APPEARANCES

BOARD MEMBERS
Ms. Mary D. Nichols, Chairperson
Ms. Sandra Berg
Ms. Dorene D'Adamo
Dr. Daniel Sperling
Dr. John G. Telles
Supervisor Ken Yeager

STAFF
Mr. James Goldstene, Executive Officer
Mr. Tom Cackette, Chief Deputy Executive Officer
Ms. Ellen M. Peter, Chief Counsel
Mr. Mike Scheible, Deputy Executive Officer
Ms. Lynn Terry, Deputy Executive Officer
Ms. Analisa Bevan, Chief, Sustainable Transportation Technologies Branch
Mr. Bob Cross, Chief, Mobile Source Control Division
Ms. Lesley Crowell, Air Resources Engineer, Zero-Emission Vehicle Infrastructure Section
Mr. Douglas Ito, Local Government Strategies Section
Ms. Diane Johnston, Senior Staff Counsel
Mr. Kurt Karperos, Chief, Air Quality and Transportation Planning Branch
Ms. Elise Keddie, Zero-Emission Vehicle Implementation Section
Mr. Aron Livingston, Senior Staff Counsel
APPEARANCES CONTINUED

STAFF

Ms. Kathleen Quetin, Ombudsman
Mr. Jeff Weir, Planning and Technical Support Division

ALSO PRESENT

Mr. Gregg Albright, California Business, Housing & Transportation Agency
Mr. Mathew Baker, Environmental Council of Sacramento
Mr. Andrew Burnette, InfoWedge
Mr. Tommy Chang, Honda
Mr. Sanjeev Choudary, A123 Systems
Mr. Steven Douglas, Alliance of Automobile Manufacturers
Ms. Anibal Guerrero, San Fernando Valley, Mexican American Political Association
Mr. Paul Guzyk, 3 Prong Power
Mr. Richard Hatfield, KillaCycle
Mr. Patrick Huberty, Plug-In Conversions Corporation
Mr. Ben Jones, Plug-In Supply
Mr. Ed Kulik, Ford Motor Company
Mr. Paul Kydd, Partnerships 1 Incorporated
Mr. Max Ordonez, California Spanish Chambers of Commerce
Mr. Robert Phipps, Kern Council of Governments
Mr. Charles Protheroe, Plug-In Supply Incorporated
Mr. Robb Protheroe, Plug-In Supply Incorporated
Mr. Spencer Quong, Union of Concerned Scientists

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Randy Reisinger, CalCars
Mr. Marston Schultz, Individual AL
Mr. Daniel Sherwood, 3 Prong Power Incorporated
Ms. Moira Topp, Sloat Higgins Jensen & Associates
Ms. Jeanne Trombly, Plug-In America
Mr. John Williams, Valley Citizens

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
# INDEX

| Opening remarks by Chairperson Nichols | 1 |
| Roll Call | 1 |
| **Item 09-1-8** | |
| Chairperson Nichols | 3 |
| Executive Officer Goldstene | 3 |
| Staff Presentation | 4 |
| Board Discussion and Q&A | 27 |
| Ombudsman Quetin | 35 |
| Mr. Douglas | 36 |
| Mr. Kulik | 39 |
| Mr. Chang | 42 |
| Mr. Quong | 46 |
| Mr. Reisinger | 48 |
| Mr. Choudary | 50 |
| Mr. Huberty | 52 |
| Mr. Burnette | 56 |
| Mr. Hatfield | 58 |
| Mr. Sherwood | 60 |
| Mr. Guzyk | 63 |
| Mr. Robb Protheroe | 64 |
| Mr. Charles Protheroe | 66 |
| Mr. Jones | 67 |
| Mr. Schultz | 68 |
| Mr. Kydd | 70 |
| Ms. Trombly | 73 |
| Board Discussion and Q&A | 76 |
| Board Ex Partes | 77 |
| Motion | 78 |
| Board Discussion and Q&A | 78 |
| Vote | 116 |

<p>| <strong>Item 09-1-9</strong> | |
| Chairperson Nichols | 116 |
| Executive Officer Goldstene | 117 |
| Staff Presentation | 118 |
| Board Discussion and Q&amp;A | 125 |
| Ms. Topp | 130 |
| Mr. Phipps | 131 |
| Mr. Albright | 134 |
| Mr. Baker | 137 |
| Board Discussion and Q&amp;A | 140 |
| Motion | 145 |
| Vote | 145 |</p>
<table>
<thead>
<tr>
<th>Public Comment</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Ordonez</td>
<td>146</td>
</tr>
<tr>
<td>Ms. Guerrero</td>
<td>148</td>
</tr>
<tr>
<td>Mr. Williams</td>
<td>149</td>
</tr>
<tr>
<td>Adjournment</td>
<td>152</td>
</tr>
<tr>
<td>Reporter's Certificate</td>
<td>153</td>
</tr>
</tbody>
</table>

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
PROCEEDINGS

CHAIRPERSON NICHOLS: We're ready to get started.

This is a continuation of the Air Resources Board, the January Public Meeting.

And we will begin with a roll call.

BOARD CLERK VEJAR: Dr. Balmes?

Ms. Berg?

BOARD MEMBER BERG: Here.

BOARD CLERK VEJAR: Ms. D'Adamo?

BOARD MEMBER D'ADAMO: Here.

BOARD CLERK VEJAR: Ms. Kennard?

Mayor Loveridge?

Mrs. Riordan?

Supervisor Roberts?

Professor Sperling?

BOARD MEMBER SPERLING: Here.

BOARD CLERK VEJAR: Dr. Telles?

BOARD MEMBER TELLES: Present.

BOARD CLERK VEJAR: Supervisor Yeager?

BOARD MEMBER YEAGER: Here.

BOARD CLERK VEJAR: Chairman Nichols?

CHAIRPERSON NICHOLS: Here.

BOARD CLERK VEJAR: Madam Chairman, we have a quorum.

CHAIRPERSON NICHOLS: Thank you.
Dr. Telles, there was always one person in every
class I was ever in who said "present" and everybody else
said "here." I hadn't pegged you for that one. But okay.
Now we know who that person is.

Thanks, everybody. Welcome.

We got through a pretty extensive rule-making
calendar yesterday. And we've got a couple of big items
here today as well.

A few logistical comments. If there's anybody
here who is not familiar with our proceedings, if you're
planning on testifying or if you decide to testify, we
need you to sign up with the clerk of the Board, so we
have your information and can call you in order. We will
impose a three-minute limit on speakers. If you have
written testimony, we probably already have it. But if
you just brought it with you, we'll read it. You don't
need to read your written testimony since it will be
entered into the record.

I'm also required to announce that there are
exits at the rear of the auditorium. In the event of a
fire alarm, which has happened, we're required to evacuate
this room immediately and go downstairs and out of the
building. We are not allowed to return into the building
until there's an "all clear" signal given, and then we can
come back.
So with that, we will begin this morning with our first item, which is a presentation by our Executive Officer, James Goldstene -- whoops! Where are we?

No. Sorry. I was about to start us with yesterday. Here we are on Day 2.

(Laughter.)

CHAIRPERSON NICHOLS: Consideration of the test procedure amendments and aftermarket parts certification requirements for plug-in hybrid vehicles, which we expect to be seeing a lot.

Okay. Thanks.

Mr. Goldstene.

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

The staff proposal today includes a number of technical amendments to existing exhaust, evaporative and refueling procedures, and is intended to accurately characterize plug-in hybrid vehicle emissions.

The proposed certification and installation requirements for plug-in hybrid conversion systems ensure that the converted vehicle continues to meet the original emission standards under the warranty provided to the consumer.

The proposed fuel cell vehicle range test greatly reduces the testing time required for new, longer-range
Lesley Crowell of the Mobile Source Control Division will begin the staff presentation.

Lesley.

(Thereupon an overhead presentation was Presented as follows.)

AIR RESOURCES ENGINEER CROWELL: Good morning, Chairman Nichols, members of the Board, ladies and gentlemen.

We are here today to discuss the staff's proposed changes to several regulations to incorporate plug-in hybrid electric vehicles. The changes needed to successfully incorporate plug-in hybrid electric vehicles into ARB's existing programs fall into two separate processes: Test procedures and aftermarket certification. These amendments are necessary to allow manufacturers to certify plug-in hybrid electric vehicles and align with the zero emission vehicle regulation. As you may remember, from our March 2008 Zero Emission Vehicle, or ZEV, rule-making, the Board adopted a new category that automakers may produce as an option to making pure ZEVs. This enhanced advanced technology partial zero emission vehicle category was created with the intent of spurring rapid growth in plug-in hybrid electric vehicles, which are envisioned as an important
step toward meeting our greenhouse gas emission reduction goals.

At the time of that rule-making, we heard from stakeholders that the existing test procedures for plug-in hybrids were inadequate for testing this type of plug-in -- the types of plug-in hybrid electric vehicles being designed today.

Staff committed to developing amendments as quickly as possible and is here today to present these changes after a constructive process with stakeholders.

---o0o---

AIR RESOURCES ENGINEER CROWELL: To understand why the amendments are necessary, I will first describe hybrid vehicle technology and how the current exhaust and evaporative test procedures don't adequately capture emissions performance from plug-in hybrids.

I will then discuss the proposed emission test procedure amendments for exhaust and evaporative emissions.

I will then introduce staff's proposal for the fuel cell vehicle range determination. This determination is contained within the hybrid exhaust test procedures and is appropriate to modify at this time to align with the newly developed Society of Automotive Engineers' Procedures.
In the last section of the presentation, I will address aftermarket part certification for plug-in hybrid electric vehicle conversion systems. The existing aftermarket procedures are not adequate to address these conversion systems. As with alternative fuel conversions, plug-in hybrid conversion systems need to be evaluated independently.

The conversions are more extensive and the conversion system and installation have the potential to alter emissions significantly. In consideration of these concerns, staff proposes to add a new aftermarket certification procedure.

At the end of the presentation, I will summarize the proposal and provide staff's recommendation.

--o0o--

AIR RESOURCES ENGINEER CROWELL: Conventional hybrid technology has two sources of motive power that can propel the vehicle: The internal combustion engine and the electric motor. These sources can operate either simultaneously or independently. The battery is the fuel source for the electric motor. However, these conventional hybrids do not connect to external sources for battery recharging. The battery is recharged by the internal combustion engine or through regenerative braking.

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
For conventional hybrids the internal combustion engine operates most of the time. This keeps the catalyst warm, and the controls are most efficient when the catalyst is warm. The existing test procedure captures the frequent start and stop of the internal combustion engine emissions from conventional hybrids.

--o0o--

AIR RESOURCES ENGINEER CROWELL: Just like the conventional HEV, a plug-in hybrid may operate using the combustion engine, the electric motor or both. The difference is the vehicle’s battery can be recharged from off-board source of electricity. Normally, we think of this as plugging the vehicle into the electric grid, most likely at home. However, other sources of electricity, such as solar panels, can be used to charge the battery. For this reason, the regulations refer to this type of vehicle as an Off-Vehicle Charge Capable HEV. For purposes of the presentation, we will use the common name - a plug-in HEV.

One type of plug-in HEV operates totally in electric mode until the battery is depleted. This is called an All-Electric Range PHEV. At the point of battery depletion, the combustion engine comes on to provide enough energy to keep the vehicle operating. Another type of PHEV is called a blended PHEV. It
operates more like a conventional hybrid in that the combustion engine may come on at any time if the power from the electric motor is insufficient.

The relevance of these design variations to the hybrid test procedure is that the combustion engine operation can vary from frequent to not at all during the test sequence currently used. Since the starting of the engine, especially when cold, is a major source of emissions, properly accounting for the emissions from a variety of plug-in designs requires redesign of the emission test procedure.

--o0o--

AIR RESOURCES ENGINEER CROWELL: This graph illustrates how an All-Electric Range PHEV, such as the Chevy Volt, operates. The vertical access shows the state of charge of the battery. As long as the battery has been charged, this vehicle will start the trip using only the electric motor. This is called the charge depleting mode. Depending on the size of the battery, the vehicle may continue operating in all-electric mode for up to 40 miles.

Once the battery has a low state of charge, the internal combustion engine starts and provides sufficient power to keep the vehicle operating. This is called the charge sustaining mode. If the trip length is less than
the vehicle's all-electric range, or AER, the combustion engine is not needed and no tailpipe emissions occur. However, absence of engine operation can result in increased evaporative emissions because the evaporative canister is not purged.

--o0o--

AIR RESOURCES ENGINEER CROWELL: This graph shows a PHEV with blended operation and all-electric range. An example of this type of vehicle is the Toyota Plug-In Prius. A blended PHEV uses the energy from the wall socket to increase the amount of electric drive compared to a conventional HEV, but essentially operates the same way. The user experiences all-electric driving or electrically assisted driving, depending on the driving conditions and the state of charge of the battery.

A blended plug-in HEV may drive all electrically until the car exceeds 50 miles per hour or until the acceleration requirements are increased - for passing on the freeway, for example. Vehicles without an AER have the internal combustion engine start at mile zero. In either case blended plug-in HEVs can have multiple engine starts, which cannot be tested accurately under the existing test procedure.

In this graph, the type of operation is shown in yellow. The charge-depleting operation ends when the
battery's state of charge is dependent and maintained by
the operation of the internal combustion engine. The
charge-depleting operation includes the contribution from
the internal combustion engine.

To look at the off-vehicle electric contribution
and thus the vehicle range of this contribution, the
internal combustion engine contribution to the range must
be subtracted. This is called the Equivalent All-Electric
Range or EAER.

AIR RESOURCES ENGINEER CROWELL: While the
corcepts of charge depleting and charge sustaining
operation seems simple, to convert this concept into test
procedures is quite the opposite. Over the next few
slides I will discuss staff's proposal to address the
multiple internal combustion engine starts, or lack of
internal combustion engine starts, into the test
procedures, so that the procedure adequately represents
the potential emissions and is as short as possible.
I will first discuss the hybrid exhaust test
procedure and then move into the test procedures related
to evaporative emissions.

AIR RESOURCES ENGINEER CROWELL: Staff had
several goals with the proposed amendments to the hybrid
exhaust test procedure. The first is to align the
proposed test procedures with the Society of Automotive
Engineers J1711 process to the maximum extent possible.
J1711 is a recommended practice for measuring exhaust
emissions and fuel economy of hybrid electric vehicles,
including plug-in hybrid electric vehicles. ARB, U.S.
EPA, the automotive community, and the environmentalists
are all represented on the SAE J1711 committee. While
this process is still under development, the focus of the
remaining issues for J1711 address fuel economy. The
exhaust emissions part of J1711 is relatively set and
staff believes that it is complete enough to include at
this time.

Another goal is to maintain the ability to
compare these vehicles with other hybrids. Thus staff
started with the existing hybrid test procedure and
modified it for plug-ins. The hybrid -- the existing
hybrid test procedure will continue to be used for
non-plug-in hybrids.

As mentioned before, PHEVs can have multiple
engine starts. The majority of a vehicle's emissions are
from engine starts. Therefore, emissions need to be
evaluated under both charge-depleting and
charge-sustaining operations. The existing procedure
assumes no emissions occur during charge-depleting
operation and, as a result, cannot test blended plug-in hybrid electric vehicles.

In addition, charge-sustaining operation will produce a different level of emissions than charge-depleting operation. A new procedure needed to be developed to address the emissions, the equivalent all-electric range contribution from blended PHEVs, and to measure all-electric range for ZEV credit qualifications.

AIR RESOURCES ENGINEER CROWELL: As previously mentioned, emissions need to be collected during charge-depleting operation and the collection must continue until charge-sustaining range is reached. For the proposed urban charge-depleting range test, continuous urban dynamometer driving schedules (UDDS) test cycles are conducted until charge-sustaining operation is achieved for two consecutive test cycles.

A similar process is used for the proposed highway charge-depleting range test, continuous highway fuel economy driving schedules (HFEDS) test cycles are conducted until the vehicle achieves charge-sustaining operation for one highway cycle.

Additional changes have been made to non-plug-in hybrids and zero emission vehicle test procedures to align with the PHEV test procedure. In general, these
amendments align the procedures with those for PHEVs and provide clarification. Most of the changes occur in the charge-sustaining emission test or relate to battery charging operations.

--o0o--

AIR RESOURCES ENGINEER CROWELL: To receive ZEV credit, a PHEV must first meet SULEV emission standards and must meet the zero evaporative emission requirement, earn a zero emission vehicle miles traveled allowance and an advanced componentry allowance. The proposed test procedure will determine the emissions from PHEVs to determine if the SULEV standard and zero evaporative standard are met. Additional test procedures are required to determine if PHEVs qualify for the zero emission vehicle miles traveled allowance and the advanced componentry allowance.

The zero emission vehicle miles traveled allowance is defined in the March 2008 zero emission vehicle rule-making. This concept is based on the electric energy contribution from off-vehicle sources and an estimation of the driving in charge-depleting mode provided by a utility factor.

In this PHEV rule-making, staff proposes a procedure to determine the equivalent all-electric range, which is consistent with SAE's draft 1711 procedure.
The advanced componentry allowance is also defined within the March 2008 rule-making of the ZEV regulation. To receive this allowance, the vehicle must either achieve a ten-mile all-electric range on the urban drive cycle, UDDS, or achieve a ten-mile all-electric range on the more aggressive US06 drive cycle.

Staff is proposing one 15-day modification for the exhaust test procedures to address an ARB-approved alternative for the CVS system, the bag mini-diluter. Staff's proposed modification includes language allowing the use of this alternative. Other corrections and clarifications are included in staff's Proposed Regulatory Text Modifications, which is available outside the auditorium.

--o0o--

AIR RESOURCES ENGINEER CROWELL: I will now move on to the evaporative emission test procedures, which include the onboard refueling and vapor recovery procedures. As I presented in the technology discussion, a PHEV that does not operate the internal combustion engine may have increased and potentially uncontrolled evaporative emissions.

Engine operation is essential for canister purging. The more infrequent the internal combustion operation, the larger the potential for emissions.
Therefore, staff is proposing modifications to the test procedure to simulate the worst case emissions.

---

AIR RESOURCES ENGINEER CROWELL: The modifications to the evaporative emission and onboard refueling and vapor recovery test procedure can be broken out into three main areas: Definitions needed to address PHEVs, preconditioning revisions to represent the worst-case emission scenarios and test procedure revisions needed for PHEVs.

New definitions are needed to address PHEVs. The existing test procedure allows for an exemption for vehicles with sealed fuel systems, such as diesel, compressed natural gas, and could include HEVs. However, a sealed fuel system is not defined. Based on the potential of vehicles only operating on the electric motor, staff is proposing to add a definition for sealed fuel systems.

The proposed definition is a system that uses non-liquid fuels that are under very high pressures and has no evaporative emissions by virtue of its design specifications. Therefore, gasoline vehicles will no longer be able to qualify under this exemption.

Staff is also proposing a definition for non-integrated refueling canister-only system.
Manufacturers are exploring various system designs for controlling evaporative emissions, and staff believes that they may ultimately select designs that use a non-integrated refueling canister-only system. This system separates the refueling emissions from other non-refueling emissions. These non-refueling emissions are stored in the fuel tank instead of the vapor storage units.

PHEVs must comply with the zero emission -- zero evaporative emission requirements to earn ZEV credits. Test procedures are designed to represent the worst-case operating scenario. For evaporative emissions, this occurs when the internal combustion engine on a PHEV does not operate. The user must have a regular driving route that can meet -- be met with the use of only the electric motor, and must recharge the battery on a regular basis such that the state of charge is high enough to meet the user's demand.

A PHEV presents a challenge for accurately simulating the worst-case real-world in-use testing conditions using the current evaporative test procedures. Staff proposes that preconditioning for all evaporative emission and onboard refueling vapor recovery test procedures be performed in the charge-sustaining mode. Additionally, staff proposes that the battery state
of charge be set for the worst-case scenario of always being plugged in.

Staff also proposes that a new fuel tank refill canister loading preconditioning method for the non-integrated refueling canister-only systems be added to both the evaporative emission and onboard refueling vapor recovery test procedures. This method is necessary because the preconditioning methods are not appropriate for the non-integrated systems that use a canister for controlling only refueling vapors.

To address the capability for a PHEV evaporative emission control system to sufficiently purge the canister, staff proposed amendments to the supplemental two-day diurnal plus hot soak test sequence. Specifically, this test sequence would require a low state of charge to force the internal combustion engine to come on and thus test the purge capability. To reduce the burden of performing this demonstration, manufacturers will also have the option to conduct an alternative engineering evaporation demonstrating the evaporative emission control system's capability.

Staff is proposing one main 15-day modification for evaporative test procedures. As currently proposed, the running loss fuel tank temperature profile determination is not consistent with the running loss
test. To ensure the battery state of charge is consistent with the expected state of charge at the beginning of the running loss test, this revision is necessary. In addition, some references were updated. The proposed modifications are available outside of the hearing room, as previously stated.

--o0o--

AIR RESOURCES ENGINEER CROWELL: We will now move on to the fuel cell zero emission vehicle range determination. This test sequence is contained within the exhaust test procedures for hybrids and zero emission vehicles.

--o0o--

AIR RESOURCES ENGINEER CROWELL: The range determination for zero emission vehicles, such as fuel cell electric vehicles and battery electric vehicles, is used to determine the amount of credit given under the zero emission vehicle regulation. The current method was developed in the nineties and was developed for battery electric vehicles. This method assumes that the vehicle is fully charged, or filled prior to the start of the test sequence. The test sequence ends when the vehicle can no longer maintain the speed or time requirements of the drive cycle. The larger the range, the longer the time sequence for the test.
Battery electric vehicles and fuel cell electric vehicles, at the time this procedure was developed, had ranges of a hundred miles or less. Today, a fuel cell electric vehicle may have a range of 300 miles. A vehicle with a 300-mile range could take over 20 hours to complete the current test sequence.

In addition, extended testing duration increases the possibility that the operator fails to meet the speed trace in a test cycle. If an error is made in a test cycle near the end of the vehicle's range, a great deal of time is required to refill, stabilize and retest the vehicle.

--o0o--

AIR RESOURCES ENGINEER CROWELL: Staff proposes to supplement the current zero emission vehicle range determination by incorporating the new SAE recommended practice, J2572, a test sequence for range determination of fuel cell vehicles.

This procedure addresses the impractical duration of the current ZEV range determination test sequence and the hydrogen measurement challenges. In this new test, the range is based on fuel consumption over two urban dynamometer driving cycles and the usable hydrogen capacity. This proposal reduces the test sequence time to just under an hour.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
As originally proposed, this procedure was required for fuel cell vehicles. Staff now proposes this test sequence be optional - the existing test sequence may also be used to provide flexibility to manufacturers.

--o0o--

AIR RESOURCES ENGINEER CROWELL: I will now move on to a related PHEV topic, certification of hybrid conversion systems which add off-vehicle charge capability. Conversions are considered aftermarket parts and require an exemption from the anti-tampering requirements of Vehicle Code 27156. An exemption from the anti-tampering requirements can be granted for vehicles with similar model years, provided that the vehicle can meet the original emission certification standards, can demonstrate durability standards, and can meet the onboard diagnostic system requirements.

These exemption requirements do not include warranty provisions and do not apply to vehicles still under an original equipment manufacturer warranty. Currently, a conversion system manufacturer modifying a vehicle still under the original equipment manufacturer's warranty must certify the converted vehicle as a new vehicle under the small volume manufacturer requirements. Our proposed aftermarket procedure provides a streamlined process for conversion system manufacturers.
to certify their conversion systems. The proposed procedure is less onerous than what would be required under the small volume manufacturer requirements, and ensures that the conversion does not increase the original vehicle's emissions.

--o0o--

AIR RESOURCES ENGINEER CROWELL: Staff is proposing a certification procedure specific to plug-in conversion systems that are added to hybrid electric vehicles. Although staff recognizes that plug-in conversion systems are also being developed for non-hybrid vehicles, these conversion systems are more extensive and must be looked at on a case-by-case basis. A streamlined procedure is not appropriate for conventional vehicle conversions at this time.

In general, staff envisions two types of conversion systems: Adding an additional battery for supplemental energy storage and a controller; or a complete replacement of the original equipment automobile manufacturer's battery with a larger capacity battery.

In either case, the increased storage will impact the original operation of the vehicle. More electric energy means less internal combustion engine operation, which might lead one to think that the emissions would be reduced. However, the potential exists for higher
cold-start emissions, reduced emission canister purges
causing higher evaporative emissions, and higher loading
on existing electrical components, such as the electric
motor, possibly leading to faster component wear and tear.
In most instances, the conversion systems are designed for
extremely clean vehicles. Many of these vehicles are
designed to meet the most stringent PZEV standards.
PHEV conversion systems are subject to the
aftermarket parts requirements, since the system is not
included in the OEM's certification and is added after the
initial sale of the vehicle. As with all aftermarket
parts, manufacturers of components that are added onto a
vehicle must demonstrate that the addition of these parts
will not increase the vehicle's emissions.

AIR RESOURCES ENGINEER CROWELL: The proposed
procedures are written to provide flexibility depending on
the extent of the conversion system modification to the
original vehicle, and are similar to other aftermarket
parts certification procedures, where there is the
potential for increased emissions from the conversion
system.

These proposed procedures apply to installations
on model year 2000 and subsequent hybrid electric
vehicles. Conversions for non-hybrid vehicles are not
covered by these requirements.

As with the original equipment automobile manufacturers, these vehicles need to be tested with the proposed exhaust and evaporative emission-related test procedures. The emission results from these procedures must show that the converted vehicle with the system installed does not show an increase in the vehicle's emissions beyond the original certification standards.

The conversion system needs to be durable for the useful life of the converted vehicle.

To ensure that PHEV-converted vehicles continue to operate as presented during the certification process, the proposed procedures contain in-use testing requirements for conversion system manufacturers.

Conversion systems also impact operation of the onboard diagnostic system. Conversion system manufacturers need to demonstrate that the converted vehicle has a fully compliant OBD system.

The warranty requirements are dependent on the type of emission category the vehicle was certified to by the original equipment manufacturer. Onboard diagnostic system compliance and warranty requirements are presented in further detail in the following slides.

--o0o--

AIR RESOURCES ENGINEER CROWELL: Proper onboard
diagnostic system operation is critical to California clean air goals. Conversion systems may impact operation of the onboard diagnostic system. Conversion system manufacturers need to demonstrate that the converted vehicle has a fully compliant OBD system.

Staff believes there are several potential areas where the added hybrid functionality will likely require OBD revision or further development, such as extended idle off, which may disable other monitors that only function at idle.

Staff understands that most conversion system manufacturers will need some time to comprehend the OBD requirements, identify the likely impacts and develop solutions to bring a compliant product to the marketplace. Accordingly, staff is proposing to use existing deficiency provisions in the OBD regulation that allows certification of systems that fall short of fully meeting all of the OBD system requirements where the manufacturer has made a good-faith effort to comply and has a plan to come into full compliance as expeditiously as possible.

--o0o--

AIR RESOURCES ENGINEER CROWELL: As with other aftermarket parts procedures, warranty requirements are described for manufacturers and installers. Installers of PHEV conversion systems would be required to warrant to
the vehicle owner and subsequent vehicle owners that the conversion system will not fail to meet certification procedure requirements due to incorrect installation, and that no part of the vehicle will be damaged due to incorrect installation. Installers shall install only those systems of a certified configuration, agree to cover the cost of repair of any vehicle upon which a noncertified configuration was installed, and be responsible for tampering fines imposed as a result of improper installation.

These warranties and agreements shall begin on the date of the installation and be effective for three years or 50,000 miles, whichever comes first.

Conversion system manufacturers warranty requirements are based on the additional OEM requirements for PZEVs. These vehicles, prior to conversion, meet extremely stringent exhaust and evaporative emission standards and have extended OEM warranty requirements. Converting these vehicles may void the vehicle's warranty and have a significant emissions impact.

To address this issue, staff proposes to have a warranty period that is equivalent to the OEM's warranty of ten years or 150,000 miles for zero emission energy storage devices, and 15 years or 150,000 miles for all other parts. This is to protect emission reductions.
achieved prior to the conversion. The conversion warranty is reduced to five years or 75,000 miles for all parts on conversion systems installed on vehicles modified more than six years after the initial purchase.

Staff is aware that in some cases the conversion system warranty may exceed the OEM warranty requirements.

--o0o--

AIR RESOURCES ENGINEER CROWELL: The same installation warranty requirements described in the last slide also apply to non-PZEV installation.

For vehicles that are not certified to meet the partial zero allowance -- partial allowance zero emission vehicle requirements, the conversion system manufacturer warranty requirements are similar to those required for alternative fuel conversion systems. The length of the warranty is determined by the age of the vehicle, the emission category, and the cost to replace or repair the damaged parts.

Vehicles converted within four years of initial purchase have higher mileage warranties than vehicles converted after four years. The cost of parts impacts the warranty level as well. High cost parts have longer warranties. However, if installed on a vehicle after four years from initial purchase, the warranty period is half of what is proposed on the conversion of newer vehicles.
AIR RESOURCES ENGINEER CROWELL: I will now move on to summarize the proposal and provide staff's recommendation.

AIR RESOURCES ENGINEER CROWELL: The proposed test procedure amendments provide an accurate assessment of the emissions and ZEV credit determination for plug-in hybrid electric vehicles. The optional ZEV range determination for fuel cell electric vehicles provides manufacturers with the flexibility to reduce the testing time for long-range vehicles.

The aftermarket certification and installation requirements are necessary to ensure that aftermarket conversions that incorporate off-vehicle charge capabilities do not increase emissions.

Staff recommends the Board adopt the proposal with the 15-day modifications identified in the handout provided.

That concludes my presentation.

CHAIRPERSON NICHOLS: Thank you.

Do you have any concluding remarks, Mr. Goldstene, before we go to testimony?

EXECUTIVE OFFICER GOLDSTENE: No.

CHAIRPERSON NICHOLS: Okay. We did receive a
pretty extensive volume of comments in writing in advance, large numbers of them generated from people who either are doing their own conversions, have done their conversions, or want to protect small businesses doing conversions. So before we go to the audience, I'd be interested in hearing your responses, sort of general theme that by moving so decisively in the area of control, that we are, you know, stifling a process which is going to actually increase the amount of electric or partially electric vehicles that are out there.

BOARD MEMBER SPERLING: Chairman Nichols?
CHAIRPERSON NICHOLS: Yes.
BOARD MEMBER SPERLING: Could I add to your request?
CHAIRPERSON NICHOLS: Sure.
BOARD MEMBER SPERLING: I think it would be useful to articulate in a little broader way kind of the philosophy on dealing with retrofits and conversions. You know, as we've been getting more and more into this business and a lot of different rules, you know, to what -- you know, is there some kind of overarching thinking in terms of handling that? You know, there's ideas about supporting market development, you know, in dealing with -- you know, to what extent OEM rules should be the same for conversion rules, whether -- dealing with,
you know, the magnitude of the sales. So --

CHAIRPERSON NICHOLS: Good addition.

BOARD MEMBER SPERLING: Yeah, kind of --

CHAIRPERSON NICHOLS: Expanding on the question.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Let me try that. Let me start off by what the law requires.

You know, the OEMs or the Fords, GMs, Toyotas of the world have to meet a specific emissions standard for every new vehicle that they sell. And the law says that once that vehicle is sold, you can't do anything to it that would be considered tampering. So you can't modify in any way the emission control systems, which in today's situation is virtually everything on the engine and parts of the transmission. You can't do anything different to that vehicle, or it's called tampering. And so there's a provision under the law that says we can exempt from the anti-tampering provisions, or in a more positive reactor, that we can approve modifications to vehicles if they go through some kind of process to show that they don't make emissions worse.

So we have that for when you want to replace some part on a car that's not identical to what it was originally designed for. And that's historically been dealt with for people that want to kind of hot rod cars or hop them up, get more power out of them, do things like
that. That's been the traditional use of this. And then, you know, maybe a decade or so ago there was a growing interest in alternative fuels. And so we saw things like CNG and propane conversion kits to change a vehicle from gasoline to those alternative fuels. And so we developed a procedure that dealt with these more broader modification types of -- well, it's modifications of the vehicle.

So we have those on the books as well. And all the propane and CNG people have gone through those. But there wasn't one for these electric conversions. So that's what got us into the business here of having to add a specific one for plug hybrid electric conversions.

Now, I guess automatically the question becomes is this just a procedural necessity of the law or is there some real concern behind this? And I think the general public view of some of these modifications is that, well, if you're, you know, making a CNG vehicle off a gasoline vehicle, that's got to be good, right? That's got to be good for the environment. Well, it turned out that it wasn't if you didn't do it right, because as we learned on CNG and propane, you could make changes which, you know, it didn't affect hydrocarbon emissions but they made NOx go up.

So these procedures had a purpose, which was to
make sure that people, who do not have the engineering resources and the financial resources to do the kind of job that a Ford, GM, or Chrysler or Toyota would do in designing a car, have to go through at least some level of testing to assure that they haven't messed up the emission performance of the original vehicle.

And with plug hybrid vehicles, as the staff explained, we have the same kind of a situation. We have data from people that have modified vehicles - and they're allowed to do this on a very limited basis without going through this procedure - but, in fact, they do all the modifications, say this is really great. And you run an emission test and - guess what? - the emissions are higher.

So, you know --

CHAIRPERSON NICHOLS: It's so counterintuitive that people would believe it.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, it is. And as we said, you know, if you have a car that -- a hybrid vehicle like the Prius, whose engine comes on and off, you know, probably every minute or so that you're driving, what that means is the emission control for the engine is warmed up and is in a position where essentially it's putting out no emissions. And if you let that engine only come on maybe every five minutes
or ten minutes, because you've added more battery
capacity, now that engine tends to migrate into a cold
start. And when it's cold, it does have emissions,
because the catalyst isn't working and things.

So now all of a sudden you've taken a car with
one cold start and essentially no emissions after that and
turned it into a car that can have multiple kind of cold
starts that have emissions with them. And then the other
piece is that on all cars we have this canister or the
sponge that soaks up fuel vapors. And when it's -- it's
like any sponge, it can only hold so much before it starts
leaking out. And so we use the engine of the car running
fairly frequently to empty that canister, pull those
vapors back into the car and burn them. And if you don't
use the engine very much, then it doesn't, quote, purge
the canister and the canister overflows, then creates
hydrocarbon emissions. And that's a non-linear event.
When it gets to that position, you can just get huge
amounts of hydrocarbons coming out of the vehicle.

So that's another concern for criteria emissions.
And then there were the details about how do we give ZEV
credits to these things which require certain, you know,
other procedural changes. But that's kind of the context
here.

And the philosophy behind these conversion
procedures is that if you're going to do a conversion, which is generally done fairly young in the life, these kind of conversions -- life of the car, then we ought to have the same kinds of assurances that we have for the original equipment car, and Ford, GM-made car. But we need to do it in a way that's not as burdensome, because obviously it costs GM and Ford and Toyota hundreds of thousands of dollars just to do the testing and evaluation for a new car. And we don't want to put that much burden on a converter.

But at the same time, we don't want to take wholesale pieces of this sort of lattice that we have to assure low emissions and say, "Well, you don't have to do this one and you don't have to do that one and worry about this one." So we think consumers should get warranties, not just because we're concerned about protecting consumers, but because when there's no warranty on your car, if something goes wrong, you're less likely to fix it than if there is a warranty on the car.

And we think they have to go through and prove that they haven't made the emissions higher, because, in fact, our data shows that some of the early designs did that.

So we've ended up with a procedure that is fairly elaborate. Certainly simplified compared to what GM, Ford
and Toyota have to do. But, you know, we think it's
causd a balance here. And on the one hand you've got
vehicle manufacturers who are saying that with what's
going on right now in the marketplace, a lot of it
illegal, that it voids the warranty. And we don't want to
do that on the car, because that helps protect emissions.
On the other hand, we don't want to be so -- you
know, so seeking perfection that we kill the opportunity
for people to develop here.

The other concept that affects our thinking is
that there's a role for conversions, but we don't think
it's a very big role. In the name of plug hybrid electric
vehicles we see a large number of OEMs bringing these
vehicles to market. And that's where you're going to get
the -- you know, the hundreds of thousands and hopefully
maybe millions of vehicles on the road.

The conversions by their nature are expensive.
They're largely niche oriented. And so we don't, you
know, quite put the value on them that I think the people
who are promoting them do who feel that this is the only
way to get this technology in the marketplace within a
year or two if we're going to have commercial vehicles
being sold that are plug hybrid vehicles.

CHAIRPERSON NICHOLS: Well, clearly there are
consumers who want these kinds of conversions.
1 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Sure.
2 CHAIRPERSON NICHOLS: But I think there is a question of how many. Do you have any -- I guess we'll probably hear from some of the manufacturers as we go along.
3 I'm prepared to hear from the witnesses. And if anybody else is looking -- just want to follow up.
4 BOARD MEMBER SPERLING: Just one follow-up.
5 So you mentioned this idea of CNG conversions. That seems like a very analogous situation in which the CNG conversions do tend to have higher emissions than the OEM versions, you know, partly because they're not done as well and so on.
6 How will the CNG conversion -- is there a comparability here in how we're dealing with the PHEV conversions with CNG conversions?
7 CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, it's very parallel. Other than the technical details of how the vehicle works that have to be incorporated in the test procedures, the basic provisions that a CNG conversion has to go through and demonstrate are very similar to what you have to do here.
8 CHAIRPERSON NICHOLS: Well, thank you for that background.
9 I think I also need to, before we begin the
public hearing, ask the ombudsman to report.

OMBUDSMAN QUETIN: Chairman Nichols and members of the Board.

This proposed regulation has been developed with input from the Society of Automotive Engineers, automotive companies, conversion system companies, environmentalists, and the Alliance of Automotive Manufacturers. Staff began their efforts to develop this rule in late 2005. They held three public workshops in El Monte on April 8th, July 16th and September 24th of 2008. On average, about 50 attendees attended or called into the public workshops. They also held two original equipment automotive manufacturer meetings and 15 individual meetings with the auto manufacturers.

The staff report was released for public comment on December 5th, 2008, and noticed via the ARB website and the five list serves.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

My first three witnesses on the list are Steven Douglas, Ed Kulik, and Tommy Chang, if you want to come forward.

Good morning.

MR. DOUGLAS: Thank you, Madam Chair, members of the Board. I had a presentation as well...
Is that better?

All right. Good morning, Madam Chair, members of the Board. Steve Douglas with the Alliance of Automobile Manufacturers. And I had a presentation, if you could put that up.

And while I'm waiting on that, I'd just like to thank the staff for their work on this regulation. This is one of the more complex regulations we've seen. And throughout the process, they've been cooperative, resourceful and very responsive to our needs. It's still a very complex regulation, but we think it balances the testing burden on manufacturers with the requirement to ensure vehicles meet emission standards.

(Thereupon an overhead presentation was Presented as follows.)

MR. DOUGLAS: Those are our member companies. And I'd just like to back up and say plug-in hybrids are part of a 30-year march towards zero.

If you go to the next slide.

--000--

MR. DOUGLAS: This shows the last 40 years and how far we've come. Emissions from current new vehicles, all those new vehicles, are so low that a few years ago we couldn't even measure those in a laboratory. In fact, today's cars after the first 30 to 60 seconds are
essentially pollution free.

And so that's not all though, if you go next to the next slide.

--o0o--

MR. DOUGLAS: That's not everything that involves emission control. Manufacturers have extended durability, they've developed onboard diagnostic systems that monitor every single element of the emission control system, produced evaporative systems that virtually eliminate evap emissions. Manufacturers certify and ARB conducts in-use testing. And, of course, we provide a warranty for the products and the entire emission control system, including the battery.

So what's the impact of all these controls and all those emission controls?

If you go to the next slide.

--o0o--

MR. DOUGLAS: This chart shows the emissions from cars, trucks, SUVs, minivans. And that's the PC-LDT. That's everything. And you can see that in 2015 we're 12 percent of the emissions, in 2020 we're ten percent.

You can go to the next slide.

--o0o--

MR. DOUGLAS: 2025 we're eight percent. And in 2030 under the existing emission control standards that
are on the books now, cars, trucks, minivans, SUVs, the whole vehicle fleet will be about seven percent of the total criteria emissions in California. And I think that's a pretty remarkable story. And it tells you the level of control we're getting from vehicles.

The next slide.

--o0o--

MR. DOUGLAS: And this brings us to the plug-in hybrid electric vehicle test procedures. We've requested eight changes to the standards. We've provided more details in the written comments that I think you have now. And we've also discussed each one of these with your staff, and I think they've included some of them already. What we would ask is that you'd simply allow us to work with the staff in the 15-day notice process to implement these where they're appropriate.

That's all I have. And we also support the conversion regulations, the ethanol conversion regulations. I'll let my colleague, Ed Kulik, discuss that since my time is up.

CHAIRPERSON NICHOLS: Very good. Thank you very much.

Mr. Kulik.

MR. KULIK: Thank you, Madam Chair and the members of the Board. My name's Ed Kulik from Ford Motor
Echoing Steve's comments, I'd like to thank staff for their work on this set of regulations, the adoption of new procedures. Again, they are very complex, and we worked, I think through SAE and the staff, over the last year and a half at least to come up with, what we think, is a good balance. There's a few things that we'd like to address in a little more detail, and hopefully through the 15-day notice we can get through that.

If we could, could we go back to Steve's slide where he laid out the outline of the requirements for emission certification. I believe they started with -- yeah, thank you.

The data measurement and recording portion, what we'd like to focus on in the 15-day is that we stick to a high overarching principle that the procedures need to reflect things that are absolutely necessary. All of us are faced with limited resources and trying to do things as efficiently as possible. We understand as the plug-ins evolve over time, the test procedures are likely to change and there'll be opportunity to adjust for new requirements. And we're simply reinforcing the idea that let's keep the procedure as simple as reasonable.

With respect to the four-phase exhaust test during evap, there's an opportunity to leverage evap
testing for exhaust emissions data. We're trying to work with staff to create a balance between what is typically known as a three-phase exhaust test for the evap process. We'd like to extend that to four phase. That's typical during hybrid testing. We understand there's a concern with that. And we are proposing that there's a design backstop for always having designs capable of three-day phase testing. And there's opportunity and mechanisms within the regs to test for that, if needed.

In terms of the urban and highway test, simply, the test procedure can get extremely long as the battery life of these plug-ins grow, that for blended hybrids we can test for over six, seven test cycles lasting hours, which over time can extend similar to the case we saw with the fuel cell vehicles. And we're asking that we use good engineering judgment to determine a worst-case emissions mode, whether that's charge depleting or charge sustaining, and then certify and provide data in that mode and then a backstop of an engineering attestation for the other mode.

State a charge limit for these vehicles. Essentially, we're held to control the battery system to a one percent of fuel energy target. As these vehicles evolve, the battery systems become larger, the fuel consumption becomes smaller. And that limit that we're
controlling our battery systems to shrinks, practically speaking. And we need to reinvestigate the practicality of that limit and whether there's opportunities to provide additional changes on that.

In terms of the equivalent all-electric range test, again this is an extensive test to run the vehicle until essentially it maintains charge-sustaining mode and again can take several test cycles on the order of hours. We're looking for the opportunity to take the first one or two test cycles and shorten that procedure.

Other things I think are fairly non-controversial. And we appreciate the staff's work with us.

CHAIRPERSON NICHOLS: Thank you very much.

Mr. Chang, followed by Spencer Quong and Randy Reisinger.

MR. CHANG: Thank you very much for this opportunity to make a comment here.

First, I would like to commend Elise and her teams in both Sacramento and El Monte for their hard work and all their efforts in putting these plug-in hybrid test procedures together.

And American Honda has already submitted written comments and also worked with the staff members on all of the comments prior to the Board meeting.
Most of the comments, except for one, are, I think, minor in nature. I just want to take this opportunity to reemphasize one of the important points that we made on the comments, which is on the zero emissions VMT allowance table that's shown on page C-1 of Appendix D. And we believe that the table, as written -- as it is right now, could create an unlevel playing field. And that is something that nobody desires. And I just wanted to make sure that we continue to work with staff to resolve those concerns before the first plug-in hybrid is officially certified.

And, finally, I just also want to commend Jeff Wong and Craig Childers here, staff engineers, for their continuous participation in the Society of Automotive Engineering test procedure committees. And we think -- I think their involvement is very valuable to the technical committee. They can also provide their point of view from a regulator's point of view.

Thank you very much.

BOARD MEMBER SPERLING: Chairman Nichols?

CHAIRPERSON NICHOLS: I'm sorry. Yes.

BOARD MEMBER SPERLING: Since this was the last OEM presentation, can I ask a question --
CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER SPERLING: -- you know, either

for -- more for Mr. Cackette.

Are these rule -- so the auto industry seems

pretty happy and it seems like the staff did a great job

putting the rules together for the PHEV test cycles and I

guess fuel cell test cycles.

What about EPA? Are these test procedures -- I

mean, what's the status of what EPA's doing? I mean,
because I would assume we want to have identical test

procedures and we're not getting out front in some way

that's --

MS. KEDDIE: No.

This is Elise Keddie.

We've been in contact with U.S. EPA. They're

working a slightly different process. And, in fact, they

will have a guidance document available by the end of this

year. They do have a proposal that they'll be presenting,

I believe in the next month, and may be conducting a

workshop in the next few months. But they are moving

forward.

We needed to move ahead with ours because the

manufacturers are very keen about certifying OEM vehicles

for the coming product year.

BOARD MEMBER SPERLING: Is there any danger we're
going to end up going in different directions, having
different rules?

MS. KEDDIE: We'll work with them. And I think
as you'll hear from the next presenter, we plan on -- we
intend to review these test procedures within the next
three years to make sure that we're not -- that we and
U.S. EPA are following a similar process.

BOARD MEMBER SPERLING: Thank you.

SUSTAINABLE TRANSPORTATION TECHNOLOGIES BRANCH

CHIEF BEVAN: But I'd like to add -- this is Analisa --
that we have been working with U.S. EPA through the J1711
SAE process. They've been an equal partner in that
effort.

CHAIRPERSON NICHOLS: But we do move a little
faster than they do. And it looks like there's a good
reason for that.

BOARD MEMBER SPERLING: I know, we're better
and --

CHAIRPERSON NICHOLS: No, no, no. It's just
that -- well, we are, of course.

(Laughter.)

CHAIRPERSON NICHOLS: That goes without saying.

But the point is that we need to get these vehicles
certified in California because of our mandates.

Ms. D'Adamo.
BOARD MEMBER D'ADAMO: It sounds like the automakers' concerns are relatively minor except for perhaps that one raised by Honda. I don't have a copy of the appendix. It looks like a lot of our materials have been taken overnight.

So if it's something that staff has concerns with and will be discussing, if we could get copies of the appendix.

MS. KEDDIE: I think that's also covered in Honda's comment letter, which that may have disappeared overnight also. But, yes, we've been working with Tommy, and we'll propose --

BOARD MEMBER D'ADAMO: So we expect to be able to resolve that issue?

MS. KEDDIE: Absolutely.

BOARD MEMBER D'ADAMO: Okay. Thanks.

CHAIRPERSON NICHOLS: Okay. Thank you.

MR. QUONG: Thank you for allowing me to speak today. And, excuse me, I have a cold.

CHAIRPERSON NICHOLS: That makes two of us.

(Laughter.)

MR. QUONG: We're a team.

My name is Spencer Quong. I'm with the Union of Concerned Scientists. My organization is a science-based nonprofit working on clean vehicles, clean energy,
scientific integrity, and other topics.

Personally, I've worked on the hybrid test procedures for over ten years and was a member of the original Society of Automotive Engineers Team J1711 to develop the procedures.

UCS would like to support the changes -- or I should say, I'm here to only talk about the plug-in hybrid exhaust test procedures. And the Union of Concerned Scientists would like to support these procedures.

We feel this is a good step -- a good first step in measuring the emissions of these vehicles. However, because there's a lack of vehicles to test the accuracy and consistency of these procedures, we do recommend that the procedures be reviewed within three years. And this review should include an actual testing of the shortened plug -- shortened hydrogen fuel cell zero emission range procedure using actual fuel cell vehicles since we do have those on the roads.

I would like to thank the staff, both in Sacramento and El Monte, for their very diligent work on these complex procedures. And thank you for letting me speak today.

CHAIRPERSON NICHOLS: Thank you.

Randy Reisinger, followed by Sanjeev Choudary and Patrick Huberty.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
MR. REISINGER: Good morning, Madam Chair,

members and staff. Randy Reisinger with CalCars.

CalCars initiative has been promoting PHEVs for
seven years. As a nonprofit technology and advocacy
group, we work to spark interest in PHEVs and have gained
attention through conversions, our strategy for building
awareness and motivating car makers to mass produce PHEVs.

In 2004 we did the first conversion in a Corte
Madera garage, and placed our designs in the public domain
on priusplus.org. We built on the work that was
previously done by Professor Andy Frank of UC Davis and
other dedicated people in the auto and utility industries,
as well as government, to advance this PHEV concept.

Our advocacy and technology efforts since have
helped bring us to the point where many car makers are now
planning to build PHEVs. From that perspective, we now
urgently propose that the California Air Resources Board
take one step backward and decide to delay regulation of
the aftermarket conversions, as it's still in a very
developmental mode.

The industry is still so young and so small that
most innovation is still coming from self-funded skilled
dedicated engineers and entrepreneurs. These players and
other affected parties have not yet had a chance to fully
and productively present and discuss their concerns to
CARB, let alone complete the development of their proposed products.

Implementing the proposed rules will drastically slow growth of this conversion industry and could prevent further progress with components, software and usability.

Only one or two companies have pockets deep enough to comply, and on that basis with only one or two models.

Other operating companies and entering entrepreneurs will have extreme difficulty gaining financing and personnel to handle the upfront costly engineering and testing, plus warranties, that CARB regularly gets from auto manufacturers, and if proposed rules are now adopted will also require from converters.

We propose that the Board members at this meeting require that all companies involved in the conversion simply register with CARB the inventory of their completed conversions and provide projections for 2009 volume, and make themselves available for a more deliberative process.

Further, we propose the staff devise a set of graduated rules suggested in our extended testimony.

CHAIRPERSON NICHOLS: Thank you very much.

MR. REISINGER: Thank you.

CHAIRPERSON NICHOLS: We do have your testimony.

Mr. Choudary.

MR. CHOUARDY: Good morning. And thank you for
the opportunity to speak here today.

My name is Sanjeev Choudary. I am General Manager of PHEV Systems at A123 Systems. I have overall business responsibility for our High Motion plug-in conversion module product line.

As you know, we've been working over the past year with the staff on emissions testing and other testing of our product. And we're currently selling our product in California under an Executive Order for an anti-tampering exemption for 500 vehicles.

I'd like to thank the staff for their cooperation and flexibility during that process and the Board for allowing the exemption that allows us to sell today.

Throughout the course of the process of getting our exemption, the staff's objective was to ensure that there was no backsliding on emissions during the OEM warranty period. And at A123 we support that objective.

However, we urge the staff and the Board to consider -- in their rule-making now, urge them to consider the conversion system design and failure modes specifically regarding the system architecture of a conversion system. There's a very large difference between the failure mode of a supplemental battery versus a replacement battery. In the case of the High Motion product line, if the supplemental battery fails, the worst
case is reversion to stock operating mode. So we're
guaranteed that in all cases we'll be no worse off on
emissions than we were before the conversion.

With that type of architecture, the warranty
becomes a market mechanism for distinguishing the product
and offering a value proposition to consumers.

With our current three-year warranty that we've
been offering to consumers in California, we've sold well
over 100 of our conversion systems. We're currently
installing them through three installers, authorized
dealers in California, two of which are small businesses
and led by entrepreneurs similar to the ones I'm sure you
will hear from later today and who've already commented on
the proposed rules.

So the ten-year warranty that's being proposed by
the staff, I think, is going to become a very limiting
factor in our ability to continue to market in California,
either by virtue of the fact that we will not be able to
provide such a warranty or it will increase the cost of
the conversion system to the point where it becomes no
longer a viable value proposition to consumers.

So we urge the staff and the Board to consider
the conversion system architecture and take that into
account when considering what warranty mechanisms might be
necessary in order to protect air quality.
Thank you.

CHAIRPERSON NICHOLS: Thank you.

Patrick Huberty, followed by Andrew Burnette and Richard Hatfield.

MR. HUBERTY: Good morning, Madam Chair and members of the Board. My name is Patrick Huberty, Business Development Manager with Gold Peak Industries North America.

I'd like to begin by thanking the Air Resources Board for their efforts in preparing this public hearing. I'd also like to thank industry colleagues and others attending today for your support of the plug-in conversion industry and your interest in the proposed ARB requirements for plug-in hybrid vehicles.

I'm sharing comments today on behalf of Plug-In Conversions Corporation and Gold Peak Industries. As an associate company, Gold Peak recently acquired a substantial equity stake in Plug-In Conversions. I'll share a little bit about each company quickly.

Since early 2007 Plug-In Conversions, also known as PIC, has been designing and installing conversion systems which convert Prius hybrid vehicles into plug-in vehicles -- or plug-in hybrid vehicles. This is done at their Poway, California, headquarters.

Gold Peak Industries North America, which is
headquartered in San Diego, is a division of GP Batteries International and a leading manufacturer of batteries and battery systems for many applications including electric and hybrid vehicles.

The PIC conversion system replaces the original 1.3 kilowatt-hour nickel metal hydride battery with a larger six kilowatt Gold Peak nickel metal hydride system. The larger battery system allows the Prius to be driven 25 miles on batteries alone, or EV-only mode, and an average fuel economy of 100+ miles per gallon based on battery and engine combined driving.

It's important to note that the conversion system implements the same nickel metal hydride chemistry as provided by the OEM and therefore allows the factory battery management system to be retained and operate as designed by the manufacturer. This integration, first and foremost, gives the vehicle the best level of safety.

The new certification and installation requirements and, in particular, the warranty requirements currently proposed by ARB would severely limit the ability of PIC and companies with similar conversion systems to sell and install aftermarket PHEV conversions.

We respectfully request your help in revising or postponing the warranty requirements proposed in ARB's Appendix G, which requires conversion companies, such as
PIC, to provide a ten-year, 150,000 mile warranty for the newly installed conversion battery system.

Our request to revise the warranty requirement is based on how the PHEV battery system is designed in terms of height of charge and depth of discharge. The PIC conversion system is designed to utilize a wider range of the battery's state of charge. This allows the battery system to provide the 25-mile EV-only range and 100+ average mile per gallon benefit in the PHEV conversion in the first place.

However, by using a larger range of the battery's state of charge, the battery cycle life is reduced.

CHAIRPERSON NICHOLS: Mr. Huberty, your time's about up here.

MR. HUBERTY: Okay. I'll finish up quickly.

In contrast, the original Toyota battery system utilizes a much smaller SOC range, which reduces the vehicle EV-only range, but increases the battery's cycle life.

Therefore, we submit that the PHEV conversion battery system should not be subject to the same warranty requirements as an HEV battery. At a minimum, we recommend that the newly installed PHEV conversion system battery be subject only to the balance of the original OEM warranty.
CHAIRPERSON NICHOLS: Thank you.

MR. HUBERTY: Thank you for your time and consideration.

CHAIRPERSON NICHOLS: Mr. --

BOARD MEMBER BERG: Chairman Nichols, may I just ask what the battery life is?

CHAIRPERSON NICHOLS: Yes, sorry. Excuse me.

BOARD MEMBER BERG: Mr. Huberty, what is the battery life?

MR. HUBERTY: The battery life or the battery warranty?

BOARD MEMBER BERG: The battery life.

MR. HUBERTY: The battery life of a nickel metal hydride can vary under different conditions.

BOARD MEMBER BERG: But what's the range?

MR. HUBERTY: It's warrantied three years for the case of a plug-in conversion application -- a Prius conversion.

BOARD MEMBER BERG: So you'd say it's a three-year battery life --

MR. HUBERTY: A three-year battery warranty.

BOARD MEMBER BERG: -- and then they have to replace it?

MR. HUBERTY: A three-year battery warranty, and they would have to replace the battery after three
MR. HUBERTY: -- depending on how the warranty's structured.

BOARD MEMBER BERG: Thank you.

MR. HUBERTY: Okay.

CHAIRPERSON NICHOLS: Okay. Andrew Burnette, followed by Richard Hatfield and Daniel Sherwood.

MR. BURNETTE: Chair and Board members, thank you for this opportunity to speak. I would like to add my thanks to the staff for all their hard work on these amendments. I know it's a lot of effort.

And I'd like to also add my voice to the chorus to ask for a delay in some of this for a little more amendment.

So when I wrote my comments, I read through the 75 existing comments, and basically agree with all of them. I later learned three hours later there was 140+ comments. So I haven't seen them all, but I think they're -- they looked pretty representative to the folks I've been speaking with.

And basically I'd like to summarize what I got from that and then add a couple of bullets of my own.

First of all, the kind -- I'm speaking to the retrofit part of the regulation. The size of the market...
is not large enough yet and I don't -- in my 15 years experience in regulation development and working with staff here, I don't think the market's going to grow to a significant size to really impact air quality. But at the same time, it's a very important modification, innovation and entrepreneurial change to the market that puts pressure on the OEMs as they bring their technology to the market.

So if we wait for the OEMs -- and I love the OEMs. But if we wait for them, it will take longer in my experience. So we should allow the market to pressure that normal fleet turnover. And at the same time we'll be saving fuel. And we will better align this regulation with AB 32 and other priorities at the federal level and state level.

So my bullets are: I think this is a perfect opportunity to gather real-world data, data that can be used to modify regulations down the road. And you have -- the reason it's a perfect opportunity is -- you have these early adopters who are spending 7,000 to 11,000 extra dollars just to drive a vehicle that they can't possibly hope to recoup that cost. So they're so motivated, they're highly -- they're well informed. And so this is a perfect opportunity to do things to bring them into the process too with approaches like continuous INM, like was
done in the taxis down using cellular technology that can
report OBD problems instantaneously, or in-use testing
that can actually get the real emissions as the vehicles
are used in the real world, not in the laboratory.

Secondly, I would ask that you help your staff
see ways to apply AB 118 funds to this effort and help
bring these technologies more quickly to market, and even
expand them to heavier platforms where they can do more
good for each conversion.

Thank you very much for this opportunity.

CHAIRPERSON NICHOLS: Thank you for your
thoughtful comments.

Mr. Hatfield.

MR. HATFIELD: Good morning. I'm Richard
Hatfield with Alliance Renewable Energy. We're importers
and distributors of lithium batteries.

Our concern, of course, is adding to the chorus
of the other companies regarding the battery warranties
that are being requested. From our perspective, we agree
with High Motion that a supplemental battery failure will
not increase emissions. The vehicle will simply revert
back to the OEM status of not being a plug-in hybrid.

Much of the newest technology in lithium
batteries has only been commercially available for the
last three or four years, particularly the lithium
ferro-phosphate batteries. So the knowledge of "will these batteries last for 150,000 miles, will they last for ten years?" is not really even available yet.

So our request would be that on supplemental battery systems where the failure does not increase emissions, that those warranties be set by market pressures; where a very small market of early adopters - it's my understanding right now there may be as few as 300 plug-in hybrids in California - that those early adopters that are spending a great deal of money for this can determine what those warranties should be, what make sense for them financially.

Secondly, what I would like to request is there be an exemption for conversion system manufacturers for the first 500 vehicles that they convert, because the pressures of meeting the same costs for certifying these conversions that the OEMs would be forced to meet simply couldn't be borne by these companies. And this would make those companies unviable in the market. They would not be able to exist in California. They wouldn't be able to sell product. They wouldn't be able to employ people in California. It would force them out of this market, potentially into other states.

Thank you.

CHAIRPERSON NICHOLS: Thank you.
Daniel Sherwood, followed by Paul Guzyk and Robb Protheroe.

MR. SHERWOOD: Good morning. And thank you, Madam Chairman, members of the Board. My name's Daniel Sherwood. I'm with a company called 3 Prong Power. We convert hybrids to plug-in hybrids. We employ three people and we're based in Berkeley. We're a very small company, but we have a lot of heart.

This is my second CARB meeting I've been to. The first one was a workshop in September. And I think I've used more gasoline coming to these workshops than in -- every month other than those two meetings. Because when I drive around town, my car runs on electricity, because I have an illegally tampered car -- please don't cuff me --

(Laughter.)

MR. SHERWOOD: -- illegally tampered car that uses no gasoline. It runs on electricity.

Now, I understand that this car might have some evaporation emissions from the fuel tank because my engine isn't running often enough. And we've actually modified our vehicles now to do a run cycle and start-up to help mitigate that.

But I would argue that the benefit of my car, with its decals as a demonstration for the technology to show people what's possible, outweighs a little bit of
evaporative emissions coming out of my fuel tank.

I think everyone has the same angle in mind. We
want to step --

CHAIRPERSON NICHOLS: That's probably a defense
you could put up if anybody went after you for the illegal
conversion.

(Laughter.)

MR. SHERWOOD: Yeah, hopefully. I don't know.

Hopefully.

I think we all -- we hold the same goal in mind.

We want to walk out on the city streets and we want to
hear the quiet of engines that aren't running and we want
to smell the lack of exhaust from cars that aren't running
their engine.

I think the only thing we differ on here is how
we get to that goal.

So we don't think we need to regulate now before
a single car can ever be more polluting. I would argue
that we need to slow down a little bit and allow us some
room -- some breathing room literally to innovate, so that
we can all breathe better in the future. I think we all
agree plug-in hybrids are critical to achieving that
outcome.

I think there's a chicken and egg problem here.

Being a plug-in hybrid converter, there's not a lot of
plugs out there. Not a lot of people know what plug-in hybrids are. So I think that we're actually really helping the OEMs by encouraging more plugs, the infrastructure to be set up, educating the public. I think that once the market grows, there's more plugs available, it will be way easier for the OEMs to release their fleet vehicles.

I always say there's two kinds of plug-in hybrids right now: Those you can get and those you can't get. And I would really urge you that until we get to the kind that we can get from the OEMs, become the kind you can get - right now, they're the kind you can't get - please don't stifle the industry that makes the kinds that you can get, because I think we serve a really useful purpose in pushing this technology forward.

So I guess -- and my comments there, I would really request some kind of waiver. You know, if we could be allowed to sell 500 vehicles, that'd be great. If we could get a little bit of money from AB 118 to pay for the testing, maybe make a coalition pay for everyone's testing, that would be great. Or just wait until the OEMs actually have a product that you can buy, and then we'll be happy to meet those regulations.

Thank you very much.
MR. SHERWOOD: I believe 12 up till now.

CHAIRPERSON NICHOLS: Okay. And I see your partner is next up - Paul Guzyk. Or maybe your employee. I'm not sure. Anyway, it's two-thirds of the business is here today.

MR. GUZYK: Yeah, we're thirds of...

Thanks, everyone, for the opportunity to speak. I'm going to sort of talk about the same thing everyone else is in our position.

But it's basically too early in our opinion to regulate the aftermarket PHEV industry. I come from the Internet space. And you can imagine, if the Internet had been regulated in the 1990s, a lot of the innovation that occurred would never have happened and the Internet, as we know it today, may not be here. And now, of course, the Internet industry provides jobs for tens of thousands of Californians.

Now, we have an opportunity for Californians to be world leaders in electrification of automobiles. You know, we don't need Detroit, we don't need Japan. There's companies like us. There's Tesla. And most of the PHEV development and innovation is happening right here. So we want to keep California as a leader in green tech.

I believe there's around 32 million cars in
California, around 320,000 Prius. And well under 500 are plug-ins at this time. So while we feel long-term regulation is a good thing, at this time, it severely impacts our business.

You know, we certainly welcome the opportunity to work with CARB and come up with some way so we can stay in business and serve the needs of our customers.

And while some of the people talk about the major manufacturers having good intentions and doing plug-ins, like the GM Chevy Volt, who knows if these models will even make it to the marketplace. A lot of typical Californians on the street feel GM may not even be in business in two and three years. So, you know, we're doing stuff today and we want to keep evolving.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Rob Protheroe, followed by Charles Protheroe and Ben Jones.

MR. ROBB PROTHEROE: Good morning, Chairman Nichols and Board members and staff. My name is Robb Protheroe. I'm with Plug-In Supply and I am a start-up conversion business. I am based in my garage. And so far we've shipped about 70 of these aftermarket conversion systems.

We've only been in existence for a year. And so
because of that, we haven't been able to contribute to the proposed regulations. Although, we did submit comments today and at the previous session.

I'd like to reiterate our findings and -- which is supported by our submission, is the actual cost of complying with the proposed regulations. Our staff analysis shows that it would cost us $1.5 million in the first year to comply with the regulations as written. And my submission goes into the nitty-gritty detail. And we have more backup if that's required.

The largest contributor to that is the warranty. The warranty is at $275,000 in the first year and then every year after that, for the next ten years.

And I submit that this is just for one model. And we currently make a product just for the Prius. And so that would be $1.5 million just to approve that particular model.

We have three other models in our pipeline. So the cost of complying with the proposed regulations would -- even for one model are beyond our reach.

So I submit that it's going to be a vast negative impact as far as creating jobs, lost revenue for California, and actually suppressing a new technology.

The second point that I want to make is that the proposed regulations do not address all possible modes of..
operation of these new hybrid vehicles. And point in
fact, our product that we ship has a mode of operation
where the driver can choose to suppress the use of the gas
engine completely. So, in effect, our product gives the
car a split personality. It's both a stock hybrid and
it's also an electric vehicle. And we get away from these
cold engine starts by forcing the person to stop the car
and start it as a normal car. This takes like five
seconds. But for me to comply with these regulations, it
would cost me $1.5 million to show that I'm not polluting.
And so I join with the others here and support
CalCar's recommendations that implementation of these
regulations be delayed and require further study, and also
ask for an exemption for start-ups such as myself and
others that I'm sure you'll hear from.
Thank you very much.
CHAIRPERSON NICHOLS: Thank you.
Charles Protheroe.
MR. CHARLES PROTHROE: Good morning. I'm here
with Plug-In Supply as well.
Along with echoing what everyone else has said
earlier in this meeting along the lines of aftermarket
conversions, I would also like to bring up a minor point
that came up in the last workshop that I attended in El
Monte.
In this workshop we brought up the case that our lead acid conversion system, which is the cheapest on the market today, available to most Prius owners out here, would not be able to match the warranty requirements of your batteries, like was brought up with the Plug-In Conversions' battery.

Lead acid batteries last two to three years, then we replace them. But the cost of a lead acid battery, the whole replacement is about $500, compared to lithium -- any lithium batteries or nickel metal hydride batteries, which are always in the thousands.

So we're just wondering if any allowances have been given for these battery chemistries that won't last up to the warranty requirements. And if not, we would ask that some allowance for replacement be allowed in there so that we can continue selling our cheapest product.

Thank you.
say, over 90 percent of the comments that I had read on your -- that had been submitted, and that it is too early for these particular regulations for the plug-in aftermarket conversion systems.

And I'd just like to point out that without these entrepreneurs and small companies, some of whom you've already heard from, and there probably will be more, without these companies that do plug-in hybrids and awakening consumer demand for these vehicles that few previously knew were possible, and forcing a reluctant auto industry to take this technology seriously, we very well may not be here discussing this particular thing this morning.

And so I merely just urge the Board to, as Randy Reisinger mentioned from CalCars, take a step backward, work with these smaller companies. We both have the same end goals in mind, and we'd just like to get there in a way that doesn't hurt the California economy, and also make sure that these larger number of vehicles will eventually hit the roads in California.

Thank you.

CHAIRPERSON NICHOLS: Okay. Thank you.

Mr. Schultz.

MR. SCHULTZ: Well, I'm here as a consumer. I only --
CHAIRPERSON NICHOLS: You can pull that mic down a little bit.

Yeah, thank you.

MR. SCHULTZ: I'm here as a consumer. I bought a Prius with the idea of eventually converting to plug-in. And I'm on the blog for plug-in hybrids and have followed the development of them. And I was alarmed to see that these regulations could, in fact, stifle these new entrepreneurs. And I support the CalCars' proposal. And I would like to see -- you know, take it easy. And I'm particularly concerned about the warranty -- this ten-year warranty. I don't understand. Are gasoline cars required to have a ten-year warranty on their emission system? And if they are, then what's the point of having smog checks? If we warrantied the cars for their emissions for ten years, then there'd be no point in going and checking our vehicles every two years. So are you -- does this balance -- does it balance between a gasoline vehicle and the electric vehicle or are you being more onerous with the electric vehicle? I would like to be able to design -- to drive pure electric and then go to hybrid after that. And in that case, the start-up issue was, you know, to me a very minor one.

So thank you.
CHAIRPERSON NICHOLS: Thank you.

Paul Kydd, followed by Jeanne Trombly.

And I believe those are the last witnesses who've signed up.

MR. KYDD: All right. Thank you, Madam Chairman.

(Thereupon an overhead presentation was presented as follows.)

MR. KYDD: My name is Paul Kydd. I'm President of Partnerships 1, which is a small company in Lawrenceville, New Jersey.

Next slide, please.

MR. KYDD: We're focusing on converting pickup trucks and SUVs to plug-in hybrids. And the reason we're doing that is that's where we can get the biggest impact on gallons per mile for the U.S. fleet as a whole. There are a large number of these vehicles their gas mileage is lousy, their emissions are not very good. And so, with our technology, which can save something like 25 percent of the fuel they burn, if it were applied to all of them, you could save 140 million tons of CO2 a year. So it's a big target.

And we have -- and we're working on the third generation of our technology. We have patents and we've won some competitive events.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
MR. KYDD: We have, what I call, supplemental plug-in hybrid conversion technology. We leave the original IC engine, its emissions control, its evaporation control completely alone. They function the same. The electric drive is simply added to the drive shaft. So electric energy supplements the gasoline. And the IC engine is running all the time. The control system operates so that as you press on the accelerator, the first call is on the electric system to supply as much energy as it can for as long as it can. And then when the battery is down to its limits, it converts back to pure gasoline.

And the operation is transparent to the driver. Basically our objective is to make a V6 truck feel like a V8 but sip gas like an in-line 4.
In our case, at least the evaporation will be controlled by the IC engine just as it always was. Special warranties are not required because, as other people have said, if the hybrid system fails, you're back to the vehicle as it was before. And so there's no impact of hybrid system failure on at least the original emissions levels.

And the same for the OBD system. Again, if the hybrid system fails, it doesn't increase the emissions, so you don't need special provisions to monitor it with the OBD system.

Next slide, please.

--o0o--

MR. KYDD: But for sure, regulation will stifle a new industry. The additional testing is expensive. The emissions testing may be bearable but unnecessary. The evaporation testing is very expensive.

But the real showstopper is the warranty requirements, which a lot of other people have said. We have no track record, so it's an unlimited liability. And the industry is just unfinanceable on this basis. So if you impose these regulations, we're all out of business.

Well, maybe we aren't if we don't need an exemption. But, in general, it's going to destroy the industry.

And the OBD-II modifications are also
unaffordable. So CARB regulations are copied by ten other states, which is why I'm here. It will apply in New Jersey as well. And my plea, like everybody else, I think is please let the industry develop a little bit. It's very small now. The emissions are de minimus. Let's get a little experience under our belt and then regulate them.

Thank you very much, Madam.

CHAIRPERSON NICHOLS: Okay. Thank you.

Is Jeanne Trombly here?

Yes.

And if there's anybody else who wanted to testify, would you please raise your hand.

MS. TROMBLY: Good morning, Madam Chair and the Board. I'm Jeanne Trombly with Plug-In America. I like to think that we represent the voice of past, present and future consumers of plug-in cars.

We have an extensive database of folks that are interested in particularly the OEMs offering more cars. But in the last six months or so, we just have, you know, a lot of Emails asking about conversions. And historically we've taken a very conservative step. We never wanted to encourage people to do their own conversions in their garage. And we feel it's very important for conversions to comply with safety, crash testing, emissions.
With that said, Plug-In America strongly believes that plug-in electric vehicle conversions will play an important role in the next five years in helping California meet its ambitious AB 32 goals. We believe even currently that plug-in hybrid vehicle conversions offer consumers a faster and more affordable way to get into plug-in vehicles while the general public waits for plug-in automobiles.

You know, we're hearing prices of like the Volt, you know, $40,000. And some consumers are just going, great. And even with some potential tax breaks, I mean that's still a hefty price tag. So we've got consumers, and especially in the SUV and the truck category, that are -- or even on their cars. And we're seeing technology now that is not one-off technology.

The gentleman that preceded me, I'm so glad he preceded me. Because I was sitting on the train on my way up here and I got a call from a plug-in conversion entrepreneur, and they were trying to explain the fact that these regulations are really going to kill their company. And he was saying, "We don't have the cold start problem. We don't have" -- you know, "we don't" -- "if we're forced to comply with these regulations, you know, we're not going to be able to do it. But our technology shouldn't even be subject to these regulations because" --
and this is a California company and it's actually part of a brilliant team of scientists and business people.

So, you know, what we are trying to encourage CARB is to, you know, maybe commit to revisiting their regulations to really make sure that, you know, they don't stifle innovation.

And then just as far as the battery warranty, we think that the -- you know, if there's clarification on which cars, whether it's hybrid conversions or, you know, the regulations that hybrid conversions are subject to versus non-hybrid conversions, I think that will offer the clarity that consumers need -- that conversion companies need.

And then we appreciate your flexibility with your OBD system compatibility and allowing folks to phase that in, because we know that sometimes the data codes are very difficult for the testing procedure folks to get.

So with that, I'll just end my -- you know, just to -- the final point is that if somebody already owns their truck, if they already own their SUV and they can have that car converted for less than $10,000, so that they're getting 30 to 40 miles of pure emissions free range, you know, that is starting to be within the realm of affordability. So, you know, we have 32 million cars on the road in California. How many of those cars are
large cars that could benefit the consumer, could benefit
emissions greatly by undergoing a conversion?

So we just ask that, you know, we take a step
back and look at that from a philosophical standpoint.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you for coming in and
for the work that Plug-In America does.

Okay. That will conclude the testimony.

And, at this point, I'll ask Mr. Goldstene, if
you have any further comments? I think the Board is going
to have some questions too. But perhaps now you may want
to have some concluding comments.

EXECUTIVE OFFICER GOLDSTENE: I'll just sum up.

The staff proposal provides the technical
amendments necessary for the plug-in hybrid vehicle
emissions testing and electric range determination. The
proposed conversion system certification requirements will
allow manufacturers to sell verified products in
California. The proposed fuel cell vehicle range test
offers manufacturers a more appropriate method for
determining fuel cell vehicle range.

Staff is recommending that the Board approve the
proposed amendments.

And we are also prepared to respond to some of
the comments that we heard today.
CHAIRPERSON NICHOLS: Okay. Well, let me go ahead and officially close the record, with the understanding that it's reopened when the 15-day notice of public availability is issued.

So we won't be accepting any written or oral comments after this hearing date and before the notice is issued. But that when the record is reopened on the 15-day period, the public can submit written comments on the proposed changes, which will be considered and responded to before we adopt a final rule.

So just to clarify the process for people who have been following us all along. What that means is that there may still be changes proposed to the rule that's before us. But the comments on those would not be considered until after that process goes forward.

And I think we'll then proceed to a discussion on the proposed rule.

I guess before we do that, we should also consider any ex parte communications that Board members wish to disclose at this time. Are there any?

BOARD MEMBER SPERLING: My only one is a phone conversation with Spencer Quong from UCS, where we basically indicated his support for the rules.

CHAIRPERSON NICHOLS: All right. Thank you.

Anybody else?
BOARD MEMBER D'ADAMO: Yes, I spoke with Spencer Quong with Union of Concerned Scientists yesterday, and his comments were consistent -- the comments he made today were consistent with the telephone conversation.

CHAIRPERSON NICHOLS: That's it?

Okay. I think, at this point, then we can proceed to a discussion on the rule. Formally, we should have a motion and a second to put it into consideration.

Do you care to move the proposal? Somebody? Care to do that? Just under the rules of order, I think it's the right thing to do.

BOARD MEMBER D'ADAMO: Yes, I'll move the resolution.

CHAIRPERSON NICHOLS: All right. Do we have a second?

BOARD MEMBER SPERLING: I'll second.

CHAIRPERSON NICHOLS: Thank you.

Okay. I take it the Board wants to have some further discussion.

So I don't think there's any discussion about the test procedure. It sounds like that's no opposition, it's a good thing to do, unless I'm mistaken. I think we can move right into the question of the conversions and the approach to the conversions. And obviously we've heard from a number of people. Based on what they've stated --
I don't know the companies, but they appear to be small businesses doing something that they certainly feel is righteous and useful, and which I think probably we would agree with.

Although it happens that what they're doing right now is illegal. So without some process for making it legal, both they and we are in kind of an awkward position. We need to have some structure for certifying these conversions. And the question is, is what's going -- is what the staff is proposing too onerous or premature, or is there some way we can adapt it that doesn't have too drastic an effect, but continues to allow what's going on to go on as long as it doesn't turn into a major problem.

And I'd kind of like to hear the staff's response first, if that's okay, since you've been listening to this.

BOARD MEMBER BERG: Madam Chair?

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER BERG: Could I just ask a couple of technical questions in regards to the -- I mean, the actual process itself? It would help me --

CHAIRPERSON NICHOLS: Oh, sure.

BOARD MEMBER BERG: -- if we could understand the warranty issue --
CHAIRPERSON NICHOLS: The factual one, yes.

BOARD MEMBER BERG: -- because that would apply
to everybody. And I'm a little confused on the warranty
time.

CHAIRPERSON NICHOLS: Sure.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Let me
get that one started.

There's a couple of issues. One is, should there
be any warranty or should it be longer than a couple of
years when the -- on the battery in particular, when the
battery warranty for a hybrid that you buy today, a Prius
or any other one, is, you know, ten years and 150,000
miles.

So if you replace that battery, then what's being
suggested is -- by one of these small companies, that the
warranty is now only three years, for example.

The second issue related to that is -- and they
are somewhat separate -- is that a few of these companies,
I think more of them are not trying to do what some of the
earlier one did, which is go into the Prius, for example,
and reengineer most of what is being done on the vehicle,
replace its small battery with a big battery and come up
with this, you know, highly modified vehicle.

What many of them are trying to do now is sort of
firewall the existing vehicle and add a battery. And in
overly simplistic terms, what they do is they add a second
battery, leave the original one alone, and then they kind
of trick the car into thinking that the battery -- it's
original battery is always full, when, in fact, what's
happening is the second battery is providing that extra
energy. And in doing that, the car runs pretty much like
it did before.

And the argument is that if their second battery
fails, it will just default back to the way the Prius ran
in the first place. And, therefore, this warranty on the
supplemental battery becomes more of a consumer issue than
it does an emission issue. And I think there's some truth
to that. And the staff was giving that some thought last
night. And they at least have -- you know, to deal with
the separate battery issue, it adds a lot more complexity
to what we've proposed. And so what we were thinking is
that a better approach, a simplified approach might be to
simply say that when the conversion occurs, the warranty
on the battery and the vehicle is whatever's left on that
vehicle. You have to warrant it until it normally -- the
normal warranty would have expired or five years,
whichever's greater. So if you convert the vehicle when
it's one or two years old, you'd have the warranty for,
let's say, eight years if that was the case. If you did
it when it was eight years old, you would have the
warranty for only five years. And that the supplemental
battery, since it doesn't have as much impact -- if that's
the design approach that you use and have a supplemental
battery, don't replace the original one, then that one
would just have the five-year warranty on it.

So that was one way of trying to make this a lot
simpler and not have it as somewhat convoluted as we
proposed it and even more if we try to add in the
supplemental battery. That does not address the first
issue, because the battery warranty length for --
particularly for one who replaces the existing battery is
still longer than what they're asking for, which is
somewhere between zero and three years.

But it would deal with the second one that A123
addressed and some of the other manufacturers addressed.

BOARD MEMBER BERG: Do I understand that there is
no approved conversions packages?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Right.

There's one -- I believe one manufacturer maybe, maybe
another one - I'm not sure - that's in the conversion
process right now and, you know, expects to get through
it. But --

CHAIRPERSON NICHOLS: Wasn't that what A123
testified?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah.
CHAIRPERSON NICHOLS: Yeah, that's what I thought.

BOARD MEMBER BERG: And so the --

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: But I don't believe anybody else -- no one else has gone through it. And part of the reason is that the procedures aren't finalized. But we've been trying to, you know, get people into the process anyway.

BOARD MEMBER BERG: So the cars that we have seen in the past as maybe demonstrations were prototypes, part of the --

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Right. Some of them, I think, are covered by, what we call, experimental permits. They write in and say, "I want to put three or four on the road to see how they go," and that's all. They just get approval for it.

The other ones people talked about, you know, selling 70 or this, I think most of those are currently illegal.

So the problem is, not having this regulation does two things: One, is it makes their sale illegal -- not having some kind of regulation makes it illegal. It also results in the auto manufacturers being able to void the entire warranty on the car -- the original car, because now it's, quote, tampered.
If they go under this procedure, the auto
manufacturers can no longer do that. They can only void
the warranty where they can demonstrate that the
conversion kit somehow messed up other parts of the car.
So right now it -- you know, the people who buy
this - and I think, you know, most of them do it with
their eyes open - are buying something that gets rid of
the long warranty that's currently on the Prius.

BOARD MEMBER BERG: And could you speak to the
smog check and having their cars smog checked, how that
may or may not help keep things in line.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
first of all, hybrids aren't in the smog check program,
so --

BOARD MEMBER BERG: -- at all.

Okay. Thank you.

Thank you, Madam Chairman.

CHAIRPERSON NICHOLS: Okay. Well, even if they
were, the fact that you have a warranty is irrelevant.

BOARD MEMBER BERG: No, I understand.

CHAIRPERSON NICHOLS: That's one of those
comments that you get every once in a while.

BOARD MEMBER BERG: I just wanted to --

CHAIRPERSON NICHOLS: I know. But I just -- I
want to take advantage of this opportunity to say that the
fact that a car is subject to smog check and has a warranty is a good deal for the consumer, because that means they can use their warranty to pay to get it fixed. But the warranty does nothing to make sure that the car continues to actually meet its emission standards. I just -- Okay. Thank you.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: And the reason they're not a smog check is exactly the problem we're trying to deal with the test procedure, is the smog check test procedure doesn't work very well for these vehicles either. So they were just left out until we could come up with something.

CHAIRPERSON NICHOLS: Right. Okay.

BOARD MEMBER TELLES: I have a battery question.

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER TELLES: My understanding is that the warranty doesn't have anything to do with the emissions. It just -- it's a warranty for ten years on a hybrid. I have a hybrid, and I thank Ford Motor Company for developing that. And it was more to attract the consumer to buy the hybrid. You wouldn't want to buy something off the line that would only last for two or three years. And it was a major thing to entice the consumer to buy the hybrid. And there was other enticements, a tax credit for the first hundred thousand
vehicles that were sold by each company selling hybrids.

But I don't see -- I mean, just from listening to
the testimony. And what's the problem with having the
consumer decide that he wants to buy a battery that has a
warranty of only two years or one year?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
the warranty does affect the emissions -- the battery
warranty does affect the emissions, because the car's
designed to run on the battery energy sometimes and on the
gasoline energy at other times. If the battery loses its
capacity, which is what happens when they start to fail,
then it runs on the gasoline motor more and it will end up
putting out more emissions.

BOARD MEMBER TELLES: Then I'm talking about the
extra battery that would be installed by one of these
plug-in companies.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
if it's a supplemental one, meaning that you keep the
existing -- you have an Escape, I take it. If you have
the existing battery stays there and the design of the
conversion is just to add another battery and to trick the
car into thinking that its original battery is always
full, which is what the extra battery does, then it tends
to run pretty much the way it did before, except it has
the potential for more -- somewhat more exhaust emissions
and certainly more evap emissions, which the procedure is supposed to deal with. But you're correct there.

And so for the supplemental battery it's largely an issue of consumer protection on that battery.

But some of these people are replacing the main battery with -- you know, a 1.5 kilowatt-hour battery, replacing it with a 6. And that is one that tends to -- you know, you have to completely redesign much of the control architecture of the car.

CHAIRPERSON NICHOLS: Could I just interject on that issue about consumer protection, because one of a plethora of categories of ZEVs and ULEVs, et cetera, that we have is one that includes an extended warranty provision in it. And it was my understanding that that was done, not because of consumer protection issues, but because of a belief, which I think has factual basis to it, that if the companies were required to offer the extended warranty, they would build the product in a way that would guaranty that they didn't have to pay off very often and, therefore, they would simply design the systems to be more durable, which is what we were really looking for, which was the emissions performance.

So, you know, I don't necessarily have a problem with the idea of a warranty being used as a tool for emissions control. But now I'm hearing you say that that
really wasn't your intent, at least as far as --

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: No, I think you're -- no, you're absolutely -- I'm sorry, I confused it. You're absolutely right. For the vehicle itself and the main battery in a normal hybrid electric vehicle, that's absolutely true. The only case where I think the warranty -- you know, from this discussion, where the warranty is perhaps more of a consumer issue only is if you add this extra battery to the car to give it more electric range. And if that battery -- and it's done in a way that if that battery fails, the car goes back and looks just like the original vehicle did, if that's the way the conversion works, then the -- much of the advantage of the battery warranty would be consumer protection, which is why, in response to Ms. Berg, was that perhaps that battery -- in that design situation, the battery warranty should be less for the supplemental one.

CHAIRPERSON NICHOLS: Right. I see.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: But on the main engine I think that's not the case, or the main battery.

CHAIRPERSON NICHOLS: Sorry, I interrupted.

BOARD MEMBER TELLES: No, no, that's fine.

Are we just for general comment --

CHAIRPERSON NICHOLS: I think we're in the
process now of trying to -- I'm still trying to get the
staff to respond to whether there's any openness or
sympathy on their part to this issue of allowing for
somewhat more leeway for people who are in the start-up
mode to be start-ups before they have to go through the
whole certification process. And maybe there isn't, and I
could be told that this just isn't possible. But I know
you're all secret backyard tinkerers, so I suspect you've
thought about this.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, I
think -- the reason we proposed it the way we did is based
on existing policy. And so I'm not trying to second guess
whether you think the policy in this situation should be
different. But, you know, all other conversion kits have
to have similar requirements to what we have here. We
have the constraint of the law, which says that you can't
just, willy-nilly, even on one car, go ahead and modify
it. If you modify something in your backyard, it's
technically illegal under state law. So we have that
constraint.

We have the precedent. And the precedent
generally says that other than a few vehicles -- when
you're modifying or trying to design a new part or a
conversion kit, other than a few that you can experiment
with, they all have to be covered under some kind of
So just looking at what people commented on, if you would want to say that a hundred vehicles, you know, do whatever you want and after a hundred vehicles then they come under some kind of regulation, that would be a change in policy. But it's just that the existing policy would be that that might be tending to sort of allow --

CHAIRPERSON NICHOLS: Well, a hundred is a lot based on what we hear about the nature of this market.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, and a $1.5 million cost, as was suggested by one person here, which a lot of that was warranty, but then even if you sell a hundred in total, that still adds $15,000 to the price of the car. So it basically says that you can't have a business whose business plan is a hundred vehicles. It just doesn't pencil out, even if we cut the warranty out, even if we -- and didn't cut the testing out, they're still looking at, you know, half a million or more, according to their calculations. Some of them, though, I think are not correct. But still it's a significant amount of money. And if your business plan doesn't support that level of overhead, then this isn't going to work.

CHAIRPERSON NICHOLS: Right.

Dr. Sperling, did you have a comment there?
BOARD MEMBER SPERLING: Yeah, I'm, you know, listening to this spirit of innovation and entrepreneurialism out there, you know, it's kind of the American and the California way. And it's, you know, hard to feel like, you know, you want to quash it. It seems like the CalCars -- something like the CalCars' proposal, you know, a graduated program, seems like it makes a lot of sense. And I guess I'd like to hear -- I mean, there's certainly the details of how to -- whether to follow exactly how CalCars has laid it out, I don't think that would work exactly, you know. And they got up to a thousand before they said the full rules would take effect. I think that number's too big. But is there any reason not to do some more graduated program?

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: Well, it kind of exists. I mean, that's what Tom was saying. In other words, the experimental process -- permit process is already a way for the tinkerer, innovator, experimenter, initial business planner to legally modify vehicles and do these kinds of projects. And I think what the staff struggles with is that at some point the person says, "My experiment's a success and I want to go into business making them." And what we're -- what the long term -- and this was the case for...
natural gas and propane vehicles too. At the point where they decide that they're going to go in business, I think then that the staff has -- we feel that we should have somewhat more onerous requirements on them in terms of demonstrating that the vehicles are responsible -- you know, environmentally responsible. And still the procedure is far less onerous than what we put on the new vehicle manufacturer. So we feel like the system is already balanced.

BOARD MEMBER SPERLING: The system is already what?

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: Balanced in terms of amount of effort. In other words, it provides for the experimenter and then it becomes more onerous for the people going into production. And then if you're a car company, it's way onerous.

BOARD MEMBER SPERLING: So where's the threshold with the experimenter?

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: Several vehicles.

BOARD MEMBER BERG: Is several like five or is it 50, or what is the definition?

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: More like five typically.

BOARD MEMBER TELLES: I've got to comment on
this.

I mean, we're talking about .00002 percent of the vehicles in California that are currently these plug-in hybrids. I think this is way too early to have an industry that potentially could help push the large companies to make plug-in hybrids. Even if we -- even if every Prius out there had a plug-in on it, it would represent 0.1 percent of the vehicles in California. I think -- I read the rule and it makes sense. I mean, it does what it's supposed to do. But I agree with Tom -- or maybe Tom didn't say this. But my comment is that maybe the policy shouldn't be the same for this particular industry that it is for the rest of the state right now, until we hit some threshold that is more than two cars, perhaps more than 500 cars, perhaps 1,000, 2,000 3,000 cars.

If this industry doesn't have ability to develop some capital selling their product, it will never start. And this Board will basically kill an industry that is trying to do something that the bigger industry didn't do, you know, five or ten years ago when they had an electric car and abandoned it.

And to me it makes no sense to kill this industry by this regulation. That's my own personal viewings on this, but --
CHAIRPERSON NICHOLS: Thank you.

Ms. D'Adamo.

BOARD MEMBER D'ADAMO: Well, I agree with everything that you say, Dr. Telles. But at the same time, we have the integrity of the overall program that I think it's our responsibility to protect. And what makes me nervous is that if we have - and I don't know that I would subscribe to this - but a lax program and then we end up with problems where we have emission failures and other failures on the vehicle. And what we're trying to do is encourage innovation, but we also want to have products that do what they say they're going to do, and that is lead us toward zero emissions.

So what I'd be nervous about is situations where it could potentially blow up the whole program, that these cars are not meeting the emission standards and that the public gets confused about, you know, maybe even a Prius doesn't meet the emission standards.

So what I'd like to do before going down the path of tinkering with, you know, the number of cars that would qualify for a demonstration or, you know, a hundred-car exemption or something like that, what more can we do at the testing procedures to streamline testing and to provide some form of financial assistance? And in that
discussion, is there any information that staff has on what the true costs would be? I guess it depends on whether we have this supplemental battery exemption. But would it be along the lines of 1.5 million, or is there some other set of financial data that you have?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, if we use the data that was presented in the commenters from Plug-In Supply, you know, it shows that their estimate of the emission testing is $38,000 and OBD compliance of 16,000. So out of the one and a half million, that's 50,000, I guess, is the emission testing part.

The rest of it is related to application process, testing in-use vehicles, and, as the gentleman testified, a big chunk of it to the warranty. So I think the actual emission testing part is not insignificant, but it's a smaller portion of the total. So I don't know that we could, you know, shorten up an emission test or an evap test. And if we did, it would probably save, you know, 5,000 here or 5,000 there. But I don't think it would address the bigger issue, which is that to get into this game, you know, it takes some -- if we're going to regulate at all, it's going to take some investment in compliance, which is the larger part of the issue.

BOARD MEMBER D'ADAMO: And what about financial
incentives? I think we need to encourage the industry.
Do we have some leeway under AB 118 dollars? And also
what can staff do to help maybe shave off some of those
costs by way of technical assistance?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
on the 118 we can -- you know, the Energy Commission is
proposing to include plug-in hybrid conversions as a
funding opportunity under 118.

CHAIRPERSON NICHOLS: There will be funding
available under 118 through the CEC.

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS:
Tom, could we offer some type testing? In other
words, like for the one where they add a battery and
essentially they leave the vehicle alone, couldn't we work
with them and the lab to come up with sort of a protocol
that does the demonstration with the folks who want to do
that kind of system and essentially standardize it? In
other words, we do some standardized tests with them
consistent with our procedures and sort of certify --

CHAIRPERSON NICHOLS: I think there was a
suggestion from one of the witnesses for sort of a
prototype testing procedure.

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS:
Yeah. But basically there are a lot of them are
essentially doing the same thing. And I'm wondering if
there are ways which we can group them and use some of the
test facility's capabilities in L.A. to help with the
burden.

CHAIRPERSON NICHOLS: That would certainly help
reduce the costs on that piece of it, yeah.

I mean, I'm in agreement that -- it's funny,
there's sort of two ways of looking at the exact same
issue. In the long run, life being how it is, the Toyotas
of the world are going to be doing their own conversions.

And most people are probably -- who bought a regular
hybrid are going to go -- if they don't buy a brand new
plug-in, you know, they'll get the adapter kit from the
dealership where they bought their car, because it's
easier. You know, it's just more comfortable. At least
that would be my bet about how the market would develop.

But there's a lag time here of a few years at
least where, you know, we seem to have a small but scrappy
group of entrepreneurs who are doing something worthwhile.
And, you know, we're just trying to find a way to allow
for that to happen without our regulations being the thing
that drives it underground or out of California. And I
think that's kind of a -- just kind of to state the
overall objective here.

So what we're looking for, and it's maybe not the
most productive way to have the discussion, is are there
some suggestions that the staff could make that might be responsive to the proposal that don't undercut the fundamental philosophy, which I think Ms. D'Adamo articulated very well, about maintaining the integrity of our emissions programs? Because we really do not want to be in a situation where, you know, somebody thinks they're doing a good thing and spends the $7,000 to $15,000 on a conversion and then as a result of some later testing or whatever discovers that, in fact, they've actually been making the air worse.

MOBILE SOURCE CONTROL DIVISION CHIEF CROSS: One other I guess just sort of background comment is that the -- I was just reminded that the degree of demonstration required of the OEMs for all of this is so much greater than anything that we're asking the aftermarket to do, that I think we -- you know, in other words, they have to run specialized durability test vehicles, they have to run data vehicles, they have to demonstrate, you know, that every OBD system works. They're subject to enforcement testing on vehicles in use. And if they fail, they have to recall them. There's just a huge array of very tough environment-protecting requirements that are on the OEMs, which have already been sort of whittled away and adjusted to make the aftermarket viable at all. And that's both the aftermarket hot rod
equipment and the fuel and other conversion systems.

So I think we need to remember that we're talking about something that we already shifted way, way away from, where we're requiring the large volume folks to do.

And I think we just kind of -- that's why the staff feels like we shouldn't go too much further.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, I think to put it another way -- and Bob's point is really good -- is we've already whittled it way down, and so the difference between where we are and zero, you know, there's not a whole bunch of room to move things without basically saying, well, you don't have to worry about that aspect of the conversion.

So, you know, I think Bob's suggestion that we could work with the supplemental battery approach folks, which is one that I think makes some sense. Whereas, the idea that the small entrepreneur can go in and reengineer what Toyota spent, you know, $500 million trying to design is just not realistic. This is something that has huge risks, I think, for the environment. But the idea of this supplemental one that sort of tricks the car into thinking it's got more energy in it, that approach has, you know, some merit. And I think we -- you know, if we could help with testing, we'd be willing to do it. And maybe that would encourage that type of conversion and not the other.
types where there are more radical tearing apart of the
original vehicle.

And we can, you know, try to deal with this
warranty thing. Like I said, we can shorten the
supplemental warranty -- battery warranty to either what's
traditional on other parts, which is always at least five
years, or a lesser number if you feel that's appropriate.
But that doesn't address the issue of do we want to
actually allow a conversion kit to decrease the warranty
that was on the original vehicle.

BOARD MEMBER BERG: On the warranty, I would
agree that whatever we decide to do, that there should be
consumer notification. And so that it would be absolutely
required of the conversion manufacturer -- or the
conversion operations to notify the consumer, as part of
their sale of this conversion, exactly what the warranty
is or isn't.

I do feel, along with the description of our
Chair, these scrappy innovators, we also have scrappy
consumers. And I think together they're probably pushing,
or at least encouraging, the battery development. And
they're finding out what works, what doesn't work. I'm in
full agreement that we need to legitimize them and bring
them above ground rather than keeping them underground.
And I think this is a real opportunity, but I don't want
to kill the innovation.

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER YEAGER: My thoughts are more in line with what Dr. Telles was mentioning as well. I think that, you know, if there's hope to make great progress with AB 32 and AB 375, it's going to be -- a lot of it's going to be through new technology. And I am concerned about if this would suppress one of those areas. And maybe that's a hard thing to sort of quantify. Certainly I understand the reasoning behind staff's recommendation and am in support of it. I mean, I think there are areas where you have to have regulation, particularly as technology keeps on changing. And this is just an area that we haven't -- where we don't have those regulations. But I'm just trying to figure out in my own mind, I know that there's some validity to what we've heard as far as what this would do to our scrappy entrepreneurs. It's a little harder to know whether kill it, delay it, make it go more underground, or how you can get some sort of assessment of what actually this will do to the people in that business.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, a couple of comments. You know, we try to look at the 30,000 foot level of this too. And that was my original comment, which I think maybe was taken as not being
supportive of small entrepreneurs. But the point is that, and particularly for you, Supervisor Yeager, being new on the Board, is that the Board just modified the ZEV mandate which affects the original -- the Ford, GM, Chrysler type folks. And out of that, we are going to have at least 60,000 plug-in hybrid electric vehicles being produced in the next couple of -- starting in the next couple of years. And it's the beginning of a ramp-up. And we're going to come back to you next year -- at the end of next year -- or end of this year now, end of 2009 to explain how that number and the program that encourages that may expand greatly, because we need it for greenhouse gas control.

So the point there is that while five years ago I think the entrepreneurial aspect of this was taking a new technology that nobody else was playing around with and helping start to raise people's eyebrows as to this might have some potential, car manufacturers are now going to produce large numbers of these. And so as a technology-forcing thing, I don't think the small businesses are going to be adding that much at this point, because the big businesses have now opened up their eyes and said, "This is going to happen."

What the other policy issue is is, well, could we convert a lot of the in-use vehicles, which nobody is -- I
don't think the OEMs are proposing to do right now -- and 
is there a market there to clean them up. And, you know, 
I think ideally you'd say, yeah, we could have lots of 
these conversion kits out there and people would pay the 
$10,000 and convert their cars. But you have to balance 
that, I think, against the downsides of that, which is it 
may increase smog emissions, and there may be warranty 
implications for the consumer and we could give a bad name 
to the product. And, again, you know, it takes a lot of 
engineers to do these really right. And there's always a 
risk when you do it as a small business that it's not done 
quite right. So that's another consideration, you know, 
to balance off the entrepreneurial part.

But it's not like five years ago where I think we 
would have said, you know, "This is great. Let's see the 
technology on the road in," you know, "units of a 
thousand", or whatever it is, because that will wake 
people up to the advantages here. They've woken up. And 
our regulations actually are forcing them to move forward 
in this area of new plug-in hybrid electric vehicles. So 
I'm just offering that as, you know, kind of a balancing 
big picture issue.

BOARD MEMBER BERG: When would the certification 
go into effect? When would this procedure go into effect?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
we would be using it right away for those who want to use it. And then when they get approved -- if the final reg
hadn't been blessed by the labyrinth -- the process that occurs after the Board decides what to do, then we would
just conditionally approve it. So the regulation process post-today would not delay people being able to use this.

BOARD MEMBER BERG: And those 60,000 cars, we're not expecting them on the road till 2010?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah, they're -- the first ones are expected to be -- being
offered in the 2010 calendar year. The requirement that we have is for the '12 through '14 period.

BOARD MEMBER BERG: So is it possible to set up some registration process for the aftermarket industry and allow them to ease into this testing over the next 12 to 18 months so they can make business decisions as to whether they're going to legitimize their companies? Because the car companies have promised time after time again that they're going to deliver. And so we're hopeful they're going to deliver in 2010, but they have not done so yet.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Right.

BOARD MEMBER YEAGER: Just a procedural question. You had mentioned, Tom, that you would be willing to look at certain aspects that we've been talking about.
I guess I don't quite know how we work. It sounds like, obviously, that we have support for the vehicle test procedure amendments. But until we sort of got final wording from staff, would we just hold this or -- I'm just not sure --

CHAIRPERSON NICHOLS: We can ask that it be brought back or we can delegate to the Executive Officer with instructions. I'm not sure that there's any other mechanism that we could use to make the kinds of adjustments that people are interested in here.

I think it's difficult -- it's always difficult to sit, you know, at a meeting like this and craft proposals. Although, I think we've heard a few that people are generally supportive of. Basically, what we're talking about is, I think, trying to phase the requirements in in some manner that matches the ramp-up of the industry and of the availability of plug-in hybrids, in recognition that the OEMs have not always kept up with their statements about what they were planning to do. I agree with that.

I heard some interest, and I personally think it would be valuable, to have a certification process in place and be operating it for those who want to do it, because I think they will have a competitive advantage too. I mean it's a -- if I were planning to convert a
vehicle, I think it would be helpful to me to know that,
you know, I was going to a converter that had an Air
Resources Board seal of approval versus going to Joe's
Garage. So I think that is a real advantage, and we
should be making that available as soon as possible.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah,
that's the one part that will prevent the auto
manufacturers from denying warranty on the --

CHAIRPERSON NICHOLS: Right. So this is --

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: -- on
the whole vehicle, because it's converted, would be that
it went through an ARB-certified process.

CHAIRPERSON NICHOLS: Right. So again the idea
that the ARB should be in the business of certifying these
things seems to me to be very practical.

So the only question really is, can we adjust the
certification requirements or is there room within what's
proposed here within the 15-day notice to give some -- a
little more of a balance in terms of the requirements that
we're putting on the converters? And I need to ask staff
that question, because I really can't tell.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think
the challenge here would be that -- it would be hard for
us to say no harm, no foul for the first hundred vehicles,
because under the law, not the regulations, those
conversions are illegal. So we almost would have to come
up with two versions of the certification process. One
would be the -- you know, the quickie version for small
volumes of production, the first X vehicles; and then the
more thorough one for longer. But I don't think we -- I
don't know how we would do one where it just says it's
okay to go ahead for the first hundred, because --

CHAIRPERSON NICHOLS: Right.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: -- the
only way I know how to do that would be experimental
permits. And right now we try to keep those small,
because many of the modifications that we see people
promoting wouldn't stir your hearts the way that they do
there for -- you know, for a thousand horsepower race cars
or for that kind of stuff that, you know, is perhaps not
consistent where we're trying to go policy-wise.

CHAIRPERSON NICHOLS: Right.

BOARD MEMBER BERG: Madam Chair?

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER BERG: Would it be appropriate then
to suggest that we send this back to staff to give staff
an opportunity to kind of take our comments? Because I
too don't want to vote quickly on something that I didn't
mean to have unintended consequences. And so that maybe
another 30 days they would be able to come back to us with
some suggestions that make them comfortable and us

comfortable. And, yes, we'll be pushing industry along,

but would make a little sense.

CHAIRPERSON NICHOLS: If it's possible to legally

separate these two items -- I know you put them together

for convenience purposes -- I'd like to move on getting

the test procedure for the plug-in hybrids just done, so

we don't have to bring that back again or leave it in

limbo.

CHAIRPERSON NICHOLS: If it's possible to legally

separate these two items -- I know you put them together

for convenience purposes -- I'd like to move on getting

the test procedure for the plug-in hybrids just done, so

we don't have to bring that back again or leave it in

limbo.

CHAIRPERSON NICHOLS: If it's possible to legally

separate these two items -- I know you put them together

for convenience purposes -- I'd like to move on getting

the test procedure for the plug-in hybrids just done, so

we don't have to bring that back again or leave it in

limbo.

CHAIRPERSON NICHOLS: If it's possible to legally

separate these two items -- I know you put them together

for convenience purposes -- I'd like to move on getting

the test procedure for the plug-in hybrids just done, so

we don't have to bring that back again or leave it in

limbo.

CHAIRPERSON NICHOLS: If it's possible to legally

separate these two items -- I know you put them together

for convenience purposes -- I'd like to move on getting

the test procedure for the plug-in hybrids just done, so

we don't have to bring that back again or leave it in

limbo.
the test procedures for -- and kind of bifurcating that
from the conversion question on those procedures. And the
staff could bring back to you some proposals on the
conversion.

And on the conversion as well, I think there's a
possibility under the statutes to have some minimal
certification requirements. And then, you know, that
would be perhaps less onerous as they're perceived.

CHAIRPERSON NICHOLS: All right. Well, then I
think we have a plan then, if I may see some heads nodding
on this --

BOARD MEMBER SPERLING: Before you go forward,
maybe -- I mean, is it possible that we could have a kind
of a sense of the resolution -- a resolution of some sort
from the Board that lays out kind of what we would like to
see, and without it having to go through a formal action
that it would be a report back? Because I think that
we're pretty -- you know, I'm getting a sense here that
we're all of the same mind up here. And, you know, let me
articulate what I think that is.

CHAIRPERSON NICHOLS: Okay.

BOARD MEMBER SPERLING: And I think it is to
have, you know, this minimal certification up to some
cumulative, you know, number. I don't know, maybe 50,
something like that, would be, you know, what I would be
thinking. And then -- and maybe there's even two -- you
know, three levels of these certifications, some, you
know, like CalCars suggested. But I think the idea is a
fairly substantial number that allows some of these
companies to go.

And I would say one of the reasons -- you know, I
would add another reason for supporting that idea, is that
while what Mr. Cackette said is -- you know, I agree with
that eventually pretty soon we're anticipating large
volumes of plug-ins from these vehicles -- you know, the
OEMs. In the meanwhile, you know, we are getting CO2
reductions and we are -- probably most importantly, there
are all those people out there learning to work with this
electric technology. And while they're probably -- most
of them will probably go out of business or at least, you
know, of the type of business that they're proposing here
in a few years, you know, that's the most likely scenario,
there is a lot -- you know, there is this important cohort
of people out there developing these experiences, and who
knows where they're going to migrate to. But they are
definitely going to be contributing to this evolution of a
EV industry, whether plug-in, hybrid or whatever.

So I think, you know, we do want to support this
activity for a number of reasons. We want to make sure --
it's not our mission to protect safety, but actually that
is one of my concerns also in this, you know, make sure some of these conversions are not completely, you know, irresponsible, let's say.

So that, I mean, I think the Board here is of a common mind that, you know, there'd be a substantial -- you know, some number, I'll throw out 50 as a number that would be the first cutoff, and then, you know, maybe 300 or something like that as the next cutoff. And then after that, you go where you require the full Board process that was proposed by the Board -- by the staff.

Is that --

CHAIRPERSON NICHOLS: My only reason for not jumping to support that is that I just don't feel like I understand enough about the economics of the industry to know what's actually viable. I mean, the number could be right. It could be an order or magnitude off in terms of what creates a viable business. And we're not very good at the ARB at, you know, planning other people's businesses for them. I think all we can do is to try to take account of the reality of what's going on when we do our regulations and do no harm. I mean, that really is what our duty is I think.

And so in that respect, I would prefer to suggest that the staff look at the proposal that was brought to us by the coalition as a starting point, but not necessarily...
from here, direct them as to where to go with the numbers.
If you would be willing to go along with that, I think
that's a better approach.
But with that said, I think that pretty much does
represent a consensus of where people would like to see us
go.
Subject to that sense of the Board discussion,
can I get then a vote on the resolution so that we can
move the other parts that we all agree with.
BOARD MEMBER BERG: Do we need to modify the
resolution --
CHAIRPERSON NICHOLS: I'm not quite sure how
we're going to do this.
BOARD MEMBER BERG: -- I mean the motion?
EXECUTIVE OFFICER GOLDSTENE: We'll adjust the
resolution based on your motion. So we'll cover
everything except for the conversion.
CHAIRPERSON NICHOLS: Except for conversions.
We'll not be voting on conversions. We'll only be voting
on changes --
BOARD MEMBER BERG: And we did agree on the 15
days that they would work with Honda and the few
modifications; you'll just work that out however that
works?
CHAIRPERSON NICHOLS: Yes.
BOARD MEMBER BERG: I'm ready to vote.

BOARD MEMBER TELLES: When is this going to be brought back as far as the conversion part?

CHAIRPERSON NICHOLS: That's a question.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well, I guess I want to ask our lawyers. Are we -- is there some aspect of this of keeping the record open and proposing something or are we closing it and starting all over on the conversion one? Or what would be the process?

SENIOR STAFF COUNSEL JOHNSTON: We'll, we've already closed the record on the testimony. But we could have the conversion aspect of the regulation continued and reopened at a future Board meeting for the Board to hear staff's suggestions as to how the modifications would be for that.

CHAIRPERSON NICHOLS: Do we need to continue to a date certain then at this point? I mean, we'd like to if we can, I think.

SENIOR STAFF COUNSEL JOHNSTON: Yeah, if the Board wishes to do that, you could. Or you could leave it open. And we have until December of this year to complete the rule-making. But, you know, the staff could bring it back to you in a couple of months and then --

CHAIRPERSON NICHOLS: Three months.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think
it's going to be more like three, because we have to go --
you know, have these discussions with the small businesses
and figure out a little bit more about what their business
plans are and how this might phase in. And then we also
have to put the proposal together and give some notice to
everybody else what we are going to propose. So I think
it takes three months, maybe even four.

CHAIRPERSON NICHOLS: Okay. So we're looking at
April or May?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: April
or May, yeah. That would still allow us to wrap it up
before December, in which case the original action would,
you know, vaporize, at that point, if we don't have it
finalized.

CHAIRPERSON NICHOLS: Right. And meanwhile, I
think not only do we want to encourage some more
conversation between staff and the industry, but also
encourage the industry to actually come into the process,
so that we have more data to work with and so that they
will be lined up and ready to go when we do have the
regulation in effect. I think that will be helpful to the
status of this whole industry if it can be legitimized.

BOARD MEMBER TELLES: Can I just say one thing?

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER TELLES: You mentioned that there's
going to be 60,000, you know, electric cars in 2010. The
problem I see is there will be 60,000 electric cars that
almost nobody can afford. And that this not only drives
the technology, it's going to drive the price down. And
that I would hope when you talk to -- and come up with a
new plan on this, that you consider that too, that, you
know, we want to legitimize them and make them more
effective in selling their product rather than less
effective. Because I think the price issue is going to be
what drives that electric vehicle and not just the
presence of it.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Well,
just to be clear, the 60,000 we're talking about were plug
hybrid electric vehicles from the OEMs. And I don't think
we know what the price increment will be on the Volt.
We've heard numbers like $40,000, which is kind of
high-end. On the plug Prius, it's a more minimal version
and I would expect that it would be somewhat less. But
whatever it is, it's going to be -- you know, it's
probably going to be less than what you could get by a
conversion just because of the volume.

CHAIRPERSON NICHOLS: Okay. So just to be clear
here, what we have now is a resolution to approve the
modifications to test procedures for hybrids -- plug-in
hybrids and for fuel cell vehicles. And we will defer to
a later date a decision on the certification of retrofits
and direct the staff to go work with the industry to
develop a modified proposal that hopefully will do more to
address the need really to maintain a viable conversion
industry here.

And with that, I think I can just ask for a voice
vote.

Would all in favor please say aye?

(Ayes.)

CHAIRPERSON NICHOLS: Are there opposed?

Okay. That's it then.

We will take a 15-minute break before we take up
the appointment of the RTAC. And that's it. Thank you.

Thanks, everybody.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: Ladies and gentlemen, we're
going to resume our meeting.

The next agenda item relates to the appointment
of an advisory committee to assist the Air Resources Board
with implementation of SB 375.

The Board -- hello. Am I working now?

Thank you.

This Board has the responsibility to set
greenhouse gas reduction targets for California's 18
metropolitan planning organizations by September 30th of
2010 as a result of SB 375 passing the Legislature and being signed by the Governor last year. It's an exciting opportunity. It's an integral part of our work under AB 32, but it also is the first time that the ARB will have ventured into this area of doing overall vehicle greenhouse gas reduction targets. And the impacts of this are going to be, I think, profound.

The advisory committee that we're establishing today will assist us in that process by providing recommendations on the technical methodologies that can be used in the target-setting process. After they complete their work, the Air Resources Board will still need to work with the MPOs before we can actually set the targets. But the first step is to have this technical input.

Given the level of interest in SB 375 and in the Committee, it has been a challenge to keep the group small enough to be effective, but I think that the staff have accomplished that goal.

So, Mr. Goldstene, would you please begin the presentation.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Senate Bill 375, as Chairman Nichols just said, directs ARB to form a regional targets advisory committee. There's a tremendous amount of expertise in areas
of land use and transportation planning. And we've drawn
from those experts in recommending a slate of members for
this committee. We believe this group, working closely
with ARB staff and with the input from other technical
experts, will be able to provide valuable insight into
your target setting next year, in 2010.

Jeff Weir from our Air Quality and Transportation
Planning Branch will begin the presentation.

Jeff.

(Thereupon an overhead presentation was
Presented as follows.)

MR. WEIR: Thank you, Mr. Goldstene. Good
morning, Chairman Nichols, members of the Board.

It's my pleasure today to present for your
consideration the appointment of members to the Regional
Targets Advisory Committee for Senate Bill 375. I'm going
to give a brief overview of the new State law that SB 375
created, summarize the role of the Committee in
implementing SB 375 and present a slate of 21 members to
sit on this Committee that will play an important
technical role in the SB 375 process.

--o0o--

MR. WEIR: "Landmark legislation" is how most
press articles have described SB 375. The Governor's fact
sheet on the bill says that "in order to reach
California's greenhouse gas goals, we must rethink how we
design our communities."

SB 375 provides an important piece to the State's
cclimate change strategy by targeting carbon emission
 reductions from passenger vehicle use and complementing
ARB's other transportation measures to cut emissions
through vehicle and fuel technology.

--o0o--

MR. WEIR: SB 375 requires the Air Resources
Board to set regional passenger vehicle greenhouse gas
emission reduction targets for 2020 and 2035 for the major
regions in the state covered by the 18 metropolitan
planning organizations, or MPOs. These regions account
for 97 percent of the state's passenger vehicle travel.
The Regional Targets Advisory Committee, or RTAC,
is appointed by the Board to provide technical
recommendations to help ARB during its target-setting
process.

Regions are required to develop plans showing how
to meet ARB-established targets through integrated
land-use and transportation strategies.

And to incentivize the sustainable development,
the new law provides that projects that are consistent
with target-meeting plans get some relief from the
environmental review process.
MR. WEIR: Here are the statutory timelines related to regional target setting:

By January 31, 2009, ARB must appoint a Regional Targets Advisory Committee. By September 30, 2009, the RTAC must submit its recommendations to the Board. By June 30, 2010, ARB must issue draft targets to the 18 metropolitan planning organizations. And by September 30, 2010, the Board must set the final targets.

MR. WEIR: The RTAC has a very specific task in a very compressed time frame. Its function, as specified in the law, is to recommend factors to be considered and method to be used for setting passenger vehicle greenhouse gas targets.

For definition, "factors" are those things that impact passenger vehicle use. They range from those that regional and local governments can control, like land-use planning and transportation infrastructure, to those out of a region's basic control, like the general economy, the price of gas, and household car ownership. "Methods" process the factors and estimate the impact on passenger vehicle use and greenhouse gases.

MR. WEIR: The law states that the RTAC may
consider relevant issues when making its technical recommendations to the Board. These include growth forecasts, modeling techniques, jobs-housing balance, interregional trips, economic trends, the benefits of land use and transportation strategies, methods to describe regional targets and methods to monitor performance and meeting targets.

The RTAC must address the various strategies that affect rates of greenhouse gas emissions from passenger vehicles and recommend methods to estimate their impacts on a region level.

It will be important for the RTAC to consider modeling and other methods that best ensure the most accurate assessment of these strategies for all 18 MPOs in the state. And it will need to consider methods to quantify passenger vehicle greenhouse gases in the context of the full scope of regional planning needs, such as housing, jobs and the regional economy.

--o0o--

MR. WEIR: RTAC meetings will be open to the public. They will be webcast. And ARB staff will provide support for the Committee, helping with meeting agendas and logistics; identifying critical technical issues and coordinating the needed technical support; working with our sister state agencies, OPR, PT&H, CalTrans and others,
and with the many stakeholder groups wanting to provide input to the Committee.

The RTAC has a critical and specific role. The technical tasks given to the Committee sit within the overall context of SB 375. This includes ongoing ARB consultation with MPOs, air districts, state agencies and other public and private stakeholders.

--o0o--

MR. WEIR: The law requires that the RTAC membership include representatives of metropolitan planning organizations, local transportation agencies, air districts, the League of California Cities, the California State Association of Counties, and organizations involved with local transportation planning, the environment, home building, environmental justice and affordable housing.

--o0o--

MR. WEIR: The Committee member list for Board consideration consists of individuals with a wide array of expertise and experience throughout the state, selected to work together to develop recommendations that will assist ARB in the target-setting process.

The list includes those who have spent years understanding the technical aspects of regional planning and how they blend with policy considerations; experience in the practical facets of planning and building in...
California; knowledge of land use, air quality, and transportation strategies and how local, state and federal laws affect planning decisions; and understanding of the impacts of regional and local planning on the environment, jobs, housing and more.

Here is the RTAC membership list for board consideration:

Andrew Chesley, Executive Director of the San Joaquin Council of Governments; Stuart Cohen, Executive Director of TransForm, formerly the Transportation and Land Use Coalition; Greg Devereaux, City Manager for the City of Ontario; Roger Dickinson, Sacramento County Supervisor; Stephen Doyle, President of Brookfield San Diego Builders; Amanda Eaken, Policy Analyst for the Natural Resources Defense Council; Gary Gallegos, Executive Director of the San Diego Association of Governments; Steve Heminger, Executive Director of the Bay Area Metropolitan Transportation Commission; Richard Katz, Board Member, Los Angeles County Metropolitan Transportation Authority; Shari Libicki, Technical Consultant, ENVIRON Corporation; Mike McKeever, Executive Director of the Sacramento Area Council of Governments.

The Board is asked to consider Mr. McKeever to serve as Chair of the RTAC. His collective knowledge of SB 375 regional planning and the technical underpinnings...
of estimating impacts of land use and transportation strategies make him the standout choice to chair this important committee.

Continuing the member list: Chris Norby, Chairman, the Orange County Transportation Authority; Pete Parkinson, Vice President of Policy and Legislation for the California Chapter of the American Planning Association and a planner for the County of Sonoma; Linda Parks, Ventura County Supervisor and Regional Council Member for the Southern California Association of Governments; Manuel Pastor, Professor of Geography and American Studies and Ethnicity at the University of Southern California; Mike Rawson, Co-Director of the Public Interest Law Project; Barry Wallerstein, Executive Officer of the South Coast Air Quality Management District; Jerry Walters, Principal for Fehr & Peers Transportation Consultants; Carol Whiteside, Founder and President Emeritus of the Great Valley Center; Michael Woo, Los Angeles City Planning Commissioner; and Jim Wunderman, President and Chief Executive Officer of the Bay Area Council.

Short biographies as well as resumes of those on the RTAC list are included in your Board member packets.

--o0o--

MR. WEIR: Staff recommends that the Board
appoint the members of the Regional Targets Advisory Committee and appoint Mr. Mike McKeever as the Chair of the Committee.

That concludes my presentation. Thanks.

CHAIRPERSON NICHOLS: Well, thank you, Mr. Weir.

I know you've spent many, many hours considering not only membership, but also how this Committee is going to function. And perhaps you might just want to say a word or two about the Committee's agenda, how they're going to work and so forth.

MR. WEIR: The Committee has eight months to work. I know that Mr. McKeever is very anxious to start and move forward. They're looking at providing the technical recommendations regarding the factors and methods for the ARB to do its target setting over the next year. And so they will be needing to look at a lot of different factors regarding -- a lot of different issues regarding those factors and methods. So they --

CHAIRPERSON NICHOLS: And how will the Committee be staffed? I mean, I think there's a concern with something like this that you're creating a new entity with a big need to get people up to speed quickly and to look at a lot of information. How do you expect that to happen?

MR. WEIR: I would say ARB is looking to provide
support and coordinate technical support for the Committee. We are looking at having the MPOs provide some in-kind support. They have experts on their staff regarding the factors and methods that are used by the MPOs now and what could be used. We have right now a UC contract to get technical support from UC; to work with MPOs on current and near-term modeling and data needs, resources, and capabilities; to identify and evaluate performance metrics to evaluate the impacts of transportation and land-use strategies; and to provide general technical support for the RTAC as it comes up.

CHAIRPERSON NICHOLS: Okay. So there's -- obviously, there's a high degree of interest on the part of the -- I think every member of this Board in one way or another has a particular background and interest in getting this all right. I know at least one of our Board members, who's not able to be here today, Ron Roberts, has already met with the San Diego team to make sure that he's going to be continually kept apprised of what's going on with the air district, the MPO, on bringing others in and make sure that they're contributing to all of this. And I'm expecting others will do the same. I just happen to have had a conversation with him about that.
I've also spoken with Professor Sperling. Given the nature of the work that he does at Davis on transportation studies, I've asked him to serve as a liaison to this Committee in a kind of an ex officio way just to make sure that he's keeping an eye on things and keeping the Committee out of trouble and I don't know what else. Or maybe "in trouble" might be more like it.

(Laughter.)

CHAIRPERSON NICHOLS: But, anyway, you know, that he will be making sure that the Board, as a whole, is also represented there.

And with that, I'll just open it up for any other questions that any members may have?

Yes.

BOARD MEMBER SPERLING: To follow up on your earlier question. Is there an intent for ARB staff to provide any support to this Committee?

MR. WEIR: Yes.

DEPUTY EXECUTIVE OFFICER TERRY: Jeff was being very modest. The team that you see sitting back there, Jeff Weir, Doug Ito, Kurt Karperos, as well as our Legal staff, have a huge commitment to making this process be successful. And additional staff that you don't see here are part of the team within our organization. It spans multiple divisions within our organization. Our
researchers we have on contract. Our wonderful Professor Sperling to help us keep on the straight and narrow.

So we think we have a fabulous extended team to support the Committee.

And we do expect a lot of requests from the Committee to do follow-up work, to bring back information, to pursue issues outside of the Committee meetings, because this is a very elite and busy crowd. So we expect monthly meetings, but in between those monthly meetings a lot of technical work going on.

And then, lastly, as Jeff mentioned, there are a lot of technical experts work in this arena that staff will be working with day in and day out and bringing that information back to the RTAC as a group.

CHAIRPERSON NICHOLS: So the intent is to have an actual report come from this Committee by the end of the year back to the ARB?

DEPUTY EXECUTIVE OFFICER TERRY: Yes, their recommendations are due -- of the report to do by September 30th. So we would plan to come back to the Board immediately thereafter, most likely the October Board meeting, with their recommendations.

We also -- the Board expressed interest in having an interim report before their recommendations were completed. So, at this time, we are thinking perhaps in
the May or June time frame we could give a status report on the activities of the Committee.

CHAIRPERSON NICHOLS: That's a good idea. And to invite them to come in also and to present on how things are going.

BOARD MEMBER SPERLING: You know, having served on many national academy committees, which are not too dissimilar from what this is, I would suggest it's very important to have a point staff person. You know, if it's going to write a report, like who's going to write this report, for instance. It's absolutely essential for that to happen.

DEPUTY EXECUTIVE OFFICER TERRY: Doug Ito has graciously agreed to serve in that role as the primary point person. And his team of staff will be supporting him.

BOARD MEMBER SPERLING: And one last question. Is this Committee going to disappear in September or will it continue -- is it the idea that it will continue thereafter?

EXECUTIVE OFFICER GOLDSTENE: The Committee has a very specific task in the statute. But if we think that there's a need for some sort of ongoing outside input as the Board moves forward on taking the methodologies to actually -- and use them to do the target setting into
2010, you could decide to keep some form of a committee in
place to advise the Board, you know, to have outside
experts advise us.

CHAIRPERSON NICHOLS: My experience -- I know we
all have different experiences with different kinds of
committees. But with something like this, giving them a
target and a product to do and then saying, "Thank you
very much." But at the end of the day I know many of
these people are going to continue to be very interested
in implementation. And we'll need to figure out whether
there's some formal structure or better keep it informal.

All right. We had a couple of people who signed
up to speak, if you wish to do so.

Moira Topp and Robert Phipps.

MS. TOPP: Good morning, Madam Chair. It's still
morning. I'm Moira Topp on behalf of the Orange County
Transportation Authority.

And we very much appreciate the work that your
staff has engaged with us to include Orange County
Transportation Authority on the Board.

We think that OCTA really does provide a unique
voice for the RTAC. We were the first transportation
agency to actually sign an agreement with the Attorney
General's office to deal with and include greenhouse gas
mitigation in our transportation projects. And so we've
been grappling with this idea of modeling and data
management and forecasting for several years. Now, we
think we can provide an important voice on the RTAC,
appreciate -- I really do appreciate your including us
today.

The only small request that I do have, when we
requested -- we wrote the letter to the Board. It was two
months ago. And we have a rotating chairman of the board.

Chris Norby is no longer -- he's an elected
official and still a member of the board, but is no longer
the chairman of the board.

To be consistent with the membership that you did
include, Art Leahy is kind of comparable to the other
members, Gary Gallegos and Steve Heminger, and I would
request, if you could --

CHAIRPERSON NICHOLS: I think we could make that
substitution --

MS. TOPP: -- to do that substitution.

CHAIRPERSON NICHOLS: -- as a clerical
correction.

MS. TOPP: We very much appreciate it.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Mr. Phipps.

MR. PHIPPS: Madam Chair, members of the Board.
Again, I would also like to thank staff for the representation that the San Joaquin Valley has had so far. My name is Robert Phipps. I'm an administrative analyst with Kern Council of Governments in Bakersfield. And I'm here representing Kern County first but kind of the valley as a whole.

Our position is that MPOs will kind of be the foot soldiers in the implementation of this process. As staff mentioned earlier, the MPOs do have the land use and transportation modeling expertise with which to implement the program. So we would argue that all MPOs should be granted a seat at the table of this Committee, if you will. But knowing the time and size restrictions, we simply would like to focus on some of the representation in the San Joaquin Valley in particular.

I just want to take a moment to point out that the San Joaquin Valley is -- the eight counties within that valley are larger collectively than ten states; more populace than 23 states; and, as you are well aware, plagued with some of nation's worst air quality because of its weather and its topography. The valley also includes the city of Arvin, which is the -- now rated consistently the worst city in the nation for air quality.

The Department of Finance has forecasted that the eight counties, San Joaquin Valley, will absorb more than
20 percent of the state's growth over the next decade, which collectively amounts to more than a million people. By 2050, the valley is expected to grow at a rate that is nearly 200 percent greater than the statewide average. Again, the MPOs in the valley have the modeling -- transportation and land-use modeling expertise to contribute to this Committee and to the standards that are going to be established.

I would say also that we have admittedly sort of bungled our request in this matter. The San Joaquin Valley COG Directors Association did establish a point person for this Committee - that was Jess Brown, the Director of Merced - but failed to follow through with a letter on our letterhead immediately after that decision.

And, in addition, there may have been some confusion, because a couple of the other counties including Kern had requested seats on this Committee as well. And so we were not aware of what the criteria was, which is why I think some of the confusion existed.

Effectively, we're asking, if you can, to admit at least one or two more of the valley counties that did ask for representation on the Committee. At the very least, we would like to see Jess Brown included from Merced County Associated Governments.

Thank you for your time.
CHAIRPERSON NICHOLS: Okay. Thank you.

Well, we do have one additional witness. Greg Albright

Hi, Mr. Albright. Welcome.

MR. ALBRIGHT: Thank you for including me.

CHAIRPERSON NICHOLS: You cannot have a seat on the RTAC.

MR. ALBRIGHT: What's that?

CHAIRPERSON NICHOLS: I said you can't have a seat on the RTAC.

MR. ALBRIGHT: I don't want a seat on the RTAC.

CHAIRPERSON NICHOLS: No state agencies.

MR. ALBRIGHT: I don't want a seat.

By the way, I do have a new title. I'm a Deputy Secretary with BT&H, Business, Transportation & Housing Agency, and I will be doing their environmental policy and integration work. And I'm very excited. I just started -- just started, and I get a phone call saying "Come by, help testify."

Simply placed -- oh, I also have got to tell a quick story in my three minutes. The last two weeks have been amazing. I was at a national conference in DC, and then I just got back late last night from the New Partners in Smart Growth conference in New Mexico. And people are watching California. This is such a dynamic time. And I
told them -- I've been telling them in all my sessions,
"We're going to get it right."; because they're depending
upon California to figure this out. So thank you for your
good work. I told them -- I did confess that it's messy,
but we're going to get it right.

So basically --

CHAIRPERSON NICHOLS: Thank you.

Thank you for warning them. No.

(Laughter.)

MR. ALBRIGHT: No, it's the world's eyes -- for
certainly the national eyes are watching California right
now, and I'm just getting that consistently. So what a
great place to be. It's a good week, by the way.

Essentially, what I'd ask is that we could
formalize -- and I'm speaking right now for Director Will
Kempton of the California Department of Transportation as
well as BT&H -- that we simply formalize our role to
participate with staff in supporting this RTAC. The
intent is that we want to make sure that it's a
well-informed decision-making process where interregional
travel is considered. Obviously, MPOs are well equipped
to deal within their region. It's the statewide
interregional modeling and other things that we could
bring to the table to make a more robust decision making.
We don't want the interregional trips to be lost.
Obviously, we have that responsibility, along with the relationship we have with the MPOs in their regional transportation planning as we pass through the federal dollars. So we want to make sure there's a strong nexus with the regional transportation plans and the work of this Committee.

So that's it, simply put. We'd like to formally request that we're engaged and support your staff and bring resources for well-informed decision making, and we want to have fun.

CHAIRPERSON NICHOLS: Well, we take your appointment as a very good sign from Secretary Bonner and from Director Kempton that BT&H and CalTrans are going to be playing a very high level role in this effort. And I think we definitely have been assuming that the partnership would be a robust one. But if there's a need for some sort of a formal letter or statement to that effect, we certainly would be happy to do that.

MR. ALBRIGHT: I think we'd appreciate just an acknowledgement that we will be part of that process would be fantastic.

CHAIRPERSON NICHOLS: I think you're more than a part of it. I think you're fully implicated.

(Laughter.)

MR. ALBRIGHT: We're a partner and we want to
behave like a partner.
So thank you very much.
CHAIRPERSON NICHOLS: Thank you. Thanks for coming over today.
Are you here to testify on this item?
MR. BAKER: I am.
CHAIRPERSON NICHOLS: Okay. Come forward and give your name, please.
MR. BAKER: Excuse me. My name is Mathew Baker. I'm the Habitat Director at the Environmental Council of Sacramento, ECOS.
CHAIRPERSON NICHOLS: Okay.
MR. BAKER: I was only informed moments ago -- please excuse my appearance -- that we had no one to represent us today.
I believe you've received a letter on behalf of attorney Keith Wagner, who would very much like an appointment to the Advisory Committee on SB 375. So I am here to formally endorse Keith Wagner for this appointment. And I don't know -- excuse me, again.
I'm not prepared at all.
Do you need me to explain the Environmental Council of Sacramento or make a case for why I think we should have representation on --
CHAIRPERSON NICHOLS: No, I am familiar with the
organization. And I think maybe I would -- I would just say personally, I received dozens of letters and Emails and calls. At one point I was joking, and that was before the indictment of the Governor of Illinois, that if I could have just been selling the seats on this Committee, that we could have financed our budget deficit for the year.

But in all seriousness, I think it's a tremendous sign of the support that this bill has and that this process has that so many people came forward to volunteer. We expect that the meetings of the Committee will be open, and that they will include a very substantial input, not just in a sort of a public comment way, but actual working committees will be set up to deal with specific issues where input from environmental organizations, groups that have been advocates for land-use reform and many other issues, will be included in the process.

We have this struggle to try to make sure that the Committee is not so big that they can't actually get a report out in a short space of time. It really is -- it's not a committee of representatives, I think, so much as it is a committee of individuals who are going to be able to bring not only their own expertise, but staff and really get the report done to bring back to the ARB. And at
every step along the way we will be looking for input.

But I think I would have to say that the staff did a good job of considering the various interests and issues that are out there that needed to be committed to. And while you may not feel that anybody on this Committee necessarily speaks for you or for your group, there are individuals here who do bring expertise in the same issues that your organization has been working on.

So my inclination is to not sit here and sort of tinker with the makeup of the Committee, but to recognize that the staff did a good job of balancing a lot of requests and interests, and just let the process start to move forward at this point.

MR. BAKER: Well, thank you.

If Keith is not admitted into the Committee, I really hope that the doors are open for input from ECOS. ECOS has been doing regional planning issues -- has been dealing with regional planning issues for over three decades and --

CHAIRPERSON NICHOLS: Oh, I know. You guys have been active and effective. We applaud you for it. And I hope you see this as a natural outgrowth of the work that you've been doing all these years.

MR. BAKER: Thank you. Thanks for the consideration.
CHAIRPERSON NICHOLS: Thanks for coming over.

MR. BAKER: Thank you.

CHAIRPERSON NICHOLS: Okay. Comments, questions from the Board?

I know we've got people who have deadlines and planes and other things to meet.

Question?

BOARD MEMBER TELLES: Actually, I would -- even though I agree that the Committee shouldn't be -- and perhaps it's already too big. But I would like you to consider the request from Mr. Phipps. Eight of the 18 MPOs are located in the San Joaquin Valley. And I think to get their buy-in, it would be nice to have the person that they suggested to be on this Committee to be able to be on the Committee and communicate back with those MPOs with the process that they have going.

They're just in the process of kind of organizing the countywide -- I mean, a regional-wide MPO network, and I think this would help assist that and would also help assist making it successful in the valley. Because really when it gets down to it, we're creating -- this Committee's going to create guidelines to tell MPOs what to do. And if they feel that they haven't been part of it from the get-go, it may be more difficult to get what we're trying to do accomplished.
CHAIRPERSON NICHOLS: Does staff want to respond
to that comment?

DEPUTY EXECUTIVE OFFICER TERRY: Obviously, the
eight MPOs in the valley are critical to the process. And
I just want to emphasize that this Committee has a fairly
narrow charge. And I think there might be some confusion
about, this is not an advisory committee for the entire
process, because we will go through our standard
stakeholder process in terms of developing staff proposals
for targets for each region.

So really the Regional Targets Advisory Committee
has a very technical assignment, time certain. It's the
first step in the process. Once that process is done, we
will have a very expansive stakeholder process, like we
always do. So all of the organizations that have
expressed interest in being part of that process, we will
be working with them beginning next week - I won't say
tomorrow - to get their technical input, bring that input
back to the RTAC - as Chairman Nichols asked earlier, what
will staff's role be. One of those roles will be to work
with all the MPOs in the Valley as a technical team and
make sure that that input reaches the Committee and that
there's coordination among the two valley representatives
that are on the Committee, so that the input of the group
is considered.
There's always been a strong technical team in terms of our staff and MPOs. And this newest joint assignment is just really going to strengthen that technical team. And so we have the firm commitment. We have a liaison to the valley who works on air quality and transportation issues, as well as our team working on 375. And we'd be happy to provide updates at the Board's pleasure in terms of how those additional activities are going outside of the RTAC process itself.

CHAIRPERSON NICHOLS: Well, I'm not sure -- I don't want to assign additional workload to Board members. But I do think that the point that -- about the importance of the valley obviously is inescapable. We understand the growth issues and the concerns in that region. And I think it was very noble of Mr. Phipps to acknowledge that, you know, there was a problem in terms of the counties getting their act together, so to speak, to nominate a representative, and that that perhaps could have been an issue in terms of timing of putting this Committee together.

Because, believe me, I sat with the group a few times when they were going over names. And there were dozens and dozens of names of people that could have been asked and could have done a very good job and who would have brought in some expertise and some constituency that
would be very useful to us. But at the end of the day, we came up with what we did.

And I thought Supervisor Roberts' idea of how to kind of keep folks in San Diego -- who wanted to be on, but were told they couldn't even though they also had a very strong claim, particularly I know their air pollution control district really felt that they should be included and often don't get considered. His idea of sort of hosting a regular session himself in the San Diego area to work on these issues seemed to me to be a really great way of making sure that we're getting the input and also that folks there are hearing about what's going on and feel like they're included.

So, I don't know if our valley Board members -- valley-residing Board members would like to do the same thing, but that might be a role that could help bridge this gap here without opening up the flood gates of people who feel like they should be on the Committee.

BOARD MEMBER D'ADAMO: Well, I'd be happy to participate with Dr. Telles.

And I would say that I know the two representatives -- I understand one of these are not regional representatives. But Carol Whiteside and Andy Chesley, I know them both well. And Andy Chesley has some additional credentials that are not included in the bio
here and, that is, that he was recently appointed to the Governor's Partnership for the San Joaquin Valley. And that's the group that's been working on the blueprint process. So he's very much engaged in that. And I called him this morning. And he is committed to doing, well, maybe some of that extra work in outreach with the San Joaquin Valley.

I know Jess Brown very well, and I'd be happy to contact him as well.

I think that if we could have sort of maybe somewhat of a dual process going on, so that the input could be provided as much as possible by those who would have wanted to participate. And let's face it, a lot of these meetings are probably going to be in Sacramento. So to have local meetings would, I think, help facilitate additional information gathering.

CHAIRPERSON NICHOLS: Well, that's a -- I appreciate that.

BOARD MEMBER TELLES: Can I just --

CHAIRPERSON NICHOLS: Yes.

BOARD MEMBER TELLES: Could I just ask Mr. Phipps, would that work for our region?

MR. PHIPPS: You know, again, our --

CHAIRPERSON NICHOLS: I'm sure it's not your first choice. You could say that.
MR. PHIPPS: Yes, precisely. I mean, you know, clearly we'll all give CARB the authority to set the parameters of the Committee as they choose. You know, again our -- I apologize for the mix-up and the late notice with regard to Mr. Brown. And I do respect your, you know, desire to not open up a can of worms with this. So we appreciate any consideration you can get us, and I will leave it at that.

CHAIRPERSON NICHOLS: Thank you.
I think we probably need to bring this to a resolution.
Do we have a motion?
BOARD MEMBER D'ADAMO: So moved.
CHAIRPERSON NICHOLS: And a second?
BOARD MEMBER BERG: Second.
CHAIRPERSON NICHOLS: May I call the question at this time? This is to approve the Committee going forward.
All in favor please say aye.
(Ayes.)
CHAIRPERSON NICHOLS: Opposed?
Thank you so much. I appreciate it.
I know we have people who have to leave.
Is it all right for me to continue to hear the public comments without a full quorum?
CHIEF COUNSEL PETER: Yes.

CHAIRPERSON NICHOLS: All right. Then those who need to go, please feel free to do so.

We do have three people who had asked to speak during the public comment period. So I will now call them forward.

And they are Max Ordonez, Anibal Guerrero, and John Williams. Please come forward and address the Board members who are here and the staff.

Thank you.

MR. ORDONEZ: Good afternoon, Chairman Nichols and Board members. My name is Max Ordonez. I'm the Treasurer of the California Spanish Chambers of Commerce, various local chambers, and a member of NFIB.

I just wanted -- and I've been here a few times. I think the first time was to talk about what small businesses -- wanted to make sure we understood the impact on the financing aspect for a lot of the micro -- small businesses.

And today I just wanted to bring up a third point regarding the economic analysis. Just a concern that although small businesses don't have the need of the large investment capital of a lot of the big companies, we're still concerned and want to know more about what the cost will be to the smaller businesses and the consumer. In
many cases -- sometimes in some cases those who have a greater hardship are again the small business person. And then again bringing back the point that -- although, the net costs are stated over the long term, I still feel that it would be -- from a planning aspect, to know more about what the mid-term and the near-term aspects could be. And I know that's something that's been discussed. I know there's been a lot of hard work on behalf of a lot of your Board members and staff and creating that dialogue between the small business community. And also I want to thank you for that as well. As far as I just -- real quick point on the economic analysis, just that it does compute and disclose how much it's going to cost. Not so much -- our concern is what it's going to cost the big players, the big companies, again, what those impacts will be for a lot of the smaller businesses and consumers. I just wanted to make sure that that point gets across. And once we know that, to really consider what will be implemented on behalf of your -- of CARB.

Thank you so much.

CHAIRPERSON NICHOLS: Thank you. It's nice to see you back again. And we do have your concerns in mind. And I know that the staff is planning on producing some further economic information about the low carbon fuel
standard. That's the next big effort that's coming forward. And so hopefully you'll be involved in that as well.

Thank you.

Mr. Guerrero.

MR. GUERRERO: Good afternoon, ladies and gentlemen. My name is Anibal Guerrero. I'm representing the San Fernando Valley Chapter of the Mexican-American Political Association.

And I do kind of want to piggyback on what Max just indicated to us, with a little twist on the concerns of the organization and as it affects the Latino community.

Members, the Latino community have been hit hard by the current economic crisis. Many hard working Latino families are having trouble paying their rent, keeping lights on and putting food on the table.

Although we support AB 32, we worry about the costs. In the time since work started on the scoping plan until now, economic conditions have gotten a little bit worse. It's more important than ever that costs be seriously considered, no matter how small they may seem in the grand scheme of things, over the next decade or so. And it's imperative that staff spend the time necessary to determine what is -- what this rule and others will cost.
people like our members and their community in terms of
fuel for their vehicles, fares for taking the bus, for
taking the train, and for everyday products like food that
comes to us by freight and vehicles.

We respectfully suggest you examine this
information in a delicate manner and devise a policy that
won't make a bad economic situation worse.

I thank you for letting us speak.

CHAIRPERSON NICHOLS: Thank you for your
comments.

Okay. John Williams.

MR. WILLIAMS: Good morning. My name's John
Williams. I'm an industrial researcher here on behalf of
a group known as Valley Citizens in the east Sacramento
County. Thanks very much for the opportunity to speak to
the Board.

I'm here to describe an abuse of one of the
Board's permitting activities. I sent a full packet in
three weeks ago, a complaint letter and a list of exhibits
regarding a facility called Hardesty Sand and Gravel.

For the last 15 years Hardesty Sand and Gravel
has run a sand and gravel processing operation in east
Sacramento. And for ten years they've operated that
facility without any kind of air permit at all. No air
permit for ten years. Finally, the district -- the air
district inspected the facility, discovered they had no air permit, and issued a violation notice.

In response, the Hardesty operation has taken inappropriate advantage of the Air Resources Board program for portable equipment. Now, the ARB issues what's called a Registration for Portable Equipment. This is typically for a crusher or a cement plant. This is no bigger than a cement truck. It travels to a location, operates there for a few hours or days or weeks, and then moves to another location. And that's the intent of the program, is for the equipment that functions in multiple sites for short periods.

In this instance, this is a large stationary source, covers several acres. It would take weeks to take it apart and move it. And, in fact, the air district's conclusion upon repeated inspections is that it's been there since 19— or at least 2005 at its current location, increasing production every year, has never been moved, never been portable, and, in effect, is an abuse of the situation.

And what's happening now is the air district is trying to force the facility to get a permit for a stationary source. And the operator waives his ARB registration and says, "Oh, no, I've got permits. Air district, go away. Leave me alone." This is entirely
inappropriate. It's giving this particular operator a competitive advantage against legitimate companies that play by the rules. And, in fact, he's driven some folks out of business. There have been layoffs. And there was testimony yesterday at the air district hearing about other companies that have had to lay off workers because of this unfair competition.

Also, a permit for a portable source like this is an inferior permit, allows higher emissions than would a district permit, because the assumption is the facility is only going to operate for a short time. Instead, it's operated day in, day out, year after year.

So in conclusion - and the district staff had told me this is appropriate - I would like to ask the ARB to consider canceling the registrations for the Hardesty facility because they violated their own permit, they violated ARB rules, and it's likely they obtained those registrations by misrepresenting the status of the facility.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you. I've not seen the letter. I assume it went to staff in the Enforcement Division or the Legal Division probably?

MR. WILLIAMS: Well, actually I addressed it to you. And I got kicked down the food chain. And I've
1 heard from staff and from one of the Board attorneys.
2 CHAIRPERSON NICHOLS: Oh, you have already.
3 Okay. Well, I'm going to ask Ellen Peter, our
4 Chief Counsel, to keep an eye on this and to follow up
5 with you and make sure there's a resolution.
6 MR. WILLIAMS: Great. Thank you very much.
7 CHAIRPERSON NICHOLS: Thank you.
8 I don't see anyone else who's lined up to speak
9 to us. I think we can actually adjourn this meeting.
10 And thank you all very much.
11 (Thereupon the Air Resources Board meeting
12 adjourned at 12:22 p.m.)
CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing California Air Resources Board meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of February, 2009.

JAMES F. PETERS, CSR, RPR
Certified Shorthand Reporter
License No. 10063

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345