

MEETING
STATE OF CALIFORNIA
AIR RESOURCES BOARD

CALEPA HEADQUARTERS
BYRON SHER AUDITORIUM
SECOND FLOOR
1001 I STREET
SACRAMENTO, CALIFORNIA

THURSDAY, JUNE 25, 2015

9:07 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

A P P E A R A N C E S

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Ms. Sandra Berg

Mr. Hector De La Torre

Supervisor John Gioia

Mr. John Eisenhut

Ms. Judy Mitchell

Mrs. Barbara Riordan

Supervisor Ron Roberts

Supervisor Phil Serna

Professor Daniel Sperling

STAFF:

Mr. Richard Corey, Executive Officer

Dr. Alberto Ayala, Deputy Executive Officer

Ms. Edie Chang, Deputy Executive Officer

Mr. Kurt Karperos, Deputy Executive Officer

Ms. Ellen Peter, Chief Counsel

Ms. Edward Wong, Acting Ombudsman

Ms. Heather Arias, Chief, Freight Transportation Branch,
TTD

Mr. Peter Christensen, Manager, Innovative Heavy-Duty
Strategies Section, MSCD

A P P E A R A N C E S C O N T I N U E D

STAFF:

Dr. Bart Croes, Chief, Research Division

Ms. Sarah Dominguez, Air Pollution Specialist, Sustainable Communities Policy and Planning Section, AQPS

Mr. Sam Gregor, Manager, Planning & Regulatory Development Section, MSCD

Mr. Douglas Ito, Assistant Chief, Transportation and Toxics Division

Mr. Nesamani Kalandiyur, Manager, Transportation Analysis Section, AQPS

Ms. Deborah Kerns, Senior Attorney, Legal Office

Ms. Jennifer Kozumplik, Good Movement Strategies Section, TTD

Ms. Karen Magliano, Chief, Air Quality Planning and Science Division

Ms. Lisa Macumber, Manager, Innovative Light-Duty Strategies Section, MSCD

Ms. Cynthia Marvin, Chief, Transportation and Toxics Division

Mr. Greg Mayeur, Manager, Program Operation Section, ISD

Mr. Brian Moore, Populations Studies Section, Research Division

Ms. Christina Morkner Brown, Assistant Chief Counsel, Legal Office

Ms. Lucina Negrete, Chief, Innovative Strategies Branch, MSCD

Mr. Arnab Pal, Air Pollution Specialist, Industrial Strategies Division

Mr. Andrew Panson, Innovative Strategies Branch, MSCD

A P P E A R A N C E S C O N T I N U E D

STAFF:

Mr. Nicholas Rabinowitsh, Staff Counsel

Ms. Terry Roberts, Manager, Sustainable Communities Policy & Planning Section, AQPS

Ms. Rajinder Sahota, Chief, Climate Change Program Evaluation Branch, ISD

Ms. Linda Smith, Branch Chief, Health and Exposure Assessment, RD

Ms. Holly Geneva Stout, Senior Staff Counsel

Mr. Jon Taylor, Chief, Transportation Planning Branch, AQPS

Ms. Barbara Van Gee, Manager, Goods Movement Strategies Section, TTD

Mr. Floyd Vergara, Chief, Industrial Strategies Division

Ms. Barbara Weller, Section Manager, Populations Studies Section, RD

Mr. Erik White, Chief, Mobile Source Control Division

ALSO PRESENT:

Mr. Zach Barbane, ecoPartners, LLC

Ms. Connie Best, Pacific Forest Trust

Mr. Jim Boyd, Chugach Alaska Corporation

Mr. Steve Brink, California Forestry Association

Ms. Julia Bussey, Chevron Corporation

Mr. Paul Buttner, California Rice Commission

Mr. Tim Carmichael, California Natural Gas Vehicle Coalition

A P P E A R A N C E S C O N T I N U E D

ALSO PRESENT:

Mr. Sean Carney, Finite Carbon

Mr. Nicholas Chavez, School Transportation Coalition,
California Association of School Transportation Officials

Mr. John Clements, Clements School Trans Consulting

Ms. Cynthia Cory, California Farm Bureau

Mr. Cliff Costa, California New Car Dealers Association

Mr. Manuel Cunha

Mr. Steven Douglas, Auto Alliance

Mr. Evan Edgar, California Compost Coalition

Mr. Sean Edgar, CleanFleets.net

Ms. Erin Evans-Fudem, Small School Districts Association

Dr. Michael S. Graboski, American Rental Association

Ms. Sekita Grant, Greenlining Institute

Mr. Larry Greene, Sacramento Air Quality Management
District

Ms. Claire Halbrog, Pacific Gas & Electric

Mr. Jamie Hall, CALSTART

Ms. Bonnie Holmes-Gen, American Lung Association

Dr. Robert Hrubes, SCS Global Services

Mr. Tom Jordan, San Joaquin Air Pollution Control District

Mr. Brian Kleinhenz, Sealaska Corporation

Mr. Kent Leacock, Proterra, Inc.

A P P E A R A N C E S C O N T I N U E D

ALSO PRESENT:

Ms. Jenny Lester Moffitt, California Department of Food and Agriculture

Mr. Jamie Levin, Center for Transportation and the Environment

Mr. Paul Lilly, Spatial Informatics Group

Mr. Jim Lites, California School Boards Association

Ms. Jerilyn Lopez Mendoza, Southern California Gas Company

Mr. Michael Lord, Toyota

Dr. Edward Lovelace, XL Hybrids

Mr. Bill Magavern, Coalition for Clean Air

Mr. Mik McKee, The Climate Trust

Senator Mike McGuire

Mr. Jim McKinney, California Energy Commission

Mr. Ralph Moran, BP

Mr. Edmund C. Murphy, Sierra Pacific Industry

Mr. John Nickerson, Climate Action Reserve

Mr. David Norris, Lakeport Unified School District

Mr. Gustavo Occhiuzzo, Green Commuter

Mr. Robert Parkhurst, Environmental Defense Fund

Ms. Michelle Passero, The Nature Conservancy

Mr. Arjun Patney, American Carbon Registry

Mr. David Puzey, Natural Resources Defense Council

Dr. David Reichmuth, Union of Concerned Scientists

A P P E A R A N C E S C O N T I N U E D

ALSO PRESENT:

Mr. Timothy Robards, New Forests

Mr. Gary Rynearson, Green Diamond Resource Company

Mr. Matt Schrap, Crossroads and California Fleet Solutions

Mr. Chris Shimoda, California Trucking Association

Mr. Mikhael Skvarla, CCEEB

Mr. Joshua Strauss, IETA

Ms. Eileen Tutt, CalETC

Ms. Claire Van Zuiden, CE2 Carbon Capital

Dr. Barry Wallerstein, South Coast Air Quality Management District

Mr. Michael Wang, Western States Petroleum Associations

Ms. Jeanie Ward-Waller, California Bicycle Coalition

Mr. Roger Williams, Blue Source

HAAGEN-SMIT AWARDEES:

Dr. Donald R. Blake, University of California, Irvine

Dr. Kirk Smith, University of California, Berkeley

Dr. John C. Wall, Cummins, Incorporated

I N D E X

	PAGE
Pledge of Allegiance	1
Roll Call	1
Opening remarks by Board Member Berg	1
Item 15-5-1	
Board Member Berg	3
Motion	4
Vote	4
Item 15-5-2	
Board Member Berg	4
Motion	4
Vote	5
Item 15-5-7	
Board Member Berg	5
Executive Officer Corey	6
Staff Presentation	7
Board Q&A	16
Dr. Wallerstein	20
Ms. Lopez Mendoza	22
Mr. Schrap	23
Mr. Shimoda	25
Dr. Graboski	26
Mr. Carmichael	30
Mr. Edgar	31
Board Discussion and Q&A	34
Motion	40
Vote	40
Item 15-5-5	
Chairperson Nichols	40
Executive Officer Corey	42
Board Member De La Torre	43
Dr. Blake	45
Executive Officer Corey	46
Board Member Balmes	46
Dr. Smith	48
Executive Officer Corey	51
Board Member Sperling	51
Dr. Wall	55

I N D E X C O N T I N U E D

	PAGE
Item 15-5-8	
Chairperson Nichols	57
Executive Officer Corey	59
Staff Presentation	60
Mr. McKinney	78
Board Discussion and Q&A	80
Senator McGuire	88
Dr. Wallerstein	90
Mr. Greene	92
Ms. Cory	95
Ms. Ward-Waller	96
Mr. Puzey	97
Mr. Levin	99
Ms. Tutt	101
Mr. Hall	102
Ms. Grant	104
Ms. Holmes-Gen	107
Mr. Lord	109
Dr. Reichmuth	111
Mr. Douglas	113
Dr. Lovelace	115
Mr. Cunha	116
Mr. Chavez	119
Mr. Norris	120
Ms. Evans-Fudem	121
Mr. Lites	123
Mr. Jordan	123
Mr. Clements	125
Mr. Sean Edgar	127
Mr. Evan Edgar	130
Mr. Costa	133
Mr. Occhiuzzo	134
Mr. Magavern	135
Mr. Leacock	137
Board Discussion	138
Motion	173
Vote	173
Afternoon Session	175
Item 15-5-6	
Chairperson Nichols	175
Executive Officer Corey	176
Staff Presentation	177
Ms. Moffitt	194

I N D E X C O N T I N U E D

	PAGE
Item 15-5-6(Continued)	
Mr. Wang	196
Ms. Passero	199
Mr. Ryneerson	200
Mr. Brink	201
Mr. Kleinhenz	205
Mr. Parkhurst	207
Mr. Moran	209
Mr. McKee	211
Dr. Hrubes	213
Mr. Carney	214
Mr. Williams	216
Mr. Strauss	219
Mr. Buttner	221
Ms. Van Zuiden	224
Mr. Barbane	226
Ms. Best	227
Mr. Murphy	229
Ms. Halbbrook	231
Mr. Patney	232
Mr. Boyd	234
Mr. Lilly	237
Mr. Nickerson	240
Mr. Robards	242
Ms. Bussey	245
Mr. Skvarla	245
Board Discussion and Q&A	246
Motion	258
Vote	259
Item 15-5-4	
Chairperson Nichols	259
Executive Officer Corey	261
Staff Presentation	261
Mr. Gallegos	275
Board Discussion and Q&A	284
Item 15-5-3	
Chairperson Nichols	287
Staff Presentation	288
Adjournment	301
Reporter's Certificate	302

1 P R O C E E D I N G S

2 BOARD MEMBER BERG: I'd like to welcome you to
3 the June meeting. And I am tag teaming with Chairman
4 Nichols this morning, because we haven't figured out how
5 to clone her yet. But she will be joining us shortly, and
6 we're going to get underway in her absence.

7 And so would you please join me in the pledge of
8 allegiance.

9 (Thereupon the Pledge of Allegiance was
10 recited in unison.)

11 BOARD MEMBER BERG: The June 25th, 2015 public
12 meeting of the Air Resources Board will come to order.

13 And, clerk, would you please call the roll

14 BOARD CLERK JENSEN: Dr. Balmes?

15 BOARD MEMBER BALMES: Here.

16 BOARD CLERK JENSEN: Ms. Berg?

17 BOARD MEMBER BERG: Here.

18 BOARD CLERK JENSEN: Mr. De La Torre?

19 Mr. Eisenhut?

20 BOARD MEMBER EISENHUT: Here.

21 BOARD CLERK JENSEN: Supervisor Gioia?

22 BOARD MEMBER GIOIA: Here.

23 BOARD CLERK JENSEN: Ms. Mitchell?

24 Mrs. Riordan?

25 BOARD MEMBER RIORDAN: Here.

1 BOARD CLERK JENSEN: Supervisor Roberts?

2 BOARD MEMBER ROBERTS: Here.

3 BOARD CLERK JENSEN: Supervisor Serna?

4 BOARD MEMBER SERNA: Here.

5 Dr. Sherriff's?

6 Professor Sperling?

7 BOARD MEMBER SPERLING: Here.

8 BOARD CLERK JENSEN: Chairman Nichols?

9 Madam Chairman, we have a quorum.

10 BOARD MEMBER BERG: Thank you very much.

11 BOARD MEMBER SPERLING: We have a new -- a late
12 arrival.

13 BOARD MEMBER MITCHELL: I'm here.

14 (Laughter.)

15 BOARD MEMBER BERG: Now, we have a super quorum.

16 Before we get started this morning, I have a few
17 announcements. Anyone wishing to testify should fill out
18 a request to speak card, which are available right outside
19 the lobby. And please turn those into the Board assistant
20 or the Clerk prior to the commencement of the item we'll
21 be hearing.

22 Also, speakers please be aware that we will be
23 imposing a three-minute time limit. Please state your
24 first and last name. And when you come to the podium, if
25 you could testify in your own words, that is very helpful

1 to the Board. If you have written testimony, it will be
2 submitted and we will also have that for the record.

3 Also, with our new AV system, we do post the
4 witness list. If you will see where you are on the list
5 and make your way up to the podium as the previous speaker
6 is finishing up, we'd also appreciate that.

7 For safety reasons, please note that the
8 emergency exits are to the rear of the room. In the event
9 of a fire alarm, we are required to evacuate this room
10 immediately, go down the stairs, and out of the building.
11 We'll wait for the all-clear signal, and then return to
12 the hearing room and resume our hearing, if appropriate.

13 So with that, let's jump in. And we have two
14 concept items. Our first item is Item number 15-5-1.
15 It's a greenhouse gas quantification determination for the
16 Stanislaus County of Governments Regional Transportation
17 Plan Sustainable Communities Strategy.

18 I'd like to ask the Board if we have any
19 witnesses that have signed up to testify on this item?

20 BOARD CLERK JENSEN: (Shakes head.)

21 BOARD MEMBER BERG: We did receive one comment
22 letter, and I'd like my fellow Board members to know that
23 letter is in support of the item, and therefore that, in
24 and of itself, does not trigger the item to come off of
25 the consent agenda. Are there any Board members who would

1 like this item to be removed?

2 Seeing none.

3 Can I get a motion on this item?

4 BOARD MEMBER ROBERTS: Moved.

5 BOARD MEMBER RIORDAN: Second.

6 BOARD MEMBER BERG: Thank you.

7 All in favor?

8 (Unanimous aye vote.)

9 (Board Member De La Torre not present.)

10 BOARD MEMBER BERG: Any opposed?

11 So moved.

12 BOARD MEMBER BERG: Our second consent item is
13 Item number 15-5-2. It is also a greenhouse gas
14 quantification determination. However, it is for the San
15 Luis Obispo County of Regional Transportation Plans
16 Sustainable Communities Strategies. I'd like to ask the
17 Board clerk if any witnesses have signed up for this item?

18 BOARD CLERK JENSEN: (Shakes head.)

19 BOARD MEMBER BERG: There are also no comment
20 letters. So are there any Board members who would like
21 this item to be removed?

22 Seeing none, could I please have a motion to pass
23 this item?

24 BOARD MEMBER BALMES: So moved.

25 BOARD MEMBER RIORDAN: Second.

1 BOARD MEMBER BERG: Thank you.

2 All in favor?

3 (Unanimous aye vote.)

4 (Board Member De La Torre not present.)

5 BOARD MEMBER BERG: Any opposed?

6 Thank you. So our first hearing item is Item
7 number 15-5-7. We've moved this up on the agenda, and it
8 was posted. It is the Proposition 1B goods movement
9 emission reduction program guidelines. And if I'm not
10 mistaken, this is our final funding and program that has
11 been enormously successful, we'll be hearing about that
12 both from Richard Corey and our staff.

13 Last month you might remember that we did hear on
14 the sustainable freight pathways to zero and near zero
15 emission as a discussion draft, and how important
16 incentives and investments were going to be to transform
17 our freight system. Goods movement incentive programs
18 bring both public health benefits and economic stimulus
19 benefits as the funding helps thousands of business owners
20 clean up their diesel equipment ahead of schedule. This
21 financial assistance also helps create and retain jobs in
22 California while supporting businesses.

23 Today our job is to update this program
24 guidelines, so we can deploy the next round of moneys this
25 fall and further reduce the health risks from freight

1 operations and support the transformation of zero and near
2 zero emission freight system. Mr. Corey, would you please
3 introduce this item?

4 EXECUTIVE OFFICER COREY: Certainly, and thank
5 you, Chair. The following presentation is the first of
6 two items the Board is going to here today regarding ARB's
7 commitment of incentive funding to support California's
8 transformation toward a zero and near zero emission
9 freight system.

10 First, the Board will hear a proposal for updates
11 to the Proposition 1B guidelines, which will direct the
12 remaining funds for the Prop 1B program, and later, the
13 proposed funding plan for low carbon transportation
14 investments and the air quality improvement program.
15 Staff has coordinated closely to design complementary
16 programs to advance technology. In addition, the proposed
17 1B guidelines also focus on continuing ARB's commitment to
18 provide funds for small fleet truck projects.

19 Since this program started in 2008, we've awarded
20 more than \$700 million in funding to local agencies for
21 projects to reduce emissions from diesel freight
22 equipment, primarily trucks.

23 Jennifer Kozumplik from the Goods Movement
24 Strategies Section will give the staff presentation.

25 Jennifer.

1 (Thereupon an overhead presentation was
2 Presented as follows.)

3 MS. KOZUMPLIK: Thank you, Mr. Corey. Good
4 morning, members of the Board. Today, I'll be presenting
5 staff's recommendations to update the goods movement
6 emission reduction program guidelines.

7 --o0o--

8 MS. KOZUMPLIK: After a brief review of the
9 existing program, I'll highlight the progress of the
10 program to date, and then I will summarize the proposed
11 changes. I'll conclude with staff's recommendations for
12 Board action today.

13 --o0o--

14 MS. KOZUMPLIK: In 2006, California voters
15 approved Proposition 1B authorizing \$1 billion in bond
16 funding to reduce emissions from freight transport in the
17 four priority trade corridors. These funds provide
18 incentives to owners of diesel equipment to upgrade to
19 cleaner models and reduce the health risks related to
20 diesel emissions in heavily impacted communities.

21 --o0o--

22 MS. KOZUMPLIK: The implementing statute defines
23 the core requirements of the program. First, ARB must
24 adopt the guidelines for implementation and award grants
25 to qualifying local agencies. The local agencies

1 administer the implementation of equipment projects.
2 Another requirement is that bond funds must be used to
3 achieve early or extra emission reductions compared to
4 what is required by regulation or enforceable agreements.
5 The program also requires match funding. Match funding
6 can come from the equipment owner, a local agency, or
7 federal sources.

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

11 --o0o--

12 MS. KOZUMPLIK: To administer this program, the
13 legislature appropriates funding to ARB through the State
14 budget. ARB then adopts the program guidelines to define
15 how the program will work and what kinds of projects are
16 eligible. If the Board adopts the guidelines today, ARB
17 staff will then solicit project proposals from local
18 agencies, like air districts and seaports. Staff will
19 evaluate the proposals and will return to the Board in
20 September to recommend funding awards. The local agencies
21 will solicit and evaluate applications from equipment
22 owners and then fund eligible projects in a competitive
23 process for each source category.

24 --o0o--

25 MS. KOZUMPLIK: Now, I'll quickly touch on the

1 progress of the program.

2 --o0o--

3 MS. KOZUMPLIK: This graph shows the distribution
4 of funds allocated by the Board so far by funding
5 category. Over 80 percent of the project funds have been
6 dedicated to cleaning up diesel trucks. The next largest
7 share of funding has been for ships at berth and cargo
8 handling, followed by locomotives and harbor craft.

9 Projects have been funded throughout all four
10 corridors with the L.A./Inland Empire leading followed by
11 Central Valley, then Bay Area and San Diego border
12 corridor. All of the funds have been spent on projects
13 that operate in impacted communities in the four trade
14 corridors.

15 Approximately \$220 million will be available for
16 projects. The remaining funds are for ARB's
17 administration, bond issuance, and oversight costs.

18 --o0o--

19 MS. KOZUMPLIK: To date, this program has funded
20 about 12,000 truck replacements or retrofits, 25
21 locomotive upgrades, shore power for 37 ship berths and
22 three commercial harbor craft. We estimate that these
23 projects will reduce over 2,200 tons of particulate matter
24 and 85,000 tons of ozone-forming NOx over their lifetime.

25 --o0o--

1 MS. KOZUMPLIK: In anticipation of receiving the
2 remaining funds, staff have reached out for input on what
3 changes should be considered. In April, the staff
4 released a concept paper, and held three workshops in the
5 trade corridors. Input was received at these events, in
6 comment letters, and during follow-up discussions with our
7 stakeholders.

8 To further inform these guideline updates, staff
9 considers the goals of the sustainable freight: Pathways
10 to zero and near-zero emissions discussion draft, as well
11 as the draft heavy-duty technology and fuels assessment
12 overview. Staff also worked with local agencies to
13 identify changes in the program to increase its
14 effectiveness.

15 --o0o--

16 MS. KOZUMPLIK: Now, let's move on to today's
17 focus. Staff's recommendations on updates to the goods
18 movement program guidelines.

19 Staff is proposing revisions to project
20 eligibility and program administration requirements. Each
21 project category was analyzed and staff has incorporated
22 the most current information available regarding
23 regulatory implementation dates, available technologies,
24 and potential project costs.

25 This includes looking for opportunities to

1 further incentivize zero emission and advanced
2 technologies. This proposal also includes administrative
3 changes to improve our effectiveness and expedite the
4 implementation of projects that achieve emission
5 reductions.

6 --o0o--

7 MS. KOZUMPLIK: For reach funding cycle, the
8 Board approves the priorities to guide how the funds
9 should be spent. In this round, the proposed update to
10 the guidelines supports spending funds in a way that helps
11 meet air quality goals and climate goals. Staff
12 recommends the following priorities for this funding
13 cycle:

14 Projects to upgrade all equipment types to zero
15 and near-zero emission equipment through replacement,
16 repower, and retrofit as applicable; truck projects to
17 assist small fleets without upgrading to cleaner
18 technology, that can still achieve earlier extra emission
19 reductions relative to the state-wide truck and bus
20 regulation; locomotive projects on engines meeting the
21 Tier 4 standard, the most stringent national emission
22 standard.

23 --o0o--

24 MS. KOZUMPLIK: Shifting now to specific category
25 recommendations. I will start with the largest project

1 category in the program, heavy-duty diesel trucks.

2 Based on the priorities in the previous slide,
3 staff proposals include: Increased funding for all fleets
4 upgrading to advanced technology, such as optional low NOx
5 certified to a 0.082 gram per brake horsepower hour
6 standard, hybrid and zero emission vehicles, and longer
7 timelines to support projects involving upcoming advanced
8 technology; focusing large fleet truck options to grants
9 for advanced technology and alternative fuel projects,
10 continued support for all small truck fleet project types,
11 including diesel, advanced technology, and alternative
12 fuel; and, support for trucks upgrading to electric or
13 fuel cell power by providing infrastructure with the
14 replacement of a minimum of three trucks.

15 --o0o--

16 MS. KOZUMPLIK: Staff is proposing new options
17 and increased fund levels for the cleanest truck
18 technology paying a greater share of the funding for
19 equipment to help offset the higher cost. These amounts
20 can also be combined with other incentive programs, such
21 as ARB's and the Energy Commission's AB 118 incentive
22 programs, and the low carbon transportation program.

23 The ability to combine funding enhances the
24 incentive for truck owners to switch to advanced
25 technology. In addition, we are proposing that zero

1 emission and zero mile placements projects be given the
2 highest priority in the competitive process.

3 --o0o--

4 MS. KOZUMPLIK: Staff is also proposing to expand
5 eligibility for the truck reuse option to include trucks
6 with model year 2007 to 2009 engines. These model years,
7 which have remaining useful life, may be reused in the
8 State. Trucks, including drayage, with '07 to '09
9 engines, would be made available to fleets that wish to
10 replace an older truck. In turn, that older truck would
11 be scrapped.

12 --o0o--

13 MS. KOZUMPLIK: Funding for transport
14 refrigeration units is a new category proposed for this
15 round, as it reflects the program's initiative to support
16 zero and near-zero equipment wherever possible. Staff is
17 also proposing funding options for infrastructure. Many
18 of the latest models of commercialized transport
19 refrigeration units, hybrid electric and electric standby,
20 have the ability to plug into electric infrastructure, but
21 lack the infrastructure at freight facilities to take
22 advantage of this equipment.

23 --o0o--

24 MS. KOZUMPLIK: Now, let's talk about
25 opportunities for locomotive projects. Locomotives can be

1 in operation for 30 years or more. Due to this long life,
2 it is critical to upgrade existing locomotives with the
3 cleanest technology to maximize the emission reductions
4 achieved in the future. As such, staff is making several
5 recommendations to help incentivize these upgrades:

6 Increase funding amounts to support the
7 deployment of Tier standard engine technology; extend time
8 frames to allow for Tier 4 availability; for line-haul
9 locomotives that spend a majority of their time outside
10 the State, allow pro-rated grant amounts commensurate with
11 their in-state usage down to a minimum of 30 percent of
12 time spent in California; provide additional funding for
13 the option to incentivize scrapping the old equipment and
14 maintain the existing option to ban the old equipment from
15 California operation.

16 --o0o--

17 MS. KOZUMPLIK: For cargo handling equipment,
18 we're proposing to add funding for zero emission
19 technologies, including battery and fuel-cell powered
20 equipment, such as yard trucks, forklifts, and rubber tire
21 gantry cranes, as well as new funding for charging
22 infrastructure associated with this equipment.

23 --o0o--

24 MS. KOZUMPLIK: For ships at berth, staff is
25 proposing funding for hood technology, which can operate

1 at all berths, and a minor change to the operational
2 efficiency requirement.

3 --o0o--

4 MS. KOZUMPLIK: For commercial harbor craft,
5 staff is proposing: Increased funding for Tier 4 and
6 hybrid technologies; expanded eligibility to allow funding
7 for some additional vessel types, including marine spill
8 response boats and oil boom boats, dive vessels supporting
9 marine construction, and also for auxiliary engines on all
10 eligible boats; expanded eligibility by allowing vessels
11 with Tier 2 engines to participate in the program; and
12 that trade corridor use for all these vessels be reduced
13 to at least 51 percent. Funding would be pro-rated based
14 on approved use.

15 --o0o--

16 MS. KOZUMPLIK: The last set of proposed
17 revisions are to improve program administration. Staff
18 proposes streamlining compliance checks, simplifying the
19 ranking requirements for undersubscribed truck
20 solicitations, and extending the grant timelines to allow
21 for the introduction of upcoming advanced technology.

22 --o0o--

23 MS. KOZUMPLIK: We have identified some minor
24 corrections to ensure accuracy and internal consistency
25 within the guidelines and staff report listed here.

1 --o0o--

2 MS. KOZUMPLIK: Staff and the local agencies are
3 poised to move quickly. If the Board adopts the update to
4 the program guidelines, staff will issue a Notice of
5 Funding Availability and call for local agency project
6 proposals next week.

7 Following the public review, program staff will
8 recommend funding awards for your consideration in
9 September.

10 --o0o--

11 MR. KOZUMPLIK: ARB staff recommends that the
12 Board adopt Resolution 15-20, and the proposed 2015 update
13 to the Proposition 1B goods movement program guidelines,
14 including the additional changes previously described.

15 This concludes the staff presentation. Thank
16 you. And we'd be happy to answer any questions that you
17 may have.

18 BOARD MEMBER BERG: Thank you very much,
19 Jennifer.

20 Does any Board member have a question in regards?
21 Supervisor Gioia.

22 BOARD MEMBER GIOIA: Yeah, just to understand --
23 so I'm trying to understand the process on awarding funds.
24 So local agencies essentially are eligible -- to give an
25 example in terms of a publicly-owned port. So what about

1 joint applications from a port tenant and a city-owned
2 port, can you talk a bit about -- or the nature of
3 potential joint applications?

4 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: Sure.
5 This is Heather Arias.

6 Yes, in the guidelines, we clarify the full
7 definition of public agencies that can apply.

8 BOARD MEMBER GIOIA: That's what I'm trying to
9 find. It's under the -- where is it in the report?
10 Just -- and I'll look at it later, but just --

11 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: Yeah,
12 we'll find -- they'll find you the specific page while I'm
13 explaining it to you.

14 There is an opportunity for joint applications.
15 When the public agency applies to the State, they have to
16 be able to show their readiness to be able to implement
17 the program, including their knowledge regarding air
18 quality type projects. So in the past, the air districts
19 have obviously been --

20 BOARD MEMBER GIOIA: The local air districts as
21 well, local government?

22 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: Local
23 government. But when they apply, they would have to be
24 able to show their readiness for resources and their
25 knowledge on air quality.

1 BOARD MEMBER GIOIA: Right. In the past round,
2 what types of local agencies tended to be the greatest
3 number of applicants?

4 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: The
5 local air districts have always been the greatest number.

6 BOARD MEMBER GIOIA: The air districts, right.

7 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: So in
8 the guidelines themselves, if you look on page 17, there
9 is a definition of local public entities, local agencies.

10 BOARD MEMBER GIOIA: And in terms of the -- you
11 talked about the priority areas, can you talk more about
12 sort of the anticipated percent of dollars in each of
13 those areas? And then in each of those are disadvantaged
14 communities, and then areas that are impacted that may not
15 be disadvantaged, can you talk about the breakdown of all
16 of that in terms of the eligibility?

17 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS:
18 Right. So --

19 BOARD MEMBER GIOIA: So what -- first, what
20 percent overall needs to be spent in this category? I
21 didn't catch that in disadvantaged or to benefit
22 disadvantaged communities?

23 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: So
24 the statute doesn't actually have a requirement for
25 disadvantaged a communities. However, when we have

1 discussed with the local districts they were able to
2 confirm for us that all the projects are funded in areas
3 of impacted communities.

4 BOARD MEMBER GIOIA: Right. So maybe not the
5 OEHHA map defined areas, but like I know in some air
6 districts, they define the impacted communities
7 differently than the OEHHA maps.

8 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS:
9 Right.

10 BOARD MEMBER GIOIA: Okay.

11 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: And
12 as far as the targets for the general areas, we are on
13 track for meeting the original targets set within the
14 program by the Board. And we will be discussing that in
15 more detail with the Board in September, after we have
16 received applications from the local agencies, and can
17 come back to you with proposals on where those funds
18 should -- the remaining funds should go.

19 BOARD MEMBER GIOIA: Thank you.

20 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:

21 If I might just briefly add one thing. When you
22 look at who applies to ARB for funding, those -- that
23 entity is the administrator. It's not ultimately the
24 recipient of funding. And that entity is required to run
25 a competitive program.

1 BOARD MEMBER GIOIA: Right, right.

2 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:

3 We had the little issue, for example, when Port
4 of Long Beach was an applicant, and they really just
5 wanted to fund projects at the Port of Long Beach, and
6 then they realized that if they were an administrator they
7 were going to have to open it up to fund projects across
8 the State. And so that's why we've relied on six air
9 districts to be the primary administrators, and then make
10 many local governments and ports and others to be
11 applicants for the actual project funding.

12 BOARD MEMBER GIOIA: Right. And their funding
13 guidelines have to be consistent what we have in the
14 amended guidelines that you -- because you're asking for
15 some -- a few amendments off the plan, and so it has to be
16 consistent with that.

17 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:

18 Right. And typically the local agencies who
19 administer this program do not have independent funding
20 guidelines. They follow the State's guidelines.

21 BOARD MEMBER GIOIA: Right

22 BOARD MEMBER BERG: Thank you. Other comments?

23 Okay. We have five people to testify. We'll
24 start out with Dr. Wallerstein.

25 DR. WALLERSTEIN: Good morning, and thank you for

1 the opportunity -- push the button. Good morning. Thank
2 you for the opportunity to address you on this item this
3 morning. Barry Wallerstein, the Executive Officer of the
4 South Coast Air Quality Management District.

5 I'm here to thank the staff for its hard work on
6 this item. We're here in support of the item. They've
7 worked closely with our staff in developing these
8 enhancements to the guidelines. The additional
9 enhancements relative to zero and near-zero emission
10 vehicles and engines is very, very important in terms of
11 our SIP needs and also reducing air toxics, not just in
12 our air basin, but across the state. Your staff has
13 really done an excellent job on this item.

14 I would like to also mention relative to
15 locomotives, I've heard that there's some discussion that
16 the industry might like to use just Tier 3 locomotives,
17 which only really control the particulate emissions. It's
18 really crucial that any funding be for Tier 4 locomotives
19 only, because that gets us the additional NOx emission
20 reductions that are necessary to reduce both ozone and
21 fine particulate pollution throughout the State.

22 And with that, again, I'd just urge your approval
23 of this item.

24 BOARD MEMBER BERG: Thank you very much.

25 Good morning.

1 MS. MENDOZA: Good morning, Chair Berg. Good
2 morning, Board members and staff of the California Air
3 Resources Board. Jerilyn Lopez Mendoza ON behalf of THE
4 Southern California Gas Company.

5 I'm here this morning to speak on behalf of
6 supporting this item. We're just very excited about the
7 fact that we're moving forward with the last expenditure
8 of the Prop 1B dollars. We want to thank the staff in
9 particular who have interacted with us numerous times,
10 both in-person and email, regarding the funds. And we're
11 particularly excited about the fact that natural gas
12 vehicles are eligible for incentives funds as a result of
13 some of the program reevaluation.

14 So we think this will result in a direct
15 reduction of emissions, particularly criteria pollutants
16 that affect health pretty dramatically. Heavy-duty trucks
17 in particular are of concern to us as a health issue,
18 because they're mobile. They go everywhere. They're all
19 over the community. They're in the port communities.
20 They're on the freight corridors up and down the state.
21 And so reducing the heavy-duty engine reductions from
22 heavy-duty trucks is a big priority for the Southern
23 California Gas Company.

24 So thank you very much. And I hope you vote in
25 favor of this item, and I appreciate the time.

1 Thank you.

2 BOARD MEMBER BERG: Thank you. Matt, good
3 morning.

4 MR. SCHRAP: Thank you, Madam chair and Board
5 members. My name is Matt Schrap. I am president of
6 California Fleet Solutions and vice president of
7 government programs for Crossroads Equipment Lease and
8 Finance. Our organization is no stranger to the
9 Proposition 1B program having financed tens of millions of
10 dollars in clean, new and used, truck grant transactions
11 throughout the State helping thousands of small businesses
12 in meeting the air quality goals.

13 The proposal that you have in front of you today
14 by staff is a result of detailed discussions with
15 stakeholders, equipment providers, equipment operators,
16 and organizations such as ourselves, air districts and
17 nonprofit organizations, such as the California Trucking
18 Association being integral to this process. And the
19 results before you are, in fact, something that is very
20 reflective of the need that is out there for large and
21 small fleets alike.

22 We are here in full support of staff's initial
23 recommendations and look forward to further discussion and
24 refinements of the guidelines. We urge your aye vote.

25 Thank you.

1 BOARD MEMBER BERG: Matt, can I just ask you a
2 quick question. You've been so involved in this funding
3 of the small fleets, do you see that to continue to be an
4 area of interest from small fleet owners?

5 MR. SCHRAP: We do. There are challenges of
6 course with some small fleets out there who are still
7 struggling to meet the deadlines, but there are thousands
8 of fleets still in the small fleet category of three or
9 less that have one truck that are in compliance right now
10 across the State. So we're in endeavoring hard to get in
11 touch with those folks and make sure that they know there
12 are opportunities, especially using the California capital
13 access program to help enhance then credit. When you
14 combine that with grants and availability of some new alt.
15 fuel equipment, or the cleanest available diesel
16 technology, it's exciting. We can feel that there is a
17 little bit of a rumble from those small fleets.

18 BOARD MEMBER BERG: And also, if there's anything
19 that we can do to help on outreach, I know that outreach
20 and really getting in touch with the small fleet owners is
21 not always easy, and I know the districts have worked very
22 hard, but again to get people in.

23 So as you're coming across ideas, please keep in
24 mind that we're here to help on that.

25 MR. SCHRAP: We really appreciate that. And just

1 as some accolades and kudos to the districts, they have
2 been doing a great job in engaging stakeholders,
3 especially on the dealership side and some of the
4 nonprofit side to make sure that the words are getting
5 out.

6 I know a lot of organizations are happy to create
7 materials and distribute them to their mailing lists. So
8 we're here in full support and we appreciate the direction
9 from staff and also your leadership, as well as the rest
10 of the Board. So thank you very much.

11 BOARD MEMBER BERG: Thank you.
12 Morning, Chris.

13 MR. SHIMODA: Good morning, members of the Board
14 and Chairman Berg. Chris Shimoda, California Trucking
15 Association. We're here to express our support for the
16 proposed modifications to the guidelines. Staff was
17 extremely responsive, I do have to say, to suggestions
18 made by industry during the draft comment period. And we
19 feel like the proposed changes to include a large fleet
20 eligibility for our alternative fuel vehicles and the
21 option to replace the 2007 through 2009 model year engines
22 are going to expand the universe of applicants
23 significantly, and reward those fleets who have taken
24 early action throughout the life of the truck and bus rule
25 to comply.

1 authorized to administer the bond funds. And they define,
2 "goods" based -- or you define, "goods", based on Uniform
3 Commercial Code Section 2105, which specifically deals
4 with goods for sale.

5 But if you look at the Uniform Commercial Code,
6 there are many sections and many definitions for goods.
7 2105 talks about goods that are related to sale.

8 --o0o--

9 MR. GRABOSKI: 10103 talks about goods related to
10 lease contracts.

11 --o0o--

12 MR. GRABOSKI: And when we looked at the
13 California Board of Equalization definitions, lease
14 includes rental, so we would expect that Uniform Code
15 would then apply to rental as well as to lease.

16 --o0o--

17 MR. GRABOSKI: So I searched the Health and
18 Safety Code 39625 for the word, "goods". And while it
19 appears 11 times, it's always related to movement. It's
20 never related to sales or lease or anything like that.
21 And contract appears five times, but none of it is related
22 to goods for sale or goods for lease.

23 --o0o--

24 MR. GRABOSKI: So I concluded that the
25 legislature didn't stipulate that the funds were to apply

1 only to goods for sale. ARB was responsible for that
2 definition, and we've talked to them -- staff a number of
3 times through some of our members, and we came to the
4 conclusion that definition of goods is too narrow and
5 unreasonable for this program.

6 --o0o--

7 MR. GRABOSKI: So we're just here to ask the
8 Board to make the program fair for all businesses and to
9 change the definition of goods, so that it's consistent
10 with the Uniform Commercial Code and not one specific
11 section of the Uniform Commercial Code.

12 --o0o--

13 MR. GRABOSKI: Because, you know, whether you're
14 moving goods for sale or for lease, they produce
15 emissions, and we believe that if we take a track loader
16 to a job site, we're not emission neutral. We're putting
17 out emissions just like anybody else is moving groceries,
18 for example, from a warehouse to a store.

19 That's what I have.

20 Thank you.

21 BOARD MEMBER BERG: Thank you. Could we have
22 staff comment on that, please?

23 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:

24 Happy to. So I think, you know, Board members
25 are well aware that the Proposition 1B funds are available

1 for a subset of the trucks that are covered under the
2 truck and bus rule. That's always been the case with the
3 emphasis in trade corridors, for example.

4 In this case, what we tried to do back in 2008
5 when we developed the guidelines -- the first guidelines
6 was take the most basic definition of goods out of the
7 California Commercial Code. So ARB did not develop its
8 own definition of goods. We turned to State law and
9 looked for the most straightforward definition that we
10 could find.

11 In that definition that we've been using since
12 2008, it basically identifies a good as something that is
13 ultimately part of a contract for sale. And so that's the
14 way that we've been implementing this program. What it
15 means is, for example, if you are mining aggregate and
16 you're hauling that aggregate, you're eventually going to
17 sell it, that's a good for sale. If you are a furniture
18 mover moving someone's personal possessions, those are not
19 part of a contract for sale. Those sorts of trucks and
20 those sorts of operations are not covered.

21 And so at the time that we originally did this,
22 there was a potential for a different definition. Like I
23 said, we took the most straightforward. We would propose
24 to retain the definition that the program has been
25 operating under since 2008.

1 BOARD MEMBER BERG: Thank you very much for your
2 testimony.

3 MR. GRABOSKI: Thank you. Do I get to reply or
4 not?

5 BOARD MEMBER BERG: Quickly.

6 MR. GRABOSKI: I would just say that I really
7 don't see a deference between the sale and the rent or
8 lease issue. I mean, we're moving goods. And I think
9 that they didn't take the most broad definition. They
10 took the -- a lesser than most broad definition.

11 Thank you.

12 BOARD MEMBER BERG: Thank you.

13 MR. CARMICHAEL: Good morning, members of the
14 Board. Tim Carmichael with the California Natural Gas
15 Vehicle Coalition. Here to support the revised guidelines
16 for the Proposition 1B program. I want to thank Richard
17 Corey for his encouragement. I want to thank Cynthia
18 Marvin and Heather Arias for their hard work. Chris
19 Shimoda already referred to this, but I think we threw
20 about 150 questions at them and asked them to respond
21 yesterday. And they did a pretty good job of that. And
22 certainly, in the final proposal, they took a couple steps
23 towards our position and it's much appreciated.

24 We're very much looking forward to working with
25 ARB and the air districts on getting a chunk of this

1 funding for clean alternative fuel trucks.

2 Thank you.

3 BOARD MEMBER BERG: Thank you. And our last
4 speaker, Sean.

5 MR. SEAN EDGAR: Chair and Board members, Sean
6 Edgar with the CleanFleets.net. I will add to the
7 love-fest just by thanking staff for the efforts to
8 include natural gas vehicles. I'll have a couple focused
9 comments as we roll-out this year five Prop. 1B program.
10 First of all, thank you much for including the small fleet
11 issues, natural gas, others have touched on that.

12 There will be an ongoing issue that we'll work
13 out with staff on the issue of reporting for vehicles that
14 are using renewable natural gas. Staff had required some
15 reporting. So we'll work out for some of the folks like
16 our members that make their own renewable natural gas.
17 That may be a pretty simple task for folks that are buying
18 natural gas at a merchant facility. We'll have to work
19 through some of the reporting issues.

20 The key thing in the time I have left would just
21 be to address two items. First of all, the LongMile fix.
22 So I'm grateful to staff for including \$6.3 million to fix
23 the LongMile. These are the 1,400 devices, plus or minus
24 diesel particulate filters that were recalled. And so
25 staff had the foresight to include \$6.3 million in fixing

1 that issue.

2 There are a couple key things that I would just
3 punctuate that we'd probably need to plan for the worst
4 and hope for the best. And what I mean by that is it may
5 not be a direct drop replacement. So out of the 1,400
6 units, our members operate several hundred of those. And
7 it may not be a direct replacement, which is the cheapest
8 alternative and may actually be a whole new engineered
9 system. And there are couple reasons for that.

10 First of all, the device itself, when it was
11 verified by the Board, had a very low operating
12 temperature. My understanding is the replacement device
13 operate -- has to operate at a higher temperature. So it
14 may be an active system versus a passive system.

15 Second of all, there's an installer liability
16 issue there that apparently the last installer who touches
17 the vehicle has to take responsibility for every other
18 weld, bracket, and all the other work that had been done
19 prior to that last installer. So as part of this
20 replacement, you may find amongst your approved installer
21 network hesitation to take responsibility for an existing
22 system by direct dropping in a replacement system that may
23 end up, because of warrantee and installer issues, drive
24 more toward complete system replacement, which is the more
25 costly option.

1 So just to put a word out there, \$6.3 million is
2 a great downpayment, but I would just suggest we plan for
3 the worst, hope for the best, and we may be back in front
4 of you asking for additional funds as the installations
5 begin.

6 And then in the 30 seconds I have left, I'll just
7 touch on optional low NOx engines. I think that's great
8 that -- and I heard Dr. Wallerstein's comment, especially
9 in south coast, you need the cleanest engines. And Board
10 staff wants to reward those cleanest engines and get those
11 rolled out. That's great. My only challenge on timing of
12 the operation a low NOx engines, this year five money is
13 programmed to go out by the end of 2016. And I'm just not
14 sure whether the engines are out there. So if you're
15 tying the incentive funding to an engine that is not
16 currently commercially available, and I'm not sure whether
17 is going to be commercially available during 2016, we may
18 have a timing issue there. So those are my comments.
19 Thank you very much.

20 BOARD MEMBER BERG: Thank you.

21 Ms. Marvin, could you comment for me on the
22 liability issue on the LongMile?

23 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS:

24 Actually, if you don't mind, Ms. Berg, I'll take
25 this one.

1 BOARD MEMBER BERG: Thank you very much.

2 FREIGHT TRANSPORTATION BRANCH CHIEF ARIAS: I am
3 actually very happy to give you an update on the substrate
4 program. We have been working very closely with
5 Sacramento Air District, who has stepped up and is going
6 to be our partner in implementing this program. We have
7 been working with the manufacturer of ESW to proceed with
8 the project, have been talking about all the issues that
9 Mr. Edgar brought up, including the liability issue. And
10 they will be providing a warrantee associated with the
11 replacement.

12 So we expect to be able to mail out direct
13 solicitation letters next week to all of the fleets that
14 were involved in the replacement program, and we hope to
15 begin the actual installation of the replacements within a
16 few months.

17 BOARD MEMBER BERG: Thank you very much.

18 Okay. That concludes our public testimony. So
19 at this point, I'd like to close the record on this agenda
20 item, and turn it over to the Board for Board discussion.

21 Supervisor Roberts.

22 BOARD MEMBER ROBERTS: Yeah, I'd like to back up
23 a couple speakers and go back to this issue of lease
24 versus sale. It seems like we've adopted a definition
25 that really doesn't have much to do with air quality. It

1 maybe was convenient at the time, but it seems like we've
2 dismissed this awfully quickly.

3 It doesn't -- I'm not sure that I care what a
4 truck is carrying, if it has a sales contract or a lease
5 contract. I don't know why that would be so important.
6 And if there's some reason that makes that important from
7 an air quality standpoint, I haven't heard it.

8 It would seem to me we ought to be considering
9 expanding the definition, if it's an air quality benefit.

10 BOARD MEMBER BERG: So I understand that this is
11 the fourth round of funding, so we're on our final round
12 of funding. And Ms. Marvin, I understood from your
13 perspective that to look at a definitional change at this
14 time, that staff has decided to stay with the current
15 definition. But I do think it's kind of interesting the
16 fact that they do have to buy the equipment, and the fact
17 that they provide fill-in pieces.

18 To me, what would be hard is to really tie the
19 equipment to actual goods movement, and make sure that it
20 falls within the guidelines of Prop 1B. I think that
21 would be pretty difficult. Could you further give us some
22 insight?

23 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:
24 Sure. So when we originally created the program,
25 you might recall that when the voters approved Prop 1B,

1 that was in the era when particularly containerized cargo
2 was growing and was really predicted to grow quite
3 significantly. And so the emphasis, the focus really was
4 on moving goods for sale. And it was in those trade
5 corridors. So when we tried to design the program, we
6 tried to design it to be responsive to what prompted the
7 proposition to be passed and to try to take the most
8 straightforward definitions that we could find.

9 For example, there are many trucks that are used
10 to provide work services on a job site. Those don't move
11 goods. And so those trucks are not eligible for this
12 program. And so when you look at the statute about the
13 primary purpose of this program, which was to reduce the
14 health impacts from this goods movement, it wasn't a
15 matter of staff deciding what should and shouldn't be
16 included really, it was a matter of trying to say we
17 understand where the concern is coming from that prompted
18 the ballot initiative, and how can we most surgically
19 target this program to be responsive to that concern. So
20 that was our intent.

21 BOARD MEMBER BERG: Supervisor Roberts, does
22 that --

23 BOARD MEMBER ROBERTS: Well, I'm still
24 uncomfortable with that, because this seems to me we
25 just -- there may be some applicable way to do this that

1 broadens that definition out. I mean, I don't think we're
2 talk about something that's illegal. We're talking about
3 staff drawing some based on a narrow definition of how
4 they've interpret it, which was passed.

5 BOARD MEMBER BERG: Well, I think we're -- I
6 mean, my sense is, and Chairman Nichols has now joined
7 us -- Chairman Nichols, we're talking about the rental
8 issue, and the fact that it is for lease rather than for
9 sale for goods.

10 My sense right now is that we're on our last
11 go-around, and there's always more projects than money,
12 and whether this is the time to really look at a
13 definitions change could also be questionable. But staff,
14 maybe you could go back and take a look at meeting up with
15 Supervisor Roberts and myself and talking about this issue
16 a little bit further, understanding that a staff
17 recommendation -- I'm hearing nothing from the Board to
18 change that recommendation, but we'd like to enter more
19 conversation with you, since this is one of two items. Is
20 that -- oh, we do have some -- we're going to have some
21 further comments, but that would be my -- would that be
22 okay with you?

23 BOARD MEMBER ROBERTS: Yeah.

24 Ms. Mitchell?

25 BOARD MEMBER MITCHELL: Thank you, Chairman Berg.

1 And, Ms. Marvin actually reached a point that I think is
2 pretty critical here. Prop 1B was voter-approved measure,
3 and we need to look to the intent of that proposition when
4 we are deciding what it covers.

5 The other thing that I'm concerned about is
6 changing the guidelines to this extent in this way for the
7 final round of funding. It seems to me there's a fairness
8 issue involved here as well. And you would have people
9 stepping forward and saying now in the final year of
10 funding, you're going to let different categories come
11 into the arena. And so I do think we need to look at that
12 as well.

13 I'm also thinking that there must be other
14 sources of funding for companies that carry leased
15 equipment. Are Carl Moyer funds available, for example?
16 There are other sources out there that these kinds of
17 trucks can reach to for funding to, you know, control the
18 emissions.

19 So could you respond to that, please?

20 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:

21 Absolutely. So I'm not aware of any other
22 programs funded by ARB, CEC, or the air districts that are
23 specifically focused on goods movement and have the more
24 restrictive definition. I believe this is the only
25 program, because it was created for a slightly more narrow

1 purpose. So other trucks are eligible for other incentive
2 programs.

3 BOARD MEMBER MITCHELL: For example Carl Moyer?

4 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:

5 Yes.

6 BOARD MEMBER MITCHELL: These kinds of entities
7 that are hauling leased construction equipment could apply
8 for Carl Moyer funding, is that correct?

9 TRANSPORTATION AND TOXICS DIVISION CHIEF MARVIN:

10 Yes, ma'am.

11 BOARD MEMBER MITCHELL: Thank you. My intention
12 to go with the staff's position on this to retain the
13 existing definition and not be changing it at this sort of
14 late stage in the game. It's like let's exchange the
15 rules in the middle of the game kind of direction that I
16 don't support, so -- but I do understand trucks are
17 emitters, you know, whether they're hauling leased
18 equipment or whether they're hauling goods for sale.

19 But I think there are other avenues for these
20 trucks that are hauling leased equipment to get funding to
21 improve their trucking operation.

22 BOARD MEMBER BERG: And I'm in agreement with you
23 also that it is late in the game. We're actually in the
24 final inning of this, not even halfway.

25 Any other comments?

1 We have before us Resolution number 15-20. Do I
2 have a motion to approve?

3 BOARD MEMBER RIORDAN: Madam Chairman, I would so
4 move.

5 BOARD MEMBER MITCHELL: I'll second.

6 BOARD MEMBER BALMES: I'll second.

7 BOARD MEMBER BERG: All in favor?

8 (Unanimous aye vote.)

9 BOARD MEMBER BERG: Any opposed?

10 Motion passes.

11 And with that, welcome

12 CHAIRPERSON NICHOLS: Thank you very much. I'm
13 glad to be here in time for the most fun part of our
14 agenda. And it's always a great pleasure to present the
15 Haagen-Smit Clean Air Awards. These are the Air Resources
16 Board's only way to officially recognize leaders in air
17 pollution and climate change research, technology, and
18 policy. And it's also an annual opportunity to say a few
19 words about Arie Haagen-Smit whose memory we honor with
20 these awards.

21 So I will say a few words about him as well as
22 about the honorees before turning it over to our executive
23 officer to carry this to the next phase.

24 Arie Haagen-Smit was a native of the Netherlands.
25 He was proud to call himself a Dutchman. And he was a

1 biochemistry professor at Caltech in Pasadena for 16 years
2 before he began working on the issue that brings his name
3 to our attention. He studied things like rubber and
4 pineapples before he was asked by the County of Los
5 Angeles to look into the chemical nature of this awful
6 stuff that was in the air.

7 And it was his research that established that
8 most of California's smog resulted from photochemistry,
9 when the exhaust from motor vehicles and industrial
10 facilities reacted with sunlight to create ozone. And it
11 was this breakthrough that provided the scientific
12 foundation for the development of California's and the
13 nation's air pollution control programs.

14 Leaving his plant studies behind, Dr. Haagen-Smit
15 continued to work in the field of air pollution research
16 and control taking the smog problem in Los Angeles head
17 on, and he became the first Chair of the Air Resources
18 Board in 1968. Indeed, I remember once getting onto a
19 freeway behind him and seeing that his license plate was
20 ARB 1 --

21 (Laughter.)

22 CHAIRPERSON LLOYD: -- and thinking wow.

23 (Laughter.)

24 CHAIRPERSON NICHOLS: That is pretty cool.

25 (Laughter.)

1 CHAIRPERSON NICHOLS: So in 1973, in recognition
2 of his contributions, Dr. Haagen-Smit received the
3 National Medal of Science, our country's highest
4 scientific honor. He passed away 37 years ago, but his
5 legacy lives on, including in the naming of our own El
6 Monte Laboratory after Dr. Haagen-Smit, which I was able
7 to attend when Governor Brown was Governor for the first
8 time.

9 Since 2001, the Air Resources Board has sponsored
10 the Haagen-Smit Clean Air Awards. Over the last 13 years,
11 37 acclaimed individuals have received this award. In
12 light of the global connection between air quality and
13 climate change, the scope of the program has now expanded
14 to include an international focus, and a focus on climate
15 change science, as well as localized air pollution science
16 and mitigation.

17 So with that, I will turn the next phase of the
18 program over to Richard Corey.

19 EXECUTIVE OFFICER COREY: Thank you, Chairman.
20 I'm pleased to announce the three recipients of the 2014
21 Haagen-Smit Clean Air Awards. Each of the winners will be
22 introduced by a Board Member. And after each of their
23 introductions, the winners will have the opportunity to
24 say a few words at the podium.

25 The first recipient today is Dr. Donald Blake for

1 his work in the area of atmospheric chemistry --
2 atmospheric research. He'll be introduced by Board Member
3 Hector De La Torre. And Mr. De La Torre.

4 BOARD MEMBER DE LA TORRE: Thank you.

5 Dr. Blake. Donald Blake is being recognized
6 today for his career contributions to atmospheric
7 chemistry research. Dr. Donald Blake is a professor of
8 chemistry at the University of California, Irvine.
9 Professor Blake has spent over 30 years in the field of
10 atmospheric chemistry research, and is a world renowned
11 leader and innovator in sampling and analysis of
12 atmospheric trace gases.

13 Professor Blake has guided over 30 Ph.D.
14 candidates during his career, and has authored and
15 co-authored nearly 500 published scientific journal
16 articles.

17 Professor Blake has carried out internationally
18 acclaimed measurements of atmospheric volatile organic
19 compounds that have provided unique and critical insights
20 into their roles in air pollution and climate change.
21 These measurements have been used to document that
22 chlorofluorocarbon emissions were decreasing as expected
23 from regulatory efforts and to determine that elevated air
24 pollution in some cities, such as Mexico City and
25 Santiago, Chile, was attributable to propane use rather

1 than automobile exhaust as previously thought.

2 Having been to both of those cities, they've got
3 a long ways to go. They could use some of our expertise.
4 Leading a diverse research team, Professor Blake has
5 conducted the longest running global measurements of key
6 greenhouse gases such as methane, and the CFCS -- CFCs
7 with unprecedented accuracy and precision. CFCs not only
8 lead to the upper atmosphere ozone destruction, but are
9 also potent greenhouse gases, so such measurements are
10 critical for future predictions.

11 Professor Blake's work adapting and advancing the
12 capabilities of atmospheric sampling continues to play an
13 important role in validating satellite measurements and
14 deepening our understanding of atmospheric chemistry.

15 Not only a renowned scientist, he has the ability
16 to translate his scientific findings into public policy
17 implications, as well as fostering public understanding of
18 air pollution and climate change impacts.

19 He was one of the initiators of the NASA Student
20 Airborne Research Program, in which undergraduates from
21 around the United States come to Irvine for an eight-week
22 summer program to collect samples on the NASA DC8 aircraft
23 and then analyze them in a laboratory. The program
24 provides hands-on experience connecting VOC and CFC
25 impacts, and student interest in the sciences.

1 I know that we benefit greatly from that work
2 that is done every summer. Professor Blake was awarded
3 the Nobel Peace Prize in 2007, along with 2,500 other
4 scientists for their work in the International Panel on
5 Climate Change Report.

6 He has received other awards for his
7 accomplishments, including election as a Fellow of the
8 American Association for the Advancement of Science in
9 2008, and of the General -- of the American Geophysical
10 Union in 2009. In 2013, he received the American Chemical
11 Society's award for creative advances in environmental
12 science and technology. We are proud to present Professor
13 Donald Blake a Haagen-Smit Clean Air Award.

14 Thank you, Dr. Blake.

15 (Applause.)

16 DR. BLAKE: I'm a little shaky right now. This
17 is a huge honor. Downstairs walking by the Haagen-Smit
18 little display, I think it really sort of hit home as to
19 just what an honor this is. I mean, I'm a Californian. I
20 was born in Orange. I grew up in Escondido.

21 In the fifties, I didn't understand why when we
22 would go visit cousins in Riverside why my chest hurt.

23 (Laughter.)

24 DR. BLAKE: Little did I know that, at some point
25 in my life, I would be recognized as somebody who was

1 helping us to better understand why this is happening, how
2 we might impact in a positive way this.

3 Also, I'd like to say that for me having worked
4 with Sherry Rowland was a real honor. He instilled in
5 us -- in all of us group members the need to contribute.
6 And I think I needed that. I had been drafted during
7 Vietnam and came away from that experience with not
8 necessarily being real proud. We didn't go around and
9 talk about the fact that we had served.

10 And so to work on something like air pollution
11 was something that I always felt very proud of, and it
12 made my family proud. It made me proud, and I'm just
13 overwhelmed by this.

14 So thank you very much.

15 (Applause.)

16 EXECUTIVE OFFICER COREY: All right. Next Dr.
17 Kirk Smith for his work in the area of international air
18 pollution research. He'll be introduced by Board member
19 John Balmes.

20 Dr. Balmes.

21 BOARD MEMBER BALMES: Thank you, Richard.

22 I won't have to read any prepared comments,
23 because I've had the good fortune of being Kirk's
24 colleague for the last 15 years.

25 Kirk is, without exception, the most important

1 scientist with regard to household air pollution in the
2 world. He's been studying the exposures of women,
3 children, and to a lesser extent men, with regard to
4 household air pollution in lower -- lesser and middle
5 income countries for longer than he cares to remember.
6 And he's also contributed greatly to our understanding of
7 how household air pollution contributes to outdoor air
8 pollution and climate change.

9 He is originally a nuclear physicist who went
10 into public health, and his contributions are too long to
11 list. I will say that he also shares in that Nobel Peace
12 Prize, along with Professor Sperling. He also received
13 one of the nation's highest environmental awards the Heinz
14 Prize, which Dr. Sperling also received a few years ago,
15 so he's in good company. He received the Tyler Prize for
16 environmental achievement a couple years ago.

17 But I'm really honored to be able to present him
18 with this award, because in addition to being an
19 outstanding scientist, he's -- I'm getting choked up.
20 He's actually a really great person who's taught me more
21 than he probably realizes about integrity and about public
22 commitment and translation of science into policy. He's
23 tireless in trying to help the disadvantaged people around
24 the world.

25 And when we -- when I first got involved with a

1 project in Guatemala with regard to clean cookstoves, he
2 had written the original grant and then he asked me to
3 help him write the refunding grant. And he put a lot of
4 pressure on me. He said, John, we've been providing
5 health care to all these people for the last, you know,
6 three years, and we can't give that up now, so you'd
7 better write a good grant, so we can continue to get --
8 provide health care to this population.

9 So it's with great personal pleasure that I
10 introduce our next Haagen-Smit award winner, my good
11 friend and colleague Kirk Smith.

12 (Applause.)

13 DR. SMITH: Can I say a few words?

14 CHAIRPERSON NICHOLS: Yes, please.

15 DR. SMITH: Thank you, John, that was very kind,
16 and thank you, Bart too. Bart has been a very close
17 supporter morally, and occasionally with a few financial
18 resources too. Appreciate that.

19 You know, the -- I met Dr. Haagen-Smit once. I
20 don't remember exactly when. I was a doctoral student at
21 Berkeley. I think it was after he got the science -- the
22 Medal of Science. So it must have been '73 or '74, and he
23 passed away in '77, so there's a window there.

24 And I remember the lecture and being very
25 intimidated actually by all that chemistry. But you know,

1 Max Planck said once that science progresses funeral by
2 funeral. Now, I think he was referring to getting rid of
3 people who had lousy ideas, but --

4 (Laughter.)

5 DR. SMITH: -- there is -- there's another side
6 to that. I mean, if you like, the funeral of a great
7 scientist, or a person in any field, you know, sort of
8 caps that -- caps that person's career, provides it there
9 that's there for us to look at. And that has survived a
10 long time with Haagen-Smit. You know, others, you know,
11 sort of pass away, but that capped career the beginning to
12 the end and all of that, as you portrayed it is something
13 that is an inspiration to the rest of us.

14 Now as John mentioned, I started out in, you
15 know, physics and then went to public health, and
16 unnaturally studied nuclear issues and nuclear waste and
17 nuclear reactor safety. But I was trained to follow the
18 risk. When I got out in the broader world and started
19 looking at issues in Asia, I realized there wasn't any
20 risk in nuclear power compared to air pollution. I mean,
21 there's orders of magnitude difference.

22 If you want to really look at people's problems,
23 it's air pollution that's the issue. And part of that is
24 if you're going to look at the risk of air pollution, you
25 have to measure where the people are. Well, I'm sorry to

1 say that people aren't breathing air in Sacramento, most
2 of the people in the world. They're breathing in other
3 places. And one of the places they breathe in extensive
4 amounts is in village households around the world.

5 And, of course, when we looked there, we found
6 extremely high exposures, much higher exposures than you
7 find elsewhere in the world. And consequently, the
8 biggest burden of disease now from air pollution is
9 recognized to be, what we call, household air pollution
10 from cooking, or heating with simple solid fuels around
11 the world, not that outdoor air pollution also isn't a big
12 burden.

13 And as John said, we now find there's a
14 significant contribution to outdoor air pollution. And I
15 must say, you know, I mean, I have to compete a little bit
16 with Don. I mean, he's flying DC-8s around with 40
17 graduate students. We have -- we fly too our instruments,
18 but they're \$75 drones that we stick an air pollution
19 monitor on, but that helps us understand this contribution
20 to outdoor air pollution from households.

21 So finally, let me say, of course, thank you to
22 John and Bart again, and to the Board and to the
23 nominators and letter writers for this award. And I very
24 appreciate that. And, of course, I need to thank my
25 family and my wife who is here. You know she likes to say

1 that, you know, for two million years men have been
2 standing around the kitchen watching women work, but my
3 husband is the first one to make a career out of it.

4 (Laughter.)

5 (Applause.)

6 EXECUTIVE OFFICER COREY: And lastly, Dr. John
7 Wall for his work in the area of emissions control
8 technology. He'll be introduced by Board Member Dan
9 Sperling.

10 Professor Sperling.

11 BOARD MEMBER SPERLING: Thank you. I am truly
12 delighted to be able to introduce Dr. John Wall. I
13 don't -- I haven't known him nearly as long or as well as
14 John Balmes has known Kirk Smith, but I have known of him
15 for a very long time. And I was -- as I was listening, I
16 looked to the introductions, it just occurred to me that
17 John is, I believe, only the second person from the
18 industry -- from industry, from the corporate world to
19 have gotten this award. And I don't know all the winners.
20 I was just looking through it just now, but I believe
21 that's true.

22 And so that's what makes, you know, John
23 especially impressive, you know, for this award is that
24 he's been a leader in the industry, but also as a leader
25 in the public world and policy. And so John has served as

1 vice president and chief technology officer for Cummins
2 Incorporated since 2000. Cummins is one of the largest
3 manufacturers of heavy-duty diesel engines in the world,
4 and also a leading manufacturer of natural gas engines.

5 Most importantly for us today, Cummins has been a
6 leader in building low-emission engines. Dr. Wall
7 deserves much of the credit for Cummins leadership. He's
8 led Cummins and the truck industry in crafting and
9 realizing the vision of clean trucks. Much more is
10 possible of course, but much progress has been achieved.

11 Who would have thought 20 years ago that criteria
12 pollutant emissions from trucks would be approaching zero?

13 Dr. Wall began his career at Cummins in 1986
14 after working in fuels research at Chevron Research
15 Company, where his research team was the first to quantify
16 the effect of sulfur on diesel particulate emissions. As
17 chief technology officer of Cummins, Dr. Wall leads an
18 international technical organization with over 6,000
19 engineers in 17 major technical centers around the world,
20 including the U.S., but also the United Kingdom, India,
21 China, and Brazil.

22 He has been particularly effective in leading the
23 development of technologies leading to dramatic reductions
24 in emissions of particulate matter in nitrogen oxides from
25 both on-road and off-road engines. And that's in

1 California, the U.S., and the world.

2 In 2002, Cummins was the first company to
3 introduced cooled exhaust gas recirculation technology on
4 commercial heavy-duty engine -- heavy-duty vehicles. He
5 was also the first to certify diesel and natural gas
6 engines that met California's and EPA's 2010 heavy-duty
7 truck emission standards, and they did it in 2007, three
8 years early.

9 Cummins and Dr. Wall have also been leaders in
10 building more energy efficient and low greenhouse gas
11 engines. In 2013, Cummins unveiled diesel engines that
12 met the first U.S. EPA greenhouse gas standards for
13 trucks, a year ahead of schedule. Dr. Wall has been not
14 only a path-breaking corporate leader, but has also played
15 a public role in advancing low emission, energy efficient
16 diesel engines. He's been a trusted advisor to the U.S.
17 EPA, to us here at the Air Resources Board, and he's been
18 an advisor to many universities, including Purdue, MIT,
19 and most recently my university, UC Davis.

20 In recognition of his accomplishments, Dr. Wall
21 has received a series of very prestigious and important
22 awards, including the following:

23 He was selected as a member of the prestigious
24 National Academy of Engineering. He was selected as a
25 fellow of the Society of Automotive Engineers. He was

1 awarded the Society of Automotive Engineers Horning
2 Memorial Award and Arch T. Colwell Merit Award for
3 research on diesel emissions. He received the American
4 Society of Mechanical Engineers Soichiro Honda Medal for
5 outstanding leadership in the research, design,
6 development, and production of low emission fuel efficient
7 diesel engines.

8 So as I said, I've had the honor and pleasure of
9 getting to know John Wall over the last few years. I've
10 seen firsthand his passion, his expertise, his engagement,
11 and also his good humor. I've seen him testify here at
12 the Air Resources Board. I've seen him advocate for more
13 aggressive greenhouse gas standards nationally, as well as
14 eagerly help organize a major conference on transportation
15 energy, and enthusiastically interact with my students at
16 UC Davis, as well as some of the other universities.

17 (Laughter.)

18 BOARD MEMBER DE LA TORRE: Some of those other
19 places.

20 BOARD MEMBER SPERLING: Some of these other
21 places.

22 (Laughter.)

23 BOARD MEMBER SPERLING: We are truly proud, and I
24 am proud to present Dr. John wall a Haagen-Smit Clean Air
25 Award.

1 (Applause.)

2 DR. WALL: Thanks, Dan. I'm still a little
3 stunned to be standing here to be representing a regulated
4 industry being honored by our toughest regulator.

5 (Laughter.)

6 DR. WALL: So that's very special. And I must
7 say I am happy to note that it is not being awarded
8 posthumously.

9 (Laughter.)

10 DR. WALL: You know, as I reflected back on what
11 brought me here, I was thinking, you know, my personal
12 environmental journey started here in California. And I
13 recall my very first presentation to the Air Resources
14 Board on fuel sulfur. Mary Nichols was the Chair and
15 Jerry Brown was the Governor. So here we are again.

16 (Laughter.)

17 DR. WALL: And I also, as I looked at people that
18 have been honored with this award, I recognize that I've
19 got a lot of friends here, a lot of friends in the room,
20 people that have been previously awarded the Haagen-Smit
21 award, Jim Boyd, Tom Cackette, Bob Sawyer, Mike Walsh and
22 a number of others that we've collaborated with over that
23 period of time. And so it's made it very special to me
24 for you to recognize me in this way, and also to recognize
25 that I'm standing here representing a lot of people.

1 You know, I'm fortunate enough to have been with
2 strong colleagues in developing good policy for the
3 environment, for energy to have friends like Tom that I've
4 known since the early days, Chet France at the EPA, both
5 of whom I really appreciate as co-nominators for this
6 award. And we sort of grew up together. And it was nice
7 having friends on both sides to try to forge the kind of
8 collaboration that we need for good policy.

9 And then more recently, I've made some new
10 friends here that we continue to work with, so I really
11 appreciate this. You know, it's a little bit of a victory
12 lap for the diesel industry now with the ACES Report that
13 says that now with the exposure of rats to diesel exhaust,
14 there were absolutely no indications of cancer or other
15 tumors, which is a far cry from where we were when we
16 started out. But we've got a lot more to do if you look
17 at the situations in India and China and Brazil and other
18 places transferring this technology there, as we continue
19 to clean the air in California and in the U.S. is going to
20 be very important.

21 So thank you once again for this award. I'm
22 truly honored by this, and I look forward to continuing to
23 work with you.

24 (Applause.)

25 CHAIRPERSON NICHOLS: I don't believe we're

1 allowed any public comment.

2 (Laughter.)

3 CHAIRPERSON NICHOLS: Public comment has all been
4 had. But we will take a brief break for some photos. And
5 I'm not quite sure where that's going to happen.

6 EXECUTIVE OFFICER COREY: Someone will come up
7 and escort Board members to the flag and we'll take some
8 photographs.

9 CHAIRPERSON NICHOLS: And tell us what to do.
10 And so if you'll all bear with us, this will just take a
11 few minutes, but it's important that we record this event
12 for history.

13 (Off record: 10:20 AM)

14 (Thereupon a recess was taken.)

15 (On record: 10:32 AM)

16 CHAIRPERSON NICHOLS: All right. Ladies and
17 gentlemen, we don't often get to have quite so much fun at
18 Board meetings. Although, they're all fun in their own
19 way.

20 Will you please stake your seats for the next
21 item, which is going to be the funding plan -- the
22 proposed fiscal year 2015-16 funding plan for low carbon
23 transportation investments from Cap-and-Trade auction
24 proceeds and the Air Quality Improvement Program known as
25 AQIP.

1 So this is sort of a companion piece to the first
2 item that we took up today on Prop 1B. This funding plan
3 serves as ARB's blueprint for expanding \$350 million that
4 are appropriated from the Greenhouse Gas Reduction Fund
5 for low carbon transportation investments, and \$23 million
6 for the AQIP incentive projects. Combined, this funding
7 represents another significant investment in zero and
8 near-zero emission technologies, while supporting a
9 substantial investment in disadvantaged communities with
10 at least half of the low carbon transportation funds
11 allocated to benefit these communities, and at least 10
12 percent invested directly in those communities.

13 As we've heard in the scoping plan and
14 sustainable freight strategy updates over the last year,
15 meeting our climate, air quality, and petroleum reduction
16 goals will require a transformation of the California
17 vehicle fleet to one with widespread use of zero and
18 near-zero emission vehicles, both for passenger and
19 freight transportation.

20 The investments in this funding plan represent an
21 important component of this transformation. While we're
22 investing a considerable amount of money with this plan,
23 we must recognize that ARB's investments are but one piece
24 of the State's overall clean air, clean energy, and
25 climate investment portfolio, which includes other State

1 and local agency investments as well.

2 So it's an important piece, but it's far from the
3 only one. Mr. Corey, would you please introduce this
4 item?

5 EXECUTIVE OFFICER COREY: Yes. Thank you,
6 Chairman. Incentive programs are a critical part of ARB's
7 comprehensive strategy to accelerate the development,
8 deployment and widespread use of cleaner motor vehicle and
9 equipment technologies. Low carbon transportation and
10 AQIP funding complements, as noted, our other incentive
11 programs such as the goods movement emission reduction
12 program that we discussed in the previous item.

13 These programs work hand in hand with our strong
14 regulatory programs to implement strategies called for in
15 climate change scoping plan, State implementation plan,
16 and most recently in our sustainable freight initiative.

17 The expansion of low carbon transportation
18 investments in the budget shows a strong commitment from
19 the State to meet our air quality and climate change goals
20 and to ensure that disadvantaged communities realize the
21 benefits of this funding. It also demonstrates support
22 for ARB's investments to date in advanced technologies for
23 both the passenger transportation and freight sectors now
24 coming to market.

25 The proposed funding plan establishes ARB's

1 priorities for this funding cycle, describes the projects
2 we would fund, and sets funding allocations. The plan
3 proposes to continue and expand the investments made over
4 the past funding cycles. The plan continues ARB's
5 close -- also continues ARB's close coordination with the
6 Energy Commission which supports the necessary
7 infrastructure foundations for cleaner cars and trucks.
8 The plan also addresses the requirements of the two bills
9 signed into law in 2014 that further refine ARB's
10 implementation of these programs.

11 Andy Panson of the Innovative Strategies Branch
12 will present the staff's proposal. And at the conclusion
13 of the staff presentation, Jim McKinney from the Energy
14 Commission will provide some comments on how these
15 proposed investments coordinate with the energy efforts.

16 Andy.

17 (Thereupon an overhead presentation was
18 Presented as follows.)

19 AIR POLLUTION SPECIALIST PANSON: Thank you, Mr.
20 Core. And good morning, Chairman Nichols and members of
21 the Board. Today, I'll present staff's proposed funding
22 plan for low carbon transportation investments and AQIP.

23 --o0o--

24 AIR POLLUTION SPECIALIST PANSON: Today's
25 proposal builds on last year's plan, as well as

1 investments spanning back to 2009. It would continue
2 funding for advanced mobile source technologies to
3 transform the California fleet. Our proposal would also
4 increase benefits for California's disadvantaged
5 communities, a key tenet for the State's cap-and-trade
6 auction proceeds.

7 --o0o--

8 AIR POLLUTION SPECIALIST PANSON: California
9 faces ambitious goals to reduce greenhouse gas emissions,
10 improve air quality, cut toxics exposure, and reduce
11 petroleum dependency, including new 2030 targets set this
12 year. These proposed investments reflect a coordinated
13 strategy to make progress towards all these goals.

14 --o0o--

15 AIR POLLUTION SPECIALIST PANSON: I'll first
16 provide some background before delving into the details of
17 our proposal. AQIP was established by Assembly Bill 118
18 in 2007, and it was reauthorized in updated in 2013 by
19 Assembly Bill 8. AQIP provides the foundation for the low
20 carbon transportation investments that now make up the
21 vast majority of our funding. We've focused AQIP on
22 technology advancing projects that support California's
23 long-term air quality and climate change goals in addition
24 to providing immediate emission benefits. This has
25 included the clean vehicle rebate project, or CVRP,

1 vouchers for hybrid and zero emission trucks and buses,
2 and the truck loan assistance program among others.

3 Each year, we bring the Board a proposed funding
4 plan which details our priorities and projects for the
5 upcoming fiscal year.

6 --o0o--

7 AIR POLLUTION SPECIALIST PANSON: Cap-and-trade
8 auction proceeds greatly expand the scale of our advanced
9 technology incentives that reduce greenhouse gas
10 emissions. The legislation governing the use of auction
11 proceeds requires the Department of Finance, in
12 consultation with ARB and other State agencies to prepare
13 an investment plan every three years.

14 Funds are then appropriated by the legislature in
15 each year's State budget. Statute requires that a portion
16 of the proceeds be invested in and to benefit the
17 disadvantaged communities most impacted by pollution. And
18 the Board approved guidance last year for State agencies
19 on how to meet this disadvantage community investment
20 requirements.

21 The administration's 2013 investment plan both
22 identifies low carbon transportation as a priority and
23 identifies AQIP as a program that could provide the
24 framework to build upon for these new investments.

25 --o0o--

1 AIR POLLUTION SPECIALIST PANSON: Now, on to the
2 2015-16 funding for these two programs. The Governor has
3 proposed 350 million for ARB to accelerate the transition
4 to low carbon freight and passenger transportation
5 increased, from \$200 million last year in recognition of
6 the demand for and importance of these incentives. I'll
7 provide an update on our progress in spending last year's
8 funds later in the presentation. The State budget also
9 provides 23 million for AQIP.

10 --o0o--

11 AIR POLLUTION SPECIALIST PANSON: In the last
12 year, the legislature passed two new laws that provide
13 further direction on ARB's implementation of these
14 programs. On the light-duty vehicle side, Senate Bill
15 1275 creates the Charge Ahead California Initiative, with
16 goals of deploying one million zero emission and near-zero
17 emission vehicles by the start of 2023 and increasing
18 access to these vehicles for disadvantaged communities and
19 lower income consumers. This target complements and
20 provides a milestone on route to the Governor's 2025
21 target of 1.5 million ZEVs.

22 SB 1275 directs ARB to consider or adopt several
23 changes to CVRP, including establishing income eligibility
24 limits. It also directs ARB to establish disadvantaged
25 community focused programs building on our light-duty

1 pilots.

2 On the heavy-duty side, SB 1204 creates a the
3 California Clean Truck, Bus, and Off-Road Vehicle and
4 Equipment Technology Program to provide -- to support
5 cleaner technologies using auction proceeds with a
6 priority given to projects that benefit disadvantaged
7 communities.

8 SB 1204 establishes specific requirements related
9 to how we prioritize project categories and select
10 projects. The new law puts a formal structure around the
11 types of investments ARB has been making through AQIP and
12 the first low-carbon transportation appropriation.

13 --o0o--

14 AIR POLLUTION SPECIALIST PANSON: With that
15 background, I'll now move on to our proposed project
16 allocations. We're proposing \$200 million to continue and
17 expand our light-duty vehicle projects. This funding is
18 split between CVRP and pilot projects to benefit
19 disadvantaged communities.

20 We also propose an additional \$167 million for
21 heavy-duty vehicles and equipment. This would continue
22 the demonstration, deployment, and trunk loan projects
23 included in last year's plan, as well as add two new
24 project categories. The balance between light-duty and
25 heavy-duty investments matches that in last year's plan.

1 We're target at least half of the low carbon
2 transportation funds to benefit disadvantaged communities
3 consistent with the direction in the administration's
4 investment plan.

5 And this year, we're adding a second commitment
6 that at least 10 percent of these funds be invested
7 directly in these communities. We considered these
8 targets to be a floor, and we expect to exceed them.

9 We developed our proposal, based on an evaluation
10 of demand, as well as a readiness of advanced technologies
11 in various sectors. We considered stakeholder input
12 through a public process that included three workshops and
13 six more focused work group meetings.

14 --o0o--

15 AIR POLLUTION SPECIALIST PANSON: This next slide
16 provides a closer look at our light-duty investments,
17 which as I noted, include two complementary elements.
18 CVRP offers statewide rebates to consumers who purchase or
19 lease ZEVs and plug-in hybrids in order to accelerate the
20 widespread commercialization of these vehicles.

21 The pilot project shown on this slide are
22 designed to increase access to these clean vehicles for
23 disadvantage communities and lower income households. SB
24 1275 reaffirms both elements of this strategy by directing
25 ARB to continue investing in each with refinements to

1 CVRP. First, for a status update on the four disadvantage
2 community pilots we included in last year's plan.

3 We launched increased incentives for public
4 fleets to buy CVRP eligible vehicles in February. About
5 40 percent of the funding has already been reserved, and
6 we're getting interest from additional fleets.

7 The San Joaquin Valley has just launched its
8 Enhanced Fleet Modernization Program plus-up pilot, also
9 known as EFMP plus up. This provides extra incentives for
10 lower income consumers who scrap a vehicle and buy a
11 cleaner replacement. Used or new hybrid, plug-in hybrid,
12 and ZEV replacements are all eligible for these
13 incentives. The South Coast's program will launch later
14 this summer.

15 Car share projects will help bring cleaner
16 technologies to disadvantaged communities as well. We
17 just awarded grants to start a new project in Los Angeles
18 and to expand an existing car share to serve the Barrio
19 Logan and Logan Heights neighborhoods in San Diego. These
20 projects will start later this year.

21 Our financing assistance pilot solicitation
22 closed in May and we'll award funding shortly.

23 --o0o--

24 AIR POLLUTION SPECIALIST PANSON: Based on the
25 strong interest in all these pilot projects, we propose

1 increasing funding to \$37 million for the upcoming year up
2 from \$9 million.

3 A frequent comment that we heard during our
4 workshops was the need for considerably more funding for
5 the EFMP plus up scrap and replace program. And that's
6 reflected in our proposal, which increases funding from \$2
7 million to \$20 million, and also expands eligibility to
8 any air district that runs a qualifying scrap and replace
9 program and wishes to participate.

10 We're also recommending a new project to fund
11 cleaner agricultural worker vanpool fleets in the San
12 Joaquin Valley.

13 --o0o--

14 AIR POLLUTION SPECIALIST PANSON: Now moving on
15 to CVRP. As you know, we've seen a significant increase
16 in rebate demand particularly over the past three years.
17 We're pleased to report that CVRP has stayed within budget
18 over the past year, while continuing the general upward
19 trend in rebate demand.

20 The 110,000 rebates issued to date, growth in
21 annual sales, and increased number of models available are
22 all positive signs and indications of the project's
23 success. However, the ZEV market is still in its early
24 stages with deployment totals not yet at one-tenth the
25 Governor's -- not yet at one-tenth of the Governor's 2025

1 goal. So continued investment in CVRP remains key.

2 At the same time, we know we can't continue
3 incentives indefinitely. And as part of the funding plan
4 that we'll bring the Board a year from now, SB 1275
5 requires us to include a three-year funding estimate of
6 for CVRP, a ZEV market and technology assessment, as well
7 as an assessment of when a self-sustaining market is
8 expected.

9 --o0o--

10 AIR POLLUTION SPECIALIST PANSON: The proposed
11 \$163 million CVRP allocation would meet our projected
12 demand for the next year. SB 1275 requires us to limit
13 CVRP eligibility by income. We propose addressing this
14 requirement with a two-pronged approach, an income cap
15 that would exclude the higher income consumers most likely
16 to purchase a ZEV without a rebate, coupled with higher
17 rebate levels for lower income consumers most in need of
18 financial incentives to purchase a CVRP eligible vehicle.

19 We believe this approach would improve CVRP's
20 effectiveness by targeting rebates where they are likely
21 to have the greatest impact, while at the same time,
22 continuing to support market growth.

23 We propose an income cap matching the income
24 thresholds set in Proposition 30 a ballot initiative
25 approved in 2012. Proposition 30 temporarily increased

1 taxes on higher income taxpayers, and it provides a case
2 where California voters established a definition of what
3 could be considered higher income levels.

4 We propose to delay implementation of the income
5 cap for fuel cell vehicles for the next three years with
6 an annual Board reevaluation during this period. At this
7 very early stage of the fuel cell vehicle launch, we want
8 to ensure the same level of State support that was
9 provided for battery electric vehicles when they first
10 were commercially released. Once sales reach higher
11 volumes, income limits matching those shown on this slide
12 would apply.

13 --o0o--

14 AIR POLLUTION SPECIALIST PANSON: Increased
15 rebate amounts would be open to consumers with household
16 incomes less than or equal to 300 percent of the federal
17 poverty level. This equates to about \$73,000 annual
18 income for a household of four.

19 We picked this level because it matches one of
20 the eligibility tiers for the EFMP vehicle scrap and
21 replace option. And this would allow a more seamless
22 coordination for consumers who want to access both
23 incentives.

24 It will take some time to modify the CVRP process
25 and to do the necessary outreach on these changes. So

1 they would take effect four to six months after Board
2 approval.

3 --o0o--

4 AIR POLLUTION SPECIALIST PANSON: Moving on to
5 heavy-duty vehicles and equipment. You can see from the
6 table on this slide, we are increasing funding for each of
7 our existing projects as well as adding two new
8 categories. Of the \$167 million dollar total, nearly 150
9 million is from the Greenhouse Gas Reduction Fund for SB
10 1204 projects with the remainder coming from AQIP.

11 These incentives -- or these investments would
12 continue the demonstration and deployment of advanced
13 heavy-duty technologies supporting the transformational
14 changes called for in the sustainable freight discussion
15 document. Our proposals are also informed by the
16 heavy-duty technology and fuels assessment that staff has
17 undertaken over the past year and a half.

18 I'll next provide some detail on each of these
19 projects.

20 --o0o--

21 AIR POLLUTION SPECIALIST PANSON: HVIP is
22 intended to accelerate the deployment of new hybrid and
23 zero emission trucks and buses. We've funded about 2,100
24 vehicles over the past five years. Most of these are
25 hybrid delivery trucks. Only about 20 percent of the

1 vouchers have gone to zero emission trucks. This is an
2 area where we need additional growth in order to meet our
3 longer term goals. We propose \$12 million for HVIP for
4 the next funding cycle, which would meet expected demand.
5 We also recommend adding eligibility for zero emission and
6 hybrid vehicle conversions as new technology options as
7 directed by SB 1204.

8 --o0o--

9 AIR POLLUTION SPECIALIST PANSON: The zero
10 emission truck and bus commercial pilot deployment
11 projects are designed to complement HVIP. In contrast to
12 the first-come-first-served HVIP design, these projects
13 are intended to fund larger scale deployments and the
14 associated fueling and charging infrastructure. We
15 believe this model will help address the slow uptake of
16 zero emission vehicles in HVIP, because it may make sense
17 for fleets to purchase enough vehicles to make the
18 infrastructure investments worthwhile.

19 We propose \$20 million for zero emission trucks
20 and 45 million for buses augmenting the 25 million from
21 last year's appropriation. This funding level is needed
22 in order to increase vehicle production levels to the
23 point where initial economies of scale can start to be
24 realized, as well as to satisfy the expected demand,
25 especially among public transit fleets.

1 At least half of these funds would be reserved
2 for projects that benefit disadvantaged communities. And
3 these projects will also support the upcoming advanced
4 clean transit regulation.

5 In developing our solicitation for last year's
6 funds, we received input that will be critical to maximize
7 leveraging of federal funds for transit bus projects.
8 We're working closely with the federal transit
9 administration on timing. And as a result, we decided to
10 hold back the 2014-15 funding and release a joint
11 solicitation for both year's funds after Board approval on
12 a schedule that meets transit agencies' procurement time
13 lines.

14 New this year, we're also reserving \$5 million of
15 the bus allocation for cleaner school buses for rural
16 school districts. This funding would not be limited to
17 zero emission buses in recognition of the different duty
18 cycles in these rural areas. Hybrid and renewably fueled
19 buses that reduce greenhouse gases would also be eligible.

20 --o0o--

21 AIR POLLUTION SPECIALIST PANSON: As a new
22 project category, we proposed \$7 million in incentives for
23 truck certified to the optional low NOx standards adopted
24 by the Board in 2013. These incentives would encourage
25 engine manufacturers to bring these cleaner trucks to

1 market and truck owners to buy them once they are
2 commercially available.

3 The vehicle incentive would be coupled with
4 additional incentives for the use of low carbon renewable
5 fuels to maximize greenhouse gas benefits.

6 We expect that the first trucks certified to
7 these standards will be natural gas vehicles. And
8 accordingly, we're working with the Energy Commission to
9 coordinate the implementation, because they already run a
10 natural gas vehicle incentive program.

11 --o0o--

12 AIR POLLUTION SPECIALIST PANSON: We're also
13 continuing our support for demonstration projects with \$59
14 million to accelerate advanced technologies towards
15 commercialization. Last year's plan included
16 demonstration projects for zero-emission drayage trucks,
17 and advanced technologies that operate at multi-source
18 facilities, such as distribution centers and warehouses.

19 We just released those solicitations and they're
20 on the street now, and we'll award funding later this
21 year. Complementing these projects we recommend funding
22 this year for: Advanced heavy-duty trucks and intelligent
23 vehicle systems, zero or near-zero emission freight
24 locomotives, zero emission freight equipment, and other
25 off-road sources.

1 We selected these categories based on the
2 priorities identified in the sustainable freight document,
3 our heavy-duty technology assessment of what technologies
4 are ready to be demonstrated, and input from our public
5 process.

6 Like last year, we're required that all these
7 projects take place in areas that benefit disadvantaged
8 communities.

9 --o0o--

10 AIR POLLUTION SPECIALIST PANSON: The funding
11 plan also includes \$9 million for second new project,
12 incentives for zero emission freight equipment that's now
13 commercially available. This includes forklifts,
14 transportation refrigeration units, and guard trucks among
15 others. We envision this pilot will evolve into a
16 first-come, first-served voucher project like HVIP in
17 future years.

18 --o0o--

19 AIR POLLUTION SPECIALIST PANSON: Now on to our
20 final project category, continued funding for the truck
21 loan assistance program to help small business truckers
22 secure financing for newer trucks or diesel exhaust
23 retrofits in advance of compliance deadlines for ARB's
24 truck and bus regulation.

25 Since 2009, \$60 million in ARB funding has

1 leveraged 450 million in private financing for over 7,000
2 cleaner trucks and retrofits. This program reaches the
3 California fleets most in need of economic assistance.
4 Nearly 80 percent of the loans have gone to single truck
5 owners. Participation has increased in recent years and
6 the proposed \$15 million allocation is needed to meet our
7 expected demand over the upcoming year.

8 We'll also work with the California Pollution
9 Control Financing Authority on potential refinements to
10 ensure longer term sustainability in light of this growing
11 demand.

12 --o0o--

13 AIR POLLUTION SPECIALIST PANSON: I'd like to
14 wrap up the heavy-duty category by noting that the funding
15 plan includes elements to address the requirements of SB
16 1204 for the nearly \$150 million in funds allocated
17 pursuant to this law.

18 In the plan, we refine the criteria for
19 evaluating heavy-duty projects, and describe how our
20 program design meets specific goals included in SB 1204.

21 The projects proposed for funding, notably HVIP,
22 zero emission truck commercial pilots, and low NOx truck
23 incentives satisfy the requirement that at least 20
24 percent of the truck funding be spent on commercial
25 deployment of existing technologies.

1 --o0o--

2 AIR POLLUTION SPECIALIST PANSON: We're proposing
3 one small revision to the funding plan that we released
4 last month. We had included a \$1 million AQIP reserve,
5 not allocated to any project, in order to address revenue
6 uncertainty as we've done in the past several plans.

7 Since then, we've taken a closer look at our
8 revenues and we believe we'll be okay holding back only
9 500,000, because of the reserve we've built up over the
10 current budget cycle.

11 We would like to reallocate the remaining 500,000
12 from the reserve to fund a new mobile source agricultural
13 equipment trade up program pilot for the San Joaquin
14 Valley. This innovative new project is designed to help
15 small farmers with uncontrolled tractors and other
16 equipment trade up to cleaner used equipment.

17 This is a concept that the San Joaquin Valley Air
18 District has been developing, and we believe that the time
19 is right to pilot it. If successful, we hope to expand it
20 beyond the pilot phase.

21 --o0o--

22 AIR POLLUTION SPECIALIST PANSON: One final issue
23 to note is that the legislature has deferred action on the
24 administration's full cap-and-trade expenditure plan until
25 later this summer. So the low carbon transportation

1 funding was not part of the State budget passed last week.

2 Today's proposal remains contingent upon final
3 budget approval. We may experience some implementation
4 delays depending on when this funding is approved.

5 Notably, we expect the remaining CVRP funding to run out
6 around the end of August. If the auction proceeds budget
7 is not approved by then, we would need to start a waiting
8 list.

9 --o0o--

10 AIR POLLUTION SPECIALIST PANSON: In closing,
11 this year's plan builds on our previous investments to
12 reduce greenhouse gas, criteria Pollutant, and toxics
13 emissions by advancing the cleanest available
14 technologies. These projects will bring emission
15 reductions to disadvantaged communities that need them the
16 most, and the plan also includes refinements to address
17 new ledge station.

18 We recommend that the Board approve the proposed
19 funding plan with the minor revision to add the
20 agricultural equipment trade up pilot.

21 This concludes my presentation. And, at this
22 time, I'd like to invite Jim KcKinney, Manager of the
23 Alternative and Renewable Fuels and Vehicle Technology
24 Program at the California Energy Commission to say a few
25 words.

1 Jim.

2 MR. MCKINNEY: Thank you, Andy.

3 Good morning, Chair Nichols and members of the
4 Board. Again, my name is Jim KcKinney representing the
5 California Energy Commission.

6 Since 2008, the Energy Commission and the Air
7 Resources Board have worked closely together to coordinate
8 the sister-incentive programs established for ZEV and
9 near-zero emission vehicles technologies that were created
10 by AB 118 and then reauthorized by AB 8.

11 The Air Resources Board is a permanent member of
12 our ARFVTP advisory committee, and Dr. Ayala currently
13 fills that role. And we participate regularly in the
14 public workshops and Board hearings for AQIP.

15 This strong working relationship helps ensure an
16 efficient and coordinated use of the public monies
17 entrusted to both of our agencies for the development and
18 promotion of the zero emission and low carbon technologies
19 needed to achieve California's air quality and carbon
20 reduction goals.

21 I think Andy Panson mentioned some of the
22 cooperative ways that our programs complement one another.
23 So today, we're at about \$584 million in ARFVTP program
24 investments. And these complement each other with ARB
25 programs in a couple of ways.

1 For light-duty electric vehicles, we've invested
2 \$38 million for over 7,000 chargers. So you need one to
3 do the other. Especially, with hydrogen fuel cell
4 electric vehicles, we've invested over \$90 million for 49
5 new and upgraded hydrogen fueling stations throughout
6 California. And in the medium-duty/heavy-duty truck
7 sector, we've invested over \$100 million in advanced
8 technology development. And several of the companies we
9 made initial awards to have kind of graduated to HVIP and
10 now have commercial vehicle platforms ready for offer.

11 In general, the Energy Commission applauds ARB
12 staff on producing another high caliber funding plan for
13 the fiscal year 15-16 AQIP and GGRF funds. The plan
14 introduces new innovative policy measure and responds to
15 legislative direction in several key areas.

16 It is clear and well written and includes
17 important summary information on CVRP and HVIP voucher
18 rebates. We think the plan makes good strategic use of
19 the AQIP and GGRF funding, and will help advance the
20 State's progress in meeting our air quality, carbon
21 reduction, and ZEV vehicle deployment goals.

22 In particular, we'd like to highlight the
23 increased rebate levels for low and moderate income
24 consumers. We support this new funding approach, and it
25 fits with our understanding of the way this demographic

1 purchases and uses vehicles.

2 We'd also like to highlight our support for the
3 increased funding for zero emission trucks and buses,
4 development of zero and near-zero emission truck
5 technologies that will be put into service by California's
6 large freight and trucking fleets as a critical element of
7 the sustainable freight strategy, and other efforts to
8 reduce criteria and carbon emissions from the trucking
9 sector

10 This substantial new GGRF funds that ARB is
11 allocating should accelerate the pace of technology
12 development and build on the initial technology
13 development work that I mentioned with ARFVTP investments.

14 In closing, we look forward to seeing the results
15 in the investments made possible by the substantial
16 increase in GGRF monies allocated to the Air Resources
17 Board, and we look forward to our continuing collaborative
18 relationship and shared efforts to develop and deploy the
19 technologies needed to achieve California's vision for a
20 low carbon transportation future.

21 Thank you.

22 CHAIRPERSON NICHOLS: Thank you very much. Does
23 that conclude the staff presentation then?

24 EXECUTIVE OFFICER COREY: Yes.

25 CHAIRPERSON NICHOLS: Okay. Obviously, this is a

1 complicated proposal covering a lot of different items. I
2 do think the staff has done a good job of building on what
3 they've learned in each successive year to target the
4 funds more effectively towards the areas where we have a
5 high likelihood of success.

6 I don't want to presume to speak for all my
7 fellow Board members on this one, but I think that we
8 could do a better job of communicating exactly how these
9 programs are going to be made available. And I'm hoping
10 that as soon as we get the budget done, that we'll be able
11 to come up with some addition to our website in the form
12 of a chart or a graphic that we could use. I find when
13 I'm called, and I am from time to time and I suspect
14 others of you are as well, either by constituents or by
15 legislators or others who want to know about funding
16 availability for different kinds of projects, it's
17 always -- you always have to go back to a small number of
18 people and say what about this, what about that. And then
19 it turns out that there are -- you know, there may be some
20 pot of money there that you didn't realize was applicable
21 to this particular program area.

22 But overall, I think it's pretty clear that we
23 are not only leveraging a lot of funds from other sources,
24 but actually seeing a tremendous amount of innovation
25 going on in the field of ultra low emission vehicle

1 technology as a result of having these funds to spend.

2 And it's exciting to see them now being
3 increasingly deployed in some of the areas of the State
4 that are most in need of the emissions reductions. So I
5 think the overall message here of the proposal is one of
6 putting our stake in the ground that we can do better,
7 that we can use these funds in ways that are really going
8 to move the needle, and maintain California's ability to
9 achieve some of the very tough targets that we've set for
10 ourselves.

11 But at the same time, I think we do have to be
12 aware of the fact that we're dealing with multiple
13 different groups here when we talk about how we put these
14 funds out. And I'm saying this I think as much for the
15 benefit of the people who are in the audience, as well as
16 that we appreciate the fact that each of you may be
17 speaking to some different piece of this big puzzle here,
18 but they all do have a -- they all do have a role.

19 I see Supervisor Roberts and Supervisor Gioia
20 both eager to say something right now, so why don't we
21 start there and then we'll call for our public comment.

22 BOARD MEMBER ROBERTS: Yeah, I just -- you know,
23 by the luck of the draw, there's going to be a
24 presentation you're going to see this afternoon that I
25 wish would have come before this one. And it's a, what I

1 think, is going to be a very innovative public
2 transportation system with far less greenhouse gas
3 emissions than anything that I know that we're doing.

4 And I'm not sure how I could fit it into the
5 existing definitions here. So if we get into that, but we
6 finished the engineering studies for it.

7 CHAIRPERSON NICHOLS: Okay. We'll --

8 BOARD MEMBER ROBERTS: San Diego, the SANDAG has
9 finished engineering studies for an aerial gondola that
10 is -- I will compare it to any electric bus system or
11 anything else out there in terms of the impacts, and at an
12 operating expense at a fraction, but it's -- you know,
13 it's getting these things.

14 I'm looking at how we get really innovative, and
15 yet we've kind of -- we shoo all these things in a way,
16 and we come up with definitions like I complained about on
17 the last item that sometimes are so -- they're like a
18 straightjacket and they give us exactly what we know and
19 don't give us sort of the ability to innovate beyond very
20 narrow guidelines. So I'm going to -- I'll talk more
21 about this later.

22 CHAIRPERSON NICHOLS: Great.

23 BOARD MEMBER ROBERTS: I'd like to see a way that
24 we can take systems that are -- that are there, that I
25 think we're going to see, but that are going to need some

1 help. And I think we're going to see them. The potential
2 is there for these things to be replicated in a whole lot
3 of areas throughout California.

4 CHAIRPERSON NICHOLS: Thank you.

5 Mr. Gioia.

6 BOARD MEMBER GIOIA: Thanks Chair, Nichols. I
7 know our comments are going to come after the speakers. I
8 just had a question of staff maybe to clarify, which may
9 be helpful for the speakers as well.

10 So the aggregate goal of expenditures for
11 disadvantaged communities was 10 percent in the community
12 and 50 percent to benefit. So the first simple question,
13 presumably that's 60 percent? The 10 is not inclusive --
14 50 is not inclusive of the 10, so it's 60 percent?

15 AIR POLLUTION SPECIALIST PANSON: Actually, the
16 10 is included in the 50, so it's --

17 BOARD MEMBER GIOIA: It is. Okay. So it's 10
18 percent in and then 40 percent on -- this is the minimum
19 40 percent to benefit, so that's where you come up with
20 the 50?

21 AIR POLLUTION SPECIALIST PANSON: Yes.

22 BOARD MEMBER GIOIA: The 50 is benefit or in the
23 community?

24 AIR POLLUTION SPECIALIST PANSON: Yes.

25 BOARD MEMBER GIOIA: So the larger question is

1 it's an aggregate goal, and you've got the breakdown of
2 light-duty vehicles and heavy-duty vehicles. So in
3 thinking this through, is there a goal in each of those
4 categories? I think we may hear about that, because --
5 and there's some complication in thinking about that.

6 AIR POLLUTION SPECIALIST PANSON: Yes. There is
7 a goal within each, and I -- I highlighted it verbally in
8 a few cases in my presentation and I probably should have
9 had a table in the presentation that laid that out.

10 BOARD MEMBER GIOIA: The issue that complicates
11 it that I want you to explain is that so the in the -- and
12 in the rebate program it goes to eligible -- it's income
13 eligible. So you could be a low income resident in a
14 disadvantaged community or you could be a low income
15 resident outside the disadvantaged community, right?

16 AIR POLLUTION SPECIALIST PANSON: (Nods head.)

17 BOARD MEMBER GIOIA: So how are you going to
18 calculate in looking at those goals?

19 AIR POLLUTION SPECIALIST PANSON: Right. Well,
20 in -- and for the CVRP, how we determine whether you're in
21 or benefit a disadvantage community is actually based on
22 where the vehicle is registered.

23 BOARD MEMBER GIOIA: Right.

24 AIR POLLUTION SPECIALIST PANSON: And so when we
25 gave a rebate, we know where the vehicle is registered.

1 And if it's in -- registered within one of the census
2 tracts that was identified as a disadvantaged community
3 that counts as being in a disadvantaged community. And if
4 it's in the guidelines that we're -- the SB 535 guidelines
5 that were adopted last year, we -- the Board created
6 definitions of what it means to benefit a disadvantaged
7 community. And for CVRP, it means that the car is -- the
8 owner is -- the vehicle is registered in one of the zip
9 codes that contains a disadvantaged community. So
10 that's -- we --

11 BOARD MEMBER GIOIA: Right. So if you're a low
12 income -- if you qualify for the larger rebate and you
13 don't live in the disadvantaged community, that will
14 not -- that amount is not calculated into the
15 disadvantaged community.

16 AIR POLLUTION SPECIALIST PANSON: Yes, correct.

17 BOARD MEMBER GIOIA: Got it. Got it. Only if
18 it's -- if the car is registered or located in the
19 disadvantaged community.

20 AIR POLLUTION SPECIALIST PANSON: Yes.

21 BOARD MEMBER GIOIA: And can you make clear on
22 the different goals? I was a little unclear. Just to
23 summarize -- I mean, the -- in addition to the 50 and 10
24 by other category.

25 AIR POLLUTION SPECIALIST PANSON: Do you mean --

1 BOARD MEMBER GIOIA: The heavy-duty and the
2 light-duty broken out.

3 AIR POLLUTION SPECIALIST PANSON: Okay. What we
4 actually do is we break them out by project by project.
5 And so we included a table in the funding plan, which I
6 now wish I would have included in my presentation, that
7 lays out how we're going to meet the 50 percent target on
8 a project-by-project basis. So some -- our first-come
9 first-serve projects you essentially -- you don't know
10 until after the facts.

11 BOARD MEMBER GIOIA: Right. Right.

12 AIR POLLUTION SPECIALIST PANSON: So we've
13 calculated -- we've set very conservative targets based on
14 our -- we have historical data on what we've done in the
15 past, so we're -- we've set a target for CVRP of 25
16 percent and HVIP of 50 percent. And then the projects
17 that we award on -- via solicitations, we have 100 percent
18 control, because you aren't eligible for funding -- you
19 can't get awarded funding if you don't meet the
20 requirements of the solicitation.

21 BOARD MEMBER GIOIA: Got it. Okay. I see it in
22 the other materials. Okay. I see it. Yes.

23 AIR POLLUTION SPECIALIST PANSON: Okay.

24 BOARD MEMBER GIOIA: Not on the slides, but in
25 the other resolution materials.

1 CHAIRPERSON NICHOLS: The background materials
2 that were provided.

3 BOARD MEMBER GIOIA: Right.

4 CHAIRPERSON NICHOLS: Okay. If there are no
5 other foundational questions, let's turn to our audience
6 then. We have a number of witnesses who've signed up. I
7 have a page with 21, and I believe more are coming. If
8 you could -- if think you're going to testify, we really
9 appreciate it if you could let us know sooner rather than
10 later.

11 Our first witness is a -- has asked to present
12 Senator Mike McGuire. Are you here? Yes you are.

13 Thank you.

14 SENATOR MCGUIRE: Well, good morning. Let me
15 push it and turn that on.

16 Good morning, Madam Chair and honorable Board. I
17 just want to stay how grateful I am to be here today. And
18 I'd like to talk specifically on the rural school bus item
19 within Item 5. And I want to start out by thanking the
20 Chair and the Board and your amazing staff for the work on
21 this proposal. We've been grateful to work with you to
22 invest in rural California and provide rural school
23 districts the tools they need to improve air quality,
24 health outcomes, and provide the safest and most modern
25 transportation possible.

1 You should have received a letter signed by 18
2 legislators, a bipartisan coalition showing strong support
3 for the \$5 million allocation, which would help rural
4 school districts reduce their carbon footprint and take
5 dirty burning buses off of the road.

6 According to the U.S. Environmental Protection
7 Agency more than half of today's school buses have been in
8 service for over a decade. And unlike many states,
9 California does not require districts to remove buses from
10 service after a defined number of years. As a result, the
11 State has some of the oldest and least fuel efficient
12 fleets in the nation. Consequently, health risks for
13 students, especially younger kids, increase significantly
14 because their respiratory systems are still developing.

15 Students from rural areas are disproportionately
16 impacted, because they have longer commutes and limited
17 school transportation alternatives.

18 According to the LAO's office, rural school
19 districts transport a significant share of total student
20 population as compared to our more urban larger districts.
21 This means per capita, more students are exposed to higher
22 forms of pollutants than these same districts that have
23 higher proportions of students from the low income
24 families.

25 Moreover as your previous staff reports have

1 pointed out, bus related exposures to exhaust fumes were
2 due to the time spent commuting on the school bus and not
3 time spent at bus stops or loading and unloading, and
4 exposure to exhaust fumes are known to cause asthma, as we
5 all know. One school bus can transport 70 plus students.
6 This means that providing funding for new clean buses will
7 take an estimated 50 cars off the road, which will reduce
8 traffic congestion, emissions, and greenhouse gases. This
9 proposal makes a modest but absolutely necessary
10 investment that will have a significant impact in the
11 State's air quality and the health of thousands of
12 Californians kids.

13 I respectfully ask for your support on behalf of
14 the bipartisan coalition. And again, I just want to say
15 thank you, Chairwoman, along with the entire Board, for
16 your leadership and partnership on this important issue.
17 Thank you so much.

18 CHAIRPERSON NICHOLS: Thank you. Thanks for
19 coming over and presenting your comments in person. We
20 really appreciate it.

21 Our next witness, Barry Wallerstein.

22 Have we posted -- usually, we have these -- oh,
23 they're behind. I see. Okay. Thank you.

24 (Laughter.)

25 DR. WALLERSTEIN: Good morning, Madam Chair and

1 members of the Board. I'm here to encourage you to
2 approve the staff recommendation, but that's not my
3 primary purpose this morning.

4 My primary purpose this morning is with an eye
5 towards the future. \$350 million dollars is a lot of
6 money by any measure. But when one puts it in the context
7 of \$2.3 billion in auction revenues, less than 16 percent
8 of the money that you're collecting is coming back to this
9 agency to clean up climate change pollutants and to
10 achieve those other transformational benefits that the
11 Chair referred to for criteria pollutants and air toxics.

12 We're working closely with your staff on
13 preparation of the 2016 SIP amendment. My board has
14 directed me to blowup the black box reductions that have
15 historically been contained in the clean air plan that
16 looks to future technologies and how some time in the
17 future we'll get the necessary reductions to protect
18 public health.

19 My purpose this morning is to reach out to your
20 Board and your staff in partnership and, say, I think we
21 need to do a better job of educating the legislature and
22 Frankly the Governor's office on the air quality needs
23 both climate and criteria and toxic pollutants, so that a
24 better share of the money comes back to this Board to be
25 used to transform our mobile source fleets, and allow us a

1 chance at meeting national clean air standards by
2 prescribed deadlines.

3 And so it is with that that I recommend approval
4 of the item, but ask that somewhere in the direction to
5 staff we get together, not just our air district and CARB,
6 but the air districts across the state, the public health
7 advocates, and also the business community since it's
8 a -- it's a zero sum game in reaching clean air standards.
9 If you don't get the reductions one place, you've got to
10 get it some place else.

11 And so I think there's a good opportunity that
12 the business community, those that are actually paying
13 these auction revenues, would like to see the revenues
14 also get those co-benefits, because otherwise we're going
15 to be right back to them with more stringent stationary
16 source regulations to try and start to make up some of the
17 difference.

18 So we would like to work with you to get you more
19 money, so that you can help us, and so that we can
20 together help the breathing public.

21 Thank you.

22 CHAIRPERSON NICHOLS: Thank you very much.
23 Appreciate that.

24 Larry Greene.

25 MR. GREENE: Chairman Nichols and Board, I'm

1 Larry Greene with Air Pollution Control Officer of the
2 Sacramento Metropolitan Air Quality Management District.

3 First, I can certainly support my colleague there
4 in his comments. We will be doing a SIP next year just
5 like they will. We're not in as dire attainment straits
6 as they are, but we are a severe area, and we will have a
7 long road to -- on the ozone front.

8 I wanted to, first of all, thank the staff for
9 their very hard work and long hours that they put in over
10 the last months in putting proposals and programs
11 together. And we've been with them in the workshops, in
12 the work groups. And my staff has put a lot of time in
13 too it.

14 We will be putting some quality projects forward
15 on car share, on zero emission buses, and some other
16 programs. And we're considering the EFMP plus up if we
17 can figure out a way to deal with the admin piece of that,
18 because ramping that up from scratch without a lot of
19 admin money is very difficult for a smaller large
20 district, if you could call us that.

21 I wanted to make one other general comment. As
22 the person who was the chair of the CAPCOA board when we
23 did the Moyer formula, I'm certainly glad to have that in
24 my -- in the back -- in the past as something that I
25 worked on. It was really important to have equitable

1 distribution of funds across the State.

2 And I think that that has panned out. It didn't
3 compromise programs because your staff working with ours
4 has made sure that Moyer 923 programs have been very
5 robust and we've had great projects. But what happened
6 was that when we went forward with AB 8 and now 513, we
7 had widespread bipartisan support in the legislature for
8 those programs.

9 And the reason was we had distribution of the
10 funding across the State. I just wanted to make a general
11 comment that the Board and staff keep that in mind as you
12 move forward and as you see the program's play out. Not a
13 specific program, because we understand that programs are
14 going to vary year to year in how they're allocated, but
15 as you look at the distribution of the cap-and-trade
16 funding across the state over time, that's a really
17 important issue that we need to keep in mind, because as
18 we come back to the legislature each year, all of those
19 legislators are going to see how this is playing out in
20 their districts across the state.

21 And we want to maintain support, because as Barry
22 said, we need this funding. We need it across many years
23 for not only greenhouse gases, but for the criteria
24 pollutant benefits that we're going to get in our SIP
25 to -- just like the other districts.

1 So just a general comment and a request there.
2 Thank you very much.

3 CHAIRPERSON NICHOLS: Thank you. That's good
4 advice.

5 Ms. Cory.

6 MS. CORY: Good morning, Chairwoman Nichols and
7 members. Cynthia Cory, California Farm Bureau. I just
8 want to briefly thank the staff for recognizing the need
9 and the importance of the San Joaquin tractor trade-up
10 program, which is what we call it. I know my colleagues
11 in the San Joaquin and the staff have worked a long time
12 thinking about this. They've thought about it for the
13 truck rule. I mean, many of you have worked with us, you
14 know, on that concept. But this will allow -- we're
15 probably the tiniest slice of this -- of all this money,
16 but it's an important slice.

17 This will allow small growers who can't compete
18 with the folks who are using their equipment more, but
19 are -- you know, they have basically tier zero
20 uncontrolled tractors, and they only use them to maybe
21 plant and harvest and they sit the rest of the year, to
22 get maybe a Tier 2 program as the folks that are -- use
23 their equipment much more will get the brand new
24 equipment. So that will pass down, and then they'll have
25 a Tier 2 controlled engine.

1 So it's a small, small improvement, but as we
2 know, as we continue to ratchet up dramatically, our
3 greenhouse gas goals, our fuel use goals are reduced, our
4 criteria pollutant standards are reduced, every single
5 allowance is going to be important. So we want you to
6 know how much we appreciate this and ask for your support.

7 Thank you.

8 CHAIRPERSON NICHOLS: Thank you.

9 MS. WARD-WALLER: Good morning, Chair and
10 members. My name is Jeanie Ward-Waller. I'm the policy
11 director the California Bicycle Coalition. And I'm here
12 to ask you to consider adding a pilot program to the clean
13 vehicle rebate portfolio for bicycles. Bicycles clearly
14 follow into -- fall into the zero emission vehicle
15 category. That State has multiple goals for multiple
16 benefits to increase bicycling. And Caltrans has actually
17 set the target of tripling bicycling by 2020. These
18 vehicles already make up one and a half percent roughly of
19 all trips in the State. And we -- you know, for health
20 benefits, for clean air, for multiple other community
21 benefits, we want to continue to increase that mode share.

22 You have an item later in your agenda about the
23 health benefits of physical activity. So this request
24 clearly falls in line with that item and objective.

25 There's emerging technology and a growing market

1 around electric bicycles. These are more flexible, have
2 greater range, provide options for folks who may have
3 limited abilities in riding a traditional bicycle, and
4 also cargo bikes, unfolding bikes are continuing to be
5 developed that also provide more flexibility and also
6 allow folks to use those for trips that directly replace
7 vehicle trips. Those utilitarian trips, not recreational
8 trips, but trips that replace vehicles.

9 The only other point I want to make is that
10 bicycles -- increasing bicycles on the road increases
11 safety for both bicycles and pedestrians and the awareness
12 that these vehicles are on the road. So that also
13 achieves the goal of the State to increase safety of our
14 transportation system. So I ask that you consider this
15 idea for a pilot program and look forward to working with
16 you.

17 Thank you.

18 CHAIRPERSON NICHOLS: Thank you.

19 MR. PUZEY: Good morning, Chairman Nichols and
20 respective members of the Board. I'm Dave Puzey on behalf
21 of NRDC.

22 I want to start off by commending the staff for
23 developing a funding plan with sufficient resources to
24 ensure that the State remains on the path to meet its air
25 quality and climate goals. And in addition to offering

1 agreement with the comments you're going to hear from my
2 colleagues in the Charge Ahead coalition, I will focus my
3 brief remarks on two points.

4 First, we support the staff proposal not to
5 reduce CVRP rebates prematurely, as doing so would
6 undermine SB 1275's goal of creating a self-sustaining
7 market for electric vehicles. We look forward to working with
8 ARB staff to develop the long-term plan SB 1257 requires
9 to evaluate when rebates should be phased down as the EV
10 market matures.

11 The second point I wanted to make is to explain
12 our reasoning for our opposition to exempting fuel cell
13 vehicles from the income eligibility requirements of 1275.
14 We're concerned that the proposed exemption may not be
15 legally permissible. And in any event, it certainly
16 violates the intent of 1275 to direct incentive dollars
17 only to those who are influenced by them. We do
18 understand that this exemption is intended to help fuel
19 cell vehicles in the same way that electric vehicles were
20 when the CVR program began. However, the legal framework
21 is different today.

22 When the CVR program began, there was no
23 statutory requirement to limit participation based on
24 income, but there is now. We also simply don't think it
25 makes sense to provide rebates that we know have little or

1 no impact upon purchase decisions, especially when those
2 funds could be used for supporting more rebates for those
3 who really are influenced by them.

4 With the modifications that I've described and
5 those that will be described my colleagues, we would then
6 recommend that the Board adopt the proposed funding plan.

7 Thank you.

8 CHAIRPERSON NICHOLS: Thank you.

9 MR. LEVIN: Chairwoman Nichols and members of the
10 Board Jamie Levin with the Center for Transportation and
11 the Environment.

12 As someone who is responsible for building five
13 hydro -- fleet hydrogen stations delivering over 200
14 kilograms of fuel, two generations of fuel cell transit
15 businesses, the latest one carrying over four million
16 passengers with over a million miles of service, most of
17 those passengers from disadvantage communities, building
18 stationary fuel cells powered with biomethane, and also
19 solar generation systems for demonstrating renewable
20 hydrogen, I want to really commend your staff and this
21 Board for wonderful visionary thinking and for these
22 initiatives that are proposed in this plan and this
23 resolution. I cannot tell you how pleased and excited I
24 am as I watch this technology grow.

25 But more specifically, on June 19th, we submitted

1 a letter to Chairwoman Nichols identifying the fact that
2 our organization is working with Tier 1 major truck and
3 bus manufacturers and infrastructure suppliers to move not
4 just fuel cell electric technology, but battery electric
5 technology to commercialization.

6 And in that regard, it takes more than the
7 three-year appropriation limit to expend these funds to
8 build these programs out. And so I encourage the Board to
9 work with your staff on an administrative level and to
10 work with the legislature to sustain multi-year funding
11 for these efforts.

12 We are moving on the course of making this zero
13 emission technology viable in our communities. And what
14 you're doing here, what your staff is doing is a world
15 standard. And so I just encourage you to keep in mind
16 this multi-year funding concept working with the
17 legislature to enable us to sustain this momentum.

18 Thank you very much for your time.

19 CHAIRPERSON NICHOLS: Thank you. I would mention
20 that we are working on a new funding plan for the GGRF
21 funds, which is a three-year plan. Although, it doesn't
22 bind the legislature. We still have to go through an
23 annual budget process, but I think we've found that was
24 quite useful and influential. So we will be doing another
25 one and submitting it to the legislature and hoping to get

1 approval on a longer range basis for these ideas that
2 you're talking about. Thanks.

3 MS. TUTT: Hello. Because Jamie Hall and I are
4 so often confused, we decided to just switch it up a
5 little bit here, and also avoid having to Jamies in row.
6 My name is Eileen Tutt. I'm with the California Electric
7 Transportation Coalition, but today I'm here representing
8 a much broader coalition of industry folks -- if you want
9 to just stand up and sit down real quick -- industry,
10 including automakers, utilities, truck and bus folks,
11 consumer groups, as well as the charging infrastructure
12 folks.

13 So we're a very, very large and diverse
14 coalition, and we support entirely the staff's proposal
15 before you today. We also really appreciate the amount of
16 time that staff spent with us, because it is challenging,
17 oddly enough, to give away this much money. And I agree
18 with Barry Wallerstein that we're going to need a lot more
19 in the future, so we'll continue to work together as a
20 coalition.

21 I do want to say -- I want to recognize
22 particularly the staff in developing the income cap
23 proposal, because we were very concerned that it would
24 complicate the program, that it would limit -- that it
25 would decelerate the market. And I think the proposal

1 that the staff came up with is probably the best you could
2 have done. It still will probably decelerate the market
3 on some level, but we do think -- we do support the
4 staff's proposal, and we would avoid any reduction and
5 that income cap amount, particularly reducing in order to
6 fund another program. We think that's sort of a bad
7 precedent to set. We'd prefer to go after more money for
8 you all, and make sure you get what you need to fund these
9 important programs.

10 I also want to recognize the uncertainty that
11 we're facing now with the actions by the legislature not
12 to appropriate this money. And we're going to continue to
13 make sure that you get the funding that hopefully you'll
14 approve today, but it is unfortunate that we are here now.
15 We thought we'd be in a different place.

16 So thank you so much.

17 CHAIRPERSON NICHOLS: Okay. Thanks.

18 Another Jamie.

19 MR. HALL: Good morning, Chair Nichols and
20 members of the Board. I'm Jamie Hall for CALSTART, here
21 today to support the plan. We really had a great time
22 working with staff on this. We were part of the broader
23 low carbon transportation coalition that Eileen mentioned,
24 so I agree with all the comments that she made, and we
25 also work closely Charge Ahead. You'll hear shortly from

1 Sekita Grant and others in that location.

2 Across the Board on light-duty, we support what
3 staff is putting forward. The amount for CVRP, the
4 program modifications we think are very reasonable, and
5 the increased funding for equity programs and also the
6 specific areas there.

7 I want to very briefly touch on a few things on
8 medium- and heavy-duty in particular as this is where we
9 at CALSTART spend a lot of time. We like the expanded
10 focus of the HVIP program and the inclusion of
11 after-market technologies. I think this is really
12 important to move the technology forward and build the
13 market. We also appreciate the broader focus in the
14 technology demonstrations. You know looking at things
15 like connected vehicles, intelligent transportation
16 systems, and advanced vehicle engines and drivetrains that
17 can run on biofuels, natural gas, renewable natural gas,
18 all these things are going to be very important in meeting
19 our long-term goals.

20 It's nice to see a broader focus that goes beyond
21 electrification and includes this and it's very much in
22 line with the research that we've done in this area.

23 Finally, we're really happy to see the strong
24 commitment to zero emission truck and bus technologies.
25 We especially see an awful lot of opportunity in the zero

1 emission bus sector. I think not everyone appreciates
2 just how excited transit agencies are getting about this.
3 I think we're nearing a tipping point here. A lot of
4 these buses are increasingly being made here in
5 California, so this is the kind of win-win that we really
6 like to see out of this program. And I think we'll see
7 some great things with this next solicitation.

8 So overall, this is a very well thought out plan.
9 These are the exact sorts of things that the State should
10 be doing with GGRF funds, and I will definitely echo Barry
11 Wallerstein's comments about the need for more funding in
12 this sector.

13 Thank you and thank you to staff.

14 CHAIRPERSON NICHOLS: Great.

15 MS. GRANT: Good morning. My name is Sekita
16 Grant with the a Greenlining Institute and representing
17 Charge Ahead in my comments today. Thank you Chairman
18 Nichols and to the Board for the opportunity to provide
19 comments.

20 We'd like to first and foremost commend staff for
21 the work that they've put into this plan. As Eileen and
22 others said, this is no easy task and we do appreciate the
23 amount of work that you guys have been putting into it.

24 I'm not going to -- we submitted comments in
25 writing, so I'm not going to reiterate those, but instead

1 provide some highlights for the Board today.

2 Specifically, we'd like to commend staff for the
3 increased commitment around equity. In particular, the
4 expansion of the EFMP plus up program, as well as the
5 increased LMI rebates. We think these are critically
6 important to reaching low and moderate income communities
7 and communities of color.

8 On the issue of the low and moderate income
9 rebates -- the supplemental rebates, we do want to mention
10 and reiterate the importance of pre-qualification and
11 point of sale. And that we ask that staff and the Air
12 Resources Board make this a priority in order to find
13 solutions to accelerate the accessibility of these rebates
14 in the low and moderate income consumer base.

15 On the issue of the in cap -- income cap, we urge
16 staff to continue -- to abandon using Prop 30 as the
17 method and the precedence for the income cap, and instead
18 focus on data available and also collecting additional
19 data, and really focus on the SB 1275 priorities in
20 setting an income cap for this program.

21 I'll end with a couple more points. The first is
22 around community outreach. This is a really critical
23 issue for reaching low and moderate income communities and
24 communities of color. We commend staff for noting in
25 their funding plan and calling this out as a priority.

1 We are a bit concerned about staff's comments
2 that the status goes has been sufficient. We think that a
3 lot more needs to be done. Having education materials in
4 Spanish and other language is an excellent start, but we
5 really need to do more.

6 This is important for the roll-out of electric
7 vehicles in the low and moderate income communities and
8 communities of color, and is really critical to the
9 success of these programs.

10 Finally, and in our comments, we encourage the
11 Air Resources Board to establish targets, deadlines,
12 metrics, and to really assess the progress of these
13 programs in low and moderate income communities. We think
14 this is important for several reasons: To ensure
15 progress, accountability, and also to allow some
16 flexibility in these programs. We understand that we're
17 all embarking on new territory, so having a program that
18 allows us to make adjustments as we move forward to make
19 sure we're using State funds as effectively and
20 efficiently as possible.

21 And lastly to say that -- to have these -- to
22 have the metrics and targets in place makes it easier for
23 the Air Resources Board to tell the legislature to tell
24 the federal government to tell the Pope to tell whoever
25 that California is successful in aggressively reaching

1 climate goals and providing benefits to disadvantaged
2 communities.

3 Thank you for your time.

4 CHAIRPERSON NICHOLS: Thank you.

5 Bonnie is next.

6 MS. HOLMES-GEN: Chairman Nichols and members,
7 Bonnie Holmes-Gen with the American Lung Association in
8 California. And I wanted to point out this is important
9 timing for your consideration of the AQIP and GGRF
10 investment allocations.

11 The American Lung Association and public health
12 organizations in California and around the world have
13 rallied this week around a series of announcements that
14 you're well aware on climate change and health. Surgeon
15 General Murthy called for strong actions to protect the
16 climate, and talked about the climate change threatening
17 to worsen disparities in health, and how unacceptable that
18 is. We've had the Pope's encyclical on the environment,
19 the British Medical Journal, the Lancet, this week stated
20 that cutting fossil fuels and slowing climate change could
21 be the greatest global health opportunity of the 21st
22 century. And, of course, the U.S. EPA came out with a
23 very important report, tens of thousands of lives could be
24 saved and billions of health costs can be avoided through
25 climate actions that protect the air from harmful fossil

1 fuel pollution.

2 All of this just brings again a very tight focus
3 on the connection between health and climate. And the
4 work that you're doing today approving these important
5 incentive fundings is key to California's efforts. We've
6 been a long-time supporter of this program, and we support
7 the allocations that are before you today, especially the
8 increased focus on getting funding into disadvantaged
9 communities, the programs in rural communities for
10 investment in vanpool, and cleaner tractor trade-up
11 options are very helpful.

12 We support the increased funding for light-duty
13 pilot projects in disadvantaged communities and look
14 forward to seeing those projects getting experience on the
15 ground, so we can continue to improve and expand them. We
16 support the increase in the CVRP rebates for low and
17 moderate income communities. All of these are very
18 helpful strengthening components, and we appreciate the
19 work of the staff over the months that this proposal has
20 evolved and has come together into a very good package,
21 and we appreciate that.

22 Going forward, we would like to see a couple of
23 strengthening additions. We think that it would be
24 important to increase the percentage of funding in the
25 zero emission truck and bus pilot deployment categories

1 that increase the percentage of funding for disadvantaged
2 communities from 50 percent up to 75 percent. We think
3 there's a need to continue to get those emission
4 reductions in those communities that need it the most,
5 especially from the heavy-duty equipment.

6 And we would love to see additional focus on
7 active transportation. It is something we've talked about
8 so much over the years with the SB 375 project. Anything
9 we could do to help promote bicycling and active
10 transportation as another option would be fabulous.

11 We support the focus on zero emission
12 technologies in this program, and always want to mention
13 how important this is to address both our near-term air
14 quality and health problems and to build sustainable
15 solutions over the long term.

16 Thank you very much. And as we go forward, don't
17 forget the communication and outreach, simple messages for
18 the public is going to be critical.

19 Thank you.

20 CHAIRPERSON NICHOLS: Thank you.

21 MR. LORD: I think I'm next. Mike Lord with
22 Toyota. Thank you for the opportunity to make a brief
23 statement. We would like to express our support for the
24 staff's proposal, in particular as it relates to the Clean
25 Vehicle Rebate Project.

1 We must consider the transition to low carbon
2 transportation as a long-term process, and incentivize
3 electrified vehicles as an important tool of State policy
4 to help develop this market.

5 In particular, Toyota supports the proposed
6 rebate amounts and how CARB proposes to implement the
7 income cap, including the exemption for fuel cells in the
8 initial years of the vehicle market roll-out.

9 Toyota will introduce our Mirai fuel cell vehicle
10 in California this year. And we're more than excited --
11 maybe I don't sound that way --

12 (Laughter.).

13 MR. LORD: -- to bring this vehicle and
14 technology to the market after more than 20 years of
15 developing. We believe fuel cell vehicles have a key role
16 to play in our zero emission future. This is a very
17 exciting time at Toyota as we work on both the vehicle and
18 the infrastructure roll-out. And appreciate the support
19 from both the Air Resources Board and the California
20 Energy Commission.

21 And just a quick comment. You know, right now,
22 there's still a lack of the federal tax credit for the
23 fuel cell. There's activity in Washington. And while we
24 support the -- we're trying to move this forward. If this
25 tax credit can't be extended, we would, maybe in the

1 future, request that additional consideration for funding
2 for fuel cells be considered in the next AQIP budget plan.

3 Thank you.

4 CHAIRPERSON NICHOLS: Thanks.

5 DR. REICHMUTH: Chairman Nichols and members of
6 the Board, my name is David Reichmuth and I'm here
7 representing the Union of Concerned Scientists.

8 First, I'd like to recognize the work of ARB
9 staff in producing a plan to support solutions for clean
10 transportation. This plan incorporates many of the
11 suggestions from a very diverse set of stakeholders. So
12 I'd like to thank them for putting in all those hours on
13 putting together a complete plan that represents
14 everyone's views in some respects.

15 We've submitted written comments largely in
16 support of the funding plan. I just want to call out a
17 few items. We agree with staff's assessment the state of
18 the ZEV market is not at a point where rebates should be
19 phased out. So we support the continuation of CVRP at the
20 current levels with the proposed income caps to improve
21 the program's effectiveness.

22 Now we do urge the Board to -- or the staff to
23 collect CVRP survey data on income filing status. The
24 current income cap is based on income filing status, but
25 the current CVRP data is aggregate household income only.

1 So better data can help refine the cap in the future years
2 and maybe lower it if the data supports that.

3 We also strongly support the addition of
4 increased rebates for lower income buyers as targeting
5 this subset of ZEV buyers should be an effective means to
6 improve program equity. Along with increased incentives,
7 we urge the Board to implement point of sale rebates for
8 lower income buyers. While we agree with staff that point
9 of sale rebates for the entire CVRP program is not
10 appropriate, allowing them for a smaller subset for the
11 low income buyers would reduce the out-of-pocket costs and
12 ensure that ZEVs are an option for the broadest range of
13 California vehicle buyers.

14 We also strongly support the investment of the
15 167 million in the freight heavy-duty and off-road sector.
16 Zero emission technologies in this sector are critical for
17 the health of our communities and to meet air quality and
18 climate goals. And because many of the impacts from these
19 heavy-duty vehicles disproportionately fall on
20 disadvantaged communities, we, along with partners in
21 public health, science, environmental, and environmental
22 justice interests, recommend that a higher fraction of the
23 ZEV truck and bus pilot commercial deployment investment
24 go to these communities. Specifically, we're recommending
25 that the benefits to disadvantaged communities be raised

1 from 50 percent to 75 percent.

2 And last, we support the proposal to use low
3 carbon fuels along with conventional vehicle technologies,
4 particularly in the low NOx diesel and natural gas area to
5 ensure that we get substantial GHG emission reductions
6 when GGRF funds are spent. And that requirement for low
7 carbon fuel use should be done based on the carbon
8 intensity of the fuel, not on the volumetric basis.

9 Thank you for the opportunity to comment on the
10 AQIP and FGRF funding plans.

11 CHAIRPERSON NICHOLS: Thank you.

12 MR. DOUGLAS: Good morning, Madam Chairman,
13 members of the Board. I'm Steve Douglas with the Alliance
14 of Automobile Manufacturers and I appreciate the
15 opportunity to be here. Like everyone else who's
16 testified, we do appreciate the staff's work on this. A
17 lot of hard work went into it. They met with all of the
18 stakeholders. They reached out and took input, and they
19 tried to balance a variety of viewpoints that were
20 sometimes conflicting and I think they did get a great
21 job.

22 Second, I'd like to thank the Board for your
23 commitment to the zero emission vehicle technology. I've
24 said this before, but California has the most
25 comprehensive and the most sustained program to support

1 zero emission vehicles. And we think that's what it's
2 going to take. And this Board has been in the leadership
3 of that. Manufacturers today offer eight plug-in hybrid
4 electric vehicles, 11 battery electric vehicles, and
5 two -- or soon enough, two fuel cell electric vehicles.

6 And those vehicles, the ZEVs in total, are about
7 a little more than three percent of the light-duty vehicle
8 market in 2014. And that's a great start, particularly
9 since zero emission vehicles were just commercially
10 introduced in volume just a few years ago. So that's a
11 great start.

12 However, we have a long, long way to go. We have
13 to sell five times that many just to meet the goals and
14 the requirements in fact in the next 10 years. So we have
15 a long way to go. It's an early market. And to get there
16 in short, we have to get as many vehicles into the hands
17 of consumers as quickly as possible. And the CVRP program
18 is an essential element in that.

19 Again, we support the staff's proposal and we
20 appreciate the commitment to this.

21 Thank you.

22 CHAIRPERSON NICHOLS: Thank you.

23 Just to let people know where we are, the list
24 that's up there goes to 21. I have a second page which
25 takes us up to 30. So we have 30, and then we'll close

1 off the hearing and have comments and discussion from the
2 Board before we act. And then we will be taking our lunch
3 break just for planning purposes.

4 Thanks.

5 DR. LOVELACE: Hi. Good morning, Madam Chair,
6 honorable Board members and staff. I'm Ed Lovelace, and
7 CTO representing XL Hybrids. So at XL Hybrids, we're very
8 appreciative of the efforts of the ARB team in developing
9 an AQIP funding plan for the coming year and agree with
10 the basic principles and structures that have been
11 proposed.

12 In particular, we enthusiastically support the
13 proposed changes to the HVIP program. XL Hybrids is
14 currently a leading fleet electrification company in the
15 U.S. operating with, as of May 2015, over 12 million fleet
16 customer miles per year driving our products across North
17 America.

18 Our core hybrid electric conversion product for
19 Class 2 to Class 6 major OEM vans and trucks provides fuel
20 and CO₂ improvements with no compromises for the fleets.

21 Going back to the HVIP program. Over the last
22 couple periods, one of the issues we observed there was
23 one company for one particular vehicle type had been
24 receiving about over 90 percent of the vouchers. And we
25 believe that the proposed changes for this coming year for

1 HVIP addresses this issue. So we're very pleased with the
2 changes.

3 We support both the structure and the proposed
4 amounts by type. And I did submit written comments in
5 more detail. But again, I wanted to thank everyone, and
6 the staff in particular, for all of the dialogue we've had
7 over the past year.

8 Thanks.

9 CHAIRPERSON NICHOLS: Thank you.

10 MR. CUNHA: Good morning, Madam Chair and Board
11 members, and distinguished Barbara Riordan. We go back a
12 long time and thank you for all the support.

13 I want to also acknowledge -- we support the
14 proposal, but I would like to acknowledge a few people.
15 Agriculture is a very easy industry to work with.

16 (Laughter.)

17 MR. CUNHA: And -- but I'm going to have to put
18 on my glasses. And it's not because of age. It has
19 nothing to do with age. It's government documents.

20 (Laughter.)

21 MR. CUNHA: Government documents.

22 (Laughter.)

23 CHAIRPERSON NICHOLS: That's something we haven't
24 been blamed for yet.

25 (Laughter.)

1 CHAIRPERSON NICHOLS: We'll have to add that to
2 the list.

3 MR. CUNHA: You know, first I want to thank
4 Richard Corey, Alberto and Erik White of that level staff
5 for working with agriculture over the past years,
6 especially in 2004 moving forward to the farm equipment
7 program.

8 Also, I want to thank Sam Gregory, Lucina -- so I
9 said it correctly. Not Lucille Ball, but Lucina.
10 Michelle Buffington. I want to thank the staff though,
11 Madam Chair, and Board for their continual outreach to the
12 agriculture industry throughout California, but especially
13 the San Joaquin Valley where we have the challenges.

14 I appreciate the staff's acknowledgement of the
15 carpool van program through Mr. Hughes in Tulare County
16 that has spread through Kings County and others. A very
17 positive, successful program for vans to transport farm
18 workers in a very safe, reliable means of transportation.

19 And today, it is more important because of our
20 farm workers having to travel a greater distance because
21 of no water in various farms. So that effort has been
22 tremendous, and we thank you for you recognizing that part
23 of it, as well as cleaner vehicles. Absolutely important.

24 The second part I want to thank you for is the
25 trade up program. The trade up truck program is still not

1 done, still moving in a positive direction. I have some
2 growers that are very excited about that program. But the
3 tractor program, on behalf of Roger Isom, the California
4 Cotton Ginners and Growers, and Mr. Will Scott, the
5 California African-American Farmers do appreciate the
6 effort that your staff is looking at this program as part
7 of what we did with the regular tractor voluntary program
8 that Mr. Tom Jordan will talk about.

9 But these efforts and these new innovative ways
10 of trade up program for those farmers, who don't put a lot
11 of hours, and we want those farmers to sustain and keep
12 farming -- it's called small farms in most cases -- that
13 this program will give us an opportunity to look at things
14 in the future.

15 But what I do like, Madam Chair, is that
16 California again is stepping out, but for agriculture
17 across the rest of the country to see that the efforts of
18 USDA NRCS funding and your funding has opened that door
19 for voluntary programs that are very positive for health
20 of everybody.

21 So I again want to thank you, Madam Chair. Ms.
22 Riordan, thank you for all the help and efforts over the
23 years and the staff again.

24 Appreciate that.

25 CHAIRPERSON NICHOLS: I hate to cutoff anybody

1 who's saying nice things about us, but --

2 (Laughter.)

3 CHAIRPERSON NICHOLS: -- I just have to do it.

4 (Laughter.)

5 CHAIRPERSON NICHOLS: All right. Mr. Chavez.

6 MR. CHAVEZ: Chairman Nichols, members of the
7 Board, my name is Nicholas Chavez. I'm here on behalf of
8 the School Transportation Coalition and the California
9 Association of School Transportation Officials. We are
10 here in support of the \$5 million school bus replacement
11 for small and disadvantaged communities grant opportunity.

12 Earlier this year, we worked with Senator McGuire
13 who authored SB 523. Senator McGuire's leadership on the
14 issues paving the way for small, disadvantaged districts
15 to replace old, dirty buses that are not only dangerous to
16 the students but the environment.

17 We applaud the work of your staff who have been
18 working collaboratively with Senator McGuire. If
19 approved, the grant opportunity would allow -- would offer
20 the most challenged school districts to join the State and
21 lead the nation to reduce greenhouse gas emissions.

22 It would allow school districts to use awarded
23 funds to replace the buses with the latest alternative
24 fuel vehicles.

25 Thank you for your work on this.

1 MR. NORRIS: Good morning, Madam Chair and the
2 Board. My name is David Norris. I am the director of
3 maintenance, operations, and transportation for Lakeport
4 Unified School District.

5 I'm here in support of the \$5 million school bus
6 replacement pilot proposal for small and disadvantage
7 communities. Lakeport is a small rural town located on
8 the west shore of Clear Lake in Lake County, approximately
9 100 miles northeast of San Francisco. The Lakeport
10 Unified School District has approximately 1,500 students,
11 and we provide transportation services to about 415.

12 Lakeport applauds the school bus replacement
13 pilot program, which will reduce emissions caused by old
14 dirty-polluting buses, so that children inside the bus and
15 the environment outside the bus are not exposed to both
16 cancer causing and smog forming pollutants.

17 As in many low income areas, California's Lake
18 County has a relatively high poverty rate. Seventy-two
19 percent of the Lakeport school students are on the free
20 and reduced meal program. For many of our students, the
21 bus is the only option for transportation to school.

22 Many of the families only have one car, and the
23 parents leave very early as they work in the agriculture,
24 and too early for the kids to get a ride with them, so
25 they wait for the buses. And so they really rely on us.

1 Transporting 70 plus students in a clean, safe
2 bus is clearly the best choice for our environment and the
3 future of our children. A key factor for making this
4 program successful is to provide full replacement funding,
5 because it is unlikely that smaller school districts, such
6 as ours, have the matching funds that used to be part of
7 the small school bus program.

8 I urge you to adopt the \$5 million school bus
9 replacement pilot proposed for small disadvantaged
10 communities. I really appreciate your efforts in this.

11 Thank you.

12 CHAIRPERSON NICHOLS: Thank you.

13 MS. EVANS-FUDEM: Madam Chair and Board members,
14 I'm Erin Evans-Fudem representing the Small School
15 Districts Association. The Small School Districts
16 Association is strongly in support of the \$5 million
17 set-aside for rural school bus replacement. SSDA
18 represents school districts with an average daily
19 attendance of less than 2,500 students. This represents
20 nearly 60 percent of school districts in this State, many
21 of which are located in rural areas.

22 Rural and small school districts operate with
23 very little budgetary wiggle room. And this investment is
24 the first of its kind in dedicating funding for low carbon
25 and low emission school buses. Without support from

1 school bus replacement programs, the disadvantaged youth
2 in small school districts are often denied access to clean
3 and health transportation.

4 The ability to purchase environmentally friendly
5 school buses by rural and small school districts will have
6 positive impacts in a variety of ways. First, rural
7 school buses generally transport students longer distances
8 keeping the bus on the road for a longer period of time
9 contributing to air pollution and exposing children to
10 exhaust fumes.

11 Replacing our older buses with newer, cleaner
12 buses would significantly lower transportation costs,
13 improve air quality, and protect the children that we
14 serve. This \$5 million set-aside is a modest investment,
15 and we urge your support.

16 Thank you. We'd like to also thank the staff,
17 the Board members, and Senator McGuire for his leadership
18 on this issue.

19 CHAIRPERSON NICHOLS: Thank you.

20 MS. EVANS-FUDEM: Finally -- excuse me. But my
21 colleague --

22 CHAIRPERSON NICHOLS: Oh, I thought you were
23 done. Sorry.

24 MS. EVANS-FUDEM: -- my colleague from the School
25 Employees Association was unable to be here today and

1 wanted me to express his support, and his organization's
2 support as well.

3 Thank you.

4 CHAIRPERSON NICHOLS: Okay.

5 MR. LITES: Good morning, Madam Chair and Board.
6 Jim Lites on behalf of the California School Boards
7 Association. We really wanted to thank the Board and the
8 staff for recognizing the opportunity in working with
9 Senator McGuire. And we also thank him for his leadership
10 on the set-aside for the rural school buses.

11 This will really help some of our members that
12 represent less populated areas of our State that
13 historically have lower emissions concentrations to really
14 achieve a significant reduction in their areas and in this
15 case will certainly benefit the school aged children for
16 hopefully lower exposure of particulates going forward.

17 We urge adoption of the proposal.

18 Thank you very much.

19 CHAIRPERSON NICHOLS: Thanks for coming.

20 Tom Jordan, hurry on down.

21 MR. JORDAN: Good morning Madam Chair, members of
22 the Board. My name is Tom Jordan with the San Joaquin
23 Valley Air Pollution Control District. As has been
24 mentioned a number of times, these programs are critical,
25 not only for greenhouse gas reductions but for regions

1 like ours that have significant air quality challenges.

2 In the San Joaquin Valley, we also have 23 of the
3 30 most disadvantaged communities in the State based on
4 the CalEnviroScreen scores.

5 So it's been great to work with your staff.
6 They've been really good on working on the pilot programs.
7 There's a number of them that we've spent a lot of hours
8 with them on. I also think we're going to learn a lot
9 over the next year or so as we implement them, and we look
10 forward to working to fine tune those programs and get
11 even more emission reductions for both cap and -- for
12 greenhouse gases and criteria pollutants.

13 Finally, I want to thank the staff and the Board
14 for the track -- considering the tractor trailer program
15 as an addition to this. The district has worked with the
16 agricultural industry on a voluntary program to replace
17 older dirty tractors in the valley. To date, over \$300
18 million has been spent to replace over 4,000 tractors.
19 And with that, we've achieved substantial greenhouse gas
20 reductions, and over 12 tons per day of criteria pollutant
21 emission reductions.

22 I've been doing this for a long time, and we
23 don't throw out numbers that size anymore. That used to
24 happen back in the early nineties, but that is a very
25 substantial reduction and a huge benefit to public health

1 in the San Joaquin Valley.

2 And so I thank you for adding the trade up
3 program. It will allow us to go a step farther and get at
4 some of the tractors we couldn't get at with the existing
5 program. So it's -- while it is a relatively small amount
6 of money, it is a really -- it is really huge and we
7 really appreciate your staff in really working with us and
8 adding this as a component of the plan. So we support the
9 plan.

10 CHAIRPERSON NICHOLS: Very good.

11 I think this is going to be a very useful tool
12 here. So glad to have your support.

13 Is Mary Pitto here?

14 If not, John Clements.

15 MR. CLEMENTS: Good afternoon, Madam Chair, Board
16 members and staff. John Clements here advocating for
17 school bus as a consultant, and also long term -- long
18 time valley resident, San Joaquin Valley resident and a
19 former director of transportation for Kings Canyon
20 Unified.

21 So I am here standing before you in support of
22 the \$5 million for the small rural disadvantaged community
23 opportunity for school bus replacement. As an electric
24 school bus consultant and known as the electric bus
25 evangelist, I'm now a spokesperson for the only two OEM

1 school buses in North America -- electric school buses in
2 North America.

3 And I want to just say that I'm in support of the
4 other alternative fuels, having been an advocate for those
5 as a school district transportation director that will
6 further reduce the emissions and operational expenses to
7 those small school districts and disadvantaged communities
8 in which they'll serve.

9 Thankful for the Governor for his GHG emission
10 goals. And I want to assure you as ARB that these smaller
11 schools are eager to participate in these programs. They
12 won't be standing alone and at risk, because there's other
13 risk takers that have come before them as these buses
14 reach commercialization.

15 And with that said, I additionally want to
16 endorse the upcoming zero emission truck and bus pilot
17 programs. I see great opportunities to go beyond proving
18 in the past demonstrations that we did and conducted with
19 your staff, and the outreach that we did, where these --
20 we have great opportunity with the new OEMs that are
21 coming, those same OEM school buses that I had here for
22 the Governor's ZEV Summit parked out front about a month
23 ago.

24 A great opportunity to further the cause for
25 clean air. And so I'm excited that we have the

1 opportunity to reach those deployments and that they'll
2 also benefit small rural communities, disadvantaged
3 communities throughout California.

4 Thanks for the opportunity to share. And thank
5 you again to the staff for the awesome job that you guys
6 do, and that they still allow me as a retiree to come back
7 and play in work group sessions.

8 (Laughter.)

9 CHAIRPERSON NICHOLS: Glad to provide an outlet
10 for you.

11 (Laughter.)

12 MR. SEAN EDGAR: Chair Nichols and Board members,
13 Sean Edgar.

14 CHAIRPERSON NICHOLS: Hi, Mr. Edgar. I'm getting
15 a little silly here, but my apologies.

16 BOARD MEMBER GIOIA: We did see his buses in
17 Richmond at an air district, so I know he's a very strong
18 advocate.

19 MR. SEAN EDGAR: Chair Nichols and Board members,
20 Sean Edgar. I'm the director of CleantFleets.net and
21 Grateful for the opportunity to be in front of you this
22 afternoon.

23 Unlike the previous speaker, I will -- I'll just
24 admit to my own old age on needing to use my own glasses
25 to -- it's nothing that the Board did, but my 15 years on

1 working on fleet issues, it's my own fault. It's not the
2 Board' fault.

3 I'll draw your attention, there are two items.
4 Really my goal today is to punctuate the need for best
5 bang for the buck meaning quality projects. So there are
6 a few focused comments that I'll offer.

7 First of all, Autocartruck submitted a letter
8 that's attached to my speaker card. And Autocartruck is
9 an important technology partner with regard to hydraulic
10 hybrid systems that are used by many of our refuse
11 collection and recycling collection companies.

12 And just a few items. And Autocar's request to
13 the Board today is just because our fleet managers rely
14 upon them to produce the severe service trucks that travel
15 in urban communities, there are a couple different items
16 that have been validated. The City Orlando recently
17 conducted a study demonstrating 48 percent less fuel
18 consumption on a diesel platform. That's something very
19 important, because that corresponds to greenhouse gas
20 reductions equivalent -- the City of Orlando deployed nine
21 vehicles. The letter states the math, but the math works
22 out to comparable to taking 542 mid-sided vehicles off the
23 road. So you put out nine clean refuse recycling trucks
24 with a hydraulic hybrid system equivalent to 542 mid-sized
25 vehicles.

1 You've heard previous testimony from Lung
2 Association and Union of Concerned Scientists and others
3 to get heavy-duty vehicle projects into communities --
4 disadvantaged communities, and we think this is a key
5 strategy, so the -- before I leave the Autocar letter,
6 just their ask is that the Board staff look at the
7 incremental costs of the vehicle. The current voucher is
8 \$40,000. The incremental cost of the truck is about
9 \$100,000. So we're asking -- Autocar is asking in their
10 letter just to ask Board staff to look a little bit more
11 in detail at the voucher amount and perhaps look at
12 increasing that to an \$80,000 level to pay for most of the
13 incremental cost of that truck to get more of those clean
14 trucks out.

15 In the time I have left, I'll just touch upon a
16 letter that was submitted also to the docket on behalf of
17 CleanFleets. And just to touch upon some of our --
18 reiterate our prior support for RNG projects, so we know
19 what staff is looking at a multi-year approach. Chair
20 Nichols, you indicated a multi-year approach in looking to
21 where to spend the GGRF money and we would just appeal to
22 you that I'm -- my dad grew up in Texas, so it's probably
23 not polite to beat a dead horse.

24 You've seen me for about six months talking about
25 RNG projects, how important those are, and the fact that

1 there are carbon negative fleets today, so I won't beat on
2 that, other than to say -- because your staff has heard a
3 lot from us on that.

4 We're grateful for about \$7 million being put
5 aside in this program for projects that could be RNG
6 projects. That's a good start. We want to do more with
7 your staff over multiple years to get these types of
8 projects into fruition. And our letter really talks about
9 our desire to do that.

10 So I'll just touch upon an opportunity to get rid
11 of about 7,000 diesel collection vehicles. We could do
12 that in big numbers. The Energy Commission indicates they
13 have a program. We'd like to do vehicles in the
14 thousands. Their program is in the hundreds.

15 Thank you very much for your time.

16 CHAIRPERSON NICHOLS: Thanks.

17 MR. EVAN EDGAR: Good afternoon Chair and Board
18 members. My name is Evan Edgar, and I have a neutral card
19 in today. Actually, my industry is carbon neutral. The
20 Compost Coalition is carbon neutral, but we're also carbon
21 negative. We make a carbon negative fuel today. And I'm
22 carbon negative against the funding plan together. I'll
23 talk more about it.

24 Why am I here today with diverting organics from
25 the landfill? The Compost Coalition actually makes their

1 own fuel. They make a carbon negative fuel. We want to
2 rethink methane and getting organics out of landfills by
3 2025. The short-lived climate pollutants has 90 percent
4 reduction by 2025. We support that.

5 But as part of that support, it takes 14.7
6 million tons of organics, about eight million tons of
7 greenhouse gas reductions. Over 200 anaerobic digestion
8 facilities will need to be -- play out 100 by 2020,
9 another 100 by 2025 to build this organic highway, a
10 heavy-duty organic highway, which we can fund with
11 cap-and-trade money, and invest in it in order to get off
12 diesel, get off landfills, and have a carbon negative
13 fleet.

14 We have deployed this technology in Sacramento at
15 Atlas. We have it in South San Francisco with help from
16 the Energy Commission on fuel production. So we actually
17 are making carbon negative RNG today. But the gap of
18 funding is a CNG fleet. Our industry got off diesel.
19 We're moving quickly. Fifteen thousand trucks. We want
20 to be off diesel by 2020, be off landfills by 2025.

21 But this funding plan needs to be rethought,
22 because it leap frogs over RNG, except for \$7 million.
23 And it's all about electrification. And our industry just
24 got off diesel. We're on CNG. Now, we're going to try to
25 get in -- electrification won't be there till 2025 or

1 more. We can do this here and now to make RNG be carbon
2 negative.

3 And zero emission vehicles aren't zero when it
4 comes to greenhouse gas reductions. They're not. Our
5 industry, we're making fuel that is carbon negative today.
6 And our fuel is less than ZEV equivalents or carbon
7 intensity, which you'll adopt next month at the July
8 hearing.

9 So, if anything, let's rethink biomethane. Let's
10 rethink this funding plan. We say down with every
11 gentlemen and lady here for the last three workshops and
12 individual meetings talking about how we can transition
13 15,000 Class 7 trucks and 3,000 Class A trucks to have an
14 RNG organic highway from the ports to the valley to move
15 organics, wood chips, compost, food waste from the
16 landfills.

17 We can make a carbon negative fuel with a carbon
18 negative fleet on the organic highway. So, if anything,
19 as future funding gets towards 2020, that \$350 million we
20 put a request in for 50 to 70 million dollars to have an
21 incremental difference of \$40,000 per truck, much like the
22 Carl Moyer program for air quality for criteria
23 pollutants, we can do that for greenhouse gas reductions,
24 because after all, this is a Greenhouse Gas Reduction
25 Fund. And AB 1204(Lara) puts greenhouse gas equal to

1 criteria pollutants.

2 So if anything, please rethink methane. Let's
3 rethink funding cap-and-trade money to back into carbon
4 negative fuel.

5 Thank you.

6 CHAIRPERSON NICHOLS: Thank you.

7 MR. COSTA: Good morning, Board and Madam Chair.
8 Cliff Costa on behalf of the California New Car Dealers
9 Association. We are here today in full support of the
10 item in front of you, particularly on the CVRP program.
11 And we are here in strong support of the staff's
12 recommendation that we not move to a point of sale voucher
13 system yet on the CVRP.

14 We are fully in support of working with the
15 staff, working with the stakeholders, and continuing to
16 sit down and figuring out a way that we can do point of
17 sale for consumers that makes sense for the dealer's
18 perspective and for the consumer's benefit.

19 We are not there yet. There are a lot of hurdles
20 that are going to be placed in front of us. We're willing
21 to sit down. We want to partners with the Board on trying
22 to reach that goal, but we're not there yet.

23 The final thing I'll say is is the legislation,
24 SB 1275, did not direct the Board to actually have point
25 of sale by a specific date. They said in the legislation

1 in statute to consider it.

2 We encourage you today not to set a particular
3 date to try to make point of sale possible, but let's have
4 those meetings, let's have the work groups, let's try to
5 get there, and hopefully by next year we can have a
6 proposal that works for both the industry as well as
7 consumers.

8 Thank you.

9 CHAIRPERSON NICHOLS: Thank you.

10 MR. OCCHIUZZO: Good afternoon, Chairman Nichols
11 and members. My name is Gustavo Occhiuzzo. I'm the
12 founder of Green Commuter. We're hoping to be the first
13 vanpool and car-share company in the State that uses only
14 electric vehicles. And I just have two comments today.
15 One is on the HVIP program.

16 The program we foresee that it's going to be
17 oversubscribed, you know, in this coming year, which is
18 because more vehicles are being included in the list, but
19 also on start-up companies, such as ourselves, that thanks
20 to this technology, we're going to be, you know, deploying
21 our vehicles -- clean vehicles in the region.

22 The second comment is on the car-sharing project.
23 That program has been very successful. There was very
24 oversubscribed. The program is a tiny program, \$2.5
25 million for last fiscal year. And they got application --

1 13 applications totaling 16 million.

2 We've seen the increase for this coming fiscal
3 year to five million. We think that it's going to be
4 oversubscribed. And the impact that that program can
5 bring to the communities, especially disadvantaged
6 communities, is great. A lot of studies have shown that
7 every car-share deployed can remove nine to 13 vehicles
8 from the road. So I encourage you to rethink about the
9 funding for the program, because that program can bring a
10 lot of impact and there's a lot of interest from different
11 stakeholders for that.

12 Thank you so much.

13 CHAIRPERSON NICHOLS: Thank you.

14 MR. MAGAVERN: Madam Chair and Board members, I'm
15 Bill Magavern with the Coalition for Clean Air and we've
16 submitted written comments with the Charge Ahead campaign
17 and also with 22 other groups who are members of both the
18 California Clean Air Freight Coalition and the SB 535
19 Coalition.

20 The proposal before you today has very well
21 targeted ways to reduce emissions from the transportation
22 sector. And we think that you've chosen excellent ways to
23 spend \$350 million that you collect from the polluters.
24 And we join others who will ask the legislature and the
25 Governor for more funding in future years.

1 And, in fact, this proposal implements a couple
2 of important laws that were passed by the legislature last
3 year signed by the Governor that we strongly supported
4 both SB 1275 and SB 12046.

5 And I agree with the comments that have been made
6 by my colleagues from Greenlining and NRDC and the Lung
7 Association and the Concern Scientists, as well as with
8 the Chair's comment that there's a need to do a better job
9 of communicating these available programs.

10 In the light-duty area, some of the elements that
11 we're especially enthusiastic about are the increased
12 funding the Enhanced Fleet Modernization Program plus up,
13 as well as that ag. van proposal, and in CVRP, the
14 additional incentives for low and moderate income people.

15 We do think in CVRP, as you've heard, that we
16 need to get, as soon as possible, to the point of sale
17 rebates for the low and moderate income folks. And let's
18 remember that most of them are not able to take full
19 advantage of the \$7,500 federal tax credit, because that
20 is a tax credit, and a lot of people don't have that much
21 of a tax liability. We also think there needs to be
22 better outreach so that people in those communities with
23 the low and moderate incomes are aware of the program and
24 able to take advantage of it.

25 In the medium- and heavy-duty area, again, we

1 applaud the alignment with the sustainable freight efforts
2 that the Board is pursuing, as well as the incorporation
3 of conversions this year and support the increased funding
4 for the truck and bus pilots, as well as the school bus
5 program.

6 We do urge you to increase the percentage that
7 goes to disadvantaged communities. In the current year,
8 that percentage in the medium- and heavy-duty area is 100
9 percent. The proposal is to drop that in half to 50
10 percent. We think 75 percent would be more appropriate,
11 because we know that the great disproportionate majority
12 of the emissions from the heavy-duty sector are falling in
13 those disadvantaged communities. So we should be spending
14 75 percent of the funds in and for the benefit of those
15 communities. So we urge you to consider that in your
16 deliberations. Thank you very much.

17 CHAIRPERSON NICHOLS: Thank you.

18 MR. LEACOCK: Good afternoon, Chairman Nichols.
19 I'm Kent Leacock with Proterra, the zero emission battery
20 electric bus manufacturer. And I'd like to express our
21 support for the \$350 million overall budget, but
22 specifically the \$45 million budget for zero emission
23 buses. And I'd like to point out a fantastic link between
24 Carb's policies and what CEC's actions are doing as a
25 result of the CEC action to fund a second manufacturing

1 facility -- or support funding for a second manufacturing
2 facility for Proterra. We will be building buses down in
3 the City of Industry, that if we're hopefully successful
4 and this budget gets approved, in part we'll be funding
5 buses that will come gliding out of that facility in City
6 of Industry by the first quarter of 2016, which that will
7 be a great occasion, and we'd love to have all of you
8 come.

9 I'd like to also give me thanks to the staff of
10 CARB, many of whom I've spoken to personally a number of
11 times about zero emission buses, about the funding plan.
12 And as the last guy standing in between now and lunch, I'd
13 just like to say thank you.

14 (Laughter.)

15 CHAIRPERSON NICHOLS: Well, thank you. That was
16 a good person -- good one to end on, because this ZEV bus
17 program is one that we've been nurturing along for a long
18 time. And it's exciting to see the progress. It's great.

19 Okay. That does conclude the list of witnesses.
20 This isn't a regulatory item, but we will close the record
21 at this point and proceed to Board discussion.

22 We heard a lot of witnesses, but I have to say
23 for \$5 million, we sure made a lot of people interested.

24 (Laughter.)

25 CHAIRPERSON NICHOLS: So that was -- I'm very

1 glad. Really, it's a sign of the importance of making
2 even a small investment in the rural communities. I'm
3 very, very proud that we're in a position to do that.

4 I'm going to just call on Board members for any
5 thoughts, comments, or questions that they may have,
6 starting at the far end with Supervisor Serna.

7 BOARD MEMBER SERNA: Great. Thank you, Chairman
8 Nichols. And first, let me start by thanking staff, as
9 many of the witnesses have, for all the work they've done
10 on the funding plan.

11 I wanted to ask a question as kind of a follow up
12 from the comments expressed by my local air pollution
13 control officer Larry Greene about the administrative
14 costs associated with EFMP, and wanted to know in
15 particular what are we doing in the current pilot to
16 address that, so that we can advance the expansion of it
17 in the future?

18 This is -- the plus up represents the largest
19 single project increase from last year. And so I think
20 that expresses a lot of success already. And so as we
21 heard from Larry and others, there's a lot of interest to
22 perhaps expand that to other areas in the State. So I'd
23 like to hear from staff about what we're doing to address
24 the administrative costs.

25 PLANNING AND REGULATORY DEVELOPMENT SECTION

1 MANAGER GREGOR: Yeah. We are very excited that there are
2 other air districts that are looking at expanding this
3 program for targeting consumers in disadvantaged
4 communities, especially low and moderate income.

5 Regarding the \$20 million for this pilot -- for
6 these pilot projects and the expansion, what we plan on
7 doing is work -- working with CAPCOA and the interested
8 air districts on understanding the types of programs that
9 they want to develop in their regions, understanding that
10 the cost that will be to launch these programs.

11 We do recognize that San Joaquin and South Coast
12 have put a substantial amount of money of their own into
13 these programs and not all districts have those funds
14 available, so I think we will -- you know, we look forward
15 to working with those air districts to understand the
16 types of programs that they want and to figure out how to
17 adjust the funding amounts to meet those needs in the
18 region.

19 CHAIRPERSON NICHOLS: Are you saying that
20 administrative costs could be considered in these programs
21 then, because that was I think the question?

22 BOARD MEMBER SERNA: Right.

23 PLANNING AND REGULATORY DEVELOPMENT SECTION

24 MANAGER GREGOR: Yes, we do allow administrative costs for
25 these pilot projects.

1 BOARD MEMBER SERNA: Is it possible we could hear
2 a report back, at some point, in the not-too-distant
3 future about progress in that regard?

4 PLANNING AND REGULATORY DEVELOPMENT SECTION
5 MANAGER GREGOR: Yeah, I think so, absolutely.

6 BOARD MEMBER SERNA: Thank you.

7 CHAIRPERSON NICHOLS: Good. Thank you.

8 Mr. Gioia.

9 BOARD MEMBER GIOIA: First, thanks to the staff.
10 It's apparent that folks around California think you
11 worked really hard in the outreach. So that was -- it's
12 great to see that.

13 And I know the Executive Officer of the South
14 Coast Air District I think put out a challenge about
15 getting more money. So I calculated that 45 percent of
16 the State's residents live in the South Coast Air
17 District. So if you were successful in giving every
18 legislator in your district to support additional funding,
19 I think we'd do fine. So maybe that's an additional
20 challenge. I know Judy you're working on that down in the
21 South Coast.

22 So -- but I agree, it's how to continued to get
23 more funding. And then the 350 that we have hasn't been
24 finally approved. So we're all assuming that's going to
25 happen. So I just have a few comments. And again, it

1 doesn't take away from really all the great work, but just
2 sort of a little more detail on a few things.

3 A few speakers referenced the fact of the
4 importance of additional outreach in disadvantaged
5 communities. And I think it is really important to think
6 about the other things that are necessary to make our part
7 of it successful, right?

8 So we have the increased rebates, which I think
9 is very important and very good. But for folks in many
10 disadvantaged communities to take advantage of it, a
11 couple things need to happen, right? The biggest gap we
12 have in charging is to be able to charge at home is in
13 multi-family. And as a higher percentage of folks who
14 live in disadvantaged communities, lower income residents
15 who live in multi-family housing, whether it's rental
16 housing, whether it's a condo.

17 And as we know, there -- that -- there's very
18 little charging opportunities at home in multi-family. So
19 if you live in a multi-family apartment, you're not going
20 to make that decision to buy an electric vehicle, even
21 with a rebate, unless you build up the charging
22 infrastructure in multi-family.

23 So I think we need to think about, that which
24 gets to -- and I know some of the investor-owned
25 utilities' proposals to the PUC to build out charging

1 networks could include multi-family. So thinking about a
2 strategy to complement that, we take it for granted, you
3 know, single-family homes, people can put in charging, but
4 they can't when they're at the mercy of the property owner
5 in a multi-family. So that's really important, I think,
6 how do we think about that? So some thoughts there.

7 Second, the outreach to low-income communities as
8 folks talked about is really important as well. It's
9 not -- even among quote middle class or upper middle class
10 folks, our program is not that well known. The challenge
11 of making the rebate program more understood and known in
12 low income communities is really important. So it's how
13 we also put the resources to work with folks who are
14 already work -- we don't need to recreate the wheel.

15 Folks are already working in those communities,
16 great community based organizations. How do we help them
17 in their work, whether it's a social service, a health
18 agency, through a public agency, a nonprofit, how do we
19 help them inform people as part of financial literacy
20 issues and creating some opportunities.

21 Third, I noticed something that, Professor
22 Sperling, you're doing some research on at UC Davis is the
23 whole point of sale issue, right? There's -- the most
24 important time when people make a decision about whether
25 to buy an electric vehicle. And we've talked about this,

1 there's not particularly a lot of help at the point of
2 sale point, right, with dealers. It's not meant to be
3 critical of the manufacturers, but there are issues there.

4 And so one of the things that -- so we need more
5 work there, but the prequalification I think is an
6 important thing to look at, because a lot of folks may not
7 be able to afford waiting for the rebate check. And then
8 we don't know what the downpayment is going to be by
9 dealerships. They may set -- as you know, a lot of times
10 the downpayment on these for either a lease or a purchase
11 is in excess of the rebate, right? And so folks may not
12 be able to afford that.

13 So we need to think about the prequalification
14 and how to make that point of sale better. And I know
15 while the funding allotment, assuming we get it, is
16 greater this year than last year, the decrease from 100
17 percent to 50 percent in the heavy -- in the bus and truck
18 for pilot programs, I mean, I think this is a really
19 important time to continue with having a higher
20 percentage. And I would support the 75 percent. And if
21 we can, you know, see what the discussion is here today on
22 this.

23 Because as the legislature is considering
24 extension of the GHG goals beyond 2020, I think we need to
25 show across the State, and it's important to many

1 legislators around the State, that we're making -- and I
2 think we're being very good about this, the -- but
3 increasing the investment in disadvantaged communities
4 around the state. You know, getting the support in the
5 State Senate and the -- well, in the Assembly, excuse me,
6 because it passed the Senate -- the Assembly for the
7 extensions beyond 2020, I think it's going to be important
8 to show that we're continuing with our investment.

9 So I would propose that we go to the 75 percent,
10 and that we specifically look within this how we -- are
11 firm about resources on outreach into disadvantaged
12 communities. And the last point on the going 75 percent,
13 I think that's consistent with what we've talked about the
14 freight strategy -- clean and sustainable freight
15 strategy, because really it's disadvantaged communities
16 that are often near ports, near railyards that are bearing
17 the burden of the -- of diesel emissions and of the --
18 from existing polluting trucks. So those are my comments.

19 And I don't know if you want to respond to
20 anything about the outreach or what we could do on
21 strategy, but I think those are relevant -- those are all
22 important, I think, to include.

23 CHAIRPERSON NICHOLS: Yeah. You could talk about
24 the outreach strategy around the funding here, but I would
25 want to point out that we're part of a much broader

1 administrative-wide effort --

2 BOARD MEMBER GIOIA: Right.

3 CHAIRPERSON NICHOLS: -- on EVs and zero emission
4 vehicles, in particular, which not only includes the
5 Energy Commission, but the Governor's office and a number
6 of other agencies that are all doing things that are sort
7 of aimed at reaching a very high target of zero emission
8 vehicle penetration. So just to kind of put that in a
9 little bit of a bigger context.

10 BOARD MEMBER GIOIA: Right.

11 CHAIRPERSON NICHOLS: But you can go ahead and
12 talk about the grants.

13 MOBILE SOURCE CONTROL DIVISION CHIEF WHITE:

14 Yeah, thank you Chairman Nichols. You know,
15 certainly, we recognize and appreciate the need for
16 rigorous outreach in disadvantaged communities. And, in
17 fact, I think if you look at the structure of the low
18 income programs in the light-duty sectors, we -- as we
19 work with the implementers of those, they all have a very
20 strong outreach component associated with them building on
21 existing networks in communities that they have with
22 preexisting programs.

23 And so we're fairly -- we're very confident that
24 that will yield tremendous success in the communities in
25 which those programs are implementing. But I think more

1 broadly, and as Chairman Nichols noted, I think there's a
2 broader recognition in the administration that to maximize
3 the benefits and awareness of these funds, implementing
4 agencies need to begin to dedicate resources towards a
5 more effective outreach much more broadly. And ARB is
6 certainly one of those agencies where, as we work with the
7 administration and talk with the administration, we expect
8 to be able to put some resources towards that in the
9 upcoming year, which I think will really help achieve and
10 address many of the comments that we heard today.

11 BOARD MEMBER GIOIA: And I think -- and I realize
12 that there are things that others are doing that will
13 complement what we're doing. And that gets into also the
14 resources to include, and I stress this, the
15 infrastructure at multi-family units, because again, if
16 you don't have the ability to charge at home, the rebate
17 is not going to make any difference to you, and it's going
18 to, you know, cause you to make other choices. And then
19 you're not getting strong support at point of sale, right.
20 So I'm just -- the cumulative effect of all of those
21 things is that it's one thing to have the rebate, it's
22 another thing to actually get the rebate out the door into
23 the families and individuals who are going to actually use
24 it and buy the vehicles.

25 MOBILE SOURCE CONTROL DIVISION CHIEF WHITE: Let

1 me give just one quick perspective on that, because we
2 agree with you completely on that. And as we've talked
3 about some of the programs that we have in place, I think
4 EFMP is really the best place to look. And you'll note
5 that there's a tremendous increase in proposed funding
6 from 2 million to 20 million next year, because we
7 recognize that one of the -- we believe one of the most
8 effective ways to get these vehicles into communities is
9 to take an old vehicle off the road and provide the
10 assistance that consumers need -- low income consumers
11 need to get into the cleaner vehicle.

12 So as part of that, the program includes quite a
13 bit of financial education, case management for
14 participants, so they understand all of their options, not
15 just on the financing but through the entire transaction
16 process. We've had -- we've begun discussions about can
17 we take the CVRP rebates and make them assignable at the
18 time of sale, so that that rebate can come into the
19 initial transaction up front.

20 And so -- and we've also included charging
21 opportunities as part of those grants for individuals who
22 purchase plug-electric vehicles. So as we think about
23 that with the money that ARB has, I think many of those
24 elements are embodied in the programs that we have.
25 Certainly CEC is doing a lot as well, much more broadly in

1 terms of how to build the multi-unit dwelling
2 infrastructure throughout the State, not just in
3 conjunction with our programs, but for all vehicle
4 deployments that we see.

5 BOARD MEMBER GIOIA: And I realize there's new
6 standards for the construction that are going to result in
7 that.

8 CHAIRPERSON NICHOLS: I'm going to cut the
9 dialogue here for a moment.

10 Okay. Supervisor Roberts.

11 BOARD MEMBER ROBERTS: Thank you. First of all,
12 I think Supervisor Gioia raises some good points. And it
13 does -- it's not just, you know, providing the funding,
14 especially getting into the multi-family, and maybe we
15 need to incentivize, especially the new things that are
16 coming on line, so the -- it's much easier if you can
17 design this thing at the start. Very difficult to
18 retrofit many of these facilities no matter how well
19 intended, but it's a worthy goal. No question about it.

20 I think the rural bus district issue speaks for
21 itself. Never has so little made so many so happy. It --
22 and I think that's -- that's excellent. I mean, it's an
23 extension of what we've been doing with buses in school
24 districts for a long time, getting kids out of the diesel
25 and getting them into something that's far cleaner. So it

1 doesn't -- you know, it's something that's well outside of
2 my area, but I think that was good.

3 A couple things. When we last visited this, the
4 definitions of disadvantaged --

5 (Ringing through the speaker system)

6 CHAIRPERSON NICHOLS: Are we waiting for an
7 announcement?

8 BOARD MEMBER ROBERTS: Somebody is trying to edit
9 me, I can tell.

10 (Laughter.)

11 CHAIRPERSON NICHOLS: That's not a sound I've
12 heard here before. That's -- I'm curious.

13 BOARD MEMBER ROBERTS: In any event, the -- I'm
14 curious about the dis- -- the definition of disadvantaged
15 and how it may have evolved from last year.

16 CHAIRPERSON NICHOLS: Yes.

17 BOARD MEMBER ROBERTS: There were some anomalies,
18 if you remember, in just the way we were looking at census
19 tracts and things.

20 CHAIRPERSON NICHOLS: Well, I was going to raise
21 that comment with respect to the recommendation, in terms
22 of changing the percentage, but it is an interesting point
23 that as we're using the term technically now, the
24 disadvantaged communities that we're targeting with SB 535
25 for the 25 percent and 10 percent are the communities that

1 not only are low income but also are -- score at the top
2 of the scale, if you will for unemployment, for
3 concentrations of people who don't speak English. You
4 know, there's a variety of tests that go into it.

5 Plus, then they have to also have the worst
6 pollution, not just air pollution, but they consider water
7 pollution, and landfills in the area and so forth.

8 Undoubtedly, those communities are deserving of special
9 consideration under our funding. But the question with
10 the truck money is after you've already met that test, and
11 you're just looking at where to put the rest of the funds
12 for truck and bus, anybody who's living in a community
13 that has a lot of trucks and buses in it is experiencing a
14 disproportionate amount of pollution exposure by
15 definition. They may not also be the very poorest and
16 the other, you know, meet all the other sociological
17 tests, but they are people who are experiencing a
18 disproportionate amount of pollution that we can do
19 something about.

20 So I guess that's my only concern about changing
21 percentages as a -- whether that is really going to be the
22 ultimate test or the ultimate way of getting to where we
23 need to go overall.

24 BOARD MEMBER ROBERTS: Madam Chairwoman, I
25 couldn't agree with you more, because we're seeing that

1 there's not necessarily that exact one-to-one correlation
2 that frequently the impacts may be in communities that we
3 couldn't qualify in, and I'd like to be able to do that.

4 I don't know if we've actually mapped out, based
5 on whatever new definition we have, but the shot came last
6 time, where all of a sudden we looked at a map and
7 bears -- didn't bear any resemblance to what I would --
8 what I knew to be disadvantaged communities in San Diego
9 County.

10 And I don't -- have we mapped whatever new
11 definition is operative now?

12 CHAIRPERSON NICHOLS: There is an adopted map now
13 that is being used.

14 DEPUTY EXECUTIVE OFFICER CHANG: Yes. So the
15 definition of disadvantaged communities is done by the
16 Secretary of CalEPA, and those definitions haven't changed
17 from the last time that the Board saw them.

18 BOARD MEMBER BALMES: They're using
19 CalEnviroScreen, right?

20 DEPUTY EXECUTIVE OFFICER CHANG: Exactly. Right.

21 CHAIRPERSON NICHOLS: Right.

22 BOARD MEMBER ROBERTS: So we're operating the
23 same way we did last time?

24 DEPUTY EXECUTIVE OFFICER CHANG: Yes.

25 BOARD MEMBER ROBERTS: Well, I've got a problem

1 with that. As we saw last time, it just didn't -- it made
2 little or no sense when we applied that to San Diego with
3 respect to where our disadvantaged communities were. Too
4 many of them were left out of it?

5 CHAIRPERSON NICHOLS: Well, they did go back and
6 relook at some of the classifications, based on the fact
7 that some were missing data. And so I can't speak to all
8 of the -- all of them, but they didn't change.

9 DEPUTY EXECUTIVE OFFICER CHANG: It didn't
10 change.

11 CHAIRPERSON NICHOLS: Okay.

12 BOARD MEMBER BALMES: I actually -- not in my
13 role as a CARB member but as a professor at Berkeley, I
14 wrote a letter to Gina Solomon and, well, George Alexeeff
15 of OEHHA, with some of these concerns, in particular, the
16 mixing of water and land use issues as well as air
17 pollution. I think it, no pun intended, muddies the
18 waters.

19 (Laughter.)

20 BOARD MEMBER BALMES: So I think it --

21 BOARD MEMBER ROBERTS: Well, we don't have any
22 water, so that shouldn't be a problem.

23 (Laughter.)

24 BOARD MEMBER BALMES: That's true actually.

25 (Laughter.)

1 BOARD MEMBER BALMES: Anyway, I got back a
2 response from OEHHA that they are considering changes to
3 CalEnviroScreen, but those haven't happened yet.

4 CHAIRPERSON NICHOLS: It hasn't happened. It has
5 not happened yet.

6 Okay. Well, duly noted.

7 Yes.

8 BOARD MEMBER ROBERTS: And let me return to the
9 thing that I mentioned at the start.

10 CHAIRPERSON LLOYD: Yes, your comments about
11 systems.

12 BOARD MEMBER ROBERTS: The innovation fund --

13 CHAIRPERSON NICHOLS: Yes.

14 BOARD MEMBER ROBERTS: -- which has some
15 significant amount of money in it, if you had a -- if you
16 were developing a new transportation project that was
17 cable driven, that I am comfort would outperform anything
18 we have from a greenhouse gas standpoint, is that going to
19 be eligible under whatever definition we're using for
20 innovation? And does it have to be connected to a
21 disadvantaged community?

22 INNOVATIVE HEAVY-DUTY STRATEGIES SECTION MANAGER

23 CHRISTENSEN: Supervisor Roberts, thank you. Peter
24 Christensen.

25 And I appreciate the question, because I've seen

1 a conceptual drawing of the proposal in San Diego, and I
2 think it's quite interesting. It has a couple of
3 opportunities for benefits. One is that it's a zero
4 emission technology, as I understand it. It's
5 electrically driven, much like a gondola that we see in
6 many of the other areas in California, but it also
7 provides opportunities for VMT reduction.

8 BOARD MEMBER ROBERTS: Yep.

9 INNOVATIVE HEAVY-DUTY STRATEGIES SECTION MANAGER
10 CHRISTENSEN: I know that our staff are looking at those
11 emission reduction opportunities and looking at what the
12 benefits are and trying to find the right fit within our
13 portfolio of funding programs.

14 I think it's very consistent with many of our
15 projects. It's obviously not a bus, so it's not a bus
16 pilot.

17 BOARD MEMBER ROBERTS: No. No, that's what --
18 it's better than a bus.

19 (Laughter.)

20 INNOVATIVE HEAVY-DUTY STRATEGIES SECTION MANAGER
21 CHRISTENSEN: Exactly. And I think that it provides the
22 emission reductions that are consistent our project, so
23 it's something that we're looking at.

24 BOARD MEMBER ROBERTS: Well, I guess -- and I'm
25 not asking that we assign money to it, but I'm just asking

1 is the door open to use these funds or is our definition
2 of innovation maybe not innovative enough?

3 (Laughter.)

4 INNOVATIVE HEAVY-DUTY STRATEGIES SECTION MANAGER

5 CHRISTENSEN: Yeah. And so we're still in the process --
6 we're in the very early process of designing our
7 solicitation for the truck and bus pilot.

8 BOARD MEMBER ROBERTS: Okay.

9 INNOVATIVE HEAVY-DUTY STRATEGIES SECTION MANAGER

10 CHRISTENSEN: We've had many community work group meetings
11 so far, but we don't anticipate that that will be
12 finalized for probably another couple of months yet. So
13 we do see that there's an opportunity for that.

14 BOARD MEMBER ROBERTS: So the definition doesn't
15 preclude something like that from perhaps being submitted?

16 INNOVATIVE HEAVY-DUTY STRATEGIES SECTION MANAGER

17 CHRISTENSEN: I don't think that that's precluded in our
18 funding plan.

19 BOARD MEMBER ROBERTS: Okay. Because I didn't
20 know if we were so tied to buses or conventional sorts of
21 transportation. And, you know, it may -- at the end of
22 the day, your analysis may say that this isn't the
23 solution, but --

24 CHAIRPERSON NICHOLS: Yes, but there will be a
25 competitive process.

1 BOARD MEMBER ROBERTS: And I have -- I would love
2 a competitive process. That's what I'm saying. And we're
3 looking at this as how do we get the hard to get at some
4 of our job centers and other places --

5 CHAIRPERSON NICHOLS: I understand.

6 BOARD MEMBER ROBERTS: -- where a whole lot of
7 money to try to do, you know, BRT or something along those
8 lines, where we have to cross freeways and canyons and
9 other things, where this is ideally suited as a
10 transportation solution. So if you'll bear with us. We'd
11 love to work with you and show that there are other tools
12 in the transportation toolbox.

13 CHAIRPERSON NICHOLS: I think you made the point
14 well.

15 BOARD MEMBER ROBERTS: Thank you, Madam
16 Chairwoman. Thank you.

17 CHAIRPERSON NICHOLS: Dr. Balmes.

18 BOARD MEMBER BALMES: Well, I'll make my comments
19 brief, since we're not even halfway across the Board yet.
20 I wanted to say primarily that I agree with Supervisor
21 Gioia's comments, in particular about the increase --
22 support for the increase from 50 percent to 75 percent
23 funding going to disadvantaged communities.

24 I have concerns about our -- about the
25 CalEnviroScreen not perfectly outlining the disadvantaged

1 communities as I just mentioned. But that aside, I do
2 think that even though there's more money available under
3 this proposal at 50 percent -- you know, we're going from
4 100 percent to 50 percent, and I am supportive of the 75
5 percent figure.

6 CHAIRPERSON NICHOLS: Okay. Mrs. Berg.

7 BOARD MEMBER BERG: Thank you very much, staff.
8 It's very exciting to see such a long list of witnesses
9 and so many in support. So that certainly does indicate,
10 as my fellow past Board members have mentioned, great job.

11 I would like a comment, probably maybe even from
12 Mrs. Peter about the legality of the fuel cell exemption.
13 I am for that exemption, but since it was brought up in
14 testimony, as maybe not being within our purview, I
15 thought it might be helpful if you could make mention of
16 that. Oh, Ms. Kerns.

17 SENIOR STAFF COUNSEL KERNS: Hi. Debbie Kerns
18 legal. SB 1275 did not require a certain deadline for
19 this. It only required that we come to the Board by June
20 30, 2015. So the plan right now is just to defer that
21 category for three years. And I believe that that is in
22 compliance with this statute, because it didn't require a
23 specific date that it had to be effective.

24 BOARD MEMBER BERG: Great. Thank you very much
25 for that. And then since the disadvantaged percentage has

1 been brought up, I'm concerned about moving from the 50
2 percent. Because of the definition, I don't know what it
3 is restricting, other communities that are highly
4 affected? And so maybe, Chairman Nichols, as you proceed
5 in this discussion, if this is an amendment we want to
6 consider, if somebody could give us some more detail.

7 CHAIRPERSON NICHOLS: Yes, I was --

8 BOARD MEMBER BERG: -- that would allow us to
9 really --

10 CHAIRPERSON NICHOLS: -- going to ask --

11 BOARD MEMBER BERG: I don't know how to think
12 about it.

13 CHAIRPERSON NICHOLS: -- to talk more about
14 that --

15 BOARD MEMBER BERG: Okay. Great. I appreciate
16 that.

17 CHAIRPERSON NICHOLS: -- about that issue. I
18 thought it would be good to just kind of get all the
19 issues out on the table as we usually do, and then try to
20 focus in on the ones that seem to need further work.

21 BOARD MEMBER BERG: Great. And then my last
22 comment is that the CVRP has been enormously successful as
23 we know. We have been oversold, except for this
24 particular year, and the year is not over yet.

25 And so we're keeping all of our fingers and toes

1 crossed that we won't have a wait list. And this is a
2 result, as those of us that did attend the Governor's EV
3 summit, and Tom Turrentine's research from UC Davis
4 showing that only 17 percent of car buyers were aware of
5 the CVRP. So outreach is really important. But Dr.
6 Wallerstein's observation is more money is really going to
7 be needed if we're really successful on our outreach.

8 So somehow we need to mesh to make sure there is
9 a sense of fairness. But it makes me really nervous when
10 we talk about extreme successful outreach, and then very
11 long, long waiting lists, which would really inhibit us
12 from being able to do point of sale. There's a lot of
13 things. So I just want to acknowledge that we're really
14 walking a lot of fine lines here. Very exciting, but
15 still a lot of fine lines.

16 CHAIRPERSON NICHOLS: I'm going to start at the
17 other end here with Mr. Eisenhut. You don't have to have
18 any questions or comments, but if you do, I'll call upon
19 you.

20 BOARD MEMBER EISENHUT: Thank you, Chairman
21 Nichols. You took me by surprise.

22 (Laughter.)

23 BOARD MEMBER EISENHUT: I just have one comment,
24 very focused and small. By my calculation, fifteen
25 hundredths of one percent of the total investment, and

1 that has to do with the mobile ag upgrade pilot program,
2 I'm very supportive of this. I'm excited about it. I
3 think this gives an opportunity for small family farmers
4 who want to make a contribution as we turn our attention
5 to mobile ag issues, who want to make a contribution to
6 clean air in the valley to economically have the means to
7 do so. So I think that's an exciting addition to the
8 program, and clearly I support it.

9 Thank you.

10 CHAIRPERSON NICHOLS: Thank you.

11 Ms. Miller -- Ms. Mitchell.

12 BOARD MEMBER MITCHELL: Thank you, Chairman.

13 I just want to begin by emphasizing the comments
14 that Dr. Wallerstein made about the percentage of monies
15 we're actually getting here at CARB to do the job that
16 we're charged to do, which is reduce the greenhouse gas
17 emissions in the State. But I see a great opportunity
18 here also to combine that charge of reducing greenhouse
19 gases with also reducing criteria pollutants in air
20 toxics, because the mechanisms that we employ to do the
21 one can do the other.

22 And so I hope that we can get more money, but I
23 also hope that we will all be looking at this in expansive
24 way to get the most that we can get from the money that we
25 invest.

1 The second point I want to make is that how
2 successful I think we have been with the CVRP program.
3 It's -- you know, we never have enough money for the
4 applicants under the program. I think it's important that
5 we continue that. I agree that the rebate for fuel cells
6 is where it ought to be. This is a brand new car. And
7 when we put electric vehicles on the market we gave that
8 incentive for that brand new technology. And I think that
9 it's appropriate to do that now to get fuel cells up and
10 running on our roads.

11 And we're doing a lot of work hand in hand with
12 the Energy Commission for hydrogen fueling infrastructure.
13 So all of those things go together. We thank Jim McKinney
14 and his group for the partnership we have the Energy
15 Commission.

16 Supervisor Gioia raised a very important point
17 about multi-family housing. This is a challenge, I think,
18 for all of us in charging at multi-family housing. That
19 goes hand in hand with charging at the workplace. And I
20 think if we have a good infrastructure for charging at
21 home and charging at the workplace we will have come a
22 long way in reaching the goal that we need to reach to
23 electrify transportation.

24 Those are my primary points. The point of sale
25 rebate I think needs some study, because we need to keep

1 the integrity of the program. I think there is
2 possibilities there for fraud, collusion, whatever, and so
3 we need to maintain the integrity of the program. And
4 however we can do that, if we can get more money out at
5 the point of sale that's good, but I think we need to be
6 cautious about how we do it.

7 So I think that's all I have on my notes. Thank
8 you.

9 CHAIRPERSON NICHOLS: Okay. Professor Sperling.

10 BOARD MEMBER SPERLING: I have -- since so many
11 have spoken and said such wise things, I only have -- I
12 have one tiny thing and one major comment -- thought.

13 The tiny one is that on this point of sale issue,
14 the research shows that if you give the money at point of
15 sale, it has twice the impact. And so I understand all
16 the constraints we have about, you know, putting dealers
17 in a position where there's no certainty of the money, and
18 now we're applying all these income constraints. But, you
19 know, a few people have mentioned the idea, well maybe
20 carve out some of it, you know, maybe for, you know, low
21 income, median -- moderate income people, you know, where
22 it would be point of sale in that way. I'm not sure, but
23 I think -- I just want to add my voice to the idea that
24 the point of sale makes a lot -- it makes our money go a
25 lot further. It would be much more effective. So it's

1 not just a programmatic issue.

2 Okay. The big idea is that, you know, looking --
3 listening to all these programs that are being developed,
4 and as the money -- the pool of money increases, I get
5 increasingly nervous that we're getting too prescriptive.
6 We're carving it up too much into many boxes. And, yes,
7 there's certain categories that absolutely make sense, the
8 CVRP, you know, for light-duty vehicles and some programs
9 to spur the heavy-duty near-zero or zero emission
10 technology.

11 But there's a whole lot of things that can be
12 done out there that are much less expensive and could have
13 a lot of impact. And many of those -- some of those ideas
14 were presented, so I'm kind of trying to bring together
15 all of those ideas that people were talking about. People
16 were talking about more investment in bikes. And I happen
17 to agree that that's a really good investment. I've
18 ridden a bike in L.A. on the so-called bike route and had
19 a freeway lane cut right across -- you know, a freeway
20 ramp cut right across it, and, you know, cars accelerating
21 60 miles per hour. That's not exactly my definition of a
22 desirable bike opportunity.

23 (Laughter.)

24 BOARD MEMBER SPERLING: So, you know, clearly I
25 come from Davis where the community has invested for

1 decades in building up a very safe, protected
2 infrastructure for bikes. And I think that the State
3 should be investing much more in this. And I've talked to
4 Caltrans and the Transportation Commission, and, you know,
5 it's hard to get things restructured. And there's all
6 these formulas. But this is an opportunity here, because
7 it doesn't require huge amounts of money, but it does
8 require substantial -- so anyway, so there's the bikes,
9 there's the neighborhood electric vehicles, and I know
10 there's some interest in San Diego, there's some interest
11 in the South Bay COG where they've done some demo
12 projects, and this is relatively low cost.

13 And by the way, these tend to be more amenable to
14 low income moderate income people. It's a way of
15 providing it. You've got the new mobility options, where
16 not Uber and Lyft like they are now, but, you know, where
17 they do actual ride sharing. So Uber pool, Lyft line and
18 then there's a lot of micro transit companies getting
19 started.

20 There's the vanpooling that we've talked -- heard
21 about. There's the ag vehicles. We could even put, you
22 know, Board Member Roberts -- Supervisor Roberts gondolas
23 into that category perhaps. But the idea is that we ought
24 to -- I think we ought to think seriously about breaking
25 up these boxes, these boundaries, and categories, and

1 making it more competitive. And many of these can be on a
2 cost effective basis, because we're not talking about R&D,
3 where it is hard to do cost effectiveness. We're talking
4 about commercial activities, but just doing a lot more of
5 it and a lot better.

6 And so the idea is more of a focus on innovation,
7 in a cost effective way, and more competitive in that
8 sense. And, you know, I'm not saying go whole hog into
9 this, but if we're going to do a three-year plan for sure,
10 we should be thinking about it a little more strategically
11 and a little more competitively. And as Dr. Wallerstein
12 said, there's lots of money, but this money can disappear
13 very quickly and very easily, as we've seen. So I think
14 we're getting to the point where we have a responsibility
15 to think about it, and in this more cost effective way.

16 CHAIRPERSON NICHOLS: Okay. Mr. De La Torre.

17 BOARD MEMBER DE LA TORRE: Thank you. Just a
18 couple of things. On the EFMP, or trade in, or you know,
19 taking these older cars and getting rid of them, I know at
20 a previous conversation I raised the possibility of us
21 working with these nonprofits that buy cars from -- they
22 don't buy. They take donations of cars and the people get
23 the tax break for the value of the donation from the
24 nonprofits. There's a whole lot of cars there that I
25 think are probably beat up and old, otherwise we wouldn't

1 be giving them away for that tax benefit. And so I think
2 that that's a place -- you know, I don't know if it would
3 qualify with our current framework, but it seems like
4 there's a whole of lot of cars there that rather than have
5 them put those cars back on the street, somehow we could
6 take them in and get rid of them.

7 Vans. I know there isn't a passenger van
8 electric vehicle. I've asked a lot of folks about it,
9 but I think -- or smaller bus, in order to help with
10 transit. I think that's something that, you know, we
11 should try to find a way to support. It could be
12 vanpools. It could be some kind of localized transit
13 service that feeds the bigger transit lines. It's just --
14 you know, to me getting that many people into a vehicle
15 and getting them around makes a lot of sense. If
16 we -- short of a full-sized bus.

17 And there is some interest out there. I've -- in
18 my rounds of talking to folks, they seem to be very
19 interested. There just isn't one of those vehicles out
20 there right now. And that's something that I think we
21 could bring some value added with our monies and working
22 with the manufacturers.

23 On the rural school district funding, now Prop 39
24 is dedicated for schools and school districts. And to
25 this point, we haven't done a whole lot with schools and

1 school districts, because they've got that money. Is --
2 does this mean we have a change in attitude toward schools
3 and school districts or is this because of the rural
4 nature of these vehicles? I mean --

5 CHAIRPERSON NICHOLS: We've been working on buses
6 for a long time, school buses.

7 BOARD MEMBER DE LA TORRE: So it predates Prop
8 39.

9 CHAIRPERSON NICHOLS: Oh, yeah. Yeah. Yeah, by
10 many years.

11 BOARD MEMBER DE LA TORRE: And it does not
12 indicate that we're looking at doing more with school
13 districts than this.

14 CHAIRPERSON NICHOLS: We even have used fine
15 money, you know, from settlements, directed them towards
16 turnover of the bus fleet. We're getting pretty close to
17 having gotten rid of most of the oldest, dirtiest buses in
18 California, because of a long paydown period. But as you
19 know, a lot of school districts don't have buses at all or
20 don't have their own buses. So it's just been a
21 specialized area that we've worked on.

22 BOARD MEMBER DE LA TORRE: All right. So it
23 doesn't indicate, in any way, that we're changing our
24 approach to this, because they do have that pot of money
25 and no one else does?

1 CHAIRPERSON NICHOLS: No.

2 BOARD MEMBER DE LA TORRE: Not that I don't want
3 them to have it, but they've got it. So the bang for our
4 buck is, I think, better elsewhere, in general. And then
5 on this 50 and 75 percent question, I'm open to it.
6 Frankly, the big jump in the dollar amount -- you know,
7 one of my favorite sayings is I'd rather have X percent of
8 something than 100 percent of nothing.

9 This is one of those situations where the jump is
10 so big and the dollars are so much more that to me, going
11 down to 50 percent -- and that doesn't mean we wouldn't go
12 over 50 percent, that we could just do the 50 percent.
13 We'll see what comes out over the course of the year and
14 then next year we revisit when we see what the dollar
15 amounts are next year.

16 The other thing about the goods movement sector
17 is that those vehicles are all over the place. So they
18 could be spending a substantial amount of time in the
19 communities we're talking about, communities like mine,
20 just not -- they're not parked there or whatever the
21 criteria is. They're not domiciled in that place and
22 therefore they wouldn't qualify otherwise.

23 So I see the need for having that flexibility,
24 certainly in this first year where we're having this bump
25 up. So I'm okay with it for year one. And then let's see

1 where we are. Let's see what the data shows.

2 Thank you.

3 BOARD MEMBER RIORDAN: Madam Chairman, the -- I
4 want to commend staff, as everybody has, but you have
5 brought together some coalitions in my memory that have
6 not necessarily been so strong. And we're really going to
7 need them in the future to make this all succeed. So I
8 appreciate the opportunity to have listened and worked a
9 little bit with some of these coalitions. And thank you
10 for your efforts, and I know they're going to put a lot of
11 effort into the next month or two. We'll need you very
12 much.

13 This is an excellent plan. I think it has some
14 great opportunities. And even though Mr. Cunha said some
15 nice things, I am very supportive of agriculture and
16 believe that one of the programs has some opportunity.
17 The vanpool for workers, it will be great to follow this
18 along and see how successful we are, and then hope to
19 maybe get some more funds in another year to look at some
20 of the agricultural communities that are in maybe big
21 districts, but are somewhat forgotten. And any of you who
22 have been in those agricultural districts and looked at
23 the conveyances that people drive or use to move from one
24 site to another, you'll know those are the people we need
25 to target and to help provide ride in a clean safe van.

1 I think we have some little pockets of
2 agriculture throughout California that could benefit by
3 this type of a program. And so you're going to be a great
4 beginning in the San Joaquin Valley, but we could look at
5 some of the other parts of California as successors to a
6 good program.

7 And with that, I'll stay thank you. And I'm
8 ready to support the staff recommendation.

9 CHAIRPERSON NICHOLS: Great. Well, just to bring
10 it back to that point, I certainly heard a number of
11 suggestions of things that we could be doing more of.
12 Particularly I, too, am intrigued by opportunities in the
13 areas of niche kinds of technologies that could make a big
14 difference that we're not yet doing much with, including
15 the vans, but also things like bicycles, which I see a lot
16 of future for.

17 I think it's important that we do recognize that
18 this is a new program. This is being ramped up
19 substantially. The number one thing that we have to do is
20 to demonstrate that we can spend the money well. It's not
21 a question of demand or need. We know both of those
22 things exist very, very broadly. It's a question of what
23 happens when the auditors come. And the fact is that
24 we're going to be audited. In fact, we should ask for an
25 audit ourselves before it's done to us, because this kind

1 of support and enthusiasm you can get just disappears, one
2 Solyndra, one -- you know, one technology that we invest
3 in that blows up somewhere, and suddenly, you know, we're
4 the laughing stock.

5 I hate to be the conservative on this group, but
6 in this case I really am. I just want to be -- I want to
7 be careful that we do -- that we build on our successes.
8 I think there's some pretty bold things already included
9 in this proposal, certainly some new ideas that have been
10 pointed out. And I think they've all gotten a lot of
11 support and enthusiasm for them, but I think the staff has
12 had a -- has had a really interesting time and has done a
13 very creditable job of balancing a lot of different
14 options.

15 I do want to mention also that we need partners
16 at Caltrans. We need partners at the Energy Commission.
17 We have a lot of partnership there with the fuel side of
18 things. They are investing with the 118 money, the AB 8
19 now money and equal amount -- equal to ours roughly in
20 terms of charging and fueling and so forth. There's a lot
21 of money going into deploying things like multi-family
22 charging out there.

23 MR. MCKINNEY: Oh, very much so. Yes, Madam
24 Chair.

25 CHAIRPERSON NICHOLS: So anyway, but we -- and we

1 know that our transportation planning system is stressed
2 in a variety of different ways, and that we can play a
3 role in helping with some things that aren't just
4 hardware. But we are unique in being the hardware -- the
5 hardware agency. We are the people who can fund the
6 technologies. And so I do want to play to our strength in
7 that regard.

8 So having said that, unless somebody feels
9 compelled to do something to amend the resolution, I would
10 be happy to entertain a motion to approve the staff
11 proposal.

12 BOARD MEMBER ROBERTS: I move it.

13 BOARD MEMBER MITCHELL: Second.

14 CHAIRPERSON NICHOLS: All in favor, please say
15 aye?

16 (Unanimous aye vote.)

17 CHAIRPERSON NICHOLS: Any opposed?

18 Any abstentions?

19 Great. Thanks very much all. I look forward to
20 having some great proposals come in and seeing the funds
21 go out as soon as we get our budget.

22 And now, we'll take a one-hour break. Let's try
23 to be back here by 2:00 and it will really be 2:05.

24 Thanks everybody.

25 (Off record: 1:04 PM)

(Thereupon a lunch break was taken.)

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1 A F T E R N O O N S E S S I O N

2 (On record: 2:07 PM)

3 CHAIRPERSON NICHOLS: Good afternoon, ladies and
4 gentlemen. We're ready to resume the meeting. Some of
5 our Board members are finishing up their lunch in the
6 back, but they can hear us also. So we are ready to get
7 back to work.

8 The next item on the today's agenda is a set of
9 proposed modifications to the Cap-and-Trade Regulation.
10 The Board first considered the Cap-and-Trade Regulation in
11 2010. Since that time, the regulation has been updated
12 several times and we've seen many implementation
13 milestones, including our 100 percent program compliance
14 in 2014, and three joint auctions with our partner Quebec.
15 The successful implementation of this program establishes
16 an important mechanism that can continue to reduce
17 greenhouse gas emissions past 2020 as part of the newly
18 established mid-term emission targets.

19 The Board may recall that existing Board
20 resolutions direct staff to consider and propose new
21 compliance offset protocols, and periodically review and
22 update existing compliance offset protocols. Staff
23 presented the proposed amendments before us today in
24 December of 2014.

25 These amendments include the addition of a new

1 offset protocol for rice cultivation projects and an
2 update to the existing forestry protocol to include
3 regions of Alaska.

4 ARB staff developed the offset protocols through
5 an extensive public process. And this package today
6 incorporates this Board's direction, public comments on
7 the December 2014 rule-making package, and further
8 discussions with stakeholders. Collectively, the proposed
9 amendments will improve clarity for offset project
10 developers and provide additional cost containment
11 opportunities for covered entities.

12 The proposed amendments before us today represent
13 continued movement in California's Cap-and-Trade Program
14 and will ensure that our program continues to provide an
15 economic incentive for major investment in cleaner, more
16 advanced technologies, while also giving businesses the
17 flexibility to choose the lowest cost approach to reducing
18 emissions.

19 I will now ask Mr. Corey to introduce this item.

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

22 So today, staff will present for Board
23 consideration a set of proposed amendments to the
24 Cap-and-Trade Regulation. These modifications clarify
25 implementation of the compliance offset program, address

1 stakeholder concerns, respond to Board direction, and
2 result in an increase in the supply of compliance
3 instruments for use by covered entities. As part of the
4 staff presentation, we'll also provide an update on the
5 status of the offset program.

6 In response to the December 2014 Board
7 resolution, staff continued to work with stakeholders,
8 which included holding a public workshop to develop
9 modified regulation and protocol language for Board
10 consideration. The modified regulation language and
11 protocols were released for public comment on May 20, 2015
12 This built on the extensive public process we engaged in
13 to develop staff's proposal.

14 Staff is requesting the Board to vote to adopt
15 the amendments that would continue to enhance the
16 effectiveness of the Cap-and-Trade Regulation.

17 Now, Arnab Pal from the Climate Change Program
18 Evaluation Branch will begin the staff presentation.

19 Arnab.

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

22 AIR POLLUTION SPECIALIST PAL: Thank you, Mr.
23 Corey.

24 Good afternoon, Chairman Nichols and members the
25 Board.

1 This presentation will focus on proposed
2 amendments to the California cap on greenhouse gas
3 emissions and market-based compliance mechanisms
4 regulation, otherwise known as the Cap-and-Trade
5 Regulation.

6 These targeted amendments include the addition of
7 a compliance offset protocol for rice cultivation
8 projects, an update to the compliance offset protocol for
9 U.S. Forest projects, related regulatory changes, and
10 process for transitioning rice early action offset
11 credits.

12 --o0o--

13 AIR POLLUTION SPECIALIST PAL: For this
14 presentation, I will provide a brief overview of the
15 Cap-and-Trade Offset Program. The presentation also
16 includes an overview of the regulatory timeline and the
17 extensive public process leading to these amendments.

18 Additionally, I will summarize the environmental
19 analysis prepared for the proposed amendments and offset
20 protocols, in accordance with the California Environmental
21 Quality Act, or CEQA. The final portion of this
22 presentation will present staff's recommendation.

23 --o0o--

24 AIR POLLUTION SPECIALIST PAL: Greenhouse gas
25 emissions from regulated entities have a compliance

1 obligation under the Cap-and-Trade Program. Last year,
2 the Cap-and-Trade Program reached two milestones.
3 California linked with Quebec on January 1st, 2014 and has
4 held three successful joint auctions.

5 Second, the first annual deadline for surrender
6 of compliance instruments equal to 30 percent of 2013
7 emissions with a compliance obligation was in November of
8 2014 when 100 percent of the covered entities met their
9 compliance obligation as required by the regulation.

10 Beginning this year, transportation fuel and
11 natural gas suppliers will be phased into the program.
12 Looking forward, the next Cap-and-Trade compliance
13 deadline is November 2nd, 2015 when entities will need to
14 surrender compliance instruments equal to the remaining 70
15 percent of their 2013 emissions and 100 percent of 2014
16 emissions.

17 --o0o--

18 AIR POLLUTION SPECIALIST PAL: The Cap-and-Trade
19 Regulation includes elements designed to minimize
20 compliance costs without compromising environmental
21 integrity. Offset credits may be used to meet up to eight
22 percent of an entity's compliance obligation each
23 compliance period. Allowing offsets increases the supply
24 of compliance instruments in the market, making the offset
25 program an important cost containment mechanism under the

1 Cap-and-Trade Program.

2 Including offsets in the program also spurs
3 voluntary emissions reductions outside cap sectors and
4 supports the development of innovative technologies. The
5 reductions achieved by offset projects provide important
6 environmental, social, and economic benefits by reducing
7 greenhouse gas emissions and supplying green jobs inside
8 and outside California.

9 Emissions reductions achieved by offset projects
10 must meet rigorous criteria to be approved as a valid
11 compliance instrument. Offsets must be real, additional,
12 permanent, quantifiable, verifiable, and enforceable. AB
13 32 and the Cap-and-Trade Regulation require any reductions
14 used for compliance to be beyond what would otherwise be
15 required by law, regulation, or legally binding mandate,
16 and to exceed what would otherwise occur in a conservative
17 business-as-usual scenario.

18 --o0o--

19 AIR POLLUTION SPECIALIST PAL: The offset program
20 and the original four compliance offset protocols were
21 adopted as a part of the original Cap-and-Trade Regulation
22 on October 20th, 2011. Staff worked for almost two years
23 establishing the program, which included developing
24 materials such as forms, instructional guidance, training
25 materials, and internal procedures and getting the first

1 ARB-accredited offset verifiers trained and ready to
2 review projects prior to issuing the first ARB offset
3 credits on September 23, 2013.

4 To date, ARB has issued more than 20 million ARB
5 offset credits to over 125 individual projects, of which
6 almost 1.7 million were retired to meet annual compliance
7 obligations in November 2014.

8 The 1.7 million represents approximately four
9 percent of the total compliance instruments due last fall.
10 Additionally, almost 100 verifiers have been trained and
11 accredited, 18 verification bodies accredited, and three
12 offset project registries approved to help administer the
13 program.

14 The Board has approved one new and three revised
15 offset protocols developed by staff since the initial
16 adoption of the regulation.

17 --o0o--

18 AIR POLLUTION SPECIALIST PAL: The offsets
19 program is still relatively young and still maturing.
20 There's been a steep learning curve for project
21 developers, verifiers, and approved offset project
22 registries who are accustomed to working in the voluntary
23 offset market.

24 The compliance offset program is more stringent
25 to support a regulatory carbon market, and includes

1 regulatory requirements and oversight, which results in
2 stricter adherence to Board-approved protocols.

3 Because offset developers, verifiers, and offset
4 project registries are still shifting to a compliance
5 offset program process, ARB currently performs audits on
6 100 percent of projects to protect the integrity of the
7 program and the investment in offsets.

8 --o0o--

9 AIR POLLUTION SPECIALIST PAL: ARB has met all
10 regulatory timeline requirements for issuing ARB offsets
11 to compliance offset projects and has eliminated the
12 backlog of early action projects for all project types
13 except forestry.

14 Forestry projects have proven to be more complex
15 than other projects to review. ARB has recently brought
16 on additional full-time staff and has redirected internal
17 staff to complete processing the early action projects by
18 this fall. In the coming weeks, staff will be contacting
19 forest early action project developers with estimates for
20 when their projects will be reviewed.

21 --o0o--

22 AIR POLLUTION SPECIALIST PAL: Since the Board's
23 initial consideration of the Cap-and-Trade Regulation in
24 2010, the Board has issued several resolutions directing
25 staff to review compliance offset protocols and proposed

1 changes as needed. Three of the key Board resolutions are
2 summarized on this slide.

3 --o0o--

4 AIR POLLUTION SPECIALIST PAL: Staff is proposing
5 a sixth compliance offset protocol for rice cultivation
6 projects and an update to the existing U.S. Forest
7 Projects protocol.

8 These protocols are incorporated by reference in
9 the proposed amendments and are being considered by the
10 Board as a part of this rule-making package. Staff is
11 also proposing modifications to the requirements for early
12 action offset credit transition for rice cultivation
13 projects in the regulation.

14 --o0o--

15 AIR POLLUTION SPECIALIST PAL: After workshops
16 and stakeholder consultation, staff began the formal
17 process for this rule-making on October 28th, 2014 by
18 releasing the proposed amendments to the regulation,
19 including the rice and U.S. Forest protocols, as well as
20 all supporting documentations in accordance with SB 1085
21 for a 45-day public comment period.

22 In response to Board direction, staff presented a
23 set of proposed amendments to the regulation at the
24 December 2014 Board hearing. The Board approved
25 Resolution 14-44 directed the Executive Officer to

1 consider additional modifications to the proposed
2 amendments as a part of a subsequent 15-day rule-making
3 package. The Board also directed the Executive Officer to
4 complete the environmental review process by preparing
5 written responses to all environmental comments received.

6 On February 20th, 2015 staff held a public
7 workshop to discuss the proposed protocol modifications.
8 Following the workshop, staff posted the 15-day proposed
9 modifications to the regulation and the rice and U.S.
10 Forest protocols, and placed the revised rice and U.S.
11 Forest protocols along with supplemental documentation
12 into the rule-making record for public consideration.

13 The comment period for the 15-day regulatory
14 package ended on June 4th, 2015. On June 15, 2015, ARB
15 posted its responses to environmental comments received in
16 accordance with ARB's certified regulatory program. At
17 the end of this presentation, we will ask that you
18 consider adoption of this regulation and direct staff to
19 complete the Final Statement of Reasons for submission to
20 the Office of Administrative Law by the end of August 2015
21 with an anticipated effect date of late this year or the
22 beginning of next year. Staff will also be preparing
23 updates -- updated guidance to ensure all stakeholders
24 have a common understanding of the updates.

25 --o0o--

1 AIR POLLUTION SPECIALIST PAL: As I mentioned,
2 staff is proposing a new compliance offset protocol for rice
3 cultivation projects. This is the first crop-based offset
4 protocol considered by ARB. Conventional rice cultivation
5 practices with flooded rice paddies serve ecological
6 functions as man-made wetlands; but also generate
7 anaerobic conditions that enhance methane production and
8 emissions.

9 Methane is a potent, short-lived climate
10 pollutant. The proposed protocol uses the DeNitrification
11 DeComposition, or DNDC, model to quantify greenhouse gas
12 emission reductions from changes in rice cultivation
13 practices that maintain yields and preserve current
14 associated ecological benefits.

15 Potential greenhouse gas emission reductions are
16 estimated to range from 0.5 to 3 million metric tons
17 carbon dioxide equivalent through the year 2020.

18 --o0o--

19 AIR POLLUTION SPECIALIST PAL: There are 6 major
20 rice producing states, including California, the Gulf
21 coasts of Louisiana and Texas, and the Mississippi Delta
22 primarily in Arkansas, but also extending to Missouri and
23 Mississippi.

24 Because of geographical differences, it is
25 important to tailor suitable compliance practices based on

1 geographical location and regional business-as-usual
2 farming practices. Staff identified two compliance
3 practices for the California rice growing region;
4 switching from wet-seeding to dry-seeding and early
5 drainage in preparation for harvest.

6 Staff is also proposing two compliance practices
7 for the mid-south states; cyclical wetting and drying of
8 the rice field during the growing season, and early
9 drainage in preparation for harvest.

10 --o0o--

11 AIR POLLUTION SPECIALIST PAL: Staff is also
12 proposing several other modifications to the protocol in
13 response to comments received during the 45-day comment
14 period, Board direction, and new information. These
15 streamline and improve the accuracy of the protocol,
16 including: One, providing detailed methodologies for
17 calculating soil properties from data obtained from the
18 SSURGO and STATSGO2 databases; two, allowing the use of
19 weather station-based reanalysis products as a first
20 source of data to simplify account for missing weather
21 data; and three, providing new methods for calibrating the
22 DNDC model that increased the accuracy of the model by
23 incorporating data from project reporting periods; and
24 four, reducing the number of DNDC runs needed.

25 --o0o--

1 AIR POLLUTION SPECIALIST PAL: I will now provide
2 a brief update on the measures ARB is proposing to help
3 implement rice cultivation projects. Staff is proposing
4 to provide a conservative, fixed, structural uncertainty
5 value instead of relying on a value that was dependent on
6 the total project acreage participating, which will allow
7 for the elimination of the previously required two-step
8 offset project data report.

9 Staff is also proposing to provide quantification
10 tool for use by participating farmers to simplify data
11 input, quantify emissions reductions, and provide record
12 keeping capability consistent with the proposed protocol
13 requirements. This will be ready for beta testing this
14 fall with the final version potentially available by the
15 winter.

16 Finally, we are undertaking a limited term pilot
17 program to provide funding to cover the cost of
18 verification pending Board approval of the rice protocol.
19 This would aid ARB's evaluation of the best methods for
20 alternate less intensive verification of rice cultivation
21 projects that would retain the existing level of rigor in
22 the compliance offset program's verification process.

23 As with all protocols, staff will update the
24 Board at least annually on the status of the rice protocol
25 as directed in Resolution 11-32. And as with other

1 adopted protocols, staff will make rice project data,
2 including location, available for all stakeholders to
3 track the implementation of this protocol.

4 --o0o--

5 AIR POLLUTION SPECIALIST PAL: Many of the
6 proposed updates to the existing U.S. Forest protocol are
7 technical updates that reflect the latest science. The
8 first update expands project eligibility to regions of
9 Alaska. Data required for implementing projects in Alaska
10 is now available from the U.S. Department of Agriculture
11 Forest Service Forest Inventory and Analysis National
12 Program making it possible to expand this protocol.

13 Fifteen-day modifications incorporate the final data
14 required for mill efficiency and wood products generated.

15 Staff is also proposing updates to the common
16 practice values in the assessment area data file used for
17 establishing the baselines for improved forest management
18 projects on private lands. This update is also based on
19 updated data from the Forest Inventory and Analysis
20 Program. These updates are made approximately every five
21 years, and this is the first time staff is updating these
22 values since the protocol was originally considered by the
23 Board in 2010.

24 Staff originally proposed the updates to the
25 common practice values as a part of the quantification

1 methodology updates considered by the Board last year.
2 Staff is proposing them again as a part of this package.
3 This additional time was provided to ensure stakeholders
4 had sufficient opportunity to review and comment on these
5 proposed technical updates.

6 This version also includes a change to the
7 classification of high and low site class productivity
8 codes to bring them into alignment with the stratification
9 of site classes used in the updated common practice
10 values. Like the updated common practice values, staff is
11 proposing this change for the second time.

12 Staff is also proposing updates to the minimum
13 baseline level calculations to raise them to be consistent
14 with the level of rigor of existing voluntary protocols.
15 The update allows -- also allows areas that have
16 experienced natural disturbance, such as wildlife or wind
17 storm, to be designated a distinct LMU. Finally, areas
18 designated as high conservation value forest may be
19 designated a distinct LMU to help minimize the impact of
20 the minimum baseline level change on projects.

21 Following Board direction, ARB has worked with
22 the Department of Forestry and the Board of Forestry and
23 Fire Protection, CalFire, to ensure the protocol is
24 aligned with the California Forest Practice rules.

25 The requirements for even-aged management were

1 originally taken from the California Forest Practice
2 rules, and the clarifications provided here are taken from
3 the same sections of the Forest Practice Rules. ARB is
4 not adding or replacing any of the existing protocol
5 requirements, only clarifying how they are to be
6 implemented for protocol purposes for both in-state and
7 out-of-state projects.

8 Staff will develop guidance to point to the
9 relevant definitions in the Forest Practice Rules to
10 ensure a common understanding of the California
11 requirements.

12 --o0o--

13 AIR POLLUTION SPECIALIST PAL: As a part of
14 15-day changes, staff is also proposing to further clarify
15 how to define comparable sites for determining the
16 financial feasibility of baseline growth and harvesting
17 regimes. Staff is proposing limiting required corrections
18 to errors that would have greater than a five percent
19 impact to the baseline or to quantified GHG reductions or
20 GHG removal enhancements.

21 Additionally, staff is proposing to allow
22 projects on public lands to use modeling to help define
23 the project baseline instead of relying solely on
24 comparable sites, because comparable sites have been
25 difficult to identify.

1 And finally, verifiers will be allowed to use
2 paired sequential sampling in cases where a small number
3 of monumented plots cannot be located.

4 --o0o--

5 AIR POLLUTION SPECIALIST PAL: Staff conducted an
6 extensive public process to develop the proposed
7 protocols, including public workshops, working group
8 meetings, and a webinar on updates to the U.S. Forest
9 common practice values.

10 The rice protocol workshop and working group
11 topics focused on quantification, environmental impacts,
12 and modeling.

13 U.S. Forest protocol workshop topics included
14 updates to common practice values, expansion into Alaska,
15 clarifications regarding eligibility of projects, and
16 changes to the quantification methodologies previously
17 approved by the Board.

18 Staff released discussion drafts of each proposed
19 protocol and has had two informal public comment periods
20 before releasing the 45-day package. Staff posted
21 supplemental resources and documentation on the official
22 rule-making webpage, including data to support the
23 forestry common practice update.

24 Staff also helped many informal meetings with
25 stakeholders to discuss proposed changes to the protocols.

1 An amended proposed regulatory package was released for
2 formal public comment on May 20th, 2015. Supplemental
3 documents were again posted on the official rule-making
4 webpage.

5 --o0o--

6 AIR POLLUTION SPECIALIST PAL: ARB prepared an
7 environmental analysis, or EA, for each of the proposed
8 compliance offset protocols, which are included in the
9 chapter 3 of the respective staff reports prepared for
10 each protocol in Appendices B and C to the Initial
11 Statement of Reasons. The EAs were prepared according to
12 the requirements of ARB's certified regulator program
13 under CEQA.

14 ARB used the CEQA environmental checklist,
15 Appendix G, from the CEQA guidelines to identify and
16 evaluate environmental resource areas that may be
17 impacted. The checklist includes criteria related to
18 resource areas, such as biological resources, cultural
19 resources, geologic and soil resources, and hazardous
20 material among others.

21 ARB conducted a programmatic level environmental
22 analysis, which concluded no significant adverse impacts
23 from the new rice cultivation protocol and the same types
24 of impacts from the updated forest protocol as were found
25 when the forestry protocol was first analyzed in 2010 as a

1 part of the environmental analysis included in Appendix O
2 for the Cap-and-Trade Regulation, referred to as the
3 Functional Equivalent Document, with the quantification
4 that those same impacts would be extended in geological --
5 geographic scope by the expanding project eligibility to
6 areas of Alaska.

7 --o0o--

8 AIR POLLUTION SPECIALIST PAL: In conclusion,
9 staff recommends that the Board approve the proposed
10 resolution, which includes approval of written responses
11 to the environmental comments received on the proposed
12 amendments; adoption of the CEQA findings and Statement of
13 Overriding Consideration, adoption of the final regulation
14 order, and adoption of the proposed rice cultivation
15 projects and U.S. Forest Projects Compliance Offset
16 Protocols.

17 The resolution before you also directs the
18 Executive Officer to finalize the Final Statement of
19 Reasons for this rule-making and submit the completed
20 regulatory package to the Office of Administrative Law.

21 Thank you very much for your consideration, and
22 we would be happy to answer any questions you may have.
23 But before we begin to answer questions, I'd like to
24 introduce Deputy Secretary Jenny Lester Moffitt, from the
25 California Department of Food and Agriculture.

1 Jenny will now come to the podium to address the
2 Board on these proposed amendments.

3 CHAIRPERSON NICHOLS: Welcome.

4 MS. MOFFITT: Thank you. Okay. Now I think I'm
5 live. My notes say good morning, but I guess I should
6 clarify, and say good afternoon, Chair Nichols and Board
7 members. Thank you for this opportunity to make a few
8 comments on behalf of the California Department of Food
9 and Agriculture on the agricultural rice protocol.

10 This protocol is significant in that it is the
11 first on-field agricultural offset to be consideration --
12 in consideration of the Cap-and-Trade Program.
13 California's agricultural sector has an important
14 opportunity to participate in voluntary incentives portion
15 of the Cap-and-Trade Program, and I commend your
16 leadership and your staff's work on this protocol.

17 Back in 2013, CDFA testified with Edie Chang on
18 the joint legislative hearing of the Assembly Select
19 Committee on Sustainable and Organic Agriculture, and the
20 Assembly Select Committee on Agriculture and the
21 Environment discussing climate change and agricultural
22 issues.

23 The development of agricultural offsets was one
24 of the topics noted at the hearing. We had just begun the
25 discussion on this rice protocol, and it was not without

1 its challenges. These challenges stem from establishing
2 implementation, reporting, and verification procedures
3 that do not jeopardize the credibility of the program, our
4 State agencies, and those who are working at the ground
5 level to reduce greenhouse gases.

6 Any protocol proposed at the Board for
7 consideration must have real quantifiable, verifiable, and
8 enforceable metrics as defined by staff, and those who are
9 working on the ground to reduce greenhouse gases.

10 As you know, agriculture is a dynamic system that
11 requires much flexibility when developing these incentive
12 programs. There was a lot of attention given to
13 establishing the science behind this protocol. A little
14 over two years later, after very useful, intensive, and
15 productive discussions with your staff and stakeholders,
16 most of those challenges of the rice protocol have been
17 addressed.

18 The result is the first crop-based agricultural
19 offset protocol for your consideration today. These
20 benefits in addition to producing a safe, high quality
21 food source, include efforts to address air quality and
22 reduce greenhouse gases.

23 This ag offset protocol will provide an incentive
24 to growers in the Sacramento region that grow rice to
25 reduce greenhouse gases while providing other benefits

1 such as food production and wildlife habitat for birds.

2 We know that this rice offset protocol will be
3 well received by early innovators in the rice production,
4 and I understand that there will be continued discussions
5 on the eligibility of early action projects. We are in
6 support of this ag offset rice protocol, and believe that
7 collaboration between ARB staff, CDFA, and stakeholders
8 should continue. We also look forward to working with ARB
9 and other commodities and stakeholders to advance further
10 and future offset protocols as well.

11 Thank you so much.

12 CHAIRPERSON NICHOLS: Thank you for joining us.

13 I'll now call the list then of people who have
14 signed up to testify on this item beginning with Michael
15 Wang from WSPA.

16 MR. WANG: Madam Chair, members of the Board.
17 Good afternoon. Mike Wang with the Western States
18 Petroleum Association.

19 We submitted comments earlier, and I will only
20 highlight them here. As WSPA stated in the past, we have
21 significant interest in the offsets program, because of
22 the important role offsets play in a well structured
23 market-based system. We support a vigorous offset
24 program. Such a program will increase in importance as
25 the cap continues to decline and localized emission

1 reduction opportunities diminish.

2 It is clear that the current and future viability
3 of offset protocols will be critical to the success of
4 California's GHG emission reduction program. Today, I
5 speak on two issues, and I'll describe them very briefly.

6 ARB's original offset market design, while
7 cautious in terms of geographic and use limitations
8 provided a useful framework for the development of an
9 offsets market.

10 However, the proposed changes for the forestry
11 protocol would undermine the technical integrity and the
12 framework and erode consumer and investor confidence in
13 the offset market by creating uncertainty.

14 Specifically, ARB's proposed changes to the
15 compliance offset protocol for the Forest projects appear
16 to be based on an incorrect baseline that will further
17 diminish the supply of offsets obtained from qualifying
18 forestry projects.

19 We understand the ARB's conservative approach to
20 offsets. However, WSPA shares the concerns of other
21 cap-and-trade stakeholders that ARB's proposed common
22 practice values used to determine baseline timber stocking
23 levels are unreasonably high.

24 We recommend that ARB adjust the proposed common
25 practice values based on the average timber stocking

1 levels over an extended period of time. Timber stocking
2 averaged over a 25-year period would more accurately
3 account for fluctuations in the timber market. This
4 adjustment would also minimize disincentives for offset
5 projects during times when the motivation to harvest is
6 highest.

7 We also recommend that ARB remove the proposed
8 basal area retention limit to accommodate necessary
9 regional variation in the forest project -- and forest
10 management practices and stimulate interest to -- in both
11 in-state and out-of-state forestry projects.

12 The second issue we have concerns the offset
13 protocol changes and recommends some solutions. We are
14 concerned that protocol -- we understand that protocol
15 reviews must be predictable and transparent with
16 responsible -- with reasonable timelines between reviews
17 and updates. Changes in protocols or changes within
18 compliance periods should be avoided, as these changes
19 tend to disrupt the offsets supply and demand balance, and
20 undermine market confidence in offsets generated pursuant
21 to complicated protocols.

22 We support -- again support the program, and we
23 look forward to working with staff in the future.

24 CHAIRPERSON NICHOLS: Thanks.

25 Now, that we have this new system, where we

1 project on the back wall, I don't need to call people's
2 names anymore, so just please be ready to come up when the
3 last speaker before you is done.

4 MS. PASSERO: Thank you. And I'm not Alex
5 Leumer, but I -- I'm Michelle Passero. We can cross off
6 Alex. We just knew it would be one of us that would be
7 speaking here today.

8 CHAIRPERSON NICHOLS: Okay. Thank you.

9 MS. PASSERO: We appreciate the opportunity to
10 speak on this issue. And we do strongly adopt -- support
11 the adoption of the rice protocol and the inclusion of
12 Alaska in the forest protocols. We think they're both
13 important for expanding the breadth of reductions that
14 we're able to achieve both in California and even beyond
15 California, and they also help advance conservation and
16 other public benefits.

17 We appreciate the hard work that staff has
18 dedicated to clarifying certain items in the forest
19 protocol as well. We just want to mention both on the
20 even-age management and logical management unit, those
21 definitions, we signed onto letter with the Climate Action
22 Reserve and others offering some further clarifications
23 that could be helpful just for being able to interpret and
24 verify. So if there's opportunity and maybe some
25 follow-up guidance on these issues, then we'd be happy to

1 help. And I'm sure you'll hear from others on some
2 recommendations there.

3 So overall, thank you very much and we're happy
4 to help as we move forward on this. Thanks.

5 CHAIRPERSON NICHOLS: Thank you.

6 MR. RYNEARSON: Chair Nichols and Board members,
7 Gary Ryneerson, Green Diamond Resource Company. I'm a
8 registered professional forester. I was also on the team
9 that originally developed the protocol that this body
10 approved in 2010. And I was a member of the State Board
11 of Forestry for seven years. I only say those things as
12 my qualifications for understanding both the rules and
13 these protocols.

14 We submitted a letter under the name Green
15 Diamond under my signature. We also were co-signatory to
16 the multi-stakeholder letters that went in, including the
17 CAR letter, which Ms. Passero just identified as
18 identifying some recommended technical changes. We're
19 fully supportive of those changes.

20 While these rules -- while these come very close
21 to representing the California Forest Practice Rules,
22 there's some subtle technical differences that are not
23 reflected in these changes, and we'd request that you
24 consider those technical changes that are offered in the
25 multi-stakeholder letter that has been authored by CAR.

1 And you have some very concise and precise changes that
2 are recommended.

3 So with that, we would -- we do fully support
4 this program. We think it's a great program. We support
5 the inclusion of Alaska into this program. And I
6 respectively request that you consider making those
7 technical changes.

8 CHAIRPERSON NICHOLS: Thank you.

9 MR. RYNEARSON: Thank you.

10 MR. BRINK: Madam Chair and board members, I'm
11 Steve Brink, vice president of California Forestry
12 Association.

13 I want to point out just a few things, and I'll
14 leave it to many of the other commenters to talk about the
15 specifics which you've already heard a few already. But
16 you have an excellent set, in our opinion, of substantive
17 written comments from Blue Source, from Climate Action
18 Reserve, Pacific Forest Trust, Verifiers and others. And
19 has already been pointed out to some extent, the amendment
20 package still misses the mark in a couple of areas.

21 And I've got it boiled down to three basically.
22 There's still requirements of the Forest Practices Act's
23 rules that are not in the protocol. So the clarity wasn't
24 provided, which will add time and cost for the registrant
25 and the verifiers that's unnecessary.

1 There's still language that's inconsistent with
2 the Forest Practices Rules. And third, there's proposed
3 changes, some of which have already been alluded to in the
4 first couple speakers that have subjective requirements
5 associated with them.

6 That's going to also add unnecessary -- in our
7 opinion, unnecessary costs and time for the registrant,
8 the verifiers, and the offset staff to plow through what
9 an appropriate response to a subjective requirement might
10 be.

11 Six months ago, we suggested to the Board and to
12 this offset staff that you utilize the technical work
13 group or a portion of it that Climate Action Reserve used
14 several years ago that built the forestry protocol from
15 scratch. That didn't happen.

16 And we'd also pointed out to staff that several
17 years ago, Chair Nichols, you forged an agreement with
18 CalFire to utilize their forestry expertise for ARB
19 matters when appropriate. That didn't happen either.

20 And the result is the staff did not have the
21 forestry expertise to get the language right, so we ask as
22 you move forward to consider through resolution that you
23 direct staff to either use a technical work group for
24 future changes, or if you don't want to do that, at least
25 direct them to use the agreement you have with CalFire to

1 get the forestry expertise that's needed to get the
2 language right, so that there's clarity for efficient and
3 effective implementation of the forest protocol.

4 Thank you.

5 CHAIRPERSON NICHOLS: Thank you. I don't usually
6 do this, but I think I'm going to take a poll here just
7 cause -- looking at who's signed up. So how many other
8 witnesses here are here to make similar comments in terms
9 of things that they think are wrong with the protocol or
10 the way it was developed?

11 One, two, three, four -- okay. There's a whole
12 batch of you. And I think it's probably basically -- I'm
13 not going to accuse you of saying exactly the same thing,
14 but it's going to be pretty close. So I think it would
15 maybe be more efficient, if I may, if I ask the staff to
16 respond now to those -- to those specific comments about
17 the forestry practice -- Forest Practice Rules, how they
18 interact with our proposal. And then you may or may not
19 be satisfied, but at least it may save us a little bit of
20 time. I'm hoping anyway.

21 So could I turn to Ms. Sahota.

22 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF
23 SAHOTA: Good after, Chairman Nichols. And in the staff
24 presentation, we noted that we did work with the Board of
25 Forestry and we did work with CalFire on the new

1 clarifications regarding even-age management and the
2 offset protocol for forestry.

3 So the staff actually shared text back and forth
4 with those agencies to make sure that we were aligned with
5 the current rules. The intent is not to add additional
6 requirements for even-age management to in-state projects.

7 But the other part was, we hadn't -- we needed to
8 add enough clarity on how forest practice rules work. So
9 the out-of-state projects were held to the same
10 requirements as in-State projects. And obviously,
11 in-state project developers are more familiar with our
12 Forest Practice Rules.

13 In moving some of the text over into the
14 protocol, it would have been impractical to move over
15 hundreds of pages of text from the Forest Practice Rules.
16 So we took what was absolutely needed at a minimum to
17 reflect the absolute needs for the protocol itself, and
18 we've committed to do guidance to refer back to the larger
19 Forest Practice Rule to make sure that the definitions
20 there are the ones that are used for the terms in the
21 protocol, and to make sure that stakeholders have an
22 additional regulatory reference when they're applying
23 those requirements to their projects.

24 And so that would be guidance that we were
25 putting out, just like we would do for any other project

1 protocol that we have.

2 CHAIRPERSON NICHOLS: So you feel that you did
3 coordinate with the Department.

4 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF
5 SAHOTA: We absolutely did coordinate with those agencies.
6 We didn't do a formal public work group with CalFire and
7 Board of Forestry. We had an agency-to-agency
8 collaboration with them, and that was reflected in the
9 15-day changes that were put out for public comment.

10 CHAIRPERSON NICHOLS: Okay. Well, obviously,
11 people they choose to disagree or still continue to have
12 disagreements with the text, but it seems to me that
13 what's important here in terms of what we're being asked
14 to consider approving today is that you incorporate the
15 rules from the Board of Forestry into this rule. And to
16 the extent that there's questions about how that would
17 work, you're going to address them through guidance.

18 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF
19 SAHOTA: That's correct.

20 CHAIRPERSON NICHOLS: Okay. To continue, Mr.
21 Brink I guess is next up. He just went. Sorry. Just --
22 we heard from you.

23 Mr. Kleinhenz.

24 MR. KLEINHENZ: Thank you so much. And I will --
25 thank you for having me here today. I'll try to honor

1 your wishes and leave out the redundant pieces of this
2 statement. My name is Brian Kleinhenz. I represent
3 Sealaska Corporation, which is a native-owned corporation
4 in south east Alaska, so I'm hailing from Juneau.

5 I'm here today to address the forest protocol.
6 And I wanted to thank the Board for considering Alaska's
7 inclusion in this protocol, and particularly on behalf of
8 the native peoples of Alaska.

9 The Tlingit, Haida, Tsimshian peoples of
10 southeast Alaska, their land management ethic really
11 parallels in a lot of ways this forest offset protocol.
12 They really are enthusiastic about the opportunity to
13 participate. And we really wanted to thank you for that
14 opportunity.

15 We do have a few technical concerns, which I
16 think you'll hear later today. Maybe the only one that's
17 unique to us is we're concerned about the baseline carbon
18 level. And we believe that once we're full stakeholders
19 in the process, we can be of some assistance in showing
20 access to different information and some opportunities to
21 maybe bring it more in line with our experience and
22 expectations of managing forest lands in Alaska.

23 So just to conclude, I would really urge the
24 Board to please consider and take action to include Alaska
25 in the protocol today.

1 And I thank you so much for your time.

2 CHAIRPERSON NICHOLS: Thank you.

3 MR. PARKHURST: Chairman Nichols, members of the
4 Board, ARB staff, thank you for the opportunity to speak
5 this afternoon.

6 Shortly, you'll vote on the rice cultivation
7 project's compliance offset protocol. This is a huge
8 milestone. It will be the first crop-based protocol
9 approved for use in any Cap-and Trade Program. It is a
10 gateway to other protocols from agriculture, and it
11 addresses many of the critical criteria necessary for
12 those protocols, including the use of biogeochemical
13 models such as DNDC and consolidated reporting.

14 ARB staff put forth extraordinary effort in this
15 protocol as was evidenced in their presentation. They
16 conducted four working group meetings, visited farms in
17 California and Arkansas and met with world renowned
18 experts. Their work should be commend.

19 This milestone would not have been possible
20 without the partnership of a number of organizations,
21 particularly the California Rice Commission, the White
22 River Irrigation District in the mid-south, as well as
23 funding from USDA, NRCS through two conservation
24 innovation grants.

25 Speaking of the mid-south, I have a letter today

1 from our partners supporting the protocol and encouraging
2 you to adopt it, and you should have it up there with you.

3 As the largest uncapped sector, agricultural
4 lands offer an unparalleled opportunity for generating
5 greenhouse gas reductions. Agriculture current represents
6 10 percent of U.S. Greenhouse emissions. However, if we
7 continue with business as usual, the World Bank estimates
8 that agriculture could be responsible for as much as 70
9 percent of the planet's emissions by 2050.

10 The approval of the rice protocol opens the door
11 for the development of other agricultural standards what
12 will pay farmers for reducing emissions. With this
13 precedent, the stage is set for a nutrient management
14 protocol to reduce nitrous oxide emissions from
15 fertilizer.

16 This effort could apply to more than 400 million
17 acres of crop land across the U.S. and contribute millions
18 of tons of greenhouse gas reductions while protecting or
19 even improving farmer's yields. Once approved, it's
20 critical that rice protocol get off to a good start. In
21 particular, the verification is an important issue.
22 Verification of rice projects is currently 50 percent of
23 their total development cost.

24 I'm pleased that CDFA and ARB are working with
25 stakeholders to find ways to reduce this cost of

1 verification while maintaining a high degree of
2 environmental rigor. As that work continues, you'll see
3 EDF at the table helping to move practical solutions
4 forward.

5 On the other hand, we need to be very careful
6 with the disclosure of data. While having project
7 location information is important for making sure one
8 farmer doesn't risk a total project, if confidential
9 business information is made public, farmers will not
10 participate. I'm confident we can find a way to do that
11 through the implementation of this protocol.

12 I strongly encourage you to adopt this protocol
13 today and send a powerful message to farmers and ranchers
14 across the country that they have a new revenue stream
15 available by reducing greenhouse gases associated with
16 their practices.

17 Thank you very much.

18 CHAIRPERSON NICHOLS: Thanks. Thanks for all
19 your help in moving this along.

20 MR. MORAN: Good afternoon, Ralph Moran with BP.

21 BP is an obligated party under the Cap-and-Trade
22 Program. And we're also involved in developing offsets
23 for the Cap-and-Trade Program. So we're also concerned
24 about the impact of these revisions on the ability of the
25 forestry protocol to supply offsets into the future, and

1 we're concerned about the offset program in general.

2 We were a joint signatory to a letter that
3 included several large RPs, as well as those more closely
4 involved forestry. I mean, you're hearing from a lot of
5 them today. There's a lot of expertise on forestry in
6 this room, and I think it's important that we take
7 advantage of that to get the protocol to the right place.

8 We're concerned about the large impact this is
9 going to have on a protocol that has been looked at as
10 very promising. By our numbers, these revisions will
11 reduce potential future supply by some 40 to 60 percent.
12 That's a big number, and I'm not sure that's been
13 discussed. It seems like the impact on supply of offsets
14 from the revisions would have an impact on your thinking
15 here.

16 So while that's significant on its own, we also
17 view it a symptom of a larger problem. There's a lot of
18 warning signs in the offset program right now. There's
19 been concerns for a long time about the limits on use of
20 offsets. There's been concerns about the small handful of
21 protocols that we have approved to date pretty far into
22 the program. We have limited geography from which offsets
23 can be sourced, including inability to source them in
24 places like Mexico, where there's great potential. And
25 Mexico is even called out for in the regulation.

1 We've also seen a chilling effect from the recent
2 ODS invalidation investigation. It appears also that RPs,
3 for whatever reason, regulated parties, are not using
4 their full allotment of offsets, for whatever reason that
5 may be, a view of the risk or something else.

6 And if all offsets aren't used, it impacts all
7 regulated parties, because it increases the demand for
8 allowances unnecessarily.

9 So all of this leads us to two conclusions.
10 First of all, we have to be very careful about moving this
11 protocol forward without being sure that we utilizes all
12 the expertise, and without being sure of the impact on
13 supply. And secondly, in a bigger picture sense, we need
14 a process in place to look at these warning signs in the
15 offset market, and look at the impact cumulatively of
16 everything that's been happening lately, just to make sure
17 we're getting the proper balance between maintaining the
18 environmental integrity of the program, and getting the
19 full cost containment benefit from the program.

20 Thank you.

21 CHAIRPERSON NICHOLS: Thanks.

22 MR. McKEE: Chair Nichols, Board members, I'll
23 try to eliminate some of my comments. My name is Mik
24 McKee, and I'm here on behalf of the Oregon Climate Trust.

25 The Climate Trust strongly supports high quality

1 offsets and was a partner in developing the offset quality
2 initiative with Pew Center on Global Climate Change, the
3 California Climate Action Registry, the Environmental
4 Resource Trust, GHG Management Institute, and the Climate
5 Group. We have 18 years as a quality leader in the carbon
6 offset market.

7 I'd like to recognize the work that the staff has
8 done, and I understand -- and we understand the need to
9 update the protocol for U.S. forest projects. However,
10 we're concerned that the proposed changes will inhibit the
11 continued growth of this sector.

12 In short, The Climate Trust believes that several
13 of the proposed technical changes will limit the
14 willingness and ability of landowners to develop forest
15 carbon projects. And this is particularly true for states
16 outside of California.

17 We are also concerned that the questionable level
18 of stakeholder participation in developing these proposed
19 changes only serves to reinforce the perception that
20 environmental markets are highly vulnerable to policy
21 change, and therefore have high investment risk.

22 The Climate Trust strongly urges ARB to form a
23 technical committee and use the expertise here to provide
24 guidance on the proposed changes to U.S. Forest protocols.

25 Additionally, the Trust believes it is critical

1 for ARB to consider the importance of encouraging
2 continued market participation, rather than prematurely
3 restricting this relatively young and still maturing
4 sector.

5 Thank you.

6 CHAIRPERSON NICHOLS: Thanks.

7 DR. HRUBES: Chairman Nichols, members of the
8 Board. My name is Robert Hrubes. I'm Item number 8. I
9 was on my way down the aisle when I was beat to the punch,
10 so I hope I'm still able to speak.

11 CHAIRPERSON NICHOLS: Okay.

12 DR. HRUBES: So I'm a Registered Professional
13 forester in California. I am the executive vice president
14 of Scientific Certification Systems, SCS, Global Services,
15 and we are an ARB accredited verification body under the
16 forestry protocol, and we also are accredited on all of
17 the other voluntary forestry protocols that exist. And
18 we've been doing this work for many years.

19 I've been personally auditing around every region
20 of this world -- of this country, as well as outside of
21 this country for over 25 years. My basic message for you
22 is that if, in fact, offsets from the forest sector are
23 important in the overall goals of the Cap-and-Trade
24 Program, that one needs to be very cognizant of the
25 willingness of forest landowners around the country to

1 willingly and voluntarily decide to engage in the form of
2 a project. And that any changes that disincent forest
3 landowners from participating, run counter to the overall
4 objectives of the Cap-and-Trade Program.

5 And it's my conclusion, based upon my experience
6 doing this kind of work for many years, that the changes
7 being considered now will serve as a very strong
8 disincentive for forestland owners outside of California
9 to voluntarily decide to engage and develop projects to
10 create offset credits that can be used in the
11 Cap-and-Trade Program.

12 For that reason, I urge you to reconsider the
13 action before you.

14 Thank you.

15 CHAIRPERSON NICHOLS: Okay. So back to the list.

16 MR. CARNEY: Hi. My name is Sean Carney. I'm
17 president of Finite Carbon.

18 Finite Carbon has singed on to two different
19 letters with over 20 organizations asking for further
20 review of the carbon -- the forest carbon offset protocols
21 before they're adopted.

22 That says what it says. I would like to actually
23 talk about one specific issue to give you an example of
24 how this process has actually gone over the last year.

25 As a company, Finite Carbon is developing over 19

1 carbon offset projects for the system. Those 19 projects
2 will deliver over 20 million tons by 2020. That's
3 approximately a quarter of all forestry projects or about
4 10 percent of the overall cap on offsets between now and
5 2020. By any definition, I believe Finite Carbon would be
6 considered a stakeholder in this process.

7 As part of the September Board meeting, where the
8 common practice numbers were presented, and the Board then
9 directed staff to go back to stakeholders, ask them for
10 their input so I quote there can be, "Sufficient time to
11 review and comment on the common practice values".

12 The common practice values are numbers in an
13 Excel sheet on a piece of paper. There is data behind
14 those numbers that generate those numbers. In order to
15 allow us time to sufficiently comment on these numbers, we
16 have to review the work that goes into these numbers.
17 This is a concept that was taught to me in second grade of
18 show your work.

19 I can't review the numbers that are published
20 without the work that goes into them. We've actually
21 asked on several occasions that the methodology that has
22 been to develop -- that was put in place to develop the
23 existing common practice numbers and the updated common
24 practice numbers be released to us to review. This has
25 not been done.

1 All of this data is available, publicly from the
2 FIA. That is the data that was used to develop the common
3 practice numbers. We have not been able to replicate any
4 of the common practice numbers based on that publicly
5 available data. I'm asking that before you proceed with
6 adopting this, you, at the very least, give us the
7 opportunity to review the common practice methodology and
8 release it.

9 So what I'm here to ask for at this time is that
10 the methodology, the numbers that were used to create the
11 existing common practice numbers, and the methodology, the
12 calculations used to calculate the update to the common
13 practice numbers both be released.

14 As of right now, both have been created in black
15 boxes. Nothing has been presented to the public for our
16 review. It has all been done behind the scenes, by a very
17 few number of individuals, and not put out for public
18 comment and review.

19 That concludes my comments.

20 Thank you.

21 CHAIRPERSON NICHOLS: Okay.

22 MR. WILLIAMS: Good afternoon. Roger Williams
23 with Blue Source. Thank you for the opportunity to
24 provide a few comments. First, a sincere word of thanks
25 to the tireless work that the ARB staff has been putting

1 into this program. It was also quite refreshing to hear
2 about the added resources that are going to be dedicated
3 towards early action review. That's certainly welcomed.

4 My company, we are the oldest and largest offset
5 developer in the United States. We have registered over a
6 third of the forest carbon credits currently in the
7 compliance program. So we were an early adopter. We've
8 been at this for relatively quite a long time. And our
9 early action projects certainly have been waiting for well
10 over a year for ARB to complete their review. And I would
11 emphasize that that is nothing to disparaging against
12 existing staff. It's just purely there haven't been
13 enough folks working on the review. So that has been
14 certainly welcome to hear that there are several more
15 people that are going to be working on that component.

16 We are also excited about the inclusion of Alaska
17 along with the adoption of the rice protocol. I want to
18 dovetail though some of the comments that have already
19 been made, and kind of focus on the process a little bit.
20 I think we've heard a little bit that I think the
21 sentiment is -- from ARB staff is that the processes --
22 they've run through the process and have done so pretty
23 well. I would like to suggest that this process could be
24 greatly improved.

25 And one key area would be around inclusion of a

1 technical working group. This has come up earlier, but I
2 really want to emphasize this. There were comments that
3 were made around liaising with other agencies, but I think
4 it was just a missed opportunity to not engage folks,
5 registries, verifiers, landowners, other stakeholders that
6 are living and breathing this to be able to comment on it
7 earlier on in the process.

8 I think the process as it exists right now is
9 that staff that has too much on their plates that are
10 behind on review of projects are also responsible for
11 crafting updates to this regulation, to this protocol.
12 They've made mistakes. The language is not where it needs
13 to be, and that is something that has been supported by
14 Calforests, Pacific Forest Trust. Twelve other
15 stakeholders have signed on to a letter saying they
16 haven't gotten it right yet, but yet today you're deciding
17 on whether you're going to move ahead on it.

18 I think an improvement in the future would be to
19 have a technical working group that can be engaged on the
20 front end, so that we're not waiting and wondering what's
21 going to be released in the draft, have two weeks to
22 quickly analyze everything and comment, and then at least
23 what we're seeing so far is that most of those comments
24 are not incorporated.

25 It's a little bit backwards from what it could

1 be. And I think if a technical work group would be
2 established, it would also take pressure off of staff.

3 Thank you. I'm out of time, but we have a lot
4 more to say on this, and I wish I had more time, but much
5 appreciated.

6 CHAIRPERSON NICHOLS: Okay.

7 MR. STRAUSS: Good afternoon. My name is Josh
8 Strauss, and today I'm here on behalf of IETA. IETA is a
9 multi-stakeholder group of over 140 businesses across
10 California and the globe. We want to express our support
11 for ARB's progress on the rice protocol, while at the same
12 time voice our concerns over ARB's proposed amendments to
13 California's forest protocol.

14 IETA looks forward to seeing the rice protocol's
15 adoption as soon as possible. We also encourage staff to
16 explore future opportunities for additional modification
17 in order to heighten the protocol's workability,
18 scalability, and economic viability.

19 IETA supports ARB's efforts to issue forest
20 protocol updates as California's offset program matures
21 and forest conditions change. But we believe major
22 protocol modifications, particularly at this stage in the
23 program's infancy are both risky and unnecessary.

24 We are concerned that many of ARB's proposed
25 revisions could adversely affect California's still

1 nascent offset market, shaking confidence, particularly
2 that of landowners, lowering participation, and reducing
3 future volumes to an already constrained market.

4 IETA therefore requests ARB strongly consider
5 maintaining the current version of its compliance forest
6 protocol while allowing the incorporation of eligible
7 Alaskan forest projects into the California program.

8 California's forest protocol is critically
9 important, so we should take the time to get it right.
10 These offsets are not only about cost containment enabling
11 linkages and climate benefits. They also generate
12 substantial environmental co-benefits.

13 IETA particularly -- with this in mind, IETA
14 particularly encourages ARB not to accept the new protocol
15 system for the establishment of minimum baseline levels
16 for improved forest management projects with stocking
17 above the common practice level. The new system for
18 establishment of minimum baseline levels does not serve to
19 increase the robustness of the California program, and it
20 will result in the exclusion of projects that would
21 have -- that would have had meaningful climate and
22 conversation benefits.

23 We acknowledge that ARB has expressed a desire to
24 maintain standards equal to or more stringent than those
25 seen in the voluntary market. As such, ARB feels

1 obligated to make this baseline modification to mirror
2 Climate Action Reserve's protocol. However, we argue that
3 the most important goal of ARB's program is to maintain a
4 system of rules that promotes the highest quality of
5 forced offsets.

6 In this particular case, the addition of the
7 minimum baseline rules does not improve offset quality,
8 and therefore does not merit adoption into the compliance
9 program.

10 Finally, IETA urges ARB to carry out forestry and
11 other future proposed protocol modifications in an
12 inclusive, predictable, and transparent manner.
13 Specifically, we recommend that ARB pursue an effective
14 engagement approach similar to that used for the rice
15 protocol.

16 Such a process would include clear communication
17 and engagement with all stakeholders, including experts
18 and regulated parties. On behalf of IETA thank you for
19 your time and this opportunity to comment.

20 CHAIRPERSON NICHOLS: Thank you.

21 MR. BUTTNER: Good afternoon. My name is Paul
22 Buttner with the California Rice Commission. When I was
23 here last December, of course, I was highly supportive of
24 this regulation. At that point in time, I really thought
25 we were going to get to the finish line on a really

1 important issue to me, and that is early action. And I
2 feel like we've fallen short of that, and I'll explain why
3 and why it's so important to me.

4 Some seven or eight years ago, I started out -- I
5 convinced eight of my growers to join me in the pilot
6 scale efforts to really prove out the fact that we could
7 do this. I have four left standing, and three of those
8 four are doing things that actually could -- they're doing
9 the practice as a part of this proposal.

10 However, the problem with it is one of these
11 pilot scale producers, unfortunately the largest one that
12 I have, doesn't quite have the records -- the pre-207
13 records that provide the information that have to go into
14 the DNDC model to do a site-specific baseline analyses.

15 I think you can imagine that this particular
16 grower started these practices in '07 after AB 32 was
17 passed. Certainly, even then, it was impossible to
18 understand exactly what data would be required now in
19 2015, let alone the three to five years prior to 2007. We
20 know that this producer started these practices then. We
21 simply don't have all the data necessary in the regulation
22 to calculate that baseline.

23 I now have 15 years of experience of hocking
24 conversation plans to my growers, most of them in the
25 wildlife habitat area. I can tell you without question

1 the absolute most important thing for me to have is an
2 early adopting producer, a large one especially, that can
3 stand up in front of his peers and help me sell that
4 program.

5 Once we get through today, a lot of the work in
6 promoting this to the rice industry will be mine. And if
7 we can't get this large producer to get these credits
8 acceptable under this program, my job will be infinitely
9 harder. Instead of having 5,000 acres to talk about, we
10 will have just over 1,000 to try to convince a half a
11 million acres of rice growers to embrace this and engage
12 it. They need compelling stories from my three remaining
13 pilot producers that are on the table, especially the
14 largest one, for me to do this work effectively.

15 So while I said support in December, I wish I
16 could say support now. I will not say oppose. I'll just
17 say I'm a little disappointed that we weren't able to
18 figure this one out going into today's hearing.

19 CHAIRPERSON NICHOLS: Thank you. I agree with
20 you, we need to do something to fix this problem, and we
21 need to do it on an expedited basis. I don't know whether
22 you've had any recent conversations with my staff about
23 how to do this or not. But within the last week or so at
24 least, we've talked about finding a methodology that could
25 work, understanding that, you know, we're not the IRS and

1 people don't always save every record that they might want
2 to have or that we would like them to have that could make
3 this work.

4 So I'm hoping that we can come up with some kind
5 of a system, either to find alternative records or some
6 sort of default process that can be used. I think you
7 would understand, and I don't think you would agree, that
8 we should just do nothing, because that would not be
9 helpful to the future either, but hopefully we can find a
10 way to bridge the gap here. And I'd really like and hope
11 it will be possible after this meeting is over for you to
12 sit down with ARB staff and find a way to bridge this gap,
13 because we agree with you, you can't -- you're not going
14 to be able to get other people to sign up, unless we can
15 get over this hump.

16 So we do care about making this protocol usable.

17 MR. BUTTNER: Well, thank you. I look forward to
18 that work over the coming months.

19 CHAIRPERSON NICHOLS: Thank you.

20 MS. VAN ZUIDEN: Good afternoon, ARB Chairwoman,
21 Board, and staff. Thank you for the opportunity to
22 provide comments today. My name is Claire Van Zuiden, and
23 I'm with California Strategies commenting on behalf of CE2
24 Carbon Capital, a California based company that finances
25 carbon offset projects.

1 Currently, there are two types of carbon offsets
2 that ARB staff reviews for compliance purposes in the
3 Cap-and-Trade Program, those utilizing early action
4 protocols, and those utilizing compliance protocols.

5 The ARB Cap-and-Trade Regulation requires ARB to
6 review compliance reporting periods within 45 calendar
7 days. However, there is no regulatory timeline specified
8 in the regulation for ARB to review of an early action
9 reporting period.

10 We have been told that additional staff and
11 resources have been allocated in the offset group to help
12 expedite early action projects, and we're very supportive
13 of this work continuing.

14 We greatly appreciate ARB responding to these
15 requests from the offset community. In the future, we
16 feel that it would make sense to have equal review times
17 for both compliance and early action offset projects.
18 This policy equality would provide project developers with
19 certainty that both compliance and early action reporting
20 periods begin review within 45 days.

21 This will also ensure that early action projects
22 are not unfairly penalized and that project developers and
23 investors are rewarded for heeding ARB's request to seek
24 and reduce emissions early on in the program.

25 In addition, we respectfully request

1 clarification from ARB on submission deadlines for early
2 action offset reporting periods, since the January 1st,
3 2016 and August 31st, 2016 approval deadlines for early
4 action offset credit listings and ARB OC issuances
5 respectfully are fast approaching

6 Thank you again.

7 MR. BARBANE: Hello, and thank you. My name is
8 Zach Barbane and I work with ecoPartners, and we are
9 foresters and technical consultants working to develop
10 forest carbon projects around the world.

11 I'm here today to voice my concern the
12 consequences the proposed changes to the U.S. Forest
13 protocol would have on the program. Three proposed
14 updates, the calculation of the minimum baseline level,
15 the restrictions on even-age management, and the updates
16 to the common practice values will have the effect of
17 increased development and verification costs, while
18 simultaneously decreasing potential credit generation.

19 With increasing costs and decreasing benefits,
20 the proposed changes effectively reduce forest owner
21 eligibility and thus participation. We all recognize the
22 value this protocol plays in forest conservation, the
23 management of health and sustainable forests, as well as
24 air quality improvement.

25 I ask the Board to consider these consequences in

1 your decision. We support the other proposed changes to
2 the protocol. However, we are concerned that these three
3 changes will significantly hurt future participation in
4 the program. Thank you, and we look forward to continuing
5 to work with ARB staff in the future.

6 CHAIRPERSON NICHOLS: Thank you.

7 MS. BEST: Thank you very much for the
8 opportunity to speak. Madam Chair, members of the Board,
9 I'm Connie Best. I'm the co-CEO of the Pacific Forest
10 Trust. I'm a former member of the work group that led to
11 what has become the U.S. Forest Compliance Protocol.

12 We applaud the ARB's leadership in implementing
13 AB 32 as an effective model for the rest of the nation and
14 the world. PFT has been a long-time partner with you in
15 seeking to harness the climate benefits of forests to meet
16 the State's ambitious greenhouse gas reduction goals.

17 In fact, the ARB's forest protocol has been the
18 centerpiece of the offset program. These real durable
19 emissions reductions also ensure conservation and
20 sustainable management of forest's very high standards for
21 wildlife habitat, watershed values, and sustainable rural
22 communities, not only in California, but across the
23 country, ten states and counting.

24 We commend you and your staff for these
25 achievements. And I want to note we are very supportive

1 of the inclusion of Alaska in the program. It seems like
2 a perfectly normal and appropriate expansion, and the very
3 welcome news that there will be more action for the early
4 action projects, so we can catch up and do justice for
5 those that have taken the most risk on behalf of the
6 offset program.

7 However, the success of the forest protocol in
8 this initial period leads me to question the need for any
9 material changes so soon in the process. We've only just
10 gotten under way. And while there have been improvements
11 to the language in the proposed set of changes since they
12 were first presented, unfortunately PFT continues to share
13 the view of many environmental organizations, verifiers,
14 forest owners, and project developers that some of this
15 new language still adds, rather than reduces, complexity,
16 ambiguity, and confusion without enhancing environmental
17 values or stringency.

18 Further, as you've heard from others, I think the
19 current process has highlighted the need to more
20 thoughtfully determine a statistically appropriate
21 methodology and timing for updating the common practice
22 values.

23 If you do adopt the proposed amendment package in
24 its entirety today, I want to emphasize the importance of
25 issuing direction to staff to provide guidance or

1 administrative clarifications for the full range of
2 outstanding issues. And I urge the Board to establish a
3 regular predictable process for forest protocol updates.

4 Thank you very much.

5 CHAIRPERSON NICHOLS: Thank you. Thanks for all
6 your work on this.

7 MR. MURPHY: Good afternoon, Chairman Nichols,
8 members of the Board. My name is Edward Murphy. I, like
9 Gary, was on the two and a half year process to build the
10 protocol that we started with. And I have been actively
11 attempting to bring you projects under this system and
12 still have yet to get a registered ton.

13 I would point out that I do think that the staff
14 is working hard, but also as we have suggested, they're
15 being asked to do a Herculean task. And it does not
16 surprise me that when they contacted CalFire, that CalFire
17 suggested that your current protocol language looked like
18 their language. It does look like their language.

19 Unfortunately, because they aren't practitioners
20 under the language, they wouldn't notice the subtle but
21 very important technical differences between the protocol
22 and the full language that's in the Forest Practice Rules.

23 A fairly simple one, when we plant a site, we
24 have an option under the State law to bring the inspector
25 out and say it is obviously stocked. It saves a

1 tremendous amount of actual field verification and plots.
2 That small sentence of waiver is inside the two pieces of
3 text that staff picked up to establish what the stocking
4 requirements were in the Forest Practice Rules, leaving
5 out the biggest cost saving in the actual regulation for
6 individuals.

7 So the verifier stuck with language that now
8 suggests that you have to have plots for verification of
9 stocking when you can obviously see that a site is
10 stocked. That's just one example, but that's the kind of
11 important piece that a stakeholder work group, including
12 forestland owners and practitioners, would have identified
13 and did immediately in the two weeks we were given to read
14 the new rules.

15 But that's where the -- both the agencies might
16 not have seen that that language was missing. So just an
17 example of I think the process that we're involved in. I
18 would urge that the Board do approve the rice protocol, do
19 approve the inclusion of Alaska, and I would urge the
20 Board establish a quick turn-around time for a stakeholder
21 work group to be able to provide that high technical
22 expertise that's required to really bring this into
23 alignment with the Forest Practice Rules.

24 Thank you.

25 CHAIRPERSON NICHOLS: Thank you.

1 MS. HALBROOK: Hello. Claire Halbrook with
2 Pacific, Gas, & Electric Company.

3 First, I'd like to state our strong support for
4 the new rice protocol, and addition of Alaska into the
5 existing U.S. Forestry Protocol.

6 However, I would like to echo some of the
7 concerns you've heard today about other changes to the
8 U.S. Forestry protocol, and the impact those might have on
9 the supply of offsets. We've signed on a number of
10 coalition letters to that effect.

11 We understand that ARB is pursuing many of these
12 changes to ensure the environmental integrity of the
13 program. And we certainly agree that periodic review and
14 update of the protocols is necessary to achieve that
15 objective.

16 But moving forward, we just would encourage ARB
17 to carry out these activities in a predictable manner that
18 is clearly communicated to stakeholders and leverages, all
19 of the expertise we have here in the room today.

20 As we look towards 2030, the role of offsets in
21 ensuring access to cost effective emissions reductions,
22 and demonstrating to other jurisdictions that voluntary
23 actions can play a role in reducing emissions, while also
24 stimulating the economy will become increasingly
25 important. It's worth the time to get it right, and I

1 would just like to thank staff for their commitment today
2 to provide additional guidance following the hearing
3 today.

4 Thank you.

5 MR. PATNEY: Good afternoon. I'm Arjun Patney,
6 policy director with the American Carbon Registry. As an
7 approved offset project registry for the California
8 Cap-and-Trade Program, we share ARB's commitment to offset
9 protocols that reflect the best possible science. We're
10 also dedicated to the demonstration of a robust offset
11 program to achieve cost effective emissions reduction.

12 We recommend that ARB today adopt the proposed
13 15-day package version of the forest offset protocol
14 without proposed amendments for even-aged management
15 requirements. Those are sections 3.1(a)(4), A through D,
16 and without the proposed amendments for modification to
17 minimum baseline calculation for IFM -- for IFM projects.
18 That's Section 5.2.1(d).

19 In general, our concerns with regard to the
20 proposed protocol amendments are two-fold. Significant
21 protocol changes are being made too soon, which will
22 undermine market confidence in the offset program.
23 Second, the changes will dramatically impact offset
24 supply. Should the current protocol amendments be
25 approved, 50 percent of the pipeline of forest project in

1 which investments have been made will no longer be
2 technically or economically feasible.

3 We agree that periodic offset protocol updates
4 are important. However, we believe that updates should be
5 conducted on a regular, approved, fully public, and
6 predictable schedule. In this case, substantive technical
7 changes to the forestry offset protocol are being proposed
8 for approval only two and a half years into the program,
9 when forestland owners, project developers, and investors
10 are still gaining foundational knowledge, experience, and
11 confidence.

12 It's important to note that since the launch of
13 the program in January 2013, only eight compliance
14 offset -- compliance forestry offset projects have
15 received our bucks. This is due to the uniquely
16 time-consuming nature and substantial upfront investments
17 required for forest carbon offset project origination,
18 contracting, development, registration and verification.

19 We recommend to the Board that significant
20 amendments to protocols be conducted on a published and
21 predictable time frame aligned with the phases of the
22 program and with broad stakeholder input. This would
23 allow forest landowners to plan their investments and
24 better manage risk, enabling them to continue to deliver
25 high-quality, low-cost offsets that allow California to

1 put a price on carbon pollution without hindering the
2 economy.

3 We further recommend the delayed adoption of the
4 amendments for even-age management requirements and
5 minimum baseline calculation for IFM projects. With
6 regard to these specific technical areas, we collaborated
7 with the Climate Action Reserve and industry to develop
8 and propose to ARB alternative language to improve
9 workability of these requirements, while ensuring
10 integrity.

11 We would like to request that these proposals be
12 considered by staff. Delayed approval of these two
13 technical amendments will provide an opportunity for
14 stakeholder input and improvement from technical experts,
15 while also allowing sufficient time for the current
16 pipeline of projects in which investments have been made
17 to enter the market and provide needed offset supply.

18 Thank you for the opportunity to provide our
19 comments to the Board.

20 CHAIRPERSON NICHOLS: Thank you.

21 MR. BOYD: Good afternoon. I find myself in a
22 rare predicament here.

23 (Laughter.)

24 MR. BOYD: I thought I was going to be last and I
25 was going to thank you for allowing me to back clean-up,

1 but now you've added to the list.

2 CHAIRPERSON NICHOLS: Not going to work.

3 (Laughter.)

4 MR. BOYD: Anyway. I'm Jim Boyd. I'm a
5 founding partner of Clean Tech Advocates, a graduate of
6 the Air Resources Board and a few other places where Mary
7 and I have been together.

8 And I appear before you here today on this item
9 on behalf of the Chugach Alaska Corporation, which is one
10 of the several Alaska native corporations created by the
11 Alaska Native Claims Settlement Act created to serve the
12 interests of Alaska native people, and in this case the
13 people of the Chugach region.

14 Chugach Alaska Corporation strongly supports the
15 staff's recommended update of the U.S. Forest's compliance
16 offset protocol to include project eligibility in parts of
17 Alaska, and urges the Board to take action today to
18 approve the staff's recommendation. Much time has passed,
19 much effort expended to reach where we are today, and
20 frankly it's time to move forward.

21 Approval will facilitate Chugach Alaska
22 Corporation and other Alaska native corporations, one
23 you've heard from just today, to participate in the
24 California carbon market through developing of compliance
25 forest offset projects, something Chugach has been looking

1 to do since the inception of the California program.

2 Alaska forest project developments will not only
3 contribute significant amounts of core -- of carbon
4 offsets to the California market, but will help sustain
5 these magnificent Alaska forests, reward sustainable
6 forest management practices, protect old growth forests,
7 and in so doing help achieve social, environmental, and
8 economic benefits for Alaska native populations.

9 The two largest forests in the U.S. national
10 forest system are located in Alaska, one being the Chugach
11 National Forest of more than five million acres.

12 The Chugach would like to express its thanks to
13 the staff for all their help and hard work over these many
14 months in reaching their recommendation to include Alaska
15 regions in the program and look forward to continued work
16 with the staff as the Chugach folks work to bring projects
17 to fruition.

18 But if I might add a personal note, if not a note
19 just barely mentioned in the Chugach letter, Chugach was
20 so grateful to get into the program. And in recognizing
21 that there were problems with the program, nonetheless
22 said move forward today.

23 But I want to add a personal note. I have
24 followed the development of the staff's presentation since
25 its very inception, since the beginning of efforts, not

1 only for the Chugach people, you know, our client, but
2 frankly as an unpaid advisor to the Board of American
3 Carbon Registry, who you just heard from. And I'm
4 aware -- we are all aware of all the concerns and issues
5 that have arisen.

6 And now I ask at this late date, having heard
7 everything, that you give serious consideration to what
8 you've heard about process and procedures and potential
9 chilling effects.

10 I'm hopeful that, and I'm 100 percent dependent
11 upon your staff to take your guidance to deal with
12 guidance document language to address as many of these
13 problems as your lawyer can see fit can be addressed
14 within the parameters --

15 (Laughter.)

16 MR. BOYD: -- of your proposal, because it is
17 incredibly important to me as a lifetime proponent of
18 saving forests, having worked for Secretary Nichols as
19 Secretary of Resources, that we move forward and get this
20 done, but please get it done right.

21 Thank you very much for your time.

22 CHAIRPERSON NICHOLS: Thank you. As always, we
23 appreciate your advice, Jim.

24 MR. LILLY: Good afternoon. I'll try to be
25 quick. A lot has been said already. I'm Paul Lilly. I'm

1 a research scientist with the Spatial Informatics Group.
2 We've worked with ARB in the past on a variety of
3 forest-related projects. We were part of the working team
4 that developed the offset protocol in the first place.
5 We've also completed 12 early action and compliance
6 projects that are currently generating seven and a half
7 million offsets. We are also signatories on the CAR
8 letter that's been mentioned.

9 I do want to make sure to acknowledge the time
10 and effort that went in to writing these proposed
11 modifications. This is definitely highly technical stuff.
12 And, in general, we think you guys did a really good job.

13 We do share a lot of the concerns over technical
14 details that others have mentioned and hope that we can
15 work with staff to iron out these concerns. I'll
16 highlight some potential effects that we are concerned
17 about. We're assume they're unintended to illustrate why
18 we hope that these things can be addressed.

19 First, with regards to the clarification on
20 limitations to the use of even-age management practices,
21 we actually think the proposed modifications are great for
22 California, but we're concerned about impacts out of
23 State. The modifications actually run contrary to
24 regulatory requirements and BMPs in some other states. I
25 mean a hardwood forest in Vermont is very different than a

1 mixed conifer forest in Sierra Nevada, and what works in
2 one is not necessarily appropriate in the other.

3 Basically, it just means that out-of-state
4 projects aren't going to be as good as they could be.
5 Managers aren't going to be able to use the best available
6 methods to accomplish things like ensuring regeneration,
7 especially of species that need full sun, of managing for
8 the impact of deer browsing, which can just devastate
9 young trees that are regrowing, and also for creation of
10 habitat in the northeast. Early successional habitat for
11 song birds is very important. This is an important tool
12 that can be used to create that.

13 Second, just to comment briefly on the new method
14 for calculating the minimum base-line level. We
15 understand the motivation to address this, but we worry
16 that the net effect is going to be to reduce the amount of
17 land that comes into the program. Offset projects are
18 complicated. It's not obvious, looking at a piece of
19 land, whether or not it's going to make a viable project.
20 And it can take a lot of work just to get to the decision
21 point, whether you want to go forward with it or not.

22 From our perspective and in our experience, this
23 complexity is a real barrier for entry. And without
24 things as they stand right now with a certain amount of
25 incentive for highly stocked land, landowners are going to

1 be much more likely to pass on the opportunity. And that
2 means we could end up with, you know, more greenhouse gas
3 emissions not less.

4 We appreciate for sure the challenges that are --
5 exist when developing and modifying these protocols, we
6 hope that ARB will take advantage of the wealth of
7 expertise in this room in the stakeholder community that
8 we're willing to bring to bear.

9 Thanks very much.

10 MR. NICKERSON: Chairman Nichols, member of the
11 Board, ARB staff, my name is John Nickerson. I'm with the
12 Climate Action Reserve, and I also am a registered
13 professional forester. And I also had something to do
14 with the development of the protocols. I've been in it
15 for a long time.

16 I want to say that as an OPR, we see a lot of the
17 problems that come to our desk and ultimately we share
18 with the Air Resources Board as a partner in trying to
19 find solutions. One of the problems that we've been
20 seeing lately has to do with even-age management. We see
21 the verifier interpretation of harvest that exceed 40
22 acres, the landowner gets questioned. And the type of
23 even-age management is a thinning. Well, it is a type of
24 even-age management, but it certainly wasn't the intent of
25 the protocol back when we put it together to constrain

1 that type of a harvest.

2 So clarification is needed. What we're seeing
3 with verification is that it's moving from any kind for
4 forester judgment, or professional judgment, to a literal
5 interpretation of the protocol. And that means that we
6 have to be real clear in the protocol. And to avoid
7 problems like this, I commend ARB staff for taking on
8 these issues of even-age management, for taking on some of
9 the other issues of the financial constraints and trying
10 to act clarity to it.

11 Now that being said, I am in agreement with some
12 of the other previous speakers that the target was just
13 missed by a little bit, in terms of trying to hit the
14 forest practice rules.

15 And in the spirit of offering a solution, what we
16 did at the reserve is we put together some suggestions,
17 just little nudges to the current language on how that can
18 be made better, so that it wouldn't pose the same sort of
19 barrier that you're hearing today that has to do with the
20 definition of even-age management, with the buffers and
21 all of those things.

22 I think just a little nudge to the language can
23 make it a lot better. So we are here to help on that and
24 hopefully our suggestions will be helpful.

25 Aside from the forest protocol -- well, along

1 with the forest protocol, we are very supportive of the
2 inclusion of Alaska into the program. And I hope that
3 soon Hawaii will also be up before you. I know that we
4 are working with others, including ARB staff, to get the
5 data together, so that will be coming to you some day
6 in the future.

7 And also, the Reserve is very proud of the role
8 that it played in development of the rice protocol and
9 very supportive of its current iteration as it is before
10 you today. And we strongly support the adoption of that
11 protocol. Thank you very much.

12 CHAIRPERSON NICHOLS: Great.

13 MR. ROBARDS: Chair Nichols and members of the
14 Board, Tim Robards with New Forests. Our forest carbon
15 partners fund has the largest number of forest projects
16 and offset credits that have been issued to date under the
17 ARB forest protocol.

18 Our -- I want to start my comments today on a --
19 with some good news. Our Trinity timberlands forest
20 carbon project, which issued ARBOCs this week in record
21 time from the end of the reporting period to when the
22 offsets were issued, 278 days. We believe that this shows
23 that the offset development process is becoming more
24 systematized as project developers, verifiers, registries,
25 and ARB staff gain experience with the system.

1 As someone who has been working on the protocol
2 since version one of the CAR protocol, I am pleased with
3 the success and would like to thank all the ARB staff for
4 their dedication and hard work in making this work.

5 I would like to present a quick example, which
6 has been talked about before, on technical matters. And
7 that has to do with when the split and site class that was
8 done. The FIE site classes go from one from the highest
9 site to seven to the lowest. And this -- it was split --
10 was moved from between three and four to between four and
11 five. And what this has neglected is that if I put my
12 forest biometrician hat on as a statistician standpoint is
13 it's missed a target population of a forest, and it's
14 included in there a lot of unproductive forests that's not
15 used for timber and could not be used for carbon project.

16 And therefore, you end up with 80 or 90 percent
17 of the forestland that actually could go into a carbon
18 project is now in the high site class, which isn't --
19 which is worse than getting rid of the site split, in that
20 it's skewing the common practice numbers and making them
21 unduly high, and not representative of where they should
22 be.

23 Discussions with various stakeholders does have
24 value, and ARB staff has been making themselves available
25 for discussions, and they reach out frequently to garner

1 input from project developers and others. The above
2 example is one where they sought FIA expertise, but
3 project developers could have given a different
4 perspective, and the split could have been done correctly
5 without creating an error.

6 The protocol revisions, I'm going to echo what
7 other folks have said, leave uncertainty in certain
8 sections, and that's going to lead for additional -- to
9 additional guidance being required. We would like to
10 offer to engage with ARB staff as they develop that
11 guidance. And, in particular, we think it's important to
12 give careful consideration to the logical management unit
13 definition. We also would like to recommend that
14 additional staff be created, and that could be --
15 especially since we think there is going to be with these
16 changes additional interpretation needed, which suggested
17 that could be funded either from auction proceeds or from
18 a fee on offset transactions and CITSS.

19 Our view is that the success of this system will
20 create significant conservation value across the U.S. and
21 is, and serves as an effective outreach mechanism in
22 climate change mitigation policy, which is a primary goal
23 of AB 32 to reach out beyond California.

24 So thank you very much. Appreciate your
25 attention.

1 MS. BUSSEY: Good afternoon, Madam Chairwoman
2 Board, staff. My name is Julia Bussey. I represent
3 Chevron.

4 We ask you today to vote in favor of offset
5 supply, to vote in favor of the rice protocol, and to vote
6 inn favor of including Alaska in the forestry protocol.
7 We also ask you to reconsider these technical changes that
8 so many people have raised with serious concerns. These
9 are very technical, but they are very important. They
10 have the potential to discount the forestry market by 40
11 to 60 percent.

12 So, in fact, making this kind of a change is
13 something that we should do with caution. So we simply
14 ask that you try to do the right thing, make the right
15 decision today by allowing people who have that technical
16 expertise to have the input.

17 And today, what we would like to raise is just
18 simply to support the rice protocol and the Alaska
19 protocol in your deliberations.

20 So as usual, I'm giving you back a little time.
21 Thank you.

22 MR. SKVARLA: Good afternoon. My name is Mikhael
23 Skvarla. I'm here on behalf of the California Council for
24 Environmental and Economic Balance.

25 At this point, I think everyone has hit the high

1 points of what our concerns are. We do want to mention
2 that we've been big supporters of Cap-and-Trade. We
3 continue to support the offset program and offset supply,
4 which is always a beneficial thing to that program, in
5 terms of the cost savings and potential cost containment.

6 As you've seen, there's a diverse set of
7 stakeholders in this room that share mutual concern with
8 regards to the technical provisions of the update to the
9 U.S. Forestry Protocol, while at the same time supporting
10 the rice cultivation protocol and the inclusion of Alaska.

11 We echo those concerns and would support some of
12 the recommendations with regards to perhaps splitting the
13 question today, adopting the rice protocol as well as the
14 inclusion of Alaska, and putting aside and having a
15 technical working group on the provisions that need to be
16 tweaked just enough to get it over that finish line.

17 And with that, appreciate the time to comment.

18 CHAIRPERSON NICHOLS: Thank you.

19 I believe that is the last witness. Yes. Okay
20 great. So we'll close the record on this item.

21 I would like to, I think, just reflect a little
22 bit on where we are before we move for more discussion.
23 Rice protocol and -- including Alaska appear to be
24 overwhelmingly successful. No problem. We can -- we can
25 do that.

1 So the issue is the forestry changes. And I just
2 want to reflect that my view on this topic has been this
3 is a complicated one for me. And as Mr. Boyd pointed out,
4 these forestry issues are something that I, too, have been
5 engaged with for more time than I really care to remember.
6 And I am troubled by what we've heard today, partly
7 because I think we're confusing the desire to have offsets
8 and a robust offset program with the desire for technical
9 rigor in how we assess whether offsets are real,
10 verifiable, excess, et cetera.

11 I mean, we wouldn't be here today if it weren't
12 for the fact that there was a science need, a compelling
13 need to make some changes in the existing protocol. And
14 that science, as I understand it, moves us in the
15 direction of saying that somethings that might previously
16 have been considered to be eligible as offsets wouldn't be
17 anymore, whether it's 40 percent, 60 percent, 10 percent,
18 two percent or whatever that, you know, you follow the
19 lead of what we -- you know, what we know from science as
20 it evolves. And you have to, on some regular basis,
21 acknowledge that, and be prepared to live with that. If
22 there aren't as many offsets as you'd like, that's just
23 the way it is.

24 On the other hand, if we're being -- if we felt
25 that, you know, we weren't listening to real expertise

1 that should have been accounted for, I would feel that we
2 should, you know, delay again and try to do more work on
3 this issue.

4 The kinds of objections that I'm hearing are
5 mostly of the kind, and I may be misquoting people
6 slightly, you're not listening to us experts. And we know
7 how to go out and look at a tree and judge. And you
8 should be basically willing to accept something that is,
9 in some way, more based on judgment than what we would
10 accept at any other kind of offset, that -- because it's
11 trees that we're dealing with and forests. And forests
12 are different and they're special that we should somehow
13 have a system, where we don't require as much rigor and as
14 much technical information as you could get before
15 deciding whether something is a real offset or not.

16 And I just -- I don't think we can sort of
17 encourage that kind of thinking. I mean, I think we
18 should recognize differences in different systems. And
19 they are different, but not sort of assume that just
20 because, you know, 9 out of 10 foresters think something
21 is right, that's the right answer, even if they are all
22 very good foresters and do a good job of management. That
23 doesn't necessarily translate into a system of offsets
24 that are real, verifiable, enforceable, et cetera, et
25 cetera. So there's got to be some way to make that

1 translation work.

2 Having said that, I feel like we've made some
3 progress here in terms of a better understanding of how
4 these -- how these requirements would work, but there's
5 clearly a need for, at a minimum, some kind of fairly
6 formal process by which there would be an interaction
7 between ARB staff and the interested parties here to spell
8 out in more detail, probably in writing, you know, what's
9 going to be acceptable and what isn't going to be
10 acceptable, whether it's done through some sort of formal,
11 you know, question and answer type of document or some
12 other form of guidance. That it's just going to have to
13 be -- clearly clarification is called for.

14 So with that, I think I'd like to ask the staff
15 sort of how you will respond to what seems to be a rather
16 large number of people from various interest groups here
17 who are asking for some focused process by which they can
18 at least make one more effort to get closer to what they
19 think the protocol should look like.

20 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF
21 SAHOTA: Well, thank you, Chairman Nichols. And as the
22 staff, what we would be doing is developing a guidance
23 document, and we would want to share that draft guidance
24 document with all stakeholders, and invite a public
25 comment period of a couple of weeks, and meet with

1 stakeholders during that time and after that time, and
2 understand where we may have added additional clarity or
3 where additional clarity is still needed, prior to
4 finalizing that document and putting it up on our website.

5 In terms of the process for that, what we foresee
6 is probably having a webinar to talk through what our
7 intent was in some of these areas, based on some of the
8 areas that have been identified for clarification in some
9 of the comment letters, using that slide deck, having that
10 webinar, and then using some of that feedback to draft
11 that initial guidance document, and then putting that back
12 out for public comment before finalizing it.

13 CHAIRPERSON NICHOLS: Well, I think that responds
14 in large measure to what we've asked for. I imagine
15 people would have preferred that we have done all of that
16 before today, understanding that there is some need to
17 bring closure to these items, especially since this is
18 actually a rule-making that we're involved in here.

19 And so you can't just keep playing on forever.
20 You sort of have to reach a point at some stage where you
21 say, okay, this is what the rule looks like. Now, we're
22 going to talk more about how we interpret it.

23 That is one of the strengths I think of the
24 process that we've been undertaking here with
25 Cap-and-Trade.

1 Okay. I'm going to ask my fellow Board members
2 if they have questions or comments at this point starting
3 with you, Ms. Mitchell.

4 BOARD MEMBER MITCHELL: I'm just wondering,
5 because a large number of our speakers this morning --
6 this afternoon asked for a technical advisory committee.
7 And I know that is done in a lot of different contexts.
8 Would it be useful to have such a committee working with
9 you to develop the guidance document?

10 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF
11 SAHOTA: So the process that we're proposing in terms of
12 the webinar, inviting comment, that would be open to all
13 technical experts. The process to draft the guidance
14 document and then put that out for public comment, that
15 would also invite experts to engage with us.

16 So I feel like the process that we're already
17 proposing incorporates an opportunity to have technical
18 experts, the project developers who will be implementing
19 the projects, the verifiers who will be reviewing the
20 projects, and any other interested parties such as the
21 stakeholders may want to purchase those offsets an
22 opportunity to all see and hear what everyone is saying,
23 and see how it gets laid back out in the draft document.

24 BOARD MEMBER MITCHELL: Yeah, the issue that I
25 see with that is that you may not have a really good back

1 and forth dialogue with just a couple of webinars. Do you
2 have a draft guidance document already or are you
3 proposing to do that?

4 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF

5 SAHOTA: We are proposing to do that. We have one for the
6 existing protocol. And as we would, if the Board voted to
7 adopt this version, we would put out a guidance document
8 for that one as well. We do have a moving Q&A document
9 that we do. And as we questions, we update that
10 periodically. So that's another mechanism that we have
11 for providing clarity. But because we're hearing that
12 there's very specific areas that have been identified in
13 stakeholder letters, we would want to focus and make sure
14 those are addressed in the new guidance to support a
15 potential new protocol here.

16 BOARD MEMBER MITCHELL: What we are hearing from
17 some of the speakers is very specific kind of language.
18 Something was omitted that probably should have been
19 included. But I am -- I'm a little skeptical that your
20 process -- your webinar process will work really well.

21 I might suggest, and this is just a suggestion,
22 that you -- you have a lot of expertise here in the room.
23 We have a lot of expertise. That you begin the process
24 with a face-to-face stakeholder meeting, and you start
25 there, and then you can go from there to webinars and

1 to --

2 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF

3 SAHOTA: We can certainly do that. We can certainly go
4 through a first cut of explaining what staff intended in
5 the various updates. And the clarity is really around
6 even-age management requirements. And so that's the area
7 that we would focus on. We can do an in-person meeting,
8 workshop, of what the intention was and how some of the
9 stakeholder comments we believe are already mitigated in
10 additional text in the protocol, and then take public
11 comments before we do a cut at a draft set of guidance
12 documents. We could certainly do that.

13 CHAIRPERSON NICHOLS: I think that's a good
14 suggestion.

15 BOARD MEMBER MITCHELL: I think that might be a
16 useful way to proceed.

17 CHAIRPERSON NICHOLS: You see heads nodding here.
18 Yes, Ms. Berg.

19 BOARD MEMBER BERG: Thank you. When I came into
20 the meeting, I really had more of a sense, as you Chairman
21 Nichols, about how this is going. But as the testimony
22 went on, I think I became more and more uneasy. We have
23 such a broad stakeholder group that is uncomfortable, and
24 there seems to be specific technical issues around two
25 various main issues here.

1 But one thing that, you know, I'd like
2 clarification on is when were the documents available for
3 the stakeholders to review?

4 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF
5 SAHOTA: When we put out the 45-day package last October,
6 everything was put out as part of the rule-making package
7 at that point.

8 BOARD MEMBER BERG: So we haven't made any
9 changes to the baseline or the even-age management since
10 last October.

11 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF
12 SAHOTA: We have updated the even-age management per Board
13 direction in December to make sure it completely aligned
14 with the California practice rules, so we did update that
15 part of the -- in the 15-day process. The common practice
16 values are based on data that's collected and calculated
17 and processed by the U.S. Forest Service.

18 That process occurs approximately every five
19 years. After the workshop -- after the Board hearing in
20 December, we held a webinar where we had the U.S. Forest
21 Service on the webinar with us to explain to stakeholders
22 how they calculated and how they processed the data to
23 generate the common practice values that are being
24 proposed in the protocol.

25 BOARD MEMBER BERG: And when -- what date did

1 that happen?

2 CLIMATE CHANGE PROGRAM EVALUATION BRANCH CHIEF

3 SAHOTA: The webinar was in February with the U.S. Forest
4 Service.

5 BOARD MEMBER BERG: Okay. All right. Well, I
6 certainly echo Ms. Mitchell's idea face-to-face. I think
7 there is too many and too much either confusion or call
8 for clarification for me to feel comfortable to pass the
9 forestry protocol without some assurances that we're truly
10 going to look at these issues and not in cursory way, but
11 in a meaningful way. And if, in fact, we find some areas
12 that we should have looked at differently that you feel
13 comfortable that you can bring this back to the Board.

14 I absolutely agree with the Chair that our goal
15 is to make sure that we have a protocol that is verifiable
16 and is real. That is our job. But on the other hand, we
17 don't want to have so much misunderstanding that this was
18 a critical offset that we were putting together that we
19 were anticipating would be one of our stars. And so we
20 again walk a very fine line. And I want to make sure that
21 staff does have enough time and resources and really feels
22 the support to be able to get it right.

23 CHAIRPERSON NICHOLS: Mr. Corey, we talked during
24 the process of getting ready for this hearing. You
25 mentioned getting some more resources to this effort in

1 terms of staff to actually deal with the backlog of early
2 action and help make sure that we're able to carry out all
3 these obligations. Can you report on how that's all
4 going?

5 EXECUTIVE OFFICER COREY: That is correct,
6 Chairman. One that I talked about really were two
7 elements. One were the positions that we got from last
8 fiscal year and the process we've gone to fill them, one
9 of which included an additional expert in this area.

10 The other one was internal restructuring within
11 our divisions. I spoke over the -- when I gave a report
12 to the Board earlier this year, I talked about a number of
13 restructuring plans over the course of the year basically
14 anticipating some of the challenges that would be -- that
15 basically we're going to face this year and next.

16 One of them was recognizing the offset challenge.
17 So basically we've shifted some folks over that are coming
18 up to speed, that they -- one of the focuses was clearing
19 up what really was -- and you've heard it from a few
20 commenters on the early action offset backlog and working
21 through that. We did get a number of -- slug of
22 compliance rate offsets in the program at the same time
23 and it really did put a drain. But we are knocking those
24 down, working through that process, and by virtue of some
25 of the adjustments here have made some efficiency

1 improvements.

2 So new staff, some reassignment of existing
3 staff, and basically focused on working through this
4 implementation and moving things through more efficiently.

5 CHAIRPERSON NICHOLS: All right. Well, I feel
6 like we've kind of come to a point where we've done as
7 much as we can do at this level with this project. So I
8 think we probably ought to approve the package that we
9 have in front of us, but with the clear directive to the
10 staff to go back and initiate further intense, focused
11 process on this forestry protocol. I think following Ms.
12 Mitchell's suggestion to start with a meeting with those
13 who have been most active, and then proceeding, as was
14 suggested by Ms. Sahota with the workshop webinar and
15 draft approach. And hopefully, we can get this thing then
16 in shape to be able to implement.

17 BOARD MEMBER RIORDAN: Can that be made a part of
18 the guidance document. In other words, the instructions
19 to staff to develop just what we've talked about, but
20 encompassed or wrapped around --

21 CHAIRPERSON NICHOLS: Well, I think our -- it
22 would be in the resolution that we would be directing the
23 staff to develop guidance that included those elements.

24 EXECUTIVE OFFICER COREY: That's correct. And
25 the process that I'm getting is very clear that the

1 product is guidelines, but the guidelines follow from the
2 process you just talked about, initial sit down, a
3 webinar, a posting of draft, receiving comments on the
4 draft, ultimately with the purpose of a fully fleshed out
5 process with greater clarity reflected in guidance.

6 CHAIRPERSON NICHOLS: I think that's --

7 BOARD MEMBER RIORDAN: Let me move then the item
8 including that Mr. Corey has just enumerated as the
9 guidance from the Board to the staff to work on the
10 guidance for this forestry protocol.

11 CHAIRPERSON NICHOLS: All right. Do we have a
12 second?

13 BOARD MEMBER BERG: And I would be willing to
14 second that with the intention that staff be open to
15 unintended consequences, and be willing to bring that back
16 if they find any.

17 CHAIRPERSON NICHOLS: Okay. That was a yes.

18 EXECUTIVE OFFICER COREY: Yes, right.

19 CHAIRPERSON NICHOLS: Yes, Mr. Eisenhut.

20 BOARD MEMBER EISENHUT: I would just like to not
21 include this as part of the motion, but just to remind
22 staff of Chairman Nichols commitment to Mr. Buttner as we
23 move forward with this process, so that that doesn't get
24 lost.

25 CHAIRPERSON NICHOLS: Yes. Agreed.

1 EXECUTIVE OFFICER COREY: Yes.

2 (Laughter.)

3 CHAIRPERSON NICHOLS: Okay. All right. With
4 that then, prepared to take a vote.

5 All in favor of the resolution with the amendment
6 as proposed by Ms. Riordan and seconded by Ms. Berg,
7 please say aye?

8 (Unanimous aye vote.)

9 (Supervisor Gioia not present.)

10 CHAIRPERSON NICHOLS: Any opposed?
11 Abstentions?

12 Okay. That's it. Thank you all very much.

13 We've got some people with airplanes to catch
14 from San Diego, so I'm hoping we can move them up quickly
15 and begin this item. There's a lot of interest I know on
16 the part of the Board in hearing this update.

17 Good work on that last item. It's a tough one,
18 but we'll get it right.

19 All right. Shifting teams here. Ms. Magliano
20 has been released by the Little Hoover Commission. We
21 were over there this morning. I was late this morning
22 because I was testifying in front of the Little Hoover
23 Commission about the Salton Sea. Really.

24 All right. Are you going to be the presenter?

25 No, it's you Sarah Dominguez. Okay. Well -- oh,

1 I must have some little speech I'm supposed to give here.
2 Just a minute. Just a minute. I'll find it.

3 BOARD MEMBER ROBERTS: Madam Chairwoman?

4 CHAIRPERSON NICHOLS: Yes.

5 BOARD MEMBER ROBERTS: And I know you're aware of
6 it that our guests from San Diego are -- need to leave
7 here at 4:30 to make their flight, because of the promise
8 I made to them they'd be done.

9 (Laughter.)

10 BOARD MEMBER ROBERTS: So I know staff will be
11 very efficient. And I know they will be very efficient.
12 And this is largely a good news item, so --

13 CHAIRPERSON NICHOLS: Yes.

14 BOARD MEMBER ROBERTS: -- I'll get out of the
15 way.

16 CHAIRPERSON NICHOLS: Just an update, but I know
17 there's a lot of interest in it. It's an informational
18 item on the San Diego Association of Governments draft
19 Sustainable Communities Strategy, or SCS.

20 And this is the second one that they've done.
21 They were the pioneers and now they're at it again. And
22 SANDAG is currently accepting public comments through July
23 15th. This item does not require any formal action, but
24 we do have an opportunity to hear from staff about their
25 preliminary evaluation of the SCS and to have some

1 regional greenhouse gas reduction targets for the 18
2 metropolitan planning organizations, or MPOs in
3 California. Using the targets set by ARB as goals, each
4 MPO must develop an SCS as part of its regional
5 transportation plan, or RTP.

6 The MPO must demonstrate whether the SCS, if
7 implemented, would meet the reduction targets set by the
8 Board. Once an MPO adopts the SCS, it will be submitted
9 together with a greenhouse gas quantification
10 demonstration to ARB for review.

11 Ultimately, local governments have a key role,
12 both in the development of the projects and policies that
13 are reflected in the SCS and in implementing the SCS
14 through local land-use decisions and actions.

15 --o0o--

16 AIR POLLUTION SPECIALIST DOMINGUEZ: In 2010, the
17 Board set greenhouse gas targets for SANDAG of seven
18 percent per capita reduction by 2020 and 13 percent per
19 capita reduction by 2035 from a base year of 2005.

20 In 2011, SANDAG adopted its first RTP/SCS. ARB
21 staff reviewed SANDAG's greenhouse gas determination using
22 our general review methodology and found that it was
23 reasonable.

24 ARB issued an executive order accepting SANDAG's
25 determination that the 2011 SCS, if implemented, would

1 meet the targets. Development of the current draft plan,
2 known as *San Diego Forward: A Regional Plan*, began in
3 early 2012. The draft was released for public review on
4 April 24th and the comment period is open through July
5 15th.

6 A final plan is expected to be adopted by the
7 SANDAG board of directors this fall. The target that this
8 plan needs to meet are the same as the prior plan, seven
9 and 13 percent. When ARB updates the SB 375 targets next
10 year, these updated targets will apply to SANDAG's third
11 SCS, which would be adopted in 2019, assuming a regular
12 four-year update cycle.

13 --o0o--

14 AIR POLLUTION SPECIALIST DOMINGUEZ: Before we
15 describe the 2015 plan, let me mention some of the steps
16 that SANDAG has taken to implement the previous plan. In
17 2011, the SANDAG Board committed to completing several
18 actions prior to the approval of the second SCS. This
19 slide highlights some of these actions, as well as other
20 steps that SANDAG has taken.

21 The SANDAG board has recently adopted several
22 policies that support the plan's implementation. The
23 regional complete streets policy, for example, promotes a
24 transportation system that is safe and accessible for all
25 users. And the active transportation implementation

1 strategy will serve to enhance bike and pedestrian access
2 to public transit.

3 In 2013, SANDAG adopted the Bicycle Early Action
4 Program that committed \$200 million from the local tax
5 measure TransNet to expand the region's bicycle network
6 and complete high priority projects within 10 years.

7 The transit-oriented development strategy is due
8 to be adopted by SANDAG's Board next month, and it will
9 assist the region to create transit-oriented development
10 projects and neighborhoods. In addition to establishing
11 policies that encourage local and regional action, SANDAG
12 awarded a total of \$18.4 million in 2012 and 2013 to
13 support local projects, with two TransNet funded grant
14 programs.

15 SANDAG's Active Transportation Grant Program
16 funds pedestrian and bicycle infrastructure projects and
17 programs. The Smart Growth Incentive Program funds
18 transportation related infrastructure improvements and
19 land-use planning.

20 Several transportation projects in the 2011 plan
21 have already been completed. Rapid bus service began
22 operating last year with five routes that provide faster
23 access to several job and population centers, including
24 downtown San Diego and the UC San Diego campus.

25 SANDAG has also added links to its regional

1 bikeway system, including a segment on the Bayshore
2 Bikeway that is currently 15 miles long, but when
3 completed will extend for 24 miles around the San Diego
4 Bay. This facility will provide a safe connection for
5 bicycle commuters and expanding existing recreational
6 opportunities.

7 Another addition to the transportation network,
8 since the adoption of the first plan, is the completion of
9 eight miles of carpool lanes on Interstate 805 between
10 Chula Vista and San Diego.

11 --o0o--

12 AIR POLLUTION SPECIALIST DOMINGUEZ: San Diego
13 County is the second most populous in California. It is
14 home to a little over three million people, and is
15 forecasted to grow by another 700,000 for a total
16 population of 3.8 million by 2035.

17 The current growth forecast anticipates less
18 growth than the previous plan, which had forecasted over
19 four million people by 2035. The county has many unique
20 features that influence the regional economy and inform
21 SANDAG's planning process, including several military
22 bases that represent the largest concentration of military
23 forces in the U.S., and is also home to 18 tribal
24 governments with jurisdiction over 19 reservations, the
25 most of any county in the U.S.

1 Especially important, is its international border
2 with Mexico, which has several points of entry, including
3 one of the busiest land border crossings in the world at
4 San Ysidro.

5 --o0o--

6 AIR POLLUTION SPECIALIST DOMINGUEZ: Most of the
7 county's population is concentrated in the western third
8 of the county near the coast. The communities in this
9 region vary greatly in size and type, including urban
10 cities like San Diego and suburban cities, like Escondido.

11 Some cities have a mix of urban and suburban
12 elements, including both walkable, transit-rich
13 neighborhoods and dispersed auto-dependent neighborhoods.
14 Of the 18 cities, San Diego is the largest and accounts
15 for about 40 percent of the county population. Almost
16 half of future population growth by 2035 is forecasted to
17 occur in San Diego.

18 Like much of California, San Diego County has a
19 historic pattern of suburban growth, but due to regional
20 growth management efforts over the past decade, the region
21 is adopting policies for more compact urban-centered
22 growth.

23 --o0o--

24 AIR POLLUTION SPECIALIST DOMINGUEZ: The region's
25 development pattern has been evolving for some time now,

1 as highlighted in these maps. The regional growth
2 forecast made back in 1999 is depicted on the left, and
3 the current forecast on the right. Of the colors you see
4 on this map, gold represents housing, brown represents
5 jobs, and green represents open space. Each individual
6 gold and brown dot represent 10 new housing units and 10
7 new jobs respectively. As shown on the map on the left,
8 local governments previously expected a large amount of
9 expansion to the east.

10 In contrast, the map on the right represents the
11 growth pattern as reflected in updated local government
12 land-use plans as of 2014. The cities and the County of
13 San Diego are now expecting to grow up instead of out with
14 more compact development in urbanized areas resulting in
15 an increased amount of protected open space.

16 --o0o--

17 AIR POLLUTION SPECIALIST DOMINGUEZ: Next, I'll
18 talk about how the 2015 plan is continuing to build on the
19 policies of the first SCS. SANDAG's current plan is a
20 refinement of the first SCS and continues to provide a
21 range of mobility options in the region by 2050. But the
22 current plan goes further by investing in emerging
23 technologies, such as electric vehicles, car sharing, and
24 mobility hubs.

25 The RTP/SCS has been combined with the region's

1 2004 regional comprehensive plan, which served as the
2 regional blueprint to create a unified planning document
3 that not only addresses land use and transportation, but
4 also reflects the region's goals for social equity, a
5 healthy environment, and economic prosperity.

6 The current plan continues to advance the urban
7 area transit strategy, which was reflected in the 2011
8 plan. This strategy sets a boundary around the region's
9 major residential, employment, and activity centers within
10 which the majority of transit investments are to be
11 directed.

12 Its goal is to increase transit ridership and
13 reduce vehicle miles traveled by providing more frequent
14 and more efficient transit service near jobs and housing.
15 The 2015 plan calls for the completion of active
16 transportation projects and some transit projects earlier
17 than previously planned.

18 --o0o--

19 AIR POLLUTION SPECIALIST DOMINGUEZ: The new plan
20 uses transportation investments to support compact
21 development and supplements the suite of infrastructure
22 projects with technology measures that increase the
23 efficiency of the transportation system and provide more
24 mobility options.

25 Since 2011, the county general plan, five city

1 general plans, and over 30 specific plans have been
2 updated to reflect the compact mixed-use development goals
3 of is the SCS. These local plans result in a regional
4 forecast for more multi-family housing, more infill
5 development, and more jobs and housing near transit.

6 The county currently has a robust transit
7 network, including the coaster commuter rail, sprinter
8 light rail, and a trolley light rail network. The
9 regional also has an extensive local bus network as well
10 as the recently established bus -- rapid bus services
11 mentioned earlier.

12 This plan allocates 45 percent of the RTP budget
13 through 2035 for transit. These investments will improve
14 the frequency of existing commuter rail, light rail, and
15 local bus services. The plan also expands the transit
16 network by extending the light rail trolley line and
17 adding to the rapid bus system.

18 Because of the recent adoption of the bicycle
19 early action plan and complete streets policy, many active
20 transportation projects will be completed in the next
21 decade, and all of SANDAG's future infrastructure projects
22 will accommodate all users of the system, regardless of
23 age, ability, or mode of travel.

24 Managed lanes on the highway system continue to
25 be an important part of the plan's transportation

1 strategies. Managed lanes refer to carpool, vanpool,
2 express, and transit-only lanes that prioritize HOV
3 travel. Many of the rapid bus routes will rely on these
4 managed lanes.

5 To maximize the efficiency of the whole
6 transportation system, the plan invests in transportation
7 system and demand management strategies. SANDAG continues
8 to promote existing carpool, vanpool, and safe routes to
9 school programs, and invests in new programs that support
10 car sharing, and the creation of mobility hubs, which
11 integrate a variety of transportation options.

12 Finally, this plan recognizes the need to support
13 the emerging electric vehicle market by incentivizing the
14 installation of a robust network of chargers that would
15 expand opportunities for EV charging.

16 --o0o--

17 AIR POLLUTION SPECIALIST DOMINGUEZ: Let's now
18 turn to the process that SANDAG used to develop this plan.

19 In 2012, just a few months after adopting the
20 2011 plan, SANDAG began engaging stakeholders to discuss
21 priorities for the current update. Numerous policy
22 advisory committees and work groups focused on a variety
23 of issues such as active transportation, public health,
24 tribal transportation, energy, and freight. SANDAG also
25 worked with a network of community-based organizations and

1 environmental justice groups that helped to analyze
2 elements of the plan and provide outreach support to local
3 communities.

4 Prior to releasing the plan, SANDAG held 12
5 public workshops and held seven more after the draft plan
6 was released in April.

7 To develop the RTP project list, SANDAG started
8 with a set of projects that included those from the 2011
9 plan, then ranked the projects using evaluation criteria
10 to create two alternative network scenarios. Based on
11 public feedback, these two scenarios were blended into a
12 third scenario that became the draft plan.

13 --o0o--

14 AIR POLLUTION SPECIALIST DOMINGUEZ: This slide
15 identifies performance measures as represented in SANDAG's
16 2015 SCS, which reflect how the region will change by 2035
17 as compared to the plan's base year of 2012. Due to more
18 compact growth, as well as increased transit investment in
19 key corridors, the number of people living within a half
20 mile of high frequency transit would increase from 35 to
21 58 percent of the total population by 2035.

22 Similarly, the number of jobs located within a
23 half mile of high frequency transit would increase from 42
24 to 68 percent. More people are anticipated to use transit
25 in response to the improved access to transit service.

1 The number of daily transit boardings more than doubles
2 from 366,000 daily boardings in 2012 to 787,000 in 2035.

3 The increased availability of transit, in
4 addition to the investments in bike and walk facilities,
5 would also help increase the number of people using these
6 alternative modes of transportation. The share of bike,
7 walk, and transit trips would shift from 14.3 percent in
8 2012 to 16.4 percent by 2035.

9 --o0o--

10 AIR POLLUTION SPECIALIST DOMINGUEZ: Because
11 SANDAG's RTP/SCS extends to 2050, it also looks at longer
12 term trends in the region. Here are just two examples of
13 the broad changes that would occur in the region by 2050
14 if the plan is implemented.

15 In 2012, about 36 percent of all housing units in
16 the county were multi-family. Under the updated plan,
17 over 82 percent of the new housing built in San Diego
18 region between 2012 and 2050 would be multi-family. The
19 plan's land-use strategies also result in benefits for
20 open space. By 2050, 55 percent of the region would be
21 preserved as open space, parks, habitat or farmland.

22 --o0o--

23 AIR POLLUTION SPECIALIST DOMINGUEZ: SANDAG has
24 invested significant resources over the past four years to
25 develop an activity based model. This type of model

1 allows SANDAG to simulate individual and household
2 transportation decisions, and allows for a more nuanced
3 analysis of alternative policies and projects. In
4 addition, SANDAG is using updated data and information
5 such as a new travel behavior survey, a 2014 demographic
6 forecast, and updated cost of travel assumptions.

7 These data and inputs help to calibrate the model
8 and improve the region's ability to forecast future
9 transportation behavior.

10 SANDAG released the activity based model on-line,
11 making it available for public review and improving the
12 transparency of the region's modeling system. SANDAG
13 continues to enhance and refine the model.

14 --o0o--

15 AIR POLLUTION SPECIALIST DOMINGUEZ: ARB's role
16 is either -- is to either accept or reject SANDAG's
17 determination that the 2015 SCS, if implemented, could
18 meet the targets set by the Board. SANDAG estimates that
19 this draft plan would result in an 18 percent per capita
20 greenhouse gas reduction by 2020, and a 24 percent
21 reduction by 2035. These numbers are substantially higher
22 than the greenhouse gas benefit of the prior plan.

23 For the past several months, ARB and SANDAG staff
24 have been working together to gather information and
25 discuss the plan's development. Now that the draft plan

1 has been released, along with numerous technical
2 appendices and other supporting information, staff will be
3 reviewing all of this publicly available documentation as
4 we complete our technical evaluation.

5 In its evaluation, staff will focus on four core
6 aspects of the modeling system consistent with ARB's
7 general review methodology established in 2011. This
8 includes looking at the performance of the activity based
9 model and other off-model tools to understand how they
10 capture the greenhouse gas impacts of strategies in the
11 plan. Staff is also carefully reviewing SANDAG's inputs
12 and assumptions.

13 SANDAG has completed five model sensitivity
14 tests, and staff will be looking at the results to assess
15 whether the model is adequately sensitive to key SCS
16 strategies.

17 Staff is also looking at a variety of performance
18 measures, including changes in land-use density and
19 transit ridership, which may help to explain changes in
20 vehicle miles traveled and related greenhouse gas
21 emissions from passenger vehicles.

22 Staff will continue to work with SANDAG to get
23 further clarification on strategies, model documentation,
24 model tooling tools, off-model adjustments and
25 assumptions, so that we can complete our evaluation and

1 prepare a recommendation.

2 Once SANDAG adopts the plan in the fall, it will
3 submit a final greenhouse gas determination to ARB, which
4 triggers a 60-day review period. At that time, staff will
5 review the final SCS for any changes from the draft that
6 may affect staff's recommendation.

7 The executive officer will then issue an
8 executive order, either accepting or rejecting SANDAG's
9 determination.

10 This concludes my presentation of SANDAG's draft
11 RTP/SCS. I would now like to introduce Gary Gallegos, the
12 Executive Director of SANDAG and invite him to address the
13 Board.

14 Gary.

15 CHAIRPERSON NICHOLS: Welcome.

16 MR. GALLEGOS: Thank you, Madam Chair and members
17 of the Board. Please to be before you again. And given
18 the time constraints, I'm going to alter my presentation a
19 little bit, because I think, first of all, your staff did
20 an outstanding job of presenting what's in our plan. And,
21 to me, that's usually a good indicator of the growing
22 partnership. And I want to take this opportunity to thank
23 the staff here at CARB, because I think we've -- our
24 relationship continues to evolve. And it's clear that you
25 guys understand our plan by the outline that you just

1 gave.

2 So I'm very briefly going to focus, Madam Chair
3 Board members, on -- because I think it's one thing to
4 have a plan, but it's another thing to get it done. And
5 at SANDAG, I think, one of the advantages that we bring to
6 the table is that we're not just responsible for putting a
7 plan together, we actually are also responsible for
8 implementing it.

9 And so when you see that, you know, we got
10 targets of seven and 13, and we're at 18 and 24. And let
11 me highlight that even though there's no target at 2050,
12 but since our plan goes out that far, we estimate that our
13 greenhouse gas reductions out at 2050 would be in the
14 magnitude of a 30 percent reduction.

15 And I think one of the reasons we've made
16 progress is projects that we've gotten done, and, you
17 know, implementation matters.

18 So very quickly, I would like to cover much of
19 the activity that we've had over the last four years that
20 I think has helped us achieve the success. First of all,
21 we completed 20 miles of what I would characterize as our
22 showcase project on I-15. I-15 used to be San Diego's
23 most congested corridor in the nineties and the first
24 decade of the new century.

25 And that's now gone to being one of our best

1 performing corridors, because we spent about \$1.4 billion,
2 added four managed lanes. We also have now opened a BRT
3 line that runs on that. It's the I-15 express. It's
4 carrying about -- it's been in operation a little over a
5 year. It's carrying about 5,000 passengers a day. And
6 it's increased the transit ridership in that corridor by
7 40 percent.

8 We've also -- are in the process of implementing
9 another BRT that will serve the international border and
10 the housing rich areas of San Diego in Chula Vista
11 National City all the way to downtown San Diego. And we
12 expect to have that in operation by 2016.

13 Last year, we opened arteriole based rapid bus
14 system that serves the communities from UCSD all the way
15 to the job centers in downtown. That is carrying about
16 7,000 passengers a day through the first month and been a
17 pretty exciting project through, what I would characterize
18 as, one of the strongest transit markets we have in the
19 San Diego region.

20 You know, San Diego's home to the second busiest
21 commuter rail corridor in the country, next to northeast
22 corridor. And one of our limitations is as busy as that
23 rail corridor had -- has been, only half of it's double
24 tracked. The other half is run on a single track. And
25 since the last plan we put -- and I should have probably

1 started it by saying, you know, it's really not fun being
2 first. Man, I've got to tell you guys, I'd rather be
3 second or third or fourth given our past record, but it is
4 what it is. Here we here again.

5 But since the last time, we've now got about
6 three-quarters of that track that's double track. So
7 we've made tremendous progress in double tracking. That's
8 improved our on-time performance, both for inner-city rail
9 and commuter rail.

10 We're now engineering one of Supervisor
11 Roberts -- and Supervisor Roberts plays a unique role in
12 that not only is he a CARB Board member here, but's also a
13 SANDAG Board member and our vice chair. And probably one
14 of his, you know, big important projects has been our
15 mid-coasts projects, which would extend the light rail
16 really north of Interstate 8 and really connect San
17 Diego's two biggest job centers with all our housing
18 centers from in the south part of the county and the north
19 part.

20 A two billion dollar project, we expect, if the
21 Board says yes tomorrow, we start our utility relocation
22 in July of this year, and we expect to start heavy
23 construction on this \$2 billion light rail line that
24 should be a showcase for us in San Diego next year
25 sometime with, you know, service hopefully in '17, '18 in

1 that time frame, to actually start revenue service.

2 We've -- one of the things that I think is
3 important, and I would highlight to the CARB Board
4 members, that I think it's not only important that we
5 build new stuff, but that we take care of the stuff that
6 we already have. And we've invested a billion dollars in
7 modernizing our oldest and highest ridership light rail
8 lines in the line -- in the region. We've added new
9 low-floor cars. Those really improve the ability
10 particularly for many of our patrons that have
11 disabilities can -- before we had to put them on a ramp,
12 and, you know, get them into the light rail car. Now,
13 they can roll-on roll-off. Our on-time performance has
14 improved and our transit ridership has improved.

15 Your staff covered -- you know, we introduced an
16 HOV lane on 805. Very successful. Already carrying
17 35,000 vehicles a day or about 72,000 passengers every
18 day.

19 On the active transportation program, you know,
20 we brought forward \$200 million. One of the unique things
21 is we're actually implementing the projects. And we've
22 got a fair amount of scar tissue to show about how hard it
23 is for those of you that think everybody likes bicycle
24 projects --

25 (Laughter.)

1 MR. GALLEGOS: -- not always the case when you're
2 going through urban California. And so we're slugging
3 through getting bicycle projects, you know, not just
4 planned, but getting them built in the San Diego region.

5 We received unanimous approval from the Coastal
6 Commission for our north coast corridor project.
7 Something that happens rarely in terms of working with the
8 California Coastal Commission. But I think this is really
9 a hallmark project that will add lanes to I-5, but will
10 also continue the double tracking. And we added a bunch
11 of environmental enhancements to really make the corridor
12 a much more productive corridor.

13 And a very quick example, because we're
14 constrained by right of way, in order to make the lanes
15 fit, we have to build large retaining walls to be able to,
16 you know, not have to buy more right of way. But we got
17 creative in working with the Coastal Commission. So
18 instead of building one really tall retaining wall, we're
19 going to build two retaining walls and offset them. And
20 in between that it's a bike line that provides a bike
21 facility along the interstate system outside of the
22 operating right of way, a very creative way to provide
23 more access for other folks.

24 And I know time is short, but two other quick --
25 three other quick things actually, is we're working on a

1 new port of entry with Mexico that we're taking the lead
2 on, that would provide 20-minute border-crossing times. I
3 would highlight to the Air Resources Board that Mexico is
4 California's largest export market. California exports
5 more products to Mexico, more of them through Otay Mesa
6 within often with wait time of two and three hours. And
7 we're proposing to build a new border crossing that would
8 allow that time frame to be reduced to 20 minutes.

9 And we're doing it through tolls, and we're doing
10 it through real-time pricing, where we change the price
11 based on the capacity of the facility. That's how we
12 manage to keep that 20 minutes and be able to make that
13 promise.

14 The last two things is -- the second -- the
15 second to the last is we bought a toll road. As a guy
16 that's spent the last 30 years, you know, implementing big
17 projects in the San Diego region, and really in northern
18 California for a short period of my career, it's always --
19 I would tell you it's easier to buy one that's already
20 built than to build one from scratch.

21 But we took a toll road that was run by the
22 private sector and really was underutilized. And that was
23 I think the motivations for our board to go buy this. On
24 a good day, that road would carry around 20 to 25 thousand
25 passengers. We were able to restructure the tolls, lower

1 the tolls, something that doesn't happen very often, and
2 we've now seen the traffic more than double. So we're --
3 on a typical day, we're carrying somewhere between 45 to
4 50 thousand passengers on an existing toll road.

5 We still have a debt, but there is an example
6 where government can reduce prices and still make it up on
7 the volume. We are actually generating more than enough
8 money to cover our cost on that toll road.

9 And last but not least, I would probably be
10 remiss if I didn't highlight that a new tool that we hope
11 to add to the San Diego toolbox -- and let me plead for
12 some help here from CARB and others, is we've recently
13 finished the study on a skyway. And I've got to admit
14 when I first started working on that study, I was a little
15 bit of a skeptic. But two things moved me from being a
16 skeptic to a true believer.

17 And one was, first of all, the capacity of the
18 system, and the fact that on these skyways, we believe we
19 can move somewhere between two and three thousand people
20 per hour. A freeway lane on a really good day, on a flat
21 area will probably carry around 2,000 vehicles per hour.
22 And if there's only one or so person in each of those
23 vehicles, you can see that this has the capacity of being
24 pretty close to one freeway of lane.

25 But probably most importantly to me is that, you

1 know, we looked at what would it cost to do this. And the
2 cost, depending on where you're at, we believe ranged
3 somewhere between 30 to 40 million a mile. And if we
4 contrast that with light rail in the San Diego region,
5 light rail, depending on where you're at, is going to
6 cost somewhere between 300 to 400 million a mile.

7 So if we can build a facility that will be just
8 as functional for about 10 percent of the cost, that's one
9 of the ways that we catch up. And so we're excited about
10 connecting. One of the things San Diego has struggled
11 with is how to connect our downtown area with Balboa Park
12 and the San Diego Zoo and the major attractions that we
13 have there, about a two-mile facility that we want to try
14 it on.

15 But we've also looked at beyond just that, you
16 know, how do we connect to the beaches. And one of our
17 things that -- one of the alternatives we have in the plan
18 is to extend light rail down there, but there's going to
19 be a lot of challenges in extending light rail on what
20 street you go to and how many cars you take out and what
21 street you impact. And we believe that the aerial system
22 will help mitigate some of these at a much lower cost.

23 So, Madam Chair, let me conclude by saying that's
24 sort of a list of where hopefully we're not just talking
25 the talk, but we're walking the walk. And I think that

1 that's one of the reasons that we've been able to exceed
2 seven percent and get all the way to 18 percent.

3 But I would leave you that one of the challenges
4 moving forward is that we've been able to do this because
5 we've been able to advance sales tax dollars from bringing
6 them forward. But our sales tax program is no different
7 than your visa card. It's got a limit, and eventually
8 we'll max out to the limit.

9 And I think as we move forward, if we want to do
10 more of this to help reduce greenhouse gases, you know,
11 resources are going to be constrained as we look into the
12 future. And so we would encourage CARB to continue to
13 push for more resources. I think the cap-and-trade piece
14 was something that we continue to be grateful for every
15 dollar that we get out of cap-and-trade. But to be
16 honest, maybe sometimes a little disappointed because I
17 think the peanut butter has been spread pretty thin.

18 And, I don't know, when we look at our SCSs, you
19 know, right now I would argue the progress we've been
20 making is because of the projects that I just talked
21 about. And a lot of those are being funded with local
22 sales tax dollars not with cap-and-trade dollars or other
23 resources

24 CHAIRPERSON NICHOLS: Sure. Well, I know the
25 time is short, but I just would say that I would agree

1 with you, cap-and-trade is intended to be, and I suspect
2 always will be, a very limited source of funds for the
3 State. It was never intended to be a revenue raising
4 program, as it's turned out, with a very small auction.
5 We've generated enough funds to do some good, which is
6 terrific, but to shift the kind of investments that we
7 need to fundamentally transform or transportation system
8 is going to take much more serious effort. And there is
9 conversation underway within the administration and with
10 the legislature about what that might look like in the
11 future. I don't have any news to report here, but I can
12 tell you that there's growing awareness of the need.

13 MR. GALLEGOS: And so I guess my point is that if
14 we want to continue to see progress like this, we're going
15 to have to make sure that we can invest in the things that
16 are in our plans.

17 CHAIRPERSON NICHOLS: That's been something that
18 we've heard from the MPOs from the very first day of SB
19 375.

20 MR. GALLEGOS: Yes, ma'am.

21 (Laughter.)

22 CHAIRPERSON NICHOLS: So there's a consistent
23 message here.

24 (Laughter.)

25 MR. GALLEGOS: We've been consistent.

1 CHAIRPERSON NICHOLS: Appreciate it, and
2 appreciate your good work in implementing the plan that
3 you have. I think there are a number of us who want to
4 have a conversation about, you know, expanding the role of
5 land-use agencies going forward, and how we look towards
6 the future in terms of the role that cities and counties
7 can play in actually delivering the kinds of greenhouse
8 gas reductions that we're going to be needing.

9 SB 375 is sort of structured in a particular way
10 to look at a baseline and how you're doing on that. And,
11 you know, I think you've fulfilled your requirements, and
12 done what you've said you were going to do. So no
13 criticism about that.

14 MR. GALLEGOS: I would be remiss if I didn't
15 really highlight the 18 cities in the county, because one
16 of the things that happened is the county redid its
17 general plan and downzoned a lot of land in the back
18 country, but that meant that the cities had to upzone the
19 stuff, so that we could still achieve the housing stock
20 that we need to provide the growth that we anticipate.
21 And that's happened. So our 18 cities and the county have
22 stepped up to the plate.

23 CHAIRPERSON NICHOLS: Congratulations.

24 MR. GALLEGOS: Thank you.

25 CHAIRPERSON NICHOLS: Okay. Further comments?

1 I know these gentlemen have a plane to catch,
2 that's why I'm rushing a little bit, because I know
3 they're -- sorry.

4 BOARD MEMBER ROBERTS: I just want to thank Gary.
5 Yeah, I told you it was largely a good news story.

6 CHAIRPERSON NICHOLS: Yeah.

7 BOARD MEMBER ROBERTS: He works tirelessly. He
8 has a great staff. We've got a lot of good things
9 happening, so I was confident you'd enjoy the report. Now
10 we'll let him get out of here.

11 MR. GALLEGOS: Thank you.

12 CHAIRPERSON NICHOLS: Thank you.

13 I may be headed in the same direction in about
14 two minutes, but we have one more information item on the
15 agenda. And this may seem like a no-brainer. Exercise is
16 good for you, right?

17 (Laughter.)

18 CHAIRPERSON NICHOLS: But there's a little bit
19 more to it than that, which is that the staff wants to
20 share some research that sort of helps to deal with the
21 question that I used to get asked all the time, which is,
22 you know, I like to run along the median strip along San
23 Vicente Boulevard, am I doing my health more harm by
24 running next to where there are cars than anything I'm
25 gaining by getting the exercise of being out there

1 running?

2 And the answer is that is yes.

3 Okay. Well, we may be giving you short shrift
4 with this one. I apologize, but that's what happens when
5 you come at the end of the day.

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

8 MR. MOORE: Yes. Thank you members of the Board.
9 And I have always been accused of speaking quickly, so
10 maybe that's an advantage today.

11 CHAIRPERSON NICHOLS: Go for it.

12 MR. MOORE: So this health update will focus on
13 the many health benefits of incorporating physical
14 activity into our daily lives and how our environment can
15 influence our physical activity patterns.

16 Public health is the core of ARB's mission. The
17 evidence of the health benefits of physical activity is so
18 compelling that the World Health Organization and Center
19 for Disease Control and Prevention both list physical
20 inactivity as one of the most important health risks
21 that -- for disease the individuals are able to change.
22 This evidence led to the creation of national physical
23 activity guidelines in 2008.

24 In that same year, this Sustainable Communities
25 and Climate Protection Act was passed which supports

1 California's goals to reduce greenhouse gas emissions
2 through coordinated transportation and land-use planning
3 to promote more sustainable communities.

4 There are many anticipated benefits of these
5 sustainable community designs, including reductions in
6 vehicle use, increased mobility through development of
7 transit options, economic growth, and conservation of open
8 space.

9 Importantly, how sustainable communities are
10 designed can promote increased physical activity of people
11 living in these communities which has the potential to
12 greatly improve public health in California.

13 With the next several slides, I'll describe some
14 of the ways that the built environment can encourage
15 increased physical activity and why this is important for
16 public health.

17 --o0o--

18 MR. MOORE: Studies are beginning to measure how
19 the built environment can impact health and physical
20 activity through changes in behavior. This rapidly
21 expanding area of research will determine the
22 effectiveness of different aspects of the built
23 environment to promote community health.

24 For example, studies conducted in Southern
25 California have found that children that have access to

1 green spaces, such as parks and nature trails within their
2 neighborhood, are more physically active. In fact,
3 greenness in smart growth communities seems to be more
4 effective at encouraging physical activity in children
5 than greenness in traditional neighborhoods, indicating
6 that the quality and characteristics of the green space is
7 important.

8 In addition, adults who live in denser
9 neighborhoods incorporating mixed-use designs and more
10 street intersections exhibit higher levels of physical
11 activity and improved cardiovascular risk factors. Adults
12 living in these types of neighborhood also have lower
13 rates of certain chronic diseases.

14 Increased access to public transportation may
15 also influence physical activity. One study indicates
16 that many Americans meet their physical activity
17 recommendations during their daily walk or bike to public
18 transportation. Additionally, a novel before and after
19 study conducted in Los Angeles, including funding by ARB,
20 showed that the installation of a new light rail line can
21 alter travel patterns and physical activity levels of
22 individuals living close to those new stations.

23 So we can see that the built environment can
24 increase physical activity, but why is it so important for
25 the health of Californians?

1 --o0o--

2 MR. MOORE: There is overwhelming evidence
3 associating physical activity with wide array of health
4 benefits in children and adults, but we will focus on
5 those that the current body of literature strongly and
6 consistently supports. Physical activity in children and
7 adolescents is associated with increases in aerobic
8 fitness, reductions in cardiovascular and metabolic risk
9 factors, such as high blood pressure and cholesterol, the
10 maintenance of a healthy weight and reduced risk of
11 acquiring an obesity-related disease.

12 It has also been shown in controlled clinical
13 trials to improve self-esteem and effectively treat
14 symptoms of depression. Physical activity is associated
15 with many health benefits in adults as well, such as
16 increased aerobic fitness and functional capacity,
17 decreased Risk of premature death, and the chance of
18 acquiring certain cardiovascular, metabolic, and cognitive
19 diseases, as well as certain types of cancer.

20 Also, physical activity has been shown to
21 effectively treat many diseases, such as type 2 diabetes,
22 heart disease, and osteoarthritis as well as improve
23 physical and mental function and mood.

24 Next, we'll look at the overall relationship
25 between increased physical activity and the magnitude of

1 that health benefits.

2 --o0o--

3 MR. MOORE: Studies evaluating different levels
4 of physical activity have consistently reported that the
5 greatest health benefit occurs when sedentary individuals
6 start becoming active. Further increases in activity
7 levels result in further risk reduction, but the rate of
8 reduction is not as pronounced. To give you a sense of
9 how dramatic the effect can be, many studies indicate that
10 the magnitude of the health benefits associated with
11 leading an active lifestyle is similar to that seen in
12 individuals who quit smoking.

13 In a long-term study of 50 year old men, those
14 who were sedentary but became active reduced their
15 mortality risk by half, and those that quit smoking saw a
16 40 percent reduction.

17 So increased physical activity can have a
18 substantial impact on our health, but when referencing the
19 physical activity recommendations, we need to consider how
20 individuals can incorporate physical activity into their
21 daily lives and determine what level of physical activity
22 is needed to see these benefits.

23 --o0o--

24 MR. MOORE: Researchers and policy experts
25 commonly group physical activity into four categories:

1 Occupational, recreational, household, and
2 transport-related activity, such as walking to work or
3 school. Based on the current research, it is recommended
4 that adults participate in 150 minutes of moderate to
5 vigorous physical activity a week to realize substantial
6 health benefits.

7 As long as the duration and the intensity are
8 equivalent, the specific nature of the activity isn't
9 important. This means that it is possible for an
10 individual to meet his or her physical activity goals
11 without participating in a structured exercise program.
12 Some examples of moderate intensity activities are brisk
13 walking, mowing the lawn, stair climbing or playing with
14 children. This recommended amount of physical activity
15 can not only be achieved in many ways, but research
16 indicates that it can be accrued in increments as short as
17 10 minutes at a time.

18 So we have seen that physical activity can come
19 in many forms. Over the next two slides, we'll examine
20 the association between transport related physical
21 activity and health.

22 --o0o--

23 MR. MOORE: Research on active transport and
24 children -- childhood health conducted in the United
25 States is sparse with most of the work being done in

1 European countries. Even so, these studies suggest that
2 children that bike to school have higher aerobic fit
3 levels, flexibility and muscular strength, and a lower
4 risk of being overweight than those who take the bus or a
5 car.

6 The results of a longitudinal follow-up study
7 indicated that a good percentage of children that bike or
8 walk continued to use active transport into adolescence
9 and young adulthood. In addition, students who commuted
10 via car or buses as young children, but began walking
11 biking later in their school career also saw increased
12 health benefits similar to those that actively commuted
13 throughout their schooling, reinforcing the idea that it
14 is never too late to start.

15 --o0o--

16 MR. MOORE: Like children, adults can also
17 substantially benefit from active transport. A large
18 review of active transport research in adults identified
19 significant decreases in premature mortality in those who
20 use active transport for commuting.

21 In this analysis of 18 separate studies, an
22 approximately 10 percent reduction in death rates was seen
23 in those individuals who regularly walk or bike. Also
24 based on the results of a large meta-analysis, occurrences
25 of acute cardiovascular events, like stroke or heart

1 associated with activity, as well as the negative impacts
2 of air pollution, are there ways to reduce our exposure to
3 air pollution when being physically active outdoors?

4 --o0o--

5 MR. MOORE: Current research does support some
6 measures that can be taken to reduce air pollution
7 exposure. For example, a Berkeley study indicates that
8 selecting low traffic roads, just a block or so off of
9 major roadways can reduce traffic related air pollution
10 exposure when biking, demonstrating that placing bike
11 lanes on less car traveled routes can reduce exposure.

12 Additionally, a Southern California study found
13 that public parks within neighborhoods with higher
14 pollution had significantly lower levels of nitrogen
15 dioxide and PM2.5 than the surrounding neighborhood
16 streets, indicating that shifting outdoor activity to a
17 park environment can reduce exposure.

18 It has also been shown that schools with more
19 green space around and within the school grounds have
20 lower indoor and outdoor traffic-related air pollution
21 levels. Interestingly, tree count at the schools was
22 associated with lower air pollution levels, again
23 suggesting that the specific type and quality of green
24 space may play a role.

25 There are also two national programs that address

1 mitigation strategies focusing on children and
2 adolescents. The School Flag Program run by the U.S. EPA
3 uses brightly colored flags to help children, parents,
4 school personnel, and the community be aware of daily air
5 quality conditions, so that they can alter their activity
6 accordingly.

7 Safe Routes to School is a national program
8 administered by the U.S. Department of Transportation that
9 invests federal funds to improve biking and walking
10 infrastructure, to encourage active transport to school,
11 and improve safety. As the above studies suggest,
12 altering our built environment can mitigate air pollution
13 exposure during outdoor activity, and as we have seen the
14 built environment designs can also encourage physical
15 activity

16 --o0o--

17 MR. MOORE: Research to help us understand
18 community designs that reduce pollution exposure and
19 promote increased physical activity are underway. ARB has
20 recently completed or is currently involved in many
21 projects related to the interaction between physical
22 activity, air pollution, the built environment, and
23 health.

24 This list includes a bicycle commuter study
25 looking at ultrafine particulate matter exposure and lung

1 function along a high and a low traffic commuting route.
2 Another current study is assessing the relationship
3 between the walkability of neighborhoods, air pollution
4 exposure and health outcomes. There are also projects
5 evaluating how complete street and transit stop designs
6 affect air pollution exposure and travel behavior, and how
7 the siting and design of sound walls and vegetation
8 barriers affect the distribution of air pollution.

9 Next month, a seminar is scheduled for July 22nd
10 to highlight the results of the recently completed
11 before-and-after light rail project. Almost as critical
12 as the research itself, we must ensure that the results of
13 this work are distributed to all of those that can
14 individually benefit or use this information to positively
15 influence community health outcomes. Upon completion of
16 these projects, we will develop fact sheets that will be
17 housed on the ARB website for community access. We will
18 also work in conjunction with ARB's Sustainable
19 Communities Program to effectively communicate findings to
20 other stakeholders.

21 --o0o--

22 MR. MOORE: In conclusion, almost all
23 Californians can see improved health from increased
24 physical activity, regardless of age, sex, ethnicity, or
25 health status. In addition, the way that our communities

1 are designed can have considerable impact on physical
2 activity. Communities with higher levels of greenness,
3 more walkable streets, and easier access to public
4 transportation have been shown to encourage physical
5 activity, including active transport, in the residents of
6 these neighborhoods.

7 By incorporating physical activity into their
8 daily lives, Californians can take a significant step
9 towards reducing the risk Of disease and enhancing their
10 quality of life, leading to dramatic improvements in
11 public health throughout the State.

12 The Research Division staff are currently
13 conducting or in the planning phase of many projects
14 evaluating the health impacts of sustainable community
15 design, including the impact of these design principles on
16 physical activity levels.

17 Thank you for your time, and I would be happy to
18 answer any questions.

19 BOARD MEMBER BERG: Thank you very much for a
20 great report, Brian. And it really comes at a good time
21 right after we're hearing about the SB 375 and the
22 importance of that. So very good job.

23 Also, Dr. Balmes is very involved in a lot of
24 this research, and so I'd like to call on you to make a
25 couple comments.

1 BOARD MEMBER BALMES: Well, first of all, I again
2 want to congratulate Brian on a nice presentation. I know
3 it's tough to give a presentation at the end of the day
4 like this.

5 (Laughter.)

6 BOARD MEMBER BALMES: And welcome to the ARB
7 staff. I know you're a relatively new hire. It's nice to
8 see an exercise physiologist hired by the Research
9 Division. And I have to like a presentation that cited
10 two of my papers.

11 (Laughter.)

12 MR. MOORE: That was completely based on merit, I
13 swear.

14 (Laughter.)

15 BOARD MEMBER BALMES: But your last slide about
16 if exercise could be a pill, it would be -- it should be
17 prescribed. There's actually now guidelines for
18 physicians to always ask about exercise when we're taking
19 a history from patients and to prescribe exercise. And I
20 always do that now, because the evidence is really strong.
21 And it's not just about your physical health, your
22 cardiovascular health. It's actually about your cognitive
23 health. And as some of us are not getting any younger,
24 there's actually really good evidence that the onset of
25 dementia is put off by exercise, even in people who are

1 susceptible to Alzheimer's. So I encourage all my Board
2 members to get their 30 minutes a day, five days a week of
3 exercise. But thank you, Brian.

4 MR. MOORE: Thank you.

5 BOARD MEMBER BERG: I'm so inspired.

6 Any other comments?

7 (Laughter.)

8 BOARD MEMBER BERG: Do we have any public
9 comments listed?

10 BOARD CLERK JENSEN: (Shakes head.)

11 BOARD MEMBER BERG: Well, with that, can I have a
12 motion to adjourn?

13 BOARD MEMBER BALMES: So moved.

14 BOARD MEMBER SPERLING: Second.

15 BOARD MEMBER BERG: All in favor?

16 (Ayes.)

17 BOARD MEMBER BERG: Thank you very much. Thank
18 you, staff. It was a long day. We had covered a lot of
19 material. Please thank all the presenters and everyone
20 that had an agenda item. Everybody did a great job.
21 Thank you very much.

22 (Thereupon the Air Resources Board meeting
23 adjourned at 4:51 PM)

24

25

C E R T I F I C A T E O F R E P O R T E R

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Air Resources Board meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of July, 2015.



JAMES F. PETERS, CSR
Certified Shorthand Reporter
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