

MEETING
STATE OF CALIFORNIA
AIR RESOURCES BOARD

BYRON SHER AUDITORIUM
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9:10 A.M.

TIFFANY C. KRAFT, CSR
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APPEARANCES

BOARD MEMBERS

Ms. Mary Nichols, Chairperson

Ms. Sandra Berg

Supervisor John Gioia

Mr. Hector De La Torre

Mayor Pro Tem Judy Mitchell

Mrs. Barbara Riordan

Supervisor Ron Roberts

Supervisor Phil Serna

Professor Daniel Sperling

STAFF

Mr. Richard Corey, Executive Officer

Mr. Alberto Ayala, Deputy Executive Officer

Ms. Edie Chang, Deputy Executive Officer

Ms. Lynn Terry, Deputy Executive Officer

Ms. La Ronda Bowen, Ombudsman

Mr. Scott Bacon, Air Pollution Specialist, MLD

Mr. Michael Benjamin, Chief, MLD

Mr. Brad Cole, Air Pollution Specialist, MLD

Ms. Lisa Macumber, Air Pollution Specialist, MSCD

Mr. Pippen Mader, Air Resources Engineer, MLD

Ms. Melissa Niederreiter, Air Pollution Specialist, Goods
Movement Strategies Section, SSD

APPEARANCES CONTINUED

STAFF

Mr. Todd Sax, Branch Chief, Air Quality Planning and Science Division

Mr. Erik White, Division Chief, Mobile Source Operations Division

ALSO PRESENT

Mr. Tom Austin, Motorcycle Industry Council

Mr. Max Baumhefner, NRDC

Mr. Damian Breen, BAAQMD/CAPCOA

Mr. Rasto Brezny, MECA

Mr. John Clements, Kings Canyon Unified School District

Mr. Daniel Davids, Plug In America

Ms. Jessica DePrimo, NSCAPCD

Mr. Steven Douglas, Alliance of Automobile Manufacturers

Mr. Sean Edgar, CleanFleets.net

Mr. Mike Ferry, California Center for Sustainable Energy

Mr. Jaime Hall, CALSTART

Mr. Nicholas Haris, AMA

Mr. Ted Harris, California Stratgis, EVI, Proterra

Mr. Henry Hogo, Assistant Deputy Executive Officer, South Coast Air Quality Management District

Mr. Mike Krausse, PG&E

APPEARANCES CONTINUED

ALSO PRESENT

Mr. Scott Lavery, UPS

Mr. Michael Lord, Toyota

Mr. Mark Loutzenhiser, SMAQMD

Mr. Fred Minassian, South Coast AQMD

Mr. Jonathan Morrison, California New Car Dealers
Association

Ms. Lindsey Myers, Yamaha

Ms. Rachael O'Brien, Union of Concerned Scientists

Mr. David Pickett, District 36 Motorcycle Sports
Committee, Inc.

Mr. Raoul Renaud

Mr. Randy Roesser, Deputy Director, Fuels and
Transportation Division, CEC

Mr. Seyed Sadredin, SJVAPCD

Mr. Matt Schrap, Crossroads Equipment Lease and Finance

Mr. Chris Shimoda, California Trucking Association

Ms. Angela Strand, Smith Electric Vehicles

Ms. Eileen Tutt, CaETC

Mr. Mike Watt, San Diego APCD

Mr. Daniel Witt, Tesla Motors

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PROCEEDINGS

1
2 CHAIRPERSON NICHOLS: The July 25th, 2013, public
3 meeting of the Air Resources Board will come to order.

4 Before we do the roll call, we will have the
5 Pledge of Allegiance. I've just asked Supervisor Serna to
6 lead us in pledge.

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

9 CHAIRPERSON NICHOLS: Madam Clerk, will you
10 please call the roll?

11 BOARD CLERK JENSEN: Dr. Balmes?
12 Ms. Berg?

13 BOARD MEMBER BERG: Here.

14 BOARD CLERK JENSEN: Mr. De La Torre?

15 BOARD MEMBER DE LA TORRE: Here.

16 BOARD CLERK JENSEN: Supervisor Gioia?

17 BOARD MEMBER GIOIA: Here.

18 BOARD CLERK JENSEN: Mayor Pro Tem Mitchell?

19 BOARD MEMBER MITCHELL: Here.

20 BOARD CLERK JENSEN: Mrs. Riordan?

21 BOARD MEMBER RIORDAN: Here.

22 BOARD CLERK JENSEN: Supervisor Roberts?

23 BOARD MEMBER ROBERTS: Here.

24 BOARD CLERK JENSEN: Supervisor Serna?

25 BOARD MEMBER SERNA: Here.

1 BOARD CLERK JENSEN: Dr. Sherriffs?

2 Professor Sperling?

3 BOARD MEMBER SPERLING: Here.

4 BOARD CLERK JENSEN: Chairman Nichols?

5 CHAIRPERSON NICHOLS: Here.

6 BOARD CLERK JENSEN: Madam Chair, we have a
7 quorum.

8 CHAIRPERSON NICHOLS: Thank you very much.
9 Welcome, everyone.

10 A couple of announcements before we get started
11 this morning.

12 First of all, for anyone who is not familiar with
13 our process, if you wish to testify and you haven't signed
14 up online, you need to fill out a request to speak card
15 that's available in the lobby or from the Clerk and to
16 give it to the Clerk. We prefer that you put your name on
17 the card, though it's not required. And if you did sign
18 up online to testify, you don't need to sign up again, but
19 you do need to check in with the Clerk just to make sure
20 that your name does not get removed from the list.

21 We do impose a three-minute time limit on
22 speakers. And if you haven't ever experienced this
23 before, it goes by really fast. So it's much better if
24 you don't feel like you have to go through your written
25 testimony, but just summarize it in your own words. We

1 will get your written testimony, and we'll have an
2 opportunity to read it.

3 I want to point out the emergency exits at the
4 rear of the room. And we have emergency exits also here
5 behind the dais. In the event of an alarm ringing, we are
6 required to evacuate this room immediately and go down the
7 stairs at the back of the auditorium and out of the
8 building until we get the all-clear signal.

9 We have several regulatory items this morning.
10 We're also planning to break at around lunchtime. And we
11 will have a closed session after we finish with the item
12 on Proposition 1B.

13 So with that, I think we can start right in with
14 the first item, which is the adoption of regulations that
15 would amend the certification and test procedures for
16 vapor recovery equipment used at gasoline dispensing
17 facilities in California and on cargo tanks that deliver
18 gasoline to those facilities. Our vapor recover
19 regulations have been in place since 1975, and they've
20 been updated a few times since then in order to try to
21 either make the regulations more enforceable or to get
22 additional emissions reductions. And at this point, I
23 think I'll turn it over to Mr. Corey to begin the
24 presentation.

25 DEPUTY EXECUTIVE OFFICER COREY: All right.

1 Thank you, Chairman Nichols, members of the Board.

2 As the Chair stated, the Board for nearly 40
3 years has adopted and periodically amended regulations
4 that control vapor emissions associated with the storage
5 and transfer of gasoline. These regulations apply to each
6 step of the gasoline distribution network, including
7 refineries, bulk storage facilities, cargo tanks, and
8 approximately 20,000 gasoline dispensing facilities
9 throughout California.

10 Over time, the Board has adopted certification
11 procedures that establish standards for equipment in
12 various test procedures that are used to verify compliance
13 with those standards.

14 Today's proposal would make minor technical
15 changes and improve the clarity of several test procedures
16 for above-ground storage tanks and streamline regulatory
17 compliance cargo tank operators.

18 Staff's presentation will provide an overview of
19 the proposal as well as a brief history of the vapor
20 recovery program and a vision for its future.

21 And with that, I'd like to introduce Mr. Scott
22 Bacon of our Monitoring and Laboratory Division to make
23 the presentation. Scott.

24 (Whereupon an overhead presentation was made
25 as follows.)

1 AIR POLLUTION SPECIALIST BACON: Thank you,
2 Chairman Nichols and members of the Board.

3 And thank you for the opportunity to discuss the
4 gasoline vapor recovery and cargo tank programs and our
5 proposed amendments to certification and test procedures.

6 --o0o--

7 AIR POLLUTION SPECIALIST BACON: Today's
8 presentation consists of three sections.

9 First, we will briefly cover the history of
10 California's vapor recovery program and the beneficial
11 contributions this program has made towards meeting air
12 quality goals.

13 Next, we will discuss the amendments to
14 certification and test procedures that are being
15 considered for adoption today.

16 Finally, we will take a look forward at the
17 future of the vapor recovery program and the challenges
18 that lie ahead.

19 --o0o--

20 AIR POLLUTION SPECIALIST BACON: Each year in
21 California, approximately 15 billion gallons of gasoline
22 is distributed through a complex network, from bulk
23 storage facilities where it is transferred to one of
24 roughly 5,000 cargo tank deliver trucks and then delivered
25 to one of approximately 20,000 fueling facilities, of

1 which about half are retail gas stations and half are
2 non-retail operations, such as farm tanks and private
3 fleet fueling.

4 Gasoline is ultimately dispensed to the vehicle's
5 fuel tank. Vapors can be emitted throughout this process
6 during storage and each time fuel is transferred so the
7 Board has adopted regulations that control emissions
8 during fuel storage and transfer at each step.

9 --o0o--

10 AIR POLLUTION SPECIALIST BACON: There are two
11 primary reasons why controlling emissions of gasoline
12 vapors is important. First, gasoline vapors can combine
13 with sunlight, oxygen, and nitrogen oxides, or NOx, to
14 increase regional ozone levels. Breathing ozone can
15 trigger health problems with symptoms such as chest pain,
16 coughing, irritated throat, and nose. It's especially
17 harmful to children, the elderly, and people who suffer
18 from respiratory illnesses like asthma, bronchitis, and
19 emphysema.

20 The second reason to control these vapors is that
21 they contain Benzene, which is a known carcinogen. For
22 average Californians, the vapor recovery program is most
23 noticeable at the pump when fueling your vehicle. This
24 video is an infrared view of the vehicle fueling, first
25 without vapor recovery and then with. The video clearly

1 shows that fueling without vapor recovery results in
2 exposure to vapors.

3 In the second portion of the video, you will
4 notice that vapor recovery is an effective control measure
5 to reduce that exposure for individuals who fuel vehicles
6 or who live and work near the gas stations.

7 The Board's requirements to control gasoline
8 vapor emissions are an important part of efforts to reduce
9 regional ozone levels and health risks associated with
10 Benzene exposure.

11 --o0o--

12 AIR POLLUTION SPECIALIST BACON: This chart shows
13 statewide gasoline throughput and emissions of gasoline
14 vapors from 1975 to 2010.

15 In 1975, when the Board first adopted regulations
16 for controlling emissions of gasoline vapors,
17 approximately 415 tons per day were being emitted
18 statewide, while throughput of gasoline was about ten
19 billion gallons annually.

20 Over the following years, industry implemented
21 ARB's newly required controls to recover vapors during
22 gasoline transfers and to contain those vapors. Emissions
23 were drastically reduced.

24 The Benzene Air Toxic Control Measure was adopted
25 in 1988 and enhanced vapor recovery for gasoline

1 dispensing facilities was adopted in 2001. Through the
2 combined efforts of the Board, local air districts and
3 industry, gasoline vapor emissions have declined by more
4 than 80 percent since 1975, in spite of the fact that
5 statewide gasoline use has increased by nearly 50 percent.
6 These emissions reductions have been achieved in a very
7 cost effective manner, with cost effectiveness comparable
8 to other similar Board regulations.

9 --o0o--

10 AIR POLLUTION SPECIALIST BACON: The success of
11 California's Vapor Recovery Program can be attributed to a
12 partnership between ARB, local air districts, and
13 industry.

14 ARB is responsible for establishing performance
15 standards and certification procedures for equipment that
16 controls gasoline vapor emissions. ARB develops test
17 procedures used to certify vapor recovery equipment and
18 verify compliance in the field.

19 The air districts play a vital role in the
20 success of the program. They are responsible for
21 implementing the program and enforcing requirements
22 adopted by ARB. This is accomplished primarily through
23 issuing permits, inspecting gas stations, and taking
24 enforcement actions when requirements are not mortality.

25 Local districts also provide essential data that

1 helps ARB to quantify emissions and identify areas where
2 the program can be improved.

3 Gas station and cargo tank operators and
4 equipment manufacturers also a vital contributor to the
5 success of the Vapor Recovery Program. They are
6 responsible for developing innovative control technologies
7 that meet ARB requirements and for installing, operating,
8 and maintaining certified control systems as required by
9 ARB.

10 --o0o--

11 AIR POLLUTION SPECIALIST BACON: Legal authority
12 for the program is based in statutes that require ARB to
13 control emissions from gasoline distribution and marketing
14 operations. These statutes authorize ARB to adopt
15 regulations for certifying vapor recovery systems and
16 specify that only certified vapor recovery systems and
17 equipment can be used in California.

18 Regulations also establish performance criteria
19 for vapor recovery systems and reference various
20 certification and test procedures. Certification
21 procedures define the process for certifying systems and
22 refer to test procedures that are used for certification
23 testing.

24 During equipment certification, test procedures
25 are conducted by ARB staff. After certification, some of

1 those test procedures may be used to determine ongoing
2 compliance of systems installed at gas stations. Because
3 certification and test procedures be incorporated by
4 reference into regulations, only the Board can amend them
5 through a formal rule-making process. The Board has
6 amended certification and test procedures through the
7 rule-making process many times in the past, and we are
8 here today to consider additional amendments.

9 --o0o--

10 AIR POLLUTION SPECIALIST BACON: At this point, I
11 would like to discuss the regulatory amendments that are
12 being proposed today.

13 --o0o--

14 AIR POLLUTION SPECIALIST BACON: Staff is
15 proposing to amend the certification procedure for vapor
16 recovery equipment used on cargo tanks that deliver fuel
17 to dispensing facilities, as well as three test procedures
18 that are referenced within that certification procedure.

19 We are also proposing to amend two test
20 procedures used by ARB staff during certification of vapor
21 recovery systems for above-ground storage tanks.

22 The proposed amendments would allow cargo tank
23 operators to conduct a single annual leak decay test that
24 could be used to comply with both California and Federal
25 requirements.

1 Currently, different tests are required for
2 California and federal compliance. The amendments would
3 also eliminate outdated and unnecessary requirements for
4 ARB certification of any new cargo tank vapor recovery
5 system. This would reduce the burden on manufacturers to
6 certify individual components.

7 Cargo tanks would still need to be certified
8 annually based on leak delay testing results, so there
9 will be no increase in emissions or change in the cargo
10 tank performance standards.

11 --o0o--

12 AIR POLLUTION SPECIALIST BACON: Staff is also
13 proposing amendments to two test procedures used during
14 certification of new vapor recover systems for
15 above-ground storage tanks. One procedure is a vapor
16 recovery efficiency test originally developed for use on
17 underground tanks.

18 Amendments would correct a technical deficiency
19 with this procedure and make it more representative of the
20 conditions typically encountered on the above-ground
21 storage tanks.

22 A second test procedure would be amended to
23 improve measurement equipment specifications and
24 calibration methods and to allow flexibility to
25 accommodate various configurations of dispensing equipment

1 and vapor recovery equipment at the facilities where
2 testing is conducted. Both of the test procedures are
3 used exclusively by ARB staff, so these changes will not
4 impact gas station operators.

5 --o0o--

6 AIR POLLUTION SPECIALIST BACON: These proposed
7 amendments are the latest in a long series of proposals
8 that have been approved by the Board over the years in
9 order to improve the vapor recovery program. The proposed
10 amendments are primarily technical and administrative in
11 nature, with no economic, environmental, or emissions
12 impacts.

13 Current vapor recovery performance standards are
14 not being changed. The proposal will benefit cargo tank
15 operators by harmonizing State and federal regulations so
16 that a single compliance test can be used for both.

17 It will also reconcile regulations with the way
18 the program is currently being implemented. In addition,
19 test procedures used by ARB staff during certification of
20 vapor recovery equipment would be improved.

21 --o0o--

22 AIR POLLUTION SPECIALIST BACON: Now I would like
23 to take a moment the discuss future vapor recovery program
24 priorities.

25 --o0o--

1 AIR POLLUTION SPECIALIST BACON: In the near
2 term, staff is focused on three primary objectives.

3 First, we will focus efforts on assessing how
4 well various gasoline vapor control technologies are
5 working in the real world.

6 Second, we would like to improve and enhance
7 capability of in-station diagnostics, or ISD.

8 And finally, we would like to review and where
9 appropriate revise test procedures that are used by
10 service personnel to verify compliance of vapor recovery
11 systems in the field.

12 --o0o--

13 AIR POLLUTION SPECIALIST BACON: In-station
14 diagnostics, or ISD, is an electronic system installed at
15 gas stations to monitor vapor recovery system performance
16 and indicate when performance has degraded. The
17 requirement for gas stations to install ISD systems was
18 adopted by the Board in 2001, and most ISD systems have
19 been installed at most gas stations in California since
20 2010.

21 The concept behind ISD is very similar to the
22 check engine light on a vehicle's on-board diagnostics, or
23 OBD, system. ISD identifies vapor recovery equipment
24 failures and alerts operators so that problems can be
25 corrected and the vapor recovery system will perform as

1 intended.

2 On-board refueling vapor recovery, or ORVR, is a
3 carbon canister vapor recovery system installed within the
4 vehicle being fueled. Its use is required by federal
5 regulations for some passenger vehicle models 1998 or
6 newer. The ORVR requirement phased in over the years so
7 that as of model year 2006, all new vehicles except
8 heavy-duty trucks are equipped with ORVR systems. ORVR
9 controls emissions associated with vehicle fueling. When
10 fueling vehicles without ORVR, these emission are
11 controlled by vapor recovery systems installed on the gas
12 station.

13 --o0o--

14 AIR POLLUTION SPECIALIST BACON: Over the past
15 several years, staff has focused efforts on certifying new
16 vapor recovery systems to meet the latest performance
17 standards.

18 In the coming years, we expect to shift focus
19 towards a more rigorous assessment of in-use performance.
20 This effort will help us to ensure that we are achieving
21 the necessary reductions of ozone-forming vapors and
22 Benzene exposure and also help us to identify areas of
23 future improvement.

24 We will work to develop innovative in-use
25 measurement technologies and data management tools to help

1 identify systems that are not performing as certified.

2 Our goal is to achieve in-use performance that is
3 as close as possible to the levels observed during
4 certification testing. As we gain a better understanding
5 of in-use vapor recovery equipment performance, we'll work
6 with equipment manufacturers to review and, if
7 appropriate, increase the required equipment warranty
8 period.

9 Current regulations require a minimum warranty of
10 one year from the date of installation. A longer warranty
11 period would serve to promote increased equipment
12 durability and reliability, which should help to improve
13 in-use performance and cost effectiveness.

14 We will also track the increased prevalence of
15 vehicles that are equipped with on-board refueling vapor
16 recovery, or ORVR. As older vehicles without ORVR are
17 replaced with newer ORVR equipped vehicles, the emissions
18 reduced by gas station based vapor recovery systems
19 decreases, so staff intends to track this trend.

20 --o0o--

21 AIR POLLUTION SPECIALIST BACON: ISD has been
22 effective tool for identifying vapor recovery equipment
23 failures since it was first required for new gas stations
24 in 2005 and retrofitted to existing stations throughout
25 California in 2010. However, one parameter of pressure

1 requires the gas station to be shut down. Periodic
2 testing accounts for a significant portion of the ongoing
3 cost of compliance, so staff will work with industry and
4 air districts to review and improve field compliance test
5 procedures. The goal will be to retain the integrity of
6 these tests, while reducing test time and associated
7 costs.

8 Staff has conducted an industry survey to
9 identify which of the current test procedures could most
10 benefit from revision. Once revisions are completed, we
11 will bring them to the Board for consideration. Revising
12 field compliance test procedures, along with our planned
13 ISD improvements and efforts to better understand in-use
14 performance, will all help to retain the current levels of
15 control while making compliance easier for gas station
16 operators.

17 --o0o--

18 AIR POLLUTION SPECIALIST BACON: Staff believes
19 that the amendments presented for your approval today are
20 a natural progression of the past success of the vapor
21 recovery program. To ensure continued program
22 effectiveness, we ask the Board the adopt today's proposed
23 amendments to certification and test procedures for cargo
24 tanks and above-ground tanks. These amendments will
25 improve existing procedures and ease the burden of

1 compliance for cargo tank operators without causing any
2 increase in emissions or costs.

3 Going forward, the Vapor Recovery Program will
4 remain an important part of California's efforts to
5 control regional ozone levels and Benzene exposure. We
6 will continue to work towards reducing gasoline vapor
7 emission in the coming years.

8 Absent any changes to vapor recovery controls, we
9 expect that gasoline vapor emissions will track
10 proportionately to fuel dispensed. As California
11 transitions to more fuel efficient vehicles and
12 alternative fuel sources, gasoline consumption and
13 associated vapor emissions should trend downward. This
14 projection is very positive for California's air quality
15 in the coming years. Still, as long as gasoline remains a
16 major fuel source, we will need to maintain an effective
17 vapor recovery program.

18 Staff looks forward to bringing a proposal to the
19 Board in 2014 that will add increased capabilities and
20 eliminate existing technical problems with in-station
21 diagnostic systems used at gas stations.

22 Thank you very much for your time and
23 consideration.

24 CHAIRPERSON NICHOLS: Thank you.

25 Board member questions or comments?

1 Supervisor Gioia.

2 BOARD MEMBER GIOIA: One question, and we talked
3 about this the other day. So there was some just concern
4 expressed by Bay Area air district staff about whether the
5 change from certifying individual pieces of vapor recovery
6 equipment to certifying the cargo tank would result in any
7 increase in VOC emissions. It sounds like you will do
8 testing to ensure that doesn't happen. I know that's
9 clearly not the intention. But I know you don't want that
10 to be an unintended consequence. There was some concern
11 to understand the check back with the Board to look at
12 emission levels with the new system of certification
13 versus the old system.

14 AIR POLLUTION SPECIALIST COLE: Currently --

15 CHAIRPERSON NICHOLS: Would you introduce
16 yourself, please?

17 AIR POLLUTION SPECIALIST COLE: Yes, Brad Cole
18 with the Enforcement Division, California Air Resources
19 Board. Apologize.

20 Currently, the tanks are tested annually and it
21 need to meet the California leak rate criteria. That
22 standard will continue with the proposal. So as long as
23 the tank meets the current Executive Order for cargo tank
24 vapor recovery systems and is compatible above and below
25 when delivering and meets that annual leak rate criteria,

1 there should be no increase in emissions.

2 BOARD MEMBER GIOIA: Thanks. I just wanted to
3 raise that. I appreciate you've addressed that.

4 CHAIRPERSON NICHOLS: Other comments or
5 questions?

6 Yes, Ms. Mitchell.

7 BOARD MEMBER MITCHELL: Good morning. I know
8 there have been some discussions about test procedure
9 201.1. I was wondering, those discussions have occurred
10 with the South Coast District and perhaps other districts.
11 I was wondering whether staff had any comment on that.

12 MONITORING AND LABORATORY DIVISION CHIEF
13 BENJAMIN: Michael Benjamin, Monitoring and Laboratory
14 Division.

15 Yes, we have had extensive discussions with South
16 Coast staff -- and I believe you will be hearing from them
17 during the comment period -- that we believe that the
18 proposed amendments that you're hearing today are a
19 significant improvement over the existing test procedure.
20 We recognize that there's some additional refinements that
21 enforced to be made, and so we are undertaking a field
22 test study this summer in collaboration with South Coast
23 staff. We will look at the results of that. And then
24 based on that information, we make some additional
25 refinements, if needed.

1 BOARD MEMBER MITCHELL: Thank you.

2 CHAIRPERSON NICHOLS: Okay. Thank you. Should
3 we turn to public comment then? I have only one witness
4 who signed up, Henry Hogo from the South Coast Air Quality
5 Management District. Good morning.

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

8 I'm Henry Hogo, Assistant Deputy Executive
9 Officer of the South Coast Air Quality Management
10 District.

11 As Ms. Mitchell indicated, we have been in
12 discussions with Mr. Benjamin and his staff regarding test
13 procedures, specifically to the single wall above-ground
14 storage tanks which could impact the efficiency of the
15 systems later on. And we appreciate the staff hearing our
16 concerns and addressing these concerns through this field
17 testing program.

18 With that, we urge you to adopt the proposed
19 amendments and we look forward to working with staff on
20 this. Thank you.

21 CHAIRPERSON NICHOLS: Thank you, Mr. Hogo.

22 I don't believe we have any other witnesses on
23 this item, so we can close the hearing.

24 I think it's been underscored here several times,
25 but just to repeat it, this is a program that has been

1 around for a long time. It was in need of review, and
2 it's gotten some changes proposed that seem to be all in
3 the direction of just making it easier to administer and
4 enforce. I'm delighted there is no controversy about it
5 at this point. That's very helpful.

6 But I'm interested in your projections about what
7 you might be dealing with it in the future, because
8 clearly when you have a program that's been around as long
9 as this, it also presents an opportunity to rethink
10 whether all of the equipment that we're using, all the
11 directions we've got are really as good as they could be.

12 So I do encourage you to be open in your thinking
13 about how to achieve the very best possible results as
14 time goes on.

15 I think the districts are obviously a rich source
16 of experience and information about this, as well as the
17 industry. So it's good to see old regulations coming back
18 and being refreshed a little bit from time to time.
19 That's a very healthy thing.

20 Without further ado, I will ask for a motion.

21 BOARD MEMBER RIORDAN: I would move the approval
22 of Resolution 13-32.

23 CHAIRPERSON NICHOLS: Second?

24 BOARD MEMBER MITCHELL: I'll second.

25 CHAIRPERSON NICHOLS: Second. All in favor

1 please say aye.

2 (Ayes)

3 CHAIRPERSON NICHOLS: Any opposed?

4 Any abstentions?

5 Very good. Passes then. Thank you very much.

6 We will then turn to our next item, which is
7 another one relating to evaporative emissions, but from a
8 different source, off-highway recreational vehicles.

9 I think as everyone is aware, California is home
10 to many off-road recreational vehicles and people who love
11 them. So they remain an important source of emissions.

12 And I think as this Board is very well aware, we
13 need additional reductions of reactive organic gases in
14 order to attain the ambient air quality standards for
15 ozone. So we are back looking at these vehicles again to
16 see if there are further improvements.

17 We hope that we can achieve these through a
18 process that we've used in the past of working with the
19 industry to try to improve technologies. And that's what
20 we are here to hear about today.

21 So I'll ask Mr. Corey to introduce this item.

22 DEPUTY EXECUTIVE OFFICER COREY: Thank you,
23 Chairman Nichols.

24 Mobile sources have historically been the largest
25 source of reactive organic gas emissions in California.

1 With the success of our control programs from on-road
2 vehicles, the emissions contribution from less
3 well-controlled off-road recreational vehicles has become
4 relatively more important.

5 Reducing reactive organic gas emissions from this
6 category is a key component of our efforts towards
7 attainment in areas including the South Coast and San
8 Joaquin Valley.

9 Today, ARB staff will present a regulatory
10 proposal for reducing evaporative emissions from new
11 off-highway recreational vehicles sold in California by
12 adopting readily available evaporative control technology
13 from on-road vehicles. This regulation is expected to
14 reduce reactive organic gas emissions from new off-highway
15 recreational vehicles by more than 70 percent compared to
16 existing vehicles.

17 Now I'd like to ask Mr. Pippin Mader of our
18 Monitoring and Laboratory group to give the presentation.

19 CHAIRPERSON NICHOLS: MDL. Okay. Good morning,
20 Mr. Mader.

21 (Thereupon an overhead presentation was
22 presented as follows.)

23 AIR RESOURCES ENGINEER MADER: Thank you, Mr.
24 Corey.

25 Good morning, Chair Nichols and members of the

1 Board.

2 Today, I will present the proposed regulation to
3 control evaporative emissions from off-highway
4 recreational vehicles, or OHRVs for short.

5 --o0o--

6 AIR RESOURCES ENGINEER MADER: Today's
7 presentation will cover the need for evaporative controls
8 from OHRVs which make up over 70 percent of OHRV emissions
9 and are less well controlled than exhaust.

10 Staff evaluated innovative technology solutions
11 and updated the OHRV emissions inventory to quantify the
12 cost effective emissions reductions from this category.
13 The proposed regulation is the result of extensive
14 collaboration between ARB and stakeholders and will yield
15 significant emissions benefits.

16 --o0o--

17 AIR RESOURCES ENGINEER MADER: The types of OHRVs
18 this proposal would reduce emissions from are gasoline
19 powered off-road motorcycles, all-terrain vehicles,
20 off-road utility vehicles, sand cars, and off-road sports
21 vehicles.

22 Over the next 20 years, the current OHRV
23 population in California is expected to grow from 1.2 to
24 1.5 million. Without new controls, this will lead to an
25 increase in evaporative emission of reactive organic

1 gases, or ROG.

2 --o0o--

3 AIR RESOURCES ENGINEER MADER: Dr. Haagen-Smit
4 identified ROG emissions as ozone precursors. Together
5 with oxides of nitrogen and sunlight, they create ground
6 level ozone. OHRVs are a significant source of ROG
7 emissions statewide. Their control is especially
8 important in non-attainment areas, such as the San Joaquin
9 Valley and South Coast.

10 The current State Implementation Plan, or SIP,
11 calendar commits ARB to developing a regulation to reduce
12 ROG from OHRVs in 2013. The proposal we are outlining
13 today meets the commitment described in the 2007 SIP and
14 also serves as a down payment toward meeting future air
15 quality targets.

16 --o0o--

17 AIR RESOURCES ENGINEER MADER: In order to
18 determine the best approach for controlling ROG emissions
19 from OHRVs, it is important to understand how the
20 emissions are generated.

21 There are three driving mechanisms to evaporative
22 emissions: Permeation through the fuel tank and fuel
23 lines; venting out of the fuel tank vent; and liquid fuel
24 leakage from the carburetor and connectors.

25 --o0o--

1 AIR RESOURCES ENGINEER MADER: These three
2 mechanisms occur during three distinct usage modes.
3 Running loss emissions occur during engine operation. Hot
4 soak emissions are generated immediately after engine
5 operation when the fuel system heats up. And finally,
6 diurnal emissions are generated when the vehicle is
7 stored.

8 Current regulations limit permeation from the
9 fuel tanks and fuel hoses to some degree, but do not
10 control other evaporative components or processes.

11 --o0o--

12 AIR RESOURCES ENGINEER MADER: This chart
13 summarizes the regulatory history for OHRVs and the
14 percent control from those regulations. For exhaust
15 emissions, the first OHRV standards were adopted by ARB in
16 1994 and implemented in 1997.

17 In 1998, the exhaust emissions regulation was
18 amended to establish riding seasons for high performance
19 red sticker OHRVs. The amendment allows red sticker OHRVs
20 to be ridden when their emissions are not expected to
21 impact ozone, but prohibits their operation during peak
22 ozone season.

23 Compared to federal regulations, the red sticker
24 program provides California additional emissions
25 reductions while furthering a steady transition to high

1 AIR RESOURCES ENGINEER MADER: Staff conducted
2 extensive testing and an assessment of technology that can
3 be applied to OHRVs to determine an appropriate
4 evaporative emission standard. Based on this evaluation,
5 we developed prototype OHRV evaporative control systems.
6 The technology was transferred and scaled down from
7 on-road vehicles. This technology includes low permeation
8 fuel hoses and tanks, roll-over valves, carbon canisters,
9 and fuel injection. On-road vehicles, including many
10 on-road motorcycles, have used this technology for over 20
11 years to greatly reduce evaporative emissions.

12 --o0o--

13 AIR RESOURCES ENGINEER MADER: To evaluate the
14 optimized evaporative controls, staff conducted extensive
15 emissions testing of an off-road motorcycle and ATV using
16 a sealed housing for evaporative determination, or SHED,
17 as shown in these photos. SHED tests were performed to
18 measure running loss, hot soak, and diurnal emissions
19 rates.

20 In-use OHRVs were tested to develop baseline
21 emission factors. This process provided ARB with a
22 comprehensive understanding of OHRV evaporative emissions
23 and their sources. The difference between the SHED
24 results for the OHRVs with and without evaporative control
25 demonstrates the overall emissions benefit.

1 --o0o--

2 AIR RESOURCES ENGINEER MADER: An improved
3 emissions inventory was developed that incorporates new
4 evaporative emissions factors measured using the SHED
5 method as described on the previous slide, vehicle storage
6 and usage patterns derived from a California State
7 University Sacramento survey of California OHRV owners
8 conducted in 2009, and forecasts future year OHRV
9 populations and sales based on the most current vehicle
10 registration data from the California Department of Motor
11 Vehicles, or DMV, housing start data provided by the UCLA
12 Anderson School of Business, and human population growth
13 data provided by the California Department of Finance.

14 The updated inventory was used to evaluate base
15 line and controlled emissions. One of the key
16 considerations of the updated emissions inventory was the
17 vehicle population and how the economic conditions affect
18 OHRV sales.

19 --o0o--

20 AIR RESOURCES ENGINEER MADER: Off-road
21 motorcycles are the largest category of OHRVs. Historical
22 DMV registration data shows a large decline during the
23 recession. Our analysis found a strong correlation
24 between U.S. housing starts and OHRV sales.

25 Our near-term forecast to 2017 assumes this

1 relationship continues during the economic recovery. Our
2 long-term forecast begins in 2018 and assumes new vehicle
3 sales grow at the same 1.2 percent rate as the human
4 population of California.

5 The projections made in the inventory are further
6 supported by the June 2013 publication of the UCLA
7 Anderson forecast which shows a strong rebound in housing
8 starts, both nationally and in California.

9 As the proposed regulation is phased in beginning
10 in 2018, emissions benefits will be generated through
11 sales of new vehicles that comply with the proposed more
12 stringent evaporative standards.

13 --o0o--

14 AIR RESOURCES ENGINEER MADER: The industry
15 proposed whole vehicles performance standards reflect the
16 need for diurnal emissions control and give manufacturers
17 sufficient lead time and flexibility to comply. Although
18 the new standards will take effect in 2018, they will be
19 phased in over a four-year period, providing manufacturers
20 flexibility in how to obtain needed emissions reductions.

21 Diurnal emissions will be measured using newly
22 developed test procedures that ensures emissions
23 reductions while minimizing costs.

24 The proposal also contains flexibility
25 certification options and provisions for reducing

1 verifies that the carbon canister is not contaminated with
2 liquid fuel.

3 A cost effective solution to protect the carbon
4 canister from liquid fuel is to install a roll over valve
5 in the vent line. Roll over valves are currently used on
6 many on-road motorcycles.

7 --o0o--

8 AIR RESOURCES ENGINEER MADER: As shown in this
9 slide, under California's recently adopted advanced clean
10 car standard, a new passenger car sold in California in
11 2018 will be allowed to emit no more than 0.35 grams of
12 reactive organic gases a day. If the rule being proposed
13 today were not adopted, a new OHRV sold in 2018 would
14 likely emit 10 to 15 grams of reactive organic gases a
15 day, roughly 30 to 40 times which would be emitted by a
16 new passenger car.

17 With the proposed regulation starting in 2018, a
18 new OHRV would be allowed to emit no more than one gram
19 per day of total organic gas, which is roughly three times
20 the emissions of a new passenger car.

21 --o0o--

22 AIR RESOURCES ENGINEER MADER: This regulatory
23 proposal has been carefully developed to be cost effective
24 by maximizing emissions reductions while avoiding
25 unnecessary costs. It provides multiple certification

1 options to manufacturers and is not expected to limit the
2 types of OHRVs available in California.

3 The cost effectiveness was calculated using
4 industry reported costs. Staff expects the cost of
5 compliance for most vehicles to be in the lower end of the
6 range, as forecasted sales rebound.

7 The cost of this regulation is balanced by the
8 benefits of the proposal.

9 --o0o--

10 AIR RESOURCES ENGINEER MADER: Implementing this
11 proposal will greatly reduce ROG emissions from OHRVs. It
12 is imperative to control evaporative emissions now because
13 the benefits will not be fully realized for almost
14 ten years due to the fairly slow turnover of these
15 vehicles.

16 This proposal will help us meet our 2023 SIP
17 commitments and pays off in the long term by reducing ROG
18 emissions by 8.5 tons per day in 2032.

19 --o0o--

20 AIR RESOURCES ENGINEER MADER: Reduced Benzene
21 exposure is an important co-benefit of this proposal.
22 Benzene, which is a component of evaporative emissions, is
23 a toxic air contaminant and a known human carcinogen.

24 Our survey shows that the majority of OHRVs are
25 stored inside attached garages where emissions can

1 increase concentrations of Benzene, both inside the garage
2 and inside the home, as documented by several recently
3 published studies.

4 Elevated levels of Benzene have been demonstrated
5 to have significant negative health effects, including
6 increased cancer risk and potential neurological damage.

7 --o0o--

8 AIR RESOURCES ENGINEER MADER: The proposed
9 regulation was collaboratively developed with stakeholders
10 beginning in 2006. Four public workshops and 40
11 stakeholder meetings were held over the past seven years.
12 We included manufacturers of off-road vehicles in these
13 discussions and on-road motorcycle manufacturers as they
14 had extensive experience complying with similar emissions
15 standards.

16 We made a number of changes to the proposed rule
17 to address stakeholder concerns, including: Phasing in
18 standards over a four-year period beginning in 2018;
19 providing emission credits for advanced fuel systems, such
20 as zero emissions motorcycles as shown on the previous
21 slide; providing small volume manufacturers with
22 alternative compliance options; streamlining the test
23 procedure to reduce cost to manufacturers; and allowing an
24 integrated exhaust and evaporative emissions label.

25 --o0o--

1 AIR RESOURCES ENGINEER MADER: Despite the
2 collaboration between ARB staff and stakeholders to reach
3 agreement on many key issues, some concerns remain.

4 Industry has expressed concern that sales of new
5 OHRVs will not recover to the extent predicted by ARB
6 staff, thus making it expensive for them to comply with
7 the proposed 2018 implementation date. However, staff
8 have worked extensively with industry over the past seven
9 years to build compliance flexibility into the rule,
10 including a phase in that will not be fully implemented
11 until 2022, nine years from now.

12 Given the most recent housing start data from the
13 UCLA Anderson School of Business that shows a strong
14 recovery since the recession, staff believes that the
15 forecasted sales underlying the rule are reasonable.

16 Another concern raised by industry is the
17 proposal to require evaporative control for all non-racing
18 OHRVs, including red sticker vehicles. There are
19 currently no evaporative or exhaust standard requirements
20 for red sticker OHRVs. As proposed, the regulation would
21 require red sticker vehicles to meet the same new
22 evaporative standards as green sticker vehicles, while
23 providing an exclusion for exhaust standards.

24 --o0o--

25 AIR RESOURCES ENGINEER MADER: Since releasing

1 the regulatory proposal for public comment, we have become
2 aware of compelling challenges to controlling evaporative
3 emissions from red sticker OHRVs. To address industry's
4 concern with these challenges, we are proposing a 15-day
5 change that will exclude red sticker OHRVs from the
6 current evaporative proposal.

7 The challenges include, developing new
8 evaporative warranty requirements for a segment where most
9 OHRVs are currently offered for sale with no warranty,
10 seeking a resolution for the definition of an off-road
11 competition vehicle that balances riding area restrictions
12 and the need for emissions reductions, and a thorough
13 evaluation of the best approach to controlling ROG
14 emissions.

15 Given the relatively small percent contribution
16 from this category in the short term, we have a window of
17 opportunity to work with stakeholders to develop a
18 comprehensive evaporative and exhaust emissions proposal
19 that will deliver the long-term emissions reductions
20 California needs to control ozone.

21 --o0o--

22 AIR RESOURCES ENGINEER MADER: In summary,
23 controlling evaporative emissions from OHRVs will provide
24 emissions reductions that are critical for ARB to meet its
25 air quality goals.

1 The rule will provide manufacturers with
2 flexibility by providing a four-year phase in beginning in
3 2018. ARB has tested prototype evaporative systems on
4 OHRVs that demonstrate the proposed standards are feasible
5 with available control technology.

6 The proposed was developed with extensive
7 stakeholder participation and is cost effective relative
8 to comparable evaporative emissions regulations adopted by
9 ARB.

10 The proposal will improve public health by
11 reducing ambient ozone concentrations. An added
12 co-benefit is a substantial reduction in exposure to
13 Benzene.

14 Staff recommends that the Board adopt the
15 proposed regulation with the 15-day changes that continue
16 the evaporative emissions exclusion for red sticker OHRVs.

17 Staff commits to returning to the Board with a
18 comprehensive proposal for reducing both evaporative and
19 exhaust emissions from these vehicles.

20 CHAIRPERSON NICHOLS: Thank you. We have six
21 witnesses who have signed up to testify on this item.

22 Do we have any Board members questions?

23 Ms. Mitchell.

24 BOARD MEMBER MITCHELL: Thank you, Chairman.

25 If I understand you correctly, the red sticker

1 program now prevents operation on days that are high
2 ozone; is that how it works?

3 MONITORING AND LABORATORY DIVISION CHIEF

4 BENJAMIN: This is Michael Benjamin.

5 Yes, actually, it restricts use during the ozone
6 season, not specific days. So it doesn't place a burden
7 on the user in terms of tracking what the ozone is on any
8 given day. It's very clearly stated what months of the
9 year riders are not allowed to use their red sticker
10 vehicles in what parts of the state. So this information
11 is very well known. It's disseminated. The parks
12 department and other riding areas have this information.
13 So it's a restriction on regions of the state and times of
14 the year, not specific days.

15 BOARD MEMBER MITCHELL: And the red sticker
16 exemption prevents operation.

17 MONITORING AND LABORATORY DIVISION CHIEF

18 BENJAMIN: Correct. It's a usage restriction. It's not
19 an emissions restriction. So really the trade off here
20 with the red sticker program is in return for being able
21 to ride a bike or operate a vehicle that does not have
22 emissions control, the trade off is that users cannot use
23 it during certain times of the year or in certain parts of
24 the state.

25 BOARD MEMBER MITCHELL: Okay. Then that leads to

1 my next question, which is the diurnal emissions occur
2 whether it's operating or not; correct? And so if there
3 is a red sticker exemption, how does that work? Because
4 you're getting emissions whether it's operating or not.

5 MONITORING AND LABORATORY DIVISION CHIEF

6 BENJAMIN: That is an excellent question. That was the
7 rationale for including red sticker vehicles in the
8 original regulatory proposal. So we recognize and we did
9 recognize and we still recognize that red sticker vehicles
10 emit when they're being stored in residential areas.

11 What has led to the 15-day change is not that
12 we're ignoring that these emissions are occurring, but
13 rather that we've learned through discussions with
14 industry that addressing the red sticker issue is more
15 complex than we had previously thought, especially in the
16 area of warranties. What we need to do is take some
17 additional time to work out those issues with a full
18 understanding we will need to come back and address those
19 emissions.

20 I don't know if you recall the slide that shows
21 the advanced clean car, the new passenger car in 2018
22 versus the controlled and uncontrolled OHRV. There is no
23 doubt that red sticker vehicles will emit significantly
24 and are significant emitters. So we will need to come
25 back to address that. But that's something we will do in

1 the coming years.

2 BOARD MEMBER MITCHELL: Okay. It is a concern I
3 think in those districts that already are non-attainment.
4 And South Coast is one of those as well as San Joaquin.
5 And the issue is that, as your slide showed, 60 percent of
6 the emissions are these diurnal emissions. And I know in
7 South Coast we have the mandate to reduce ozone emissions
8 by about 40 tons per day by 2023. And this could
9 certainly help our South Coast district with a reduction
10 of 3.4 tons or so I think by 2023.

11 And so I encourage staff to work on this with
12 industry and to reach a solution that helps the
13 non-attainment districts get to the goal that they need to
14 get to.

15 I would encourage you include in the resolution
16 perhaps a phrase that says that you will be working to
17 help the districts -- the non-attainment districts reach
18 their goals and that this red tag exemption not apply to
19 the diurnal emissions because it seems that it would be
20 reasonable for it not to apply. You're not going to get
21 any extra benefit if we allow that to apply.

22 CHAIRPERSON NICHOLS: So perhaps if we bring that
23 back to the Board to act on the resolution, we could add
24 some language that dealt with your problem.

25 BOARD MEMBER MITCHELL: That would be very good.

1 Thank you, staff, for your work on this.

2 MONITORING AND LABORATORY DIVISION CHIEF

3 BENJAMIN: This is Michael Benjamin.

4 I can just address that within the current draft
5 resolution that we have today, there is explicit language
6 directing the Executive Officer and staff to come back to
7 address the red sticker exclusion explicitly. So we are
8 acknowledging that, and it is something that is currently
9 within the resolution

10 BOARD MEMBER MITCHELL: Thank you very much.

11 CHAIRPERSON NICHOLS: Yes, I think Ms. Berg and
12 then Supervisor Gioia.

13 BOARD MEMBER BERG: I would like to follow up.
14 Do we have any data showing how many red sticker vehicles
15 or motorcycles we have off-road that we have? What are we
16 talking about?

17 CHAIRPERSON NICHOLS: What is the population of
18 red sticker vehicles?

19 MONITORING AND LABORATORY DIVISION CHIEF

20 BENJAMIN: Yes. We do have an estimate of that from the
21 Department of Motor Vehicle registration data, which we
22 receive annually. So our emissions inventory staff
23 analyzed that data on an annual basis. They did that
24 analysis for this regulation. About 20 percent of the
25 vehicles are red sticker. So in terms of the emission

1 benefits that we're foregoing with the recommended or
2 proposed 15-day change, it's about 20 percent.

3 We believe that with the low sales that we're
4 seeing at this time with OHRVs, as well as the fact that
5 turnover of these vehicles is fairly slow and also that
6 the rule does not start to take effect until 2018, that we
7 do have a window of opportunity here where we can address
8 red sticker vehicles. The lost emissions are not that
9 significant in the near term. But over the longer term,
10 it is something that we cannot ignore.

11 CHAIRPERSON NICHOLS: Mr. Gioia.

12 BOARD MEMBER GIOIA: So just to be clear, you
13 indicate that there will be additional time to develop a
14 comprehensive rulemaking to control addressing the red
15 stickers. So it may be useful to set some parameters on
16 that time frame. I understand the rule doesn't go into
17 effect for a few years. What were you anticipating as a
18 time frame? It may be useful to define that in the
19 resolution in our approval that there's a -- I was looking
20 through the resolution on that, and I didn't see a time
21 frame. What is your thought about that?

22 DEPUTY EXECUTIVE OFFICER AYALA: I think I can
23 address that. We're thinking that we should be able to
24 come back to the Board in the next couple years, between
25 2015, 2016.

1 This is the case where we are equally concerned
2 about the emissions we are leaving on the table. At the
3 same time, we recognize if we allow for a more
4 comprehensive look at what technology can give us in terms
5 of not only evap control but also exhaust control, what we
6 can bring back to the Board is a much better proposal in
7 terms of getting more emission reductions. That is going
8 to take time.

9 BOARD MEMBER GIOIA: So it may make sense when
10 this comes back to have language that sets a time frame,
11 whether it's by June 30th of 2016 or something like that,
12 that then sets the outer parameter that you would develop.
13 So everybody -- the industry is aware of that time frame.
14 The public is aware of that time frame. And we're aware
15 of that time frame.

16 CHAIRPERSON NICHOLS: Thank you.

17 I have another question that takes this in a
18 slightly different direction, but it's based on the
19 observation that not only are we leaving some emissions
20 reductions on the table with the rule we're dealing with
21 today, but also it's quite a long time before this
22 regulation takes effect at all, during which time current
23 generation vehicles are sitting around apparently in
24 people's garages giving off Benzene emissions as well as
25 other ROG emissions that we're not really in a position to

1 do anything about.

2 My question, which is for staff, but for anybody,
3 I suppose, is there any alternative to changing the
4 vehicle itself which could potentially help with the
5 situation even on a non-regulatory basis? In other words,
6 these are not very large vehicles. You know, is there
7 some kind of a hooding technology, like a cover for the
8 motorcycle, the off-road vehicle, some fabric that
9 actually could be used to contain emissions so they would
10 be less of a danger to themselves and to the air basin.
11 Is this something that anybody has even looked at? Is it
12 a silly idea to think that people would put their
13 equipment inside of something that would potentially make
14 their garages a little safer, their homes a little safer,
15 something like that. Is there anything like that in the
16 world?

17 DEPUTY EXECUTIVE OFFICER AYALA: Taking the
18 analogy of the gas can that is typically used for a lawn
19 mower, I can see there is a component for some education
20 here and outreach because the simplest solution would be
21 to store the motorcycle without fuel.

22 CHAIRPERSON NICHOLS: Yes, right.

23 DEPUTY EXECUTIVE OFFICER AYALA: So make sure
24 when you're done riding and having fun that vehicle comes
25 back as close to empty as possible. There's things as

1 simple as just educating the public that it's probably not
2 a good thing to store a motorcycle with a full tank of
3 gas.

4 Ventilation in a garage obviously is something we
5 can do as well. So I think there are some things that we
6 can certainly partner with industry to look to see if we
7 can do, as you said, Chairman, some easy solutions, while
8 we take the time to come back with a proposal that
9 addresses that issue as well as exhaust.

10 CHAIRPERSON NICHOLS: Thank you.

11 Ms. Berg.

12 BOARD MEMBER BERG: Just so I'm clear, this
13 regulation is not a fleet modernization. In other words,
14 we aren't going to outlaw current. This is for new sales.
15 And so we're saying in 2018 that there is not going to be
16 a red sticker program or there is going to be some sort of
17 solution for those current motorcycles or off-road
18 recreational vehicles that are currently allowed red
19 stickers.

20 DEPUTY EXECUTIVE OFFICER AYALA: I think what
21 we're asking the Board is for time to let us work with
22 industry and stakeholders to look at a better solution for
23 remaining evap emissions as well as exhaust. We can come
24 back to the Board in a couple years. Whether that new
25 proposal applies in 2018 or later, I think we need to let

1 the analysis dictate that. Because this is going to be
2 very much a function of what can we achieve cost
3 effectively with the future of technology that can give us
4 both the evap as well as the emission control.

5 So while I degree with you that it would be ideal
6 to come back and say, okay, we're catching up to 2018
7 model year implementation for new vehicles, I think at
8 this point in time it would be premature for us to
9 speculate when that could happen. Because again, if we
10 had that answer, we would be making that proposal today.
11 So we are asking the Board for time to come back and
12 undertake that analysis.

13 BOARD MEMBER BERG: Okay. I think it's important
14 that industry -- what I'm hearing from some of my fellow
15 Board members -- is that we are keenly interested in a
16 solution and so that we would encourage industry as well
17 as users of these equipment to be as open minded and at
18 the table because we are very interested in the solution.

19 CHAIRPERSON NICHOLS: Thank you. I think we
20 should perhaps now hear from the stakeholders. So I'll
21 call a couple of names and please come forward.

22 First is Rasto Brezny from MECA and then Tom
23 Austin representing Motorcycle Industry Council and Henry
24 Hogo.

25 MR. BREZNY: Good morning, Chairman Nichols and

1 members of the Board. I'm Rasto Brezny with the
2 Manufacturers of Emission Controls Association. MECA
3 represents the leading manufacturers of emission control
4 technology for all types of vehicles, engines, and
5 applications.

6 And the types of technologies that MECA members
7 are developing and commercializing are not just the
8 evaporative systems and canisters that we are talking
9 about today, but also exhaust controls, which I hope that
10 staff will consider in the future.

11 MECA supports the staff's proposal today because
12 we believe that it does present a cost effective approach
13 for reducing significantly the reactive organic gases from
14 these off-road recreational vehicles.

15 We believe focusing the controls on diurnal
16 emissions makes sense with respect to the duty cycles and
17 the long storage times these vehicles experience.

18 And we believe that the evaporative control
19 technologies based on activated carbon canisters is a
20 ready available technology that's been proven effective on
21 passenger cars for over 30 years.

22 Looking beyond today's proposal, we believe there
23 is significant opportunities for further reductions of
24 emissions from these vehicles. And I'd like to highlight
25 a couple of those.

1 The first would be further reduction of
2 evaporative controls. Looking at the passive carbon
3 canisters, passive perk technology that is being proposed
4 today, these systems are about 50 to 60 percent efficient.
5 However, the latest technology based on activated purge
6 carbon canisters is on the order of 90 to 95 percent
7 efficient. So I think there is some additional
8 opportunities for future consideration by staff and future
9 amendments to this regulation.

10 And then also in the area of exhaust controls, we
11 believe that through proper integration of exhaust
12 catalysts, engine controls, as well as fuel system
13 controls to these vehicles, further reductions of both
14 hydrocarbon and NOx are achievable on the order of 50 to
15 80 percent. And we'd like to work with your staff to
16 demonstrate some of these capabilities.

17 And finally, I just want to thank you for your
18 consideration of our comments. And I'd like to thank
19 staff for bringing forward this proposal today. If you
20 have any questions, I'll be happy to address them.

21 CHAIRPERSON NICHOLS: Thank you.

22 Mr. Austin.

23 Mr. AUSTIN: Thank you. Good morning,
24 Ms. Nichols and members of the Board.

25 I'm Tom Austin. I've been consulting with the

1 Motorcycle Industry Council on this regulation since its
2 beginning about seven years ago. And I've been working
3 quite closely with ARB staff.

4 We think the staff has done an excellent job of
5 coming up with a test procedure that will minimize what
6 otherwise would be extraordinary cost for low volume
7 manufacturers, and we think we will end up with cost
8 effective controls on these vehicles using the test
9 procedure that the staff has developed.

10 There are just two issues that we are concerned
11 about as was pointed out in the staff presentation. One
12 has to do with the treatment of red sticker vehicles.
13 It's a little bit more complicated than I think you've
14 heard so far, because in the case of the MIC member
15 companies, most of those red sticker vehicles are true
16 competition vehicles which are statutorily exempt.
17 There's that issue we have to deal with going forward.

18 Regarding the question you raised, Ms. Nichols,
19 which I think was an excellent question, there are a
20 number of things that can be done with existing vehicles
21 to minimize their diurnal emissions. Covering the vehicle
22 is one option, but just insulating the garage they're in
23 has a big effect. Because when you knock down the diurnal
24 temperature variation in the garage which insulation will
25 do, you knock down the emission significantly. That is

1 something you might want to consider dealing with in some
2 other manner.

3 Regarding sales, the staff, in its presentation,
4 showed you that projection they've made based on the
5 economic model that's tied to nationwide housing starts.
6 On the second page of my written testimony that was
7 submitted, I've got a copy of that graph. And then there
8 is a second graph on that page, which is an update of the
9 actual MIC sales data for the vehicles that are graphed in
10 the ISOR.

11 As the ISOR graph shows, starting in 2010,
12 there's assumptions we have a rapid increase in sales of
13 off-highway recreational vehicles. If you look the second
14 graph on the page, which is the actual updated sales data
15 from MIC, it will show you that that rapid increase is not
16 occurring. Sales have remained flat in 2012 and in 2013,
17 hence the concern we have about whether the 2018
18 implementation date is really the right implementation
19 date.

20 This is a relatively small market compared to the
21 passenger car light-duty truck market where currently
22 we're talking about less than 10,000 vehicles per year
23 being sold. When you look at the sales volume for the
24 individual models, more than half of the vehicles in this
25 category have sales in California of less than 100 units

1 per year. So when a manufacturer starts looking at what's
2 it going to cost me to put evap controls on these bikes
3 and ATVs, it's not the cost of canisters. It's not the
4 cost of the low permeation fuel lines. It's amortizing
5 the fix cost of going through the certification process.

6 We'd like you to consider the fact sales are not
7 increasing like the staff assumed they would, and a
8 two-year delay would ensure we don't have a number of
9 California dealers being unable to stay in business in
10 this phase-in period because of the low sales we're
11 experiencing.

12 CHAIRPERSON NICHOLS: I want to ask you to
13 address the comment that was made by Mr. Brezny earlier
14 about the fact that the amount of control that we're
15 getting from these passive canisters is relatively modest
16 in comparison with what we could be getting if we were
17 asking for an active canister, an active purging canister.

18 MR. BREZNY: Passive canisters can provide much
19 higher than nine percent control on a vehicle like a
20 passenger car that's used every day and purged every day.
21 When you start talking about vehicles that are subject to
22 very long term storage, where they may sit for weeks or
23 months on end. That's when you see the effectiveness of
24 canisters go down. I would say it's more like 65 percent
25 efficiency.

1 I think you're going to see some approaches from
2 MIC member companies that will go beyond that level of
3 control. There are alternatives to canisters, not just
4 active canisters, but other alternatives I think you'll
5 see. And over the longer term, I think we'll be able to
6 do better than the level of control that comes with this
7 reg.

8 CHAIRPERSON NICHOLS: Thank you.

9 Mr. Hogo again, and then Mr. Harris followed by
10 Lindsey Myers and David Pickett.

11 MR. HOGO: Good morning, again, Chairman Nichols
12 and members of the Board.

13 Henry Hogo with South Coast Air Quality
14 Management District.

15 The South Coast staff has been supportive of the
16 proposed regulation as released on June 5th, which
17 includes the red sticker vehicles. And it's important to
18 point out that -- and staff did point out -- that VOC and
19 ROG emissions are an important component to ozone air
20 quality. Even though our air quality management plans are
21 focusing on reducing oxides, we found that there is a need
22 to reduce ROG emissions also in order to maintain a lower
23 level of ozone as we continue to reduce NOx.

24 More importantly, when we look at the exposure to
25 Benzene, as you may have heard that the Office of

1 Environmental Health Hazard Assessment has new
2 methodologies for calculating potential cancer risk and
3 the previous risk numbers may be 2.7 o 3 times higher than
4 what they are today. And so we are gravely concerned
5 we're reducing emissions from this category of vehicles.

6 We recognize that there is a need to look at
7 these red sticker vehicles further. And if you should
8 proceed with excluding them from the regulation, we're
9 proposing to provide some certainties that this category
10 will be covered.

11 And we have handout today that recommend two
12 alternatives. One, that during the 15-day change that
13 there be some provision that recognize that if no other
14 actions are taken on this category of vehicle that the
15 regulation will take effect. Or vice versa if you were to
16 have a regulation, this would sunset.

17 The alternative is to include language in the
18 Board adopting resolution, which you do have today. So we
19 would encourage you to keep the red sticker category in
20 the rule in some manner and with the recognition they
21 could be covered in the future.

22 And with that, we urge you to approve the
23 regulation as proposed. Thank you.

24 CHAIRPERSON NICHOLS: Thank you.

25 Nicholas Haris.

1 MR. HARIS: Good morning. My name is Nicholas
2 Haris. I'm the western states representative for the
3 American Motorcycle Association.

4 We submitted some comments recently, and I just
5 wanted to touch on a few items. In particular, Chairman
6 Nichols, your comment about keeping the fuel tanks empty,
7 that was going to be my first comment. Typically, these
8 days, especially when you're going to store your vehicle
9 for more than a couple of days or months or weeks, you
10 tend to run the vehicle empty. I do the same thing with
11 chainsaw, log splitter. It's just become standard.

12 I don't know if it was five or ten years ago, but
13 at this point, I don't know anyone who keeps their ATV or
14 motorcycle in their shop for two months with a full tank.
15 It just doesn't happen, partially because of the concern
16 of effects of ethanol fuels on vehicles. Regardless of
17 what's actually sold, you know, the impression is out
18 there.

19 So with that, I do think there is a bit of an
20 over-estimation on the diurnal emissions based on the fact
21 I don't think most of these vehicles have fuel in them
22 when they're stored.

23 We are concerned about the increased costs and
24 likewise the reduced sales offered dealers would be an
25 effect. But of course, I represent the buyers, and we

1 tend to look at the cost for the end user.

2 Likewise, the elimination of specific models from
3 the California market would be a significant concern, in
4 particular, youth models. We've gone to great lengths to
5 educate parents, dealers, and the user community to buy
6 the right size vehicle for the right age group, the right
7 size rider. If all of a sudden there is a significant
8 reduction in youth models, that could be some unintended
9 consequences.

10 Likewise, when we look at some of the additional
11 equipment proposals, it's a lot easier to put extra
12 equipment on a car, on an ATV or side by side. On a
13 motorcycle, you start to run out of places quickly, just
14 practically in terms of it falls over and you damage it or
15 the weight becomes a significant concern for the riders.
16 I used to work in a shop and we saw different ideas come
17 along.

18 So with that in mind, I would like to see a
19 regulation that is very specific as far as the stated goal
20 of the emissions. However, it doesn't mandate the
21 technology to meet that emissions standard. Therefore,
22 you tell the industry you're going to have a date certain
23 when you're going to have to meet this standard and allow
24 them working with the staff to say, here's how we propose
25 to do it. We've heard today a number of statements about

1 different technologies that are available. We never know
2 what the next technology is going to be. If we
3 incentivize folks to go out and figure that out, I think
4 that can have a real long-term benefit.

5 So with that all being stated, I think in theory
6 there's a lot of great things being said here. I would
7 like to see a delay based on the sales information we've
8 heard. Two years seems to be what most folks are asking
9 for. We would support a two-year delay.

10 CHAIRPERSON NICHOLS: Thank you. Thanks for
11 coming.

12 Lindsey Myers, and then David Pickett.

13 MS. MYERS: I'm Lindsey Myers. I'm here on
14 behalf of Yamaha Motor Corporation.

15 And first, I would like to thank Pippen and Jim
16 and his group for working cooperatively with MIC and the
17 manufacturers.

18 We would also ask for the two-year delay due to
19 the drop in sales. Approximately 46 percent of our total
20 sales of vehicles in California are off-highway vehicles.
21 And at this time, we do not have the budget or technology
22 to update those to meet the new standards. So that would
23 be a large percentage of sales going away for our dealers.

24 And only about less than six percent of our total
25 vehicle sales come to California. So creating new

1 technology for such a small amount of dealers or users is
2 also a problem for us.

3 CHAIRPERSON NICHOLS: I'm wondering about the
4 two-year delay. Obviously, we've heard this several times
5 now. The standard doesn't take effect for the new
6 vehicles until 2018. So what does the two-year delay --
7 what does that back out now, I guess? If we pass the
8 regulation today as is, without delay, as you've now
9 requested, what would that enable you to do that you can't
10 do now? The other way around. Why do you need the
11 two-year delay. What is that going to get you?

12 MS. MYERS: To come up with the new technology
13 and have the money to re-design product that we would need
14 to re-design.

15 CHAIRPERSON NICHOLS: But you would start
16 re-designing it when for the 2018 vehicles?

17 MS. MYERS: I couldn't answer that.

18 CHAIRPERSON NICHOLS: Okay. Maybe somebody else
19 can.

20 Staff, do you have -- I mean, you must have heard
21 this comment before today. Perhaps you could explain what
22 the industry really is seeking here, other than just delay
23 is always good if you can avoid spending money today and
24 can postpone it, that's always attractive.

25 AIR RESOURCES ENGINEER PIPPIN: So the way that

1 works is that roughly speaking it appears that takes about
2 18 months of R&D for a model to become available. And I
3 think we can speak more to the sales. I think we have
4 more information on current sales values based on more
5 recent DMV data that was available for the ISOR.

6 But the bottom line here is we're looking for a
7 recovery -- substantial recovery in the market for
8 manufacturers to be able to put up the capital for these
9 models. And our projections appear to have that recovery
10 and our new data shows that also. I think we may at some
11 point -- I think we may have some slides on that.

12 CHAIRPERSON NICHOLS: Mr. Ayala.

13 DEPUTY EXECUTIVE OFFICER AYALA: I think it as
14 important for us to state clearly that we, the staff,
15 disagree that delay is needed. As you heard today, this
16 proposal has been in the works for several years, six,
17 seven years in total. As you mentioned, Chairman Nichols,
18 it doesn't take effect until 2018.

19 And finally, as with any other regulatory
20 proposal, we will continue to track it. And we have the
21 ability to come back to you and make adjustments as we've
22 done with many other items. So we feel it's not necessary
23 to implement a delay.

24 And the last point I want to make is even though
25 the focus is on the red sticker vehicles, let me remind us

1 that most of the population is not red sticker. We heard
2 today -- we're talking about 20 percent of the vehicles.
3 The benefit that we're proposing today to you is over the
4 remaining 80 percent of the vehicles. That's why we are
5 very concerned about any delay because we don't think it's
6 necessary. But to the extent that the data comes back and
7 we need to make adjustments, you have the latitude to
8 direct us to come back.

9 CHAIRPERSON NICHOLS: Mr. Gioia.

10 BOARD MEMBER GIOIA: It seems like the staff has
11 built in a delay into the rule. And by having the
12 implementation be in 2018 and there is nothing that
13 prevents us as we move down this time frame to change the
14 implementation date if the technology is not improving.
15 So if you're saying it takes 18 months of R&D, it sort of
16 keeps the -- I don't want to say keeps the pressure, but
17 it keeps sort of a parameter or time frame -- maybe I'll
18 use the word pressure -- to do the research and to
19 implement the new technology. And if truly there is a
20 problem in developing this research and implementing it,
21 we can always re-evaluate the implementation date.

22 I think, likewise, the staff here has tried to
23 accommodate all sides. I mean, I respect, for example,
24 the comment of the South Coast Air District. But in a
25 sense, what you're saying is we are going to work on a

1 rule. And what we have now -- maybe it's implementing
2 that too quickly. So as long as we put in a time frame
3 like whether it's 2015 or 2016, I'd like to hear your
4 thoughts, I'm fine, for example, with not going back to
5 the earlier version of this regulation. But setting a
6 time frame that we're going to implement or develop the
7 new rule regarding the red sticker.

8 So you've tried to sort of thread this needle and
9 across both sides. On one hand, you're getting pushed
10 more to do on one side and on the other hand to do less.
11 I think you're trying to reach some accommodation here,
12 which is always a good balance to achieve.

13 MONITORING AND LABORATORY DIVISION CHIEF

14 BENJAMIN: This is Michael Benjamin.

15 I think it would be helpful for the discussion
16 for staff to share some additional analysis that we've
17 done in the last couple of days. And it addresses
18 specifically the issue of sales, what we believe the
19 recovery is going to be. So I'm going to turn it over to
20 Todd Sax of our Emissions Inventory Group.

21 Let me just say, when we developed the ISOR, we
22 used the best DMV registration data which we had at the
23 time, which was up through 2010. They give us on a
24 regular basis -- a scheduled basis updates to the
25 registration data, which are 25 million records we get

1 once a year.

2 So in the past week, a couple of things have
3 happened. We received our 2011 DMV registration data. So
4 we have a new data point indicating what registration of
5 these vehicles looks like in 2011, a year for which in the
6 staff report we've projected the recovery. And in
7 addition, Todd and his staff have gone back and done a
8 cursory analysis of the 2012 data. So it's their
9 assessment of what the 2012 data look like. What you'll
10 hear from Todd in a minute and see is a rigorous
11 assessment of the 2011 data that we just received and a
12 first cut at what the 2012 DMV data look like.

13 CHAIRPERSON NICHOLS: Okay. Mr. Sax.

14 BRANCH CHIEF SAX: So we have some backup slides.

15 So what you're looking at here on the left-hand
16 side, this chart is broken into three pieces. On the
17 left-hand side is historical DMV vehicle registration
18 data. And previously in the slide we saw in the
19 presentation, the actual data went from 2000 to 2010.

20 As Michael said, we were able to process the 2011
21 DMV data. And the point you see where the solid green
22 line hits the dotted vertical line at 2011 shows what our
23 current new vehicle sales estimate is for the 2011
24 calendar year.

25 In addition to that, we received the new UCLA

1 2013 forecast, which is published in June. UCLA forecasts
2 in June every year their longer term forecasts. So that's
3 the one we use for a lot of the emission inventory
4 categories, including this one.

5 And what we saw was that their estimate for
6 housing starts and our estimate for its impacts on new
7 vehicle sales really hasn't changed going forward from the
8 previous year's analysis. So we wouldn't revise our
9 analysis much based on the new UCLA forecast.

10 And thirdly, the black dot that you see at 2012
11 along the dotted green and dotted red line on this chart
12 shows our estimate or the 2012 population from our latest
13 cut of the DMV database from October of 2012. What you
14 see is there is an increase in new vehicle sales for
15 off-highway motorcycles in the DMV registration database.
16 And that that increase is consistent with our forecast.

17 Next slide, please.

18 --o0o--

19 BRANCH CHIEF SAX: This slide shows similar
20 information but for all-terrain vehicles in the state.
21 Here, the blue line to 2010 is what you saw in the
22 previous slides during the presentation. There is a
23 significant tick up in 2011 from what we had projected to
24 occur in 2011. And you can see that by the tick up in the
25 blue line relative to the dotted red line, which was our

1 I don't really think that we were hearing
2 pessimism about the longer term future. I think the issue
3 that was being presented was that companies weren't in a
4 position right now to invest major capital in compliance
5 with the rule. And I think that's a legitimate point.
6 But I think the response that the way of dealing with this
7 issue that was suggested earlier by Supervisor Gioia and
8 others that really we're setting a benchmark that is a
9 ways out in the future, giving people pent of time to
10 focus on it. I don't think there is a reason why people
11 need to go out and make their final decisions about what's
12 going to be on their 2018 vehicles today, although they
13 certainly do need to start looking at it, which is what we
14 want them to do.

15 But if we're wrong all of us and things don't
16 pick up as much as planned, there still is time to adjust.
17 So I think that does come through pretty clearly.

18 We do have one more witness, however, Mr. Pickett
19 from District 36 Motorcycle Sports Committee.

20 Good morning.

21 MR. PICKETT: Good morning. Thank you, Mr. Chair
22 Nichols. David Pickett, District 36 Motorcycle Sports
23 Committee.

24 When the earlier comments were made by staff,
25 there was a reference to stakeholders process. I'm having

1 difficulty, and I find it curious that the largest OHVH
2 agency in the state that not sitting at the table, that
3 being the off highway motor vehicle recreational division.
4 I don't understand why they were not involved or notified.

5 I don't know who is on the stakeholder round
6 table. I know that most major off-highway vehicle
7 organizations up and down the state were not involved
8 either, nor were we asked to participate. I think this is
9 an issue that it's frustrating where the user community
10 could not be involved more in this process other than
11 notice of meetings on the ARB website.

12 We're talking millions of Californians that
13 recreate off road. And going back to the early days of
14 the two stroke motorcycle and the red sticker and
15 implementation back in the '90s, during that time, I
16 requested CARB to supply documents of percentage output of
17 emissions, which was not available, still not available.
18 The only thing I got was unit sale numbers from the
19 manufacturers.

20 Ms. Mitchell made a comment earlier about
21 permeation and vapor escape from motorcycles specifically.
22 I have a problem with that also. As Mr. Haris said, I,
23 too, have a log splitter and a pressure washer and a
24 rototiller and all the other lawn mower stuff that most
25 people have.

1 Guess what I store my reserve fuel in. Walmart
2 plastic five gallon gas cans. So I'm one guy and I've got
3 ten gallons worth of fuel in a plastic gas can. Is this
4 an issue? Are we going to have to have canisters on our
5 GI cans in the future? So I'm really suspect on that.

6 There's already a product available for your air
7 vent for your fuel tank, which is a one-way valve. And I
8 found the tipping test documents that were in here. Quite
9 curious also because there is \$1.99 retail product that
10 pretty much solves that problem.

11 Mr. Haris also alluded to most competition users
12 will drain their fuel tank post-event because the latest
13 fuels gum up the carburetor system so bad. You only go
14 through that once. So I didn't see any documentation or
15 study done in that area. And 20 percent of those are red
16 stickers. That's a pretty good chunk of vehicles where
17 we're not having emission standard problems.

18 Last, I asked that you table this vote today for
19 at least 90 days until you get involvement back from the
20 directors of State Parks General Jackson as well as Chris
21 Conlin from the OHV Division. He's the new Deputy
22 Director. So that staff can communicate between these two
23 agencies and sit down and see if we can figure out how to
24 move forward on this.

25 Thank you for your time.

1 CHAIRPERSON NICHOLS: Thank you. That completes
2 the list of witnesses, unless there is anyone else who
3 wanted to testify. So we can close the record I think at
4 this point.

5 But I will give staff an opportunity to respond
6 if you would care to either on the process or on the
7 specific points that Mr. Pickett made.

8 MONITORING AND LABORATORY DIVISION CHIEF
9 BENJAMIN: This is Michael Benzene. I would like to
10 respond to some of those questions.

11 The first relates to process. As you've heard
12 several times, including from industry, this has been a
13 seven-year regulation in the making. It's been very
14 expensive. We've had four public workshops throughout the
15 state. We've had more than 40 meetings with stakeholders,
16 specifically as regards to the State Parks Department.
17 They were at several of our workshops at the very
18 beginning of the regulation in 2006. In fact, I met with
19 one of their managers on development of the emissions
20 inventory in 2006. They were very much aware we were
21 planning to do this regulation.

22 Subsequent, they chose to subscribe to our list
23 serve for this regulation. So folks who are on that list
24 serve receive notification of all the workshops and all
25 the documents that are posted related to the rulemaking.

1 So we are aware that the State Parks Department
2 has been very much involved, both personally through
3 meetings that we have had with them at the beginning of
4 the rulemaking as well as subsequent meetings that we have
5 had with them to develop the emissions inventory and other
6 aspects of the rule.

7 So we have been very engaged with them. And they
8 have had many opportunities to be involved.

9 CHAIRPERSON NICHOLS: Having been a former
10 Secretary of that agency and quite involved with the Parks
11 Department, I would be surprised if they were contributing
12 directly as far as the technology issue was concerned.
13 Their concern is mainly with making sure that there are
14 adequate opportunities for riders. That is, places for
15 people to ride off-road.

16 MONITORING AND LABORATORY DIVISION CHIEF
17 BENJAMIN: That is correct. Areas where we had extensive
18 discussions with them had to do with issues of usage. So,
19 for example, the red sticker program you've heard a lot
20 about are how many of the bikes, for example, are being
21 operated in some of these areas, what the population of
22 these vehicles is. So that's where our discussions with
23 them focus. That seemed to be the areas that were of
24 greatest concern to them.

25 I think another question that's come up a few

1 times is the issue of storage of gasoline in these
2 vehicles. As part of the regulatory development process,
3 ARB funded a study that was done by Sacramento State
4 University in 2008 where they went out and they did a
5 phone survey of over 2,000 owners of OHRVs across the
6 state and asked them many questions about their usage and
7 storage of their equipment.

8 One of the questions that was asked explicitly
9 was: How many of you store your piece of equipment with
10 fuel in it? And the response from about 2,000 respondents
11 was that two-thirds of them store their vehicle with
12 gasoline in it, and one-third of them empty the tank.

13 So clearly it's an issue. I think the results of
14 the survey don't discount what you've heard today, which
15 is some users do chose to drain the tanks, some don't. I
16 just wanted you to be aware that was accounted for in our
17 emissions inventory and in our thought process in
18 developing this regulation.

19 CHAIRPERSON NICHOLS: Thank you. Any additional
20 Board member questions or comments?

21 Ms. Mitchell.

22 BOARD MEMBER MITCHELL: Thank you, Chairman.

23 I would just want to affirm what Supervisor Gioia
24 has earlier said that I think the 2018 date is adequate.
25 I mean, if it takes 18 months for your R&D and we're still

1 five years out from 2018 and the economic forecast is good
2 for recovery, I believe that is adequate time.

3 I mean, we have on the other side of the balance
4 sheet here the obligations of this agency to improve air
5 quality and reduce harmful emissions. And so we are
6 always balancing that obligation against what the industry
7 and the economy may demand. So I think we're doing a good
8 job here of balancing that. I thank staff for all the
9 work they've done on this regulation. And I do think the
10 2018 date is appropriate.

11 CHAIRPERSON NICHOLS: Okay. Well, having gotten
12 to this point then, I guess we're ready for a motion.

13 BOARD MEMBER GIOIA: I'll make a motion to adopt
14 the proposed regulatory language based on the staff
15 recommendation with the suggested modifications limiting
16 applicability to the OHRV red sticker as proposed by the
17 staff with the direction of setting a date to come back I
18 can include that in the motion or not depending on -- so
19 let's start off -- maybe the date should be June 30th,
20 2016. You dated possibly December 30th, 2015. Why don't
21 we be a little more aggressive. December 30th of 2015.
22 You can always come back and say we need more time.

23 CHAIRPERSON NICHOLS: Staff, of course, always
24 hates it when we give them directions to do --

25 BOARD MEMBER GIOIA: Is that something that's

1 okay? I think it accommodates some of the concerns also
2 of South Coast on setting a date.

3 CHAIRPERSON NICHOLS: It's sending a signal this
4 is going to move forward.

5 BOARD MEMBER MITCHELL: Supervisor, would that
6 date be for review of the determinations of the red
7 sticker program?

8 BOARD MEMBER GIOIA: Yeah. Right. For the
9 December 30th, 2015.

10 CHAIRPERSON NICHOLS: And with that, would you
11 like to second the motion?

12 BOARD MEMBER MITCHELL: I will second it.

13 CHAIRPERSON NICHOLS: All right. Any additional
14 comments or discussions?

15 If not, let's proceed to a vote then. I don't
16 think we need to do a roll call. I think we'll just ask
17 for a people to say aye or nay. All in favor, please say
18 aye.

19 (Aye)

20 CHAIRPERSON NICHOLS: Opposed.

21 Any abstentions?

22 All right. Very good. Thank you, staff. I
23 think we should take about a five-minute break for the
24 court reporter and to shift the personnel in the front row
25 here. Will that work? Okay.

1 (Whereupon a recess was taken.)

2 CHAIRPERSON NICHOLS: We are ready to resume.
3 We'll ask you to take your seats, please.

4 The next agenda item is the AB 118 Air Quality
5 Improvement Program, otherwise known as AQIP, funding plan
6 for fiscal year 2013-14.

7 And I know we have quite a few people who want to
8 talk about this item this morning, so we'll try to get
9 right to it.

10 The funding plan is the Air Resources Board's
11 blue print for how we intend to expand the \$35 million
12 appropriated for incentive projects in the proposed fiscal
13 year for 2013-2014 budget. The plan establishes ARB's
14 priorities for this funding cycle and describes the
15 projects that we plan to fund as well as setting funding
16 allocations. This represents the fifth funding cycle for
17 AQIP, a program which has very successfully begun to
18 introduce the next generation of clean vehicles and
19 equipment in California's fleet.

20 The success is no more readily apparent than in
21 the Clean Vehicle Rebate Project, where we have issued
22 over 26,000 rebates since 2010 with more than half of
23 those issued in the last fiscal year alone. These
24 investments are an important step in the fundamental
25 transformation of the California vehicle fleet to one with

1 widespread use of zero and near-zero emission vehicles.
2 And these incentive funds that we've been able to provide
3 have been a major factor in the transformation. But with
4 success also comes challenges in balancing limited funding
5 with growing consumer demand for these vehicles. And I
6 know that staff are planning to describe these challenges
7 in more detail.

8 So I'll turn it over to Mr. Corey.

9 DEPUTY EXECUTIVE OFFICER COREY: Yes, thank you,
10 Chairman Nichols.

11 AB 118 created the Air Quality Improvement
12 Program, or AQIP, which provides ARB with between 30 to
13 \$40 million annually depending on revenues through 2015 to
14 invest in clean vehicles and equipment, projects, reduce
15 criteria pollutants and air toxics often with concurrent
16 greenhouse gas emission reduction benefits.

17 AQIP provides the opportunity to fund projects
18 not covered by the incentive programs which primarily
19 focus on near-term emission reductions from fully
20 commercialized technologies.

21 In the program's first few years, we use these
22 funds to help accelerate the introduction of the advanced
23 motor vehicle technologies just coming to market, such as
24 hybrid trucks and buses, zero emission passenger cars.

25 Widespread use of these technologies will help

1 meet our post-2020 air quality emission reduction targets
2 and the 2050 climate change goal.

3 This year's funding plan continues the clean
4 vehicle rebate project, hybrid, and zero emission
5 passenger vehicle and truck incentives, as well as
6 advanced technology demonstration project funding. The
7 funding plan continues coordination with California Energy
8 Commission, which supports the necessary infrastructure.
9 In fact, we're joined today by Randy Roesser with the CEC
10 at the table with us. Finally, this year's plan also
11 provides funding for the Truck Loan Assistance Program.

12 As indicated, demand for these projects, in
13 particular, AQIP's deployment, projects is expected to
14 outstrip available funding late this year. Because of
15 this, staff is engaging the Board members and stakeholders
16 on a process to develop a longer-term structure for the
17 program. We plan to return to you in September 2013 with
18 an update on recommendations for modifications resulting
19 from the staff analysis and stakeholder work.

20 Lisa Macumber of the Innovative Strategy Branch
21 will present staff's proposal.

22 (Thereupon an overhead presentation was
23 presented as follows.)

24 AIR POLLUTION SPECIALIST MACUMBER: Thank you,
25 Mr. Corey.

1 Good morning, Chairman Nichols and members of the
2 Board.

3 We are here to present our plan for expenditure
4 of this fiscal year's funds under the Air Quality
5 Improvement Program, known as AQIP. Overall, this program
6 has been highly effective in promoting advanced
7 technologies into the California marketplace. However,
8 the program today is at an important crossroads. As you
9 will see throughout this presentation, because of our
10 success, our projects have outgrown available AQIP
11 funding.

12 In light of our limited funding, today we are
13 recommending continued investments in our largest and most
14 successful projects for the 2013-2014 fiscal year. And
15 we'll engage the Board in a discussion of AQIP priorities
16 moving forward to ensure that the program is sustainable
17 and continues to transform the California fleet to zero
18 and near-zero emission technologies.

19 --o0o--

20 AIR POLLUTION SPECIALIST MACUMBER: AQIP is one
21 of three incentive programs created by Assembly Bill 118
22 signed in 2007. The other two programs are administered
23 by the Bureau of Automotive Repair and the California
24 Energy Commission. The Bureau of Automotive Repair funds
25 early vehicle retirement, while the Energy Commission

1 focuses on fuel and vehicle projects that help meet
2 California's climate change goals. I will provide more
3 detail on our coordination with the Energy Commission
4 later.

5 AQIP has funding authority for up to \$35 million
6 each year from a variety of fees to pay for clean vehicle
7 and equipment projects designed to reduce criteria
8 pollutants and toxics with concurrent climate change
9 benefits. In recent years, our revenue has come in lower
10 than anticipated, resulting in about \$25 million annually
11 for the program.

12 AQIP is ARB's only incentive program with
13 statutory authority to target mobile source
14 technology-advancing projects that are critical to meeting
15 California's post 2020 air quality and climate change
16 goals.

17 --o0o--

18 AIR POLLUTION SPECIALIST MACUMBER: In the first
19 year of the program, the Board approved guiding principles
20 that have guided subsequent years funding priorities.
21 These principles emphasized the need to support the
22 development and deployment of advanced technologies and
23 focus program funds in areas underserved through other
24 incentive programs.

25 In support of this, ARB's AQIP investments have

1 funded deployment of advanced technologies which are the
2 basis for the transformation of the vehicle fleet
3 necessary to meet our long-term air quality and climate
4 change goals. As you will see later in the presentation,
5 considering the rapid growth in consumer and fleet demand
6 for these technologies, it is clear we have been
7 tremendously successful at an early stage.

8 While this year's proposed funding plan follows
9 these same guiding principles, we must recognize that they
10 were developed at a time when AQIP had adequate funding to
11 fully meet demand. While staff believes these guiding
12 principles remain applicable and should continue to serve
13 as the foundation for the program moving forward, we also
14 recognize that in the long term, AQIP is not sustainable
15 at current funding levels without changes that account for
16 the exponential growth and unquestionable success of the
17 program.

18 --o0o--

19 AIR POLLUTION SPECIALIST MACUMBER: Advanced
20 technologies face many deployment barriers, and AQIP helps
21 bridge the gap until they become main stream primarily
22 through reduced production costs and raising consumer
23 acceptance.

24 AQIP further supports the transfer of technology
25 to sectors. For example, zero emission battery electric

1 and fuel cell vehicle technology is beginning to make the
2 jump from light-duty vehicles to heavy-duty trucks and
3 buses.

4 --o0o--

5 AIR POLLUTION SPECIALIST MACUMBER: AQIP projects
6 provide both immediate emission reductions from the
7 vehicles directly funded, and more importantly provide the
8 critical down payment for greater reductions in the future
9 associated with large scale deployment of advanced
10 technologies.

11 As previously mentioned, these investments
12 complement ARB's other incentive programs which focus on
13 near-term emission reductions from fully commercialized
14 technologies.

15 AQIP investments in advanced technologies and
16 complementary AB 118 investments by the Energy Commission
17 also help stimulate business growth in the state. Derived
18 using jobs-related data from the United States Bureau of
19 Economic Analysis, staff estimates that AQIP alone
20 supports over 2200 jobs.

21 Additionally, some of the vehicles and vehicle
22 components funded under AQIP are manufactured in
23 California. And these vehicles and equipment are
24 distributed through extensive dealer networks. As more of
25 these vehicles enter the California fleet, there will be

1 increasing demand for a well-trained workforce to design,
2 build, service, and maintain these new technologies.

3 --o0o--

4 AIR POLLUTION SPECIALIST MACUMBER: ARB's and the
5 Energy Commission's AB 118 programs have similar goals,
6 making coordination vital to their continued success.
7 While ARB's investments have focused on clean car and
8 truck deployments and a wide array of demonstrates, the
9 Energy Commission's deployment program makes annual
10 investments of about \$100 million a year for a broader
11 variety of projects. These include the development,
12 demonstration, and deployment of alternative fuels,
13 infrastructure in vehicles, manufacturing support, and
14 workforce development.

15 As you can see from the dashed lines, there are
16 close relationships between the investments made between
17 the two programs. Their close coordination and
18 complimentary nature has resulted in the mutual success of
19 the overall AB 118 program.

20 For example, over the last several years, the
21 Energy Commission has made significant investments in
22 fueling infrastructure, which are critical to ensure a
23 successful zero emission vehicle roll out in California,
24 while also providing a total of \$18.5 million in
25 additional funding for clean car rebates and advanced

1 technology truck deployments. This effort will continue
2 into the 2013-2014 fiscal year, with an additional \$20
3 million for infrastructure development and \$5 million for
4 clean car rebates.

5 I'd like to note the Energy Commission is here
6 today at the table in support of our recommendation.

7 --o0o--

8 AIR POLLUTION SPECIALIST MACUMBER: Since the
9 program's inception, about \$156 million has been invested
10 to date. The largest two categories funded by AQIP
11 include vouchers for advanced technology trucks and buses
12 and rebates for clean cars.

13 Demonstration projects have been an important
14 part of AQIP in each year as well accelerating
15 technologies on the cusp of commercialization.

16 This slide shows how the allocation of roughly
17 \$30 million for the Truck Loan Assistance Program that
18 provides financing to help truckers impacted by the diesel
19 fleet rules.

20 In March, we reported that the loan program had
21 seen a significant increase in popularity, which continue
22 today, as we move closer to the January 1st, 2014,
23 compliance date for the truck and bus regulation.

24 --o0o--

25 AIR POLLUTION SPECIALIST MACUMBER: This slide

1 illustrates that more progress is required before we reach
2 a point where public incentives are no longer needed.
3 Incentives will likely remain necessary until main stream
4 consumer acceptance and broad market diversity is achieved
5 and the costs associated with advanced technologies comes
6 down. We have a long way to go before the advanced
7 technology passenger and commercial vehicle market is both
8 self-sustaining and on a trajectory to meet our air
9 quality and climate change goals.

10 An important and outstanding question is
11 identifying when incentives are no longer needed for a
12 specific project or advanced vehicle technology. Over the
13 course of the upcoming year, we intend to assess AQIP's
14 projects in conjunction with stakeholders and identify
15 more specific metrics to better inform when public
16 investments are no longer needed.

17 --o0o--

18 AIR POLLUTION SPECIALIST MACUMBER: And now I
19 will present our proposed fiscal year 2013-14 funding
20 plan. It's important to highlight that this year we are
21 in a transitional phase with AQIP. The projects we fund
22 have growing needs. Yet, we have a very limited budget.
23 As you'll see in a moment, this is the first time we are
24 recommending that we continue to work with our
25 stakeholders on this funding plan after it is adopted, as

1 we are proposing to return to the Board in September with
2 an update on our funding status and further appropriate
3 recommendations.

4 Over the next year, we will continue working with
5 our stakeholders to identify potential long-term changes
6 to help meet our clean air goals while ensuring a more
7 fiscally sustainable program.

8 --o0o--

9 AIR POLLUTION SPECIALIST MACUMBER: For this
10 year's funding plan, we considered many key principles
11 that support the recommendations we're presenting to you.

12 First, the constrained budget played a key role
13 in recommending funding levels for each project.

14 Next, it's important to continue the streamlined
15 project design that consumers and fleets have come to
16 expect.

17 We also considered the current stage of
18 technology readiness. For example, zero emission
19 passenger cars are more widely available today than zero
20 emission trucks, so more funding is proposed to be
21 directed towards the light duty market.

22 Market stability is an important principle
23 because most of the advanced clean technologies needed for
24 long-term emission reductions are still very early in
25 their development.

1 All of the proposed projects also help to support
2 regulatory goals and programs, especially the advanced
3 clean cars, the ZEV mandate, and the truck and bus
4 regulation.

5 Each of the recommended projects is designed to
6 integrate with current or upcoming planning efforts,
7 including the State Implementation Plans, Scoping Plan
8 updates, and the Sustainable Freight Plan.

9 Finally, our proposal is designed to accommodate
10 any potential additional funding that could be added to
11 the program over the next fiscal year.

12 --o0o--

13 AIR POLLUTION SPECIALIST MACUMBER: Staff
14 proposes to continue directing most of the year's funds to
15 the two largest projects: The Clean Vehicle Rebate
16 Project, more commonly known as CVRP, and the hybrid and
17 zero emission truck and bus voucher incentive project,
18 commonly known as HVIP.

19 Both projects saw rapid growth in this past year,
20 which we expect to be a continuing trend. This year,
21 staff is proposing to add the Truck Loan Assistance
22 Program as a new AQIP deployment project. This program is
23 critical in that it provides one of the only sources of
24 incentive funds for truck operators seeking to upgrade
25 their vehicles to newer cleaner models, especially in

1 accelerate the next generation of advanced emission
2 reduction technologies with a focus on those within three
3 years of commercialization. We already have 13 projects
4 in progress or completed, demonstrating advanced
5 technology emission controls on locomotives, marine
6 engines, commercial lawn and garden equipment, and school
7 buses.

8 The projects we have funded thus far are yielding
9 exciting results and providing a more important emission
10 reduction. For example, our hybrid tug retrofit project,
11 which we funded in the first year of the program, provides
12 emission reduction in and around the ports of Los Angeles
13 and Long Beach. And just last month, received U.S. EPA
14 verification, thereby opening the path for future Carl
15 Moyer program funding.

16 Additionally, our investments in Tier 4 gen-set
17 switchers and diesel particulate filters for locomotives
18 help reduce cancer risk at the California rail yards, and
19 spur larger investments from rail roads than otherwise
20 expected.

21 Finally, our zero emission school bus
22 demonstrations help promote California-built buses, while
23 reducing children's exposure to cancer-causing and
24 smog-forming chemicals.

25 Continued public investment in demonstration

1 projects, such as these, provides essential funding needed
2 to invent, develop, test, and introduce cutting edge
3 emission-reducing technology across all sectors in
4 California and predominantly in environmental justice
5 communities.

6 Priorities for the new funding cycle include
7 locomotives nearing Tier 4 emission levels, expanded
8 marine vessel hybridization, marine transit vehicles,
9 which is a carry over project from last year since AQIP
10 revenues are insufficient to fund the project.

11 --o0o--

12 AIR POLLUTION SPECIALIST MACUMBER: AQIP is the
13 primary funding source for the Truck Loan Assistance
14 Program. This program enables lenders to provide
15 affordable financing to small business owners that fall
16 just outside conventional underwriting standards and that
17 may not qualify for traditional financing. Financing is
18 used to upgrade or retrofit trucks ahead of regulatory
19 compliance schedules for existing in-use fleet rules.
20 Without this program, there may be no financing options
21 for these business owners.

22 As we reported in March, this program is
23 currently administered by the California Pollution Control
24 Financing Authority, or CPCFA. Today, we have Renee
25 Webster Hawkins with CPCFA to help answer any questions

1 you may have.

2 What makes this program so unique is it has been
3 critical in reaching populations in California most in
4 need of economic assistance. For example, 79 percent of
5 the loans are to single truck owner/operators, 96 percent
6 of loans are to companies with ten or fewer employees, 87
7 percent of borrowers self-identify as a member of a
8 minority group.

9 So far, ARB has invested over \$28 million in the
10 program, supporting about 2800 loans and leveraging nearly
11 \$190 million in financing. This equates to over \$6.00 in
12 private financing for every public dollar invested.

13 These investments have resulted in financing for
14 over 3,000 cleaner trucks, nearly 200 exhaust retrofits,
15 and 16 SmartWay aerodynamic trailers.

16 Due to the success of the program, less than \$5
17 million remains, and a total of \$4 million are needed to
18 carry the program through the end of December. \$14
19 million are needed through June of 2014.

20 Because a long term need for this program exists,
21 staff are continuing to look at options for extending this
22 program into 2014 and beyond and plan to return in
23 September with potential recommendations.

24 Additionally, in the next item on the agenda
25 today, you will hear staff's recommendation for similar

1 financing options through the Goods Movement Program that
2 will target truck operators along California's trade
3 corridors and should help relieve some of the financial
4 pressures on this project.

5 --o0o--

6 AIR POLLUTION SPECIALIST MACUMBER: Next is the
7 hybrid and zero emission truck and bus voucher incentive
8 project, or HVIP. Since its inception, HVIP has provided
9 over \$50 million in vouchers for California fleets to buy
10 down the incremental cost of hybrid or zero emission
11 trucks. The project's streamlined approach has proven to
12 be successful with California fleets, vehicle dealers, and
13 manufacturers.

14 HVIP vouchers for California fleets have helped
15 expand the nation's entire truck fleet by almost 40
16 percent and the electric truck fleet by 75 percent. As of
17 late May, all previously allocated funding for HVIP has
18 been depleted. Although staff expects a \$5 million
19 minimum allocation to only last a few months and to fund
20 only about 200 vehicles, we believe this investment is
21 necessary for continuing the important momentum that is
22 underway to bring advanced technology trucks to
23 California. Staff projects that the demand for HVIP this
24 year could reach up to \$25 million under the project's
25 current structure.

1 --o0o--

2 AIR POLLUTION SPECIALIST MACUMBER: HVIP has paid
3 for over 1700 vehicles through vouchers averaging about
4 \$30,000 per hybrid truck and about \$35,000 per electric
5 truck. Hybrids make up three quarters of the vouchers
6 issued while electric trucks comprise the remaining
7 one-quarter. Until this past year, large fleets were
8 responsible for most advanced technology truck and bus
9 purchases. These fleets, which include beverage companies
10 such as Coca-Cola and Pepsi and parcel delivery companies,
11 such as UPS and FedEx, have historically been early
12 adopters of advanced technology vehicles.

13 The market for clean trucks recently expanded
14 with the introduction of a more economical hybrid truck
15 manufactured by Hino Motor Company. Hino hybrid trucks
16 are popular with smaller fleets that have not previously
17 purchased hybrid vehicles, thus expanding this technology
18 into new markets. This has been important not just for
19 HVIP, but for the hybrid truck market overall.

20 --o0o--

21 AIR POLLUTION SPECIALIST MACUMBER: With the
22 entry of new hybrid trucks from Hino and the interest of
23 smaller fleets in hybrid truck technologies, voucher
24 demand has begun to grow again. Based on initial interest
25 from fleets at the end of this past fiscal year, we expect

1 demand to continue to grow.

2 --o0o--

3 AIR POLLUTION SPECIALIST MACUMBER: In response
4 to growing demand and to better ensure vouchers are
5 available to more fleets, we are proposing to limit
6 vouchers from 200 down to 100 per fleet each year. It is
7 unlikely that any one fleet will reach the new voucher
8 limit, as demand trend is shifting from larger fleets
9 requesting dozens of vouchers to smaller fleets requesting
10 three or fewer vouchers.

11 Additionally, we are proposing a number of
12 technical changes to further incentivize the most
13 efficient and advanced technologies. This includes
14 strengthening the minimum warranty requirements and
15 offering higher voucher amounts for extended warranty and
16 fast charge capable trucks. Base voucher amounts will
17 remain unchanged from the previous year, although we are
18 proposing a new method for determining hybrid vehicle
19 incremental cost.

20 Last, we propose to set aside a portion of the
21 HVIP allocation for the purchase of advanced technology
22 trucks in the Goods Movement Program.

23 These changes aim to further the deployment of
24 more advanced and robust hybrids and zero emission
25 technologies and should modestly extend funding

1 While vehicle manufacturers are responding to
2 market needs by offering lower points CVRP continues to be
3 a critical factor in consumers' purchasing decisions. In
4 response to surveys conducted by the California Center for
5 Sustainable Energy, our administrator for CVRP, 93 percent
6 of respondents that received rebates stated that the
7 rebate was an important motivating factor in their
8 purchasing decision.

9 Staff is proposing a minimum allocation of \$10
10 million for CVRP, which when combined with \$5 million
11 approved by the Energy Commission from their AB 118 funds
12 brings the total this fiscal year to \$15 million.

13 Staff recognizes that this amount is less than
14 half of the funding needed to support the program for an
15 entire year. And in the next few slides, I will update
16 you on the efforts we have made and will continue to make
17 to transition CVRP into a program that is more
18 sustainable.

19 --o0o--

20 AIR POLLUTION SPECIALIST MACUMBER: Since the
21 initial launch in early 2010, demand has continued to
22 accelerate, with over \$58 million invested to close to
23 30,000 rebates. In fact, two-thirds of all rebates have
24 been issued in this last year alone. Since last fall,
25 rebates requests have climbed dramatically, hitting an all

1 time high in March at just over 2,350 rebate requests,
2 totaling almost \$5 million.

3 Consumer demand since then has remained steady,
4 with over a million dollars requested in rebates per week.
5 Given these trends, the need for the 2013-14 fiscal year
6 is likely over \$50 million.

7 --o0o--

8 AIR POLLUTION SPECIALIST MACUMBER: The graph
9 above illustrates just how rapidly the demand for CVRP
10 rebates has grown since the project began, and we expect
11 this strong growth to continue. It is an important
12 indicator of growing consumer awareness and confidence in
13 advanced technology passenger vehicles.

14 --o0o--

15 AIR POLLUTION SPECIALIST MACUMBER: The success
16 of CVRP is due in no small part to the growing
17 availability of clean vehicles in the marketplace. Today,
18 21 manufacturers offer almost 30 different makes and
19 models of zero-emission and plug-in hybrid vehicles. This
20 slide shows the break down or rebates for some of the most
21 popular models so far.

22 --o0o--

23 AIR POLLUTION SPECIALIST MACUMBER: While not
24 expected to significantly address the funding shortfall in
25 CVRP, staff is proposing a few administrative changes to

1 help simplify the project for consumers and maintain the
2 streamlined design that is a cornerstone of its success.
3 Specifically, we propose three changes.

4 First, standardizing zero-emission vehicle
5 rebates to reduce consumer confusion associated with
6 different zero-emission vehicle types.

7 Second, establishing a \$200,000 set aside for
8 public agencies.

9 And last, reducing the amount of rebates allowed
10 to individuals from 20 to 2 and increasing those allowed
11 for public fleets from 20 to 30.

12 A waiting list provision was not originally
13 recommended in the proposed funding plan. However, staff
14 has received considerable stakeholder input and recommends
15 that the Board grant authority to Executive Officer to
16 begin a waiting list, if warranted.

17 One issue we want to identify for the Board today
18 is the potential for increased timing needed to process
19 CVRP rebates to consumers. Historically, rebates have
20 been processed within four to six weeks. AQIP this year
21 is starting out with a zero balance, and it only gains
22 about \$2 million in revenue each month. The need for CVRP
23 alone is between 4 and \$5 million per month, in addition
24 to the real time funding needs of our other projects.

25 Staff recognizes that delays in rebate processing

1 will be disruptive to consumers in the marketplace and
2 will look for options to minimize delays.

3 --o0o--

4 AIR POLLUTION SPECIALIST MACUMBER: With the
5 growing demand we've just seen, the AQIP program is no
6 longer sustainable. CVRP alone has outgrown AQIP as a
7 funding source, impacting other key AQIP projects.

8 However, AQIP remains ARB's only stable funding
9 source for advanced vehicles truck loans and technology
10 demonstrations.

11 In developing the funding plan this year, staff
12 began discussions with stakeholders to consider changes in
13 AQIP projects, in particular, CVRP, to make them more
14 sustainable in the coming year.

15 As a result of many of those discussions and
16 significant stakeholder input, staff is not proposing any
17 significant changes to CVRP or any other AQIP projects at
18 this time. And we recommend that you approve the proposed
19 fiscal year 2013-2014 funding plan.

20 However, we recognize that continued focused
21 discussions with our stakeholders is needed to identify
22 near-term and long-term options for our various projects.
23 In addition to adopting this year's funding plan, we are
24 proposing to return to the Board in September with an
25 update and appropriate recommendations on CVRP and truck

1 loan assistance.

2 --o0o--

3 AIR POLLUTION SPECIALIST MACUMBER: Looking
4 ahead, the funding challenge in AQIP will only continue to
5 grow. Given the popularity of these projects, AQIP will
6 not be able to meet demand for any of the projects we've
7 recommended today.

8 However, to ensure the future success of AQIP, an
9 in-depth evaluation of the program's long-term
10 sustainability is planned. As part of this, staff will
11 begin evaluating key questions, such as:

12 When are advanced technology incentives no longer
13 needed?

14 At what point does the advanced technology
15 marketplace become self-sufficient?

16 What future technologies need public investment?

17 And are there other sources of funding that can
18 be utilized to support the program's goals.

19 Staff would like to begin that discussion today
20 by seeking guidance on the Board's future vision for AQIP,
21 including identifying areas for metrics to measure when
22 public incentives are no longer needed. Building on that,
23 staff will engage stakeholders through a process as part
24 of the development of next year's funding plan with
25 recommendations on addressing the long-term sustainability

1 of AQIP.

2 That concludes my presentation. At this time, I
3 would like to welcome and introduce Randy Roesser, Deputy
4 Director for the Fuels and Transportation Division of the
5 California Energy Commission.

6 CEC FUELS AND TRANSPORTATION DIVISION DEPUTY
7 DIRECTOR ROESSER: Thank you, Lisa.

8 It seems I'm always put in the position of
9 following an excellent presentation. So that's a hard act
10 to follow. I thought that was an excellent presentation
11 this morning.

12 On behalf of the California Energy Commission,
13 I'm happy to be here today to offer our support for ARB's
14 2013-14 AQIP funding plan.

15 I'm also pleased to confirm staff's earlier
16 comments and Lisa's presentation regarding the continued
17 cooperation and coordination between ARB and Energy
18 Commission staff. I think we continue to make strong
19 progress in working together and also to confirm that our
20 two funding programs themselves complement each other,
21 supporting California's climate change, air quality,
22 petroleum reduction, and economic goals. So I think our
23 agencies are working better every year -- working together
24 better every year and our programs continue I think as
25 they mature to complement each other in a better way.

1 I think a good example of the Energy Commission's
2 recognition of the value and our support of your AQIP
3 program is our recently approved 2013-14 Alternative and
4 Renewable Fuel and Vehicle Technology Program Investment
5 Plan, which does allocate \$5 million in support of your
6 CVRP, as Lisa mentioned in her presentation also.

7 Additionally, I want to publicly state that the
8 Energy Commission is committed to continue to work closely
9 with your staff to develop options for your consideration
10 to ensure the long-term viability of the CVRP. It's an
11 important goal, and we're very happy to offer whatever
12 support and help we can offer your staff here.

13 So I just want to conclude with saying thank you
14 for the opportunity to publicly affirm the Energy
15 Commission's support for this important 2013-14 AQIP
16 funding plan before you today.

17 CHAIRPERSON NICHOLS: Thank you very much.
18 Really appreciate your being here and the ongoing
19 cooperation between the two agencies.

20 Obviously, we share a common legislative
21 authorization here, and our missions are directly aligned
22 with each other and in some cases crossover. So it's
23 important that we stay closely coordinated.

24 It's very clear from the number of people who
25 have signed up to testify here and from the presentation

1 this morning that the amount of money that's allocated to
2 this program is far short of what the demand is.

3 On the one hand, I think those of us who have
4 been in positions either in government or in the private
5 sector where you're administering any kind of a grant
6 program become used to that fact, and it isn't necessarily
7 shocking or even always a bad sign that there is more
8 demand than there is money, because it indicates there is
9 a good reason for the money to have been put aside in the
10 first place. On the other hand, the gap here is very
11 great.

12 I think the other thing that's important and
13 again this was acknowledged in the presentation is that
14 our goals and our knowledge and sophistication have
15 advanced considerably since we first began this program,
16 which is also a good thing. But it means that this action
17 that we are being asked to take today is really I think
18 should be viewed more as a marker or a milestone as
19 opposed to something that is going to set in stone the
20 funding approach for the years to come. There's a lot
21 more work that needs to be done.

22 And just I'm going to say two things by way of
23 example. One obviously being the CVRP program where
24 through a combination of goals, mandates, and incentives,
25 we're now in the process of really trying to oversee a

1 very large scale introduction of zero emission vehicles
2 into the California fleet, but we don't necessarily have
3 all the information we need to know what the best way is
4 for the State to assist.

5 Many of us have some experience and ideas about
6 this, but the reality is that even now, despite the fact
7 that we are working together with the industry and with
8 academics and with utilities and others through a plug-in
9 electric vehicle collaborative effort, we still are
10 hearing very, very different things about how necessary
11 the incentives really are. How much the incentive really
12 is. What the best way to deliver the incentives might be.
13 And how long they're going to be needed until we see that
14 tipping point. We can't probably have perfect knowledge
15 about all of this. But I think we can do better certainly
16 than we have up until now.

17 And the other observation I would make just in
18 terms of divvying up a pie, which again is too small, is
19 the issue about the heavy-duty vehicles where we're seeing
20 tremendous advances in terms of zero-emission vehicles in
21 the fleet and eye-opening opportunities I guess I would
22 put it that way to achieve very large reductions in
23 emissions as well as move us towards our goals for
24 greenhouse gas emissions reductions through a more wide
25 scale deployment of some of these new types of equipment

1 in the heavy-duty sector, especially in trucks and
2 delivery vans all that kind of thing. The uses that we've
3 been seeing in places like UPS and others are very
4 impressive. A lot more opportunity there as well.

5 So just by -- that's just kind of an introduction
6 to make it clear to people in the audience, I hope, that
7 we're here to listen to your comments, and we appreciate
8 your comments. But we also recognize that there is a lot
9 more work that's going to need to be done on this topic.

10 And I think with that we probably just should
11 start calling the witness list. So let's begin with Henry
12 Hogo back again for a repeat performance. Damian Breen,
13 Daniel Davids, and then I'll call the next three.

14 BOARD MEMBER RIORDAN: Madam Chair, before Henry
15 gets started, could I just express a moment of
16 appreciation to some of the people that are in the
17 audience. And that is for the launch of the 100 United
18 Parcel Vehicles. All of the people that contributed to
19 that through the programs we're talking about today, plus
20 some very generous donations, United Parcel launched 100
21 delivery vehicles for the State of California. Part of
22 those were funded, of course, by our good friends at the
23 Energy Commission. And we really thank you for that. I'm
24 very impressed with what we were able to do.

25 But we also had the contribution of the Air

1 Quality Districts, South Coast, San Joaquin, and
2 Sacramento, besides ourselves, becoming involved to be
3 able to launch those vehicles, which are going to be in
4 our neighborhood on a daily basis. And I just have to say
5 thank you for that effort. And thank you to the staff
6 that helped make that happen. United Parcel is very
7 appreciative of our efforts, but I have to say it was a
8 great opportunity to collectively work with all of our
9 partners here in the effort to clean up the air. So thank
10 you very much. And we hope you'll do more.

11 CHAIRPERSON NICHOLS: Thanks, Barbara. I think
12 that's just one of many tributes that we could be bringing
13 here in terms of great things that have been accomplished
14 with the funds that are available and people coming
15 together to make up the pot that's needed.

16 Okay. Henry, go ahead.

17 MR. HOGO: Thank you, Chairman Nichols and
18 members of the Board. Henry Hogo with South Coast Air
19 Quality Management District.

20 I'm here in support of the proposed funding
21 allocation in the fiscal year plan. We believe it's
22 appropriate to allocate the funds.

23 We do have a small request relative to the
24 advanced technology demonstration category. At this time,
25 staff is proposing to include locomotives and marine

1 vessels. We believe the other categories that are listed
2 on page 32 and 33 are equally important. In fact, we are
3 working on zero-emission trucks, overhead catenary
4 electric trucks. We're even looking at plug-in hybrid
5 trucks that can get all-electric range.

6 We're also looking at the next generation of
7 freight and passenger locomotives. We're asking our Board
8 to release a request for information moving ahead with LNG
9 locomotives that can go beyond Tier 4 levels. So we
10 believe a couple of the categories listed here are vitally
11 important. We believe if you include all these categories
12 as priority, we can see what type of projects and
13 opportunity is going to arise. If we keep them as a
14 second tier, we may be delaying the opportunity to hear
15 from stakeholders as to what type of technologies can be
16 brought forward.

17 So we would request that you consider having
18 these other categories, especially the advanced freight
19 transport and the hybrid and other advanced locomotives
20 technology category be considered with the primary
21 categories.

22 CHAIRPERSON NICHOLS: Thank you.

23 Damian.

24 MR. BREEN: Good morning, Chair Nichols and
25 members of the Board.

1 This morning, I will be addressing you on behalf
2 of the California Air Pollution Control Officers
3 Association. And then I'll add one comment at the end on
4 behalf of the Bay Area Air Quality Management District.

5 CAPCOA has been a strong supporter of the CARB
6 ZEV program since its early development and also supports
7 the use of incentive funding to encourage the adoption of
8 electric vehicles and to reduce heavy-duty diesel
9 emissions.

10 The EV industry and like this program is at a
11 critical point in its development. New vehicles are being
12 introduced that address all of the wide range of needs
13 that the public has and surveys have shown that incentives
14 are still very important in consumer decisions about
15 electric vehicles because they address the cost
16 differential between EV and IC engines and help overcome
17 anxiety about new technologies.

18 CAPCOA supports the staff proposal to continue
19 the incentive funding for EVs at its current level. We
20 understand that there are funding shortfalls in the
21 program, and we support a stakeholder process to identify
22 ways to address the shortfalls and establish metrics to
23 help us better target these funds and track the program's
24 success.

25 Districts have a wealth of experience in

1 implementing incentive programs and are ready to support
2 this effort.

3 Local air district have worked collaboratively
4 with ARB on incentive funding and are the co-sponsors of
5 SB 11 (Pavely) and AB 8 (Perea), and that would extend
6 funding for the Carl Moyer Program local diesel reduction
7 grants and funding for this program under AB 118. CAPCOA
8 associates this opportunity to address the issue in front
9 of you.

10 On behalf of --

11 CHAIRPERSON NICHOLS: Now with your other hat.

12 MR. BREEN: On behalf of the Bay Area Air
13 District, we are very appreciative of what the proposal
14 that staff has put forward today. We are concerned that
15 small trucking and small fleets are supported in terms of
16 making their effort to come into compliance. That will be
17 critical over the next couple of years. So if funding
18 does come available, we would ask the Board to consider
19 that funding to be put in place for both the electric
20 vehicles and those trucks. Thank you very much.

21 CHAIRPERSON NICHOLS: Thank you.

22 Daniel Davids.

23 MR. DAVIDS: Thank you, Madam Chairman and
24 distinguished Board members.

25 My name is Daniel Davids. I represent the

1 California-based nonprofit Plug-In America. We have
2 submitted our written support for this staff proposal
3 separately, but I just have a few remarks.

4 We think that the incentives in order to
5 stimulate market demand are absolutely critical going
6 forward. Plug-In America did draw national attention
7 about two months ago and celebrated our having nationally
8 reached the 100,000 vehicle mark as a milestone. And
9 largely a lot of that was due to trying to counter
10 negative media publicity about how PEVs are a failure in
11 the marketplace.

12 Of course, those who are close to it doesn't
13 think that at all. Certainly the uptake rate is arguably
14 twice or two-and-a-half times of that of hybrids from
15 about ten years ago.

16 Despite that success, we were reminded two days
17 ago at a PEV collaborative meeting in San Francisco by the
18 auto makers that this industry -- this partial sector of
19 the industry is really still in its infancy. The numbers
20 are really quite small. And so incentives like this are
21 absolutely critical going forward.

22 One of Plug-In America's proudest achievements
23 was our intense involvement a number of years ago in
24 obtaining the \$7500 tax credit at the federal level and
25 expanding that to 200,000 vehicles per manufacturer and

1 then ramping down after that, this is about a \$12 billion
2 commitment. We think that's commensurate with perhaps
3 taking the marketplace to the next milestone, arguably one
4 million vehicles on the road. And we think that's the
5 level that's needed. The California rebate should work in
6 concert with that. But as the Chairman pointed out,
7 there's quite a shortfall there.

8 I just wanted to share one observation that we've
9 done a lot of work in other states and, in particular, the
10 state of Hawaii. They had a rebate program. Their
11 funding ran out in the middle of last year. And PEV sales
12 frankly dropped off a cliff at that point. They've
13 steadily recovered somewhat since then, but definitely
14 there were quite a loss of sales because of that.

15 Up until that point, Hawaii was duking it out
16 with California for the highest per capita penetration of
17 PEV sales. So Plug-In America looks forward to continued
18 working with staff on metrics and trying to nail down
19 things like the price elasticity or rebate elasticity
20 issue around sales decisions. Thanks very much.

21 Oh, I have one other comment. Having listened to
22 the evaporative emissions issues discussions earlier, it
23 strikes me that the easiest way to deal with that is to
24 not create the emissions in the first place. So why not
25 electrify these vehicles. Certainly Zero build its entire

1 business on off-road motorcycles.

2 CHAIRPERSON NICHOLS: Thank you.

3 Okay. We'll hear next from Matt Schrap and then
4 Steven Douglas and Jamie Hall.

5 If you could be ready when your time comes so we
6 can move through the list more quickly.

7 MR. SCHRAP: Thank you. I had to come from the
8 entire other side of the room over there. I appreciate
9 it.

10 Thank you, Madam Chair and Board members. My
11 name is Matt Schrap. I'm Vice President of Government
12 Programs at Crossroads Equipment Lease and Finance and the
13 Velocity Vehicle Group Companies.

14 We appreciate the opportunity to share our
15 support regarding the AQIP funding plan, but today for one
16 program in particular, as it is sometimes referred to the
17 Providing Loan Assistance for California Equipment, or
18 PLACE, Truck Loan Assistance Program that is administered
19 through the Treasurer's Office highly successful,
20 California Capital Access Program, or CalCAP.

21 The Truck Loan Assistance Program is, in fact,
22 the most integral funding program available today for
23 small to medium size businesses in California. Leading to
24 the consensus that the \$2 million currently allocated,
25 although a step in the right direction, is not enough.

1 There is a reason that this program is so successful.

2 Crossroads, as well as our partnering
3 participating lender partners, have been able to help
4 business secure commercial financing in one of the
5 tightest credit markets in recent history. Without this
6 program, most of the businesses would not be been able to
7 secure the needed capital for equipment purchases required
8 by State law. It is State turnover mandates, not mean
9 stream consumer acceptance, that is driving these
10 transactions.

11 In that vain, it is also important to remember
12 that the PLACE Program has not only helped those
13 individuals and businesses who cannot qualify commercial
14 credit on their own, but also has also been successful in
15 reducing particulate matter and NOx emissions by one ton
16 and 4.5 tons per day respectively.

17 In addition to reducing emissions, the program
18 has been able to create and retain jobs. According to the
19 Treasurer's Office, close to 300 new jobs were created and
20 over 1500 jobs retained in 2012 alone because of these
21 enrolled truck loans. Whether funds are distributed
22 through AQIP, 1B, or other funding sources, the program
23 must go on. It should not be eclipsed by rebate vehicle
24 purchases for consumers or businesses who can already
25 afford particular configurations or platforms. There are

1 literally tens of thousands of small- and medium-size
2 businesses all over the state who need your help.

3 CARB found the leadership in 2009 to create this
4 program. And once again, the industry needs your
5 direction. Please, direct staff to support and maintain
6 the PLACE Program and seek out additional funds to keep
7 the wheels turning. I appreciate it. Thank You.

8 CHAIRPERSON NICHOLS: Thank you.

9 Mr. Douglas, welcome.

10 MR. DOUGLAS: Thank you, Chairman Nichols,
11 members of the Board. I'm Steve Douglas with the Alliance
12 of Automobile Manufacturers. The Alliance represents
13 twelve of the world's leading car and light truck
14 manufacturers. And it's a pleasure to be here today and
15 to express our association's strong support for the
16 staff's proposal.

17 We're also part of a large coalition of
18 organizations that support both the CVRP and the HVIP
19 program, and we support the comments that Eileen Tutt will
20 make later today on behalf of that coalition.

21 Yesterday, the Coalition met with Supervisor
22 Gioia. And before that meeting the staff asked, well,
23 what's the Coalition's goal? What's your goal? I
24 thought, well, it's a pretty simple goal. We want
25 zero-emission vehicles to succeed. We want to see a

1 vibrant and robust market for plug-in hybrid electric
2 vehicles, battery electric vehicles, and fuel cell
3 vehicles.

4 We share this goal with automobile dealers, with
5 environmentalists, with the utilities, and with the ARB.
6 And the CVRP is an absolutely necessary element in
7 achieving those goals. As the saying goes, it takes a
8 village to raise a child. And this technology in this
9 marketplace is very much in its infancy.

10 Success will require the efforts of the auto
11 makers, the federal government, the State, and local
12 governments, the utilities, and EV and ZEV enthusiasts
13 everywhere.

14 Auto makers have invested billions of dollars
15 developing, certifying, and producing these vehicles. And
16 for the first time in the 23-year history of the ZEV
17 program, battery electric and plug-in electric vehicles
18 are on the roads and in the dealerships today. And if we
19 can secure funding for hydrogen fueling infrastructure,
20 fuel cell vehicles will be here shortly as well.

21 There is no state that has supported the ZEVs
22 like California. And we can't afford to lose momentum or
23 to let this program stall now. We support the staff's
24 recommendations to continue the CVRP at its current level.
25 We believe it's essential to avoid confusion in the

1 marketplace and the resulted drop in sales and lease of
2 these vehicles. We are currently working with ARB and our
3 coalition partners to secure funding for at least at the
4 current level through this fiscal year.

5 And just finally, I'd like to sincerely thank
6 Chairman Nichols, your staff, and the Energy Commission
7 for the hard work and support for this program, not just
8 in bringing this package, but also over the last year
9 where there was a lot of work to ensure the funding was
10 there to ensure the rebates were there. It's critically
11 important for the ZEV program. It's critically important
12 moving forward. Thank you.

13 CHAIRPERSON NICHOLS: Thank you. I will take
14 advantage of your being here to thank you as well. This
15 has been a great engagement on the part of your
16 organization, on behalf of the industry as a whole, in
17 really a joint effort here to have a successful
18 marketplace for electric vehicles.

19 I do want to ask for your continued help as we
20 move forward to try to figure out how we are going to best
21 redesign this program so it can be a success onward into
22 the future. Because I know we have a common goal of
23 having these vehicles be cost competitive, you know, by
24 2020. And volume is obviously key to that.

25 But we need to make sure that we have a way of

1 structuring the incentives, delivering them that really
2 will work. Because if we were to attempt to try to get to
3 the Governor's one and a half million electric vehicle
4 goal by 2025, we would be talking about billions of
5 dollars, which we know we're never going to get.

6 So even if we are successful in maintaining the
7 program or even modestly expanding it, it would never
8 achieve those kinds of levels in terms of direct subsidy.
9 So figuring out what the mix is and the way of doing it
10 and having your help, because obviously this is a
11 competitive industry. We understand that. Each
12 manufacturer has their own products and their on visions
13 and plans. Even within our Board, we have people who have
14 different EVs that might be in competition with each
15 other. I'm getting ready to challenge Sandy Berg to a
16 little drag race here.

17 But the point is that the Alliance has a really
18 critical role to play here I think in terms of helping us
19 get the information and the perspectives that we need. So
20 I want to urge you to continue for your involvement and
21 thank you.

22 MR. DOUGLAS: Thank you.

23 CHAIRPERSON NICHOLS: All right. Jaime Hall and
24 then Angela Strand and Scott Lavery.

25 MR. HALL: Good morning. And thank you, Chairman

1 Nichols and members of the Board.

2 My name is Jaime Hall. I'm Policy Director for
3 CalSTART. Our members include auto makers, truck
4 manufacturers, and fleets, all of them whom care a great
5 deal about the AQIP program.

6 I'll say quickly I agree with everything that
7 Steve Douglas just said. And we are also part of this
8 broader coalition.

9 I'm here today to support the staff
10 recommendation for this funding plan. We know the current
11 resources are limited and believe staff has really struck
12 a good balance with the funding levels and also with
13 putting in place a reserve.

14 However, we are concerned about the funding
15 shortfalls for the both the CVRP and HVIP funding
16 programs.

17 We are at this point today because demand is
18 growing for zero-emission cars, trucks, and buses. This
19 is really a good problem to have. But the lack of
20 sufficient funding is a real threat to this market.

21 You'll hear quite a bit today about CVRP's
22 critical role in supporting the market for electric cars.
23 In fact, you just did. I'm going to share a few key
24 points on the heavy-duty incentives under the HVIP
25 program.

1 First, HVIP is incredibly important for this
2 market. There are no federal tax credits or incentives
3 for these trucks. Sales are dependant on programs like
4 HVIP.

5 Second, it really is working. It reduces costs
6 right at the point of purchase, which is exactly what
7 fleets say is necessary to get them interested in
8 purchasing these vehicles.

9 The program is one reason why the majority of
10 all-electric trucks nationwide have been deployed here in
11 California. Moreover, the majority of these are deployed
12 in heavy polluted communities where the air quality
13 benefits are needed most.

14 Third, HVIP is creating jobs today in California.
15 HVIP funding enabled Stockton-based Electric Vehicles
16 International to sell 100 California-made electric trucks
17 to UPS as we heard about earlier today. And another
18 company, Bolder EV, expanded to Chatsworth in part because
19 of HVIP incentives. These are just a few examples. There
20 are more, but time is limited up here.

21 Unfortunately, as you know, the program is
22 essentially on hold right now and not able to take
23 additional voucher requests due to insignificant funding.
24 The FY 13-14 funds that we're discussing today, when they
25 become available for HVIP, will not be enough to meet

1 demand, as staff noted. This delay in making the funds
2 available and the uncertainty about how much will be
3 available is really problematic for the market.

4 CVRP is in a similarly dire situation. We need
5 about 15 percent of new car sales to be zero-emission or
6 plug-in hybrid by 2025. This is not going to be easy.
7 And especially if you look at what happened in the past,
8 how long it took hybrids to achieve market success, we
9 need a much steeper rate here. So now is really not the
10 time to pull back on incentives.

11 In conclusion, we support the staff proposal and
12 are committed to working with you to ensure that AQIP
13 funding continues to support the market for these vehicles
14 in California. We think this is exactly what cap and
15 trade revenues were intended to do and we urge the
16 administration to dedicate funds to this purpose, and we
17 look forward to continuing to work with you and your staff
18 on this issue. Thank you.

19 CHAIRPERSON NICHOLS: Thank you.

20 Angela and then Scott Lavery and Eileen Tutt.

21 MS. STRAND: Hello. Chairman Nichols, Board,
22 thank you for allowing me a few minutes.

23 I'm Angela Strand with Smith Electric Vehicles.
24 We are a medium duty all-electric truck manufacturer. And
25 rather than repeat all of the sentiment earlier, obviously

1 I'm here in support of staff's proposal and urge you to
2 continue to look at other sources of funding as we help to
3 support what is now an industry with real momentum. Here
4 are a few facts that I think are relevant to the
5 discussion today.

6 Since Smith has started its U.S. entity in 2009,
7 it's put over 700 vehicles on the road. They've traveled
8 more than 6 million miles, offsetting 700,000 gallons of
9 fuel and 10,000 short tons of GHG. Over a third of those
10 vehicles are running on California roads today. There is
11 no question that the reason why this industry, the
12 all-electric truck industry, has accelerated is because of
13 the HVIP program. For the reasons that Jaime stated, the
14 way it's structured to allow fleets to have a rebate at
15 the point of purchase and the funds that have been
16 available and made very streamlined in administration.
17 There's no question.

18 Moving forward, and maybe a look to the future,
19 as Jaime mentioned, jobs are paramount. Smith, because of
20 its demand and because of the potential for continued
21 demand in the state, has started an exploratory exercise
22 to look at situating a manufacturing and assembly facility
23 here. We currently have a manufacturing facility in
24 Kansas City and have committed one in the Bronx in New
25 York City largely because of the funding and ZVIP program

1 they're about to launch.

2 And, secondly, we are at the very early stages of
3 launching a transit line, particularly in yellow school
4 bus. And as you are all probably aware, the World Health
5 Organization classified diesel exhaust as a group one
6 carcinogen about a year ago, which puts it on equal
7 standing with asbestos. So there is a considerable
8 opportunity to not only impact the environment, but to
9 protect young lungs as well. And we are very passionate
10 about launching that platform and would like to make
11 California really the leader, not only for the country but
12 for the entire world.

13 The last point that I'll just emphasize is that
14 California is in its leadership with HVIP. It's not just
15 a state or even a US program, but people around the globe
16 are looking to this program and the way it has been
17 structured as a way to help accelerate zero emission
18 vehicle adoption.

19 Specifically, Smith has manufacturing facilities
20 in the UK. And I was participating in a conference in
21 London where they were bemusing the fact that their grant
22 program had not had significant uptake. And as we walked
23 through a lot of the structural differences between their
24 program and the program here in California, it was obvious
25 that there is a lot of interest globally in taking the

1 footprint of what's been successful here and adopting it
2 in other markets. Thank you.

3 CHAIRPERSON NICHOLS: Thank you.

4 Scott Lavery and then Eileen Tutt and Max
5 Baumhefner.

6 MR. LAVERY: Good morning to Madam Chairperson,
7 Board, and staff.

8 Barbara, thank you very much for the introduction
9 earlier.

10 My name is Scott Lavery. I'm the Vice President
11 of the West Region Automotive Engineering and Fleet
12 Maintenance Group. Obviously, we have been -- as Barbara
13 noted, we've been recipients of 100 vehicles. We're very
14 excited about that. We're very committed to exploring any
15 low emission or zero-emission vehicles out there.

16 So as Jaime mentioned from CalSTART, the programs
17 are important to us. And one of the things I thought I
18 would mention when we talk about the funding going back
19 and forth, in my position at UPS, starting in late 80s,
20 I'm starting to see similarities between what we ran into
21 originally with the CNG projects. That is when the
22 funding goes away, the technology goes away. So the
23 economy of scales is very important for us.

24 But what we'll learn from the 100 vehicles we
25 have and three air quality districts in California now

1 will be very important moving forward. It will be
2 important for us. It will be important for the industry.
3 But what I found is when the funding goes away and as
4 other people have alluded to, it hurts the industry
5 because the technology gets dull.

6 So again, thanks to not just the Board, but all
7 the organizations and agencies in this meeting today for
8 the wonderful support for our project. We're very excited
9 about it.

10 CHAIRPERSON NICHOLS: Thank you.

11 Now, I would just note again apropos of the
12 project that Barbara mentioned, but others, that it's
13 those stories that are what enable us to continue to get
14 the funding in the first place. Without that, there is
15 never a chance for the Legislature to see the results of
16 their work. So it really is the opposite of a vicious
17 circle. It's a virtuous circle we're talking about.

18 Eileen with the Electric Transportation
19 Coalition. I know you've asked for a little additional
20 time to speak on behalf of all these folks with -- others
21 who are with you. Sorry. Not all these folks, but some
22 anyway. About five minutes?

23 MS. TUTT: That would be great. Thank you so
24 much.

25 So I'm Eileen Tutt with the California Electric

1 Transportation Coalition. We're an organization made up
2 of utilities and auto makers. And our mission is to
3 support electrification of the whole transportation
4 sector, light duties, locomotives, everything. I'm here
5 really representing a much larger coalition that came
6 together in support of the CARB staff and the Board and
7 policy makers and trying to maintain this project or this
8 program. And it's part of the staff recommendation today.

9 --o0o--

10 MS. TUTT: So our group includes auto makers, new
11 car dealers, non-profits, consumer, groups air districts.
12 Those of you that we've met with have been impressed by
13 diversity. We are not a group that typically hangs out
14 together. But we came together because we do support the
15 incentives at the current rates.

16 We know that this is a hard recommendation for
17 staff, and we really appreciate working with them. We
18 know that we need a longer-term plan, a three- to
19 five-year plan, and we want to continue to work with you.
20 We, as a whole group, want to work with this Board, the
21 staff, and other policy makers to make sure the program is
22 made whole.

23 --o0o--

24 MS. TUTT: But we've heard throughout today that
25 we need to look at what the important. Metrics are here.

1 We all want to establish a mature and sustainable PEV
2 market. We are not there yet.

3 We want to accelerate this market to the maximum
4 extent feasible because we have such challenges.

5 And, Mary, if it takes a billion dollars or --
6 Chair -- sorry -- let's find it over the next five to
7 ten years because we have electric vehicles now. We have
8 fuel cells. We have a road to hoe ahead, and it's not
9 going to be cheap. Let's work together.

10 I want to just keep in mind what we do know. We
11 do know that these vehicles create jobs in California. We
12 know that we have very significant emission reductions,
13 GHG and criteria and toxic pollutants. And we know that
14 whether or not you drive one of these vehicles or a truck,
15 everyone in California benefits. So it's not just people
16 who drive the cars that benefit. We're going to skip this
17 one.

18 --o0o--

19 MS. TUTT: Just move to the key findings. We've
20 worked with your staff, and we actually retained Jack
21 Faucet on behalf of the Coalition to look at what
22 different incentives levels mean. We didn't quite get it
23 done by today. But we're very close, and we'll continue
24 to share the information and talk to your staff. What
25 Jack Faucet found in their analysis was there was a lot of

1 price elasticity within like vehicles.

2 So this incentive, it doesn't sound like much
3 compared to the federal incentive, but the federal
4 incentive doesn't come to you for quite some time. And
5 this is an immediate incentive. And paired with that
6 incentive, the 1500 and the 2500 at least in our initial
7 analysis looks like it's the right amount. This level of
8 incentive, paired again with the federal incentive, makes
9 these vehicles in many cases cost parity with conventional
10 vehicles.

11 I just want to say there are a couple key numbers
12 here. One is the incentives make the biggest difference
13 in the lowest income and lowest cost vehicle markets. If
14 GM were here, they would tell you that the first person to
15 buy a Chevy spec was a 16-year-old kid and the incentive
16 was a big part of the reason. We also notice that
17 incentives below \$1,000 have very diminishing benefits.

18 There was this other number that stuck out to us
19 was the \$2,000 number because electric vehicles are
20 competing with conventional vehicles. They're not just
21 competing with each other. They're competing with
22 hybrids. They're competing with very clean gasoline
23 technology and diesel technologies now.

24 In the light-duty vehicle market, if you have an
25 electric vehicle or alternative fuel vehicle and a

1 conventional vehicle side by side and the electric version
2 costs \$2,000 more, you lose over 90 percent of the market
3 right away. So that means that the \$2500 incentive not
4 only brings down the price in conjunction with the federal
5 incentive to about equivalent to gasoline, it actually
6 makes it possible for 90 percent more people to consider
7 these vehicles. So it's an important number. And that's
8 why we really think we don't want to go below 2500.

9 And to be honest, the \$1500 is probably a little
10 on the low end. But because the plug-in hybrids do have
11 the full utility of a conventional vehicle, we think that
12 that's the right amount for them, too.

13 So with that, I want to thank you for your time.
14 I really want to thank all the Board members, the staff,
15 everybody who spent so much time with us. And we are very
16 committed to work with you over the next two months, in
17 particular. But to be honest, we got to have a long-term
18 solution because this is too much for me to take.

19 CHAIRPERSON NICHOLS: That's a good reason to fix
20 this program.

21 MS. TUTT: Thank you very much for your time.

22 CHAIRPERSON NICHOLS: All right. We will hear
23 next from Max Baumhefner.

24 MR. BAUMHEFNER: Thank you, Chairman Nichols.

25 The Natural Resources Defense Council supports

1 the staff's proposal for the Air Quality Improvement
2 Program. AQIP's light- and heavy-duty vehicle incentives
3 expand access to alternative fuel vehicles that save
4 Californians money at the pump, insulate against the
5 volatility of the global oil market and help meet the
6 State's long-term environmental goals.

7 I'm speaking on behalf of the American Lung
8 Association in California, which also supports AQIP as a
9 critically important component of the State's air quality
10 and global warming strategies.

11 Cleaner technologies and fuels incentivized
12 through these programs reduce local and regional air
13 quality pollution and harms lung health and exacerbates
14 asthma and other respiratory and cardiovascular illnesses.

15 CARB's own cap and trade auction proceeds
16 investment plan underscores the importance of these
17 programs, noting that the transportation sector accounts
18 for the single largest share of the state's greenhouse gas
19 emissions. We note that these programs could be fully
20 funded with a relatively modest share of cap and trade
21 proceeds going forward.

22 NRDC and the American Lung Association are
23 committed to working with CARB and stakeholders to secure
24 additional funding to keep these vital programs whole for
25 the remainder of the fiscal year, while we develop a

1 longer-term plan designed to achieve the state's 2050
2 climate goals.

3 To meet the target set by Governor Brown's ZEV
4 Action Plan, the marketplace needs a stable program with
5 sufficient funding and incentive amounts that match the
6 pace of technology development.

7 And on a personal note, as a consumer who drove
8 off the lot with a plug-in vehicle last night, I'll say on
9 my NGO salary, the State's vehicle incentive played a
10 crucial role in my decision.

11 CHAIRPERSON NICHOLS: Are you going to show
12 pictures of you and your car?

13 BOARD MEMBER GIOIA: So what did you get?

14 MR. BAUMHEFNER: I got a Chevy Volt. And I took
15 advantage some of the very attractive lease deals that are
16 available now. And those are made possible through the
17 incentives. And also the incentives really make a big
18 difference for reducing that initial down payment to
19 increase access to those lease programs. Look forward to
20 continuing to work with you on that issue.

21 CHAIRPERSON NICHOLS: Do we disqualify him
22 because of conflict of interest? I don't think so. We've
23 already disclosed a few of us here who are happy EV
24 purchasers as well.

25 So let's hear from Jessica DePrimo and then David

1 Witt and then Ted Harris.

2 MS. DEPRIMO: Good afternoon, Madam Chair and
3 members of the Board.

4 I'm Jessica DePrimo, Senior Quality Specialist at
5 the Northern Sonoma County Air Pollution Control District.
6 The Northern Sonoma District is a strong supporter of
7 electric vehicles and other clean vehicle technology. We
8 have implemented incentive programs supporting the
9 adoption of these technologies since the early 1990s. We
10 have committed significant resources toward the Sonoma
11 County Electric Trail, which received a Governor's
12 environmental and economic leadership award this past
13 January.

14 The district serves as one of three local
15 government members on the California Plug-In Electric
16 Vehicles Collaborative.

17 We're pleased to support the staff proposal for
18 the 2013-14 AQIP funding plan. The proposed plan
19 appropriately prioritizes expenditures on incentive funds
20 for the CVRP and HVIP. The district specifically supports
21 continuing the incentive funding for electric vehicles at
22 its current level.

23 As mentioned previously, the electric vehicle
24 industry is at a critical point in market expansion. Many
25 new vehicles have been or are assumed to be introduced.

1 They address a broad cross section of consumer vehicle
2 types and uses from the neighborhood scale to SUVs and
3 luxury cars. Regardless of the vehicle type, however,
4 surveys show that incentives are still very important in
5 consumer decisions to move towards electric vehicles.
6 Incentives address the cost differential compared to
7 gasoline powered vehicles and help overcome driver anxiety
8 about a new technology. The district understands there is
9 a constrained budget for this program and the need for
10 metrics to better target the funds we have and to measure
11 the success of the program.

12 We support the staff proposal for a stakeholder
13 process to address these needs. We and other local air
14 districts have a wealth of experience implementing
15 incentive programs and are ready to participate in this
16 effort.

17 Thank you very much for the opportunity to
18 address you on this important issue.

19 CHAIRPERSON NICHOLS: Thank you.

20 Mr. Witt.

21 Mr. Witt and then Ted Harris and Michael Lord.

22 MR. WITT: Thank you, members of the Board,
23 Chairman Nichols.

24 My name is Daniel Witt. I'm the Legislative and
25 Policy Associate for Tesla Motors.

1 Tesla Motors is California-based auto
2 manufacturer of electric vehicles -- you've probably heard
3 of us -- that has over 4,000 employees in the state of
4 California. Our current production includes the Tesla
5 Model S, which is winner of the 2013 Motor Trend Car of
6 the Year award and built entirely in the former Numi
7 factory that is in Fremont, California.

8 In addition, we produce EV power trains and
9 battery systems in partnership with other larger OEMs,
10 including Toyota and Daimler.

11 The reason we're in front of you today is because
12 we strongly support the staff's recommendations for the
13 funding plan for the AQIP plan.

14 The Clean Vehicle Rebate Project is without a
15 doubt one of CARB's most effective programs in terms of
16 direct consumer assistance. Continuing to fund this
17 program at its current levels will enable both consumers
18 and manufacturers with the stability and consistency
19 necessary to continue adopting these vehicles in larger
20 numbers in the coming years.

21 As you probably know, Tesla began production and
22 delivery of the Model S in June of 2012, but deliveries
23 didn't begin in earnest until the end of last year. In
24 fact, the Tesla Model S was the best selling vehicle in
25 the first quarter of 2013, out selling not only the rest

1 of the BEVs and PHEVs on the market, but also the
2 comparable gas powered equivalents from Audi, Mercedes,
3 Lexus, BMW, so forth. To put this in perspective, in one
4 month, the current fleet of California Model S's mitigates
5 about 1.5 milligrams of CO2 emissions when compared to
6 those gas powered vehicles.

7 We understand -- Tesla understands the current
8 predicament that's faced by this program and its funding
9 challenges for the coming year. And to that end, we want
10 to echo Eileen Tutt's comments that we are committed to
11 working with the Board, CARB staff, the Coalition, the
12 Legislature, and the Governor's office to ensure this
13 program has success and will continue into the future.
14 Thank you very much.

15 CHAIRPERSON NICHOLS: Thank you.

16 Ted Harris.

17 MR. HARRIS: Thank you, Madam Chair, members of
18 the Board.

19 I'm Ted Harris, the principle of California
20 Strategies. I'm here behalf of both Proterra for Phan
21 Nebali and Ricki Halla (phonetic) from EVI.

22 I want to first recognize and thank you all for
23 bringing up the 100 vehicle deployment. That would not
24 have been possible without the HVIP program, without AQIP,
25 and the support of a number of agencies. Also want to

1 recognize U.S. EPA as part of that deployment as well.

2 First, I want to point out that the mission of
3 the Air Resources Board to protect all Californians and to
4 address toxic diesel emissions and substantially reduce
5 GHG is perfectly aligned with the AQIP Program, and both
6 Proterra and EVI strongly support that.

7 The background of Proterra is the leading US
8 manufacturer of quick charge zero-emission buses and HVIP
9 eligible. EVI makes delivery trucks and
10 medium/heavy-duty. As pointed out before, they're
11 headquartered right here in California, in Stockton. And
12 they have good jobs in the heart of California.

13 I do want to point out that the HVIP program as
14 mentioned earlier is currently out of funds. And it is
15 very important for that consistency of funding. We're
16 here today in support of the whole program, both CVRP and
17 HVIP. But it's very important that both have consistency
18 in funding.

19 Also want to just make it very clear it's
20 absolutely necessary that consistency remains for fleet
21 operators, because you don't have the level of elasticity
22 you might have in light duty. It's particularly important
23 when bus operators or heavy-duty purchasers want to buy
24 that vehicle that will be on the road for decades. Those
25 decision are being made right now. We have multiple

1 examples that the current lack of HVIP funding is either
2 stalling, missing, or moving those deployments to other
3 states. This is very important that in addition to
4 supporting today's action, we also have efforts to find
5 additional funding through the course of the next multiple
6 years. Thank you.

7 CHAIRPERSON NICHOLS: Okay. Thank you.

8 Michael Lord and then Jonathan Morrison and John
9 Clements.

10 MR. LORD: I guess it's afternoon now. Good
11 afternoon. Thank you for the opportunity to say a few
12 words for Toyota.

13 My name is Michael Lord. I work for Toyota
14 Technical Center, the R&D arm of Toyota Motor Engineering
15 and Manufacturing North America.

16 To start off, obviously, we support the staff's
17 proposal. And I want to echo what was said by Eileen Tutt
18 and CalETC and Steve Douglas.

19 The importance of the CVRP can't be
20 underestimated, especially at this time where the market
21 is just developing. We think it's an important message
22 from the state and also to the -- from the state to the
23 customer. It's an important part of the decision-making
24 when customers are considering purchasing vehicles.

25 I also would like to state that Toyota is

1 committed to the development of advanced technology
2 vehicles. So we have, as you know, 13 years of experience
3 with hybrid vehicles. We've sold over five million
4 worldwide, two million in the U.S. And we currently have
5 three vehicles in U.S. market, two of them are available
6 in California and other states, the RAV4 EV, the plug-in
7 Prius. And the IQEV. The IQEV is in a demonstration
8 program.

9 We've also announced a market introduction in
10 2015 of a fuel cell sedan and we're working with
11 stakeholders to get the necessary infrastructure in place.
12 And we also feel that the CVRP is essential for that
13 market introduction as well.

14 I also would like to take this time to do a quick
15 commercial on our RAV4 EV. We have a pretty aggressive
16 lease right now at 299. 3,999 down. Rebate helps with
17 the down payment on that. It's a nice hundred mile SUV.
18 Not any others out there.

19 We're committed to the market. Industry has
20 spent billions of dollars in developing these
21 technologies. And the issue with the CVRP is that helps
22 kind of bridge the gap of the cost premium these vehicles
23 have and the competition, as Eileen mentioned in her
24 presentation with conventional vehicles and hybrid
25 vehicles.

1 So the CVRP is essential, as well as the HOV lane
2 access to get the vehicles into the market at this early
3 stage. And we're committed to work through the Coalition
4 and directly on trying to find some funding mechanisms to
5 shore up that program.

6 So I'd just like to thank the Board for this
7 opportunity to speak. Thank you.

8 CHAIRPERSON NICHOLS: Thank you, Michael.

9 Jonathan Morrison and then John Clements and
10 Rachael O'Brien.

11 MR. MORRISON: Thank you, Madam Chairman and
12 distinguished Board members and staff for all the work
13 you've done in this program.

14 My name is Jonathan Morrison with the California
15 New Car Dealers Association. We represent the 1300
16 franchise new car dealers in the state of California that
17 purchase these vehicles for resale from the auto makers
18 and sell them to the consumers. We are the ones actually
19 interfacing with the consumers on the ground level having
20 discussions about these vehicles.

21 We'd like to recommend adopting the staff's
22 proposal. And we commit to working with the staff in the
23 future to create a sustainable version of this program.

24 One thing I'd like to mention is that this is
25 really a nascent technology. As much excitement as there

1 is about these vehicles, it's still a very small level of
2 market acceptance. We're looking to continue working with
3 the Board, the Energy Commission, Governor's office, and
4 Employment Training Panel on training our dealers to help
5 create a uniform experience for the consumers that are
6 buying the vehicles and provide a great education to the
7 consumers on how to use the vehicles and consider whether
8 or not these vehicles are suitable for them.

9 As part of that discussion and the education
10 we've begun already, we've explained in great detail the
11 availability of the various incentive programs, including
12 the CVRP.

13 One thing that really hasn't been mentioned is
14 the fact that when we're having discussions with consumers
15 that are considering purchasing these vehicles, we're
16 having a lot of discussions about the affordability of
17 these vehicles. These vehicles are much more expensive
18 than the other compact vehicles in the market which
19 they're directly competing with. So when we're having
20 these discussions, the incentives that are available are
21 absolutely key to that consumer's purchase decision.

22 And as car dealers, when we have these
23 discussions, the consumers are relying upon our discussion
24 about the availability of these incentive programs. And
25 there is some potential legal liability if there is an

1 abrupt change to the program.

2 So what I'd ask that the Board do today is avoid
3 any sort of urge to consider an abrupt change to the
4 program, reduction in the levels of the incentives, and
5 let us work with staff over the next couple of months to
6 develop a better program so we can get the word out to the
7 dealers and consumers about what they can expect in the
8 future from the program. Thank you very much.

9 CHAIRPERSON NICHOLS: Thank you. You're an
10 essential part of the chain here. Appreciate your
11 involvement.

12 Okay. John Clements, Rachael O'Brien, and Mark
13 Krausse.

14 MR. CLEMENTS: Good afternoon, Madam Chair and
15 Board members.

16 I'm the recently retired Director of
17 Transportation from Kings Canyon Unified, as of about two
18 months ago. But I wanted to report to you and say that I
19 support -- continue to support AQIP. This past year, we
20 successfully ran five hybrid electric school buses in the
21 San Joaquin Air District, and that's in part thanks to the
22 HVIP vouchers. Three of those buses I combined HVIP
23 vouchers with lower-emission school bus funds to make
24 those buses whole at no cost to our school district. Two
25 of those buses I added to the fleet utilizing federal

1 AQIP -- or I should say CMAC funds.

2 And we look forward to in the next year using
3 HVIP funds to finally put four to six all-electric school
4 buses in the San Joaquin Valley, as well as an
5 all-electric warehouse truck.

6 So keep those moneys coming. Thank you very
7 much. It works for school districts if they combine their
8 resources well.

9 CHAIRPERSON NICHOLS: Thank you. Now that you're
10 retired, I guess it maybe too late to say this to your
11 former employers, but you've been before us a number of
12 times.

13 MR. CLEMENTS: Yes, I have. I wish I had an
14 electric bus to show you today. I had one last summer
15 when I was here.

16 CHAIRPERSON NICHOLS: You did. But I was always
17 impressed by the fact you've been able to step out in
18 front and put together some resources to really bring some
19 very clean equipment into your district.

20 MR. CLEMENTS: Thank you. It's served us well.
21 You know, in my time, I had 39 years there, and the last
22 20 as the director, since 1993. And I should say working
23 in concert with the CEC is where we first started. We
24 were able to replace five school buses, add twelve to the
25 fleet, and bring close to \$10 million in clean air

1 funding.

2 And one other thing I wanted to mention is that
3 AQIP is well rounded. In addition to receiving those five
4 hybrids, we used the ETP moneys to offset the cost of our
5 technician training. And we were able to use 923 dollars
6 from our local air district to pay for the curriculum for
7 that hybrid technology training. So in case there is
8 anybody from PERS in the room, I'm not working for
9 anybody. I have four more months before my 180 days is
10 up.

11 CHAIRPERSON NICHOLS: Thank you so much.
12 Congratulations. And best wishes on your retirement.

13 Rachael O'Brien, Mark Krausse, and Mike Ferry.
14 That's the last witness.

15 MS. O'BRIEN: Yes, Chairman Nichols, and members
16 of the Board.

17 Rachael O'Brien here speaking today on behalf of
18 the Union of Concerned Scientists. UCS supports of the
19 efforts of the Air Resources Board to invest in technology
20 advancing projects through AQIP. Although AQIP programs
21 have been successful, we still think there is a continuing
22 need for incentives at this early stage of the electric
23 vehicle market to ensure the positive trends and electric
24 vehicle sales and acceptance continues.

25 We strongly support the development and adoption

1 of a multi-year plan for AQIP incentive programs. We
2 think in order to have a stable CVRP program, the total
3 program costs will need to match allocated program funds.
4 The most straight forward approach would be to have a
5 volumetric target for clean vehicle sales and incentives
6 that are lowered as the targets are met. This approach is
7 similar to other programs such as the CSI, California
8 Solar Initiative.

9 We are also supporting funding of incentives at
10 the current levels for next fiscal year as the best way to
11 ensure continued progress of the EV market in California.

12 Briefly, I'd like to just go into some following
13 suggestions that we have to enhance the effectiveness of
14 the CVR program.

15 The first is that ARB should consider allocating
16 funds for additional outreach in areas that currently have
17 low existing CVR program participation rates. The current
18 CVRP statistics show there are areas of California that
19 are under-represented in the program. ARB should
20 investigate opportunities to increase awareness of the
21 CVRP that outreach efforts targeted in these areas that
22 have low CRP participation rates.

23 Second, ARB should consider providing vouchers or
24 pre-purchase applications instead of post-purchase
25 applications.

1 The third, ARB should establish separate rebate
2 amounts for fuel cell electric vehicles. Fuel cells are a
3 critical part of California's long-term air quality and
4 emission goals. And this technology should receive
5 similar support as the initial plug-in electrical
6 vehicles.

7 And finally, ARB should evaluate options for
8 increasing consumer access to electrical vehicles through
9 car sharing fleets. Car sharing programs can increase
10 consumer awareness of plug-in vehicles without the large
11 personal financial commitment.

12 Programs like AQIP and CVRP are critical part of
13 transitioning to a cleaner transportation options and we
14 applaud ARB's leadership in carrying out these efforts.

15 Thank you for the opportunity to speak today.

16 CHAIRPERSON NICHOLS: Thank you.

17 Mark Krausse, Mike Ferry. And we do have one
18 more.

19 MR. KRAUSSE: Good morning, Madam Chair and Board
20 members.

21 Mark Krausse with Pacific Gas and Electric
22 Company.

23 As the utility with the largest number of EV
24 drivers, we are here to support AQIP very strongly. I
25 would add your comments about the program being

1 over-subscribed is a high quality problem but a problem we
2 may contribute to. And that is through both our own
3 programs, our own fleets electrification where we have a
4 significant portion of the fleet electrified already. We
5 have bucket trucks, for example, that not only have
6 electric mechanisms for the operation of the lift and that
7 kind of thing, but also can provide loads. If we have to
8 bring down a customer as we're doing service work, the
9 customer doesn't have to be brought off line. There are a
10 number of advantages here.

11 On the -- PG&E also has a second life for
12 batteries pilot program going where we're trying to
13 determine if we are trying to aggregate some of the EV
14 batteries and put them at different places on the grid
15 what the value of that might be to our customers such that
16 we can supplement the pay to manufacturers for a stream of
17 batteries that might be coming after. I believe the
18 manufacturers generally have about an 80 percent charge
19 rate where at that point they'd like to have the battery
20 replaced.

21 So if we can provide that funding once we
22 determine what that's worth, it might help buy down the
23 price of vehicle. So like these AQIP dollars, it helps
24 makes the vehicles more competitive.

25 Finally, I would say the long-term funding

1 solution is one we stand ready to partner with. And with
2 all the folks here speaking today, we want to help find a
3 solution to.

4 CHAIRPERSON NICHOLS: Great. Thank you.

5 Mike Ferry, and then the last speaker is Raoul
6 Renaud.

7 MR. FERRY: Good afternoon, Madam Chair, members
8 of the Board. Thank you for the opportunity to speak this
9 afternoon.

10 My name is Mike Ferry. I'm with the California
11 Center for Sustainable Energy. The Center has
12 administered the Vehicle Clean Rebate Project on behalf of
13 the Air Resources Board since launching the program with
14 ARR in March of 2010. Since that time, we have processed
15 over 29,000 consumer rebates and distributed just under
16 \$56 million in incentive funds, with roughly 75 percent of
17 those funds being distributed just the past ten months.

18 We are very proud of the amazing success of this
19 program and the role it has played in establishing and
20 building a market for zero emission vehicles in
21 California.

22 Now I would like to say that we are honored to
23 administer the program on behalf of ARB. And I complement
24 ARB staff on their exceptional management of the project.

25 I would like to comment this afternoon

1 specifically on the timing of the fiscal year 13-14 CVRP
2 budget shortfall. The rebate project is an essential
3 component of the ZEV market in California, with
4 approximately 75 percent of California ZEV owners taking
5 advantage of the rebate.

6 Moreover, in a survey of over 3,500 rebate
7 recipients, 93 percent of owners reported the importance
8 of the rebate program and their purchase decision, with 65
9 percent reporting that the rebate was very important or
10 extremely important in their purchase decision.

11 The rebate project has faced budget shortfalls in
12 the past, notably in the summer of 2011 and then again in
13 the spring of this year. However, the budget shortfall
14 the project faces in fiscal year 2013-14 is more severe
15 and potentially may have broader impacts.

16 Specifically, under current program rules and
17 budget, with weekly program expenditures averaging \$1
18 million per week since March 1st of this year, we estimate
19 project funding to be depleted by November 14th. If
20 program changes are made, such as reduced rebate amounts,
21 and depending on when those program changes are
22 implemented, funding for the project will only be extended
23 an estimated four to seven weeks compared to no program
24 changes, before both fiscal year funding as well as
25 proposed weightless funding are depleted.

1 In that case, consumers will be unable to apply
2 for a vehicle incentive or even be placed on a waiting
3 list beginning sometime in mid-January to early February
4 next year.

5 We urge the Board to investigate all possible
6 remedies the address the shortfall and provide certainty
7 and continuity to both the nascent zero-emission vehicle
8 market and to the California consumers that the state
9 needs to both adopt and purchase these vehicles.

10 Thank you.

11 CHAIRPERSON NICHOLS: Thank you. This might be
12 the point for me to say clearly in case there is any
13 confusion that the Air Resources Board doesn't have any
14 spare change in our pockets that we can contribute to
15 this.

16 We have been working with the Governor's office
17 and the Department of Finance to see if there is any
18 potential in other pots of money that could possibly be
19 made available to this program. I think everybody knows
20 this is an issue of great interest and importance to the
21 Governor.

22 On the other hand, we're also fighting our way
23 back from a very severe recession. And we've been working
24 very hard and this administration has been working very
25 hard with the Legislature, I might say, to make sure that

1 we're not creating any new debts that we can't sustain
2 either.

3 So all I can say is that we are hopeful, but we
4 don't have an answer to announce yet. But we have not
5 exhausted our possibilities here. So we are working to
6 try to find a way that we can deal with the current year
7 demand. So thank you.

8 Okay. So Mr. Renaud.

9 MR. RENAUD: Thank you, Chair Nichols. Good
10 afternoon.

11 Apparently, I'm the only one here who is coming
12 as an individual participant in this CVRP citizen and
13 zero-emission or plug-in vehicle enthusiast.

14 My name is Raoul Renaud. I'm a resident of
15 Davis. In November, last November, we got our first
16 Nissan Leaf, attracted largely by the low lease prices
17 being offer and incentives. We walked in there. We put
18 \$2,000 down. Drove out in a \$40,000 car with a \$200 a
19 month payment, which is amazing.

20 And then we very promptly from the CCSC received
21 a check for \$2500. It's like Christmas. That paid for
22 the down and a good chunk of our charger that we had
23 installed.

24 We like the Leaf so much, it worked out so well
25 for our family, we decided to get rid of the gas car and

1 get a second one. In May, Leaf number two arrived. I
2 went into the same dealer, went over the various deals
3 with them. And at that time, the best deal offered by
4 Nissan on leases was a 24-month lease. And I was told by
5 the salesman that, well, I could do that, but I wouldn't
6 qualify for the \$2500.

7 Well, with all due respect to the representatives
8 of the auto sales industry that are here, I've learned
9 over the years to take what car salesman tell you with
10 many grains of salt. I had --

11 CHAIRPERSON NICHOLS: Unlike most Americans.

12 MR. RENAUD: I had reviewed the program, the
13 implementation manual, which is this document, and found
14 nothing in there that said you had to have a 36-month
15 lease.

16 Anyway, I wanted the car. We put \$2,000 down,
17 drove out with this time a \$36,000 car for 200 a month.

18 I applied to CCSE and very promptly I got back a
19 rejection. And I've pointed out to them and to ARB staff
20 that there really isn't anything in the implementation
21 manual that requires a certain term of the lease. I think
22 this restriction actually may be impacting a lot of the
23 lower-income folks who you are trying to reach.

24 Sometimes the 24-month lease has a lower payment
25 than any other kind of lease. At the end of that lease,

1 for example, on this car, we can buy it after two years
2 for \$21,000. We could use that \$2500 rebate as a down
3 payment and conventionally financial the balance.

4 Our leasing company NMAC also has said we can
5 extend the lease and keep the same payment for another
6 year.

7 I think it's wrong. It's not stated in the
8 implementation manual that a lease must be of a certain
9 term to qualify. What's required is a promise to keep the
10 car for 36 months. I've made that promise. I think you
11 should open that up to more consumers. Thank you.

12 CHAIRPERSON NICHOLS: Thanks for the suggestion
13 and for taking the time to come on your own as a private
14 citizen to share your enthusiastic for the program.
15 That's great.

16 Okay. I believe that concludes the list of
17 witnesses. And it's time to proceed. We do not have
18 anyone who has come to tell us not to adopt the staff
19 proposal, amazingly enough. It appears to be total
20 Unanimity on that.

21 I think the only even suggestion that I heard was
22 from Mr. Hogo with regard to opening up all the categories
23 in the advanced technology vehicle demonstration category
24 so they could all compete with each other, which I think
25 is a fine idea. I don't have any -- I mean, inherently,

1 it seems like a sensible idea. But I don't want to do
2 this without hearing from staff.

3 DEPUTY EXECUTIVE OFFICER COREY: Madam Chair, we
4 agree with your assessment in terms of opening up and
5 letting

6 CHAIRPERSON NICHOLS: I think that's an
7 administerial type change you can make.

8 DEPUTY EXECUTIVE OFFICER COREY: That's correct.

9 BOARD MEMBER MITCHELL: Thank you, Madam Chair.

10 If I could just make one comment, because I
11 wanted to bring to your attention an advanced freight
12 technology that we are working on in the South Coast and
13 may have application in some of our other districts.

14 As you know, we have the Port of Long Beach, Port
15 of Los Angeles. Combined, those ports are some of the
16 largest in the world. We have substantial impact from
17 those ports. One of the impacts is about 5,000 truck
18 trips a day going from near-dock and on-dock to the
19 intermodal yards where they're put on freight and
20 locomotives to go different places, much of it across the
21 Rockies toward the east coast.

22 And we have a project that Siemens is helping us
23 with that involves an overhead catenary system for trucks.
24 And the trucks are equipped -- the cab is equipped with --
25 I'm not sure what the term is. Maybe someone -- the

1 pentiflex -- with the mechanism that it actually sits on
2 top of the cab. And it's like your trolley car in San
3 Francisco. It's a very established technology. But
4 what's different is with this equipped on a truck, the
5 truck can enter the catenary and exist the catenary at
6 will. So it has great application for trucks who are
7 exiting at one point of a freeway or need to get on at a
8 different point of a freeway.

9 And we are contemplating putting this system
10 either on the Terminal Island freeway or on the Alameda
11 Street corridor to handle those 5,000 truck trips a day.

12 It's a very interesting project. It could have
13 application in other areas where you have large volumes of
14 truck trips to stay in the ports or in other locations.

15 And we would like very much to have CARB support
16 on that project. It's not so much needed as in funding as
17 it is needed in basic support for moving forward. We do
18 have a fair amount of funding for the project. I wanted
19 to bring it to the attention of the Board. It's pretty
20 interesting technology that is not even new technology.
21 Old technology with a new application.

22 CHAIRPERSON NICHOLS: Thanks. On the funding
23 point, I would be remiss to not acknowledge that the
24 districts, the larger ones, have all substantially
25 contributed from their own funds to this program. This is

1 not something that the State does on its own. It's a
2 critical partnership. So thank you.

3 Additional comments? Yes.

4 BOARD MEMBER GIOIA: I had a couple questions and
5 then some comments.

6 First, I appreciate that the \$2 million
7 allocation for the truck program and given the 2014
8 deadline, I just want to get a sense of how many single
9 owner-operators we expect are going to become subject to
10 the on-road regulation in January 2014.

11 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
12 WHITE: Good afternoon. This is Erik White with the
13 Mobile Source Operations Division.

14 Our best estimate at this time is that there is
15 going to be about 30,000 or so single owner-operators that
16 are going to fall under this first compliance date and the
17 truck and bus rule. I think as was noted by one of the
18 commentators and I think many of the Board members have
19 heard from us in the past, the Truck Loan Program is
20 certainly a very important program for us to continue to
21 fund in support of that.

22 BOARD MEMBER GIOIA: So one of the things we're
23 trying to understand is the additional opportunities,
24 right, to fund that program, knowing this is a really
25 limited fund here and looking at other opportunities given

1 that these are vehicles that go through many local
2 communities, near industrial facilities or ports where
3 there is a need to reduce emissions. So it's a very
4 important program. So when will you be looking at coming
5 back to us about identifying other opportunities for
6 funding for this program, especially given that 2014 is
7 around the corner?

8 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
9 WHITE: Certainly by September. So as we look at this
10 program in its entirety and work with our partners in the
11 Treasurer's Office about how to continue to sustain this
12 program moving forward, not just though the rest of this
13 year but into next year as well, this is exactly one of
14 the projects we plan to update the Board about in terms of
15 available funding and opportunities to make it last
16 longer.

17 BOARD MEMBER GIOIA: And I appreciate it's
18 great -- others have said this, it's great to continue the
19 Rebate Program, Clean Vehicle Rebate Program. I do agree
20 with Chair Nichols' observation that we need to think
21 about how we continue to get data to look at the
22 effectiveness of all of these. Because with the limited
23 sum of money, it's about how you spend those limited
24 dollars to get the best impact to get electric vehicles
25 out into the marketplace. Whether it's rebates or some

1 other strategy, we want to make sure we fully understand
2 that.

3 So even if it's us helping fund some of that
4 study, because I mean, obviously studies coming out of the
5 industry will be good, but they're coming out of the
6 industry. So it would be useful for us to identify our
7 own independent source of study for this. So I just
8 wanted to agree, Chair Nichols, your comment on that.

9 The comment about the lease term is interesting,
10 because one of the things we heard a lot about, like we're
11 adopting our sustainable community strategies around the
12 state. We finally adopted ours in the Bay Area a week or
13 so ago. And you know, we've looked at putting money into
14 electric vehicles even within our own SCS. What we heard
15 often from the social justice organizations was a lot of
16 individuals can't afford those vehicles. Lower income
17 folks can't afford that.

18 So the challenge is to continue to make those
19 vehicles more affordable, which means, you know, if -- I
20 don't understand sort of the requirements with regard to
21 the lease issue, but are there opportunities for us in
22 providing this funding to link it to financing and other
23 alternatives that will actually make the cars more broadly
24 affordable. Because there is this perception that they're
25 great vehicles and we need to have the rebate program. I

1 strongly support it. But in the whole strategy we have,
2 you know, many people perceive it's for not just middle
3 income but wealthier folks. So we need to make sure that
4 we're providing a greater opportunity to have more
5 affordability.

6 So what can we do with regard to that issue in
7 this plan? The issue that was raised in the lease, can
8 you respond? That's just one, but just to understand
9 that.

10 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
11 WHITE: Certainly as we look to implement the program, we
12 can look at.

13 I think more broadly the concept of how can we
14 expand the program to different levels of consumers and
15 the types of consumers is one we are very interested in
16 engaging in. Not just focusing on this program, but
17 looking at opportunities across numerous programs, whether
18 it's how we handle scrappage of vehicles, whether it's how
19 we handle deployment of new vehicles, but opportunities to
20 leverage various sources of funding in a way that we can
21 continue to deploy advanced technology vehicles at all
22 income levels throughout the state.

23 That work is going on. We're working very
24 closely with several members of the Legislature on
25 activities that would do just that.

1 BOARD MEMBER GIOIA: So we'll get reports back on
2 that. I'm trying to raise this as an issue for us to be
3 aware of and conscious about and to be aggressive about.

4 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
5 WHITE: That is correct. We have a plan to come back to
6 the Board in October to discuss our enhanced fleet
7 modernization program, which focuses on retiring older
8 vehicles and opportunities to use that program in
9 partnership with the CVRP.

10 CHAIRPERSON NICHOLS: This is how we keep you
11 coming back.

12 BOARD MEMBER GIOIA: Yes. Right.

13 One other point I failed to mention on the truck
14 program, there is a lot of good information. It leverages
15 other dollars. That is obviously a standard we're trying
16 to look at, how are moneys leveraged. It would be useful
17 to have a chart that shows as part of the data analysis
18 what are we leveraging with each of these investments,
19 because then that's a really important fact for us to
20 know. It's really not mentioned throughout. It's
21 mentioned on the truck program. So it would be
22 interesting to see that in all of these programs. What is
23 the leverage we're getting.

24 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
25 WHITE: We can commit when we come back in September to

1 provide that information to you. Absolutely.

2 BOARD MEMBER GIOIA: Thanks.

3 CHAIRPERSON NICHOLS: Sandy.

4 BOARD MEMBER BERG: Just to clarify on the loan
5 program, that 30,000 single truck owners once January 2014
6 hits, then he will no longer be available for funding;
7 correct? Because they'll be under the regulation?

8 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
9 WHITE: That is correct, although they would still
10 continue to be able to pursue the loan program type of
11 opportunities that are there.

12 BOARD MEMBER BERG: So the loan program it is not
13 a requirement to get surplus emissions?

14 HEAVY-DUTY DIESEL IN-USE STRATEGIES BRANCH CHIEF
15 WHITE: That's correct. They would remain their
16 eligibility. Certainly their ability to operate, they
17 would not be in compliance. They should be able to apply
18 for funding through the PLACE Program you heard about
19 today.

20 BOARD MEMBER BERG: Great. Thank you.

21 CHAIRPERSON NICHOLS: All right. Dr. Sperling.

22 BOARD MEMBER SPERLING: Don't forget us down
23 here.

24 CHAIRPERSON NICHOLS: No. It's always one side
25 or the other that feels neglected.

1 BOARD MEMBER BERG: It's not usually on the
2 right.

3 BOARD MEMBER SPERLING: I first want to note I
4 saw a woman leading that large legion of men, so-called
5 unholy alliance. That was very impressive. I was happy
6 to see that, Eileen Tutt.

7 I want to you know lend my support to the idea
8 that incentives are very important and they clearly play a
9 big role in market development. And we should be
10 acknowledging that the car companies are putting a lot of
11 their own incentive money into it in the sense of
12 subsidizing these vehicles when they bring down the price.
13 That means they're putting a lot of their own resources
14 into it.

15 So they're trying to commit to this same path,
16 with us in partnership. And it's important that we
17 send -- not only provide the money, but also the signal
18 that we're fully committed to this because we're seeing in
19 some other parts of the country that signal is not being
20 sent. And it's creating some real problems elsewhere. So
21 California is doing a good job in that way.

22 But having said that -- okay. I have two little
23 things and a big one. I agree with this idea of opening
24 up the advanced demo program a little bit, and the
25 catenary program is an obvious good idea.

1 And other good ideas like that, especially on the
2 freight side where it's most difficult and most
3 challenging and for California probably most needed.

4 And I also -- UCS proposed some small changes. I
5 hadn't seen them and heard them before. I didn't write
6 them down. But they all sounded reasonable to me at the
7 time. So if staff could follow up on those, I think that
8 would be good.

9 But the big issue here is I keep hearing this
10 word about a sustainable program. And yet, I did not hear
11 one idea about what a sustainable program is. And so I
12 don't believe in two months we're going to solve what is a
13 sustainable program. If the miracle happens that we get
14 this new funding and lots of people are hopeful about it,
15 I'll buy into that optimism for now. But even if we
16 get -- even if we get up to the \$50 million, that's a one
17 year fix. Next year, it's going to be 75, 80, 90 million.
18 The next year, it's going to be 150 million. We need an
19 entirely different way of doing this. And I think we need
20 some really serious thought. I think drawing on taxpayer
21 money is not going to be the way to do it very much
22 longer. And so we need some new ideas.

23 And the only idea that keeps coming back to me --
24 and I know some of you have heard it. Maybe I'm starting
25 to sound like beating an old drum here. But something

1 like a feebate idea I think is really what we need to be
2 thinking about seriously where we're not burdening
3 taxpayers. And certainly, this could be the case with
4 cars, possibly with heavy trucks as well where somehow we
5 figure out a mechanism that we -- people buying the gas
6 guzzlers and the high-carbon vehicles are paying an extra
7 fee. And those that are buying the very efficient
8 vehicles are getting a rebate back, we make that
9 revenue-neutral so it's not a new tax. Something like
10 that.

11 Unless someone comes up with a better idea, I
12 think we need to really get serious about pursuing that.
13 And soon, because this program, as everyone says, is not
14 sustainable even with gifts dropping from the sky on us.
15 So I urge the staff to really, really think about this
16 very deeply and really get engaged in a serious way.

17 CHAIRPERSON NICHOLS: Okay. Thank you.

18 Judy, you have the last word and then you can
19 make a motion. We need to do this.

20 BOARD MEMBER MITCHELL: Just two things.

21 First of all, that the CVRP program has been a
22 great program. And it's at a state where we have a lot of
23 momentum going. We're moving in the right direction with
24 getting these clean cars on the road.

25 And as Dr. Sperling mentioned, we do need to find

1 the funding for continuing these programs. I don't know
2 what the procedure is or what kind of authority we have to
3 consider a set-aside in cap and trade moneys for this.
4 And I think it's something I'd like the staff to look
5 into. Is there a way that we can recommend to the
6 administration --

7 CHAIRPERSON NICHOLS: Let me just respond on that
8 particular point, because not everybody was here when we
9 went through the process of making the investment program
10 recommendations for the cap and trade funding.

11 So under legislation that was authored by Speaker
12 Perez, the administration is required to do a funding plan
13 for cap and trade. And Department of Finance was to
14 submit it, but to consult with the Air Resources Board.
15 They did consult with us. And we actually had a very open
16 process as usual, being ARB, but we had workshops in
17 several parts of the state and great participation from
18 other State agencies as well as from local governments and
19 all kinds of stakeholders and people with ideas.

20 And we did come up with a plan, which has now
21 been submitted to the Legislature. Hasn't been acted
22 upon. As far as I know, it wasn't required to have
23 anything done to it. But it did go through the
24 administration process. That will get updated on a
25 regular basis so there are opportunities to add to it or

1 refine it.

2 It did include funding for these programs as one
3 of the priority areas for cap and trade funding. So there
4 was no hesitation or difficulty about that at all.

5 I think as everybody knows, the Legislature and
6 Governor decided not to put forward any money out of the
7 cap and trade account in this upcoming budget year because
8 we haven't yet made it to the 500 million, which they had
9 agreed on the year before was to be used to offset
10 existing general fund funded programs that also qualify as
11 being AB 32 compliant programs. So that is still the
12 state of play at the moment.

13 We are being asked to submit some more detailed
14 ideas for funding to be released potentially before the
15 end of the fiscal year, depending on the result of the
16 upcoming auctions that we have. So if the door isn't
17 quite closed, but it certainly was mostly closed for a
18 while.

19 And I know many people who participated in the
20 process were very disappointed. But I think that it is
21 absolutely clear from the language that was in the budget
22 bill that those funds were alone to be paid back in one
23 year with interest. So we do have the opportunity to
24 think more deeply about how we're going to spend that
25 money as time goes on. But there were no shortage of

1 really good ideas.

2 I think very high on the list was funding for
3 implementation of SB 375, which some of these programs are
4 obviously consistent with, but also to have some funding
5 to implement some of the really terrific ideas that are
6 coming forward. And the sustainable community strategies
7 was one of the areas that we heard loud and clear. And
8 then there were some others as well. But anyway, so this
9 Board does play a role in the process, in response to your
10 question. And the staff will be continuing to work on it
11 and to update us as well.

12 BOARD MEMBER MITCHELL: Thank you, Chairman. And
13 I will make a motion to approve the funding plan.

14 BOARD MEMBER GIOIA: Second.

15 CHAIRPERSON NICHOLS: There is a second. Any
16 further comments, questions?

17 If not, we'll call for a vote.

18 All in favor, please say aye.

19 (Ayes)

20 CHAIRPERSON NICHOLS: Opposed?

21 Abstention? All right. It passes. Thank you.
22 It is now five minutes of 1:00. I need to know how many
23 people have signed up to speak on the 1B item.

24 BOARD CLERK JENSEN: Seven.

25 CHAIRPERSON NICHOLS: All right. So, Board

1 members, we have a choice as to whether we want to
2 continue on and get it done and then break. I'm seeing
3 head nodding versus taking a break for lunch now. Let's
4 just continue. Thanks, everybody. I get to do the
5 opening comments today.

6 The final item today is to consider an award of
7 Proposition 1B program funding to local agencies for
8 projects to reduce diesel emissions from goods movement
9 activities. We'll also be considering staff's proposed
10 changes to the program guidelines.

11 This program continues to be a vital part of
12 ARB's suite of incentive programs designed to help
13 equipment owners obtain the cleanest equipment on the
14 road. As we get closer to the truck and bus regulatory
15 milestone, equipment owners need to be aware of the timing
16 to take advantage of these types of incentive funds.

17 This allocation represents the last opportunity
18 to obtain Proposition 1B funds for cleaner conventional
19 trucks before the regulatory deadline. So this is the
20 money that goes to upgrade either to retrofit or renew
21 existing heavy-duty equipment, especially trucks. And it
22 is a really important element of our Air Quality Program.

23 We currently have an appropriation of 154
24 million. I would note that's more than three times what's
25 available in the AQIP money that we were just talking

1 about. So this is a lot of money. But it's also never
2 had a shortage of places to spend it. So we are asking
3 for -- or we've got requests for over \$519 million against
4 that total fund.

5 Today, we get to hear from the staff as to how
6 they propose to award these funds and to revise the
7 program guidelines. And again, we're really appreciative
8 of the continued confidence that the administration has in
9 this program. These incentives have done a tremendous
10 amount, not only for public health, but also for economic
11 stimulus at a time when there was a desperate need out
12 there among owners of trucks and other kinds of diesel
13 equipment who were ready and willing to move ahead of ARB
14 regulatory requirements. So it's a program that has
15 already shown its worth in terms of helping to keep jobs
16 in California and support businesses that design and
17 install green products here.

18 I would like to ask Mr. Corey, who has returned,
19 to us to introduce this item.

20 DEPUTY EXECUTIVE OFFICER COREY: Thank you,
21 Chairman Nichols.

22 The funding recommendations staff will present
23 today are consistent with the program guidelines
24 priorities that the Board has previously adopted and local
25 agency priorities within each corridor. They also achieve

1 the cumulative corridor funding targets approved by the
2 Board for each region.

3 The majority of the funding would be available
4 for truck-related projects, including grants, truck loan
5 assistance, and truck filter substraight replacements.
6 Funding would also go toward commercial harbor craft
7 projects in the San Diego border trade corridor.

8 In general, State agencies that receive bond
9 funds have been striving to increase the efficiency of
10 these programs by limiting the amount of time in which
11 bond funds remain on deposit prior to expenditure.

12 ARB and the local agencies have already taken
13 steps to reduce the time between when bond funds are
14 received by ARB and when they're distributed to the local
15 agencies. In response to new State fiscal direction,
16 staff is developing additional modifications to streamline
17 the grant process, while ensuring that local agencies
18 receive funds prior to signing contracts with equipment
19 owners.

20 Now I'd like to introduce Melissa Niederreiter of
21 the Stationary Source Division who will give the staff
22 presentation.

23 (Thereupon an overhead presentation was
24 presented as follows.)

25 AIR POLLUTION SPECIALIST NIEDERREITER: Thank you

1 for that. Afternoon, Mr. Corey. Good afternoon, members
2 of the Board.

3 In January, the Board adopted updated Proposition
4 1B program guidelines and addressed priorities for project
5 funding. Local air districts in each trade corridor have
6 requested funding for incentive projects to reduce
7 emissions from freight operations.

8 Today, staff is recommending that the Board
9 approve a list of primary and backup projects for this
10 round of funding.

11 After a brief background of the program, I'll
12 summarize our staff proposal for funding emission
13 reduction projects. Let's first look at what we are
14 asking for you to consider today.

15 --o0o--

16 AIR POLLUTION SPECIALIST NIEDERREITER: The
17 proposals are funding awards for the program's current
18 appropriation of 154 million and targeted revisions to the
19 program's guidelines. I'll now provide a brief background
20 of the program.

21 --o0o--

22 AIR POLLUTION SPECIALIST NIEDERREITER:
23 California voters approved Prop. 1B in 2006, authorizing
24 over one billion dollars to ARB for air quality
25 incentives.

1 State law established this program to cut diesel
2 freight emissions and the related health risks in
3 communities near ports, rail yards, freeways, and
4 distribution centers.

5 ARB and our local partners accomplish this
6 through incentives to owners of diesel equipment,
7 including trucks, locomotives, ship berths, cargo
8 equipment, and commercial harbor craft equipment to
9 upgrade to cleaner models to achieve early or extra
10 emission reductions compared to regulatory requirements.

11 --o0o--

12 AIR POLLUTION SPECIALIST NIEDERREITER: Funding
13 is open to owners of equipment based in the trade
14 corridors as well as equipment based elsewhere in the
15 state, as well as the new or upgraded equipment will
16 operate at least half of the time within one or more trade
17 corridors and at least 90 percent of the time in
18 California.

19 For example, we've seen significant participation
20 from trucking firms based on the central coast that haul
21 agricultural goods from Salinas or San Luis Obispo through
22 the trade corridors to processing plants in the Central
23 Valley.

24 --o0o--

25 AIR POLLUTION SPECIALIST NIEDERREITER: Funding

1 for this program comes primarily from bond sales issued by
2 the State. Once ARB receives the spending authority via a
3 budget appropriation, the Board adopts the program
4 guidelines and specifies eligible projects. The Board
5 took this step in January of this year.

6 We then solicit project proposals from eligible
7 local and State agencies, and the Board considers funding
8 awards like those before you today. Think of this as a
9 funding distribution at the wholesale level.

10 Finally, the local agencies solicit and evaluate
11 applications from equipment owners and fund eligible
12 projects in a competitive process for each source
13 category. Think of this funding distribution at the
14 retail level with individual equipment owners as the
15 customers.

16 --o0o--

17 AIR POLLUTION SPECIALIST NIEDERREITER: This
18 slide summarizes the number of program-funded equipment
19 projects completed or being implemented so far, as well as
20 their associated emission reductions of approximately 4.8
21 million pounds of particulate matter, plus 130 million
22 pounds of nitrogen oxides over the life of their contract
23 term. Most of this cleaner equipment is already in
24 operation throughout the state, with the remaining
25 projects close to completion as well.

1 approved in January was to give top priority in the
2 competitive process to projects that would introduce
3 zero-emission trucks like electric or fuel cell and to
4 allow those truck projects to receive co-funding through
5 the AB 118 program. This is the first step in
6 transitioning the Prop. 1B program to support our
7 sustainable freight initiatives.

8 --o0o--

9 AIR POLLUTION SPECIALIST NIEDERREITER: Next I'll
10 describe the basis for staff's recommended allocations and
11 the recommended year four funding awards.

12 In the past, the Board has approved funding
13 awards after the cash was deposited in the program's
14 account. State fiscal policies and practices have changed
15 to continue to improve the fiscal accountability of
16 bond-funded programs.

17 Moving forward, ARB staff will be requesting the
18 Board approve funding awards based on an amount up to the
19 program's appropriation, which is the authority to spend
20 money as identified in the State budget.

21 --o0o--

22 AIR POLLUTION SPECIALIST NIEDERREITER: In
23 February of this year, ARB issued a notice of funding
24 availability for the 150 million available in year four
25 funds. ARB staff identified the need to reserve up to

1 four million for administrative expenses.

2 We typically set aside the maximum amount
3 anticipated and then draw down against that balance based
4 on actual expenses. Remaining funds are added to local
5 agencies' grants.

6 In response to the call for project proposals,
7 local and State agencies submitted applications for 15
8 grants, requesting more than three times the current
9 allocation, to upgrade almost 10,000 pieces of equipment.

10 --o0o--

11 AIR POLLUTION SPECIALIST NIEDERREITER: Once we
12 reviewed the applications to ensure they meet the program
13 requirements, we followed the process outlined in the
14 program guidelines to develop the funding recommendations.

15 First, we considered the targets adopted by the
16 Board for each trade corridor for a geographic
17 distribution of funds.

18 We also considered the Board's priorities for
19 funding truck projects, as well as requests for funding
20 and priorities identified by each of the local agencies.

21 --o0o--

22 AIR POLLUTION SPECIALIST NIEDERREITER: The trade
23 corridor funding targets originally adopted by the Board
24 in 2008 established a target percentage distribution for
25 the program overall.

1 The implementation of the Drayage Truck Priority
2 Reserve Program in December 2011 temporarily increased the
3 share of funding for the Bay Area trade corridor above
4 their Board-approved funding target in order to achieve
5 early emission reductions.

6 Today's recommended funding awards would restore
7 each trade corridor to the target percentages approved by
8 the Board.

9 --o0o--

10 AIR POLLUTION SPECIALIST NIEDERREITER: Based on
11 the Board's prioritization of truck projects, staff is
12 recommending to award up to 138 million for eligible truck
13 projects to the local agencies, as well as a few harbor
14 craft projects in the San Diego border trade corridor.

15 Staff is also recommending up to 11.6 million for
16 two multi-corridor programs to support the transition to
17 cleaner trucks and reserving up to \$4 million for ARB's
18 administration costs associated with the program.

19 These recommended funding levels will return each
20 trade corridor back to their target percentages and would
21 leverage an estimated 132 million in funding from
22 equipment owners, upgrading approximately 3300 trucks and
23 five harbor craft.

24 It's important to note that the actual funds
25 identified in the grant agreements between ARB and the

1 local agencies may differ from the recommended amounts for
2 two main reasons.

3 First, local agencies are nearing the completion
4 of projects awarded by the Board in December of 2011 and
5 most will have some unused funds due to project fallout.
6 Following the process outlined in the program guidelines
7 and the direction from the Board today, these funds will
8 be included in the new grant agreements for truck
9 projects.

10 In addition, today's awards are dependent on
11 funds that will become available later this year, which
12 may be less than the maximum amount appropriated by the
13 Legislature. If the actual funds available are less than
14 150 million in project funds awarded today, staff will
15 ensure that the trade corridor targets continue to be met.

16 Once the local agency projects are underway,
17 should the local agencies experience insufficient demand
18 for projects, the ARB Executive Officer may reallocate
19 funds according to the protocols established in the
20 guidelines, which would include meeting any excess demand
21 for truck funds elsewhere and then funding other sources
22 such as locomotives, ships at berth, and cargo handling
23 equipment.

24 I'll know go into more detail on the recommended
25 allocations for each trade corridor.

1 --o0o--

2 AIR POLLUTION SPECIALIST NIEDERREITER: For the
3 Bay Area, ARB staff is recommending that the Board award
4 up to 9.9 million for truck projects to the Bay Area Air
5 Quality Management District, which equates to over 200
6 trucks.

7 For the Central Valley, staff is recommending
8 allocations for truck projects including up to 29.5
9 million for the San Joaquin Valley Air Pollution Control
10 District, and up to 7.4 million to the Sacramento
11 Metropolitan Air Quality Management District. Together,
12 the Central Valley allocation would fund nearly 900
13 projects.

14 --o0o--

15 AIR POLLUTION SPECIALIST NIEDERREITER: In the
16 Los Angeles Inland Empire, ARB staff is recommending that
17 the Board award up to 78.5 million to the South Coast Air
18 Quality Management District for nearly 1900 truck
19 projects.

20 For the San Diego border, ARB staff is
21 recommending that the Board award up to 6 million for
22 truck projects and up to .8 million for harbor craft
23 projects to the San Diego Air Pollution Control District
24 and up to 6 million for truck projects to the Imperial
25 County Air Pollution Control District. In total, this

1 would fund over 300 trucks.

2 --o0o--

3 AIR POLLUTION SPECIALIST NIEDERREITER: Finally,
4 ARB staff is recommending funding for two multi-corridor
5 programs.

6 For the first, staff recommends up to 5.3 million
7 to support improved access to financing for small and
8 medium-size truck fleets through existing the California
9 Capital Access Program for truck owners receiving Prop. 1B
10 funds.

11 For the second, staff recommends up to 6.3
12 million to fund a limited truck filter substrate
13 replacement program, a new concept to address roughly 1600
14 trucks to meet the program's eligibility criteria.

15 I'll discuss both those programs in more detail
16 in the following slide.

17 --o0o--

18 AIR POLLUTION SPECIALIST NIEDERREITER: The Truck
19 Loan Assistance Program is an existing program that
20 provides improved access to loan guarantees through the
21 California Capital Access Program that you just heard
22 about in the staff presentation on the AB 118 program.

23 The program was established to help independent
24 owner-operators and smaller trucking fleets that have less
25 access to capital obtain financing for cleaner equipment.

1 The year four funding award would provide up to
2 5.3 million to continue to make this program available,
3 specifically to those truck owners receiving Proposition
4 1B funds. Proposition 1B funds cover a portion of the
5 cost of the clean replacement truck. The owner must
6 privately fund or finance the remainder of the cost.

7 Access to financing is the key element to helping
8 small- and medium-size trucking fleets transition to the
9 cleaner equipment required by ARB regulations.

10 --o0o--

11 AIR POLLUTION SPECIALIST NIEDERREITER: The truck
12 filter substrate replacement program is a new concept to
13 address a unique situation with roughly 1,600 trucks that
14 meet the Proposition 1B eligibility criteria regarding the
15 hauling of goods primarily within the four trade
16 corridors. Owners of these trucks previously invested
17 private funds or a combination of private and public funds
18 to install a specific model or verified diesel particulate
19 filter that used a metal substrate to achieve the diesel
20 particulate control.

21 In response to safety concerns with just this
22 model, ARB rescinded the verification and the manufacturer
23 initiated a voluntary recall. The filter manufacturer has
24 since gone out of business. In many cases, the filter
25 core or substrate was removed from the housing on each

1 AIR POLLUTION SPECIALIST NIEDERREITER: This is a
2 summary of the recommendations along with the expected
3 emission benefits.

4 The majority of the funding, approximately 154
5 million, would be available for truck related projects.
6 Since the program requires each piece of equipment to
7 compete for the available funding based on emission
8 reductions and cost effectiveness, the actual reductions
9 achieved may be higher.

10 --o0o--

11 AIR POLLUTION SPECIALIST NIEDERREITER: In
12 addition to the funding awards, staff is also proposing
13 minor revisions to the program guidelines.

14 First, to implement the truck filter substrate
15 replacement program, we are asking for the Board to adopt
16 targeted revisions to the guidelines to establish this new
17 project as eligible for Proposition 1B funding.

18 Second, ARB is proposing changes to the program's
19 administrative process in order to continue improving the
20 fiscal accountability. Although ARB and the local
21 agencies have reduced the time in which bond funds remain
22 on deposit prior to expenditure, we must cut this time
23 down further. The policy motivation is to get State funds
24 out into the economy as quickly as possible, especially
25 funds from bonds that the State repays over time, with

1 interest.

2 This guideline change would include modifying the
3 process to reduce the time between bond issuance and the
4 final payment on project completion. These changes would
5 only impact the transaction of funds between State and
6 local agencies. They would not change the timing for
7 funding to the equipment owners once the new equipment is
8 operational.

9 We are working through options and issues with
10 the Department of Finance and the local agencies to find
11 the best way to meet the State's fiscal policy discretion
12 and support the local agency's administration of the
13 program. Because this process is still underway, we
14 recommend that the Board rely on the prior authority that
15 you have delegated to the ARB's Executive Officer to
16 approve the specific changes to the guidelines. Once ARB
17 has completed the coordination work with the Department of
18 Finance and local agencies. This would allow the entire
19 process to proceed quickly and enable completion of all of
20 the new truck projects in 2014.

21 --o0o--

22 AIR POLLUTION SPECIALIST NIEDERREITER: In
23 preparation for today's Board meeting, ARB staff held
24 three regional workshops to receive public input on how
25 the funds should be distributed among eligible projects as

1 defined by the program guidelines.

2 Most of the comments were from local agencies.
3 At the workshops, we heard their concerns that demand for
4 truck projects might be less than the funds available.
5 Some of local agencies also highlighted the importance of
6 maximizing the funding assistance available for small
7 truck fleets subject to the ARB statewide truck and bus
8 rule.

9 Although the potential pool of eligible
10 applicants for truck projects is much greater than the
11 funding available, we have responded to the local agencies
12 comments in two ways.

13 First, we agree to the local agency's request to
14 expand the opportunity for some small fleets to compete
15 for funding under the existing guidelines adopted by the
16 Board in January. This involves revising a staff
17 interpretation of the current guidelines to allow funding
18 compliant fleets of two to three trucks to compete for
19 funding to replace the second or third truck early based
20 on additional NOx reductions that could be achieved prior
21 to the NOx compliance date. Fully compliant means that
22 the first truck in each fleet must have a diesel
23 particulate filter already installed either as a retrofit
24 or original equipment by the January 2014 deadline in the
25 truck and bus rule.

1 It is too late for the independent owner-operator
2 with a single truck to receive Proposition 1B funding to
3 retrofit or replace that truck to meet the January 2014
4 compliance deadline. However, if this owner acted early
5 to install a diesel particulate filter, he can compete for
6 a replacement funding based open NOx reductions just like
7 any other fleet.

8 In addition, these independents and small fleets
9 have been eligible in prior rounds of Proposition 1B
10 funding and loans, ARB vouchers and loan assistance, Moyer
11 grants and local incentive programs. Additional loan
12 assistance and some local funding may still be available
13 to the independent owner-operator.

14 Our second response to the local agency's concern
15 is a commitment to be active partners in the outreach
16 effort to solicit applications from owners of eligible
17 trucks to attract the largest number of applicants
18 possible. The local agencies and ARB staff successfully
19 collaborated on this type of outreach in 2011. Because
20 the program requires each truck compete individually for
21 funding, regardless of the fleet size, we can be assured
22 that the projects receiving public dollars from
23 Proposition 1B will achieve the greatest levels of early
24 and/or extra emission reductions in each region.

25 --o0o--

1 AIR POLLUTION SPECIALIST NIEDERREITER: ARB will
2 coordinate with the Department of Finance and local
3 agencies to develop the administrative changes needed to
4 meet the State's fiscal policy requirements on the timing
5 for use of bonds funds. ARB and local agencies will then
6 sign grant agreements.

7 Local agencies will begin implementing the
8 program this summer, starting with public solicitations
9 for truck project applications and then evaluate those
10 applicants.

11 Local agencies will begin signing contracts with
12 equipment owners in early 2014. Trucks funded in this
13 round will not be on the road in time to be used for
14 January 2014 compliance strategies, but will become
15 operational no later than December 31st, 2014.

16 --o0o--

17 AIR POLLUTION SPECIALIST NIEDERREITER: Staff
18 recommends that the Board adopt Resolution 13-34. This
19 resolution identifies local and State agency projects for
20 year four program funds. It also adopts revisions to the
21 guidelines to include a limited truck filter substrate
22 replacement program as part of the existing truck source
23 category and supports the follow-up work to amend the
24 administrative requirements in the guidelines to implement
25 the State's fiscal policies to reduce the time prior to

1 expenditure of funds. This concludes our presentation.

2 CHAIRPERSON NICHOLS: Any concluding remarks or
3 should we proceed right to the discussion?

4 DEPUTY EXECUTIVE OFFICER COREY: Proceed.

5 CHAIRPERSON NICHOLS: Let's call the witnesses
6 then starting with Seyed Sadredin followed by Fred
7 Minassian and Mark Loutzenhiser.

8 MR. SADREDIN: Thank you, Madam Chair, members of
9 the Board.

10 It's a pleasure and honor to be here before you
11 on this matter. As we are approaching the final phases of
12 the Prop. 1B, I believe we may have one more. We've had
13 many exciting meetings every time you've had the
14 allocation meeting here.

15 As we begin the last couple of phases, I wanted
16 to take this opportunity to really express my gratitude to
17 your grant staff, not only in Prop. 1B, but also in the
18 Moyer program.

19 A couple of months ago, your staff was at my
20 Board meeting giving them a report on the recent audit
21 that you had conducted. And we appreciate all the
22 compliments and commendations and pointed to our program
23 as a shining example of efficiency and effectiveness.

24 But the truth of the matter is that our program,
25 our success really would not be possible without the

1 support, oversight and guidance we received from your
2 staff. They do a bang up job here all the time to help us
3 and I wanted to make sure they do hear our appreciation.
4 We certainly do value their work.

5 And now the item that's before you today, trucks,
6 as you know, make up over 50 percent of the NOx emissions
7 in San Joaquin Valley. It's an important category, the
8 most important category. And we appreciate the
9 recommendation today to target virtually all of the
10 funding to trucks, because that's an important category
11 within San Joaquin Valley.

12 Now, within the truck population in San Joaquin
13 Valley and the rest of the state, the small single
14 owner-operators are a sensitive category that we are
15 concerned with. Because of the economy, because of the
16 tight margins, they've had limited opportunity to
17 participate in the previous funding opportunities. So in
18 San Joaquin Valley, realizing that importance and the
19 concern that we have with them with the emissions being in
20 environmental justice communities, many of these trucks
21 actually you've seen parked in EJ communities. And we are
22 concerned with that.

23 So we have a program that I wanted to take an
24 opportunity to announce today for \$5 million for targeted
25 at small businesses. And we are using entirely local

1 funding for that program. It's open right now. We want
2 people to apply before the deadline of January 2014. We
3 did raise a concern regarding the fact that today's
4 proposal will not allow any of the funds to be used for
5 single engine operators. And I want to express my
6 gratitude to Rich Corey really listening to us and working
7 with us and already coming up with some ideas about how we
8 can proceed in that regard to make this more successful
9 and take care of that sector in a way that would ensure
10 expedited compliance and perhaps even using the funding to
11 get more reductions in the emissions than the truck
12 provides for.

13 So speaking of Rich Corey, I wanted to
14 congratulate your Board for making a great selection. I
15 think today's meeting would be an entirely different
16 meeting today were it not for his care, hard work, and we
17 were talking late into the night last night. So I wanted
18 to congratulate you and also thank Rich's good work with
19 the air districts.

20 My time is up. Thanks.

21 CHAIRPERSON NICHOLS: You can have more time if
22 you want to say nice things. Pile it on.

23 MR. SADREDIN: So we look forward to the promise
24 and the commitment that Rich has made. And we will work
25 with him and with your Board to make sure we find ways to

1 take care of the single owner-operators.

2 CHAIRPERSON NICHOLS: Thank you very much.

3 Mr. Minassian and then Mr. Loutzenhiser and then
4 Mr. Breen.

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

8 On behalf of my agency, I would like to thank
9 your staff for working closely with us and seeking our
10 comments and suggestions for proposed Proposition 1B
11 program awards funding and grant updates.

12 We urge CARB to continue to seek additional
13 incentive funding, including for small and minority
14 businesses through any available funding opportunities.
15 We support the proposed funding distribution among the
16 participating air districts as it brings each air
17 district's total share of funding in line with the overall
18 allocations adopted by your Board at the commencement of
19 this program.

20 We also appreciate your staff's acceptance of
21 CAPCOA's proposal related to funding of small fleets of
22 two and three trucks where the second truck of a fleet of
23 two and second and third trucks are fleets of three can be
24 funded with Proposition 1B. funding so long as the first
25 truck is retrofitted by a PM filter by January 1st, 2014.

1 Finally, we are ready to work closely with your
2 staff to expedite the issuance of the program solicitation
3 for the Truck Replacement Program to expedite the
4 implementation of the funding with the availability of
5 these new funds.

6 Thank you very much.

7 CHAIRPERSON NICHOLS: Thank you.

8 MR. LOUTZENHISER: Good morning, Chair Nichols,
9 members of the Board.

10 I'm Mark Loutzenhiser with the Sacramento Air
11 Quality Management District. I, too, am up here to
12 support the ARB staff recommendations for the goods
13 movement program. We'd like to thank the ARB staff and
14 their management for the work that they've done with all
15 the districts. As has been mentioned, there's been a
16 great collaborative effort over the past -- well, I would
17 even say years of the program going forward, but certainly
18 over the past few months and weeks as well. In particular
19 as already mentioned in the staff report, the
20 clarification on the two and three truck fleets, we think
21 that will be a great addition to helping out some of the
22 smaller businesses. And it was some collaborative effort
23 going back and forth on getting that clarification. We
24 really appreciate that.

25 And just on that note of some of the discussions

1 on the AB 118 and always looking for additional funding
2 through goods movement and everything else, I'll take a
3 moment to briefly mention we had opened back up our CCAT
4 program, which is a local program here for on-road trucks
5 a couple of months ago. And the demand is so great out
6 there for people looking to go ahead and move forward that
7 we actually had a line out the door to our office the day
8 our solicitation opened an hour before.

9 Sort of ironic I got the call coming into the
10 office, I stopped saying what are going to do? How do we
11 let them in? We are not open yet upstairs. I felt like
12 we were the hot new rock concert, which is an unusual
13 feeling for an air district.

14 So there is a need out there for these incentive
15 programs. People are looking to try to get into the new
16 cleaner technologies through programs like the goods
17 movement, through the AB 118. We recognize the funding
18 opportunities are limited, especially given different
19 budgetary concerns. So we appreciate the help and support
20 we have, both for our local programs, through the State
21 programs, and working with the staff on these efforts.
22 Thank you.

23 CHAIRPERSON NICHOLS: Damian Breen, Mike Watt.

24 MR. BREEN: Good morning, Chair Nichols, members
25 of the Board.

1 Damian Breen, Director of the Incentives Program
2 at the Bay Area Air Quality Management District.

3 The Bay Area Air District is here today to speak
4 in support of staff's recommendation. First, let me start
5 by commending ARB staff on making the changes to the
6 program guidelines that provide for additional funding for
7 small fleets with two to three trucks. This builds on
8 direction that's been provided by this Board and gives a
9 much needed route to early compliance for truck owners.

10 This section also reflects the results of very
11 productive dialogue between ARB staff and air district
12 statewide. However, as a result of that dialogue and upon
13 some reflection on our own grant programs over the past
14 few years, the Bay Area Air District was left with
15 concerns regarding small fleets I want to share with you
16 today.

17 On January 1st, 2014, as you've heard, thousands
18 of single owner-operators become subject to the
19 requirement of on-road rule. This will require them to
20 retrofit or replace their existing truck. Now, usually as
21 we approach these compliance deadlines at local air
22 districts, we see distinct up-takes in activity around our
23 grant programs and around our industry assistance phone
24 lines. However, in the case of these particular singular
25 owner-operators, that update has yet to materialize.

1 So with thousands effected and with the deadline
2 rapidly approaching, we're left with the distinct
3 impression this segment of the trucking industry has been
4 particularly hard hit by the economic downturn and may not
5 be in a position to even consider the upgrades necessary
6 for compliance.

7 So while it may be beyond the scope of your
8 proposed action today, the Air District would like to
9 encourage the Board and the staff to make sure that all
10 avenues of possible outreach to these owner-operators are
11 being exploited.

12 We also believe that these outreach efforts
13 should include information about available loan guarantee
14 programs, private and public financing options, for those
15 who are seeking to come into compliance. And we would
16 encourage the Board and staff to seek additional funding
17 to assist this segment of the trucking community. That
18 links to my comments earlier about the AB 118 funding.

19 Additionally, I would add the Bay Area Air
20 District stands ready to provide any assistance possible
21 to help you with these outreach efforts. And we'll be
22 looking also at our funding to see if we can provide much
23 needed support for these truckers locally. Thank you.

24 CHAIRPERSON NICHOLS: Thank you.

25 Mike Watt and then Chris Shimoda.

1 MR. WATT: Good afternoon, Madam Chair and
2 members of the Board.

3 I'm Mike Watt, Manager of Mobile Source
4 Incentives for San Diego County Air Pollution Control
5 District.

6 Again, in light with everyone else, I'd like to
7 thank ARB staff for collaborating with us, working with us
8 on these programs, particularly in line with the two to
9 three fleet trucks. That's a big issue for us. We're
10 glad we're able to find a resolution there.

11 Our agency has participated with the program
12 since its inception. We are proud to say our Board has
13 provided over \$18 million in both State and local funding
14 to clean up nearly 500 trucks and one marine vessel to
15 provide over 300 tons of emissions reductions in our
16 region. So that's a big deal, and we're very proud of
17 that.

18 We certainly are in support of the staff
19 recommendation. And we're glad to see they will restore
20 the funding amounts to the targets that you guys
21 identified as part of your initial approval of the
22 program.

23 Again, we would like to encourage your staff to
24 work with us, to identify any feasible means to use these
25 funds to continue to get benefits, particularly from these

1 single owner-operator fleets and outreach any ways we can
2 find to make sure we reach those folks.

3 It's important to assure that all viable project
4 options are explored so we can maximize the benefits of
5 these funds.

6 Lastly, we look forward to continuing to work
7 with your staff on this program and providing much needed
8 reductions to our region and the state of California.
9 Thank you.

10 CHAIRPERSON NICHOLS: Thanks. Chris Shimoda and
11 then Matt Schrap.

12 MR. SHIMODA: I'm Chris Shimoda, Manager of
13 Environmental Policy for the California Trucking
14 Association.

15 And first just wanted to strongly support the
16 staff's recommended funding allocations. You obviously
17 can't do much better than 99 percent. So again, strong
18 support for that.

19 And I'm here today to specifically support the
20 direction your staff is taking with respect to this filter
21 substrate replacement component. There is some work left
22 to be done on the details of the program, but I'm hopeful
23 we can get those details hammered out with your staff here
24 in the coming weeks.

25 Just a couple of details on this situation for

1 the Board to consider. For those of you who are new Board
2 members, this stems from the situation, the fallout
3 basically from the Cleaire situation earlier this year.

4 And in talking with some of our vendor members,
5 we do believe that there is going to be a certain
6 percentage of those trucks out there with Cleaire long
7 miles that are not going to be able to operate with the
8 new replacement ceramic substrates that were talked about
9 in the discussion. That means there is going to be a
10 number of trucks out there that need a complete
11 replacement of the filter or who will not have a
12 replacement filter to actually get into.

13 CTA has been very consistent on this topic since
14 the situation with Cleaire arose. If a fleet did spend
15 money on a Cleaire product, and through no fault of their
16 own now face a replacement of \$20,000 for a new filter, we
17 believe that fleet should be made whole.

18 We believe your staff is committed to working
19 with us on this. And we would ask for the Board's
20 continued engagement on this situation. These are the
21 truckers who acted early. These are the good guys.
22 Please do make sure the good guys are not hurt in this
23 situation. Thank you.

24 CHAIRPERSON NICHOLS: Thank you. And you have
25 been consistent on this, and we appreciate it.

1 Okay. Matt and then Sean Edgar.

2 MR. SCHRAP: Hello. I'm Matt Schrap. My second
3 time here before the Board. I'm honored again to have the
4 opportunity to come and discuss some of the issues that we
5 found.

6 We are very supportive of the 1B Program. Our
7 grants and compliance division, California Fleet
8 Solutions, processed over 1200 grants in the last 1B
9 application, secured over ten million dollars for our
10 clients. We are very familiar with the program and
11 looking forward to the solicitation's opening.

12 I will also echo my friends at the air district
13 in commending ARB staff for the great job they've done
14 over the past eight months now practically in getting
15 ready for this day today, Cynthia, Melissa, Doug,
16 especially and Barbara.

17 One thing that was very encouraging as we
18 mentioned here before about these truck loan programs, in
19 particular, the money being allocated to the CalCAP
20 program for the 1B grants is very important and it's very
21 needed.

22 As we've heard, there is an unmet need for,
23 according to Mr. White's statistics, up to 30,000 of these
24 individual truck operators. Even if there was grant
25 consideration given to them for a regulatory extension,

1 that still would not take the entire owner-operator
2 population into consideration, primarily because you have
3 to be related to a goods movement transaction in the
4 corridor. That means upper, upper northern California as
5 I like to call it really loses out in the mix.

6 You have this issue combined with the fact that a
7 model year considerations are only for 1994 to 2006
8 engines for the Class 8 and Class 7 replacement. So that
9 leaves anybody with the oldest most high polluting
10 vehicles uneligible for the grant funding program.

11 We're excited there has been consideration for
12 the two and three truck fleets. We'll work hard to
13 maintain our consistent level of outreach using our
14 relationships with the California Trucking Association,
15 the American Trucking Association, as well as the
16 California Construction Truck Association.

17 One thing that is very important that we all need
18 to understand is that the credit market right now,
19 although the economy is getting better, we're still left
20 with the old adage good people/bad credit. And without
21 some help from the State in a program like CalCAP, a
22 proven public/private partnership that has worked over the
23 years and will continue to work while your staff
24 supporting this program by injecting more money into it,
25 we think there is going to be a great I guess tidal wave

1 of folks who should be utilizing this grant funding.

2 But we need more money for the CalCAP and PLACE
3 Programs wherever it comes from. It is a great program,
4 as Supervisor Gioia mentioned earlier. These guys need
5 help. This is regulatory requirements.

6 So we appreciate again all of staff's work and
7 look forward to working with them to get the solicitation
8 underway and our friends at the air districts as well.
9 Thank you very much.

10 CHAIRPERSON NICHOLS: And last, Mr. Edgar.

11 MR. EDGAR: Thank you, Chair Nichols and Board
12 members.

13 Sean Edgar, Director of Cleanfleets.net. Just
14 here to punctuate a few items and join the love fest.
15 It's my lucky day because the Board is making key
16 decisions with money.

17 I offer my remarks, having spent the last 18
18 months under contract with the Board going out and doing
19 outreach in six western states that took us to 125 events
20 where we educated over 5,000 fleet owners about ARB
21 requirements. And looking into the eyes of the folks that
22 are effected by the regulation, I realize many of them who
23 are in the small fleet categories have not figured out in
24 an improving economy how to pay for the vehicle -- the
25 first vehicle, let alone the second or the third vehicle.

1 So I think the funding we are talking about will be key
2 support and obviously endorsing your staff's
3 recommendations to get funds out as quickly,
4 expeditiously, and reasonably as possible.

5 Just one item I'll add to Mr. Shimoda's comments
6 would just be the issue -- and I appreciate staff's
7 foresight of looking into fixing the Cleaire situation.
8 Many of those folks in those vehicles did take early
9 action with the rule. And absent some sort of a --
10 they've already paid for one device. So absent some sort
11 of intervention by the Board, they would be left possibly
12 high and dry. So appreciate your consideration of fixing
13 that problem as well.

14 Also looking at supporting your joint outreach
15 efforts. We were fortunate we automated our reservations
16 system when we did the outreach. So we have some
17 electronic information to share with Board staff as they
18 do outbound informational materials about this statewide
19 coordinated solicitation.

20 And just finally wanted to really encourage you
21 as well especially in the rural areas, we went to about 30
22 of the rural counties throughout California and especially
23 those areas the information flow via internet may not be
24 as quick. So postcards and things like that may also be
25 utilizing. So we're always willing to cooperate and with

1 the benefits of our last training.

2 Thank you very much for allowing me to speak and
3 thanks to your staff for some foresight in what will
4 hopefully be a new successful grant program in year four.

5 CHAIRPERSON NICHOLS: Thank you very much.

6 For the Board members, I think it is important to
7 realize that staff has not been waiting around for the
8 deadline to hit, but has been very proactive in terms of
9 getting out into communities and trying to find people to
10 educate about the program with assistance from the local
11 districts. And if any of you want more details about
12 what's going on in your own area and if you have any extra
13 time and want to engage in something, there's always
14 someplace to go and some group of truckers to talk to it
15 seems. So this is very much an active ongoing operation.

16 I want to congratulate you on having gotten to
17 the point where I heard from the districts there is still
18 a few details they need to get ironed out, but that
19 overall people are in agreement with the way the funds
20 have been allocated. And that's really huge progress.

21 So thanks to all both from the districts and from
22 the ARB for having come to this with such good will and
23 determination to try to reach a successful conclusion
24 here.

25 Are there any additional comments or questions

1 from staff -- Board -- sorry. Board members, yes.

2 BOARD MEMBER MITCHELL: Thank you.

3 I would just also want to reiterate our thanks to
4 Richard Corey and the staff on working with the districts
5 to find a solution.

6 We do have a problem with the small truck fleets.
7 It looks like we've gotten a solution for the two and
8 three truck owners, but there's still some problems about
9 the single truck owner. And Mr. Corey and I had a
10 discussion this morning about that. I understand that
11 staff will continue to work with the districts to help
12 find funding, some financing, and loan assistance for
13 these small truckers.

14 Many of them are minorities. So I think we do
15 have environmental justice issue with our small fleet
16 owners, our single owner truckers. And I hate to see them
17 go out of business. You know, they're the bred winners
18 for their families. And it's an important, you know, role
19 they play. And we need to be mindful of that. So I trust
20 our staff will continue to work on this issue and help us
21 find some assistance for those folks. Thank you.

22 CHAIRPERSON NICHOLS: I see Mr. Corey saying
23 "yes" quietly. You can say so loudly.

24 DEPUTY EXECUTIVE OFFICER COREY: It was
25 absolutely acknowledgement.

1 I did want to make reference to the discussion
2 with the districts and my interest and they've been
3 actually very helpful in terms of reaching out. In fact,
4 the announcement that Seyed made I think is a key element
5 of ongoing work and support the districts have been
6 playing in terms of the upcoming deadline. That's an
7 element of it. The outreach is an element of it.

8 Looking at the CalCAP and the important role that
9 loans are going to play and are there vehicles to
10 supplement that.

11 Now, this is not without challenge. The
12 challenges are actually fairly considerable. But focusing
13 on this and staying on point I think is going to be key.
14 And I'm very appreciative of ongoing work with districts
15 and the key role they're going to play.

16 CHAIRPERSON NICHOLS: All right. We do need a
17 resolution and we're going to --

18 BOARD MEMBER BERG: So moved.

19 BOARD MEMBER ROBERTS: Second.

20 CHAIRPERSON NICHOLS: All in favor please say
21 aye.

22 (Ayes)

23 CHAIRPERSON NICHOLS: Any opposed?
24 Abstentions? Great. Okay.

25 This is done then. I will be happy to entertain

1 a motion to adjourn.

2 CHIEF COUNSEL PETER: Wait.

3 CHAIRPERSON NICHOLS: We will have an executive
4 session. The Board members will recess, and we will be
5 getting a briefing on some litigation. And no action is
6 expected to be taken, but we'll come out and announce it
7 at the end. So thanks everybody.

8 (Whereupon the Board recessed into closed
9 session at 1:41 p.m. and returned from closed
10 session into open session at 2:44 p.m.)

11 BOARD MEMBER RIORDAN: Just for the record, we
12 have concluded our closed session and no decisions were
13 made. And we will now adjourn formally this meeting.
14 Thank you.

15 (Whereupon the Air Resourced Board
16 meeting adjourned at 2:45 p.m.)

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