of different goals. It seems like at least in three of the major areas we're getting some concurrence. I think that's positive.

I would suggest that maybe it's four years from now, but that we have a comprehensive review and to see -- to some extent, if one region has economic benefits over another because of the rules they've adopted, that needs to be looked at. I don't want to be in a situation where we're agreeing to do something and find out that, you know, that we're comparatively at a disadvantage because of that.

With respect to the concerns I had on transportation, you've heard me say this on several different occasions. The state's policies are schizophrenic. You can't on the other hand say we're
going to have all these requirements and then you pull away the funding that allows you to achieve those goals. That's exactly what's been happening. And both public transportation and funding for roads is extremely important. And it's not just important in SCAG. We're all making assumptions. I think that has to be part of your review, because I don't think any of the major areas is going to attain their goals if there isn't proper transportation funding and other types of funding.

So to that extent, that's why I was concerned that that needs to be part of the bigger picture. I would have made that statement whether this list of suggestions was in here or not. I've been concerned about this since day one.

That doesn't necessarily automatically excuse anybody. It just means it's something that, as we do the review, we need to take that into consideration. It seems terribly unfair for the state that on the other hand wants you to do these things and on the other hand is not willing to be the financial partner that they should be if you're going to achieve them. So for me --

CHAIRPERSON NICHOLS: I agree with you.

BOARD MEMBER ROBERTS: That has to be a part of -- irrespective of what --

CHAIRPERSON NICHOLS: I think I mentioned when
Mr. Davis was testifying that I received a letter from the head of the California Transportation Commission, and I just wanted to comment that one of the good things that's happened out of this process is that we have an opportunity to have a very good discussion about some of the challenges and the good perspective of some of these jobs is to try to get the resources together to carry out some of these transportation plans. And the fact that, you know, ARB's program or our goals here can have a positive or a negative impact depending on how they're implemented and really would be important to coordinate closely on these things.

BOARD MEMBER LOVERIDGE: Mary, can I ask a point of information, follow up on Ron.

The question of review and two years, four years, how -- is that -- there is a four-year review.

BOARD MEMBER ROBERTS: I was suggesting four year.

EXECUTIVE OFFICER GOLDSTENE: SB 375 requires an eight-year review, allows four-year review.

BOARD MEMBER ROBERTS: I think we have to go to a four-year review.

BOARD MEMBER RIORDAN: Let me just note, following that along, which was the point of why I wanted to speak, page 3 in the last full paragraph there clearly
delineates exactly what will happen. That's why I have
great comfort in supporting this, because I think the
regional targets -- we truly in this room don't know
everything that may occur between now and 2035. But we
have the opportunity under the law to update those
regional targets at least every eight years, but provides
the Board may revise the regional targets every four
years. That makes good sense.

And then it goes on to say you have to exchange
the technical information with Department of
Transportation, the MPOs, local governments, affected air
districts, and the public. So I think we've covered it
very well in the resolution. And just we need to remind
ourselves that we need to follow our own resolution. That
will be the trick if we can remember that that is what we
have to.

EXECUTIVE OFFICER GOLDSTENE: I promise we will
not forget.

BOARD MEMBER RIORDAN: Put it in some magic.

But I think that is the great comfort I have with
this. This is a planning process. This is not something
locked into stone. But it gives us the ability to make
adjustments as we move through the next few decades.

BOARD MEMBER ROBERTS: What I was suggesting was

stronger than that. I know Mr. Goldstene has a great
memory. I'd have that cast in stone we will being back here in four years.

BOARD MEMBER RIORDAN: It's cast in stone here.

BOARD MEMBER ROBERTS: That's cast in sand. I want it cast in stone.

EXECUTIVE OFFICER GOLDSTENE: We'll change "may" to "will" four-year review.

BOARD MEMBER RIORDAN: Okay. Make it "will."

EXECUTIVE OFFICER GOLDSTENE: We'll re-write that so it makes sense.

BOARD MEMBER D'ADAMO: The way I read it with Mayor Loveridge's amendments, we would be back in February 2011 for a report on SCAG, and San Joaquin Valley comes back in 2012. And there is an opportunity at that point for the targets to be adjusted provisionally -- provisional targets in 2012; right?

DEPUTY EXECUTIVE OFFICER TERRY: Well, a point of clarification.

The intention was to come back in 2012 and do an update on everybody's progress. San Joaquin, we talked about provisional targets, because as I mentioned, they just completed their plan. So they won't be doing plans until 2014. All the major MPOs will be doing plans over the next year or so. They were in the unfortunate place of on a parallel track they would be adopting a plan
without the 2014 updated target. We wanted to suggest that the Board have an update on the improvements in the modeling, the Valley's progress, and discuss what targets might make sense at the next formal update, which would not be until 2014.

CHAIRPERSON NICHOLS: Just to be clear, your proposal is that we treat the San Joaquin targets as provisional?

DEPUTY EXECUTIVE OFFICER TERRY: No. Actually --

CHAIRPERSON NICHOLS: It's not. This is a little muddled.

DEPUTY EXECUTIVE OFFICER TERRY: The Board is legally obligated to adopt targets by the 30th of September for all the regions.

But as a practical matter, because the plans have just been completed, the Valley will not be initiating their planning process until 2012. So there is an opportunity while there is -- not legally the Board can't adopt revised for four years. There could be a discussion, and you could give the MPOs an indication of what kind of target revision might occur in 2014.

It's just an unfortunate situation where they're off cycle planning. So we wouldn't want them in four years to be in the same place where they just did their plan and now they have a target. So that's sort of the
best finesse we could come up to meet the legal requirements.

BOARD MEMBER ROBERTS: We're going to have a status report and a review in a sense.

BOARD MEMBER TELLES: Point of clarification.

The resolution states that for the San Joaquin -- I'm talking about page 13 down about two paragraphs, "the targets would be replaced by future Board action with revised targets that incorporate expected modeling improvements." To me, that sounds like we come back in 2014 with a new target for the San Joaquin.

DEPUTY EXECUTIVE OFFICER TERRY: That's right. That's what the law allows in four years.

BOARD MEMBER TELLES: It's kind of a professional target.

DEPUTY EXECUTIVE OFFICER TERRY: So 2012 would be provisional, an indicator as you initiate your planning process. This is a kind of range of targets you should be shooting for, but the Board can't officially adopt them until 2014.

BOARD MEMBER TELLES: Another question.

Mayor Loveridge's recommendation has February 2011 review, and I think we should, if we do this process, we ought to incorporate all these reviews at more or less the same time.
BOARD MEMBER LOVERIDGE: This is not really a --
I do not see the February as a review. This is really a
look at what the target is.

DEPUTY EXECUTIVE OFFICER TERRY: Yes. Staff's
interpretation is that what's on the table is to defer the
2035 target for SCAG region until February for final Board
action to allow the conversation to happen between the
Board and SCAG.

CHAIRPERSON NICHOLS: Okay.

EXECUTIVE OFFICER GOLDSTENE: On Supervisor
Roberts' point, the funding, we do try to respond to that
on page 14, paragraphs five and six.
Where the Board is committing to work with local
governments, MPOs, State agencies, and the Legislature to
identify, pursue, and secure adequate incentives and
sustainable sources of funding for regional and local
planning and other activities related to the
implementation of SB 375.
And next paragraph, "be it further resolved, the
Board directs staff to work with other State agencies and
the MPOs to track available resources for implementation."

BOARD MEMBER ROBERTS: For me, that doesn't go
far enough. It says what the Board's intention are. But
if the State Legislature ignores those good intentions, I
want to know that that's going to be part of the review.
process in 2014 for evaluating what the adequacy of the 
funding to achieve the goals that were set for each of 
those areas.

So the fact that this Board -- I know this Board 
will be very cooperative in trying to help. I don't know 
if this Board is going to be effective when it comes to 
financial issues sustainable.

CHAIRPERSON NICHOLS: I think the point is well 
taken that it should be a factor in the review in 2014 to 
evaluate what happened. And I think as I look ahead to 
what's likely to be going on in the next year or two, 
nobody is projecting a tremendous turn around in the 
economy. It's going to be slow. It's going to be 
difficult.

But whatever happens, there will be a new 
Governor, and there will be programs initiated no matter 
what under the new administration to try to get a handle 
on some of these terribles problems.

We think we're on the side of history in terms of 
how the Legislature is looking at what kind of development 
they'd like to be incentivizing and the SB 375 represents 
a real move in the direction of support for sustainable 
cities and for what localities are going to do.

But we don't know that that's going to happen or 
what the new Governor will do. And that would be true
regardless of who that person is.

So I think it will help both the new administration and the Legislature actually focus on these issues when they do get around to them if we have something in place that makes it clear that this is something we're serious about.

BOARD MEMBER ROBERTS: I just don't see how we're going to make it if we don't have that kind of assistance. I guess being from San Diego, I serve on the Public Transportation Board as well as the Transit Committee and I've got two colleagues here from SANDAG in the audience. Next week we'll be in Washington, D.C. to hopefully get closer to closing our agreement to extend our light rail, which we're going to have $600 million with the local funding.

But if we don't get the assistance from the State and the federal government that we're anticipating, there's no way we're going to make those numbers. It just is not -- I can tell you, it's not going to happen. Put that down in stone. Okay.

So we have given you an optimistic number that we are going to try every way, shape, or form to meet. But I think there has to be some language that recognizes that a lot of what we are asking people to accomplish is going to be dependent specifically on State funding and to some
extent on federal funding.

CHAIRPERSON NICHOLS: The gist of it is a paragraph or a sentence that resolves that in 2014 when we bring back the review that it will include an assessment of how we've done on all of these items that we agree to and that the targets will be modified based on that evaluation.

BOARD MEMBER SPERLING: Madam Chair, can I add something?

CHAIRPERSON NICHOLS: Sure. Good to see you back.

BOARD MEMBER SPERLING: I apologize. I had my first class of the year today, so I had over 100 students. So I thought I should at least make an appearance there, not be the celebrity professor.

But this question about money I think, while it is hugely important to the success of what cities are able to do and counties, but I do want to -- and I support the discussion that just happened. But I do want to perhaps minimize it a little bit, because in fact public transportation investment, while it's hugely important for the viability and liveability and all kind of things for these cities, in terms of the greenhouse gas plans, it really plays a relatively minor role, a very small role.

In fact, if you look at the MTC slide that Steve
Hemminger put up earlier, he had land use is 12 percent. Pricing was eight percent. TDM was three percent. This is a little part of the three percent.

So while we really do need to help out the cities, I don't think it plays a very crucial role in the attainment of these targets that we're talking about. So we shouldn't put too much weight into that.

I did miss --

BOARD MEMBER ROBERTS: You couldn't be wronger.

I'll tell you why.

CHAIRPERSON NICHOLS: He probably could be, actually.

BOARD MEMBER ROBERTS: Operational dollars are being -- operational dollars to run these transit agencies was basically completely removed. What has to happen there, it's not a matter of not having all the answers. You're pulling service out. All of a sudden, you're talking about the existing situation, exacerbating it. And if you don't think that that has an impact on what these numbers are and people happen to use their cars because there aren't options as we remove service, I don't -- I'm just too close to these studies to believe for a minute what you're saying.

CHAIRPERSON NICHOLS: I think you guys should take it out of the room.
BOARD MEMBER SPERLING: Just to put lines of a defense on that point, I would just point out that only about five percent of the passenger travel in cities is by transit. Almost all of the rest is by car. So -- and the buses have fairly high greenhouse gas emissions. So I support what you say for other reasons, but not for climate reasons. Anyway --

CHAIRPERSON NICHOLS: But you don't actually disagree with each other in terms of the resolution.

BOARD MEMBER SPERLING: That's right.

EXECUTIVE OFFICER GOLDSTENE: We will add the language.

BOARD MEMBER SPERLING: Thank you, Madam Chair, for bringing us back.

BOARD MEMBER SPERLING: Could I hear the resolution that Mr. Loveridge put forward?

CHAIRPERSON NICHOLS: Yes. We all have the language. I think you have it in front of you.

Are there other comments? Yes.

BOARD MEMBER TELLES: This is probably a little less controversial, but the three regions requested a more aggressive stance: Monterey, Santa Barbara, and Tahoe area. I think we should take their present stance.

I had one other issue --

CHAIRPERSON NICHOLS: Agreed. I thing everyone
agreed to that.

BOARD MEMBER TELLES: The other issue is it seems like nobody still owns these VMTs between planning organizations, for instance, in the San Joaquin Valley to the Bay Area.

And also there is a concern in many regions that jurisdictions in those areas have no control over some of the VMTs. I'm talking about like in San Diego, an Indian casino out in middle of nowhere. In our region, the same thing. Or in Kern County a military base that they don't control how many personnel is going to be there and there's no way for them to plan. Or it would seem reasonable they should be -- these regions should be responsible for the VMT on their regional plan. I think we ought to curve those instances out, if they haven't already been done.

CHAIRPERSON NICHOLS: I think staff worked on this issue quite a bit during the RTAC process.

EXECUTIVE OFFICER GOLDSTENE: I'll ask Kurt to comment on that.

BOARD MEMBER TELLES: Well, it's not clear to me whether it's carved out or not. Some people from Kern County came here and said they have to deal with it. I heard other people say it's kind of they're not dealing with it.
CHAIRPERSON NICHOLS: Could we just get an answer and then I'll --

BOARD MEMBER TELLES: I don't know if it needs to be on a resolution or just policy procedure.

CHAIRPERSON NICHOLS: Factually we should understand what staff thinks is happening here.

AIR QUALITY AND TRANSPORTATION PLANNING BRANCH CHIEF KARPEROS: In the numbers that the MPOs from the Central Valley shared with us, they have carved out the VMT, the travel related to the federal facilities as you describe, as well as the through trips. We've talked to them in some detail about how that works. It's one way to solve the problem.

One of the things we wanted to do over with the MPOs in the Valley over the next couple years is to explore is that actually the best solution for them. In some ways, it's a sword that cuts both ways. If they had a policy that would reduce that trip, if you carve it out of the calculation, they don't get credit that they made a good policy decision.

So we have sort of that as a placeholder approach that we can explore in more detail with them over the next couple years.

BOARD MEMBER TELLES: There's no set policy that -- I mean, carve outs are actually -- there's no set
policy that carve outs are actually accepted by the plan?
I mean, it seems like it should be a universally not just
use San Joaquin Valley, but San Diego County --

CHAIRPERSON NICHOLS: For any region.

BOARD MEMBER RIORDAN: We all have federal
installations.

DEPUTY EXECUTIVE OFFICER TERRY: I would just
suggest I think it's appropriate for the Board to weigh in
and say as these targets are being implemented, it would
be appropriate to take that into account in the accounting
system, because as you recall from the staff presentation,
the Board does review the demonstration of the SCS or the
APS in terms of does it meet the target. So that would be
a question. And if so, the Board gave us direction today.
That would be helpful to be clear --

CHAIRPERSON NICHOLS: Evaluation as opposed to
the targets.

DEPUTY EXECUTIVE OFFICER TERRY: There's no way
the deal with incentive targets explicitly.

BOARD MEMBER TELLES: I second that motion.

CHAIRPERSON NICHOLS: Ron.

BOARD MEMBER ROBERTS: I want to make sure not
everybody is misunderstanding what I'm saying. I'm not
just talking about public transit. We have major programs

for what we called management lanes and other things that
have a direct bearing on those numbers. Okay.

Transportation funding -- I go back to what I said. Transportation funding is a major key. If it's not available, we can tell you, we will not make those numbers. There is no way to make those numbers. And I don't know how to say it any clearer. I'm going to presume that most areas are going to confront similar challenges.

And maybe -- maybe that language would help to wake up some of the people who make those policy decisions to if you want A, you have to provide B. Okay. A being the cleanup and the reduction of greenhouse gas gases, and B being the financial backing that the State has until recently historically provided.

CHAIRPERSON NICHOLS: The Board is going to be pleased and surprised to learn that this was going to be the easy item. And the one that we have people lined up in the back for was going to be the tougher one to deal with. So just FYI as you're considering where we go with this one.

BOARD MEMBER RIORDAN: Back to the carve out. Did we understand that you will include that for federal installations?

CHAIRPERSON NICHOLS: As part of the evaluation for mechanism --
EXECUTIVE OFFICER GOLDSTENE: I think maybe Lynn can repeat her motion, just to make sure we're all understanding the --

DEPUTY EXECUTIVE OFFICER TERRY: It's direction to staff to consider -- and maybe you want to list what you want us to consider -- military installations and other inter-regional issues in terms of the accounting towards meeting a target.

BOARD MEMBER TELLES: Not only military installations, but also commuting from one --

EXECUTIVE OFFICER GOLDSTENE: This is an issue that Mayor Loveridge has raised, others have raised.

CHAIRPERSON NICHOLS: The issue of inter-regional transportation more broadly.

DEPUTY EXECUTIVE OFFICER TERRY: And on that point, I guess I suddenly remember the RTAC did have a recommendation that the simplest way to deal with it was to split 50/50 the inter-regional travel. Staff was very comfortable with that take on it.

CHAIRPERSON NICHOLS: I think that was Gary Gallegos' proposal as I recall actually.

Okay. I do not hear or see a single additional comment at this time. Therefore, I'm going to call the question.

So with the additional items that have been added
to the resolution and, you know, with full knowledge that this is going to be subject to continuing review and there will be a need for vigilance here in the implementation process, I think I'm going to say on behalf of most of us that we feel pretty comfortable this is a good step forward and that we're very pleased with the response that we've received to date from all sectors that have participated in this process. It really is a great tribute I think to the interest in support that many Californians feel towards the notion of more sustainable communities and feeling everybody has about quality of life and the places where we live in California that they're coming together to try to make these targets work, but really not so much because of concerns about global warming or greenhouse gas emissions. That's just a metric in many ways. It provides a focal point for the kinds of planning that we all know need to be done.

So I'm going to now call the question. And I think I've can do this on the voice vote. All in favor please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed?

All right. You have your targets. Thank you very much.

(Applause)
CHAIRPERSON NICHOLS: Let's give ourselves a ten-minute break.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: Ladies and gentlemen, ten minutes go by awfully quickly. Ready to get started.

The next item on our agenda today is consideration of proposed regulation to implement a 33 percent renewable electricity standard by the year 2020. This regulation builds upon the state's existing renewable portfolio standards requirement of 20 percent renewable energy by 2010, and it addresses emissions associated with fossil fuel electricity generation as part of the State's efforts to reduce our greenhouse gas emissions.

In addition to reducing greenhouse gas emissions, the proposed regulations will result in hundreds of tons of statewide reductions in both criteria and toxic air pollutants as we displace the use of dirtier fossil fuel generation, and thus we anticipate and are looking forward to health-related co-benefits as well.

The proposed regulation provides further co-benefits by helping California diversify its current energy supply, building on California's leadership on the Center for Green Technologies by fostering a market for renewable technology and supporting the creation of new green jobs as part of that growing market.
This Board was originally scheduled to consider this item at the July 2010 Board meeting, but shortly before that meeting, the Governor asked that we postpone our consideration of the regulation in order to allow additional time for the Legislature to produce a bill that he could sign that would have accomplished the goal of establishing the 33 percent renewable standard.

Unfortunately, the legislative session ended without a bill. And as a result, we are now moving forward with consideration of a proposed regulation that will satisfy both our Scoping Plan and the Governor's directive that we achieve the 33 percent program by 2020.

I want to take this opportunity to particularly thank the leadership and staff of the Public Utilities Commission, the California Energy Commission, and the California independent system operator who have worked with us collaboratively, not only to develop the regulation, but also to develop a document that we released two days ago called "California's Clean Energy Future," a document that was intended to look at the vision that our agency shares for how we are collectively going to work together for achieving the ambitious environmental policy goals that have been established by the Legislature and by Governor Schwarzenegger.

We have representatives of those three agencies
with us. We've asked them to speak at the end of the public comment period so they can have an opportunity to reflect on what we will be hearing from the various interested parties. And we really appreciate their willingness to spend this time with us.

At this time, I want to turn the program over to our Executive Officer, Mr. Goldstene.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Today, we're proposing for our consideration a regulation that will significantly reduce greenhouse gas emissions by displacing electricity generated from fossil fuel sources with renewable energy sources.

As you are aware, the Scoping Plan approved by this Board contained a proposed measure to reduce greenhouse gas emissions associated with electricity production by increasing the amount of electricity generated from renewable resources to 33 percent by 2020.

On September 15th, 2009, the Governor signed Executive Order S21-09 under its AB 32 authority to adopt a regulation consistent with a 33 percent renewable energy target. We were to do that by this summer.

The proposed emission reduction measure before you today satisfies the Scoping Plan commitment and fulfills the Governor's executive order.
As you will see in the staff's presentation, the proposed regulation is one of the largest measures from the Scoping Plan, reducing greenhouse gas emissions by more than 12 million metric tons by 2020.

I'd also like to recognize and thank the energy agency representatives. We greatly appreciate their willingness to share their extensive knowledge and educate our staff on the intricacies of the existing renewable portfolio standard and California's electricity network system. I'm sure we have collectively spent hundreds and hundreds of hours discussing the proposed regulation with the energy agency representatives. And as a result, the proposed regulation is a much improved product.

I'd like to have Dave Mehl of our Stationary Source Division present the staff proposal. Dave.

(Thereupon an overhead presentation was presented as follows.)

ENERGY SECTION MANAGER MEHL: Thank you, Mr. Goldstene.

Good afternoon, Madam Chairman and members of the Board.

Today, I will present our proposed regulation for the California's renewable electricity standard.

This slide outlines today's presentation.
ENERGY SECTION MANAGER MEHL: First, I will provide some background on California's electricity sector, including the sector's contribution to California's greenhouse gas emissions and California's sources of electricity generation.

I will also cover key terms used for California's energy agencies and electricity providers.

I will then provide some information on California's existing renewable energy program and directives to increase renewable energy use in the state.

The renewable electricity standard, also known as the RES, is being proposed to meet these directives. They will play a major role in reducing the state's greenhouse gas emissions and is a major measure within the Scoping Plan.

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ENERGY SECTION MANAGER MEHL: This slide shows a breakdown of California's greenhouse gas emissions by sector.

The electricity sector is the second largest contributor of greenhouse gas emissions, at 24 percent of the state's emission, or about 110 million metric tons of carbon dioxide equivalent emissions per year.

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ENERGY SECTION MANAGER MEHL: This slide shows
California's electricity generation mix, based on the latest information available from the California Energy Commission.

Over a third of the electricity generation is from non-fossil-fueled resources. Of this, eleven percent is from resources recognized as renewable under the existing renewable energy program.

Increasing renewables from eleven percent to 33 percent will result in approximately 60 percent of the state's electricity coming from non-fossil-fueled resources.

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ENERGY SECTION MANAGER MEHL: For clarity, I would like to describe some key terms that are used throughout this presentation.

There are three primary energy agencies in California responsible for overseeing the state's electricity providers and ensuring grid stability. These are the California Public Utilities Commission, the California Energy Commission, and the California Independent System Operator.

There are over 60 electricity providers in the state. The majority of electricity sales are provided by the investor-owned utilities, or IOUs. The IOUs and other electrical entities regulated by the CPUC collectively
supply approximately 75 percent of the state's electricity.

The three largest IOUs are Pacific Gas and Electric, Southern California Edison, and San Diego Gas and Electric. Each of them serve millions of customers.

Local publicly-owned electric utilities, or POUs, are owned by their customers. The 45 POUs in California range considerably in the number of customers served and the collectively supply approximately 25 percent of the California electricity.

The two largest POUs are the Sacramento Municipal Utility District and the Los Angeles Department of Water and Power.

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ENERGY SECTION MANAGER MEHL: California's existing renewable energy program is administered by the CEC and CPUC.

Mandatory requirements apply to electricity providers that are regulated by the CPUC, including the IOUs. Under the program, IOUs are required to meet a 20 percent renewable energy target by 2010. The CPUC has worked with the IOUs to establish an aggressive renewable energy procurement strategy. Due to these efforts, IOUs are well situated for meeting the 20 percent target.

POUs are self-regulated and are encouraged to
meet a voluntary goal of 20 percent. As a group, POUs are exceeding this target, with some POUs pursuing a very aggressive procurement strategy.

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ENERGY SECTION MANAGER MEHL: The Board approved the AB 32 Scoping Plan in December 2008, which identified several measures to reduce greenhouse gas emissions for the electricity sector. The implementation of the 33 percent renewable energy standard by 2020 was one of the most significant measures identified.

In September 2009, the Governor signed an Executive Order directing ARB, under its AB 32 authority, to adopt a regulation establishing a 33 percent renewable energy standard. The regulation is to build upon California's existing renewable energy program.

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ENERGY SECTION MANAGER MEHL: ARB is part of a multi-agency effort to guide the future of clean energy in the state, with one major objective being environmental protection.

As mentioned previously, using our authority under AB 32 and the Health and Safety Code, we are proposing this regulation to reduce greenhouse gases and other pollutants to help mitigate the effects of climate change and protect public health.
This proposed regulation is designed to maximize greenhouse gas reduction benefits and other co-benefits through the use of renewable energy from essentially all electricity providers, including both IOUs, and POUs.

ENERGY SECTION MANAGER MEHL: The direct benefits of the proposed RES include a reduction in emissions of greenhouse gases, criteria pollutants, and toxic air contaminants.

There are also numerous co-benefits to a robust renewable energy program. These include promoting energy security, helping California diversify the current energy supply, supporting the creation of new green jobs, and building upon California's leadership as a center for green technology by fostering a growing market for renewable technology, including wind and solar.

ENERGY SECTION MANAGER MEHL: During the development of the proposed RES, ARB staff worked extensively with staff from the energy agencies to address a number of important considerations.

These included the analysis of numerous technical analyses of the impacts of a 33 percent renewable standards and review of the regulation and staff report.

The outcome of these efforts is a program that
maintains grid stability as more variable renewable resources, such as wind and solar, are added to meet a 33 percent standard, and a program that can effectively harmonize with California's existing renewable energy program.

To the greatest extent possible, the proposed RES utilizes the provisions and implementation mechanisms established for the current program.

We also solicited input on the RES requirements through numerous public workshops and individual stakeholders meetings.

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ENERGY SECTION MANAGER MEHL: This slide lists the types of technologies that would qualify as renewable energy resources under our proposed regulation. We are recognizing the same technologies as are eligible under the existing renewable energy program.

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ENERGY SECTION MANAGER MEHL: The goals of the proposed RES are to maximize greenhouse gas reductions, set similar requirements for the IOUs and POUs, increase the use of renewable energy in the state to 33 percent by 2020, and harmonize the program with California's existing renewables program.

Renewable energy resources that are eligible
under the existing program also qualify under the proposed RES. The certification procedures and requirements for eligible resources also stay the same. The types of information required for monitoring and reporting and the procedures for verifying retail sales of electricity are consistent between the two programs.

ARB staff will continue to partner with the staff from the energy agencies as the RES program moves forward.

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ENERGY SECTION MANAGER MEHL: The proposed regulation would apply to approximately 65 retail sellers of electricity. These include the IOUs, POUs, and other types of electricity providers.

Some regulated parties would be subject to only recordkeeping and reporting requirements. This would apply to the California Department of Water Resources, the Federal Western Area Power Administration, and smaller retail sellers.

About half of the state's utilities would fall under this last category, representing about one percent of the state's electricity sales.

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ENERGY SECTION MANAGER MEHL: The proposed RES includes renewable energy targets that are designed to ensure a steady progress towards meeting a 33 percent

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standard by 2020.

The provisions provide flexibility to regulated parties in achieving the targets, particularly in the early years when transmission and renewable energy facilities are being built. The 33 percent renewables standard is phased in over an eight-year period with three interim standards between 2012 and 2020. Compliance with interim standards is calculated on a multi-year basis. Compliance with the final 33 percent standard is determined on an annual basis beginning in 2020. By then, we expect ample resources to be online with the robust certificate market, thereby supporting annual compliance intervals.

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ENERGY SECTION MANAGER MEHL: Regulated parties must demonstrate that enough renewable energy has been generated to meet the applicable target.

Renewable power generation will be tracked through a certificate program administered by the Western Renewable Energy Generation Information System, also known as WREGIS. This system is already used in California's existing renewable energy program.

Under WREGIS, certificates are issued for each megawatt hour of power generated from renewable resources.

The proposed RES allows the banking and trading of these
certificates, providing flexibility with meeting the targets.

Regulated parties will submit these certificates when they are used to comply with the RES targets, as is done in the existing renewable program.

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ENERGY SECTION MANAGER MEHL: Regulated parties will submit a one-time plan by July 2012 identifying how they will achieve and maintain the 33 percent RES standard by 2020.

Annual reports are due to the ARB starting July 2013. The reports must include information necessary to track progress toward meeting the targets.

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ENERGY SECTION MANAGER MEHL: ARB will enforce the proposed RES in consultation with the CEC and CPUC to ensure that all regulated parties are in compliance with the regulation.

Penalties for violations would be assessed based on the shortfall of certificates submitted to comply with the renewable energy target. I will discuss this further in a moment.

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ENERGY SECTION MANAGER MEHL: The proposed RES requires that ARB staff conduct at least three
comprehensive reviews of the program and report the findings to the Board. The reviews are required in 2013, 2016, and 2018.

The reviews will be done in coordination with the energy agencies, as well as the regulated parties and other interested stakeholders.

The reviews will determine the need for recommended adjustments to the program. They will address the cost of the RES, improvements to California's energy infrastructure, greenhouse gas emissions, and other air quality impacts and grid stability.

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ENERGY SECTION MANAGER MEHL: The proposed RES will provide significant reductions in greenhouse gas emissions and result in less construction of new fossil fuel generation, primarily natural gas fired generation.

In addition, existing fossil fuel units will run at much lower capacity.

These changes in grid operations will lead to reductions in toxic air contaminant emissions.

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ENERGY SECTION MANAGER MEHL: The proposed RES will reduce greenhouse gas emissions from California's electricity sector by 12 to 13 metric tons of carbon dioxide equivalent emissions in 2020, making it one of
California's largest greenhouse gas emission reduction strategies.

In addition, the proposal will provide hundreds of tons of statewide reductions in criteria pollutants by displacing the use of dirtier fossil fueled generation, thus providing health related co-benefits.

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ENERGY SECTION MANAGER MEHL: The annual program costs are estimated to be about $2.5 billion in 2020. These costs do not assume any decrease in the cost for renewables and assumes no significant increase in natural gas prices compared to today.

The RES will insulate California retail electricity rates against fluctuation in natural gas prices. Over the last ten years, these prices have reached costs more than double current prices.

The average retail rate is expected to increase one cent per kilowatt hour due to the proposed RES. The state's economy is projected to grow two-tenths of a percent less in 2020 than without the proposed RES.

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ENERGY SECTION MANAGER MEHL: Based on existing procurement contracts, over 80 percent of the new renewable energy resources needed to meet the 33 percent standard are expected to be built in California.
Historically, in-state resources have long-term contracts, while out-of-state resources have short-term contracts. A shift in jobs is expected in the state from supporting fossil fuel generation to supporting renewable energy projects. As this shift occurs, it is possible that job growth will proceed at a slightly lower pace. However, this is contingent on the rate at which renewable energy costs decline.

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ENERGY SECTION MANAGER MEHL: Although staff worked closely with stakeholders to address their concerns during the proposal's development, three significant issues remain. These are: The proposed enforcement provisions; the cost for building renewable resources and infrastructure by 2020; and unrestricted use of certificates.

Stakeholders have raised concerns about ARB's use of the standard penalty structure specified in the Health and Safety Code. They would like assurances within the regulation itself that penalties, should they occur, would not be excessive. Staff understands the concerns raised and will be making a recommendation for 15-day changes intended to address this issue.

Stakeholders also have raised concerns about long-range costs for building renewable resources and
transmission lines. We intend to establish an informal work group for stakeholders as discussed later in this presentation where we can address these and other issues that arise during implementation of the RES program.

The cost impacts of the RES, including impacts on electricity rates, will be evaluated as part of the periodic regulatory reviews. The findings will be used to identify any necessary changes to the regulation. The finding and any proposed modifications would then be presented to the Board.

Stakeholders have raised concerns about the treatment of certificates under the RES. In essence, staff's proposal allows unlimited use of what the CPUC defines as a tradable credit.

In August, the CPUC proposed limits for the use of tradable credits in an existing renewable program in order to better understand the impacts of these changes on the market. Recognizing the CPUC's proposed decisions and our interest in aligning the two programs, staff intends to initiate an expeditious rulemaking to ensure continued harmonization of the two programs, specifically incorporating provisions related to the tradable credits for all regulated parties under the RES regulation.

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received during the public comment period and discussions with the energy agencies and affected entities, we are proposing several amendments to the proposed regulations.

As mentioned in the previous slide, there has been considerable angst over the potential for ARB to levy very large penalties for failure to comply with the proposed regulation.

In order to alleviate this concern, staff is proposing to add additional language to provide more specificity on how penalties will be determined. Staff proposes to form a small informal working group of regulated entities and stakeholders to evaluate potential options, including but not limited to, removing the separate violation for each day language, establishing a not to exceed penalty cap for strict liability for negligence, and establishing an alternative metric for determining penalty amounts.

Other 15-day changes proposed include:

Clarifying that the primary compliance mechanism is the surrendering of certificates; clarifying the property rights exclusion applies only to those certificates used to comply with the RES regulation and does not extend to certificates used outside of the RES program.

Penalty would not be accessed for failure to meet the first compliance period target. Exceeding the target
in this interval can be banked and used for future use, thus providing an incentive for early action.

Changes to the regulation would further align the RES with the existing renewable program and move in the date for submitting certificates to align with compliance dates in the existing renewables programs.

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ENERGY SECTION MANAGER MEHL: ARB staff will continue to coordinate efforts with staff from the energy agencies during the implementation of the RES program.

In addition, we will partner with the CEC staff to refine WREGIS to ensure the program meets the needs of California's renewable energy programs and work with CPUC staff to ensure certificate shortfalls that apply to both programs are not penalized twice.

As mentioned previously, ARB intends to establish an informal implementation work group to address stakeholders' concerns regarding potential penalties and implementation costs.

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ENERGY SECTION MANAGER MEHL: This measure will establish a 33 percent renewable target for the state that applies to all retail electricity providers. It will reduce greenhouse gas emissions by 12 to 13 million metric tons of carbon dioxide equivalent emissions and provide
health-related co-benefits by reducing criteria pollutants and toxic air contaminant emissions.

This measure was determined to be the most flexible approach to meet the goal, while preserving all the benefits at the lowest cost.

Therefore, staff recommends the Board's approval to adopt the proposed regulation with our proposed changes.

This concludes my presentation. I would be happy to answer any questions.

CHAIRPERSON NICHOLS: Thank you.

We have a long list of witnesses that are here. And I suspect that people will have questions that will come up as we get into the testimony. Why don't we go straight to that?

And our first three witnesses are Mark Krausse, Henry Hogo, and Hank de Carbone.

MR. KRAUSSE: Good afternoon, Madam Chairman.

Mark Krausse on behalf of Pacific Gas and Electric Company, but also here representing a group of utilities, both public and private, that provided you a letter during the break. I apologize it is today we're providing the letter rather than by your deadline. But as you all know, there was some things in flux and part of that is 15-day comments -- 15-day changes that I'm here to
Want to start by thanking staff. As was recognized in the presentation, staff has done countless hours of work here, not only staff of the ARB, but of the energy agencies.

Coming into this proceeding, I have to say some of the people that work at the Public Utilities Commission in San Francisco are a little nervous about having the ARB regulating an area like this. But it's clear from the products here there is real alignment. And the work between two agencies and CEC as well, we appreciate that.

The major issue that we do have with regard to the regulation -- and I say the regulation. I'll speak later on behalf of PG&E only about the 15-day language.

But with regard to the regulation, the enforcement language was something that I have to admit between probably the last notice for this RES back in July and currently we became much more focused on the potential maximum liability, which is the literally in the millions, in part because of the large numbers you look at when you're talking about megawatt hours, a relatively minor shortfall up to megawatt hours. The letter brings that out. We've worked over the last week with staff and really appreciate their help and efforts. And we strongly support the resolution that's identified in the 15-day
notice.

I want to emphasize there's language there -- and Mr. Mehl laid out the three items at a minimum that would be considered. We support that and appreciate the inclusion of those.

But not excluding other possibilities language, we've talked with staff also about incorporating those factors beyond our control PUC currently recognizes and we'd like to see the Board recognize. Actually, in the review language in the section of the regulation that says what factors should be considered in review, those nicely articulate most of the things we're talking about. So for public or private utility, we signed a contract with the developer, it's not always in our control that it actually comes on line. Some of those factors you can simply do a cross-references in the enforcement section saying take those into account in the course of your enforcement.

And taking off the hat and representing the utility and speaking only on behalf of PG&E, although I suspect you'll hear this from some of the other utilities as well, the late change to essentially look at what the PUC is going to do on RES gives us some pause. We thought we had a very different regulation here. But we're certainly going to take part in the PUC proceeding. And we would urge that -- I think the term harmonization may
be read broadly that you consider whether or not to copy
that wholesale or take what you think is appropriate.
We'd like to participate in that proceeding here.

CHAIRPERSON NICHOLS: Thank you very much.

Mr. Hogo.

MR. HOGO: Good afternoon, Chairman Nichols,
members of the Board.

Henry Hogo, Assistant Deputy Executive Officer
with the South Coast AQMD.

The South Coast AQMD staff is here today to
express the need for strong standards which reduce
criteria emissions from power plants as well as address
the state's climate change emission reduction goals.

We do support the State's goals for setting
renewable portfolio standards. However, setting the RES
needs to be part of a broader integrated strategy that not
only addresses the state's climate change goals, but also
the state's energy and water needs, land use and mobility,
and achieving and maintaining air quality standards.

In evaluating the impacts of proposed potential
future air quality standards, up to 90 percent reduction
in nitrogen oxide emissions would be needed in order to
attain the upcoming more stringent 8-hour ozone standards
in the 2030 time frame. This is 20 years before the end
goal of the climate change year of 2050.
We are working on a policy white paper to address the need to significantly reduce NOx emissions over the next 20 years. Electrification will play a significant role in this effort and needs to be supported by a strong renewable portfolio. We will be releasing white papers shortly and welcome input from ARB and other stakeholders.

In closing, the South Coast AQMD staff urges a strong and aggressive renewable electricity standard. We would encourage ARB, the California Energy Commission, the Water Resources Control Board, and other State agencies to continue to work with local air districts in developing an overall integrated state strategy that addresses California's environmental and energy needs.

Thank you for the opportunity to comment.

CHAIRPERSON NICHOLS: Thank you.

So Hank de Carbone, followed by Dan Geis, and Elizabeth Klebaner.

MR. DE CARBONE: No thanks.

CHAIRPERSON NICHOLS: Thank you. Take you off.

Dan Geis and Elizabeth and Bruce McLaughlin.


I just wanted to talk a little bit while we got off on a position on 33 percent as a general rule, I wanted to weigh in on the issue of where we're going to go.
as this is implemented. And I want to put in context with this one of the great programs we've done over the last couple of years, which was the ag ice program that converted more than 2,000 diesel engines to electricity in the Central Valley, just over the last two to three years. And part of the reason originally for that was high electricity prices. And I think that we're just here to express a concern that as we implement this, one of the unintended consequences we should be aware of is that electricity prices get too far out of hand, certainly we can see some of those farmers reverse course and go back to diesel, which would be unintended. Certainly nothing anybody would like to see, including the ag industry. We prefer electricity. So I just want to make that quick point.

As you go forward and implement this and work with the PUC, I think there are a lot of great opportunities for the agricultural industry to invest in renewable energy. The same reason we grow crops. We have land. We have heat. We have flat areas. All the things that make us grow crops are the same opportunities that present themselves for renewable energy.

So we have been -- I think a fair way to put it is I think we've been under impressed with how the PUC and other agencies have acknowledged the agricultural
industries opportunity to putting solar biogas in hydro.  
I think we're there and ready to step up to the table.  
And there's simply a couple checkmarks and things that 
need to go through to make sure we're at the forefront of 
that issue right now.

CHAIRPERSON NICHOLS: Sorry. Can I just ask a 
question?

I couldn't let that go by without acknowledging 
that the Energy Commission, which is also a partner in 
this effort, has had some very significant programs 
working with the agricultural industry.

MR. GEIS: I agree completely.

I think what this comes back to is net metering 
historically has not worked for agriculture. And the 
reason is we have very intermittent electricity use. Very 
hard to gauge a multi-million dollar investment against 
use that you don't know years going forward. It can be a 
wet year. Could be a dry year. It could be the 
circumstances of the electricity, circumstances or water 
where you may use a lot more energy or less. Makes it 
very difficult to make that type of investment.

I think there is a lot of promise in the fee and 
tariffs and some of the work that's begun at the 
Commission. And I think as we keep going down that route,

I think that's going to prove to be very successful for
the ag industry.

I think that -- while I think they made some strides in that area, I think there's still a lot of opportunity left on the table. And the ag industry wants to step up, whether it's 20 percent or 33 or whatever we're going, we know there's more renewables. I think we're in a good position to be able to provide the energy.

We want to keep the dialogue opening and keep working. In that context, we want to provide more renewable energy and also keep the idea open that if electricity prices continue to get out of hand and we're already facing a 14 percent rate increase from PG&E next year, that's the type of situation that will force unfortunately many farmers back to diesel, back to internal combustion. That's not the direction we urge them to go in after the success we've had over the last couple years. I just want to put that in context. And hopefully as you move forward, we can work collaboratively with you guys to ensure that occurs.

CHAIRPERSON NICHOLS: Did you have a point, Ms. D'Adamo?

BOARD MEMBER D'ADAMO: I agree. I've seen it happen, the conversion years ago from electric to diesel. And then we have other problems that we don't want to -- possible unintended consequences.
What percentage of diesel pumps -- or what percentage of irrigation pump are electric?

MR. GEIS: Percentage right now? Probably northwards of 95 percent.

BOARD MEMBER D'ADAMO: What's that?
MR. GEIS: 95 percent are probably electric in the Valley.

BOARD MEMBER D'ADAMO: That seems quite high.
MR. GEIS: It was about 90 percent even before. You have to understand the vast majority of those pumps are very small pumps. The vast majority of agriculture time of use are very small, maybe 25 to 30 horsepower pumps.

In the ag ice program, the ones that were converted from diesel back to electricity average a horsepower of about 120 horsepower. That's a much bigger brand of electricity. We converted 2,000 of those. You're looking at somewhere from two-and-a-half to three million horsepower of diesel we took out of commission. I think that's a great success story. It would just be unfortunate to go back.

So it's the bigger wells. It's the deeper wells. It's those that are a lot more low-intensive are the ones we're concerned about that would have the ability to invest in a Tier 3 style new diesel and go back because
they're still using. And on the other side of that is the electricity price where electricity goes up 15 to 20 percent and you have a $50,000 a year bill, that's real money.

CHAIRPERSON NICHOLS: Okay. Thank you.

Elizabeth and then Bruce McLaughlin and Dan Severson.

MS. KLEBANER: Good afternoon, Madam Chair Nichols and Board members.

My name is Elizabeth Kleaner. I'm speaking today on behalf of Coalition for Green Jobs, the California State Building and Construction Trade Council, the California State Association of Electrical Workers, the California State Pipe Trades Council, the Coalition for California Utility Employees, and California Unions for Reliable Energy.

We submitted written CEQA comments on the ARB functional equivalent document as well as the legality of the Board's proposed action. However, today, I would like to speak on the wisdom of ARB's decision to approve the regulation in its present form and not the legality of that approval.

We strongly support a 33 percent requirement, because it is California's best opportunity to create jobs and ensure prosperous decades with the extension of
California's clean energy market. However, this opportunity is most likely to be achieved not by regulation but through statute. Regulations aren't permanent and provide insufficient support for long-term investment.

ARB's initial proposal was a radical departure from what was adopted by the Legislature in 2002, 2006, and 2009 and what was adopted by the Assembly and would have likely passed this year had the session not run out of time.

The initial proposal would have allowed compliance from renewable generation located anywhere in the western United States. Did not require even a single kilowatt hour of renewable energy to be delivered to a single California customer. Under that proposal, pure paper compliance would be allowed with no renewable energy and no jobs in California. Never before had any stakeholder or any agency proposed such a radical idea.

However, we're pleased to hear that staff's proposal today is to re-examine and to try to harmonize the RECs regulation with a decision of the California Public Utilities Commission on the same subject.

The Public Utilities Commission is now working pursuant to existing legislation to identify appropriate limits on using renewable energy credits. And we believe...
that staff's decision to examine that decision is a step
in the right direction.

We further urge the Board to refrain from
adopting the proposed regulation until the Public
Utilities Commission adopts its decision on the renewable
energy credits for complying with California's renewable
portfolio standard and the ARB incorporates those limits
on RECs into its own regulations.

Thank you very much for the opportunity to
address the Board today.

CHAIRPERSON NICHOLS: Thank you.

Bruce McLaughlin.

MR. MC LAUGHLIN: Thank you, Chair Nichols and
Board.

My name is Bruce McLaughlin. I represent the
State Water Contractors, a mutual benefit corporation
comprised of 27 public agencies holding contracts to
purchase water from the State Water Project.

I'm not a representative of the California
Department of Water Resources, but my comments are solely
related to the RES including DWR as a regulated party. We
filed written comments. We believe there are legal
defects in the RES by naming DWR as a regulated party.

It's very simple to fix. We believe by removing
either DWR from the regulation or including it with
special language that we have proposed, calling it a cooperating party, that we can still maintain the same reporting obligation of our information to ARB. We can continue the cooperative interagency activity between DWR and ARB so we would achieve the same goal.

I would invite you to read our comments. I don't want to relate all the legal arguments here. But I think it's very, very important to note that DWR has established in 2009 a sustainability policy, and they are increasing their procurement of renewables. They have a state goal set by Executive Order. They are heading towards that quickly, and so they already have a statutory obligation to consider and implement emission reduction measures. That's AB 32.

In 2007, AB 85 followed up with that. Not only did the Legislature say yes, do exactly what the Executive Order said; do exactly what AB 32 says as far as achieving emission reductions. We want you to report annually to the Cal/EPA. DWR is doing that.

Also, AB 32 set up a system where the Climate Action Team comprised of multiple State agencies is supposed to come together to work cooperatively to achieve the statewide emission reduction goals. We believe DWR is doing that. So it is not a regular ARB but rather a sister agency and together and all State agencies will
achieve AB 32.

So by including DWR as a regulated party, we believe that is legally defective. And by changing almost one word in the regulation, we achieve success.

So we would request that you consider that today and either put it in the resolution, change the regulatory language, whatever you might consider. Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Dan Severson and then Casey Cramer and Andy Katz.

MR. SEVERSON: Madam Chair, members of the Board.

Good afternoon.

My name is Dan Severson. I work for Turlock Irrigation District. TID is a water and power provider that supplies irrigation of water to approximately 150,000 acres in the Central Valley and retail power to approximately 100,000 customers.

TID, along with Modesto Irrigation District and the Redding Electric Utility, appreciate the opportunity to comment here on the renewable electricity standard regulations.

Our three entities often collaborate on climate change regulatory processes as we share similar resources and customer profiles. We recognize the State goal to increase the investment in and use of renewable energy
resources and emphasize the importance of establishing a structure that will facilitate a transition to a cleaner resource mix in an equitable and cost effective manner.

I'd like to start by thanking the ARB staff for their diligence and openness throughout the process of designing the RES regulations. Staff has solicited stakeholder comment throughout the process, and we are pleased to hear that many of the approaches suggested by stakeholders are being considered in the 15-day draft language.

We look forward to seeing the revised regulations and continuing to work with staff.

Specifically, we'd like to highlight three changes staff has indicated will be included in the revised language. Each of these three concepts are key to facilitating an efficient program while mitigating cost impacts to utilities and to customers.

We also encourage CARB to further explore one particular area, and I think that's been touched on already.

First, we are pleased that staff has supported moving the compliance deadline from March 31st to June 1st. That will give utilities a much more manageable timeline given the time constraints inherent in the WREGIS system and verification county as compliance instruments.
Second, we support revising the definition of compliance instrument, the proposed approach to using this definition in place is less ambitious and appropriately refers to the WREGIS tracking system that will be tied to demonstrating RES compliance in future years.

And third, and most importantly, we believe removal of limitations in the banking and trading compliance instruments is critical. This provision will give regulated parties flexibility and freedom to make more informed long-term decisions about how to manage their RES obligations on behalf of their customers. Banking will help entities mitigate expected future rise of the future costs in developing renewables.

CHAIRPERSON NICHOLS: Thank you very much.

MR. SEVERSON: Thank you.

CHAIRPERSON NICHOLS: Casey Cramer and then Andy Katz and John McCall.

MR. CRAMER: Thank you.

Yes, Casey Cramer, today representing the California Cotton Ginners and Growers Associations, the Western Agricultural Processors Associations, and the Neisei Farmers League.

I'm here today to kind of follow up on what Dan Geis was talking about with the -- we've had a lot of success in converting ag engines over to electricity. The
remaining people that did not do the conversion were --
their main reason was the rise in rates and electricity.
What we're doing here today is definitely going to
increase the cost of electricity. Diesel and gasoline
will probably go up, too. But the rising cost just adds
to everything else and makes agricultural less competitive
here in California, especially when the rest of the states
and the rest of nation is not yet signed up and followed
us down this path.

Another point that Dan was talking about the
increased cost in the economic analysis is the average
monthly bills of the increase, and I think it was around
four to five dollars per household. That's an average.
The agricultural community and industrial community bears
a far bigger burden when it comes down to the rates, gets
passed on down to us. We're heavy users of electricity.
And those costs are a lot higher than the proposals and
the averages that are in the economic analysis. So I
actually wish there was a little bit more analysis
actually on the specific ag processing facilities,
different industrial facilities, because the rate
increases will be substantial.

Just to give you an idea, I don't want to --
maybe PG&E can talk about it, but in their latest rate
proposals, they're requesting a one billion dollar
increase in what they charge their customers. And of that, they were proposing a 14 percent increase for agricultural customers. So that's a lot bigger number than what we're talking about here.

When you add the renewable electricity standard, which by your guys estimates $2.5 billion, you add the Cap and Trade Program, you add the fee implementation, all these things add up and just makes agriculture more competitive.

When we're talking about greenhouse gases, I think your Board needs to support agriculture and open spaces and the things that we do to produce food here in the state. And the agriculture community here in California is the most efficient in the world. So we're talking about greenhouse gas and creating policies that make it less competitive for our California producers. It just shifts the burden over to China, India, other countries that have to produce that fruit and fiber and has a net increase in greenhouse gas reductions. If we're really talking about greenhouse gas reductions, we need to make sure we have a vibrant agricultural community here in California.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

John McCall, are you here? Yes, you are. Jeremy

Go ahead, John.

MR. MC CALL: Thank you, Chairwoman Nichols and Board.

My name is John McCall. I'm representing the Geothermal Energy Association today. We don't have a formal position on the draft regulations. I think if you've seen the correspondence from the Center for Energy Efficiency, the cert letter, we're kind of in that place right now.

I just wanted to make an observation, and that is for the last -- AB 32 is driving so much activity. And my work for my client has been in the transition planning arena. I have no idea how a 100 percent RES system is going to change our transmission planning that we're doing across the western interconnection.

And I guess the thing I wanted to come up and say today is that the RES process got delivered to you or something -- it was, you know, what happened last year. And I hope that CARB stays involved, because this cooperation between your Board, CEC, and the PUC and ISO is critical.

The Department of Energy has put a lot of money into WECC, Western Electricity Coordinating Council to figure out how are we going to integrate renewables across
the western interconnection. This system that hopefully you're going to reconcile with the PUC is part of it.

As someone said, we still have to build projects. We still have to create new renewable energy projects somewhere in the west. It's all going to have to connect up.

So I hope that your staff and the Board stays involved on the transmission side as you move through this.

Thank you for your good work.

CHAIRPERSON NICHOLS: Thank you very much. We understand this is just the beginning.

Jeremy Weinstein, David Modisette, Michael Murray.

Mr. Dave Modisette, I see you. Dave.

MR. MODISETTE: Thank you, Madam Chair, members of the Board.

I'm Dave Modisette, the Executive Director of the California Municipal Utilities Association. And we are strongly in support of the proposed regulation. We urge your adoption today.

You may know that many of our local governing boards have adopted the 33 percent requirement in 2020 and some of them have even adopted a more stringent target than that. And the reason we've done that is because we
recognize the benefits the increasing amounts of renewable energy. Not only the significant environmental benefits, but the benefits of mitigating price swings from fossil fuels, and we believe these new technologies will also create new green jobs in California.

Now, make no mistake about it. Meeting a 33 percent requirement is going to be a real challenge. So we appreciate the flexibility that staff has built into the existing regulatory proposal.

Want to commend staff for all the meetings they've done with us and working with the industry to make this a workable regulation.

Having said that, in looking at the new proposals for 15-day language, there's one of those that does give us some concern, and that's the one on page A2, Section 97005. It's the first paragraph there, which says that RES certificates procured by regulated parties have to be associated with generation occurring or after January 1st, 2010.

What I'm told by staff that that means is that if there are any RECs that were procured by utilities prior to 2010, they would then not be able to use those going forward. So I think our concern about that is that it almost seems to be penalizing early action. Penalizing early action by utilities to get these renewable energy
credits.

So I think we would ask you to take another look at that, either not include that or provide direction with staff to work as part of the stakeholder group during the 15-day language to come up with something that's more workable than what appears to be just a complete (inaudible) on the use of those credits prior to 2010.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Michael Murray and then Bernadette Del Chiaro and Laura Wisland.

MR. MURRAY: Good afternoon, Chair Nichols and members of the Board.

My name is Mike Murray. I'm here on behalf of Sempra Energy Utilities, the parent company of San Diego Gas and Electric, Southern California Gas Company.

Sempra Energy Utilities supports the state's efforts to put in place the 33 percent renewable portfolio standard by 2020. Whether done in statute or in regulations, Sempra has consistently maintained the successful RES program must contain certain essential elements.

First, it must protect renewable investments made to achieve the current 20 percent RES mandate.

Second, there must be equitable application of
the rules to the entire electric sector.

Third, there must be cost production for customers.

Fourth, there must be compliance flexibility that considers events outside the control of the regulated entities, such as lack of transmission.

And fifth, expanded eligibility of resources to meet the applicable regulations.

In general, the RES regulations you have before you today captures most of these key elements. And we thank staff for their hard work in fashioning this very complex piece of regulation.

We also will work with staff during the 15-day modification period to clarify key components of the rule, especially as it relates to enforcement as we were one of the signatures to the letter we referred to earlier by the joint utilities.

We are concerned about the last of the resolutions which directs ARB to harmonize the REC policy in the rules with the CPUC TREC policy. The current draft RES regulations provide expanded eligibility of resources which include use of RECs to meet the 33 percent obligation. We support this approach. We need all the tools and all the resources available to meet the state's goals of 33 percent by 2020. A program which allows...
access to renewables without geographic limitation is one of those tools.

The expanded eligibility will provide additional resources, keep downward pressure on prices, and provide cost competition between developers. Keeping the expanded eligibility of resources in the regulation without conditions on future actions of another State agency will also provide the certainty we need now for buyers and sellers of renewable resources to move forward to meet the State's goals.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Bernadette and then Laura and Danielle Osborn Mills.

MS. CHIARO: Good afternoon, Chairman Nichols, members of the Board.

My name is Bernadette Del Chiaro, clean energy advocate with Environment California. Thank you for the opportunity to present some brief comments here.

I think given some of the previous comments, it's really important to articulate that California does need more renewable energy. We need that renewable energy in order to protect our health and protect our environment.

We also need more renewable energy in order to help create price stability. There is a lot of talk about
rising electricity prices. California has seen skyrocketing electricity prices because of our over addiction to fossil fuels and nuclear power. Renewables will only help diversify California's electricity market and also provide long-term stability for electricity supply.

It's also important that California continue to be a leader in promoting renewable energy, something we have been doing and need to continue to do. So it's within that context that we support keeping the ball moving forward on reaching a 33 percent renewable electricity standard in California through regulations.

We would strongly prefer to have 33 percent by 2020 renewable electricity mandate put into statute through legislation, and we hope to continue to work and this Board will continue to work with the Legislature to see that through.

We've always said the three things that we care the most about from Environment California when it comes to renewable electricity standard: One, having a clear mandate that we will reach this target by 2020; two, having a clean definition of what is considered renewable, what's considered eligible; and three, having enforcement and penalties for non-compliance.
these regulations in terms of enforcement and also in
terms of potentially getting to that 2020 mark. There is
a lot of loopholes -- potential loopholes and ambiguities
in the regulation as proposed that make us a little
uncomfortable.

There is a legislative arena. I would be
officially testifying support, if amended. Again, because
we strongly support moving this ball forward, but we think
there is actually a lot more work to be done on these
regulations.

We hope to look forward to continuing to work
with the Board to make sure these are strong that meet
those standards. We appreciate the clean definition
that's been left in here. And again, appreciate the
opportunity to make these comments.

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

And I should note that Environment California has
been one of the leaders to get legislation passed, and
we're all hopeful that will happen. Thank you.

Laura.

MS. WISLAND: Good afternoon.

My name is Laura Wisland. I work with the Union
of Concerned Scientists, which is a science-based policy
organization that strongly supports policies to promote
the development of new renewable energy facilities in order to diversify the state's electricity portfolio, improve air quality, reduce greenhouse gases, and create new clean jobs.

We strongly support increasing the state's renewable energy requirement to 33 percent by 2020 and believe that the most effective way to do that is to enact a requirement through legislation. While we very much appreciate the staff's efforts so far, we believe that the proposed regulation is a stop gap measure and not an equal alternative to establishing a 33 percent law that will create the policy certainty the market needs to aggressively move forward with the investments in California.

If the Board does move forward today, we urge the Board to limit the amount of credit-only purchases that can be used to meet the RES obligations. We are concerned that simply purchasing a credit that renewable energy has been generated somewhere on the western grid will do nothing to reduce the state's reliance on fossil fuels, improve air quality, or create green jobs; three key tenants of the existing RPS policy.

We are concerned an informal work group may not to be the most appropriate way to address issues as important as enforcement and compliance moving forward.
In closing, we strongly appreciate the staff's efforts on this matter and especially keeping this issue on the table. And we believe that the resolution language to harmonize the PUC and ARB policy of RECs opens the door to resolving our concerns with over reliance on RECs. We continue to believe that the most effective way to establish a permanent 33 percent renewable energy requirement is to establish the requirement through law.

Thanks.

CHAIRPERSON NICHOLS: Thank you.

Danielle Osborn Mills, followed by Bonnie Holmes-Gen, and Tim Tutt.

MS. MILLS: Good afternoon, Chairman Nichols and members of the Board.

I'm Danielle Osborn Mills. I'm here today with the Center for Energy Efficiency and Renewable Technologies.

I'm here in support of a 33 percent mandate for renewable energy and I'm appreciative of the opportunity to comment on this proposed regulation.

We view the proposed regulation and the associated resolution that was offered this morning to be a positive step forward toward a policy that requires 33 percent renewable energy, though we do have some significant concerns.
First, we'd like to emphasize the importance of legislation that can codify a 33 percent mandate and bring additional certainty to the market.

In the meantime, we view the 33 percent RES to be a small step forward, but feel the ARB has quite a bit of work to do with the other State energy agencies in terms of the details of implementation, enforcement, and the definition of treatment of renewable energy credits.

CEERT agrees the harmonization of policies between the 20 percent RPS and 33 percent RES is necessary particularly on the issue of tradable RECs and out-of-state deliveries. With that said, we recommend that the ARB convene a multi-agency meeting with full participation from the ARB, CEC, CPUC, and Cal ISO.

The purpose of this meeting would be to publicly resolve any apparent conflicts between the CPUC TREC's proposed decision, the CEC eligibility guidebook, and the ARB's 33 percent RES.

CEERT would like to see the public meeting take place before any new policies on TREC's for energy deliveries are adopted. Such a policy on RECs for deliveries should also acknowledge the increased value that in-state renewable development brings to California as well as transactions that renewable energy credits and power.
Lastly, while we appreciate the hard work that went into California's clean energy future implementation plan and road map, we're dismayed by the lack of public participation that was involved in the development of these documents. We believe that an informal implementation work group is not significant enough or not helpful in terms of working out the details of implementation on such a complex policy.

And we, therefore, request opening these documents up for a public comment period prior to final adoption and release of this document. And we feel it should coincide with the adoption of a statewide 33 percent mandate.

In light of the need for the opportunity to codify this mandate through legislation, the need for public multi-agency workshop on TREC's and out-of-state deliveries, the need for public input on the implementation plan and road map, CEERT would prefer a delay in the adoption of this policy until December, but respects your commitment to adoption and final resolution of these issues.

If this is adopted today, however, I hope to emphasize that small informal work groups are not significant and not an appropriate way of dealing with issues of enforcement and implementation.
Thank for your time.

CHAIRPERSON NICHOLS: Thank you.

Bonnie Holmes-Gen and Tim Tutt and Norman Pedersen.

MS. HOLMES-GEN: Chairman Nichols and Board members, Bonnie Holmes-Gen with the American Lung Association of California.

I’d like to state on behalf of the American Lung Association our strong support for 33 percent renewable energy mandate by 2020 and would like to associate with the comments of CEERT and Union of Concerned Scientists, Environment California about the importance of getting this mandate in legislation. I know you feel that way also.

But also we agree that’s very important to move forward legislative and appreciate you trying to move the ball forward.

We strongly support the renewable energy standard because of the importance of reducing criteria pollutants, greenhouse gas gases, promoting energy diversity, and promoting green jobs. And did want to state and emphasize the one key concern that’s been mentioned by several folks that is the concern about the policy of allowing the 100 percent unbundled RECs and do want to state our belief about the importance of in-state renewable energy.
facilities and generation and the importance of these in-state facilities in achieving criteria pollutant reductions and GHG reductions in California and promoting green businesses in California.

So wanted to again state our strong support for the 33 percent mandate. And thank you for the very hard work that you put forth on this item.

CHAIRPERSON NICHOLS: Thank you.

Mr. Tutt.

MR. TUTT: Good afternoon, Madam Chair and Board members.

Again, my name is Tim Tutt, representing the Sacramento Municipal Utility District.

And I thank you for the opportunity to commenting on the proposed RES regulation here today.

SMUD supports the 33 percent renewable goal and in fact adopted a similar goal, an identical goal of 33 percent by 2020 for our utility in 2008. We also adopted an RPS target of 20 percent by 2010 and fully expect to meet that target this year and are committed to meeting the 33 percent target in 2020.

We participated in the RES development and greatly appreciate the simplicity and the conciseness of the current proposed regulation. We think these are hallmarks of good regulation. We have worked quite
collaboratively with ARB staff and generally support the
proposed RES, but have a few remaining significant
concerns.

First, we were signatories to the letter that you
received at the break on enforcement. And we want to
emphasize that the proposed enforcement mechanism in the
RES creates potential -- for SMUD, maybe tens of millions
of dollars per day in penalties, well above any reasonable
relation to the cost of the compliance.

We appreciate the recognition there is going to
be a commitment to working with stakeholders to develop a
reasonable enforcement and compliance mechanism,
subsequent to adoption, and will look forward to working
in that group.

Second, we have supported the basic simplicity
and reasonableness of tracking renewable energy generation
through a common metric such as WREGIS certificates and
considering all renewables connected to the wet grid as
substantially equivalent for the RES through approved use
of certificates unbundled from delivered energy.

The recent complication there's arisen of in the
future considering artificial limits on one type or
location of renewables will in our view make the RES
significantly more difficult than expensive, and we oppose
moving in that direction.
We also are not pleased with the resolution language that implies effectively that municipal utilities may be subject to CPUC regulations through subsequent ARB action. We appreciate changing that language.

And third, we at SMUD have been faithfully committed to our states and our RPS goals and have secured at some cost to our rate payers renewable energy beyond our own adopted goals in recent years, expecting good faith to be able to carry over this surplus procurement in future years for our RPS targets.

We understood that the RES was being constructed to allow for relatively seamless transition from the RPS to the RES, including the municipal utilities adopted RPSs. And to us, that means that the RPS carry-over should continue to be fully eligible for the RES.

Staff's 15-day language moves in that direction. But by cutting off the carry over to only 2010 and later generation, it will effectively render useless close to 600 vehicle hours of good faith early action renewable purchases that our rate payers are already paying for. We would suggest changing the January 1st, 2010, to January 1st, 2009 as a simple fix for that problem.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you. I'm going to be asking a question about that, because you're the second
person that raised that issue. Wasn't something I was aware of.

Okay. Mr. Pederson, followed by Cindy Montanez and Laura Genao.

MR. PEDERSEN: Thank you, Chairman Nichols.

I'm Norman Pedersen for the Southern California Public Power Authority.

There are a lot of things to compliment about both the process and the product that bring us together today.

On process, the staff held half a dozen public workshops at which the staff presented aggressively refined proposals. At every step staff provided an opportunity for both oral and written comments by the public and they digested those comments. This sort of iterative interactive process results in a more refined and tested regulation. I think that's what you have before you today.

Regarding the product, SCPA particularly commends the provisions permitting the unlimited use of certificates to comply with the RES target. The unlimited use of certificates will help to control the cost of the regulation while simultaneously obtaining the proper objectives of the regulation.

However, the regulation can be further improved.
First, the penalty provisions should be made more reasonable. Second, the compliance mechanism should be made more flexible.

As for the penalty provisions, we're pleased to hear today the staff say that during the 15-day process it may re-examine the provision that would permit penalties to be accessed per megawatt per day. Eliminating the per day multiplier is critical. Daily penalties, as you've heard from previous speakers, could result in penalties of hundreds of millions perhaps into the billions of dollars for the large utilities.

We're regulated public utilities. We intend to comply with all laws, including the RES, and we intend to avoid penalties. However, just the specter of massively disproportionate penalties can have adverse credit worthiness and other business-related effects. Thus, we hope you will revise the regulations regarding the per-day penalty provision.

As for the flexible compliance provisions, we hope you'll revise a regulation to provide for more flexible compliance.

First, we hope you will permit three-year compliance periods instead of dropping to one year at the end of the 2012 to 2020 period. Three-year periods are particularly important to utilities, such as the SCPA
members, who will develop their own projects as opposed to relying upon the certificate market.

Second, we hope there will be some provision where extensions of compliance deadlines for good cause shown. This is also particularly important for utilities that will be developing their own projects, thereby assuming the risk of project delays due to unforeseen circumstances.

And as a last point, we share the concern that you just heard from SMUD and a previous speaker regarding the cut-off of the use of certificates acquired from generation prior to 2010.

And thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Cindy Montanez and then Laura.

MS. MONTANEZ: Good afternoon, Madam Chair and members of the Board.

My name is Cindy Montanez. I'm here on behalf of the Los Angeles Department of Water and Power.

First, I just want to start off by commending the Governor and you, Madam Chair, for your consistent effort in trying to create a solid, meaningful, and long-lasting implementation of AB 32, and really making California a leader in greenhouse gas emissions.

And there's no question after seeing a lot of the
decisions being made today that you kept us on track and
making sure that we do have a successful implementation of
AB 23 since we passed that law in 2006.

L.A. supports the 33 percent renewable standard, and we do applaud and commend the staff and thank the
staff for all the work that you've done in a short period
of time.

Under the Mayor's Green L.A. plan, L.A. is going
to do everything it possibly can to ensure that we do our
fair share to reduce Greenhouse gas emissions. LADWP's
sustainability programs, especially in renewables, in
energy efficiency, in complying with SB 1368 are key to
ensuring that the Los Angeles region does its fair share
in greenhouse gas emissions.

We expect that a thoughtful implementation of the
RES regulation will compliment the current efforts that we
have and the investments that we have that literally are
in the billions of dollars in Los Angeles. And we will
continue to look forward to working with CARB to ensure
that if any changes are necessary that we'll be there to
make sure that we can look back and say we did the right
thing today.

L.A. has made significant investments in
renewable energy and is on track to achieve 20 percent by
the end of the year. We also have invested significantly
in our energy efficiency programs. This year, we reached a record high of 318 gigawatts saved through energy efficiency, which is equivalent to roughly 1.3 percent of our load over this last year.

L.A.'s on an aggressive path forward. The Mayor's been tremendous in that leadership. We're going to continue to invest in resources and helping the State reduce its greenhouse gas emissions. We strongly support programs that will achieve quantifiable emission reductions in a manner that most efficiently, effectively utilizes the resources that our residents and rate payers will have to pay. We want to see real emission reductions, real jobs being created. We think programs like this will result in efforts that are going to be both environmentally and economically sustainable. We think this is a smart way to move forward. And we are committed to continue to do everything we can to work with you, Madam Chair, and the Board to ensure again a very successful implementation of AB 32.

CHAIRPERSON NICHOLS: Well, thank you very much. You have a particular stake in this since I believe you were one of the people who helped bring us AB 32 in the first place. So thank you.

Okay.

MS. GENAO: Thank you. Good afternoon, Board and
I wanted to start by giving kudos to your staff, extreme efforts that we have shared with us in their discussions with us throughout the course of the adoption of this RES.

As currently set forth in Appendix A and the 15-day changes, Southern California Edison believes that the RES is a workable path towards 33 percent that is mindful of customers and the issues facing renewable development today. Specifically, the multi-year stair step targets for almost all electricity providers, the broad access to west wide resources, and stated clarifications on enforcement will create a renewables program that can move forward despite the permitting, siting, transmission, and other challenges that have hindered the state's progress on 20 percent to date.

However, despite our support for the language being voted on here today, we note with caution language of the resolution opening the possibility that this workable framework that has carefully balanced the needs of customers, markets, and benefits to California may be undermined in the near future if you decide to limit the types of resources that entities such as Southern California Edison will need to buy in order to achieve the ambitious 33 percent goal you adopt today.
We, too, will be active as you monitor and attempt to harmonize the CPUC's decision on RECs with the RES you adopt today, but remind you at the heart of your decision today is the vote to increase the state's target from 20 percent to 33 percent for everyone in the state.

Do not also take steps to limit the market for resources that we will have to look to to comply. The unfortunate consequence of such a limitation would be to upset this careful balancing of market and customer needs identified by your staff and presented to you here today. It would also threaten progress towards the very goal that you're hoping to implement. And you would do that before you even got started.

So again I thank you. I thank your staff for their time and efforts in creating what we believe is as carefully balanced RES that can achieve 33 percent and can be workable for those who have to comply.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Nancy Radar and then James Henry and Rahmon Momoh.

MS. RADAR: Good afternoon, Madam Chair and members of the Board.

My name is Nancy Radar, Executive Director of the California Wind Energy Association.
CAL WEA represents about 25 companies actively participating in a very robust market that was created by California's 2002 RPS legislation. The success of this policy is finally being made more tangible. By next January after construction of several new wind projects this year, the amount of wind energy generation operating in California will have more than doubled since 2002, contributing about four percent of California's electricity supply.

The current policy is working supporting new jobs and tax base in the state. Unfortunately, California's future renewable energy policy has been a roller coaster ride for the past two years. As companies' investors look at our state, they see less and less of a market and more and more of a soap opera. To sustain continued investment in wind and other renewables, we need stable and predictable long-term policy.

As we state in our written comments, Cal WEA does not view ARB's proposed regulation for 33 percent RES as moving the state toward that goal for a number of reasons, two of which have attempted to address in your draft Board resolution and the staff's proposed amendments.

We very much appreciate the positive steps you have just announced towards a more balanced policy on tradable credits and presumably on the treatment of those...
credits as a property right. Those are both fundamentally important issues to the creation of this renewable market.

However, as these changes and other changes have just been announced -- as they have just been announced and as they do not appear to be fully flushed out, we think it's pretty clear from the comments you're getting that people are reading some of these proposals in very different ways.

And as the parties have not had a chance to comment on them, we encourage you to postpone your decision on this for another meeting until these things can be flushed out a little bit better and hopefully addressed in public forums and not in informal working groups.

It's important that as you adopt the policy, you do so in its totality and not with major gaps outstanding. Postponing the vote until the next meeting would also carry the benefit of giving the Legislature and the Governor another couple of weeks to work out their differences on the 33 percent RPS legislation. Putting the rules in the statute is ultimately what we must have to support the capital investments that are necessary for us to achieve renewable energy goals.

Thank you.

CHAIRPERSON NICHOLS: Thank you.
MR. HENRY: Thank you, Chairman and members of the Board.

My name is James Henry. I'm with the San Francisco Public Utilities Commission or SFPUC. The San Francisco PUC is the municipal electric utility of the city and county of San Francisco. We provide electric service to schools, police and fire stations, San Francisco General Hospital, and for purposes of GHG reductions, the largest fleet of electric vehicles and light rail vehicles in California, if not the entire country.

The SF PUC is supportive of the Air Resources Board's attempt to reduce greenhouse gas emissions, and we've worked closely with ARB staff to craft provisions that will be applicable to the San Francisco Public Utilities Commission.

Although we had not planned to testify today or offer any comments, we are here because we identified one minor concern and what we believe is an inadvertent drafting mistake in the provisions. While in most cases this provision should not affect how the SF PUC will comply with the requirements of the regulations, under certain adverse conditions such as if there were to be a major outage of San Francisco's electric generation units,
the San Francisco Public Utilities Commission could face an RES obligation greater than 33 percent. As you know, 33 percent was the upper rage of the obligation imposed on all the utilities under the proposed regulation, and even then would not be achieved until the year 2020.

It should be noted that the San Francisco Public Utilities Commission already has perhaps the lowest greenhouse gas emissions per megawatt hour of any of the large or medium electric utilities in California.

We had noticed this sort of what we view as a drafting mistake and raised this issue with ARB staff. Unfortunately, we only identified it very late in the process, and we apologize that we got to ARB staff late and take the blame for that.

ARB staff facing the numerous other difficult and contentious issues they faced said they did not have time to deal with the issue, but they did recommend for us we bring the issue to the Board today, which is why we're here.

Second, they understand -- and I don't want to put words in their mouth, but they are sympathetic to our concern.

Third, we proposed language that we think addresses this problem that could be quickly and easily implemented.
Within the Attachment A to the draft regulations are the proposed new changes to the 15-day comment period. These changes already include what are defined as minor clarifying changes to Section 97004, which is the affected section. We would just urge the Board and the staff to work with the SF PUC with those proposed changes and hopefully can fix this with a minor change in what otherwise is a very notable piece of regulation.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Rahmon Momoh.

MR. MOMOH: Good afternoon, Chairman Nichols.

Board members and staff.

My name is Rahmon Momoh. I'm speaking on behalf of the Division of Rate Payers Advocate. The Division of Rate Payers Advocate is the independent consumer advocacy division of the California Public Utilities Commission, CPUC. DRA's statutory mandate has outlined in Public Utilities Code Section 390.5 still advocate on behalf of California rate payers to obtain the lowest possible rate for utilities services consistent with satisfy and reliable service levels.

DRA (inaudible) to commence for cause on two aspects of RES implementation. The proposed regulation do not contain cost containment measures, but do contain...
several inconsistencies. DRA written comment forecast (inaudible) million to issues cost containment and consistency with the PUC requirement for green renewable like investor owned utilities.

The RES implementation should aim to find the lowest cost to achieve renewable energy goal. To achieve this, DRA recommends the following:

Cost transparency to inform policy makers of the total cost, both direct and indirect, of different options available to meet those goals so that the Board will get a full picture of the cost to implement the program.

DRA recommends that the periodic reviews of the renewable energy program so money total cost and implementation challenges.

DRA supports a collaborative effort by RES stakeholders to establish cost containment measures which might include an off round to protect rate payers from excessive cost increases. In our July 9th letter, we recommended several cost containment measures. And I applaud staff recommendation to work with the PUC staff to develop a cost containment measure.

As I indicated earlier, DRA is a separate agency. DRA director is appointed by the Governor. We do not report to CPUC. So we met with the ARB staff sometime last year to offer our assistance to ARB staff to make a
more cost effective measures to address cost containment. DRA also recommend five-year flexible -- okay. Well --

CHAIRPERSON NICHOLS: Sorry. We do have your written testimony. This covers these same points. All right. We will attempt to follow up with you then.

MR. MOMOH: Thank you, Madam Chair.

CHAIRPERSON NICHOLS: Thank you. I understand the important role DRA plays.

We have two more witnesses, Susie Berlin and Shannon Eddie.

Ms. Berlin. Yes.

MS. BERLIN: Good afternoon, Madam Chair, members of the Board.

My name is Susie Berlin. I'm here today representing the Northern California Power Agencies and MSR public power. Both are joint power agencies comprised of municipal utilities and other public agencies that provide retail electric service to customers across the state and therefore would be subject to the provisions of the RES as a regulated party.

I'm going to take a brief moment to thank staff as many others have done for their public workshops, their stakeholder meetings, their responses to phone calls, and to e-mails and working with the stakeholders in this
process.

I also appreciate a number of the revisions that we heard articulated with regard to changes that they intend to make. One of the most important ones, of course, is enforcement. And the provisions that was articulated by Mark Krausse and NCPA joined in the letter expressing our concerns. And we look forward to working with staff on ways to clarify the provisions for enforcement. We believe the assurances in the regulation itself regarding the application of the penalties is very important.

Another very important issue is RECs. NCPA and MSR support the use of renewable energy credits for compliance purposes as set forth in our written comments. Both agencies committed written comments and as contemplated in the proposed regulation.

On this issue, we share concerns already expressed by several of our utilities brethren regarding the proposed June 1 2010 -- January 1, 2010, effective date for RES compliance so we won't reiterate those points since you've already heard them, but do join in that concern.

We also have concerns regarding the harmonization with CPUC rules that was referenced by staff as publicly-owned utilities not subject to the CPUC's
jurisdiction. We have a great deal of discomfort with the comments we heard from a few stakeholders today that CARB simply defer action on this until the CPUC adopts its rules and incorporates those rules into the RES. Incorporating provisions for tradable RECs developed by the CPUC directly into the CARB RES is simply untenable.

We share the concerns also articulated by Sempra and others that we need all the tools available in our toolbox to meet the aggressive goals. And if CARB does contemplate harmonization with the anticipated CPUC rules, we look forward to that being part of the totally separate and open process here before the CARB or all the regulated parties have an equal say.

We support many of the other proposed revisions anticipated by staff, particularly the definition clarification for compliance instrument and the clarification of the property rights associated with that.

We also ask that staff's 15-day language include the clarification that has been discussed before regarding the submission of informational filing on achieving your 33 percent objective in 2020 since that filing is going to be due in 2012 and things can change in the intervening years.

CHAIRPERSON NICHOLS: Thank you for your assistance in this effort.
Shannon Eddie.

MS. EDDIE: Good afternoon, Shannon Eddie with
the Large Scale Solar Association.

The Large Scale Solar Association is a trade
association of utilities scale solar companies.

I would say right now the companies among them
have approximately about 6500 megawatts worth of signed
contracts with utilities in California alone. We really
believe the key to successful strong and steady markets is
program certainty. No where is that no more true than in
the renewable energy market.

And as we watched the national energy markets
sort of stall over the last decade, we comport directly to
the stop-start nature of federal policies and some of the
state policy.

In contrast, California has really been a beacon
with the 20 percent RPS and many states have followed suit
after the passage of the RPS in 2002. It's critical that
we continue forward momentum to assure that market
certainty is established and paved for 33 percent goal in
2020.

The best way to establish that pathway is through
legislative action. And we do consider the passage of a
33 percent bill our top priority.

That said, in the absence of legislation and
regulatory affirmation of a 33 percent can certainly serve as an interim Band-Aid to keep the goal on our collective radar.

As you heard from a lot of the parties, the treatment of tradable RECs and delivered energy and how those are addressed is a cornerstone foundational element in the RPS. And I really feel encouraged by the new language in the Board resolution that talks about the harmonization of the policies between the PUC and the ARB. We really think this sends a good signal to the market and helps to ensure that California can maintain much needed consistency between the RPS and the RES. We also think that it will give us another opportunity as parties and the stakeholders another opportunity to fully vet the benefits of delivered energy.

We do look forward to continuing the dialogue on tradable RECs at the PUC and with you all with your staff as this conversation moves forward.

On another note on this issue of WREGIS, we're hearing that WREGIS is contemplating exports to a couple of non-RES states, specifically North Carolina and Missouri, and that there is a possibility that exports from non-REX states might be coming. I would encourage the staff to maybe consider along with just the spirit of the regulations themselves rather than having WREGIS
certificates be de facto representations specifying the
projects to be eligible for the RES are located within the
WECC.

So I do appreciate the staff's efforts over the
past months. I think that the work done since last year
is pretty much unprecedented in terms of the magnitude and
scope of this program.

So thanks for your time and your consideration.

CHAIRPERSON NICHOLS: Thank you for those
comments and for your presentation.

I think it's pretty clear from the tenor of all
your comments that's nobody would not prefer to have the
33 percent embodied in the statute. It would have been
signed by now.

But we're under an obligation under AB 32 to
complete all of the regulatory pieces of our Scoping Plan
by the end of this year. So we have had a number of
conversations with parties and with our sister agencies,
and everyone has really been very helpful in trying to
make sure we put something in place which sends only
strong positive signals to the market and doesn't do
anything to de-stabilize or slow down the efforts to get
the statute in place.

That said, there are still issues among the
various parties, as you can undoubtedly hear in the
comments, about the issues of how flexible they want to see compliance be, how willing they are to accept any kind of limitations on where the emissions could be reduced and so forth. And these things have enormous economic consequences, as I'm sure everybody can appreciate.

And so one of the reasons why it's so important that we stay closely aligned with our sister agencies who are represented here is that for different reasons, each of them has both responsibilities and a depth of information that ARB is really just beginning to catch up with. So it's been tremendously helpful they've been with us as we've been designing this regulation.

And I would like to call on them now just to say a few words in response to whatever we've heard here. So if we could just briefly do that. Is that all right? Finishing this up. We'll start with our colleague from the Energy Commission, former ARB Executive Officer Jim Boyd.

MR. BOYD: Thank you, Chairman Nichols.

It's really tough for me to be brief, as you know. I'll do the best I can.

First, I want to thank you for having me sit through a substantial ARB meeting. And really it brought back a lot of pleasant memories. And if you knew what I was doing over in our building, you know I'd be glad to
get out of there.

I wanted to acknowledge quickly the action you took on 375 as also very important to our mutual agencies, and I appreciate what you've done. Board Member Sperling and I find ourselves on the rubber chicken circuit a lot addressing the same issue of the neglected third leg of the energy stool and the productions in VMT and this, that, and the other that are needed. And that addresses that.

But to my real purpose here on behalf of the Energy Commission and my fellow Commissioners, I'm. Here to express our support for your Board's adoptions of the proposed regulations for California renewable electricity standards at 33 percent. This is good energy policy from our perspective. And of course, this supports obviously California climate policy, which is what you're striving to do.

I want to remind you there is a very long history of support for the action that you can take today. Dating back to 2004, the Energy Commission's integrated energy policy report, which I happen to oversee the preparation of, urged that all retail suppliers of electricity should be required to meet a longer term 33 percent renewable by 2020. And here we are addressing that fact finally. And that was meant at that time as part of a needed
diversified renewable electricity portfolio for the state of California.

I also want to note and re-affirm today that bringing the municipal utilities into the program alongside the state's other load serving entities is critical frankly to California's achieving the statewide goal. I know we all work in a cooperative way with the public utilities. The CEC and the CPUC have addressed the idea of this type of standard in their energy action plans I guess dating all the way back to 2005. And we've been joined in later years by the California ISO representative here at the table.

I want to mention something, and that's the important role of bio energy or bio power in meeting the RES goal. And I noted in the slide that was presented earlier bio power was again not referenced as one of the renewable sources of electricity.

But if you look at the size of the wedge it provides now and could provide in the future, it's fairly sizable.

In 2006, the Governor had an executive order establishing a goal of meeting 20 percent of the state's renewables with biomass and biogas, and as well as goals to advance the use of biofuels in the transportation area. I know our agencies work hard to implement that Executive
Order. We work with the PUC and other agencies within the bioenergy interagency working group to do this. And at the present time, we're updating the energy action plan in this area that the Governor first approved.

And in 2008, the joint report of the Energy Commission PUC outlined a variety of options for the Air Resources Board to consider in designing a program to achieve the greenhouse gas emission targets in the electricity and natural gas sector. The report emphasized that the foundation for success to reduce greenhouse gas emissions in the electricity sector is more energy efficiency and the further development of renewable energy sources. And you are addressing that today.

Looking to the future, achieving 33 percent renewables by 2020 is, of course, a key part of California's vision and the Governor's vision for a clean energy future. Adopting the renewable electricity standard will help make that vision more of a reality. The ability of the utilities to achieve the 33 goal will be, as heard you, quite challenging.

But success and technology driving is key to a long-term energy security, to buffering California from energy price spikes, to maintaining our technology leadership, to expanding our economy in this green economy area, and achieving California's long-term greenhouse gas
benefits.

I applaud you for your efforts and look forward to a continuing working relationship with all the agencies seated here in meeting these challenges.

Thank you for this opportunity.

CHAIRPERSON NICHOLS: Thank you very much. You have been important bridge between the agencies on this and others. It's great to have you here with us today.

We'll hear from the ISO.

MS. MEDSON: Madam Chair, members of the Board, I'm Karen Medson, Vice President of Policy and Client Services for the California Independent System Operations Corporation.

I'm very happy to be here. I want to say while we're not a State agency, we're very proud to be associated with the agencies here today, the Air Resources Board in it sponsorship of this important regulatory program, the Public Utilities Commission, and their major role in this area as well as the Energy Commission in their oversight of the current RPS program.

I want to just touch on one thing, which is our role in all of this and then respond to the question of flexibility and location of these resources.

California's 33 percent renewable energy standard is important, it's ambitious, and it's achievable. The...
job of the California ISO is to make it work, and we intend to do so and can do so. We do that by helping renewable generation gain access to the transmission grid, and we do that by planning for the related needed transmission upgrades to provide that.

The other important part of our role is to do all of this while maintaining reliable electric service, the reliable service that California consumers expect.

That leads me then to the importance of flexibility in meeting this objective, this goal. It is a difficult goal to meet. But again, we can meet it. But important to doing that is to have the flexibility to be able to make the system work in light of the variability we'll see there's weather-related, with the need to move the system up and down in reaction to changes in the weather.

If we have that flexibility, if we have the kind of flexibility provided in this renewable energy standard proposal before you, the result will be more renewable energy serving California in the most efficient way possible and with the fewest impacts on electric system operations.

Now, that then takes me to the location of these resources. I want you to keep in mind that today over 70 percent of renewable generation meeting California --
built to meet California's current standard, which does not include a requirement for in-state location, over 70 percent of that generation is located in state.

There are a couple of reasons for that. And one is that it's in the best interest of buyers to procure energy that will actually serve their load. I think nothing in this proposal would change that need.

Second, California has a diverse and rich renewable resource base. It's really the best in the west. There's no reason to think that that important renewable resource, some of the best solar resources in the country, some of the best geothermal resources in the word, some of the best resource anywhere, those resources will be developed to meet these needs.

And that's really why I think that there is over 50,000 megawatts of renewable generation currently proposing to interconnect to the California Independent System Operator system. We do operate the system for most of California, and so this generation will be directly connected when it comes on line to serve the needs of California.

So I just want to make the point that removing the flexibility from the system does not necessarily mean you will get more development in state. The development's occurring in state, but it's occurring in a way that
allows the market to work most efficiently. And that's
something that your renewable energy standards has
provided. Your proposal now provides.

For all of those reasons, I'm here in support of
this proposed standard. And I'm here to say that we have
appreciated the opportunity to work with the Air Resources
Board and your staff. We look forward to continuing that
work as you continue your deliberations and continuing the
important collaboration we have with the California Energy
Commission and the California Public Utilities Commission.

Thank you.

CHAIRPERSON NICHOLS: Thanks, Karen.

Julie Finch from the Public Utilities Commission.

MS. FINCH: Thank you. Good afternoon, Chair
Nichols and members of the Board.

I'm Julie Finch, the Director of the Energy
Division at the California Public Utilities Commission.
I'm here representing the PUC in support of the adoption
of this regulation.

The CPUC has been on record for several years now
supporting requiring 33 percent of California's
electricity to come from renewable sources by 2020. The
regulation under consideration today sends a very strong
signal to utilities, developers, other states, as well as
the federal government that California continues its
leadership role in promoting the development of renewable energy and that we're serious about making it happen.

The regulation before you today fills two important gaps that currently exist in the development of renewable regulations in California.

First, the PUC is currently prohibited by law from requiring more than 20 percent of renewables to come from its regulated utilities or entities, including the investor-owned utilities, community choice aggregators, and electric service providers.

And secondly, publicly-owned utilities are subject to different sets of requirements than the CPUC regulated entities. The CPPUC is in strong support of the application of the uniform set of requirements for 33 percent renewables from all retail providers that deliver electricity in the state. And like a lot of stakeholders mentioned earlier, the CPUC would have preferred to see a legislative solution here. But in the absence of that, we're very pleased to support the ARB moving forward with this regulation today.

Our staff have been working collaboratively with ARB staff on an interagency basis on this regulation for about a year now. We very much appreciate the openness and cooperative approach that ARB staff have taken to the development of this regulation. We had numerous
face-to-face meetings, conference calls, educating each
other on our mandates, experience, and sharing insights
and ideas. We very much appreciate this and we think it's
key to the development of effective regulations and to the
smooth implementation of the program.

It appears as though there's at least two
remaining areas where this ongoing cooperation and
collaboration will be crucial. And we're standing ready
to help and we're confident we can work with the ARB staff
and the other agency staff to find solutions.

I'm just highlighting two areas. One is the much
mentioned rule surrounding the tradable renewable energy
credits. And then the secondly, harmonizing the 20
percent RPS statutory requirements with the 33 percent RES
regulations on issues other than RECs.

On the first issue on tradable RECs, I start by
saying this is an area where I think misery loves company.
We've had misery in this area for a number of areas. ARB
is now joining us.

I think this issue is all the more vexing because
I think there's fundamental agreement among stakeholders
that the vast majority of renewable generation projects
should and will be built in California to support this
goal. The only problems we can't seem to agree on the
appropriate mechanism for making that happen.
So CPUC staff continues to have some ideas around this that we think are reasonable at least. And we will continue to work with ARB staff and other agency staff to help resolve this critical issue.

And the second area that we hope we can resolve pretty easily for continued discussions is about harmonizing the statutory requirements that the PUC currently operates under with the new 33 percent RES regulations.

Since we operate that 20 percent program that applies to our regulated entities, we have some legal and practical concerns about how the two programs will actually interact in the real world. And so as much as we strongly support the idea of an overarching set of 33 percent rules for everybody, we are bound to a certain degree by existing regulatory -- statutory requirements. And so we're afraid we may be stuck a little bit in a separate but equal kind of world where we have slightly different requirements for the portion of the procurement between zero and 20 percent.

But I'm emphasizing that we're continuing to work together to find ways to work through this and administer the two programs in the most seamless way possible.

Overall, the CPUC commends the ARB staff for running a very straight-forward and clear regulation and
that it accomplishes our most important goal, which is to make 33 percent renewables a requirement.

And we're also confident that adoption of these regulations by the Board today will put us on the road towards making the 33 percent renewables as reality in 2020.

One final note, I was just going to mention that this morning the PUC actually voted to unanimously oppose Prop. 23. I mentioned that because I think this regulation that's being considered today as well as a number of the initiatives that PUC is undertaking and ARB is undertaking generally is in support of our common goal of reducing greenhouse gasses in California. That also goes along with the announcement of the California Clean Energy Future document earlier this week. I think we're all united in our overall big picture goal here.

Pleased to support these regulations today.

Thanks.

CHAIRPERSON NICHOLS: Thank you so much. Really appreciate your comments and the history over the months. I think everybody here has had some experience of how difficult it is to have agencies of government with their various siloed approach and actually work together despite the best intentions. And it couldn't happen without not just direction from the top but also willingness and
ability of the experts and the agencies left to make these programs run to share information and to coordinate their activities. And that's what's been so remarkable about this particular effort I think.

Are there questions at this point from the Board of the staff about the program?

I see Dr. Telles.

BOARD MEMBER TELLES: I have quite a few questions.

And one is California doesn't operate in a vacuum. And in reviewing these documents, I couldn't find what's actually happening outside of California. For instance, what's happening with electricity costs in Arizona or Washington or some of our surrounding states or the rest of the states in the United States.

The reason why this is an important issue is because we have certain industries which are electricity sensitive and also export sensitive. And if we increase the price of electricity for these industries, whether it's farming, manufacturing, that we're going to make ourselves less competitive not only for the world, but with other states.

For instance, in the region I'm from, a cantaloupe grower right now, his major competition is -- which he sells throughout the United States is Arizona.
Arizona -- California's Central Valley can outproduce, make their quality of cantaloupes, higher productivity. But one of the key factors is electricity. Electric pumps that pump the water and everything has to be chilled. And with just a few extra dollars per box related to electricity costs, it makes that crop not competitive with Arizona. And we lose that.

And I'm sure there's other examples in the manufacturing world, too. And in reading the other documents related to this, one is 33 percent renewable portfolio standard implementation analysis from the CPUC which was done in June of 2009. It estimates that the break of increase in electricity of real dollars by 2020 without even the renewable portfolio standard is like 16.7 percent. With the renewable portfolio standard, you add another 10.3 percent or something on top of that. Are we moving in California to an electricity cost which is going to be making this very uncompetitive with other regions and certainly with maybe other parts of the world and China? How are we going to compete with that? That's one of my major concerns with this, especially in that some of the testimony here mentions that the CPUC, which regulates the rates for our electricity-sensitive industries, there is nothing in this document that says there will be a change in rate based upon competitiveness with California.
industry -- industries outside of there.

I think short of that kind of commitment, I have a really hard time supporting this document the way it stands. And I don't know if that's the way it's been done in the past and where CPUC comes in and says we will change the rates based upon that. But I think based upon what's going to happen, I think short of that kind of commitment up front, we are just asking our manufacturers and farmers to be less competitive than the rest of California.

I think at this time in our economy it's going to be very difficult to kind of swallow that. I think the cost of this is kind of underestimated by that one slide that says two billion -- 2.5 billion. If you look in that same document that I mentioned, the PG&E cost to get to that point is more in the range of 160 billion. And that represents less than half of the rate payers in California. So if my numbers are correct, we might be thinking about a $300 billion investment to get to that 20 percent portfolio. That's a lot to ask for the state of California to potentially do something which is going to be non-competitive to our industry.

CHAIRPERSON NICHOLS: You've asked a number of very large and broad questions, which do have answers but probably not to your satisfaction in a short space of
time.

I'd like to take a ten minute break at this point. The court reporter has asked for a break. I think other people may need a break. And we will come back and continue the discussion and move forward to some type of resolution here.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: So we still have an open record here on the renewable energy standard program and we also have Board member questions on the table, including the last one from Dr. Telles, which was so large in its scope and implications that I was completely unable to deal with it before we took a break. So I hope he had a little of a chance during the break to confer.

But I just wanted to say in case there was any questions for the record that my view is that the numbers that are listed in the report are with anything too large based on the fact they don't take any account any kind of improvements in technology and technologies coming down or the reality that the prices are going up for other reasons that have nothing to do with any regulatory requirements. And not to mention the fact that these renewables are, as we all believe, where the utilities are headed anyway and maybe new capacity, which they did despite our best effort that efficiency and conservation. People keep buying
stuff that needs electricity. And some of it is stuff we're actually promoting, like electric vehicles. So it's a complicated system.

But I would invite our colleagues to add some additional thoughts in terms of the specific numbers that the Dr. Telles was raising, if you're prepared to do so.

MR. BOYD: Ms. Finch is far more qualified to give you the details of the number.

But the one thing I wanted to say was you can't take this action in a vacuum. You have to look at all the other components. And some of the clean energy futures plan or the energy action plan, the idea of lowering California's electric price has been uppermost in the minds of those of us in the energy agencies dealing with electricity ever since the electricity crisis.

The other thing is we have a very diversified program of activities, as I just hinted at and everybody knows, job one in California is efficiency. We are the world's leader in efficiency. We expect to get huge reductions in consumption in electricity in California through the existing and future efficiency measures which will draw down the price in that component.

The other thing is if we don't diversify the portfolio that you hinted at, we run the risk of increasing prices in certain areas, such as natural gas,
which we're allegedly awash in right now. But I've been there before.

We get trapped in being dedicated to a single fuel. And frankly, you're right. I mean, certain technologies, we're desperately trying to replace as best you can within the context of almost 40 million people gas plants. We have the cleanest burning -- we have the cleanest electricity fleet in the nation, but you're only going to be able to do so much of that. You need to diversity the portfolio.

And I think where we're going does help with price. The PUC is better equipped to reference this specific price menu.

MS. MEDSON: No, I don't want to speak to price, but I did want to respond in two regards.

One is just to note that over the past ten years, California's wholesale electricity prices have gone from the highest in the country now to the mid range and lower in many other parts of the country. I think there's been vast improvement in the efficiency of the California electric generation fleet and the cost exposure in the state.

And secondly, I just want to build on what Jim Boyd said, which is the California clean energy future, which describes a very deep and interrelated program for
achieving the important goals of AB 32 and making sure that it happens in the most efficient way possible. The proposal you have before you now is one that by its nature will achieve the renewable portion of those objectives in the most efficient and cost effective way possible.

MS. FINCH: I'll try to respond briefly on the numbers.

I think that the 33 percent renewable implementation report that was talked about the PUC that was referenced in the question, we actually estimated a total infrastructure cost of about 115 billion, 1-1-5, for the entire state. I'm not sure what the PG&E specific numbers came from. We didn't estimate based on specific utilities.

But that, just to be clear, was an estimate of the total infrastructure cost that would be necessary to support electricity use in 2020. So in other words, it covers not only renewable costs but also fossil costs, everything because load is growing, because demand is increasing anyway, it covers that entire amount. And so probably the relevant comparison that we did was to look at the costs of a 33 percent renewable future versus a 20 percent. And in that comparison, we thought this is also based on current technology costs. There was about a seven percent difference in cost in 2020. That was the
A couple of other things I'll say. Electricity costs is increasing in general anyway. But over the past ten years or so, which includes a lot of renewable investment to get to the 20 percent requirement, electricity prices have not been going up more than the cost of inflation. It's been tracking pretty closely to the consumer price index over that period of time.

In California, with our renewable investments we're already doing -- also renewables, I think it's been mentioned before, help a lot with the volatility of electricity prices. So all though there may be a steady increase that everyone is facing, the renewables help actually mitigate the volatility of the fossil fuel prices.

CHAIRPERSON NICHOLS: The other sort of underlying part of the question which relates to the cost of doing business in California versus the cost of doing business elsewhere is an even more complicated question. And there have been many different attempts and kinds of studies done over the years mostly by people who are trying to prove one point or another frankly. I mean, I think you can see studies that say that California's the worst place in the country to do business. And yet, you can also see consistent numbers showing investments in...
Southern California's major growth industry is manufacturing. It's not steal plants or cement plants. But it is solid manufacturing of products that trade in global commerce, including movies and television, which are a form of manufacturing in and of themselves. So it's just a difficult question to really address in a comprehensive way.

But the policy of the state, at this point, whether it's from the PUC, the Board of the Municipal Utilities, or even soon we hope the Legislature is for 33 percent as our goal for many reasons, all of which have been articulated here.

So in that regard, I think I just want to be clear that we are not -- that taking action today is something that is consistent with and I believe called for by the Governor, by our regulatory requirements under AB 32. And we believe that -- I believe that it is not inconsistent with and in fact will help move the ball forward in the direction of getting the Legislature to act. It certainly does nothing to do undermine or prohibit or change the dynamics or, for that matter, create winners and losers when it comes to people continuing to argue their respective positions on issues like how RECs should be used when it comes to the
legislation.

But never the less, we did receive yesterday a letter which repeats the arguments in previous letters. It was posted on our website, but it came in late, like at 5 o'clock at night, just a very brief letter, a cover letter signed by Senator Steinberg and Speaker Perez urging us not to take action and sending us a copy of a document that came out back in January after the Governor vetoed the bill a year ago and signed the Executive Order that started us down this path of doing the renewable electricity standard, which again was prepared pursuant to a Governor's Executive Order.

So they generated a memo from the Legislative Council which opined that AB 32 does not give the Air Resources Board authority to adopt the 33 percent regulation, that only the PUC could do this and the PUC is limited to 20 percent by the previous legislation and therefore this is not an action that we are permitted to take.

We have had this debate with the Legislature now for the last nine months. This is not a new issue. It's a sad issue, because I think as Ms. Finch was indicating earlier about some of the transition and harmonization problems between the PUC and the ARB, the Governor and the Legislature are not together in terms of a bill. And
unfortunately, anybody can always speculate when a bill fails at the last minute, which is what happened this year, as to what might have happened if they only hadn't run out of time. Would it have passed? Were the votes really there? Would the Governor have signed it if he got it? Nobody knows. It's a pure hypothetical problem at this point.

In the mean time, we have our pending regulatory proposal, which has been out there since July, represents a lot of work, a lot of good thinking on many people's part. And I think the better part of valor is to move forward at this point and to put it in place. So that's what I'm recommending that we do.

BOARD MEMBER D'ADAMO: I'll make a motion.

CHAIRPERSON NICHOLS: Please do.

BOARD MEMBER D'ADAMO: That we adopt the resolution that's before us.

And once there is a second, I just have a couple minor points.

BOARD MEMBER SPERLING: Second.

CHAIRPERSON NICHOLS: Second.

BOARD MEMBER D'ADAMO: Not minor, but they're significant for those that raise them anyway.

First of all, on enforcement, I agree with the concerns raised by some of the utilities that what we have
right now seems to be pretty extreme. And main concern I have for those that are attempting to enter into contract with developers of these credits that people might shy away. I do think that staff needs to address the issue of the per day violation and the circumstances that might be beyond their control. So --

CHAIRPERSON NICHOLS: Staff is nodding they're prepared to do that.

EXECUTIVE OFFICER GOLDSTENE: We are prepared to do that.

BOARD MEMBER D'ADAMO: Great.

And then previously generated credits, early adopters, did staff have a response to the concerns this were raised?

SSD CHIEF COREY: It's best I need to describe what the objective was, and we can talk about some of the comments which -- some of which we heard recently which was that.

The question was how to recognize renewable generation going forward, that was really the key question in terms of traditionally banked, how far back would you go back to recognize these banked resources that you want to incent additional or new renewables?

The comments come forward expressed here in terms of some organization's good faith recently last few years.
put some resources in place, banked those credits in a sense. Our perspective, as you know, we think it's made a good point. We think it's something we need to take a close look at.

I think the suggestion of one of the commentors was look at a modest adjustment perhaps a year or two. We think we're pretty close. We think that's why we identified this as a 15-day change an area we want to take a closer look at, an area where we think we can make an adjustment to the provision and come up with something that's workable.

CHAIRPERSON NICHOLS: What I don't understand -- I guess maybe I just don't understand the basics of how the program works now.

But if they did go ahead and purchase those credits, wouldn't that count towards their 33 percent or their 20 percent? I mean, wouldn't that be part of their baseline going forward?

If that's true, then why do we have to worry about banking, I guess is what I'm not understanding.

PROJECT ASSESSMENT BRANCH CHIEF TOLLSTRUP: We have the banking provisions in place so that when they over comply, they can put the credits in the bank for future use or purchase the credit in the bank and hold it for the future use.
Again, the reason for putting the data on the credits is it's based on -- each credit is based on megawatt hour generation. And so what we didn't want them to do is go into the past five years, ten years, pick up some old credit that was generated back then and use it for compliance now.

We figured we needed some cutoff date, whether it was 2010 or another date. But basically say, okay. Generation after this date would count forward for compliance with the program. That's what we tried to do with the 2010 date.

CHAIRPERSON NICHOLS: Does that make the earlier credits null and void? I mean, are they then just worth less because of what they did? They did a good deed and that's nice, but they don't get any economic benefit from it?

PROJECT ASSESSMENT BRANCH CHIEF TOLLSTRUP: The credits they've already used for compliance with the RPS they can continue to use. We're not taking away the ability to do that. This is just talking about banking these for future use.

CHAIRPERSON NICHOLS: For future compliance obligation.

BOARD MEMBER D'ADAMO: I guess since I asked the question and opened up pandora's box, we just don't want
to have a situation where we're flooded with credits from early adopters and that that is sufficient for compliance where we would otherwise expect something going on now currently.

PROJECT ASSESSMENT BRANCH CHIEF TOLLSTRUP: I certainly think -- I can speak for staff. Our intent was not to penalize anybody for early adopters.

It seems like there needs to be some limit on just how far back you can go to claim credits. We're really trying to encourage a new generation moving forward. Still give them credit for some of the things they've already done.

CHAIRPERSON NICHOLS: Well, it sounds like you're willing to take another look at that during the 15-day period and see if you can come up with something that would be a little more helpful to the people.

SSD CHIEF COREY: We've committed to do that and already had some discussions with the stakeholders that brought this up and we'll get to that place.

CHAIRPERSON NICHOLS: Okay. Any other comments?

Yes.

BOARD MEMBER LOVERIDGE: Let me ask a question, which you obviously have thought about. The objection by the President Pro Tem and Speaker, I can't remember receiving such a notice before. Is this sort of a
technical, that's our area, but I guess trying to just ask
the consequences of taking a position where -- I know if
I've been -- you were a mayor and asked somebody not to do
something, you felt strongly about it, you would have some
memory of that.

CHAIRPERSON NICHOLS: Yes, sir.

BOARD MEMBER LOVERIDGE: I'm asking -- I don't
work in this place up here so I don't know.

CHAIRPERSON NICHOLS: I'm trying to disclose this
all in as absolutely fair a fashion as I can and not put
anybody in a position that will end up making them
uncomfortable.

But believe me, I've been worrying about this
issue for a year now literally, because a bill has passed
a year ago that we had nothing to do with, but that was a
33 percent renewable bill. And it was vetoed by the
Governor. That is what set this chain of events in
motion.

We were not parties to backing the bill. We
weren't in any way involved in telling him to veto the
bill. But when he did veto the bill and was determined to
move forward to show his determination for having 33
percent in place, he both asked the Legislature to bring
him a bill that met certain specific criteria, which you
know, has not yet happened. You can argue about whose
fault that is. But it hasn't happened.

And at the same time, he issued an Executive Order directing the agencies that you see here now to work with ARB and ARB to develop a 33 percent regulation.

This was something that our staff did in record time. And all of the comments that you've heard of congratulations that have come from the various stakeholders -- you know, we're used to hearing our staff be praised. But this is really one of those situations where truly they did something remarkable because they entered into a mine field and came out with everybody alive. And in fact, we didn't lose anybody in the process and a rule that by and large people think has some real benefits to it.

The Legislature isn't happy. They still want a bill. And you know, we certainly want a bill. But having said that, we also feel, A, we're bound by the Executive Order and I do think we are. I don't think ARB is exempt from the requirements of the Governor's Executive Order. He can't tell us what to do in terms of how the rule should look, but he can certainly order us to develop a rule.

And we're also I think bound by the -- what I believe is the requirement of AB 32 that there be a 33 percent renewable portfolio standard. So this thing now,
if we do it, will exist as a back stop.

But there is anger. I mean there were threats to our budget. We still are under threat -- budgetary threat. If they pass a budget that pencils out our budget, the Governor will put it back in. This will continue.

And it doesn't make me happy to be where I am, especially since as you all know I'm a democrat, so therefore more likely to be sympathetic to the legislative leaders in a matter like this. But that is the reality of where we are. I think all in all, despite the messiness of the politics, it's sort -- it's just one more symptom of the fact that in California everybody agrees that we should be doing this, but somehow we can't get it together to get it done.

So here we are. So there are. We have a motion and a second.

CHIEF COUNSEL PETER: Madam Chair.

CHAIRPERSON NICHOLS: Oh, we need our ex partes to be disclosed. Should we start down at Dr. Balmes' end. You can find your folder.

BOARD MEMBER BALMES: So I met with Dan Kelb (ph) of the Union of Concerned Scientists and Jim McCopoulous of Sierra Club of California by conference call on July 16th, and they're mostly concerned about us not moving
precipitously while a bill was trying to be negotiated. That was back in July.

CHAIRPERSON NICHOLS: Ms. Berg.

BOARD MEMBER BERG: I had a phone call on July 13th with Diane Bailey of NRDC.

All though my memory is not totally sharp as to the content of the call, it was around the tradable credits and also making sure to move forward without legislation, if we couldn't get legislation.

Thank you.

BOARD MEMBER SPERLING: I had a phone call with Laura Wisland from UCS last night, and it was similar to her testimony.

BOARD MEMBER YEAGER: None.

BOARD MEMBER D'ADAMO: I met with representatives from PG&E on July 15th in Modesto and then again September 21st in Sacramento. Their concerns mirrored their testimony today.

On July 13th, a conference call with Union of Concerned Scientists and California Wind Energy Association. And as I recall, they were encouraging us to move forward before the decision was made to hold off and delay the regulation.

And then a conference call on September 21st with Roger Isom, and he raised the concerns that were raised.
today by other witnesses regarding agricultural users.

    CHAIRPERSON NICHOLS: Thank you.

Starting down at the other end, Supervisor Roberts.

    BOARD MEMBER ROBERTS: Nothing to report.

    BOARD MEMBER TELLES: In July, I met with representatives from PG&E and also talked to them on Wednesday night.

    BOARD MEMBER LOVERIDGE: PG&E and then the Union of Concerned Scientists and Lung Association but no different commentary that what was heard earlier.

    BOARD MEMBER RIORDAN: I also met with representatives from PG&E on July 13th, and then again spoke to them via phone on September 21st. And the conversation mirrors the testimony that we heard today.

    CHAIRPERSON NICHOLS: Well, I have a list that is way too long to read. But Suffice it to say I think except for agriculture, I have talked with every single party that has been here today, in some cases more than once over the course of the development of this regulation. And I believe that everything that we heard here today has been reflected in what they said in those prior meetings. But it has been a long road.

    BOARD MEMBER TELLES: Before I vote, I want to thank the folks for clarifying my economic issue. It's
much clearer to me.

CHAIRPERSON NICHOLS: Thank you.

Do we want to do a voice vote on this one?

All those in favor of adopting the regulation please signify by saying aye.

(Ayes.)

CHAIRPERSON NICHOLS: Are there opposed?

It carries unanimously.

Thank you, everybody, for all your help and support. And we will be adjourned.

(Thereupon the California Air Resources Board meeting adjourned at 5:26 p.m.)
CERTIFICATE OF REPORTER

I, TIFFANY C. KRAFT, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing hearing was reported in shorthand by me, Tiffany C. Kraft, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of October, 2010.

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