

MEETING
STATE OF CALIFORNIA
AIR RESOURCES BOARD

CAL/EPA HEADQUARTERS
BYRON SHER AUDITORIUM
SECOND FLOOR
1001 I STREET
SACRAMENTO, CALIFORNIA 95814

THURSDAY, JUNE 26, 2014

9:04 A.M.

TIFFANY C. KRAFT, CSR
CERTIFIED SHORTHAND REPORTER
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APPEARANCES

BOARD MEMBERS

Ms. Mary Nichols, Chairperson

Dr. John Balmes

Mr. Hector De La Torre

Mr. John Eisenhut

Supervisor John Gioia

Mayor Judy Mitchell

Mrs. Barbara Riordan

Supervisor Ron Roberts

Supervisor Phil Serna

Dr. Alex Sherriffs

STAFF

Mr. Richard Corey, Executive Officer

Dr. Alberto Ayala, Deputy Executive Officer

Ms. Edie Chang, Deputy Executive Officer

Ms. Lynn Terry, Deputy Executive Officer

Ms. Ellen Peter, Chief Counsel

Ms. La Ronda Bowen, Ombudsman

APPEARANCES (CONTINUED)

STAFF

Mr. Aaron Hilliard, Air Resources Engineer, Alternative Strategies Section, Mobile Source Control Division

Mr. Tung Le, Manager, Regulatory Assistance Section, Stationary Source Division

Ms Lisa Macumber, Innovative Strategies Branch, MSCD

Ms. Cynthia Marvin, Chief, SSD

Mr. David Quiros, Air Resources Engineer, Freight Emissions Assessment and Research Branch, Monitoring and Laboratory Division

Mr. Scott Rowland, Chief, Incentives and Technology Advancement Branch, MSCD

Mr. Erik White, Division Chief, MSCD

ALSO PRESENT

Mr. James Barba, Next Generation

Mr. Will Barrett, American Lung Association

Mr. Max Baumhefner, NRDC

Mr. John Clements, Motiv Power Systems

Mr. Steve Douglas, Alliance of Automobile MFGS

Mr. John Dunlap, Nissan

Mr. Rob Elam, Propel Fuels

Mr. Anthony Fournier, BAAQMD

Ms. Jillian Franzoia, CalCAP

APPEARANCES (CONTINUED)

ALSO PRESENT

Ms. Veronica Garcia, Tune In Tune Up

Mr. Larry Greene, Sac Metro AQMD

Mr. Tony Gonzalez, Global Automakers

Mr. Jaime Hall, CALSTART

Mr. Henry Hogo, SCAQMD

Ms. Bonnie Holmes-Gen, ALA

Mr. Tom Knox, Valley CAN

Ms. Jerilyn Lopez Mendoza, Southern Californai Gas/SDPGE

Mr. Edward Lovelace, XL Hybrids

Mr. Bill Magavern, Coalition for Clean Air

Mr. Jim McKinney, CEC

Ms. Carishma Menon, Natural Resources Defenses Counsel

Mr. Jose Marin, Tune In Tune Up

Mr. Ed Pike, Energy Solutions

Mr. David Reichmuth, Union of Concerned Scientists

Mr. Seyed Sadriden, South Coast AQMD

Ms. Rosemary Shahan, CARS

Mr. Aaron Tilton, Blue Castle Holdings

Ms. Eileen Tutt, Cal ETC

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PROCEEDINGS

1
2 CHAIRPERSON NICHOLS: Good morning, everyone.
3 The June 26th, 2014, public meeting of the Air Resources
4 Board will come to order.

5 Before we take the roll, we normally say the
6 Pledge of Allegiance. I'll ask you all to please rise,
7 and Mr. Eisenhut is going to lead us this morning.

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

10 CHAIRPERSON NICHOLS: All right. Madam Clerk,
11 would you please call the roll?

12 BOARD CLERK JENSEN: Dr. Balmes?

13 BOARD MEMBER BALMES: Here.

14 BOARD CLERK JENSEN: Ms. Berg?

15 Mr. De La Torre?

16 Mr. Eisenhut?

17 BOARD MEMBER EISENHUT: Here.

18 BOARD CLERK JENSEN: Supervisor Gioia?

19 BOARD MEMBER GIOIA: Here.

20 BOARD CLERK JENSEN: Mayor Mitchell?

21 BOARD MEMBER MITCHELL: Here.

22 BOARD CLERK JENSEN: Mrs. Riordan?

23 BOARD MEMBER RIORDAN: Here.

24 BOARD CLERK JENSEN: Supervisor Roberts?

25 BOARD MEMBER ROBERTS: Here.

1 BOARD CLERK JENSEN: Supervisor Serna?

2 BOARD MEMBER SERNA: Here.

3 BOARD CLERK JENSEN: Dr. Sherriffs?

4 BOARD MEMBER SHERRIFFS: Here.

5 BOARD CLERK JENSEN: Professor Sperling?

6 Chairman Nichols?

7 CHAIRPERSON NICHOLS: Here.

8 BOARD CLERK JENSEN: Madam Chairman, we have a
9 quorum.

10 CHAIRPERSON NICHOLS: Thank you very much.

11 A couple of announcements, before we get started.

12 First of all, for anybody who is not familiar
13 with our proceedings, if you wish to testify on any item,
14 we ask that you fill out a request to speak card. They're
15 available in the lobby outside the boardroom and that you
16 turn it into the Clerk over here or Board assistant prior
17 to the item that's being called.

18 We do impose a three-minute time limit, although
19 that can be shortened if things get to be out of hand.

20 But we don't expect that's going to be a problem today.

21 We do ask you to summarize your testimony and put
22 it in your own words rather than reading it, just because
23 we will receive the written testimony anyhow and it's
24 easier for the Board and easier for you to keep to your
25 time if you can go straight to your main points.

1 For safety reasons, please observe where the
2 exits are around the room. And if we are required to
3 evacuate, which would happen if there was a fire alarm
4 sounded, we will go down the stairs and out of the
5 building until we get an all-clear signal to come back and
6 resume the hearing.

7 Now, before we begin this morning with our
8 regular agenda, we have to take a few minutes to observe a
9 very important occasion other than the World Cup that's
10 happening today, which is the retirement of the Board's
11 Liaison of the last 14 years, Charlyn Frazier. We had an
12 opportunity last night to toast her a little bit. But
13 it's also important I think that we observe the occasion
14 in a more public fashion. Because while many of you may
15 not have worked with her, if you've ever communicated with
16 the Board members or set up a meeting with the Board, you
17 cannot have failed to meet Charlyn. She has made an
18 incredible contribution to our overall well being. And we
19 can't let this occasion go by without noting it.

20 Charlyn's job is to be the interface between the
21 public and the Board members. And it's an amazingly busy
22 job. As the Board has actually grown during her time in
23 office as well, the number of meetings she has to
24 schedule, the volume of activity partly as a result of AB
25 32 and the Board's seemingly ever-expanding

1 responsibilities has made her job a really challenging
2 one.

3 And while doing all of this with quite amazing
4 aplomb and juggling all these various needs, she's managed
5 to keep the Board members well fed during Board meetings,
6 make our lives brighter with flowers that that she scours
7 the farmers market for and just in general to be a fixture
8 of our activities.

9 So the Board members, as usual, have signed a
10 Resolution for Charlyn. And I'm not going to read it all
11 because some of it is sort of inside jokes, which she
12 probably wouldn't appreciate sharing, but I'm going to
13 mention a couple of things about Charlyn that perhaps not
14 everybody knows, one of which is that she didn't actually
15 start her career in State service with ARB. She began at
16 the Department of Health Services. And before that, she
17 had a number of years of experience -- I'm not going to
18 say how many -- in the private sector, including working
19 at KTLA Channel 5 in Los Angeles, which may explain some
20 of her flare for the dramatic. We can't really say.

21 But she is very well known within the Board for
22 having undertaken a new hobby in recent years of running
23 and having become a passionate marathoner and someone who
24 really sets an example for all of us in terms of being
25 able to stay fit and active at any point in your life. So

1 for that alone, Charlyn, you have been an inspiration.

2 I'm going to ask you to come up. I think we have
3 the actual Resolution somewhere, do we not? Yes, we do.
4 Okay. So we can give it to you.

5 And then before we let you go, Supervisor
6 Roberts, who seems to have won the contest for the person
7 who's known you the longest on this Board -- there was a
8 little competition last night. Mrs. Riordan I think might
9 be equal. We won't resolve that one.

10 Anyway, Supervisor Roberts has also brought along
11 something that he wishes to present.

12 Charlyn, let me just give you this Resolution on
13 behalf of all of us and wish you every success.

14 (Applause)

15 BOARD MEMBER ROBERTS: Thank you. As only one of
16 two who have been here longer than Charlyn, in spite of
17 that, we've all been trained by her in terms of what to
18 expect and how to do it and where we need to be. When my
19 colleagues on the Board of Supervisors heard that one
20 person was doing all of this work and had kept me out
21 trouble for 20 years here, they felt that it would be
22 appropriate for us to do something.

23 We have a Proclamation that mirrors some of the
24 things that Mary has alluded to in our Board proclamation
25 that also talks about the wonderful lunches and the superb

1 delicatessens that Charlyn has sought out over the years
2 to make sure we're well fed. I suspect that's kept us in
3 far better mood and far more productive in every way.

4 It also alludes to what she is planning on doing
5 in here retirement, tending to her cats and her cow,
6 Patty, and of course her running, of which she will have
7 more time. I'll have more to say about that in just a
8 minute.

9 But the Board in San Diego, County Board of
10 Supervisors throughout the county of San Diego has
11 proclaimed this to be Charlyn Frazier Day in honor of her
12 service.

13 (Applause)

14 BOARD MEMBER ROBERTS: This would normally make
15 you immune from traffic tickets in San Diego. We'll get
16 you a pass for when you're down there.

17 But even more importantly, because of your
18 running, there is somebody in San Diego that heard about
19 your late start in your career but your accomplishments
20 and marathon and several half marathons, numerous 5 Ks and
21 10 Ks. And he was very impressed and wanted me to pass
22 this on. It says, "To Charlyn. Thank you for all your
23 support. Best wishes. And now you have even more time to
24 run. Run to win." And it's signed by Meb Keflezighi.
25 Meb is the first American winner of the Boston marathon

1 about half a century ago. So this is for you.

2 (Applause)

3 CHAIRPERSON NICHOLS: Would you like to say a few
4 words?

5 MS. FRAZIER: I'd had an opportunity to say a few
6 words to the Board and staff last night. We had a festive
7 event. I really don't think it's goodbye. I think I've
8 said this before that I'm sure I'll be back. It will be
9 hard to stay away from Board meetings. It's been 15
10 years. I figure I've been to at least 150 Board meetings.
11 I didn't think of it that way.

12 But for some reason in the middle of the night
13 last night, when I'm awake, I don't think I'm retiring.
14 It's June and summer break and it's time to take a
15 vacation. I want to go to summer camp and get out and get
16 some fresh air and take up some crafts.

17 CHAIRPERSON NICHOLS: You're welcome back any
18 time, Charlyn.

19 MS. FRAZIER: Thank you all so much. This is
20 really a treasure.

21 (Applause)

22 CHAIRPERSON NICHOLS: An important milestone.

23 Let me now move onto the regular calendar. We
24 have first a consent item on the approval of the 8-Hour
25 Ozone State Implementation Plan Inventory Submittal.

1 And I need to ask if anyone has signed up to
2 speak on this or if anyone wishes to take it off of
3 consent? There seems to be a conference going on over
4 here. So sorry.

5 Madam Clerk, we're on the consent item. Did you
6 receive anything? No. No comments. Okay. No nobody
7 wishes to take it off.

8 May I have a motion?

9 BOARD MEMBER RIORDAN: Move approval.

10 BOARD MEMBER EISENHUT: Second.

11 CHAIRPERSON NICHOLS: Very good. All in favor,
12 please say aye.

13 (Unanimous aye vote)

14 (Board Member De La Torre not present.)

15 CHAIRPERSON NICHOLS: Any opposed or abstentions?
16 Great.

17 Next item is a report on the Air Resources Board
18 Mobile Source Measurement Capabilities. This is a report
19 that accompanies the wonderful demonstration that we had
20 last week out in the street of some of our capacities.
21 And we thought that it would be useful for the Board
22 members to get a chance to hear a somewhat more formal
23 informational report. So this is a more comprehensive
24 picture of some of those instruments and methods that you
25 saw on display at the showcase last month, including a

1 description of how they're actually used to support our
2 regulatory programs.

3 I think the Board members appreciate the fact
4 that we are using some very sophisticated technologies to
5 assess what's going on out there in the real world of cars
6 and trucks and to make sure they're as clean as possible.
7 These tools are obviously at the heart of what we do,
8 including some of our most critical regulations and are
9 consistently going to be under scrutiny. And we need to
10 make sure that we are utilizing the very best technologies
11 and doing them and using the data as well as possible.

12 So I'm going to turn it over at this point to Mr.
13 Corey to introduce this item.

14 EXECUTIVE OFFICER COREY: Thank you, Chairman
15 Nichols.

16 So today's presentation will describe the
17 evolution of our mobile source testing capabilities,
18 beginning with the establishment of ARB more than 50 years
19 ago. We'll highlight the variety of new measurement tools
20 we've developed over the years to meet changing and
21 increasingly complex program needs. And we'll conclude
22 with a preview of our emissions testing priorities,
23 including our plans for expanded testing facilities.

24 And David Quiros of our Monitoring and
25 Laboratories Division will now give the presentation.

1 David.

2 (Thereupon an overhead presentation was
3 presented as follows.)

4 AIR RESOURCES ENGINEER QUIROS: Thank you, Mr.
5 Corey.

6 Good morning, Chairman Nichols and members of the
7 Board.

8 In our informational briefing today, we will
9 describe how ARB's mobile source measurement capabilities
10 have evolved since the early 1960s to support expanding
11 regulatory and programmatic needs.

12 We will then discuss the major sources of air
13 pollutants from vehicles and the tools ARB has developed
14 and deployed to measure them. We will conclude with a
15 summary of our current testing capabilities and our future
16 measurement priorities.

17 --o0o--

18 AIR RESOURCES ENGINEER QUIROS: Last month, a
19 number of you had the opportunity to view the mobile
20 source measurement showcase as part of our Board meeting.
21 The selected exhibits demonstrated some of the mobile
22 source measurements that are used today.

23 This presentation serves to provide the
24 fundamental background behind these measurement tools, and
25 in addition, present the chronological development and

1 future direction of ARB's mobile source programs.

2 --o0o--

3 AIR RESOURCES ENGINEER QUIROS: In the 1950s,
4 Arie Haagen-Smit and other Southern California scientists
5 determined that motor vehicles were one of the main
6 sources of air pollutants resulting in photochemical smog
7 blanketing the region.

8 To address this problem, in 1959, the Legislature
9 created the California Motor Vehicle Pollution Control
10 Board, the predecessor to the ARB, and gave it the
11 authority to test vehicle emissions and certify emission
12 control devices. This was the beginning of ARB's mobile
13 source emission measurement program, which in its early
14 years focused on controlling passenger car emissions.

15 --o0o--

16 AIR RESOURCES ENGINEER QUIROS: As this slide
17 shows, there are many potential sources of air pollution
18 associated with vehicles, including fuel composition,
19 refueling losses, tailpipe exhaust, brake and tire wear,
20 leakage of air conditioning refrigerants, and evaporative
21 losses.

22 Over the past 50 years, specialized test methods
23 and instruments have been developed to measure these
24 sources of vehicle emissions, beginning with the most
25 obvious source, the internal combustion engine and

1 associated tailpipe exhaust.

2 --o0o--

3 AIR RESOURCES ENGINEER QUIROS: Dynamometers were
4 first commercially developed for emissions testing
5 applications in the 1960s. A dynamometer, or "dyno" for
6 short, simulates road loading of an engine or vehicle,
7 thus allowing reproducible tests to be conducted in a
8 controlled laboratory setting.

9 In some cases, the engine is tested outside of
10 the vehicle on the engine dyno, while in other cases the
11 entire vehicle is tested on a chassis dyno. ARB has used
12 both engine and chassis dynamometers to evaluate vehicle
13 control technologies, including most notably the three-way
14 catalyst and diesel particulate filters.

15 --o0o--

16 AIR RESOURCES ENGINEER QUIROS: A chassis
17 dynamometer can be thought of as a treadmill for vehicles.
18 As this diagram shows, the drive wheels of a car are
19 placed on a large roller, and the exhaust is connected to
20 a rack of analytical instruments. A driver then follows a
21 prescribed driving cycle that is displayed on a screen,
22 accelerating or braking as needed. A fan is used during
23 the test in place of the cooling normally provided by wind
24 resistance. Tailpipe emissions produced during the test,
25 including gaseous particulate and greenhouse gas

1 pollutants, are collected and analyzed by a range of
2 instruments.

3 --o0o--

4 AIR RESOURCES ENGINEER QUIROS: This photograph
5 shows a passenger car being tested on a chassis
6 dynamometer in ARB's Haagen-Smit laboratory in El Monte.
7 Clearly visible in the photograph are the dyno roll under
8 the front wheels of the car, the driver display, the
9 cooling fan, and the rack of analytical instruments.

10 --o0o--

11 AIR RESOURCES ENGINEER QUIROS: Another major
12 source of air pollution from motor vehicles is evaporative
13 emissions of hydrocarbons produced by engine heat and
14 diurnal changes in ambient temperature.

15 In the late 1960s, the concept of sealed housing
16 for evaporative determination testing, or shed testing for
17 short, was developed to measure evaporative emissions from
18 cars. It involves placing a car in a sealed heated
19 enclosure. The hydrocarbons are released over the course
20 of one or more days and are measured as the car
21 experiences diurnal changes in temperature typically 65 to
22 105 degreeed Fahrenheit.

23 Although the shed testing approach was first used
24 for passenger cars, ARB has since expanded the method to
25 measure evaporative emissions from other gasoline powered

1 vehicles, including off-road recreational vehicles,
2 watercraft, and lawn and garden equipment.

3 --o0o--

4 AIR RESOURCES ENGINEER QUIROS: This schematic
5 shows how evaporative emissions of a passenger car are
6 measured using the shed. The car is sealed in the shed.
7 The ambient temperature is cycled over the course of one
8 or more days, and the resulting evaporative emissions are
9 measured using a gas analyzer.

10 --o0o--

11 AIR RESOURCES ENGINEER QUIROS: Here, a passenger
12 car is ready to be tested in one of the sheds at the
13 Haagen-Smit Laboratory.

14 --o0o--

15 AIR RESOURCES ENGINEER QUIROS: Beginning in the
16 1970s, ARB recognized the health benefits of reformulated
17 vehicle fuels, as well as the need for cleaner fuels to
18 enable advanced pollution control technologies.

19 One of the first fuel regulations adopted in the
20 1970s removed lead from gasoline, enabling the use of the
21 catalytic converter for emissions control.

22 In the 1990s, establishing sulfur limits for
23 diesel fuel allowed the diesel particulate filter to be
24 adopted.

25 Fuel analysis capabilities employed at ARB's

1 Haagen-Smit Laboratory have played a tremendous roll in
2 the development and enforcement of new fuel standards,
3 including implementation of the reformulated gasoline and
4 clean diesel standards.

5 --o0o--

6 AIR RESOURCES ENGINEER QUIROS: This slide shows
7 ARB's mobile fuels enforcement laboratory that has the
8 capabilities of a fuel scale analytical fuels laboratory
9 on a mobile platform. This enables ARB to have fuel
10 analysis capabilities available throughout the state at
11 refineries and dispensing facilities. Fuel samples can be
12 analyzed within a one-day period, thereby providing a
13 rapid indication of potential enforcement issues.

14 --o0o--

15 AIR RESOURCES ENGINEER QUIROS: With the success
16 of emissions standards and control technologies for
17 passenger cars came an understanding that emissions from
18 other types of motor vehicles needed to be controlled in
19 order to meet air quality standards.

20 In particular, heavy-duty vehicles were
21 identified as major sources of nitrogen oxides and
22 particulate matter.

23 Beginning in the 1980s, heavy-duty vehicles began
24 to be tested routinely using engine and chassis
25 dynamometers.

1 Then in the 1990s, dynamometer cycles and methods
2 were developed for a variety of off-road sources, such as
3 watercraft, recreational vehicles, and motorcycles. These
4 measurements methods were developed by ARB and were the
5 basis of regulatory programs that have since achieved
6 major emissions reductions from a broad array of
7 heavy-duty and off-road vehicles.

8 --o0o--

9 AIR RESOURCES ENGINEER QUIROS: Now let's take a
10 moment and watch a short video clip showing the testing of
11 a heavy duty truck at ARB's MTA facility.

12 (Whereupon a video presentation was given.)

13 --o0o--

14 AIR RESOURCES ENGINEER QUIROS: One of the types
15 of assessments that we can do at the heavy-duty MTA
16 facility is to evaluate the effectiveness of the diesel
17 particulate filter for controlling particulate emissions.
18 This slide shows laboratory filter samples collected from
19 a truck with and a truck without a diesel particulate
20 filter. Our studies have shown that diesel particulate
21 filters reduce particulate matter produced by diesel
22 engines by more than 90 percent.

23 --o0o--

24 AIR RESOURCES ENGINEER QUIROS: This slide shows
25 once of the two motorcycle dynamometers at the Haagen-Smit

1 Laboratory. Similar to the light-duty and heavy-duty
2 dynamometers, the laboratory provides a controlled
3 environment where a pre-defined test cycle is followed and
4 emissions are measured accurately.

5 ARB has used these motorcycle dynamometers to
6 conduct exhaust testing in support of more stringent
7 standards for on and off highway motorcycles, as well as
8 all-terrain vehicles.

9 --o0o--

10 AIR RESOURCES ENGINEER QUIROS: Prior to the
11 1990s, motor vehicle emissions testing was limited to the
12 laboratory environment.

13 In the early 1990s, ARB recognized that
14 measurement tools were needed that could be used in the
15 field to measure emissions from large off-road equipment,
16 as well as better understand real world operations.

17 Advances in measurement technology allowed
18 previously bulky laboratory instruments to be packaged
19 into small compact, portable emissions measurement systems
20 known as PEMS. PEMS have enabled ARB to make real world
21 measurements of particulate matter and other pollutants
22 from a wide range of vehicle types, including not just
23 off-road equipment, but also cars, trucks, and
24 motorcycles.

25 --o0o--

1 AIR RESOURCES ENGINEER QUIROS: This photograph
2 provides one example of how ARB is deploying PEMS to
3 measure real world emissions. In this application, the
4 PEMS is mounted temporarily to the roof of a front end
5 loader, and the emissions from the exhaust are piped into
6 the PEMS for measurement and analysis.

7 --o0o--

8 AIR RESOURCES ENGINEER QUIROS: Emissions
9 detection tools were miniaturized again in the form of
10 on-board diagnostics, or OBD. But rather than measuring
11 emissions, OBD monitors the components of emissions
12 control, such as catalyst sensors, which if malfunctioning
13 may indicate elevated emissions.

14 OBD was required for passenger cars beginning in
15 the late 1980s and for heavy-duty trucks beginning in
16 2010. OBD enables the monitoring of virtually all the
17 vehicles in the fleet to ensure that vehicles remain clean
18 throughout their working life.

19 --o0o--

20 AIR RESOURCES ENGINEER QUIROS: ARB also measures
21 mobile source emissions from the fleet at-large to better
22 understand vehicle technology turnover, verify the
23 benefits of adopted rules, and improve emissions factors
24 that are used to support air quality modeling and assess
25 exposure.

1 Approaches for tracking fleet emissions include
2 surveillance testing, where a representative sample of
3 in-use vehicles are acquired and tested in the laboratory
4 and field measurements by remote sensing of plumes from
5 passing vehicles, or roadway environment measurements
6 conducted routinely or by targeted campaigns.

7 As many of these studies require the use of
8 specialized and unique equipment, ARB frequently contracts
9 these studies or partners with academic institutions and
10 other government agencies.

11 --o0o--

12 AIR RESOURCES ENGINEER QUIROS: One tool used to
13 track fleet emissions is the mobile measurement platform
14 that was developed in-house by ARB staff. Shown on the
15 left, this all-electric vehicle is equipped with
16 state-of-the-art instrumentation that measures on-roadway
17 concentrations of gaseous particulate and greenhouse gas
18 pollutants while driving through live traffic.

19 ARB has developed the mobile source measurement
20 platform in support of numerous studies, including
21 assessing how roadway emissions have decreased due to the
22 benefits of ARB's truck rules.

23 The figure on the right shows the results of
24 measurements made using the mobile measurement platform on
25 the I-710 freeway in Los Angeles between 2009 and 2011.

1 Over that time period, we have measured a 70 percent
2 reduction in black carbon, reflecting the benefits of
3 trucks complying with ARB's drayage truck rule.

4 --o0o--

5 AIR RESOURCES ENGINEER QUIROS: This slide shows
6 another tool that ARB is deploying to measure trends in
7 heavy-duty truck fleet emissions. In this case, we are
8 collaborating with the researchers at the University of
9 Denver to set up a temporary heavy-duty emission tunnel to
10 collect snapshots of fleet level emissions at two
11 locations in California.

12 The study, which began in 2013, will continue in
13 2015 and 2017, providing a longitudinal assessment of the
14 benefits of ARB's implementation of the truck and bus
15 rule. As shown in the photograph, trucks drive through a
16 temporary tunnel and their emissions are captured and
17 analyzed in the mobile lab shown on the left. This set up
18 allows the emissions from more than 2,000 randomly
19 selected trucks to be measured over the course of a
20 typical one-week sampling period.

21 --o0o--

22 AIR RESOURCES ENGINEER QUIROS: As shown by these
23 two examples, both in-house and extramural research play a
24 critical role in understanding mobile source emissions and
25 guiding future measurement priorities.

1 Since 1970, over 200 mobile-source-related
2 contracts have been funded. ARB staff are often key
3 initiators and participants in these research efforts.
4 Results of ARB's in-house and extramural research are
5 typically peer reviewed and published in leading
6 scientific journals.

7 --o0o--

8 AIR RESOURCES ENGINEER QUIROS: ARB's Mobile
9 Source Measurement Program is a critical underpinning of
10 our rulemaking efforts and benefits from sound science,
11 rigorous test methods, and an open public process.

12 As shown in the slides related to the tracking of
13 fleet emission trends, ARB typically uses multiple
14 independent emissions measurement approaches to understand
15 a particular issue. We work closely with U.S. EPA and
16 industry in developing appropriate test methods. In all
17 of our rulemaking efforts, we share test methods and
18 results through a public workshop process.

19 Finally, ARB solicits expert review through
20 working groups, such as the Coordinating Research Council,
21 and through publication of peer-reviewed journal articles.

22 --o0o--

23 AIR RESOURCES ENGINEER QUIROS: The measurement
24 tools discussed in this presentation are currently being
25 used to support a wide range of ongoing ARB program needs,

1 The Haagen-Smit Lab in El Monte, which was
2 inaugurated in 1973, is the hub of our light-duty testing
3 activities and is equipped with engine and chassis
4 dynamometers, evaporative testing sheds and PEMS. The
5 Haagen-Smit Lab also includes a comprehensive laboratory
6 that conducts chemical analysis of fuels and vehicle
7 emissions.

8 The MTA test facility in downtown Los Angeles,
9 which ARB began leasing in 1998, is one of our two
10 heavy-duty testing facilities and is equipped with an
11 engine dynamometer and a chassis dynamometer.

12 Our Depot Park facility, located in Sacramento,
13 is our other heavy-duty testing facility and was
14 commissioned in 2010. We will be upgrading Depot Park
15 with the addition of a chassis dynamometer in late 2014.

16 --o0o--

17 AIR RESOURCES ENGINEER QUIROS: Our current
18 testing capabilities continue to provide critical
19 measurement capabilities. However, advanced testing is
20 needed for the new technologies that will further reduce
21 emissions from motor vehicles and other engines.

22 The two Southern California facilities have
23 limited capacity for upgrading the infrastructure and
24 instrumentation necessary to provide this advanced
25 testing. Therefore, ARB is proposing to build a new

1 state-of-the-art testing facility in Southern California.
2 A contract was awarded in May to complete a feasibility
3 study for the new facility. The study will document
4 program needs and provide a cost estimate. We expect the
5 feasibility study to be completed by fall of 2014.

6 We will use this information to work closely with
7 the Department of General Services and the Department of
8 Finance to complete the approval process. We expect the
9 approval process to take about a year.

10 --o0o--

11 AIR RESOURCES ENGINEER QUIROS: In summary, we
12 have a solid scientific foundation to support our future
13 mobile source rulemaking. We are in the process of
14 commissioning a new test facility in Northern California
15 and are planning a new facility for Southern California.
16 More than 100 ARB staff are engaged in mobile source
17 emissions measurement testing and analysis, are recognized
18 for their expertise, leading the country and the world in
19 developing new tools and methods. We are leveraging this
20 in-house expertise with academic and government
21 partnerships.

22 Finally, we recognize that just as our
23 Measurement Program has evolved over the past 50 years,
24 new measurement tools will be needed in the coming years
25 to meet new program needs and critical air quality and

1 climate goals.

2 That concludes our formal presentation.

3 CHAIRPERSON NICHOLS: Thank you very much.

4 We don't have any witnesses who have signed up,
5 but I have a few comments.

6 And before I give mine, I think Mrs. Riordan
7 wanted to make a comment.

8 BOARD MEMBER RIORDAN: Yes. First of all, staff,
9 thank you very much for the presentation, but even more
10 importantly, for the opportunity to view your efforts at
11 our last meeting. And while I was there, I indicated my
12 interest in the mobile measurement platform within the
13 vehicle that has been now dramatically changed and with
14 wonderful equipment. And so I had the good fortune of
15 going about two weeks ago on a trip in that vehicle
16 holding the computer with a driver -- fortunately with a
17 driver. But along the 710 and watching the measurements
18 along that particular freeway in Southern California. And
19 I was very impressed, first of all, with the fact that
20 that was developed in-house and the ingenuity it took to
21 develop that system. And then for the staffing that is a
22 part of that, such enthusiastic young members of the ARB
23 team.

24 So I would encourage any Board member who had the
25 opportunity to take that trip. And they're doing it

1 several times because they monitor it over a period of
2 time to understand what's happening as we make our
3 regulations and the effects of those regulations.

4 I also had, Madam Chairman, came back to the
5 heavy-duty dynamometer there at the MTA, which I had been
6 to many, many years ago. And I watched a test there. But
7 also realized how that area has grown and how our needs
8 are for I think ultimately having a facility of our own.
9 Because obviously the MTA had expanded and it's been a
10 wonderful relationship hopefully that we've had with them.
11 But it's probably about time that we have our own.

12 CHAIRPERSON NICHOLS: Our relationship would
13 probably be better if we would move out.

14 BOARD MEMBER RIORDAN: But it was a great
15 opportunity. And I want to say thank you for those who
16 hosted me that morning and encourage my colleagues here on
17 the Board to take advantage if you're in the Southern
18 California area because it is incredible what we are able
19 to measure today. I'm so impressed.

20 CHAIRPERSON NICHOLS: Thank you for that.

21 Where are the photos of this event? I trust
22 there are photos somewhere that document your ride-along
23 on the journey.

24 BOARD MEMBER RIORDAN: I'm not sure that there
25 are any photos for the ride-along. Somebody was taking

1 some photos at the dynamometer, but I'm not sure where
2 those are. They may have wanted to destroy them after
3 they saw the character in the picture.

4 CHAIRPERSON NICHOLS: A break down of our
5 communication department because if I had at least one of
6 those, I would be tweeting it this minute. That's what we
7 should be doing to take advantage of exactly that kind of
8 diligence on the part of our Board members.

9 Well, I just wanted to add, obviously, the
10 message here is, you know, we're doing a tremendous
11 amount. And I don't think we even really noted all the
12 places along the way where the equipment that we're using
13 is designed by and invented by people in-house. So much
14 of this program has evolved over time with ARB doing the
15 measurements and then figuring out what could be done to
16 solve the problem.

17 But I just want to underscore the fact that this
18 facility, which I was present at the christening of the
19 Haagen-Smit Laboratory, is of enormous importance to our
20 overall operation. And it's going to be a major
21 undertaking to replace it. We can't just fix it up on the
22 spot that it's in because we don't have enough land there
23 to do it. We don't control the land around it. So we are
24 going to have to go through a quite elaborate process.

25 I know that the other State agencies that are

1 working with us on this are considering some very
2 innovative ideas about how to go about financing and
3 building a facility, which will be unique literally in the
4 world and how to make it also into a zero net energy
5 building and green laboratory. And we have many
6 objectives in building a new building. The State doesn't
7 get to build new buildings very often.

8 So this is going to be a very large project and
9 already, as you heard, is being thoroughly investigated
10 and documented and all. So stay tuned. But this is a
11 project I'm very hopeful will actually see the light of
12 day in Governor Brown's next term.

13 Any other comments or questions? If not, we can
14 move onto the next item. Thank you very much.

15 Our next item is a proposal to amend the State's
16 Enhanced Fleet Modernization Program, commonly referred to
17 as EFMP. EFMP is the State's program to reduce emissions
18 from existing motor vehicles by providing incentives to
19 speed up the retirement and replacement of older high
20 polluting vehicles.

21 The 2007 State Implementation Plan includes a
22 commitment to achieve reductions equivalent to the early
23 retirement of 60,000 vehicles per year combined in the
24 South Coast and San Joaquin Valley air basins. EFMP
25 provides critical funding towards meeting these State

1 Implementation Plan commitments.

2 ARB works closely with the Bureau of Automotive
3 Repair, otherwise known as BAR, in developing the program
4 guidelines and also in assessing the program's
5 performance. A review of the EFMP program in early 2013
6 as well as legislation from last year has prompted staff
7 to propose modifications that are being presented today.
8 These proposed amendments should improve the program's
9 performance, better assure participation by low income
10 consumers, and as we will hear in the following agenda
11 item, also leverage low carbon transportation funding to
12 supplement or support pilot programs that will better
13 enable lower and middle income consumers to be able to
14 move into clean advanced technology vehicles. So this is
15 an important program from the perspective of both of our
16 smog and climate programs, and it will be interesting to
17 see how these two things work together.

18 I understand we're also going to be hearing from
19 the two principal air districts that are involved in
20 implementing this program, and that will be after the
21 staff presentation.

22 EXECUTIVE OFFICER COREY: That's correct.

23 CHAIRPERSON NICHOLS: Great. So I'll turn it
24 over then to Mr. Corey.

25 EXECUTIVE OFFICER COREY: Thank you, Chairman.

1 EFMP is a vehicle retirement and replacement
2 program that was authorized by Assembly Bill 118 in 2007.
3 The program is funded by the one dollar surcharge on motor
4 vehicle registration, translated into about 30 million
5 each fiscal year.

6 ARB in consultation with the Bureau of Automotive
7 Repair adopted guidelines in 2009 to administer two
8 separate program elements: Statewide retirement only
9 element operated by BAR, that has provided retirement
10 incentives to over 90,000 vehicles to date, and a
11 retirement and replacement program which is intended to
12 provide greater benefits by directly assisting consumers
13 to get into newer cleaner vehicles.

14 Unlike the retirement only element, which is
15 oversubscribed each year, the replacement program has had
16 participation that we'll address as part of the staff
17 presentation and associated recommendations. The proposed
18 amendments presented today are in response to both review
19 of the program and in response to directives of Senate
20 Bill 459.

21 Today, we're asking the Board to approve the
22 amendments that we believe will improve the effectiveness
23 of the program, address the directives of SB 459, and
24 provide a mechanism to leverage low carbon transportation
25 funds for low-income consumers in disadvantaged

1 communities.

2 I'd now like to turn the presentation over to
3 Aaron Hilliard with our Mobile Source Division who will be
4 providing the staff presentation. Aaron.

5 (Thereupon an overhead presentation was
6 presented as follows.)

7 AIR RESOURCES ENGINEER HILLIARD: Thank you, Mr.
8 Corey.

9 Good morning, Chairman Nichols and members of the
10 Board.

11 Today, I will present staff's proposed changes to
12 the Enhanced Fleet Modernization Program. Staff's
13 proposed changes will better ensure the program's
14 emissions benefits are achieved, while continuing to
15 assist low and moderate income Californians get into
16 cleaner more efficient vehicles.

17 --o0o--

18 AIR RESOURCES ENGINEER HILLIARD: Today's
19 presentation will consist of a brief overview of the
20 program's background and achievements to date, a summary
21 of the legislation and program review that prompted
22 today's proposal, a description of the proposed
23 amendments, and staff's recommendation.

24 --o0o--

25 AIR RESOURCES ENGINEER HILLIARD: The Enhanced

1 Fleet Modernization Program, also known as EFMP, is a
2 voluntary vehicle retirement and replacement program
3 originally authorized by Assembly Bill 118 in 2008 and
4 extended through 2023 by Assembly Bill 8 in 2013.

5 In 2009, the ARB adopted the EFMP program
6 guidelines, which were developed in consultation with the
7 Bureau of Automotive Repair, or BAR. The program consists
8 of two separate elements: A Retirement-Only Program to
9 compensate motorists to scrap their vehicles, and a
10 replacement program, which provides funding towards a
11 cleaner replacement vehicle.

12 Currently, 90 percent of the total annual funding
13 of \$30 million is allocated towards the retirement only
14 component of the program, leaving around \$3 million
15 annually to fund the replacement components.

16 Statute directs that the program should be
17 focused on the areas with the greatest air quality problem
18 and considers cost effectiveness and impacts on
19 disadvantaged and low income populations.

20 --o0o--

21 AIR RESOURCES ENGINEER HILLIARD: EFMP was
22 established to assist in the efforts to achieve ambient
23 air quality standards. Many region of the state continue
24 to struggle with the air quality problems. California's
25 23 million passenger cars and light- and medium-duty

1 trucks, which travel close to 865 million miles per day,
2 contribute significantly to this problem.

3 As illustrated here, emissions from older
4 vehicles certified to higher emissions standards are
5 significantly greater than newer models that comply with
6 more stringent emission standards. Thus, measures that
7 encourage the early retirement of these older higher
8 polluting vehicles can play an important role in cleaning
9 the air.

10 --o0o--

11 AIR RESOURCES ENGINEER HILLIARD: The 2007 State
12 Implementation Plan, or SIP, recognizes the role that
13 vehicle retirement programs can play and includes goals to
14 retire approximately 60,000 vehicles each year in the
15 South Coast and San Joaquin air districts through
16 expansion of vehicle retirement programs.

17 Although by itself EFMP is of insufficient scope
18 to meet the entire goal, it is expected that the program
19 improvements proposed today in conjunction with other
20 local efforts to identify and remove older higher
21 polluting cars from the road will continue to make
22 significant progress towards achieving the needed
23 emissions reductions in both the South Coast and San
24 Joaquin Valley areas in the near future.

25 --o0o--

1 AIR RESOURCES ENGINEER HILLIARD: The success of
2 that goal depends on a partnership between several
3 agencies. While ARB develops and adopts the EFMP program
4 guidelines, the implementation is handled by others.

5 BAR administers the statewide retirement only
6 component of the program, providing a base incentive of
7 \$1,000 per vehicle retired. In the accordance with the
8 focus on low income motorists \$1500 is provided to those
9 with an income below 225 percent of the federal poverty
10 level, which for a family of four is approximately \$54,000
11 a year. This income threshold and the incentive levels
12 provided are consistent with BAR's consumer assistance
13 program, which provides funds for scrapping vehicles that
14 fail a smog check.

15 Both EFMP Retirement-Only Program and the
16 Consumer Assistance Program share the same application
17 process and both include a minimal vehicle functionality
18 test prior to application approval. This consistency
19 allows for a combined operation of both programs
20 transparent to the participants.

21 --o0o--

22 AIR RESOURCES ENGINEER HILLIARD: The replacement
23 program, on the other hand, is limited to motorists in the
24 South Coast and San Joaquin Valley. Accordingly,
25 implementation of the replacement program is handled by

1 these local air districts. The replacement program offers
2 up to \$2500 voucher in addition to the incentive offered
3 through the retirement component to purchase a newer
4 cleaner replacement vehicle.

5 The existing pilot voucher replacement program
6 requires applicants to apply for retirement funding
7 through BAR, scrap the retired vehicle at a BAR-contracted
8 dismantler, and then apply to the air district for a
9 replacement voucher. This complicated process contributed
10 significantly to low participation in the program.

11 --o0o--

12 AIR RESOURCES ENGINEER HILLIARD: In 2013, ARB
13 and BAR staff conducted an assessment of vehicles retired
14 through EFMP to determine the program's effectiveness and
15 to identify opportunities for improvement. A full report
16 on the assessment was presented to you last November, so I
17 will provide a brief summary of the key findings.

18 The program assessment confirmed that the
19 vehicles entering EFMP retirement are generally high
20 emitters, but also generally at the end of their useful
21 life.

22 The overall conclusion of the assessment was that
23 while EFMP is meeting program goals by purchasing and
24 retiring high emitting vehicles, the cost effectiveness
25 and emission benefits of the program could be

1 substantially improved by ensuring that only vehicles with
2 significant remaining useful life are allowed to
3 participate.

4 In addition to assessing the performance of the
5 retirement program, staff investigated the replacement
6 element's low participation rate and whether the
7 incentives offered were appropriate for the target
8 motorists and vehicles.

9 Staff found that the process was overly
10 complicated, did not encourage participants to chose the
11 cleanest replacement vehicle, and identified avenues to
12 improve the process.

13 --o0o--

14 AIR RESOURCES ENGINEER HILLIARD: Concurrently
15 with the program assessment, Senate Bill 459 was passed.
16 SB 459 emphasizes the need for EFMP to serve low-income
17 consumers and directed ARB to promote cleaner replacement
18 vehicles, enhance emission reductions, and increase
19 outreach to community-based organizations. It also
20 specified several goals that are consistent with what
21 staff determined from the assessment mentioned in the
22 previous slide. Finally, it required ARB to update the
23 program no later than June 30, 2015.

24 Given the goals set forth by SB 459, the
25 conclusions of the 2013 program study, and the discussions

1 with our program partners and with stakeholders at
2 workshops held in Sacramento, Fresno, and Diamond Bar,
3 staff has developed today's proposal.

4 --o0o--

5 AIR RESOURCES ENGINEER HILLIARD: For the
6 Retirement-Only Program, we believe that there are only a
7 few changes needed at this time. To better ensure
8 benefits to low income motorists, staff proposes limiting
9 participation to making less than or equal to 225 percent
10 of the federal poverty level. Restricting program
11 participation should better ensure that limited funds will
12 be available to low-income consumers throughout the year.

13 To increase the emission benefits and cost
14 effectiveness of the program, staff proposes requiring the
15 successful completion of a smog check test. Successful
16 completion of this test, whether the result is a pass or a
17 fail, is a good indication that a vehicle can be driven on
18 the road, and that retiring it will provide real air
19 quality benefits. Staff also proposes that follow-up data
20 be collected to gain insight into the transportation
21 choices participants make subsequent to vehicle
22 retirement.

23 To ensure the program's goals are being achieved,
24 ARB and BAR staff will monitor participation in the
25 program. If participation drops sufficiently to indicate

1 that the retirement program will fall short of expending
2 its annual funding, staff is proposing that incentive
3 amounts for vehicles passing the smog check test could be
4 raised incrementally up to \$2500 total per vehicle to
5 improve participation. Also based on feedback from BAR,
6 staff has already identified a few minor clarifying 15-day
7 changes that will be made following today's hearing.

8 --o0o--

9 AIR RESOURCES ENGINEER HILLIARD: For the pilot
10 retire and replace program, staff proposes a greatly
11 revised program to effectively respond to the requirements
12 of SB 459 and stakeholder concerns.

13 First, staff proposes to limit the program to low
14 and moderate income consumers with household incomes less
15 than 400 percent of the federal poverty level with
16 incentives tiered to focus on the lowest income motorists.

17 Second, staff proposes to establish minimum
18 program requirements with flexibility to allow the
19 implementing air districts to determine how they meet the
20 proposed program requirements. This may include, but is
21 not limited to, models such as the community outreach
22 model used by the San Joaquin Valley's Tune In Tune Up
23 Repair Program or a dealer-based model similar to the Carl
24 Moyer Voucher Incentive Program for heavy-duty trucks.

25 To ensure that the proposed program has

1 sufficient resources to be viable in each region, staff
2 proposes that the \$3 million annual funding for the
3 program be split evenly between the South Coast and San
4 Joaquin Valley air basins. Both the San Joaquin Valley
5 and South Coast districts are here today and will provide
6 more details on their plans to implement the pilot
7 programs following staff presentation.

8 --o0o--

9 AIR RESOURCES ENGINEER HILLIARD: Staff's
10 proposal includes a number of specific steps to increase
11 effectiveness in terms of participation, emission
12 benefits, and the promotion of advanced technology
13 replacements and alternative mobility options. Under the
14 proposed guidelines, air districts have the flexibility to
15 implement solutions that work best within their respective
16 regions.

17 As with the Retirement-Only Program, ensuring
18 only functional vehicles are accepted is of paramount
19 importance. However, in contrast to the proposed
20 amendments to the Retirement-Only Program, implementing
21 air districts would not necessarily be limited to the smog
22 check test for that purpose and would have flexibility to
23 propose an alternative. Alternatives can include a
24 process by which cars are operated as they progress
25 through a series of check stations, similar to how the San

1 Joaquin Valley's Tune In Tune Up event is run. Such
2 operation can provide sufficient confidence that they are
3 cars that are actually in regular use and have remaining
4 useful life.

5 The proposed revisions would also allow for an
6 increase in the minimum incentive amounts available for
7 the down payment of a replacement vehicle and provide
8 improved funding options for advanced technology
9 replacement vehicles and alternative mobility options, as
10 well as expand outreach and incorporate comprehensive
11 consumer protections.

12 Now that I've given a broad overview of staff's
13 proposal, I will provide more details on some key areas.

14 --o0o--

15 AIR RESOURCES ENGINEER HILLIARD: The first of
16 these are the proposed incentive levels. The proposed
17 incentives are tiered to provide the highest compensation
18 for lowest income eligible participants as well as
19 additional compensation for higher fuel economy and
20 advanced technology replacement vehicles, such as hybrids,
21 plug-in hybrids, and zero emission vehicles. Please note
22 that these are initial minimum incentives. As with the
23 Retirement-Only Program, staff intends to closely monitor
24 participation and adjust the incentives upward if needed
25 to ensure meaningful participation rates. These

1 adjustments would be limited to a maximum of an additional
2 \$1,000 and would only be implemented after consultation
3 with the implementing air districts and at public workshop
4 in each region.

5 The first replacement option would provide a
6 total of \$4,000 towards the purchase of a new or used
7 eight-year-old or newer vehicle meeting minimum fuel
8 economy standards by model year, starting at 20 miles per
9 gallon for cars and 19 miles per gallon for minivans.
10 This option would only be available to low-income
11 participants.

12 The second replacement option is the purchase of
13 a new or used vehicle that meets or exceeds a fuel economy
14 of an EPA combined 35 miles per gallon. This option would
15 be available to both low and moderate income participants,
16 with a total incentives of \$4500 and \$3500 respectively.

17 The third replacement option is for the purchase
18 of a new or used advanced technology replacement vehicle
19 such as a hybrid, plug-in hybrid, or zero emission
20 replacement vehicle.

21 Under the staff's proposal, the program would
22 provide total incentives of \$4500 for low-income
23 participants, \$3500 for moderate income participants, and
24 \$2500 for participants making up to 400 percent of the
25 federal poverty level.

1 Note that there will be additional incentives
2 available for low income motorists through the EFMP Plus
3 Up Pilot Project, which will be discussed in the next
4 presentation.

5 The fourth option would provide an incentive for
6 the purchase of alternative mobility options in lieu of
7 the purchase of a replacement vehicle. Total incentives
8 available under this option would equal those just
9 described for advanced technology replacement vehicles.

10 --o0o--

11 AIR RESOURCES ENGINEER HILLIARD: In implementing
12 this option, air districts are encouraged and given the
13 flexibility to pursue ways in which these incentives could
14 be leveraged to provide a greater overall benefit to
15 participants.

16 Staff proposes to expand the alternative
17 transportation mobility options that can be utilized with
18 EFMP funding to include items such as car sharing
19 memberships, and to expressly permit the option of
20 splitting the incentives among several different travel
21 modes to better meet participants mobility needs.

22 --o0o--

23 AIR RESOURCES ENGINEER HILLIARD: Discussions
24 with program partners and stakeholders during the
25 regulatory development process has made it evident that in

1 order to increase participation by low-income motorists,
2 implementing air districts must have the freedom to
3 develop and pilot strategies to target outreach and
4 provide significant assistance to low-income motorists in
5 disadvantaged communities.

6 Staff's proposal would require the districts to
7 conduct targeted community outreach and encourages
8 partnerships with trusted community organizations and
9 financial institutions to better assist local motorists in
10 completing vehicle replacement transactions.

11 --o0o--

12 AIR RESOURCES ENGINEER HILLIARD: To provide
13 additional resources that could supplement the incentives
14 provided by EFMP, staff is proposing a number of pilot
15 projects using low carbon transportation investments that
16 will benefit residents in disadvantaged communities. EFMP
17 participants that live in disadvantaged communities could
18 be eligible for an additional incentive for the purchase
19 of a new or used hybrid, plug-in hybrid, or zero emission
20 vehicle through the proposed EFMP Plus Up Pilot Project.

21 This proposal will be discussed in greater detail
22 during the next item regarding the Air Quality Improvement
23 Program Funding Plan.

24 --o0o--

25 AIR RESOURCES ENGINEER HILLIARD: In conclusion,

1 the staff recommends that the Board approve the proposed
2 amendments along with any necessary clarifying 15-day
3 changes.

4 The amendments proposed today were developed
5 after careful consideration and discussion with
6 stakeholders. The proposal is consistent with the
7 directives given to the ARB by SB 459 and addresses the
8 areas of improvement identified by the 2013 program study.

9 Overall, the proposal contains provisions to
10 improve cost effectiveness and emission benefits by
11 requiring functional vehicles, focuses incentives on low
12 to moderate income California motorists and promotes
13 cleaner, sustainable vehicle replacements. Additionally,
14 the proposed changes incorporate mechanisms to closely
15 monitor program progress and course correct if necessary.

16 Thank you.

17 Mr. Seyed Sadredin from the San Joaquin Valley
18 Air District and Mr. Henry Hogo from the South Coast are
19 now ready to provide some remarks on the respective
20 programs. Thank you.

21 CHAIRPERSON NICHOLS: Gentlemen, welcome.

22 MR. SADREDIN: Good morning, Madam Chairman,
23 members of the Board. It's an honor and a pleasure to be
24 here before you to testify on this important item that is
25 before you.

1 First of all, I wanted to express my gratitude to
2 your staff. They always do a bang-up job working with us
3 as partners to exercise both oversight as well as helping
4 us when we need their expertise and leadership on these
5 issues. And the proposal before you today reflects a
6 great deal of working together to come up with a proposal
7 that hopefully will enhance participation by low income
8 and disadvantaged community members.

9 I have a few slides. I will go through them very
10 quickly.

11 (Thereupon an overhead presentation was
12 presented as follows.)

13 MR. SADREDIN: I know you are familiar with the
14 socioeconomic challenges that the Valley faces. We
15 appreciate your Board's care and attention to the San
16 Joaquin Valley over the years and we hope to continue that
17 partnership.

18 But just quickly, a couple of things I wanted to
19 highlight here is that San Joaquin Valley -- and we have
20 22 of the top 30 census us tracks on CalEnviroScreen in
21 terms of cumulative impact and need in San Joaquin Valley.
22 This is a program that is definitely needed and should
23 receive a great deal of attention in San Joaquin Valley.

24 In our district, we have a high percentage of low
25 income communities. And the problem with personal

1 passenger vehicles is that about ten percent of the
2 vehicle population in our district accounts for over
3 50 percent of the pollution from passenger vehicles. So
4 this is an important area to look at.

5 And finally, I appreciate your staff's attention
6 to this and providing flexibility in that
7 one-size-fits-all will not work in this area for -- and
8 different regions of the state. And program complexity
9 and the cost have been a major barrier to low income
10 members that participate in these programs.

11 --o0o--

12 MR. SADREDIN: Just quickly, a couple of programs
13 that the district has been administering to these areas.

14 First, the past program, the Polluting Automobile
15 Scrap and Salvage Program, we have put in \$2 million in
16 that program. And it was targeted at low-income members
17 with a \$5,000 incentive. We scrapped over 500 vehicles
18 and replaced over 200 vehicles in that program.

19 The Tune In Tune Up Program that you heard quite
20 a bit about last week, our Board appropriated another \$4
21 million into that program for a total of \$12 million. Now
22 they have been very successful in reaching out to the
23 low-income disadvantaged community members. We do
24 hand-to-hand outreach. We hire people from those
25 communities to go out to these communities, hand out

1 flyers, talk to people, go to mercados and other places in
2 the community to actually get those people that really
3 need these programs to participate.

4 And I have to tell you, we have testimonials that
5 shows that this program has been life changing for many of
6 these members of these communities. It has been a
7 difference between can I feed my family or repair my car
8 or can I go to work or not with the car that they can
9 register and passes the necessary smog requirements.

10 Today, we replaced over -- or repaired over 7600
11 vehicles. If you can go to the next slide.

12 --o0o--

13 MR. SADREDIN: And 50 percent of the participants
14 have been from the low-income EJ communities. Two out of
15 every vehicle repaired were last registered in an EJ
16 community, and 98 percent of the vehicles with labs
17 registration have successfully now registered and are back
18 in the system and they count.

19 The replacement program -- pilot program that our
20 Board approved about two months ago with the help from
21 your staff, we designed it and implemented it. And they
22 were actually present at many of these events to see what
23 we can do to make it even better. This program was
24 designed to build on the success of the Tune In Tune Up
25 Program, and it utilizes existing vehicle repair events to

1 identify and engage candidates for replacement. We do
2 realize that for some vehicles, replacement is really the
3 way to go as opposed to retirement.

4 Now, the targeted vehicles in this pilot program
5 that we run with \$100,000 of local funding were pre-1996
6 model years with pre OBD II, onboard diagnostic systems
7 that really impact fuel efficiency and emissions. And
8 they also have to either pass -- to fail the smog test to
9 qualify for these replacement dollars.

10 And also an important change that we made in this
11 program was that we also allowed unregistered vehicles to
12 participate. Unfortunately, in the past, if you're not
13 registered, you don't count. And the fact of the matter
14 is these vehicles are real and they do emit and they do
15 operate in San Joaquin Valley and other places. So we did
16 let other unregistered vehicles also to participate with a
17 \$5,000 incentive. And the new vehicle criteria is listed
18 out over there for you eight years or newer and less than
19 100,000 miles. Of course, they have to pass the smog
20 certificate.

21 --o0o--

22 MR. SADREDIN: The results were very favorable,
23 this replacement program. With \$100,000, we could replace
24 18 vehicles. And we actually replaced 18 vehicles in that
25 program, which is quite a bit just for a three-month of

1 time to be able to do that.

2 But a couple of lessons that we learned is that
3 this process is very labor intensive and requires hands-on
4 assistance. We cannot just give these guys a voucher and
5 say you're on your own. Go find a dealer and finance a
6 company and get funding for that. So we have to be ready
7 to -- and San Joaquin Valley is giving them ongoing
8 hands-on assistance as they go through this program.

9 Financing was a huge challenge for these people,
10 even with a \$5,000 incentive that we were providing for
11 them. Many of them have difficulty qualifying. And if
12 they did, they were facing exorbitantly high interest
13 rates. So we are working with a number of financial
14 institutions to actually have them as registered partners
15 in this program with especially designed financing
16 packages for these low income individuals. That's a key
17 challenge as well. As you said, the minimum incentive
18 level -- keep that in mind -- even with \$5,000 that the
19 district is providing, it was very difficult.

20 --o0o--

21 MR. SADREDIN: Here's just a list of some of the
22 vehicles, the first eleven, that we were able to replace
23 and give you information on. The only think I point out
24 in that slide, the vehicles that have asterisks next to
25 them, these are the vehicles that under the proposed

1 minimum mileage requirement of 24 miles per gallon will
2 not qualify. As can you see, many of these vehicles are
3 20-plus years newer. Significant emissions reductions, as
4 you discuss, and the matter today and also talking about
5 your Executive Officer flexibility, keep that in mind that
6 there are some well-intentioned proposals that set high
7 mileage requirements. But for people in these low income
8 communities, the vehicle serves a great purpose. It's not
9 just a quick commute back and forth to work. This is
10 their only vehicle. And they have to be able to fit
11 groceries, families, and a host of other things in their
12 vehicles. Some of the high mileage vehicles just by two
13 or three miles will make a difference between them being
14 able to get a car they need or not.

15 --o0o--

16 MR. SADREDIN: We have a few -- three quick
17 suggestions for you as you discuss the flexibilities that
18 you need to give to your Executive Officer or perhaps even
19 taking a position on some of these issues today. We'd
20 like to ask you to raise the minimum base incentive for
21 low-income participants from 4,000 to 5,000. We had a
22 very tough time with these low income communities even
23 with the \$5,000 incentive to get them through the process.

24 Do the same thing with the fuel economy
25 requirements. Set the minimum at 20 instead of 24. We

1 can make adjustments. If program is overly subscribed and
2 exceeds all of our expectations -- we still have a long
3 ways to go to get to our 60,000 vehicle replacement target
4 in the SIP.

5 And then, finally, we'd like you to -- both in
6 terms of how you set up this program and also your funding
7 targets to really target all of this funding to low income
8 and EJ community members.

9 There are other programs that are available for
10 zero emissions and plug-in hybrid -- your next item, CVRP
11 and others, they will take care of those people that for
12 low-income participants, this is really the key program
13 that will enable them to get to a cleaner car.

14 That was my presentation. Madam Chair, I want to
15 thank you, your Board, and your staff for continued
16 partnership and guidance from you.

17 CHAIRPERSON NICHOLS: Thank you very much.

18 Just one question about your efforts to get
19 people into the more efficient replacement cars. What
20 kind of response have you had from the dealerships on
21 this? You mentioned how labor intensive it is to take
22 someone and literally walk them through the whole process,
23 including financing. I'm just curious whether you've been
24 able to get some additional help from the private sector
25 on this.

1 MR. SADREDIN: Our experience has been that you
2 have to be very careful in terms of who you let into this
3 process. We can not let the participants to go on their
4 own and have to go through the whole used car, you know,
5 sales market and all that.

6 So in our program, we actually wanted the
7 dealerships actually to register with the district ahead
8 of time. And they have to meet certain requirements. And
9 they have to have pre-specified prices for the vehicles
10 that they will charge anyone.

11 So in our pilot program, we actually partnered
12 with CarMax, which is a regional dealership as you might
13 know. And also they have up-front pricing. So there is
14 no haggling with trying to raise the price because these
15 people are getting \$5,000. So those are some of the key
16 requirements that we think we should pay attention to.

17 CHAIRPERSON NICHOLS: You found that was helpful.

18 MR. SADREDIN: That was helpful. And all the
19 vehicles we were able to get these people into, they were
20 significantly cleaner than the other vehicles that perhaps
21 if they had been on their own they could have received.
22 So the experience has been positive, but this is
23 definitely something we have to pay attention to. Again,
24 you cannot have a free-for-all and just go any dealership,
25 here's a voucher, see what you can get.

1 CHAIRPERSON NICHOLS: It's very good to hear.
2 Thank you very much.

3 Mr. Hogo.

4 MR. HOGO: Good morning, Madam Chair, members of
5 the Board.

6 Henry Hogo with South Coast Air Quality
7 Management District.

8 I just want to keep my comments very brief
9 actually and just say that we want to thank staff also for
10 working with us on the EFMP program. And we encourage
11 your adoption of the proposed amendments today. And the
12 South Coast AQMD stands ready to move forward with
13 implementation of the program. We already crafted a
14 request for proposal that we've taken to our Technology
15 Committee, Governing Board Technology Committee, and will
16 be heard by our full Board in July.

17 We do recognize that there are two parts to this
18 program, which are challenging. First is getting the
19 participation, and second is the financial situation. So
20 what we wanted to do was start from a fresh slate. We're
21 open to whatever approaches are out there that people are
22 looking at in terms of outreach to low income community to
23 ethnic communities and just a broad base outreach program.

24 And then secondly, once we find those
25 participants, how they're going to go through the process.

1 Staff mentioned today two models, the weekend event and
2 the dealership model. We've seen both, and we've actually
3 seen both work effectively. The dealership model, they
4 identify the participants and they arrange the financing
5 and so forth. So we think that if the right team of
6 outreach experts along with the people that understand how
7 to assist low-income people in moving a car into the
8 scrapping program and then ultimately getting a
9 replacement vehicle, that would be the ideal team. And we
10 believe there will be multiple approaches that will be
11 proposed to us. And we're open to actually looking at
12 potentially awarding to multiple entities to do this
13 program. So we stand ready to move forward with the
14 program.

15 CHAIRPERSON NICHOLS: I think that's great. Your
16 openness and willingness to accept innovative and creative
17 ideas as opposed to trying to design it all in-house and
18 then try to make it work is clearly a good way to go with
19 something like this where we're still experimenting. But
20 we know that there's a target audience out there that we
21 haven't reached yet. So hopefully we will find the way to
22 reach them. Thank you.

23 Additional Board questions or comments before we
24 move onto the rest of the witnesses?

25 BOARD MEMBER MITCHELL: Thank you, Chairman.

1 I think we've heard from both the air districts
2 the challenges of this program. We know that it wasn't
3 successful in the past, and I think the difficulties of
4 administering it are fairly high.

5 So I, as a representative from South Coast,
6 listened with very keen interest to what San Joaquin
7 Valley was doing. And I know we do have an open sort of
8 slate here, blank slate, to work on in our district. And
9 our district is different from San Joaquin, obviously.
10 And so I think the flexibility in how we approach this --
11 and staff has provided that. I think that's very
12 important.

13 And this is an important program. But we looked
14 at this last year and saw that the EFMP was not as
15 successful as we thought it could be. There's certainly
16 some very high level of need to move moderate income and
17 low income people into cleaner cars and advanced
18 technology. This is a mechanism to accomplish that.

19 And so I look forward to working with my district
20 to move this program forward and be successful in
21 accomplishing the goals that we set out to accomplish with
22 this.

23 So thank you, staff, for your hard work on this.
24 We really appreciate that.

25 CHAIRPERSON NICHOLS: Thanks.

1 Dr. Balmes.

2 BOARD MEMBER BALMES: I only have a brief
3 comment.

4 When I first saw the Enhanced Fleet Modernization
5 Program was on the agenda, you know, before I read any
6 further, I was thinking of truck fleets or commercial
7 fleets. So I think the name has totally mischaracterized
8 the program. So are we calling it Retirement and
9 Replacement Program, R&R Program? Because I would think
10 that's a much better name.

11 CHAIRPERSON NICHOLS: Certainly, the acronym does
12 not trip off the tongue, that's for sure. We can do
13 better.

14 Yes?

15 BOARD MEMBER SHERRIFFS: Thank you. Thank all
16 for their work. And I think the model that the San
17 Joaquin Valley is building on is an important one.

18 Wondering if staff or others have considered
19 rather than a miles per gallon or emissions per mile
20 minimum and also whether we want a bigger differential
21 between better mileage and then encouraging the plug-in
22 hybrids EEV. Because right now the incentives are the
23 same. And wondering about providing a little more push.
24 Because we really need that in terms of long-term
25 solution. And I think we also see that we get more

1 benefit for a longer period of time by encouraging and
2 enabling people to get plug-in hybrids EEV models.

3 CHAIRPERSON NICHOLS: Okay. Thank you.

4 Why don't we turn to the audience then? We have
5 several witnesses who wanted to speak on this item. And
6 we'll start with James Barba. You can see yourself on the
7 list up there. James Barba and then Tom Knox and Bill
8 Magavern.

9 MR. BARBA: Good morning, Chairman Nichols and
10 members of the Board.

11 Next Generation has submitted written comment for
12 the public record. I'm here today just to reinforce our
13 appreciation of ARB's great work on this program.

14 As Next Generation has noted in our published
15 work, replacing high polluting and inefficient vehicles
16 with newer, cleaner, safer, and more efficient cars
17 represents an opportunity to further expand the benefits
18 to California's ground-breaking clean transportation
19 policies to low-income car-dependant families who may be
20 less likely to benefit from investments in public transit
21 or zero emissions vehicles.

22 With the aim of moving the EFMP further towards
23 this expanded vision, we ask the Board and ARB staff to
24 consider the following recommendations:

25 First, we recommend that ARB increase minimum

1 fuel efficiency standards for all replacement vehicles,
2 including those purchased by the lowest income households,
3 which will be allowed to purchase vehicles with
4 efficiencies as low as 20 miles per gallon under currently
5 proposed regulation. Recent analysis by Next Generation
6 indicates a substantial number of vehicles with efficiency
7 ratings in the 27-plus mile per gallon ranges are
8 available in California's auto market at prices comparable
9 to vehicles that meet ARB's proposed criteria.

10 Low-income households stand to benefit
11 substantially from the cost savings offered by moderately
12 more efficient vehicles and increasing efficiency would
13 strengthen the EFMP's greenhouse gas reduction potential.

14 Our second recommendation is that the ARB staff
15 make the low-income financial assistance policy described
16 its most recent staff report a continued and central focus
17 of EFMP implementation efforts. Our analysis suggests
18 that the EFMP will not be successful in reaching
19 low-income households without a strong effort to increase
20 the availability of affordable auto loans to low-income
21 households. In the interest of flexible implementation,
22 we do not recommend any specific changes to the
23 regulations, but we encourage ARB staff to make this
24 aspect of the program a high priority in improving
25 district pilot level programs.

1 We believe these changes will provide for an
2 enhanced fleet modernization program that improves air
3 quality, reduces greenhouse gas emissions, and improves
4 economic outcomes. And we believe that SB 459 provides
5 the legislative intent to make this transformation of the
6 EFMP a reality. Thank you very much.

7 CHAIRPERSON NICHOLS: Thank you.

8 MR. KNOX: Good morning, Board members and Chair.
9 I'm Tom Know of Valley Clean Air Now. Thank you
10 for the chance to speak on this.

11 This is a date we've been very excited about for
12 the last six or eight months. Thank you, staff and
13 management, for just a really wonderful experience during
14 this time. They have been incredibly helpful,
15 open-minded, and very flexible in helping us to start to
16 experiment with an EFMP type program with Valley Air
17 District.

18 The lessons that we've learned from that I think
19 are valuable. We've been sharing them with staff. We'll
20 have a more detailed report now that we've done the 18
21 vehicles. The first round of funding for the Valley Air
22 District, we'll be sharing that with staff along with the
23 lessons we learned during that. The main lesson being
24 that we need to be as flexible as possible when dealing
25 with the low-income vehicle purchasing audience. We've

1 got to find people that are aware of the problem that are
2 motivated to change. We've got to get them through
3 financing. We have to get them into a vehicle that works
4 for their family. There's a lot of steps to keep people
5 with a lot of challenges and distractions in their life
6 through. If we can't move quickly, we lose the customer.
7 So we'd like to work with goals rather than guidelines.
8 The more rules that are involved here, the more chance
9 we're going to lose those customers. They're well
10 meaning. They want to do the right thing. We need a
11 clear path to get them into a vehicle that works for them.

12 So we do ask that the fuel efficiency guidelines
13 in the staff report are followed. We think they're
14 reasonable. It's going to trim some of the vehicles that
15 we've got available. I think we can deal with that. But
16 if the mileage requirements are increased, it severely
17 decreases the number of vehicles available. And it really
18 skews it up toward a hybrid range. We're looking for
19 vehicles in the \$12,000 range to increase up to 27 miles
20 per gallon. It's going to add to one to -- that puts it
21 out of range for our target low-income audience. So it
22 probably takes 75 percent of the vehicles that are
23 feasible replacement vehicles out of contention for these
24 customers.

25 And then our one other request is we've seen that

1 \$5,000 works. The math works for our customers. \$4,000,
2 you don't have the same kind of loan-to-value ratio. It's
3 a lot more difficult to qualify for financing, which is
4 already difficult in the first place. \$5,000, we see the
5 light turn on. The math works. They can get the
6 financing. They can get a monthly payment that works for
7 them. To us, it's really the threshold that the program
8 really starts to work.

9 And that's all for now. But we look forward to a
10 long rapport in the future. Thank you.

11 CHAIRPERSON NICHOLS: Thank you.

12 MR. MAGAVERN: Good morning. Bill Magavern with
13 Coalition for Clean Air.

14 And today is an exciting day, not only for soccer
15 fans, but also in the air quality world. Because I think
16 there was a period when the importance of retiring older
17 vehicles and helping low-income people get into cleaner
18 vehicles was not getting the attention that it deserved in
19 this state. But lately, we've seen with the law passed
20 by -- authored by Senator Pavely, as well as the excellent
21 work done by your staff over many months now, these
22 programs really are getting the attention they deserve.
23 And you have a really good proposal in front of you today.
24 We certainly urge you to adopt it.

25 As you've heard, not only are the benefits of

1 getting some of the dirtiest cars off the road and the
2 major decrease in criteria air pollutants we get from
3 that, we also see benefits from the perspective of
4 reducing emissions of greenhouse gases and also just
5 helping people obtain more reliable, safe, clean
6 transportation, which is really significant for a lot of
7 people in this state.

8 In this retirement proposal, we agree with the
9 limit to low-income drivers and also with the smog check
10 requirement to prove functionality. We think that makes a
11 lot of sense. In the retirement and replacement area, we
12 agree with the limit to low and moderate income. We
13 strongly agree with the inclusion of the community
14 outreach model. Tune In Tune Up is a model that really
15 has worked, and we should be building on that.

16 We support the higher incentive levels for the
17 reasons that Tom Know just gave. And we also really like
18 the improved funding options for transit and alternative
19 mobility and advanced cleaner vehicles. So you're
20 creatively finding ways to meet the transportation needs
21 of Californians with different kinds of transportation
22 needs.

23 The pilots in the disadvantaged communities match
24 up very well with what we're working towards in the Charge
25 Ahead California campaign.

1 We would suggest that you not lower the miles per
2 gallon requirements that are in the proposal. And that as
3 the pilots move forward that we look for ways that we
4 could in the future increase those levels as more used
5 vehicles become available with higher miles per gallon
6 which will happen over the years in response to the clean
7 cars law also authored by Senator Pavely and implemented
8 by this Board. Thank you very much.

9 CHAIRPERSON NICHOLS: Thank you.

10 Rosemary Shahan.

11 MS. SHAHAN: Chairman Nichols and Board members,
12 I'm Rosemary Shahan, President of Consumers for Automobile
13 Reliability and Safety. We're based here in Sacramento.
14 We're a nonprofit consumer group. We work on a state and
15 federal level on behalf of consumers.

16 And we haven't taken a position regarding the
17 proposal, although we very much support the goals. And we
18 feel very strongly it's very important for the program to
19 succeed.

20 We really appreciate the efforts of the staff.
21 We met with them. I bonded with some of them, going to
22 Valley CAN, and getting up at very early hours of the
23 morning and seeing people lined up. Some of them had
24 waited all night in order to get into the program. And
25 that can help create a real reality check on, you know,

1 these are the people that we're dealing with and how
2 motivated they are to have vehicles that are functional
3 and that they can register and operate legally in our
4 state.

5 We were very active in supporting Senator
6 Pavely's legislation, SB 459. And definitely want to see
7 the program succeed. And that's why we're asking for more
8 consumer protection built into the program. And I believe
9 that the staff got it right when they wrote on page 14 of
10 the proposal that consumer protection is essential to
11 ensuring that the program benefits are realized by the
12 participants. And this is a program that's going to
13 depend to a great extent on public perception and the
14 perception of consumers that they can get into the program
15 and get a fair deal. And they won't be harmed
16 economically or that their safety won't be jeopardized.

17 And it's important to note that although I
18 understand our friends at car dealers have said that
19 existing laws is adequate to protect consumers that I wish
20 it were. But it isn't. Under federal law, new cars that
21 are under safety recall cannot be sold to consumers by a
22 new car dealer. When they're under safety recall, the
23 dealer has to put them aside and wait until they are
24 fixed. There is no comparable law either at the federal
25 level or the state level that prohibits dealers from

1 selling used cars under safety recall. And unfortunately,
2 they do sell cars under a safety recall. And we've been
3 working with consumers who were sold -- for instance, I'm
4 submitting this for the record the New York Times front
5 page story David Clayton in Fresno bought a certified car
6 that was under a safety recall. CarMax, we just submitted
7 a petition regarding CarMax --

8 CHAIRPERSON NICHOLS: Your time is up --

9 MS. SHAHAN: They also sell cars under safety
10 recalls.

11 CHAIRPERSON NICHOLS: Thank you.

12 Carishma Menon.

13 MS. MENON: Thank you, Ms. Chair Nichols. And
14 good morning to the Board.

15 My name is Carishma Menon. And I, on behalf of
16 the NRDC, and the Charge Ahead, a California company, I
17 commend staff for a comprehensive report on their proposed
18 amendments to the EFMP.

19 Staff has effectively responded to the directives
20 contained in Senator Pavely's SB 459 in ensuring that
21 older, heavily polluting vehicles are retired and replaced
22 with newer, cleaner, and more efficient ones. These
23 efforts align with the interest of the Charge Ahead
24 California campaign which has sponsored by Assembly Member
25 De Leon SB 1275.

1 We support the limitation of retirement-only
2 incentives to low-income households. These populations
3 are most significantly effected by low air quality. And
4 this restriction will help ensure that the program targets
5 these groups. Also means that more funding can be
6 channeled towards the retire and replace portion of the
7 program.

8 We also support staff's proposal to require a
9 smog check to assess vehicle's functionality to ensure
10 that high-polluting vehicle retirements provide meaningful
11 emission reduction goals.

12 We also support the modifications staff has
13 proposed to the retire and replace program. A strong
14 emphasis on outreach and education to low-income and
15 disadvantaged communities will be key to the success of
16 the program. This also aligns well with the directives
17 contained in SB 459.

18 We also welcome the tiered incentive approach
19 whereby high incentives given out to lower income
20 populations and where more efficient vehicles. Additional
21 incentives to participants to go CARB free are also in
22 line with the mobility option contained in SB 1275. This
23 proposal is, in fact, precedent setting and is a
24 combination of VMT reducing strategies with vehicle
25 retirement programs. Such incentives will further drive

1 cost savings in.

2 In proposing a minimum efficiency requirement,
3 staff has created a way for participants to see additional
4 savings by opting for cleaner vehicles at similar price
5 points. Bringing this requirement in the future will
6 facilitate greater operative savings and emission
7 reductions.

8 We also fully support the program's proposed
9 outreach and education components and note that the
10 program compliments the EFMP plus up financing and car
11 sharing pilots in disadvantaged communities proposed by
12 the AQIP funding plan.

13 We recommend the Board coordinate implementation
14 of the retire and replace program and these closely
15 related pilot programs in disadvantaged communities.

16 Once again, we applaud the Board for its hard
17 work and continued commitment to tackling air quality
18 issues through sustainable transportation efforts. Thank
19 you.

20 CHAIRPERSON NICHOLS: Thank you.

21 MR. MARIN: My name is Jose Marin. I direct
22 outreach and community partnerships for Valley CAN and the
23 Tune In Tune Up Program.

24 I just want to reinforce the importance of
25 community organizing and community inclusion in the Tune

1 In Tune Up Program events, both with the smog repairs and
2 now with the check retirement and replacement program. We
3 work with the large and growing number of community
4 organizations and local groups throughout the San Joaquin
5 Valley. And I just want to thank you for the support for
6 these communities, these very low income communities and
7 want to applaud for your staff who has done a wonderful
8 job at supporting these communities, who I have the
9 fortune of organizing a large group of on these
10 communities for one of our meetings in Fresno. And they
11 all send their support for this meeting today. Thank you.

12 CHAIRPERSON NICHOLS: Thank you.

13 Ms. Garcia.

14 Ms. GARCIA: Good morning. My name is Veronica
15 Garcia, and I actually coordinate the Vehicle Retirement
16 and Replacement Program for Valley CAN.

17 From personal experience, during these vehicle
18 retirements, it is imperative that we maintain the
19 flexibility while we are guiding our participants through
20 the vehicle purchase process. The participants that we've
21 been dealing with, they look forward to fuel-efficient
22 cars. It's an idea they now consider, but by necessity,
23 by the financial necessity, they have -- they're very cost
24 conscious. Most of the cars that our participants have
25 chosen are in the \$12,000 range. And if it was possible,

1 they actually look for something that was less expensive
2 because of the type of financial situation that they're
3 in. The jobs they have are not jobs where they make a
4 lot. They're minimum paying jobs.

5 As Mr. Know mentioned, imposing additional
6 requirements for higher fuel efficiency would by a minimum
7 increase the prices of these vehicles anywhere from 1,000
8 to \$3,000. And again from personal experience, retiring
9 these 18 vehicles, this extra cost will place a program
10 out of reach for many, if not all, of our low-income
11 participants. Thank you.

12 MR. BARRETT: Good morning. I'm Will Barrett
13 with the American Lung Association of California.

14 First of all, we want to support the amendments
15 and thank staff for the work to ensure it truly works to
16 improve air quality and public health, especially in the
17 South Coast and San Joaquin Valley as you heard earlier.

18 We appreciate the emphasis and the commitments on
19 the community outreach component and education components
20 of ensuring that the program really does target the lower
21 income drivers and the highest polluting vehicles and
22 takes vehicle that would not continue to be on the road,
23 really make sure we get the right vehicles retired.

24 We appreciate the incentives for transit. We
25 think this component really does work well with SB 375

1 goals. That's something we've been working on very
2 closely in the San Joaquin Valley. We think that's a
3 really important step to get people option for not having
4 to drive. So appreciate that.

5 We also join with our colleagues in the Charge
6 Ahead Campaign and the recommendation for the ongoing
7 review to update the efficiency thresholds to maximize air
8 quality and cost savings under the program going forward.

9 So that's all. I just want to thank you for the
10 work and support the efforts and praise for Charlyn. Did
11 appreciate that. Thank you very much.

12 CHAIRPERSON NICHOLS: You're allowed to take time
13 for that. Thank you.

14 That concludes the list of witnesses that I have.

15 I wonder if staff had any additional comments
16 before we bring this back to the Board. We heard a number
17 of comments about the need to give the greatest possible
18 flexibility to the districts and to their partners in
19 implementing this program as we move forward.

20 I understand that we don't want to just keep on
21 tinkering constantly with the program, for one thing,
22 because we need to get good data. That's probably as
23 important as anything else. We have acted in response to
24 information that indicated that this program was not
25 achieving its goals. I think we've come up with a number

1 of recommendations that will clearly improve it.

2 I'm always mindful of the fact that if you keep
3 on fiddling, you might be able to make improvement but you
4 might also sacrifice progress. So I think in general
5 we've heard enough to indicate that we should move forward
6 with the proposal as it is. But we could hear some
7 suggestions or concerns. So I'd like to hear the staff's
8 response.

9 MSCD CHIEF WHITE: Eric White with the Mobile
10 Source Control Division.

11 First, let me say I'm very pleased to hear from
12 the stakeholders that staff's proposal really is going to
13 provide that flexibility that we heard is so crucial to
14 help not only bring people into the program but to help
15 them successfully navigate the transaction process and get
16 into that cleaner vehicle.

17 As we've listened today and worked on this
18 proposal, there's really two areas that I think where
19 there's some comments about whether or not the staff
20 proposal should be changed. One was about any minimum
21 fuel economy requirements for the replacement vehicles.
22 What that's referring to is those that meet the eight
23 years or newer requirement. We think that in order to
24 allow the maximum flexibility -- you heard about the
25 sensitivity and the price, which these participants have.

1 It's important to make sure that we have as many vehicles
2 available into the program.

3 One opportunity we have though is as we
4 experience successes with this and we start to see the
5 successes that we're expecting, we have the ability to
6 work with the districts to increase those minimum mileage
7 requirements through future year programs and
8 solicitation. So we think we have a mechanism to address
9 that. And I think it's also important to note that there
10 is a strong educational requirement in this that will be
11 part of the district's program. So educating consumers
12 about the benefits of a more efficient vehicle that is
13 available through the program we think will really help
14 address some of those issues because there are cost
15 savings for the more efficient vehicles.

16 CHAIRPERSON NICHOLS: In terms of operation, you
17 mean?

18 MSCD CHIEF WHITE: Yes. On a monthly basis in
19 terms of fuel savings for the participant.

20 The other relates to what is the appropriate
21 minimum amount for these vehicles. Should it be 4,000?
22 Should it be 5,000? Our experience has been that this
23 program has not been successful so far. And what we
24 really want to do is be able to build on some success and
25 make sure that we can fund as many vehicles as possible.

1 The proposal that staff has sets a floor. The
2 \$4,000 is a floor by which we can increase as time goes on
3 and if we see participation is not at the levels I think
4 everyone in this room is hopeful and expectant that it
5 will be. We have the ability to offer higher levels
6 moving forward and stand ready to do that in conjunction
7 with the districts.

8 CHAIRPERSON NICHOLS: Thank you.

9 Supervisor Gioia.

10 BOARD MEMBER GIOIA: Thanks.

11 Just on the discussion of how to improve
12 participation by low-income voters, I think that's always
13 going to take some effort. And I know you've talked a
14 little bit about that in the slide. Can you go into a bit
15 more on your initial thinking how to do this? I think it
16 should involve greater partnerships with community-based
17 organizations in these communities. Having a statewide
18 program, even though it's regional, be successful is a
19 challenge. So talk about how you're thinking of
20 developing the outreach and more the process of how you're
21 going to do it. Because I do think it would be useful to
22 give some thought to that.

23 CHIEF ROWLAND: My name is Scott Rowland. I'm
24 with the Mobile Source Control Division.

25 One of the things that we learned from the

1 previous iteration of the pilot program for retire,
2 replace is that outreach is crucial. It does need a lot
3 of one-on-one sort of contact. And what we heard early on
4 was advocates of the San Joaquin Valley Tune In Tune Up
5 process as a very good way of reaching that target
6 demographic.

7 And so that basically informed our approach in
8 realizing that there is a need not necessarily to mimic
9 that process exactly, but to enable the districts to have
10 the resources to engage on a very direct level with folks.

11 And so as you've heard, a big part of our
12 proposal is the flexibility for the districts to determine
13 what's going to be the approach that works best for their
14 communities and their constituents. But one of the things
15 we did to sort of sweeten the pot, if you will, or to help
16 them be able to do that is we are proposing that they get
17 an additional amount of administrative resources of the
18 funding to basically partner with local community groups.
19 And it's going to be up to them to determine which ones
20 are the appropriate ones.

21 I think San Joaquin Valley, you know, obviously
22 they're building on the success of Tune In Tune Up, which
23 I think is quite wise. South Coast, very different
24 circumstances. They're taking -- again, I think a wise
25 approach of basically saying, okay, our previous ways of

1 doing this didn't really hit this demographic. Let's have
2 an open mind.

3 So in some ways, that's probably not a real good
4 answer to your question. But I think the bottom line is
5 the districts need that ability to figure out what is
6 going to work best for them.

7 BOARD MEMBER GIOIA: So the South Coast Air
8 District will take the lead on determining the strategy of
9 how best to do outreach?

10 CHAIRPERSON NICHOLS: Yes.

11 CHIEF ROWLAND: They have the RFP out. ARB staff
12 has submitted to work with them to help evaluate the
13 responses to that RFP and to work with them in
14 determining, you know, essentially is the bid that you got
15 sufficiently responsive to the requirements of the
16 program.

17 BOARD MEMBER GIOIA: I know we have a Board
18 member from South Coast up here. Is there sort of
19 discussion up until now on this?

20 BOARD MEMBER MITCHELL: This discussion is just
21 beginning. The Technology Committee of the Governing
22 Board approved last Friday the issuance of an RFP to
23 determine how to administer this program to look at
24 various proposals for administering the program. The
25 Governing Board will take that up at their July meeting.

1 And we will then look at what is proposed by various
2 proposers and determine what we think -- in conjunction
3 with the ARB staff what we think will work.

4 I do have another comment, Chairman Nichols.

5 CHAIRPERSON NICHOLS: I just wanted to say I've
6 seen different districts do some criteria if they have a
7 little bit of money to spend to target people for
8 replacement, certainly in the truck area, you know, all
9 kinds of community events and fairs and other things were
10 done, BBQs, you name it, wherever we could find people
11 that were part of the targeted audience.

12 Did you want to add an additional comment?

13 BOARD MEMBER MITCHELL: I wanted to comment I
14 know staff haven't fully developed the EFMP Plus Program.
15 I'm going to make a suggestion. You probably already
16 thought of it. That if an additional incentive could be
17 offered for putting folks into hybrids or hybrids plus,
18 however it's better. Because one goal we want to reach in
19 this state is further market penetration of the clean
20 hybrid cars. And we want to do that with this lower
21 income and moderate income segment of our communities.
22 And this program provides a road to do that. And strongly
23 encourage you to consider that as part of the program.

24 We heard people mention incentives should be
25 5,000 instead of 4500. You could add an additional 500 to

1 get to that 5,000 level, but then we ask them to be put
2 into a hybrid or better car. And that also complies with
3 the goals of SB 459 as well. So just a suggestion. And
4 something to take a look at. Thank you.

5 CHAIRPERSON NICHOLS: I think it is already under
6 consideration at this point. So thank you. Any other --
7 yes, Dr. Balmes. And we need to move this onto a vote.

8 BOARD MEMBER BALMES: I told staff when I was
9 briefed how much I like the alternative mobility options.
10 But since my briefing, I wondered have we market tested
11 this, if you will? Do we know this is -- it sounds good.
12 I'd love to see people give up their cars and use public
13 transit. Do we know is this likely to be a popular
14 option?

15 MSCD CHIEF WHITE: I think I would say we don't
16 know yet. And there's certainly going to be challenges
17 from the very practical standpoint that many residents may
18 need to travel through different counties, different
19 transit agencies. But we will work with the air districts
20 to -- we'll work with their local transit agencies to put
21 together a package that may include both transit and ride
22 sharing and other types of travel modes together in a way
23 that will work.

24 This is -- I think this is somewhat in a sense
25 uncharted territory. But it has such potential. And we

1 certainly understand the importance of trying to make this
2 work. So this will be really be a good incubator for
3 trying to make programs like this work that hopefully can
4 be expanded into other programs as we move forward.

5 BOARD MEMBER BALMES: One other comment about one
6 of Seyed's slides about the cars that didn't meet current
7 MPG requirements. There are three Chevys: The 2011 Chevy
8 Malibu, 2012 Chevy Malibu, and the 2012 Chevy Cruise.

9 First of all, I find this amazing and not a very
10 good sign for the new GM. But I do also feel these are
11 much better vehicles than what they were replacing. So I
12 will say I think say it was arguing for more flexibility
13 in this regard. I'm supportive of that.

14 CHAIRPERSON NICHOLS: Okay. Well, I think it's
15 time to move on. So I should officially close the record,
16 which I didn't do before. But the record is closed on
17 this item. And I'll ask for a motion.

18 BOARD MEMBER EISENHUT: So moved.

19 CHAIRPERSON NICHOLS: Dr. Eisenhut.

20 BOARD MEMBER BALMES: Second.

21 CHAIRPERSON NICHOLS: All right. All in favor,
22 please say aye.

23 (Unanimous aye vote.)

24 CHAIRPERSON NICHOLS: Opposed?

25 Abstentions?

1 Very good. Thank you very much. This is a
2 really exciting new opportunity. And I'm looking forward
3 to seeing how this evolves. I think the public transit
4 agencies are going to jump on this. If given an
5 opportunity, this will be an opportunity for them to.

6 Our next item which is related in a very obvious
7 way is the funding plan for the Air Quality Improvement
8 Program, or AQIP, as it's been called around here.
9 Funding for low carbon transportation investments from cap
10 and trade proceeds. This funding plan will serve as the
11 blueprint for spending \$22 million for incentive projects
12 in fiscal year 2014-15. For the first time, this year's
13 plan also includes \$200 million are predicated from the
14 greenhouse gas reduction fund for low carbon
15 transportation investments. These greenhouse gas
16 investments will support a substantial investment in
17 disadvantaged communities as well, with half of the \$200
18 million allocated specifically to benefit these
19 communities.

20 These funds are critical to continue to support
21 the early introduction of the next generation of clean
22 vehicles and equipment to California's fleet. It is
23 important to see these two things are working in tandem
24 with each other, even though they have separate
25 legislative sources and separate funding sources. We need

1 to make sure that they are coordinated with each other.

2 The success of the effort is no more readily
3 apparent than in the Clean Vehicle Rebate Project, or
4 CVRP, which has gathered a great deal of attention where
5 we issued over 60,000 rebates since 2010. And as we heard
6 at our Board meeting in April, the funding ran out early
7 once again. And so we had to initiate a waiting list
8 which was fulfilled with the recent passage of the state
9 budget. Overall, the investments made by this year's plan
10 are an important step in the transformation of the
11 California vehicle fleet to one with widespread use of
12 zero and near zero emission vehicles.

13 This year's combined AQIP and low carbon
14 transportation investments will help the state begin to
15 make considerable progress towards meeting our air quality
16 and climate change goals. I would say we've already
17 begun. I think it will accelerate.

18 Mr. Corey, would you please introduce this item?

19 EXECUTIVE OFFICER COREY: Yes, thank you,
20 Chairman.

21 AQIP has traditionally provided about \$25 million
22 annually to invest in the clean vehicles and equipment
23 projects that reduce criteria pollutants and air toxics
24 and often concurrent with greenhouse gas reductions. AQIP
25 expands ARB's air quality incentive providing the

1 opportunity to fund projects not covered by other
2 incentive programs which focus on near-term emission
3 reductions from old commercialized technology.

4 AQIP is ARB's only incentive program structured
5 to enable investments in technology advancement in
6 projects that also provide immediate emission reductions.
7 In the program's first few years, the program has helped
8 accelerate the introduction of the advanced motor vehicle
9 technologies just coming to market, such as hybrid trucks
10 and buses and zero emission passenger cars. Widespread
11 use of these technologies is critical for meeting our
12 post-2020 air quality emission reduction targets, as well
13 as the climate change reductions.

14 This year's combined funding plan includes a
15 long-term vision for how AQIP incentives should continue
16 to support market transportation management compliance
17 formation in the future and identifies metrics for
18 measuring the success of the projects funded.

19 The funding plan further establishes ARB's
20 priorities for the funding cycle, describes the projects
21 we should fund, and sets funding allocations. The funding
22 plan maintains coordination with the Energy Commission's
23 portion of AB 118, which supports the necessary
24 infrastructure foundation for cleaner cars and trucks.

25 Lisa Macumber of the Innovative Strategies Branch

1 will present staff's proposal. And at the conclusion of
2 staff's presentation, Jim McKinney at the Energy
3 Commission will provide some comments on staff's plan and
4 how it coordinates with the CEC's efforts. With that,
5 Lisa.

6 (Thereupon an overhead presentation was
7 presented as follows.)

8 MS. MACUMBER: Thank you, Mr. Corey.

9 Good morning, Madam Chairman and members of the
10 Board.

11 Today, I will present staff's recommended fiscal
12 year 2014-2015 funding plan for the Air Quality
13 Improvement Program, commonly known as AQIP, and
14 low-carbon transportation investments generated by the
15 state's Cap and Trade Program.

16 --o0o--

17 MS. MACUMBER: Last year at this time, we brought
18 you the current year's funding plan and highlighted the
19 growing command for incentives and the limited sources of
20 funding available.

21 This year, we are excited to tell you that the
22 Governor, Legislature, and our stakeholders agree that
23 more investments in criteria and greenhouse gas emission
24 reduction projects are needed.

25 This year's state budget builds on AQIP's past

1 successes with a \$22 million allocation, and also includes
2 \$200 million in new funding from cap and trade auction
3 proceeds to expand existing projects that help further the
4 purposes of AB 32, with an emphasis on investments in
5 light-duty advanced technology vehicles and the freight
6 sector and significant support for disadvantaged
7 communities.

8 AQIP offers a successful framework for allocating
9 this funding since the program support's mobile source
10 technology advancing projects that are critical to meeting
11 California's post-2020 air quality and climate change
12 goals, while also achieving immediate emission reductions.

13 For today's presentation, I will provide you with
14 a brief overview of our program before presenting staff's
15 recommendations for allocating a total of \$222 million
16 from AQIP and low carbon transportation investments.

17 --o0o--

18 MS. MACUMBER: First for some background, AQIP
19 was established by Assembly Bill 118 and updated last year
20 by Assembly Bill 8. Assembly Bill 8 extended the fees
21 that support AQIP through 2023. AQIP is ARB's only
22 incentive program that funds the deployment and
23 demonstration of advanced technologies, which are the
24 basis for the transformation of the vehicle fleet
25 necessary to meet our long-term air quality and climate

1 change goals.

2 Each year, staff brings the Board a proposed
3 funding plan, which details the priorities and projects to
4 be funded in the upcoming year. As part of this year's
5 funding plan, and to be included in future years, Assembly
6 Bill 8 requires ARB to conduct a benefit cost analysis to
7 score projects eligible for funding. Staff conducted that
8 analysis, and I will present the resulting projects
9 proposed for funding later in the presentation.

10 --o0o--

11 MS. MACUMBER: AQIP was established alongside two
12 other programs: The Energy Commission's Alternative and
13 Renewable Fuel and Vehicle Technology Program, which
14 provides both direct and indirect support to AQIP by
15 co-funding some of our projects, and funding
16 infrastructure to support our deployment projects. And
17 the Bureau of Automotive Repair's Enhanced Fleet
18 Modernization Program, which you acted upon in the item
19 prior to this one.

20 ARB works closely with both agencies on the
21 implementation of these programs. For example, ARB's
22 partnership with the Energy Commission has been essential
23 to the success of AQIP as their co-funding for the Clean
24 Vehicle Rebate Project over the past two years has ensured
25 the project's critical continuation.

1 The Bureau of Automotive Repair has also provided
2 significant investments to support clean car rebates this
3 past year by helping to fill the waiting list demand from
4 the past three months. Further, the Energy Commission's
5 significant investments in fueling infrastructure remains
6 vital to ensure a successful zero emission vehicle
7 roll-out in California.

8 To help highlight our partnership, the Energy
9 Commission staff is here with us at the table today and
10 will provide a few remarks at the conclusion of my
11 presentation.

12 --o0o--

13 MS. MACUMBER: Now for an update on ARB's
14 advanced technology investments. Since the program's
15 inception, AQIP has invested over \$250 million, resulting
16 in over 12,000 tons of criteria emission reductions, and
17 six million metric tons of carbon dioxide equivalent for
18 the last, administrative of the vehicles and equipped
19 funded. AQIP deployment projects which offer rebates for
20 clean cars, vouchers for advanced technology trucks and
21 buses, and loan assistance for truck upgrades or
22 replacements, have seen the largest investments and
23 concurrently have provided the most significant benefits
24 thus far.

25 --o0o--

1 MS. MACUMBER: Now I will present staff's
2 proposed funding plan. As mentioned previously, this year
3 the funding plan has proposed allocation for the \$22
4 million from AQIP and \$200 million from the new low-carbon
5 transportation appropriation in the state budget.

6 Low-carbon transportation funding is intended to
7 support greenhouse gas reduction projects that also
8 achieve co-benefits, provide benefits to disadvantaged
9 communities, and be consistent with the administration's
10 three-year investment plan. These investments provide an
11 incredible opportunity to build upon AQIP's success.

12 --o0o--

13 MS. MACUMBER: But before I present the list of
14 projects proposed, I'd like to highlight an important
15 element of this year's plan. Last year, the Board
16 directed staff to evaluate the long-term need for AQIP
17 incentives. Despite the success of AQIP to date, there
18 remains an ongoing need for incentives in the mobile
19 source sector. Incentives will remain necessary until
20 main stream consumer acceptance and broad market diversity
21 is achieved and the costs associated with advanced
22 technologies comes down.

23 This slide illustrates the evolution of
24 incentives from the demonstration to commercial, to
25 transitional phases, in which technologies are tested in

1 the field, introduced to the market, produced in larger
2 numbers, and then finally accepted by main stream
3 consumers and transitioned into other populations.

4 Incentives are needed to support technologies
5 across this entire spectrum, with the highest cost
6 investments for smaller projects in the demonstration
7 phase to lower incentive amounts for a much greater
8 population of vehicles or equipment in the
9 commercialization phase, to more highly targeted
10 incentives for specific demographics, such as low-income
11 populations or disadvantaged communities in the transition
12 phase.

13 Later in the presentation, I will highlight for
14 you where each of the projects we are proposing to fund
15 fit within this landscape and what tools we expect to use
16 to measure each project's progress as they move along the
17 incentive funding horizon and actually transition away
18 from incentives.

19 --o0o--

20 MS. MACUMBER: Now for key elements of our
21 proposal; the projects. This year, staff is recommending
22 dividing investments into three primary categories:
23 Light-duty vehicle projects, heavy-duty vehicle and
24 equipment projects, and loan assistance programs. A very
25 small portion of the funding from AQIP is recommended as a

1 reserve for revenue uncertainty.

2 This slide lists each of the proposed projects
3 within the primary categories and the amount of funding
4 from the two funding sources: AQIP and low carbon
5 transportation investments.

6 --o0o--

7 MS. MACUMBER: As you can see, staff is
8 recommending that the bulk of funding for this year be
9 directed to light-duty vehicle projects, namely, the Clean
10 Vehicle Rebate Project, or CVRP. However, substantial
11 investments are also recommended in the heavy-duty vehicle
12 and equipment sector, particularly for new pilot projects
13 that deploy zero emission trucks and buses and advanced
14 technology demonstrations in the freight sector.

15 --o0o--

16 MS. MACUMBER: One important aspect of this
17 funding plan is that staff is targeting 50 percent of the
18 low carbon transportation funding to benefit disadvantaged
19 communities.

20 To illustrate, the middle column of this slide
21 now displays the low carbon transportation funding
22 allocation for each project. And the far right column
23 displays the proposed percentage and corresponding amounts
24 of that allocation that will be targeted to benefit
25 disadvantaged communities.

1 As you can see, staff is relying greatly on
2 heavy-duty vehicle and equipment projects to provide these
3 benefits, as they currently are the type of projects that
4 provide direct benefits to disadvantaged communities.

5 How we determine these benefits is still under
6 development. But staff expects that guidance will be
7 available later this summer.

8 In the next few slides, I will cover these
9 projects in more detail, including providing an update on
10 the implementation of existing projects. I'll start first
11 with light-duty vehicle projects.

12 --o0o--

13 MS. MACUMBER: CVRP offers rebates to consumers
14 that purchase or lease light-duty zero emission and
15 plug-in hybrid electric vehicles. CVRP is designed to
16 accelerate the widespread commercialization of these
17 vehicles by partially offsetting higher costs relative to
18 comparable conventional vehicles. These higher costs not
19 only include sticker prices, but higher taxes, license
20 fees, and annual license renewal costs.

21 Currently, the rebate is \$2500 for a zero
22 emission vehicle, such as a Nissan Leaf or Ford Focus
23 electric, and \$1500 for a plug-in hybrid, such as a Chevy
24 Volt or Toyota Prius plug in. The rebate can be combined
25 with a federal tax credit of up to \$7500 for those that

1 qualify, HOV lane access, and other incentives offered at
2 the regional or local level.

3 To date CVRP has issued over 60,000 rebates,
4 totaling \$132 million, which is more than double the
5 amount of rebate activity reported to you last year at
6 this time.

7 Since April, when the \$30 million waiting list
8 was issued, about 12,000 rebates have been reserved.
9 While the zero emission passenger vehicle market continues
10 to grow, it remains at a critical development stage and is
11 just now beginning to transition beyond early adopters to
12 main stream consumers. In order to achieve the goal of
13 deploying one and a half million zero emission vehicles in
14 California by 2025 as directed by the Governor's Executive
15 Order, continuing to support incentives for these vehicle
16 remains critical.

17 --o0o--

18 MS. MACUMBER: For the 2014-2015 fiscal year,
19 staff is proposing to allocate a total of \$121 million for
20 CVRP. This allocation for CVRP includes \$5 million in
21 supporting investments from our partners at the Energy
22 Commission.

23 Because of the tremendous success we've
24 experienced with VRP this year, staff spent considerable
25 time evaluating the needs of the project going forward.

1 Staff held several workshops, workshop meetings, and
2 individual meetings with stakeholders to discuss the many
3 possibilities for how to structure the project for this
4 upcoming year.

5 Staff analyzed a significant amount of vehicle
6 data survey data collected as a part of CVRP to consider
7 the consumer and market impacts of various potential
8 project modification options that support the core
9 principles listed above.

10 Staff projections for CVRP indicate that between
11 \$130 million and \$200 million may be needed to support the
12 project in its current form for the upcoming year.

13 --o0o--

14 MS. MACUMBER: Since projections indicate a need
15 above the proposed budget for CVRP, staff's original
16 funding plan proposal would have reduced rebates by \$500
17 for both battery electric and plug-in hybrid electric
18 vehicles. However, after continued dialog with
19 stakeholders and considering that market variability in
20 terms of future demand continues, today staff is proposing
21 to maintain current rebate levels for battery electric and
22 plug-in hybrid electric vehicles.

23 Staff will continue to monitor market activity
24 closely and will return to the Board, if necessary, with
25 recommendations for mid-course adjustments if demand grows

1 above expectations.

2 Also, because fuel cell electric vehicles are
3 just beginning to enter the market, staff is proposing to
4 increase their rebate amounts to \$5,000. This amount is
5 consistent with battery electric vehicle rebate levels
6 when the program began and when they were at that same
7 stage of commercialization.

8 Since CVRP is intended reach consumers who have
9 yet to acquire the technology, staff is proposing to limit
10 the lifetime number of rebates for individuals and
11 businesses to two overall so that a greater number of
12 consumers can participate in the program. This limitation
13 would not apply to fleet or car share purchases, nor would
14 it apply to consumers that purchase fuel cell vehicles.

15 Staff is also proposing to allow the Executive
16 Officer flexibility to utilize a waiting list, as we done
17 in several years past to help bridge a potential gap
18 between fiscal years.

19 --o0o--

20 MS. MACUMBER: Over the course of the next year,
21 staff plans to work with stakeholders to continue to
22 refine market demand projections so that we can be better
23 informed moving forward.

24 Staff will also continue to evaluate options for
25 the best ways to motivate consumers to purchase advanced

1 technology vehicles and continue evaluating research on
2 the vehicle market and on incentives.

3 Finally, staff proposes to develop and solicit
4 new ARB-sponsored research in addition to research
5 underway to inform when and possibly how to transition and
6 eventually end incentives for the light-duty vehicle
7 market.

8 --o0o--

9 MS. MACUMBER: To compliment the efforts made
10 through CVRP and bring cleaner technologies to
11 disadvantaged communities, staff is proposing to allocate
12 \$9 million to four pilot projects.

13 First, larger incentives are proposed for public
14 fleets that traditionally cannot take advantage of the
15 federal tax credit. Second, car share projects will help
16 bring cleaner technologies to those in multi-family
17 dwellings and other areas where the vehicles and
18 infrastructure currently don't exist.

19 Next, staff is proposing to offer an added
20 incentive, above the amounts approved in the previous
21 agenda item for the enhanced fleet modernization program
22 for the purchase of cleaner new or used replacement
23 vehicles.

24 And finally, financing assistance, such as loan
25 loss guarantees or interest buy down programs is proposed

1 for consumers that need additional financing support.

2 This investment will be used to evaluate the
3 viability of these projects, collect data, and achieve
4 immediate emission reductions from the vehicles deployed.
5 Staff expects that these projects will be developed in a
6 way that allows us to build upon them in future years so
7 that they can become strong supporting projects that
8 achieve significant emission reductions that benefit
9 disadvantaged communities.

10 Development of these pilots will resume in the
11 summer and fall with continued opportunities for public
12 input and coordination.

13 MS. MACUMBER: Now it's time to move on to our
14 recommendation for the heavy-duty vehicle and equipment
15 sector.

16 --o0o--

17 MS. MACUMBER: I'll begin with the hybrid and
18 zero emission incentive project, or HVIP. HVIP continues
19 to be successful in accelerating commercialization of new
20 hybrid and zero emission trucks and buses. To date, over
21 1600 vouchers have been issued, totaling over \$50 million.

22 Currently, hybrid vehicles make up the most
23 significant portion of the project's demand, with about 75
24 percent of the vouchers going toward hybrid vehicles.
25 Demand for these vehicles remains strong and continued

1 HVIP investment is considered critical to ensuring
2 availability of these vehicles in the marketplace.

3 In contrast, demand for zero emission vehicles
4 has been flat over the past four years, averaging only
5 about 100 vehicles annually. Fleets have purchased zero
6 emission trucks when they have been able to obtain local,
7 state, or federal co-funding, which when combined with
8 HVIP vouchers approaches full incremental cost. Additional
9 incentives are needed to increase market demand for these
10 vehicles.

11 Of the 25 percent of HVIP funding that has gone
12 towards zero emission vehicles, the bulk has been for
13 partial delivery, namely UPS, trucks, food distribution,
14 and a variety of other trucks.

15 Because additional support is needed to help
16 boost the placement of electric trucks, staff is proposing
17 some modifications I'll discuss on the next slide.

18 --o0o--

19 MS. MACUMBER: This year, staff is proposing to
20 allocate up to \$15 million towards HVIP. The amount of
21 funding allocation from a low carbon transportation will
22 be dependent upon the criteria by which benefits to
23 disadvantaged communities is defined. As mentioned
24 earlier, efforts are underway to develop guidance for
25 defining how projects will be evaluated as benefiting

1 disadvantaged communities. Once guidance is available
2 later this summer, staff will determine the amount of HVIP
3 funding that will be directed specifically to benefit
4 disadvantaged communities.

5 If HVIP is unable to support \$10 million in low
6 carbon transportation investments that benefit
7 disadvantaged communities, only \$5 million will be
8 allocated with the other \$5 million directed towards the
9 zero emission truck and bus pilot projects, which I will
10 discuss more in the next slide.

11 Also because zero emission truck and bus sales
12 have been relatively flat, staff is proposing to increase
13 the base voucher amounts for zero emission vehicles. To
14 support increased deployment of disadvantaged communities,
15 staff is proposing an additional increase in the voucher
16 amounts for zero emission vehicles purchased to support
17 those areas.

18 Staff is also proposing to strengthen hybrid
19 vehicle eligibility requirements which includes adjusting
20 the emissions testing requirements for vehicles that do
21 not undergo fuel vehicle certification.

22 --o0o--

23 MS. MACUMBER: In addition to the proposed
24 modifications for HVIP that further support sales of zero
25 emission trucks, staff is proposing to allocate up to \$25

1 million for zero emissions truck and bus pilots that
2 support emission reductions in disadvantaged communities.
3 This pilot is intended to be transformational in a way the
4 first-come first-serve model HVIP cannot be by allowing
5 vehicle purchasers to leverage resources, thereby helping
6 bring down costs through larger vehicle purchases.

7 These projects would place a significant number
8 of zero emission trucks and buses in a handful of
9 strategic truck or bus hubs to encourage advanced
10 technology including infrastructure, marketing workforce
11 training, and other synergies. Staff believes that the
12 Incentive amounts exceeding incremental cost and charging
13 or refueling infrastructure funding may be needed.

14 Some examples of the types of projects that may
15 be funded include zero emission transit or school buses,
16 which could provide much needed support to offer the
17 cleanest public transportation option or zero emission
18 freight or delivery trucks, which could be centered around
19 facilities like distribution centers or warehouses.

20 Similar to the light-duty vehicle pilot projects
21 discussed earlier, staff expects that this investment will
22 seed these projects such that they may be expanded upon
23 geographically and among other fleets in future years.

24 In the coming months, staff will prepare a broad
25 solicitation with public input that allows flexibility for

1 several project types to compete. The solicitation will
2 be held open for multiple months to allow fleets time to
3 maximize co-funding partnership opportunities.

4 --o0o--

5 MS. MACUMBER: For the first time, staff is
6 proposing to allocate a significant portion of funding for
7 much needed advanced technology freight demonstration
8 projects. These funds will target pre-commercialization
9 demonstrations of advanced freight technologies that
10 provide real and immediate emission reductions to
11 disadvantaged communities.

12 The focus of past demonstrations have been
13 directed at small scale projects with fewer than ten
14 vehicles or pieces of equipment. This year, staff is
15 proposing to focus the bulk of funding in the two specific
16 areas in order to take advantage of the freight
17 technologies that are currently ready for large
18 pre-commercial demonstrations. Of the \$50 million
19 proposed for this category, staff is recommending up to
20 \$25 million to fund the demonstration of zero emission
21 drayage trucks, up to \$25 million to demonstrate multiple
22 types of zero or near-zero technologies, working
23 cooperatively at distribution centers, warehouses, and
24 intermodal facilities. And if available, up to \$10
25 million for other smaller scale freight projects.

1 In order to help inform planning for future
2 years, staff is proposing to initiate a request for
3 information process to solicit input from industry and
4 stakeholders regarding future investments in advanced
5 technology demonstrations. The input received will help
6 us better assess the current state of technology and
7 inform future funding plans.

8 --o0o--

9 MS. MACUMBER: And now to discuss our last
10 category of funding, loan assistance programs. The Truck
11 Loan Assistance Program enables lenders to provide
12 affordable financing to small business owners that fall
13 just outside conventional underwriting standards and may
14 not qualify for traditional financing. Financing is used
15 to upgrade or retrofit trucks facing existing in-use fleet
16 rules. Without this program, there may be no financing
17 option for those business owners.

18 This program is currently administered by the
19 California Pollution Control Financing Authority, or
20 CPCFA, who also joins us at the table today.

21 What makes this program so unique is that it
22 reaches California's fleets most in need of economic
23 assistance. For example, 76 percent of loans are single
24 truck owner-operators. Ninety-three percent of loans are
25 to companies with ten or fewer employees. And 80 percent

1 of borrowers self-identify as a member of a minority
2 group.

3 So far, ARB has invested over \$39 million in the
4 program, supporting about 4200 loans and leveraging nearly
5 \$280 million in financing. This equates to over seven
6 dollars in private financing for every public dollar
7 invested.

8 Staff is proposing to allocate \$10 million from
9 AQIP. With the recent amendments to the in-use truck and
10 bus regulation that extended deadlines for small fleet
11 owners, staff anticipates that continued support for these
12 truck owners will be needed.

13 --o0o--

14 MS. MACUMBER: As mentioned earlier in the
15 presentation, each of our projects is targeted toward
16 supporting the transition of technology across this
17 conceptual evolution of incentives.

18 To tie our projects together, this slide now
19 identification where the light-duty projects, heavy-duty
20 vehicle and equipment projects, and finally loan
21 assistance projects fit within this incentives landscape.

22 Our proposed advanced technology demonstration
23 projects and the zero emission truck and bus pilot are
24 examples of projects still in the demonstration phase
25 because they are focused on supporting large investments

1 to demonstrate the viability of technologies in smaller
2 volumes.

3 Because of the slow roll out of heavy-duty
4 electric trucks and buses and the need to continue larger
5 incentives for these vehicles, HVIP supports both the
6 transition of these vehicles from very low deployment to
7 commercialization. HVIP also helps spur market growth of
8 hybrid vehicles which remain in the lower volume
9 production phase.

10 CVRP and the light duty pilot projects support
11 the commercialization of hybrid and electric light-duty
12 vehicles whereby different vehicle types currently reside
13 in different stages of commercialization.

14 Plug-in hybrid electric and battery electric
15 vehicles are just entering the higher volume stage while
16 fuel cell electric vehicles are now being produced.
17 Incentives funding remains critical for maintaining
18 momentum towards full commercialization of these vehicles.

19 --o0o--

20 MS. MACUMBER: And last, the Truck Loan
21 Assistance Program targets incentives for fully
22 commercialized technology toward small trucking fleets
23 that need incentives to adopt cleaner technologies.

24 While this project is the only one currently
25 supporting the transition phase, staff expects that some

1 of the light-duty pilots, for example, car sharing and
2 financing assistance, will help to serve this purpose in
3 the future by bringing cleaner technologies into
4 disadvantaged communities.

5 --o0o--

6 MS. MACUMBER: AQIP incentives have traditionally
7 been prioritized and structured to accelerate the
8 advancement of vehicle technologies, first from
9 demonstration to full main stream commercialization. And
10 second, from the light-duty sector to heavier vehicle
11 sectors as vehicle technology has typically migrated in
12 this fashion.

13 Staff believes that AQIP should remain focused on
14 supporting these transitions and recommends these
15 priorities continues with the proposed fiscal year
16 2014-2015 investments.

17 Further, staff is developing long term visions
18 for each of the proposed projects that addresses more
19 specifically how evaluations or metrics can be used to
20 gauge success in transitioning projects across the
21 incentives funding horizon and eventually ending
22 incentives for each technology or sector type.

23 Some examples of metrics staff will evaluate
24 include market penetration of technology types,
25 manufacturer diversity, technology costs, consumer

1 acceptance, and others. Each project, depending upon
2 where it is within the incentives funding horizon, will
3 have different criteria by which it will be evaluated.
4 Staff intends to continue to refine these criteria and
5 update the Board each year.

6 --o0o--

7 MS. MACUMBER: This year's plan includes a series
8 of investments aimed at reducing both criteria and
9 greenhouse gas emissions in the near and long term,
10 promoting the advancement and commercialization of the
11 cleanest technologies available today and helping to bring
12 emission reductions to disadvantaged communities that need
13 them the most.

14 As in the past years, the funding plan also
15 includes contingencies to address funding shortfalls,
16 increases or other changes that may arise, and provides a
17 comprehensive update on all of our projects to date.

18 With that, staff requests that you approve the
19 proposed fiscal year 2014-2015 funding plan for AQIP and
20 low carbon transportation investments with the inclusion
21 of modifications to the original CVRP proposal.

22 This concludes my presentation.

23 At this time, I would like to invite first Jim
24 McKinney, Manager of the Alternative and Renewable Fuels
25 and Vehicle Technology Program at the California Energy

1 Commission to speak. And then Jillian Franzoia with
2 CalCAP, Manager with the California Pollution Control
3 Financing Authority, to say a few words.

4 Jim.

5 MR. MC KINNEY: Great. Thank you very much.

6 Good morning, Chairman Nichols and members of the
7 Board.

8 As Lisa said, I'm Jim McKinney. I'm the Program
9 Manager for the Alternative and Renewable Fuel and Vehicle
10 Technology Program at the California Energy Commission.
11 We are the sister incentive program to ARB's Air Quality
12 Improvement program.

13 On behalf of the Energy Commission, I'm here to
14 offer our support to the staff proposed AQIP funding plan
15 for 2014-2015. I and others from the Commission staff
16 participated in many of the working group workshop level
17 meetings that ARB staff posted for many parts of the
18 funding plan, including CVRP, HVIP, the new ABA required
19 metrics, and how to allocate GGRF funds.

20 Your staff has been thorough and inconclusive
21 throughout the public vetting of these multiple option. A
22 lot of these public meetings have included vigorous
23 debates among the stakeholders, and again your staff
24 managed that well. And we support these recommendations.
25 A few I want to highlight are the new funding levels for

1 the fuel cell vehicle vouchers. It's very exciting.
2 Hyundai has been first out the gate. Many of us went down
3 to an event a couple weeks ago where the very first
4 consumer in California was able to take possession of a
5 commercially available fuel cell vehicle. So we think
6 that CVRP \$5,000 voucher amount will be critical in
7 helping to launch this part of the ZEV vehicle program.

8 We're also extremely pleased to support the pilot
9 program for disadvantaged communities. I think as we
10 heard in the 88 deliberations at the Legislature, this is
11 a critical function for us. As we learned from you and
12 the air districts, it really is the people residing in the
13 San Joaquin Valley and parts of the South Coast air basin
14 that suffer most from pollution effects from the
15 transportation sector.

16 We're also really excited about the ZEV truck
17 demonstration funding level of \$50 million. We have been
18 providing funding in the space since our program
19 inception. And today, we've done about 70 million in
20 investments for 36 projects. It's a very expensive
21 technology class. Also critical if you kind of think
22 through where the emissions comes from, both CARB and
23 criteria and particulate matter emissions from the truck
24 sector. So we really welcome this major influx in
25 funding.

1 As we approach the 100,000 vehicle milestone in
2 California, we celebrate the success of CVRP in helping to
3 create the commercial market for light-duty electric
4 vehicles. We know from our own experience with ARF that
5 it's challenging to manage incentive programs as the early
6 markets begin to gain momentum and transition from early
7 adopter to fast follower. A key challenge is modulating
8 its incentive levels so the program can stay within its
9 budget parameters. This is critical. Again, a big part
10 of the deliberation and the success with ABA, which we
11 authorize our programs.

12 In my view, they entrusted us to continue be
13 stewards and wisely distribute these funds so we can
14 promote these ZEV technologies. But they express concern
15 on cost, cost effectiveness, and equity. So we take this
16 as a serious responsibility.

17 And again, I want to applaud the ARB staff. It's
18 very, very hard work to modify incentive programs. And no
19 stakeholder wants to hear that funding levels for the
20 technologies they promoted may have to be reduced and
21 eventually phased out. But again, these are market
22 transformation programs. These are not programs designed
23 to fund implementation of other regulatory programs.

24 --o0o--

25 MS. MACUMBER: I want to briefly share some of

1 our advise to ARB staff during the deliberations.

2 So first, use AQIP and GGR funds strategically to
3 motivate the undecided consumer. In my mind, this is the
4 key to continue building new market for electric vehicles.
5 Let's not use the limited funds to reward consumers that
6 have already made the decision. This may make everyone
7 feel good, but it risks dramatically cutting the fund or
8 diluting it so it's no longer a critical motivator for the
9 undecided.

10 One of the measures that Lisa Macumber hinted at
11 was some modifications for FEV vehicle eligibility. And
12 I'd like to highlight that a FEV 40 is a very different
13 feature from a FEV 10 in terms of how consumers are
14 maximizing emiles out of a FEV 40 vehicle, like the Volt.

15 In terms of our contributions to CVRP, again,
16 we're very pleased to have been able to offer the level of
17 support we do. It's been \$49 million in total to date.
18 We estimate that's about 21,000 vouchers. That's about
19 one-third of the total voucher amount that ARB has been
20 able to offer. So this includes the \$5 million that Lisa
21 mentioned in our 14-15 investment plan that was just
22 approved in April.

23 Summarizing some of our infrastructure
24 investments that Richard Corey highlighted, in total, for
25 the infrastructure side of the program, we now have \$38

1 million invested for over 8600 charge points and charges
2 throughout California. I think we heard in other
3 testimonies that some stakeholders are concerned we're
4 falling behind.

5 But again, when you buy one of these cars, you
6 can't take it home and plug it in. It's critical that we
7 leverage that and build upon that as we work to get the
8 infrastructure needed and the commercial zones, the
9 destination areas, and the fast charger corridors.

10 For the hydrogen fuel cell part of our program,
11 we now have \$80 million invested in funding. This will
12 total 48 new and upgraded stations. And we think in 2015
13 when all these should be online, we'll have about 51 total
14 stations. This's just critical because you can't take
15 your new fuel cell vehicle home and plug it into the gas
16 line at your house. This is a long way out.

17 In total, so we're coming up on the half-billion
18 dollar mark in investments. We're proud to play the role
19 we do. I think it's critical to just start moving the
20 ball. We're seeing the needle move off zero as we start
21 to see sizable numbers in the fleets, both from the
22 infrastructure side and the vehicle side.

23 And lastly, I just want to just highlight some of
24 the multiple collaborative efforts between the Energy
25 Commission and the Air Resources Board. So first for the

1 investment plan, Dr Ayala has become a fixture at our
2 Advisory Committee. And we always welcome his input and
3 insight into this. This is great. Thank you, Dr. Ayala,
4 for all your insightful comments to us.

5 The Integrated Energy Policy Report, Commissioner
6 Ganeo Scott has been on a force march as we do the 2014
7 HYPR update to focus on transportation. Long series of
8 workshops. And again, we hope these are informative and
9 help inform parts of the ARB programs. And we really
10 appreciate the participation of State Board Member Burg
11 and others from ARB staff.

12 On the EVSE planning side, we are moving ahead
13 with our NRELL assessment. And we'll convert that to a
14 statewide plan as for the Governor's action plan. We want
15 to acknowledge the staff efforts at ARB for planning for
16 EVSE deployment. That's critical. We think these two
17 things compliment one another.

18 On hydrogen-station planning and financing, the
19 contribution from your technical staff have been great.
20 Mica Shuca, Gerhard Achtelik, Analisa Bevin, have all been
21 integral parts of our planning team for the solicitation.
22 It was very well received.

23 ZEV truck deployments, we just love working with
24 Joe Calavita and now Earl Landberg on that. We
25 collaborate with you on LCFS and bio fuels.

1 The ARB technology assessment that's underway
2 right now we think will be critical for the truck sector.
3 And we're pleased to make the contributions we can to
4 informing that dialogue.

5 And most recently, I've been able to meet with
6 Todd Saxton and work with his team as we try to educate
7 the Board at AC Transit to stay the course on their fuel
8 cell bus program. Both agencies have been able to
9 contribute to those efforts.

10 In conclusion, I want to paraphrase a famous line
11 from Casablanca, "Louie, this is a beautiful friendship."

12 BOARD MEMBER GIOIA: I was wondering which quote
13 you were going to use.

14 CHAIRPERSON NICHOLS: All right. Let's top that
15 one.

16 MS. FRANZOIA: I don't know that I can. Good
17 morning, Madam Chair and members of the Board.

18 I'm Jillian Franzoia, the Program Manager for the
19 CalCAP program at the State Treasurer's office. We
20 administer the ARB On-Road Loan Loss Reserve Program.
21 This program has been a collaborative effort and an
22 excellent partnership between the Air Resources Board and
23 the Pollution Control Financing Authority at the State
24 Treasurer's Office. And the ARB staff has been so great
25 over the past five years to work with facilitating such a

1 successful program.

2 I think the success of the program speaks for
3 itself by providing financial incentives to encourage
4 lending. The program has put close to 4900 compliant
5 trucks on the road and helped retrofit an additional 330.

6 In addition, the \$300 million in loans has
7 contributed to creating or retaining over 9,000 jobs
8 throughout the state. And over 75 percent of the loans
9 were made in areas of high unemployment.

10 CPCFA and the State Treasurer's office support
11 this additional funding as it would be beneficial to the
12 small business borrowers who still need to upgrade their
13 vehicles to meet compliance standards. Our statistics
14 show that the demand is as strong as ever and continuing
15 to grow. And although I don't have a quote from
16 Casablanca, I would like to show our support for this
17 funding plan.

18 CHAIRPERSON NICHOLS: Thank you very much.
19 Appreciate your coming over too.

20 MS. FRANZOIA: Thank you for having me.

21 CHAIRPERSON NICHOLS: Okay. Shall we turn to the
22 witness list then? Okay. Beginning with the Bay Area Air
23 Quality Management District.

24 MR. FOURNIER: Good morning, Madam Chair, members
25 of the Board.

1 My name is Anthony Fournier, Director of
2 Incentives for the Bay Air Area Quality Management
3 District.

4 I'd like to start off by thanking staff for their
5 detailed presentation and all the hard work they put into
6 the recommendation you prepared today. We've submitted
7 written comments. I'm not going to restate all of them.
8 I'd like to highlight a few.

9 First, we are in support of the CVRP
10 recommendation presented by staff. I would like to see a
11 more detailed, longer-term plan to provide greater
12 certainty for consumers and interested stakeholders.

13 We also are in support of the proposed increase
14 for HVIP funding for zero emission truck and bus fleets.
15 But the opportunities for freight demonstrations projects
16 should be prioritized to areas with the largest population
17 exposure to emissions from these sources and greatest
18 potential for adoption.

19 We believe that the Vehicle Retirement Program
20 and Replacement Plus Program should be open to all areas
21 of the state with highest vehicle populations, traffic
22 congestion, and lengthy commute times.

23 Finally, we believe the use of the
24 CalEnviroScreen tool needs to be evaluated to ensure that
25 funds are used to benefit those with the greatest need.

1 We are a care program. We spent the past decades
2 working to identify communities within the Bay Area that
3 are most impacted by air pollution. And we used this
4 local analysis to get several of our local air district
5 initiatives. Many census tracts in the Bay Area do not
6 have CalEnviroScreen scores in the top 20 percent on a
7 statewide basis. But nonetheless have helped areas within
8 the top 20 percent for asthma and low birth weights.

9 On the basis of this, 18 percent of the Bay Area
10 Census tracts would qualify as impacted. However,
11 CalEnviroScreen scores show only three percent actually
12 qualify.

13 We realize a long-term solutions would be
14 technically difficult and time consuming, but we believe a
15 two-step approach for allocating cap and trade leads to a
16 practical solution.

17 Step one would be to allocate the funds to
18 regions in proportion to the region's population.

19 Step two would be within each region distribute
20 funds to impacted and disadvantaged communities based on
21 localized method and where there is not a localized
22 method, you could consider using the CalEnviroScreen tool
23 on a regional basis.

24 The Bay Area stands ready to continue and work
25 with ARB and OEHHA to further refine the CalEnviroScreen

1 tool. And I thank you for your time and the opportunity
2 to comment today.

3 CHAIRPERSON NICHOLS: Thank you.

4 Mr. Hogo again.

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

7 Henry Hogo with South Coast AQMD.

8 I just want to express our support of the funding
9 plan as proposed by staff. It's sends a really strong
10 message to the community and to actually project
11 proponents, goods movement expansion projects, especially
12 project proponents for the 710 expansion and some of the
13 other facilities that are expanding to incorporate the
14 growth in goods movement. That zero emission vehicles,
15 zero emission technologies will be there when they move
16 forward.

17 And I just want to point to the 710 project
18 proposal, because they're planning to analyze how
19 dedicated zero emission truck freight corridor that will
20 run along the I-710 for about 25 miles or so. So this is
21 important signal to them that these trucks will be
22 available if such a corridor is built.

23 So with that, I just urge moving forward.

24 CHAIRPERSON NICHOLS: Thank you.

25 Mr. Greene.

1 MR. GREENE: Good morning. Larry Greene with Sac
2 Metro AQMD.

3 We appreciate the work that ARB has put into AQIP
4 and will continue our collaboration and strong support of
5 the program. Specifically, we'll participate in the pilot
6 program working groups and believe we have many
7 opportunities in the Sac regional communities, especially
8 for our disadvantaged communities, for high quality
9 projects.

10 Our approach in the Sac region has been to focus
11 on a full range of cap and trade funding streams that
12 might benefit our region. As soon as the Governor's
13 initial budget came out, we began to meet with our other
14 regional partners such as cities, counties, SACOGs,
15 transits, the Sacramento Housing and Redevelopment
16 Authority, Sac Tree Foundation, and Valley Vision. All of
17 these partners have training and funding programs for
18 projects which would benefit from low and zero emission
19 vehicles and infrastructure. And all share our goal of
20 lowering greenhouse gas and criteria pollutants emissions.

21 Our common interest was that especially within
22 the disadvantaged communities identified by
23 CalEnviroScreen we could identify specific project areas
24 where multiple funding streams could be leveraged. For
25 example, we can likely leverage funding into areas already

1 identified in the SACOG, sustainable communities strategy,
2 and CalEnviroScreen as disadvantaged to benefit from cap
3 and trade funding for improved transit, urban trees, home
4 energy efficiency, low and zero emission vehicles and
5 infrastructure.

6 As we move into applying for project funds
7 through ARB and other agencies also make applications in
8 their traditional program areas, we will work to
9 coordinate our efforts in this and subsequent years. We
10 believe we have identified a range of project locations
11 and partners in disadvantaged areas that will provide
12 excellent greenhouse gas reductions as well as good
13 co-benefits for reducing criteria pollutants. We will
14 bring those ideas to the pilot program working groups and
15 hope these good programs will turn specific and long-term
16 funding for such programs.

17 We also intend to participate in the HVIP and
18 zero emission truck and bus pilots. Our participation in
19 AQIP, but really all the cap and trade funding areas, is
20 very important to the Sacramento region, not only for
21 greenhouse gas reductions, but because we're a severe
22 ozone non-attainment area. Under the new tighter federal
23 standards, we will continue to gain emission reductions
24 for many years.

25 We look forward to close relationship with CARB

1 staff over these months as we develop and fund high
2 quality projects under a cooperative relationship and
3 develop a program for funding cycles in the future.

4 Thank you.

5 CHAIRPERSON NICHOLS: Thank you.

6 Mr. Clements.

7 MR. CLEMENTS: Good morning, Madam Chair and
8 Board members.

9 It's an honor to be here today and actually say
10 that I'm representing somebody else other than Kings
11 Canyon Unified, which is Motiv Power Systems. They're the
12 folks that provide the propulsion system that saved our
13 electric bus project that's listed in your AQIP brochure.

14 They support this project. They see a number of
15 opportunities in the near future, as I do, to serve the
16 San Joaquin Valley. I think Seyed said it very
17 eloquently, the folks that need that car crush program,
18 we're talking about retirement here. I'm retired. I
19 don't feel like I was retired because I've been chasing
20 buses and trucks this year, electric ones.

21 But that said, those are the students that -- the
22 constituents for that car crush program, those are the
23 students that are riding on those Iwo electric school
24 buses today. I have personally driven them home, as the
25 Director of Transportation. I get to go back now as the

1 substitute driver in my retirement. And have personally
2 driven them home. We're seeing that outreach as kids say
3 why is this bus different. Second day I took them home,
4 they said, "Can you honk the horn? Because my mom can't
5 hear the bus coming." This was an added value in addition
6 to the reduced emissions.

7 So currently I'm working with Motiv and a sales
8 company here in California. And I think in the near
9 future, we're going to see a larger school bus, an OEM
10 school bus, that will come to the stage that will be
11 all-electric that can continue to benefit the rural
12 disadvantaged community.

13 I wanted to also mention as you talk about
14 transportation hubs, this past week I visited an ag
15 packing facility, one of dozens in my community. And was
16 able to go there and offer a demo truck from another
17 manager here in California, hybrid extended range electric
18 that will run on natural gas that will be Kings Canyon
19 Unified customer for natural gas. We have our CNG
20 station, thanks to CEC and some other folks along the way.
21 They were telling us there were 80 semi-trucks that leave
22 that facility every day, six days a week. And all those
23 products come on light and medium-duty diesel trucks
24 currently.

25 So here's an example of an electric truck that

1 Kings Canyon Unified just look delivery of this past year
2 that's all-electric, including the reefer. When we talk
3 about serving disadvantaged, this is food distribution
4 happening at a school level. We serve 10,000 students a
5 day. That 600-mile region is on page 105 of the
6 CalEnviroScreen map. And these are all free and reduced
7 lunches going on a zero all-electric truck now.

8 So thanks for the opportunity to -- and I want to
9 thank the staff for putting up with me during this
10 retirement period.

11 CHAIRPERSON NICHOLS: Well, thank you. I think
12 you're one of our more effective marketers. Appreciate it
13 very much. Now if we can just get the CNG to be made from
14 renewable gas, it's like a completely closed loop system.
15 It's wonderful.

16 Mr. Pike.

17 MR. PIKE: Hello, Chairman Nichols and members of
18 the Board. My name is Ed Pike. I am with Energy
19 Solutions California.

20 Thank you for the opportunity to provide comments
21 today. We support the disadvantaged community pilot
22 funding. And we think that would be a great match for a
23 fuel efficient tire incentive replacement tire program
24 focused on disadvantaged communities.

25 We appreciate CARB's recent Scoping Plan update

1 which recognized the potential benefits of fuel efficient
2 replacement tires and also the potential for an incentive
3 program to help permanently transform the market through
4 enabling standards and ratings as well.

5 The Union of Concerned Scientists, Energy
6 Solutions, and Mountain View Tire have submitted comment
7 letters supporting the AQFP and the low carbon
8 transportation fund as a potential resource for funding an
9 incentive program. And the Energy Commission estimates on
10 a statewide basis a fuel efficient replacement tire
11 incentive program could save consumers almost \$900 million
12 annually and reduce greenhouse gases by close to 3 million
13 metric tons per year, which would be equal to 12 percent
14 of the Scoping Plan update long-term transportation
15 target.

16 We understand that staff would like to further
17 vent the idea for further consideration in the 2015-16
18 plan, and we appreciate the constructive dialogue we've
19 had with CARB staff thus far. And we look forward to
20 continuing this helpful dialog.

21 In the meanwhile, we encourage CARB to note the
22 potential benefits of an incentive program in the 14-15
23 plan as an informational item similar to the Scoping Plan
24 update.

25 We also note that several commentors have

1 recommended that CARB retain some level of discretion in
2 the plan for the disadvantaged community pilot funding.
3 And we would similarly like to see CARB retain some
4 discretion, if needed, for activities that staff decide
5 are needed to further evaluate the proposed fuel efficient
6 tire program at a level that couldn't diminish any of the
7 other pilots.

8 Thank you again for the opportunity to comment.
9 And again, we look forward to continuing our helpful
10 dialog with staff.

11 MR. REICHMUTH: Chairman Nichols and members of
12 the Board. My name is David Reichmuth. I'm speaking on
13 behalf of the Union of Concerned Scientists.

14 I'd first like to recognize the work of ARB staff
15 on producing a comprehensive plan to support
16 transportation solutions that will reduce emissions and
17 air pollution.

18 We have submitted written comments on support of
19 the plan, including specific recommendations for heavy
20 duty and freight. But I'm going to focus today on the
21 CVRP program. UCS agrees with staff's recommendation to
22 keep CVRP rebates at the current levels. With current
23 rebates, we forecast CVRP program costs could range
24 between 130 and 161 million, with a base line estimate
25 being 137 million as shown there.

1 Now these estimates include protective rebate
2 cost of fuel cell vehicles and program administrative
3 costs. If no changes to the eligibility or incentive
4 amounts are made, there is a substantial risk that the
5 program costs will exceed the 121 million allocation in
6 the funding plan. So we urge the Board to consider a
7 combination of methods that will allow the program to
8 function without a reduction in rebate amount.

9 First, we ask the Board to authorize a year-end
10 wait list of up to 30 million. This will allow the
11 funding for CVRP under our base line scenario. As you can
12 see, they're not under a high demand scenario. Therefore,
13 we believe the Board should adopt eligibility criteria
14 based on annual household income to further reduce the
15 risk of exceeding the proposed funding levels.

16 Data from a recent CVRP survey shows a potential
17 correlation between higher household income and lower
18 importance of CVRP in the purchasing decision. Setting an
19 income cap would decrease the demand for rebates and also
20 improve the effectiveness of the program. Based on
21 staff's analysis, an income cap of 400,000 would save an
22 estimated ten percent cost, which I show here. Yet, staff
23 estimates only one percent decrease in EV sales overall.
24 This greatly minimized the risk of needing a wait list,
25 but these savings only happen if we implemented this at

1 the start of the year.

2 Now, UCS is not recommending a particular income
3 level, but does recommend that ARB examine the raw survey
4 data from CCSE to determine the optimal criteria for CVRP
5 eligibility.

6 We also like to note that the income cap is not
7 an eligibility provision. However, the alternative of
8 across-the-board cuts would have the most impact on the
9 lower income households and more affordable models. That
10 would negatively impact equity.

11 Finally, we agree with the recommendation to
12 allow midyear changes to the program to keep the program
13 costs within an allocation or within the wait list limit.

14 I'd like to thank staff again for the hard work
15 on this plan and for the workshops and calls and the Board
16 for the opportunity to comment here today. Thank you.

17 MS. MENDOZA: Good morning, Chairman Nichols and
18 Board members.

19 My name is Jerilyn Mendoza here this morning --
20 still morning -- on behalf of the California Air Resources
21 Board -- I'm sorry -- on behalf of Southern California Gas
22 Company. I looked up to say hi to LaRonda and I waived to
23 her and I said -- so I apologize for that. Please forgive
24 me for that.

25 So I'm here to say several things on behalf of

1 the Gas Company. One is we are definitely in support of
2 the AQIP program as put forward by staff. Personally, I
3 also would like to extend my thanks and hope it goes
4 forward as my husband and I leased a beautiful Nissan Leaf
5 last month. And we are very much looking forward to the
6 rebate. And I will say in response to the previous
7 comments, the rebate was actually a significant factor
8 infrastructure our decision making. So we're really
9 excited about that.

10 At the same time, I have to wonder when I look at
11 the AQIP plan for about \$228 million, where the funds for
12 deployment. There is a lot of money in there for research
13 and development of pilot projects, but there are natural
14 gas vehicles available now in the heavy-duty sector
15 particularly effecting freight movement that are available
16 right now that can significantly reduce particulate
17 emissions criteria pollutants and GHGs to help us move
18 forward on all of our goals. And there is no funding for
19 that. There is no funding for moving those kinds of
20 advanced technologies forward.

21 I've been told by legislators not to even bother
22 trying to get natural gas funds or funds to move forward
23 natural gas technologies from ARB because there is a
24 singular focus on electric vehicles. And that makes me
25 frustrated.

1 But it also makes me wonder. Because as I
2 mentioned before, I served on the Harbor Commission for
3 the Port of LA from 2005 to 2010. I'm going bring it up
4 again. Because we reduced criteria pollutants by 80
5 percent in five years, primarily by transitioning out
6 dirtier trucks for clean fuel, natural gas, heavy-duty
7 trucks. And this was in a disadvantaged community. This
8 was in a community that had struggled and continues to
9 struggle with environmental justice issues and in working
10 closely Brighton right near the Port of L.A. in East Long
11 Beach, West Long Beach. Board Member Mitchell, you know
12 what I'm talking about, the area I referred to.

13 So if we're talking about action taken today that
14 can reduce emissions, that can improve our air quality,
15 the natural gas technology is there. And there is no
16 funds for it.

17 And yesterday, we had a seminar that we sponsored
18 and Dr. -- may I just close on this point? Dr. Matt
19 Misado from the South Coast Air Quality Management
20 District was there. He talked about the importance of a
21 multi-prong approach, different technologies reducing for
22 different sectors. I just want to know where does the
23 natural gas element fit. I think there is a role for us
24 in the freight sector. Thank you.

25 CHAIRPERSON NICHOLS: Thank you.

1 MR. MAGAVERN: Bill Magavern, Coalition for Clean
2 Air and also speaking on behalf of the Charge Ahead
3 California Campaign.

4 I think, first, this plan shows ARB's commitment
5 to reducing emissions from the freight sector. And so
6 we're very glad to see the proposed investments in
7 heavy-duty vehicles, the zero emission truck and bus
8 pilot, as well as the advanced freight technology
9 demonstration program and the extra bonus under HVIP for
10 zero emission vehicles in disadvantaged communities. And
11 the fact that all of this funding is slated to benefit
12 disadvantaged communities is really great to see. We
13 appreciate working with the staff on those programs.

14 Moving to the light-duty area, we're strongly
15 supportive of the pilots, which again are targeted for
16 disadvantaged communities, as well as for the continued
17 funding for the classic CVRP program. We think it's
18 premature at this point to reduce the rebate amounts so
19 really appreciate the staff making that adjustment to keep
20 those whole.

21 We do think that in order to make sure there is
22 enough money to go around that instituting an income cap
23 is the best way to go. And I second the testimony of Dave
24 Reichmuth from Union of Concerned Scientists. This policy
25 is not about punishing anybody or making a social

1 statement. It's simply really echoing what the Energy
2 Commission said, that we want to give rebates to motivate
3 purchase decisions. And when people get above certain
4 level of income, the availability of the rebate is not
5 what's motivating their purchase decision.

6 So we think it makes sense to focus the rebates
7 on those who need them and therefore are motivated by the
8 rebate in making their purchase decision. Therefore,
9 having a sensible and moderate income cap is the best way
10 to go. We don't know exactly what's the best level to do
11 that. But would delegate that to data-driven analysis by
12 the ARB staff.

13 Thank you. And I also want to add on behalf of
14 the Coalition for Clean Air our thanks to Charlyn for all
15 of her great works over the years and congratulations on a
16 well-earned retirement.

17 CHAIRPERSON NICHOLS: Thank you. Okay.

18 Mr. Lovelace.

19 MR. LOVELACE: Good morning, Chair Nichols and
20 Board members. I also submitted written comments, but I'm
21 just going to present a portion of those here.

22 At XL Hybrids, we're appreciative in the AQIP
23 funding plan for 2014-15 and agree with the basic
24 principles and structures that have been proposed.

25 The concept of a funding level and time line that

1 declines as technology becomes more mature makes complete
2 sense to us. However, we believe, of course, that such a
3 plan needs to be comprehensive and a weighted portfolio to
4 maximize the opportunities to achieve those long-term
5 goals that are set forth for the funding sources.

6 On April 15th, XL hybrids provided feedback to
7 broaden the H Class II PHEV at a properly weighted lower
8 voucher level. The program currently supports Class III
9 and up HEVs, but only PHEVs and EVs in the Class II B
10 space.

11 ARB staff responded in their final plan document
12 on May 23rd as follows, "Zero emission and zero emission
13 range extended vehicles in the Class II A and II B classes
14 are currently HVIP eligible due to their ability to
15 achieve zero emission miles. However, non-plug-in hybrids
16 are not HVIP eligible. As mentioned in this document,
17 HVIP is intended to facilitate deployment of the cleanest
18 technology, particularly in the larger tech classes that
19 pose the greatest technical challenges."

20 At XL Hybrids, we believe the current program
21 rightly places value on HEVs towards supporting a low
22 emissions future as evidenced by support for Class III.
23 But the staff response does not explain why by contrast
24 the Class III HEVs are included in the program. Why is a
25 10,001 pound HEV more challenging than a 999 pounds HEV?

1 Why is a 10,001 pound HEV cleaner than a 999 HEV? The
2 answer to all these are clearly no. The implication may
3 be that Class II BHEVs are already main stream. It is
4 well known that the major OEMs have pulled out of the HEV
5 space, and therefore that's not true.

6 At the last page of my written comments, there is
7 a chart of the nine vehicle classes and the three
8 electrification classes. You can see there's only one
9 square in the 27 that isn't supported.

10 The only class to which there is no incentives
11 are Class II as summarized on this chart. The major OEMs
12 sell to consumers in Class I. And some Class II pick-ups
13 and SUVs and AQIP CVCR programs supports clean
14 alternatives in those classes. The HVIP program supports
15 Class III to eight, but not including the HEVs for Class
16 II B.

17 CHAIRPERSON NICHOLS: Understand. I'll ask a
18 question about that later. Thank you. Jaime Hall.

19 MR. HALL: Good morning, Chairman Nichols and
20 members of the Board.

21 My name is Jaime Hall. I'm Policy Director for I
22 CALSTART. We're here today in support of the staff
23 proposal.

24 It's been busy couple months on this front, and
25 we really enjoyed the opportunity to work with staff and

1 all of you. I'm sure they're really happy to have this
2 plan finished. And they've done a great job.

3 I just wanted to provide some quick thoughts and
4 reactions on the plan. The first on CVRP is we have been
5 working with the broad coalition of auto makers and CalETC
6 submitted extensive comments. I'll keep it short and
7 sweet on this program.

8 CVRP is an important program. It's working. And
9 all Californians benefit from the deployment of these
10 vehicles. Therefore, agree it's not the time to cut
11 rebates or limit eligibility at this time. And for those
12 reasons, we support the staff proposal for both CVRP and
13 the pilot programs. And we'd really like to thank staff
14 for being responsive and working with us on this plan.

15 I want to change gears and discuss the medium-
16 and heavy-duty investments briefly. We support the higher
17 HVIP incentives for the zero emission trucks and buses and
18 think staff should be commended for recognizing the needs
19 of the market and recommending an increase to those
20 incentives because what the previous levels were not
21 enough to move the market.

22 We also strongly support the inclusion of the
23 pilots and demonstrations. And as I think some of you
24 know, we've been working with the coalition of zero
25 emission bus manufacturers and suppliers and end users and

1 are particularly excited about the potential for the zero
2 emission bus pilot projects.

3 I just want to leave you with some overarching
4 thoughts on the structure of the plan. With this big
5 increase in funding and with all the eyes on California
6 right now and on what's happening with this program, we
7 think it makes sense to maintain a little bit of
8 flexibility and make sure you're able to achieve your
9 goals. There are two specific areas I'm thinking of.

10 First, we think you may want to retain the
11 ability to shift funds between pots depending on the
12 proposals that come in and the needs of the market. And
13 if available, if there are good deployment projects
14 available, it would be nice to get more vehicles out in
15 the near term to get benefits to point to.

16 Second, we think it makes sense to consider
17 additional technologies, potentially including down the
18 line additional technologies not currently in the program.
19 I just mention the Class II B hybrids. There are some
20 aftermarket solutions. And as Jerylin mentioned, there
21 are some alternative fuel and near zero emissions from
22 long haul freight opportunities you may wish to consider
23 down the line.

24 Flexibility is particularly important given the
25 goal and the medium heavy duty sector of directing

1 100 percent of these funds to disadvantaged communities.
2 Definitely going to need some flexibility and creativity
3 to make that happen.

4 So overall, this is an exciting opportunity in
5 the plan. We support the proposal. We think it would be
6 stronger with more flexibility. A lot of this can be
7 handled in the implementation phase, and we're going to
8 take part in the working groups and look. Good plan. And
9 thank you.

10 CHAIRPERSON NICHOLS: Thank you.

11 MR. ELAM: Madam Chair, Board, my name is Rob
12 Elam from Propel Fuels. We have submitted comments in
13 support of AQIP's funding plan. I had a couple of quick
14 additional thoughts I'd like to submit.

15 First, a little context. Propel Fuels is
16 California's largest alternative fuel retailer, serving an
17 imbedded fleet of vehicles, diesel and flex fuel vehicles.
18 Over half of our locations are located directly in
19 disadvantaged communities. And over 80 percent of our
20 locations are within a 15-minute drive time of
21 disadvantaged communities.

22 We have been serving disadvantaged communities
23 since 2008 with low carbon fuels. Approximately 49
24 percent of our customer base in the Inland Empire and San
25 Joaquin Valley is Latino. And we understand the value of

1 price point fuels and vehicle limitations to the customer
2 base in disadvantaged communities.

3 Two quick points. One, I'd like to echo we would
4 support increased flexibility for staff to make technology
5 choices across the portfolio, particularly to engage
6 disadvantaged communities directly. So we would encourage
7 staff to. You've heard from a number of folks about
8 today.

9 Two, there's sort of a co-mingling of funds
10 between AB 118 and GGRF. And 118 does not follow fad
11 under SB 535. So we just wanted to note that.

12 But again, support the program. These are
13 exciting times. And thank you for my comments.

14 CHAIRPERSON NICHOLS: Thank you.

15 MR. BAUMHEFNER: Thank you, Madam Chair.

16 Max Baumhefner on behalf of the Natural Resources
17 Defense Council and the Charge Ahead California Campaign.

18 I commend staff for developing a comprehensive
19 plan to move the state's cars, trucks, and buses to zero
20 and near zero emissions operations while improving access
21 to cleaner transportation areas of the state suffering too
22 long from air pollution.

23 We are strong proponents of the proposed medium
24 and heavy duty projects and the proposed pilots and
25 disadvantaged communities which align well with the vision

1 articulated by the Charge Ahead California Campaign and
2 that of SB 1275 authored by Pro Tem Elect De Leon. We
3 look forward to engaging with staff in the workshops to
4 further develop these programs.

5 With respect to the CVRP, we support the decision
6 to not adopt a significant rebate production at this
7 juncture before the long-term planning that SB 1275 would
8 require has occurred. This strategic planning would
9 articulate an exit strategy for the program with rebates
10 stepping down at pre-determined sales volume, taking the
11 guesswork out of program planning.

12 Earlier this week, the Assembly Natural Resources
13 Committee amended 1275 to include an income cap that would
14 need to be implemented by June of 2015. And we note that
15 early action by the Board in response would obviate the
16 need for a midyear rebate production to keep the program
17 within its means.

18 ARB staff have already analyzed various rebate
19 income caps, revealing that significant savings can be
20 achieved with little adverse impact on vehicle sales.

21 We presume this reflects the fact that many
22 affluent respondents that the owner survey reported to ARB
23 is they would have bought their cars anyways. Not all
24 that data has been made public, but ARB staff has access
25 to the underlying survey responses and could calculate an

1 income cap at a level that would prove the program's
2 effectiveness without undermining progress towards our
3 clean vehicle goals.

4 We also believe the administrative barriers to an
5 income cap have been overstated. And we rely on a similar
6 structure in the EFMP and believe we can do so here and
7 have every confidence that the agency that administers the
8 world's most comprehensive carbon pricing screen can build
9 an income cap.

10 Accordingly, we reiterate the course of action
11 outlined in our comments, which would be to implement an
12 income cap now to provide immediate and significant budget
13 savings but does not undermine progress towards our
14 long-term ZEV deployment goals; second, monitors program
15 sales and make midyear adjustments to the income cap, if
16 necessary; and finally, in the unlikely event the previous
17 two events provide a sufficient savings, you can always
18 implement a wait list at the end of the year with full
19 knowledge that this broad group of stakeholders will be
20 continuing to advocate for full funding for low carbon
21 fuel transportation. Thank you.

22 CHAIRPERSON NICHOLS: Thank you.

23 MS. HOLMES-GEN: Chairman Nichols and Board
24 members, Bonnie Holmes-Gen with the American Lung
25 Association in California.

1 We're very pleased to be here to support the
2 staff's recommendation. We've been a supporter of the
3 AQIP program since its inception and believe it's a key
4 tool on a state's air quality strategy. And of course,
5 it's incredible now to see the acceleration and expansion
6 of this program with the 200 million GGRF funds. We
7 appreciate the staff has been incredibly helpful in
8 reaching out and sharing with us all of their proposals as
9 they move forward.

10 We also appreciate the partnership that's
11 developed between your agency and the CEC. It's
12 incredibly important to have these agencies working
13 together so closely to ensure success of these programs.

14 We support the CVRP program and will defer to the
15 Charge Ahead campaign comments.

16 In terms of the heavy duty, I want to say we're
17 incredibly pleased with the recommendation up to 85
18 million in incentives from this sector. We know it's
19 incredibly important. We cannot meet our federal air
20 quality goals and our GHG goals without transformation of
21 our entire vehicle fleet. And we have a lot of work to do
22 and heavy duty.

23 We support increasing the incentives for truly
24 zero emission trucks and buses. We're supportive of the
25 freight demonstration projects, not just commercial

1 projects, but pre-commercial projects and moving those
2 forward.

3 And pleased with the truck and bus transit and
4 the truck and bus hubs. We think these program funds can
5 really help to re-energize to focus on school buses. And
6 getting transit in disadvantaged communities is incredibly
7 important.

8 There's been a lot of discussion about metrics
9 around all of these programs. And that's, of course,
10 incredibly important. But we also want to mention there
11 needs to be a focus on communication. And we hope we can
12 work with you in getting the word out about the good news
13 that these projects that are improving the air, improving
14 public health, moving us toward clean energy economy, and
15 a focus we have on disadvantaged communities. So we'd
16 like to help get the word out, promote how these state
17 funds are helping communities at the local level. I think
18 that's really important.

19 And I have to say that on a note about Charlyn,
20 because she has been such an incredibly helpful person to
21 us. She's been gracious, cheerful, and incredibly helpful
22 over the years. I look forward to seeing her on the
23 running trails, as we heard about this morning, her
24 incredible hobby of running.

25 So thank you very much. We look forward to

1 working with you and seeing these funds roll out. I think
2 it's an incredibly important program.

3 CHAIRPERSON NICHOLS: Thank you.

4 MR. GONZALEZ: Good morning, Madam Chairman and
5 Board members.

6 I'm Tony Gonzalez with the firm of Rose and
7 Kindle here in Sacramento. And I'm speaking on behalf of
8 the Association of Global Auto Makers.

9 I prepared remarks you received copies of.
10 Global Auto Makers supports the Clean Vehicle Rebate
11 Project. The CVRP is one of the important incentives that
12 California offers to zero emission vehicles in its support
13 of ZEV technology. Although a number of new ZEV models
14 are expected in the coming year, the ZEV market is still
15 in the early stages of market growth and PVs represent
16 just over two percent of California's new vehicles sales
17 today.

18 Under California's ZEV programs, significant
19 increases in ZEV volumes are required starting in 2018.
20 And according to ARB staff, ZEV sales must increase more
21 than seven-fold to 15 percent of the new vehicle sales by
22 the year 2025.

23 California's ongoing support of the ZEV market
24 through programs such as the CVRP is critical for market
25 growth to be realized. And we expect such incentives will

1 continue to be needed for the foreseeable future.

2 We support the ARB recommendations to maintain
3 the current levels of rebates in the CVRP for battery
4 electric and plug-in hybrid electric vehicles and to
5 provide a rebate of \$5,000 for fuel cell vehicles. These
6 changes are essential to maintaining a robust CVRP and
7 providing incentives for the early market for ZEVs.

8 We also support ARB's plans to remove the
9 contingency plan to reduce rebates. But instead include a
10 mid-course check for a contingency plan which would be
11 presented to the Board for decision making. Decisions on
12 rebate availability and amounts have broad reaching
13 impacts on the ZEV market that warrant public comment and
14 consideration by the Board. And we support ARB's plan to
15 include the Board decision.

16 Finally, as explained in our comments submitted
17 jointly with the Alliance of Automobile Manufacturers on
18 June 20th, we do not support ARB's proposal to impose a
19 two per lifetime cap on rebates. The cap would
20 unnecessarily limit the market and penalize the most
21 enthusiastic ZEV adopters. We recommend eliminating the
22 cap at this time.

23 And I would just like to add one editorial note.
24 I want to thank all of the staff who have been involved
25 with this work product and also like to thank your

1 legislative staff. We enjoy the great relationship that's
2 gone beyond cooperation and I would say comradery. Thank
3 you very much.

4 CHAIRPERSON NICHOLS: Thank you.

5 MS. TUTT: Thank you, Chairman Nichols and
6 members of the Board. My name is Eileen Tutt. I'm with
7 the California Electric Transportation Coalition. I'm
8 here today representing the larger group of coalition
9 members that Jaime Hall mentioned. I'm going to ask them
10 to stand up. There's only a few of them here today
11 because of all of the staff's efforts, to be quite honest.
12 But we are here, and I'm speaking for all of them.
13 There's about 40 people that are part of this coalition.
14 They're auto makers, utilities, new car dealers,
15 non-profits, trade associations, all kinds of people that
16 we're all on the ground trying to make this market work.
17 And we're all here today in support of the staff's
18 recommendation, particularly on the rebate amounts, the
19 increased per vehicle for the HVIP and the pilot and demo
20 program. So thank you so much.

21 CHAIRPERSON NICHOLS: Do you want to let them sit
22 down?

23 MS. TUTT: The Chair said you can sit down.

24 So I first want to thank the staff for all the
25 time they spent with us. You have to be sick of us. I'm

1 sorry we aren't going away.

2 But we feel like you should be given a lot of
3 credit for designing and implementing the most successful
4 incentive programs that I think have ever been implemented
5 in this state. And I would extend that to the Energy
6 Commission as well.

7 You were humble in some of your projections about
8 how effective your programs were going to be. Some of
9 those projections were a little off. You deserve praise
10 and rose petals, is all I'm going to say.

11 Finally, I do want to take just a minute
12 responding to this income cap thing because we did not
13 comment on that in our comments because the staff isn't
14 recommending it. But we are opposed to an income cap.
15 There are essentially two goals to this program. One is
16 to sell as many cars as fast as possible to whomever,
17 wherever will buy them. That's what the incentive
18 programs are about.

19 The other is to get these vehicles into
20 disadvantaged communities. And that's what the pilot
21 programs are about. And these are two programs or two
22 goals that are essential to each other. And they
23 complement each other, but they require different
24 strategies.

25 The income cap doesn't further either of those

1 goals, and I would say that it actually undermines both of
2 them. So I'm not sure why it's being recommended. There
3 is a suggestion that it's easy to implement. It is not
4 going to be easy to implement. It will be very
5 contentious and take a lot of time. I would rather the
6 staff spend their time working with us developing a
7 long-term plan and basically saving the plan in general as
8 they do so well. I do believe that this is a brilliant
9 staff and they could solve this problem. I'd just rather
10 they worked on other issues.

11 And then finally, I just want you all to know --
12 and I'm sorry to tell you this -- but we're going to stick
13 around and work shoulder to shoulder with the Board
14 members and the staff to continue to make sure that this
15 program, both the heavy duty and the light duty, is fully
16 funded.

17 Thank you to the Board.

18 By the way, the flowers I've been carrying around
19 all day, those are for Charlyn. And they were freshly
20 watered by the Coalition tears this morning. I'm sorry
21 that I missed this morning. I didn't quite I was too
22 busy -- chatting out there. But we'll get them to Charlyn
23 somehow.

24 CHAIRPERSON NICHOLS: I'm sure you can make it
25 upstairs with the flowers

1 MS. TUTT: They don't let me up there.

2 MR. DUNLAP: Good afternoon, Madam Chair and
3 members. I'm John Dunlap representing Nissan today.
4 We're proud coalition members of CalETC. It's impossible
5 to have more enthusiasm than Eileen. But we wanted to
6 come today and voice our strong support for the staff
7 recommendation and add our voices to others, saying how
8 much we appreciated working with the staff. Richard Corey
9 and Alberto Ayala and other team members they assigned
10 were with us every step of the way. We appreciated that.
11 We also appreciated them digging deep and hearing from a
12 lot of folks and weighing it all.

13 We think it's a terrific program. It makes a
14 difference in the roll out of these advanced clean
15 vehicles. As you know, you heard a lot about that.
16 You've seen some terrific statistics. And Nissan remains
17 committed to making a success of the Leaf product. And
18 you'll be hearing from us in an ongoing way as well. And
19 we urge your support of the staff recommendation.

20 Thank you.

21 CHAIRPERSON NICHOLS: Thank you.

22 Mr. Douglas, welcome

23 MR. DOUGLAS: Thank you. I'm Steve Douglas with
24 the Alliance of Automobile Manufacturers. And you have a
25 written comment, so I'll be brief.

1 First, I would also like to thank the staff for
2 all their hard work. We recognize that we're just one
3 stakeholder and that you're trying to balance the
4 competing and sometimes mutually exclusive demands of many
5 other stakeholder groups. So throughout this at every
6 level at every turn, you've been helpful, open, and just
7 thoroughly professionals. So we've appreciated that. And
8 we believe that the Board Resolution -- the draft
9 Resolution strikes a perfect balance. We support that.

10 Second, I'd like to thank the Board for their
11 support of the CVRP program. As you know, my members are
12 all subject to the ZEV regulations and spend tens of
13 billions of dollars to bring these vehicles and put them
14 on the dealer lots. That's just part of it. Getting them
15 on the lot is the first step. But the second step is
16 getting them on the roads. That's what the CVRP is about.

17 The purpose of the CVRP is to get ZEVs on the
18 road. And to that purpose, it's been an undeniable,
19 unmatched success. It's simple. It's effective.

20 The CVRP, when combined with the generous
21 incentives and manufacturers also provide for ZEVs, make
22 these vehicles some of the most affordable vehicles today.

23 Today, the ZEVs can be leased for 99 to 199 per
24 month. And that's what zero down or near zero down.

25 Again, these are some of the most affordable vehicles out

1 there.

2 Just to quickly summarize then we support what --
3 we agree that reducing the rebate at this time is not a
4 well -- will have a negative impact on sales. Also, we
5 believe it's not necessary at the time, so we support the
6 staff's recommendation on that.

7 We also support the Executive Officer's authority
8 to establish a wait list. That's important. And also
9 midyear review is obviously appropriate.

10 And finally, for the fuel cell vehicle
11 provisions, we support those. It's an exciting
12 technology. It's just starting. It's an exciting day.

13 And then just last, I wanted to touch on this
14 income cap. That would -- an income cap, it's an
15 interesting to draw a line and see where the income is.
16 But it would dramatically increase the complexity of a
17 program that succeeds because of its simplicity. I can't
18 imagine how you implement it. I'm sure there are ways.
19 But I can't imagine bringing W2s, tax returns to the
20 dealership and letting them decide whether you're eligible
21 or not or trying to figure out -- having the dealer figure
22 out whether you're eligible.

23 So we look forward to working with the staff.
24 And we look forward in the coming years to implement this.
25 Thank you a lot. And thank you for your support.

1 CHAIRPERSON NICHOLS: Thank you. We appreciate
2 your bringing here. Obviously, this is an important
3 program for the industry and for us as well.

4 So,

5 Mr. Sadredin, you get the last word.

6 MR. SADREDIN: Thank you, Madam Chair.

7 I just wanted to express our support for staff
8 recommendation. But I really got up to say a statement of
9 support on behalf of your decision to target this program
10 at disadvantaged low-income communities and also offer a
11 word of support for the CalEnviroScreen document. I know
12 there are some regions that they feel left out for not
13 being on the list. We take no pleasure in San Joaquin
14 Valley for being highly featured on that list. And every
15 day, we're working to get off of that list. But it has to
16 come through actual work that improves quality of life for
17 those people, not from some sort of creative methodology
18 of changing the scoring system.

19 It's not a perfect tool. We are working with our
20 colleagues, with other districts, with ARB, with Cal/EPA
21 to make it even better. It's a living document as far as
22 we're concerned. But at this time, we believe it's the
23 best tool in terms of assessing relative cumulative
24 impacts to those communities and trying to pick apart some
25 factors from others and only focus on air quality or other

1 factors in our view that diminishes the value of that
2 tool. Because as you know, they are inter-related dynamic
3 factors, the fact you have a poor community, lack of
4 access to health care, it makes air quality even more
5 impactful, even though air quality may not be that high in
6 those areas. So just wanted to make sure we don't lose
7 that tool as a significant tool in terms of making some
8 decisions.

9 We're all for getting more funding to Bay Area.
10 Any reductions in Bay Area reduces air pollution in San
11 Joaquin Valley as well, so we would be happy to work with
12 them to get funding to them through various programs. I
13 just want to go on record as supporting the focus on those
14 communities and also CalEnviroScreen as at this point
15 being a tool to use. Thank you.

16 CHAIRPERSON NICHOLS: Okay. That concludes the
17 testimony, and we will close the record on this item at
18 this time.

19 I, too, want to add a voice of support for the
20 staff. It is a complicated and large program. It is not
21 just about CVRP, although we seem to have spent most of
22 the time talking about that. But there are a number of
23 other highly important pieces of this program and the
24 opportunity to present -- to spend a significant
25 allocation of funds is really remarkable. Obviously, the

1 burden on us is great to do it well.

2 I think somebody used the term "data driven
3 review." And I would just like to echo that I'm hoping
4 that we can avoid again making adjustments to the program
5 before we've had an opportunity to implement it and learn
6 from it. It is possible, given that there is legislation
7 moving, that we may be given direction in some regard as
8 to how we spend the money. But I think for now we should
9 leave the staff recommendations as they are in particular
10 with respect to the CVRP not to start tinkering on one
11 side or another with how the money gets spent.

12 So I think that the effort that's been made to
13 target funds to disadvantaged communities and particularly
14 the pilot programs are really exciting and innovative,
15 something that's never been done before. And we will see
16 how successful they are. But we have a lot of hope in
17 them. But to start drawing lines over who can get rebates
18 and who can't at this stage of the game I think would not
19 be wise. So that's my advice.

20 But I also recognize that other Board members may
21 wish to make comments and ask questions at this point.
22 I'll start down at this end. Anybody who wants to speak?

23 BOARD MEMBER BALMES: Thank you, Madam Chairman.

24 So I, too, very much like the focus on
25 disadvantaged communities and the pilot programs. I'm

1 fully supportive of that.

2 I'm also cognizant of our Chairman's desire not
3 to tinker now. But I don't want us to run out of money.
4 And so I like someone's suggestion that we perhaps
5 consider giving the Executive Officer some discretion sort
6 of a midyear to review what's going on.

7 CHAIRPERSON NICHOLS: May I just respond to that
8 because I initially thought that was a good idea. I
9 changed my mind when I realized the intense level of
10 interest there is in any decision to draw any line, either
11 to lower the amount, to put an income cap, a vehicle cap.

12 BOARD MEMBER BALMES: So now we have to go back
13 to the Board --

14 CHAIRPERSON NICHOLS: It has to come back to the
15 Board anyway.

16 BOARD MEMBER BALMES: I would like to see a
17 midyear review, if necessary.

18 CHAIRPERSON NICHOLS: Well, it's an if necessary.
19 I think, if necessary, the staff is on notice they are
20 going to need to have to come back to the Board. So
21 agreed.

22 BOARD MEMBER BALMES: I would agree actually
23 after hearing the testimony today that needs to be a
24 public process.

25 So one thought on the pilot program in response

1 to Mr. Pike's suggestion that a tire replacement program
2 be considered. When I first heard about this program last
3 week, I knew there was no way we were going to be able to
4 include it in this year's programs. But it struck me as a
5 good idea, especially given it was targeted towards
6 disadvantaged communities.

7 So all I would say is I support looking at this
8 further. I realize there are all sorts of issues that
9 we -- would these tires be acceptable to the intended
10 target population, et cetera. Maybe old cars don't drive
11 very well with these tires.

12 But I think it's a good idea. And I would like
13 to see it reviewed further by the staff, especially since
14 the South Coast I think commissioned Mr. Pike's firm to
15 come up with a plan, this would be another program where
16 we could potentially collaborate well with South Coast.
17 Always interested in us collaborating with our district
18 partners.

19 I guess another comment I'd make is directed to
20 Mr. Sadredin when he correctly spoke about the importance
21 of disadvantaged communities in the San Joaquin Valley. I
22 was quite disturbed when I recently saw a comment that he
23 made about fine particulate no longer being linked with
24 asthma based on some study commissioned by his district
25 that I don't think is in the published literature. I'm

1 very disturbed by that comment. I don't think it's a
2 healthy comment to be coming from a head of a air district
3 that has such an important pollution problem and I don't
4 think it helps disadvantaged communities. So I hope Mr.
5 Sadredin is more careful in his comments about linking
6 fine particulate and asthma in the future. Thank you.

7 CHAIRPERSON NICHOLS: Mr. De La Torre.

8 BOARD MEMBER DE LA TORRE: Thank you.

9 I guess to keep with that theme, this is
10 something that I said in the meetings with the OEM and
11 CalETC. We're going to move ahead today and we're going
12 to fund this, and that's great. I'm very supportive of
13 that. And as I said numerous times, I think when we make
14 a commitment in this area on these vehicles, we need to
15 follow through. We need to send a very clear signal to
16 the market that this is what it's going to be in order to
17 incentivize this. That makes perfect sense to me.

18 Medium and long term, I have yet to see a plan
19 for us to make a transition away from these incentives.
20 And I wanted to say here publicly -- I said it to them in
21 our meetings -- that I want to see a plan. We have these
22 meetings. Staff comes up with all kinds of ideas, and I
23 have yet to see a whole lot on the manufacturer's side.

24 So I very much expect that in these six months
25 with no pressure, with no hammer hanging over our heads,

1 that we'll see some ideas coming from the OEMs about this.

2 And the one that I specifically mentioned in our
3 meeting is the graduation of vehicle name plate that
4 graduates, that sells enough cars that it no longer needs
5 the subsidy, no longer needs the rebate. And what is
6 that? And let's justify that number, whatever that number
7 is.

8 No car is anywhere near it right now. This is
9 the time to come up with it and stick to it down the road.
10 Not when it's impending or there's one car that's way
11 ahead of the others. It's now, ahead of time, to
12 establish what that marker is. And then whoever hits that
13 marker, you graduated. Congratulations. You sold enough
14 cars you're in the main stream that you no longer need the
15 support that we are providing. That's something that I
16 absolutely want to see in the next few months. And again
17 I don't know what that level is. But I want to see it
18 coming from the OEMs first. And then we can have a dialog
19 about whether that's the right mark or not. Thank you.

20 CHAIRPERSON NICHOLS: Ms. Mitchell.

21 BOARD MEMBER MITCHELL: Thank you, Chair Nichols.

22 Just to follow up briefly with Mr. De La Torre's
23 comments. SB 1275 actually requires this Board in
24 collaboration with other agencies to do a plan on meeting
25 the ZEV initiative goal. So I would suggest working with

1 the OEMs and our Board on that would be a good way to go
2 forward.

3 I'm fully in support of the CVRP program that
4 staff has set forward in maintaining the existing levels.
5 I think we're not quite there yet. It was -- it's hard to
6 know when we get there. I think that that's a difficult
7 issue. There was a U.S. Supreme Court case many years ago
8 when the U.S. Supreme Court justice says, "I don't know
9 how to define pornography, but I know it when I see it."
10 And I think about that when are we going to know it when
11 we see it where we've gotten where we need to be in the
12 market penetration for these very new, modern, clean
13 vehicles.

14 The other thing I want to mention in connection
15 with the entire program is how important the HVIP segment
16 of this program is. And it is geared to help
17 disadvantaged communities. Another goal, of course, of
18 our agency and of all the air districts because our
19 primary goal and what we do is to protect public health.
20 And we recognize. And what we do that the disadvantaged
21 communities are often the most highly impacted by the
22 emissions and air pollution that is present today. I see
23 this program, the HVIP, as a significant crossroads to
24 move forward our sustainable freight strategy and to help
25 disadvantaged communities as well.

1 So I think it is a very well crafted plan for us
2 to accomplish multiple goals. So I look forward to
3 continuing on this path. Thank you, staff, for all your
4 hard work on this.

5 CHAIRPERSON NICHOLS: Mr. Roberts.

6 BOARD MEMBER ROBERTS: Thank you, Madam
7 Chairwoman.

8 First of all, I think we have something that
9 really is working and we want to keep it working. But I
10 think Mr. De La Torre's point that we have to define how
11 do we transition and start to think about that. I'm not
12 sure that the graduation you suggest is the right thing.
13 But I think we do have to come up with a transition to
14 think that you might set a path where you penalize the
15 successful firms and keep rewarding the unsuccessful firms
16 who might be building an inferior product doesn't make
17 sense to me. But we need to have some type of a metric
18 and it should be defined. That would help to get
19 certainty into the markets.

20 I think staying the course in terms of the
21 incentives that were created here I think are very good.
22 I'm concerned when I hear about putting a limit, a cap on
23 the income. We really want people to buy these. And you
24 know, I don't care what their income is. This is not a
25 success yet. Companies that are producing these aren't

1 making tremendous dollars on these cars. And probably
2 without these incentives, there still probably would not
3 be any program going.

4 This is not the hottest profit thing around. And
5 I think what we really want to do is we want to introduce
6 these to all segments of the population so that they --
7 not only the people driving them, but their neighbors and
8 everybody else will become more aware of the different
9 options that are out there and start to use, whether
10 they're fully electric or partially electric or whatever,
11 that we not only do we clean out the environment, but
12 we're developing a sustainable vehicle that people are
13 going to go forward with the infrastructure to support it.

14 So I think we're on the right path. I think we
15 need to give definition to know the transition period when
16 we see it and have some kind of a measurement that's out
17 there with an expectation we're going to try to continue
18 to do what we're doing for some period of time that I
19 think will really help. I think the certainty in the
20 market for as long as we can hold it is good. I don't
21 think we're going to go on indefinitely. It wouldn't make
22 a lot of sense to me to go on indefinitely.

23 With that, my compliments to staff. You've done
24 well.

25 CHAIRPERSON NICHOLS: It's not mandatory

1 everybody speaks, but many people wish to, so please do.
2 I'm not going to cut anybody off.

3 BOARD MEMBER RIORDAN: I'm very supportive of the
4 staff recommendation and appreciate very much their
5 modifications that have occurred in the last month or so.
6 Thank you.

7 CHAIRPERSON NICHOLS: Thank you.

8 Mr. Eisenhut.

9 BOARD MEMBER EISENHUT: I'm prepared to offer a
10 motion when you're ready.

11 CHAIRPERSON NICHOLS: Move on down the line. Dr.
12 Sherriffs.

13 BOARD MEMBER SHERRIFFS: Thank you.

14 Thank you, staff, for your hard work on this and
15 flexibility and adjustments that you've been able to make.

16 The stakeholders, obviously thanks for all your
17 funding advocacy that makes this possible and your ongoing
18 support for that and work in that funding advocacy, the
19 advocacy for flexibility in the plan, and the advocacy to
20 reach the environment justice communities with this.

21 I agree this is a good time to be thinking ahead
22 in a couple of areas. And I don't think we want to
23 penalize the successful, but we want to think about how we
24 are going to transition and what the non-rebate incentives
25 will be going forward to promote these technologies.

1 One question for staff and for Mr. McKinney,
2 because I think infrastructure is so important and because
3 infrastructure relates to SB 375 goals and the things that
4 happen there, what thoughts again about next year, because
5 infrastructure is so important for getting these
6 technologies out. I know having bought a Leaf, you know,
7 the big barrier to making the leap is how am I going to
8 plug this thing in? What do I need to plug it in? Is the
9 infrastructure here to support the technology.

10 MR. MC KINNEY: Board Member Sherriffs, Jim
11 McKinney here.

12 We really recognize the importance of
13 infrastructure to continue pushing the market forward and
14 making sure the new consumers are confident that they can
15 charge their cars and get to where they need to be in
16 their daily life. That's why with the past investment
17 plan that we essentially doubled down. So traditionally,
18 our funding level has been 7 to \$8 million a year. We
19 doubled that to 15. I haven't seen any indication from
20 our Commissioners that we would modify that in the near
21 future. We've heard a lot of testimony and in various
22 forums it's important to continue matching infrastructure.
23 And again, could be workplace. Could be in the public.
24 Could be fast-charging corridors. So we're on that one.
25 And we worked very closely with many parts of ARB staff to

1 figure out where exactly is the best place to put them.

2 BOARD MEMBER GIOIA: I actually wanted to address
3 a different issue on this just to acknowledge all the
4 points that were made.

5 I think it's always a balance. I think we've
6 acknowledged that we know that we could run out of money
7 here. We're going to keep an eye on this. I think
8 agreeing with some other comments, we do want to see data
9 that shows the linkage and the causal effect between the
10 incentive and the actual purchase. We know that in most
11 cases there is a relationship and in some cases there
12 isn't.

13 We realize that the higher income you make or the
14 higher the cost of the car that the relationship may not
15 be as great. There may be some. And so that's always
16 hard to get one's a grasp on that. But we're going to
17 keep an eye on that, as this program has limited funding.
18 But we want to keep this going at this level. That's a
19 good call.

20 On the pilot programs and on the advanced freight
21 technologies, can you talk a little bit more about -- this
22 is from slide 17 and 18. First of all, I strongly support
23 the idea that we're focusing on disadvantaged communities.
24 There has been some legitimate concern raised about the
25 EnviroScreen tool. It's not a perfect tool. It has

1 issues. And given there is a large amount of money that
2 is being focused on disadvantaged communities, we need to
3 understand what criteria we're using.

4 So can you talk a little bit more on how we are
5 going to select the freight technology demonstrations and
6 the truck and bus pilots? And obviously, you don't have
7 that fully laid out. It's going to be still a lot of
8 effort put into that. I think we should be kept informed
9 about how you're developing the criteria as we look
10 because we want to make sure these pilot projects are
11 going to be meaningful, they're going to be in the right
12 communities, and we want to make sure that's going to be
13 geographically appropriate in terms of how it's spread out
14 around the state. So can you talk a little bit about that
15 for 17 and 18?

16 STATIONARY SOURCE DIVISION CHIEF MARVIN: Thank
17 you, Supervisor Gioia.

18 Cynthia Marvin with the Stationary Source
19 Division.

20 I'm starting out the response because ARB was
21 recently given responsibility through the budget trailer
22 bill to develop the guidance for implementing 535.
23 They're all very similar. So ARB staff will be developing
24 recommendations as to what does it mean to benefit a
25 disadvantaged community. And we certainly think that's

1 really critical for implementation of ARB's low carbon
2 transportation funds. We've got mobile sources compared
3 to fixed locations. And we know that vehicles are
4 traveling in communities that are not necessarily where
5 they are domiciled or housed. So we would fully expect
6 that that guidance will recognize the benefits to downwind
7 communities, whether those communities happen to be
8 disadvantaged or not.

9 Let me give you an example. Port of Oakland,
10 let's say that the Port of Oakland responds to our
11 suggestion that they participate in this program for zero
12 emission drayage trucks. If they do that perhaps with the
13 assistance of the Bay Area Air Quality Management
14 District, we would expect that that program would provide
15 benefits to the disadvantaged communities which are just
16 east of the port. So the port itself and perhaps the
17 money would not go to a disadvantaged community census
18 tract. But the benefits of those investments and the
19 benefits of cleaner air would clearly go to downwind
20 communities, both those in those in the census and not.

21 BOARD MEMBER GIOIA: There is the ten percent
22 must be spent in the disadvantaged community and 25
23 percent to benefit. These are floors, not ceilings,
24 right. So -- and you're talking about the communities
25 that get a benefit, right, and how to define that.

1 STATIONARY SOURCE DIVISION CHIEF MARVIN: We
2 definitely see much of the money that ARB is administering
3 fitting into that benefit category. To the extent it also
4 works because the fleets or the operations are housed in
5 the disadvantaged communities, so much the better.

6 But I think there is a definite emphasis on
7 benefiting the communities, which means that as those
8 vehicles are traveling, we're talking about the census
9 tracts that come up in the top tier in CalEnviroScreen and
10 we're talking about the surrounding neighborhoods. As we
11 look at some of the classic environmental justice
12 communities from an air quality perspective, we believe
13 that many of the low carbon transportation investments by
14 their very nature will be benefiting both the
15 disadvantaged communities and many of those adjacent
16 communities in the Bay Area and elsewhere.

17 BOARD MEMBER GIOIA: So how long do you see it
18 taking to develop this and how is that being timed with
19 the roll out of funding for the pilot projects? Because
20 we've obviously gotten this funding for this fiscal year.
21 When do you anticipate starting to put to call out for
22 projects and making decisions on pilot projects and how
23 does that align with this time frame to develop the
24 guidelines for what it means to benefit a disadvantaged
25 community?

1 STATIONARY SOURCE DIVISION CHIEF MARVIN: Let me
2 address the guidelines and the crew sitting to the left of
3 me nodding their heads will talk about the pilot project
4 time frame.

5 Because of the demand to move forward with these
6 funds, not just ARB, but in other agencies, there's two
7 key decisions when it comes to disadvantaged communities.
8 So the first is Cal/EPA Secretary Rodriguez's
9 determination about where to draw that line using
10 CalEnviroScreen as a tool.

11 BOARD MEMBER GIOIA: That decision hasn't been
12 made yet.

13 STATIONARY SOURCE DIVISION CHIEF MARVIN: That
14 decision hasn't been made. We expect there will be a
15 proposal in the next month to month and a half. That
16 proposal will then go to a public workshop and then that
17 decision will be made.

18 What we're looking at doing from an ARB staff
19 guidance perspective is developing some initial or
20 preliminary guidance this summer that agencies, including
21 ARB, could use for the first round of funding, including
22 the development of the pilot projects. And then do a
23 full-blown guidance document in a public process, bring
24 that guidance and other guidance documents that ARB is
25 required to do for the cap and trade option proceeds to

1 the Board in spring to early summer of next year.

2 BOARD MEMBER GIOIA: I would like to see, given
3 that you're developing here this summer and this is going
4 to be a really important policy and it's going to effect
5 sort of the roll-out, if we can get an update on the our
6 next meeting because this. Because I think it's useful to
7 have a presentation here to see and understand and provide
8 any input. Because right, we're going to be spending a
9 fair amount of money here over the next fiscal year. So
10 rather than wait just to see something next spring, I
11 would like us to get an update, if the Chair is fine with
12 that, at our meeting to see how this is progressing.

13 CHAIRPERSON NICHOLS: I think this Board should
14 hear what the staff is thinking in terms of the
15 development of the guidance. I also think -- and we have
16 not heard from the people who are actually going to be
17 doing the project development, but there's not -- I
18 shouldn't say -- we need to get people thinking and
19 working on innovative project ideas because the fact is
20 that there are varying pots of money out there. This is
21 not the only money. And so we want people thinking about
22 the projects and then bringing them to us. And we'll
23 figure out how to get funding for them because there are
24 other sources as well. But yes, it's still a good idea to
25 hear from the staff as soon as they have any draft

1 thoughts at all about how this guidance is going to work.

2 BOARD MEMBER GIOIA: And you're going to briefly
3 just comment on the project roll out.

4 MS. MACUMBER: Lisa Macumber with Air Quality
5 Permit Program.

6 In parallel effort, once we develop -- once the
7 funding plan is approved by the Board, we immediately
8 begin our next process, our next phase, which brings our
9 stakeholders back to the table in our project solicitation
10 process. So we hold several work group meetings where we
11 sit down with our stakeholders. We talk about the
12 projects. We refine them. We look at what the parameters
13 need to be to get the best products in the door. We build
14 our solicitation. Solicitation is then put out and there
15 is a window of time we'll give applicants opportunities to
16 build their partnerships and come in and bring us the best
17 projects for those categories. And then we close our
18 solicitation and we convene funding our projects.

19 So we do have a process that takes place. It
20 traditionally takes place over the next several months.
21 And it's actually aligned very well with this process. By
22 the time we get to that point of where we're really
23 refining our solicitations, the guidance process should be
24 done. So we should be able to get solicitations out early
25 fall to get the projects going.

1 CHAIRPERSON NICHOLS: Mr. Serna, last but not
2 least.

3 BOARD MEMBER SERNA: Thank you, Chairman Nichols.
4 First, I do want to express my thanks to staff
5 for a lot of hard work. And I think this is -- with
6 today's action, we can all be proud about the intended
7 investment in disadvantaged communities in particular.

8 I do want to also agree with Mr. De La Torre and
9 others about the growing concern about the rebate program
10 that today we don't have a light at the end of that
11 tunnel. And I do think that the need to plan is
12 imperative in terms of setting an expectation, not just
13 for the Board, but certainly for the OEM representatives,
14 auto manufacturers as well.

15 I did have a question I'm going to refer to slide
16 twelve. And it has to do with the intention to issue the
17 rebate for fuel cell electric vehicles. It states on
18 slide 12 the increased rebates for fuel cell electric
19 vehicles are consistent with the battery electric vehicles
20 at introduction.

21 So my question is, those are two different types
22 of technologies, with different infrastructure. So what
23 thought goes into the amount of the rebate based on the
24 fact that the infrastructure is so different. But here
25 you're explaining that the rebate is basically going to be

1 equal to a different technology when it was first
2 introduced.

3 MSCD CHIEF WHITE: As we did with the battery
4 electric vehicles and electric fueling infrastructure, we
5 worked very closely with the Energy Commission to ensure
6 that the two are paired well together. So when we talk
7 about looking at the rebate levels that were available and
8 the battery electrics first rolled out, it was when CEC
9 first started to make substantial investments as well in
10 terms of electric infrastructure to support the roll out.

11 The \$5,000 was the amount or the value that I
12 think we looked at it was effective. I think the results
13 we have today in terms of the volumes of pure battery
14 electric vehicles that we're seen in the marketplace
15 certainly support that level. Certainly is sufficient on
16 a new technology roll out.

17 As we look at fuel cells, we find ourselves
18 really in a similar situation where we have substantial
19 investments that the Energy Commission is making on
20 hydrogen infrastructure. And now that we have the
21 vehicles here, that the \$5,000 value certainly seemed like
22 an appropriate place to start in terms of really trying to
23 incentivize the roll out of those vehicles as we would
24 expect. We'll be similarly successful as you saw on the
25 battery electric side.

1 CHAIRPERSON NICHOLS: Okay. Before I invite Mr.
2 Eisenhut to make a motion he's already volunteered to
3 make, I just wanted to make one final comment.

4 Sometime this summer, most likely, August,
5 possibly as late as September, we will hit 100,000
6 electric vehicles in California, which is wonderful and
7 places us at the head of the nation certainly. And just
8 reminds us all of the importance of what it is we're doing
9 here. At the same time, we have a goal of a million
10 electric vehicles staring at us. So our work is hardly
11 done.

12 I do agree that it's always frustrating,
13 especially when we have to go back to the Legislature and
14 beg for more money because we've done better than we
15 predicted. And that's part of what set us on this path
16 was to try to honorably live within our means and come up
17 with a way of somehow fixing the program so that we could
18 get all the goals that we had in mind and yet not spend
19 any more money than we had.

20 That has proven to be illusive. I completely
21 support the comments of the Board members who said we need
22 to be thinking ahead to how we transition out of this
23 rebate program.

24 My own view is that it shouldn't be a rebate
25 program at all, that it should be a mix of incentives

1 which would probably include tax benefits, but would not
2 have to be administered by ARB at all. And our job should
3 be to tell people what the zero emission vehicles are and
4 then let an institution whose role is primarily financial
5 be the one to actually administer the program.

6 And I'd ask the staff to work on this idea and
7 the Governor's office has encouraged me to think they
8 would support a change in the future as well.

9 Not to escape from the necessity of putting money
10 on the line, but just to find a way of administering it
11 that doesn't add to the other things that ARB is already
12 doing because we have a lot to do here. But in the mean
13 time, I do think that the overall proposal here makes
14 sense. It's going to be an exciting time to get the money
15 out into the communities and doing the visible work that
16 we hope it will.

17 So I want to thank everybody also who
18 participated in this effort. This has been extremely
19 engaging of staff and stakeholders, and we certainly don't
20 expect you to go away. We expect you to continue to be
21 very actively involved as we implement this program.

22 So with that, may I have a motion to approve the
23 resolution?

24 BOARD MEMBER EISENHUT: Of course. I move.

25 CHAIRPERSON NICHOLS: So moved.

1 BOARD MEMBER BALMES: Second.

2 CHAIRPERSON NICHOLS: And the second here.

3 BOARD MEMBER BALMES: Over here. Second.

4 CHAIRPERSON NICHOLS: Thank you all. Now we will
5 take a vote. All in favor please say eye.

6 (Unanimous aye vote)

7 CHAIRPERSON NICHOLS: Any opposed?

8 Any abstentions?

9 All right. We did it. The Board is going to
10 take a lunch break. And we have scheduled an executive
11 session to hear a report from our counsel on litigation
12 matters. So when we come back, we will report on any
13 action that's been taken, if any, and also take up our
14 very last item, which is a report on federal activities on
15 climate change.

16 (Whereupon a recess was taken.)

17 CHAIRPERSON NICHOLS: We had a briefing by our
18 counsel over lunch on a two cases that we're involved in
19 and there was no action taken by the Board. So that was
20 the executive session.

21 We're now ready to move onto the last agenda item
22 of the day, which is a report on recent federal climate
23 activities. I know most of the Board members have been
24 following this quite actively, so I don't think we need a
25 lengthy report. But it would be good to have an update on

1 what's going on. Who wants to take this one?

2 EXECUTIVE OFFICER COREY: I'll be brief and we'll
3 get right to the presentation.

4 In June of 2013, President Obama announced his
5 Climate Action Plan, which is intended to significantly
6 reduce carbon emissions by regulating potent greenhouse
7 gases such as methane, chloral floral carbons, as well as
8 focusing on significant sources of CO2, such as coal-fired
9 power plants and inefficient gas-fired plants.

10 And over the past several months, ARB staff has
11 been working closely with staff from the California Energy
12 Commission the PUC, and the Cal ISO to inform and help
13 shape US EPA rule making efforts in addressing the power
14 plant CO2 emissions. So part of today's presentation will
15 summarize some of those activities as well as provide the
16 Board with a sense of the work yet to be done by
17 California and our partner states to meet the requirements
18 of the rule.

19 With that, Tung Le of our Stationary Source
20 Division will give the presentation.

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

23 REGULATORY ASSISTANCE SECTION MANAGER LE: Thank
24 you, Mr. Corey.

25 Good afternoon, Madam Chairman and members of the

1 Board.

2 I will be providing an update on federal climate
3 activities this morning, with a focus on US EPA's newly
4 proposed rule for existing power plants.

5 --o0o--

6 REGULATORY ASSISTANCE SECTION MANAGER LE: In
7 2007, in the court case Massachusetts versus EPA, the
8 Supreme Court determined that greenhouse gases are
9 considered air pollutants as defined by the Clean Air Act.
10 This ruling obligated EPA to regulate both mobile and
11 stationary sources of GHGs. Soon after, EPA made an
12 endangerment finding, which was analysis study that
13 determined manmade GHGs were, indeed, contributing to
14 global warming and endangering public health and welfare.

15 In December 2009, at the United Nations Climate
16 Change Conference in Copenhagen, two dozen countries
17 responsible for over 80 percent of the world's man-made
18 carbon emissions committed to GHG emissions reductions to
19 slow the effects of global climate change. At this
20 summit, President Obama committed to reducing the United
21 States' emissions to 17 percent below 2005 levels by 2020.

22 --o0o--

23 REGULATORY ASSISTANCE SECTION MANAGER LE: In
24 2010, EPA and the National Highway and Traffic Safety
25 Administration or NHTSA, adopted a joint rule that set GHG

1 and fuel economy standards for model year 2013 through
2 2016 cars and light duty vehicles. These standards were
3 based on California's Pavely standards, which were adopted
4 by this Board in 2009. The standards are estimated to cut
5 6 billion metric tons of CO2 over the lifetime of these
6 vehicles and save American families over 1.7 trillion
7 dollars in fuel costs.

8 In 2012, EPA and NHTSA, with ARB support, adopted
9 a more stringent rule to set greenhouse gas and fuel
10 economy standards for model year 2017 through 2025
11 passenger vehicles. Over the lifetime of these additional
12 standards, this program is projected to cut an additional
13 two billion metric tons of CO2 emissions, with additional
14 net benefits up to \$451 billion.

15 In 2012, EPA and NHTSA proposed a joint rule,
16 again with support from ARB, to set GHG and fuel economy
17 standards for medium- and heavy-duty vehicles. This
18 heavy-duty GHG Phase I rule is estimated to cut 270
19 million metric tons of CO2 and save over \$42 billion in
20 fuel costs to vehicle owners.

21 --o0o--

22 REGULATORY ASSISTANCE SECTION MANAGER LE: In
23 2010, EPA adopted the tailoring rule to regulate GHGs from
24 large stationary sources. This rule was to ensure the
25 applicability of existing prevention of significant

1 deterioration or PSD permitting program was consistent
2 with how major sources of criteria pollutants have
3 traditionally been permitted. The PSD permitting program
4 ensures that best available control technology is
5 installed at new major source facilities as well as at
6 existing facilities that significantly increase their
7 emissions.

8 Soon after, EPA's authority to regulate these
9 large stationary sources was challenged in court by
10 industry groups. Just this week, the US Supreme Court
11 upheld EPA's authority to regulate stationary sources of
12 GHGs, but stated that EPA could only do so with when the
13 PSD permit was also required for criteria pollutants.
14 Since most facilities that would have been required to
15 obtain a PSD permit for GHG would have also need a PSD
16 permit for criteria pollutants, the practical impact of
17 the Supreme Court ruling is that these large sources will
18 continue to be regulated for both types of pollutants.

19 --o0o--

20 REGULATORY ASSISTANCE SECTION MANAGER LE: In
21 June 2013, President Obama unveiled his Climate Action
22 Plan. The Climate Action Plan is the national blueprint
23 to slow the effects of climate change. The plan focuses
24 on both CO2 and short-lived climate pollutants, such as
25 methane and hydrofluorocarbons. I will describe some of

1 the goals in the President's Climate Action Plan in the
2 next few slides.

3 --o0o--

4 REGULATORY ASSISTANCE SECTION MANAGER LE:

5 Building on the already adopted rules for light, medium,
6 and heavy-duty vehicles, the plan commits to developing
7 GHG and fuel economy standards for post-model year 2018
8 heavy-duty vehicles. This second phase of rulemaking
9 jointly developed by EPA, NHTSA and ARB will result in a
10 mutually agreed upon national program. A notice of
11 proposed rulemaking is expected by March 2015 with
12 standards expected to be finalized by March 2016. This
13 will be followed by an ARB rulemaking shortly thereafter
14 in 2016.

15 --o0o--

16 REGULATORY ASSISTANCE SECTION MANAGER LE: The

17 President's Climate Action Plan also recognizes what
18 California has long known, that improved energy efficiency
19 can significantly reduce GHG emissions and save money.
20 The plan builds on existing energy efficiency requirements
21 for federal buildings and for appliances such as
22 dishwashers and refrigerators with new programs to reduce
23 three billion metric tons of CO2 by 2030.

24 In addition to these new standards for appliances
25 and federal buildings, the plan directs the Department of

1 Agriculture to propose up to \$250 million in loans for
2 rural utilities to finance efficiency investments.

3 In addition, the Department of Housing and Urban
4 Development will implement a \$23 million multi-family
5 energy innovation fund to test new approaches to deliver
6 cost-effective residential energy efficiency programs.

7 Finally, the existing Better Buildings Challenge
8 Program partners public and private organizations with
9 commercial and industrial building owners to become at
10 least 20 percent more energy efficient by 2020. The
11 Climate Action Plan expands the challenge to include
12 multi-family housing.

13 --o0o--

14 REGULATORY ASSISTANCE SECTION MANAGER LE: To
15 address hydrofluorocarbons, or HFC emissions, EPA will use
16 its authority through the Significant New Alternatives
17 Policy Program, or SNAPP, to encourage private sector
18 investment in low emissions technology by identifying and
19 approving climate-friendly chemicals while prohibiting
20 certain uses of the most harmful chemical alternatives.

21 Additionally, the President has directed his
22 administration to purchase cleaner alternatives to HFCs
23 whenever feasible and to transition over time to equipment
24 that uses safer and more sustainable alternatives.

25 In May 2014, the United States, Canada, and

1 Mexico together proposed to phase down consumption and
2 production of HFCs under the Montreal protocol on
3 substances that deplete the ozone layer. Global benefits
4 of the proposal may yield significant reductions of over
5 90 billion metric tons of carbon dioxide equivalent
6 through 2050.

7 --o0o--

8 REGULATORY ASSISTANCE SECTION MANAGER LE: Like
9 the updated Scoping Plan that this Board adopted in May,
10 the Federal Climate Action Plan recognizes the importance
11 of addressing methane emissions.

12 In March of this year, the President unveiled a
13 multi-sector strategy to reduce methane emissions. In
14 this strategy, the President directed EPA to propose
15 updated standards to reduce methane emissions from
16 landfills in the summer 2014. To address methane
17 emissions from agricultural operations, EPA, working with
18 the United States Department of Agriculture, will soon
19 release a biogas road map which will include voluntary
20 measures to accelerate the adoption of digesters and other
21 cost-effective technologies to reduce dairy methane
22 emissions 25 percent by 2020.

23 To address methane from oil and gas operations,
24 EPA is analyzing significant sources of methane and other
25 emissions from the oil and gas sector. EPA has solicited

1 input through a series of technical white papers. And in
2 the fall of 2014, EPA will determine how best to pursue
3 further methane reduction from these sources.

4 If EPA decides to develop additional regulations,
5 it will complete those regulations by the end of 2016.
6 ARB is considering regulations to further reduce methane
7 emissions from oil and gas operations and will coordinate
8 with EPA in these efforts.

9 The plan calls for voluntary action on coal mine
10 related methane emissions. Coal mines account for almost
11 11 percent of annual man-made methane emissions in the
12 U.S. As you know, California recently adopted a mine
13 methane capture offset protocol to incentivize the
14 voluntary capture and destruction of fugitive methane from
15 mining operations. Staff expects this protocol to be
16 approved by the Office of Administrative Law next month.

17 --o0o--

18 REGULATORY ASSISTANCE SECTION MANAGER LE: The
19 Action Plan explores approaches to protect and restore
20 domestic forests. In addition, the US also supports
21 international activities to reduce emissions from
22 deforestation and forest degradation or RED and has
23 provided more than one billion dollars in financing for
24 RED. The first update to California's Scoping Plan notes
25 that RED is a key topic within the United Nation's

1 framework convention on climate change and between
2 national and subnational jurisdictions, including through
3 collaboration between California and the US Department of
4 State.

5 --o0o--

6 REGULATORY ASSISTANCE SECTION MANAGER LE: The
7 Federal Climate Action Plan accelerates permitting of
8 renewable energy on federal lands and commits to expand
9 and modernize the electrical grid to facilitate renewable
10 energy projects.

11 The Climate Action Plan directs EPA to promulgate
12 rules to address CO2 emissions from new and existing power
13 plants, which nationally emitted over two billion metric
14 tons of CO2 per year in 2012, the largest single source of
15 greenhouse gas emissions in the country. These proposed
16 rules will be the focus of the remainder of the
17 presentation.

18 --o0o--

19 REGULATORY ASSISTANCE SECTION MANAGER LE: I'll
20 start with a brief overview of EPA's rule to limit CO2
21 emissions from new power plants under Section 111(b) of
22 the Clean Air Act.

23 The proposed rule was released in September 2013.
24 In it, EPA proposes two sets of standards: One for
25 coal-fired electric generating units, or EGU, and the

1 second for natural gas-fired units.

2 For the natural-gas fired EGUs, EPA proposed a
3 limit of 1,000 pounds of CO2 for large units as defined by
4 the rule and 1,100 pounds for small units.

5 ARB staff has worked closely with staff at the
6 CEC, CPUC, and CalISO on evaluating EPA's proposed power
7 plant rules. Together, we developed comments on EPA's
8 proposal that point out the unique way that California
9 uses our power plants. The integration of large volumes
10 of renewables like solar and wind means that base load
11 power plants in California are being ramped up and down to
12 support our variable renewable resources.

13 Power plants that are ramped up and down do not
14 operate as efficiently as power plants operating at base
15 load. We suggested that EPA should develop separate
16 standards for power plants operating in different ways.

17 We are continuing to work with EPA to finalize a
18 proposal that will meet California's needs and reduce GHG
19 emissions nationwide.

20 --o0o--

21 REGULATORY ASSISTANCE SECTION MANAGER LE:

22 Earlier this month, EPA released a proposal rule to
23 regulate CO2 emissions from existing power plants under
24 Section 111(d) of the Clean Air Act, also known as the
25 Clean Power Plan. EPA estimates that the rule will reduce

1 CO2 emissions from the power sector 30 percent by 2030
2 from 2005 emissions.

3 Instead of regulating emissions from individual
4 EGUs, the rule focuses heavily on energy efficiency and
5 renewable energy programs as a whole, which are two
6 mechanisms championed by states like California where much
7 progress and success have already been achieved.

8 --o0o--

9 REGULATORY ASSISTANCE SECTION MANAGER LE: EPA
10 proposes an individual goal for each state in 2030 based
11 on four building blocks. The first building block assumes
12 that existing coal-fired EGU can be made more efficient.
13 This is not a big factor in California, as we have very
14 few coal plants.

15 The second building block looked at under-used
16 natural gas units in each state and proposed that these
17 units can be used to generate electricity before
18 coal-fired units could be used.

19 The third building block, EPA projected the
20 potential renewable energy for each state based on its
21 neighboring state's renewable energy requirements. In the
22 west, many states have aggressive renewable energy
23 requirements, therefore, this block accounts for a
24 significant portion of our target.

25 Finally, in the fourth building block, EPA looked

1 at existing energy efficiency programs nationally and
2 averaged the potential increase in energy efficiency that
3 could be realized. This average is an increase of 1.5
4 percent efficiency per year starting in 2020 and ending in
5 2030.

6 As with renewables, significant investments have
7 been made in energy efficiency, therefore, this building
8 block also represents a significant portion of our target.

9 These four building blocks are only used to set
10 the goal in 2030. EPA's proposal provides significant
11 flexibility to states in what measures can be used to
12 achieve the goal and how to structure the commitments.

13 --o0o--

14 REGULATORY ASSISTANCE SECTION MANAGER LE: Based
15 on EPA's calculations, California's base line is 698
16 pounds of CO2 per megawatt hour in 2012. When we apply
17 EPA's target-setting building blocks to California, our
18 2030 emissions target is 537 pounds of CO2 per megawatt
19 hour, which is approximately a 25 percent reduction. This
20 2030 target is one of the lowest in the country because
21 California relies on natural gas for power and already has
22 aggressive energy efficiency and renewable energy programs
23 in place.

24 Based on our preliminary analysis, staff expects
25 that California will comply with the 2030 target largely

1 because of programs we already have underway such as cap
2 and trade and the renewable portfolio standard. We are
3 continuing to work with EPA to ensure that the investments
4 that California industries, utilities, and consumers have
5 made to reduce GHG emissions are credited towards
6 compliance with the rule.

7 --o0o--

8 REGULATORY ASSISTANCE SECTION MANAGER LE:

9 Because of the way Clean Air Act is structured, the 111(b)
10 rule for new power plants must be finalized prior to or
11 concurrent by with finalization of the 111(d) rule for
12 existing power plants. Staff anticipate that both rules
13 will be finalized in June 2016 to meet the President's
14 direction in the Climate Action Plan.

15 Once the 111(d) rule is final, each state must
16 write a plan detailing how it intends to comply with the
17 rule. The plan must include a description of each measure
18 that describes how it reduces CO2 emissions and must also
19 include how these measures can be enforced to ensure CO2
20 emission reductions are realized.

21 These plans are due to EPA by June 2016.
22 However, should states decide to collaborate on a
23 multi-state compliance strategy, the rule allows until
24 June 2017 to submit a compliance plan.

25 Because of the regional nature of the electricity

1 grid working with other states has potential to help
2 maximizes emissions reductions and minimize cost. We are
3 working with Oregon and Washington and our Pacific Coast
4 collaborative partners to better understand how the rule
5 will effect western states and to explore the potential
6 benefits of collaboration.

7 --o0o--

8 REGULATORY ASSISTANCE SECTION MANAGER LE: In
9 closing, I'd like to highlight some of our next steps.

10 Together, with our energy agency partners, we
11 will be holding a public workshop to solicit input from
12 stakeholders. During this workshop, we hope to understand
13 stakeholder views and potential concerns with the proposed
14 rule. We will also continue to delve into EPA's analysis
15 to understand the targets for California to ensure the
16 data and assumptions used are appropriate. This work will
17 inform our comments to EPA on how the rule might be
18 improved to gain additional emissions reductions.

19 Staff are also engaging in conversations with our
20 neighboring states to discuss how a multi-state compliance
21 strategy might work and explore the potential benefits of
22 taking such an approach.

23 Since California imports a portion of its
24 electricity from our western states, staff believe that
25 collaboration were our neighbors will provide a most

1 cohesive compliance plan and likely generate the most
2 reductions possible.

3 Finally, staff continues to participate in
4 national discussions through EPA listening sessions and
5 through organizations such as National Association for
6 Clean Air Agencies and the Georgetown Climate Center.
7 California's participation in these national conversations
8 have contributed greatly to the flexible structure built
9 into this rule and continued participation will help
10 ensure that a fair and effective rule is finalized.

11 This concludes my presentation. And I would be
12 happy to answer any questions at this time.

13 CHAIRPERSON NICHOLS: Thanks.

14 You know, I think the main points here is just to
15 indicate there is a lot going on. The Obama
16 administration has decided to go all out using their
17 authority under the Clean Air Act. They have some heavy
18 rulemaking to do. We're very engaged in it. Edie in
19 particular and our legal counsel Craig Segel has been
20 making those trips to Washington and been very helpful in
21 making sure other states and we are talking to each other
22 and providing coordinated input into the rulemaking
23 process.

24 So for those of you who have other associations
25 that you're involved with or other organizations that may

1 possibly be involved in any of these efforts that you're
2 hearing from neighboring cities, counties -- I don't know
3 about any professional associations. I haven't heard of
4 anything. But you never know. We are trying to gather
5 California stakeholders. There is going to be a western
6 states meeting in Colorado coming up in July, which
7 Chairman Weisenmiller of the Energy Commission and I are
8 going to attend. The plan is to take the predominantly
9 conservative and republican states in the west in the WGA
10 membership, most of whom dropped out quite some time ago
11 on anything relating to climate change, but have now
12 become engaged because of the APA proposal and have a
13 conversation with them -- about not necessarily about how
14 important it is to work on climate, but how important it
15 could be for them and for us as all part of one energy
16 grid to work together on some compliance options here.

17 And the response to that invitation has been very
18 good. So we're looking forward to trying to have a
19 constructive dialogue an all of this. And something
20 obviously I personally am interested in, and so is the
21 Governor. He's very, very motivated to want to try to get
22 other states to work with us on these efforts and has put
23 a lot of time in on the Oregon/Washington connection.
24 Those three Governors, of course, are much more aligned in
25 their general views of the world. We pacific coast states

1 tend to think more alike about many of these issues. But
2 he's also been really willing to put in time and effort
3 talking to other Governor's on this stuff, too.

4 So anyhow, this was just an opportunity to open
5 the conversation and let you know that if you have any
6 questions about what's going on or what you're reading in
7 the papers or ideas about things you could or should be
8 doing, you should let us know.

9 BOARD MEMBER SHERRIFFS: You mention -- well,
10 collaboration, collaboration, collaboration. You mean
11 other professional organizations. You know, health care.
12 Health care is a huge consumer of energy. In my
13 experience wandering through hospitals and clinics is
14 there is huge opportunity for increased efficiency in the
15 use of energy. And we really do need to think about how
16 to engage really these very natural allies because it is
17 fundamentally about health at the end of the day. And
18 they should be easy to engage when you think about
19 hospital systems, clinic systems.

20 CHAIRPERSON NICHOLS: I don't think we had any
21 ongoing relationships with the professional association.
22 But through the Department of Health, we probably could
23 access that group without too much difficulty.

24 BOARD MEMBER RIORDAN: Those who are building
25 these new hospitals, and there are some, those would be an

1 excellent opportunity.

2 May I ask just one question of information? And
3 it's just going back to the Climate Action Plans on
4 methane. Could you just remind me -- I'm sure I've been
5 told. But in the general generation of methane, those
6 that we have enumerated here, what is their percentage of
7 contribution? I mean, in real general terms between
8 landfills, agriculture, oil and gas and cold mines. Where
9 would that percent be for each of those?

10 DEPUTY EXECUTIVE OFFICER CHANG: I don't have the
11 percentage in front of me. I can tell you in California
12 the largest methane sources are agricultural related. So
13 the largest sources are enteric fermentation from
14 livestock as well as manure management. And then the
15 largest source after that is oil and gas production.

16 BOARD MEMBER RIORDAN: Okay. But that isn't
17 necessarily throughout the United States. That percentage
18 would change. Do we know those changes nationwide?

19 DEPUTY EXECUTIVE OFFICER CHANG: I don't know
20 those.

21 BOARD MEMBER RIORDAN: If and when you ever see
22 those, if you will communicate them to me. I'm just
23 curious.

24 DEPUTY EXECUTIVE OFFICER CHANG: Definitely.

25 BOARD MEMBER BALMES: As a physician, I love to

1 hear Edie say enteric fermentation. So blunt.

2 CHAIRPERSON NICHOLS: Thank you. That's great.
3 Okay. And on that note, I think there was no action
4 required. So before we close, we do a public comment
5 period, and we have one person who signed up for public
6 comment.

7 Before we hear from Mr. Tilton, I do want to
8 just, however, say we don't normally adjourn in memory of
9 anybody the way city councils or county boards often do.
10 If we were to do that, the person we should be adjourning
11 in memory of would be Dr. James Pitts. I think many of
12 you have seen some of the press on his passing in the last
13 two days. There was a wonderful obituary in the Los
14 Angeles Times which quotes our former Board Member
15 Loveridge and me and many other people, Alan Lloyd, all
16 talking about the importance of his contribution. He was,
17 indeed, one of the founding fathers of atmospheric
18 science. When it comes to what we know and what we do
19 about air pollution, it traces back to Jim Pitts and his
20 roll as a founder of the State Air pollution Research
21 Center at U.C. Riverside. He and his colleagues built the
22 first smog chambers. They demonstrated the way in which
23 smog actually is created. A lot of his work was
24 controversial at the time because it pointed the finger at
25 people who didn't necessarily want to be held responsible

1 for having to make changes in technology or practices to
2 clean up the air. But he was a brave and also very
3 charming man.

4 And so we've recognized his contributions at
5 other times in the past. He lived to be 91. And for
6 almost all of his year, he stayed active in the field of
7 air pollution research and teaching. So it's good to be
8 able to honor him.

9 BOARD MEMBER RIORDAN: Really an incredible man.

10 CHAIRPERSON NICHOLS: He really was. With that
11 Mr. Tilton, come and talk to us about Blue Castle
12 Holdings.

13 Mr. TILTON: Thank you. Appreciate that. We
14 appreciate the opportunity, Chairman Nichols and members
15 of the Board, to come by way of information. We're not
16 commenting on previous discussion, although it may seem
17 like we are on the climate change policy. It was I think
18 very helpful and probably teed up the discussion for what
19 we're about to comment on.

20 I've got limited time, but we just want to
21 introduce Blue Castle Holdings and the Blue Castle project
22 was a nuclear project in Utah. Speaking of collaborative
23 opportunities for climate change, the project is the
24 leading nuclear power plant site in the US. We are about
25 50 percent of the way through the application process for

1 the early site permit and have significant interactions
2 with the NRC, regulatory approvals on water, on cooling
3 water for the project, and other things I won't go into a
4 lot of detail. You have a summary of information there.

5 But we wanted to make sure that the Board was
6 aware of our activities and what we're doing and how we
7 view the possible interactions with the state of
8 California. We're obviously well aware there is a
9 significant portion of coal-fired power that comes from
10 our state to your state. In fact, one of the members of
11 our senior management was the former general manager of
12 IPA and is now leading some of the business development
13 activities for our company. So there is we think
14 significant opportunity for collaboration. We would say
15 the time frame for the operations of a plant that is being
16 worked on there would be about 2025 would be an in-service
17 date. And the figures on the available power generation
18 from that site would be between 500 and 1,000 megawatts of
19 carbon free nuclear power.

20 With that, I would answer any questions or take
21 any comments.

22 CHAIRPERSON NICHOLS: Thank you for the update.
23 Appreciate knowing about it.

24 MR. TILTON: Appreciate it. Thank you.

25 CHAIRPERSON NICHOLS: With that, I think we're

1 ready for adjournment. We'll be adjourned. Thanks,
2 everybody.

3 (Whereupon the Air Resources Board adjourned
4 at 1:29 p.m.)

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