MEETING

STATE OF CALIFORNIA

AIR RESOURCES BOARD

JOE SERNA, JR. BUILDING

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

BYRON SHER AUDITORIUM, SECOND FLOOR

1001 I STREET

SACRAMENTO, CALIFORNIA

FRIDAY, APRIL 24, 2009

8:30 A.M.

TIFFANY C. KRAFT, CSR, RPR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 12277

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
APPEARANCES

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Dr. John R. Balmes
Ms. Sandra Berg
Ms. Dorene D'Adamo
Ms. Lydia Kennard
Dr. John Telles
Mr. Ken Yeager

STAFF
Mr. James Goldstene, Executive Officer
Mr. Tom Cackette, Chief Deputy Executive Officer
Ms. Ellen Peter, Chief Counsel
Mr. Michael Scheible, Deputy Executive Officer
Ms. Lynn Terry, Deputy Executive Officer
Ms. Kathleen Quetin, Ombudsman
Mr. Joe Calavita, On Road Controls Branch, Mobile Source Control Division
Mr. Kurt Karperos, Chief, Air Quality and Transportation Planning Branch, Planning and Technical Support Division
Ms. Kyra Naumoff, Climate Action and Research Planning Section, Research Division
Ms. Monica Vejar, Board Clerk

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APPEARANCES CONTINUED

ALSO PRESENT

Mr. Mel Assagai, Strategic Counsel
Mr. Mark Aubry, Smith Electric Vehicles
Mr. Damian Breen, Bay Area AQMD
Mr. Jay Friedland, Plug-In America
Mr. Jamie Hall, CalSTART
Mr. Henry Hogo, South Coast AQMD
Ms. Eloisa Kleinentich, BTH
Ms. Aleecia Macias, California Energy Comission
Ms. Laura Marion, APTERA
Mr. Matt Miyasato, SCAQMD
Mr. Noel Perry, Next10.org
Ms. Colleen Quinn, Vectrix
Mr. Max Scheder-Bieschin, Barefoot Motors
Mr. John Shears, CEERT

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CHAIRPERSON NICHOLS: The April 24th Board meeting will come to order. This is the continuation. We'll jump right into it.

Will the Clerk please call the roll?

BOARD CLERK VEJAR: Dr. Balmes?
BOARD MEMBER Balmes: Here.
BOARD CLERK VEJAR: Ms. Berg?
BOARD MEMBER BERG: Here.
BOARD CLERK VEJAR: Ms. D'Adamo?
BOARD MEMBER D'ADAMO: Here.
BOARD CLERK VEJAR: Ms. Kennard?
BOARD MEMBER KENNARD: Here.
BOARD CLERK VEJAR: Mayor Loveridge?
Ms. Riordan?
Supervisor Roberts?
Professor Sperling?
Dr. Telles?
Supervisor Yeager?
BOARD MEMBE YEAGER: Here
BOARD CLERK VEJAR: Chairman Nichols?
CHAIRPERSON NICHOLS: Here.
BOARD CLERK VEJAR: Madam Chairman, we have a quorum.
CHAIRPERSON NICHOLS: We're expecting Dr. Telles
shortly.

Dr. Sperling is excused, because he's in Washington testifying in the House Public Works Committee on the low-carbon fuel standard.

And all the others who are not here are excused for a very good cause. But that was one I thought was worth mentioning.

There are two changes in today's agenda. The first change is in the order of items on the agenda. We are going to first hear Agenda Item 9-4-8, the status report on the State Implementation Plan, our State Strategy for the State Implementation Plan. And we'll consider approval of a proposed revision to the State Implementation Plan that would reflect implementation of the 2007 State Strategy. Afterwards, we will continue the agenda as noticed in the public agenda.

Secondly, immediately following the staff presentation on the air quality improvement program guidelines and funding plan, Agenda Items 09-4-6 and 09-4-7.

My fellow Board members and I invite all you to join us outside on the corner of 10th and I Streets to view some of the technology that's going to be on display that is an example of the kinds of equipment that are going to be paid for through the Air Quality Improvement
Plan in the upcoming fiscal year. So basically we approve the money first, then go get to look at the good things the money is going to buy. And Mr. Cackette is going to lead us out on this expedition outside the building, but it's only just outside the front door.

I have to also repeat the logistical announcements in case there's anyone here who isn't familiar with our procedures.

Anyone who wishes to testify needs to sign up with the clerk of the Board over here. You have the option to include your name on the speaker card.

Also, we remind people that speakers need to stick to a three-minute time limit, although we might have to impose a shorter limit if there's some reason why that's necessary to do.

We would appreciate it if you would state your full name when you arrive at the podium and put your testimony into your own words rather than reading it. It's much more effective for us to listen to it that way, and your written testimony will be in the record.

Finally, I have to point out the emergency exists at the rear of the room and to remind you that in the event of a fire drill or any alarm going off, we're to exit through those doors in the rear of the auditorium and wait downstairs outside the building until the all-clear.
signal is given.
I think that's enough for that.
And we can now move into the status report on
implementation of the 2007 State Strategy for meeting the
federal 8-hour ozone standard.
Mr. Goldstene.
EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman
Nichols. Good morning, members.
The SIP revision before you today is a technical
update that demonstrates ARB's progress in achieving new
emission reductions needed to meet federal air quality
standards.
The U.S. EPA has been reviewing the 2007 SIP and
requested some specific revisions that would facilitate
the approval process. Staff will briefly summarize the
proposed revision.
Kurt Karperos, Chief of our Air Quality and
Transportation Planning Branch, will make the
presentation. Kurt.
(Thereupon an overhead presentation was
presented as follows.)
AIR QUALITY AND TRANSPORTATION PLANNING BRANCH
CHIEF KARPEROS: Thank you, Mr. Goldstene. Good morning,
Board members.
As Mr. Goldstene just said, I will describe the
proposed technical amendment to the SIP to aid U.S. EPA
approval. And I'll begin with a brief SIP status report.

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AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

CHIEF KARPEROS: The State Strategy the Board approved in
2007 committed ARB to reduce oxides of nitrogen, reactive
organic gases, sulfur oxides, as well as directly emitted
particulate matter by various amounts in various years.
These reductions are in addition to the benefits we
achieve from regulations already in place.

The enforceable legal commitment is for specific
emission reductions in various years, along with a
schedule for developing new control measures for ARB to
achieve new reductions.

In the 18 months since the Board approved the
State Strategy, you have taken action on 14
pollution-reducing rulemakings. Eleven of those
rulemakings implement measures outlined in the State
Strategy.

But just as with past SIPS, staff has developed
additional ways to reduce emissions that weren't
envisioned in the plan.

The Board has adopted three rules that were not
described in the State Strategy, but the reductions from
those rules will count toward the SIP commitment.
CHIEF KARPEROS: This slide lists the categories for which ARB adopted rules in 2007 and 2008 to achieve new reductions.

In terms of magnitude, the most significant of these rules are the cleaner in-use heavy-duty diesel truck rule adopted in 2008 and the off-road equipment rule adopted in July 2007.

As a result of 2008 legislative action, there will be a loss of emission reductions in the critical 2014 attainment year for PM2.5. As we track progress on SIP implementation, we will need to track both emission levels and reductions to determine and mitigate any SIP shortfalls.

The other rules listed here target combustion emissions from other mobile sources and their fuels, plus evaporative emissions from fuels and consumer products.

The last three rules listed on this slide -- light-duty vehicle catalyst replacement, greenhouse gases from heavy-duty vehicles, and large spark ignition engines are the ones that I mentioned that were not identified in the plan, but will help us fulfill ARB's SIP commitment.
CHIEF KARPEROS: The first emission reduction deadline in 2007 SIP is 2014, when the South Coast and San Joaquin Valley must attain the PM2.5 standard.

With its actions since adopting the State Strategy, California now has in place programs and regulations that will achieve 87 percent of the NOx reductions needed for PM2.5 attainment in the South Coast and 95 percent of the NOx reductions needed to meet the same standard in the San Joaquin Valley. NOx reductions are the key to attainment in both regions.

Although not shown on this slide, California has achieved 93 percent of the NOx reductions needed from near-term measures for ozone attainment in the San Joaquin Valley and 90 percent of the NOx reductions needed in the South Coast.

This accounting does not include the additional reductions that are still needed from long-term measures made possible by future technological advances as part of the longer-term SIP commitment.

We must achieve substantial new emission reductions by 2023, the 8-hour ozone standard deadline.

Today's status report does not address the longer-term SIP commitment, but our SIP revision does describe the process we will use to develop a longer term strategy.

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AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

CHIEF KARPEROS: Now let me turn to the SIP revision itself.

As I mentioned earlier, U.S. EPA requested that we include information in the SIP to aid their approval of the plan. U.S. EPA is asking for this information specifically in the context of its three-part approval criteria for SIPS that, like California's, rely on enforceable commitments to reduce emissions.

The first criterion is that the commitment be for a limited portion of the needed emission reductions. As I just described, with approximately 90 or more percent of the needed near-term reductions accounted for with adopted regulations, staff believes this test is clearly met.

U.S. EPA's second approval criterion is that the State is capable of fulfilling its commitment. ARB's track record speaks for itself. ARB's performance in meeting its obligations both under this SIP and prior SIPs is solid evidence the State is capable of adopting regulations to which it commits.

U.S. EPA's third approval criterion is that the commitment be for a reasonable and appropriate period of time.

The rulemaking schedule in the SIP runs through 2012, with most of it done by 2010, which meets that
AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

CHIEF KARPEROS: So that U.S. EPA can conclude the emission reductions in California's enforceable commitment from yet to be adopted measures is a limited proportion of emission reduction needed for attainment, the proposed revision quantifies for U.S. EPA the benefits of the recently adopted State measures.

Related to its criteria, U.S. EPA has also asked that ARB commit to revise the SIP as may be appropriate in 2010. This will give U.S. EPA the assurance it needs that ARB will continue to meet the criteria on an ongoing basis.

Next, U.S. EPA also asked for more detail on the development of long-term strategies to meet the 2023 attainment deadline for the 8-hour ozone standard in the South Coast and San Joaquin Valley.

In response for the SIP, staff outlined the coordinated public research efforts with U.S. EPA and the two air districts.

Finally, for editorial clarity, the proposed revision also incorporates emissions reductions in Sacramento from the State Strategy now that the Board approved it last month.
AIR QUALITY AND TRANSPORTATION PLANNING BRANCH

CHIEF KARPERS: In closing, staff recommends that you approve the clarifying SIP revision to provide the additional information requested by U.S. EPA to aid in approval of California's SIP.

Thank you. That concludes the staff presentation.

CHAIRPERSON NICHOLS: Thank you. That was very clear.

Are there any questions of staff before we go to the public testimony? Yes.

BOARD MEMBER BERG: Yes. Good morning.

In calculating out the adopted rules, could you just review with us what the impacts will be for the on-road rule changes that were made through the budget and if it's accounted for here?

CHIEF KARPERS: The numbers I quoted in terms of the percent progress and our ability to demonstrate to U.S. EPA that we have -- that we are meeting their approval criteria for the SIP included the original benefits of the construction rule as it was adopted.

We've looked at the potential impact of that. It certainly in terms as I was saying in the presentation, we
will need to account for that as we move forward towards
the attainment deadline.

But in terms of how it doesn't -- the numerical
impact is small enough and less than a percent in terms of
how much progress we've made towards fulfilling our
commitment.

BOARD MEMBER BERG: Thank you. You're very kind.

It was the off-road rule, not the on-road rule.

And secondly, if we look at doing a mid-course
review in 2010, it might be very interesting data to be
looking at what the effect of the economy might be having
on our air quality. Even though we certainly don't like
this downturn, there might be some benefits to air
quality. And it will be interesting looking at that data
as well.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Your questions illustrate the fact that this is a
constantly moving process that we're engaged in. And
every one of these submittals is taken at a certain point
in time, even though the train may have moved on and the
elephants may have gone in the opposite direction. That
seems to have happened here.

But anyhow, we do have some progress to report.

And I think it's -- I'm really heartened by the fact that
we are able to close the big gap on the unknown portion of
the commitments, having sat on the other side of this
issue at EPA.

Everybody always knew that California had a great
program and California was going to do things that nobody
else could do, as we demonstrated once again yesterday.
But the Clean Air Act has some very precise requirements
in terms of tons that have to be reduced. And it's very
nervous-making when you just get a big promise without any
detail attached to it. And obviously there's not a lot
more detail. It's very encouraging.

I show only one witness signed up to speak on
this, and that's Henry Hogo.

Good morning, Mr. Hogo.

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

I'm Henry Hogo, Assistant Executive Deputy
Officer of our Mobile Source Division at the South Coast
AQMD.

I want to make two comments this morning relative
to the action.

First, I want to commend the Board and your staff
for the significant progress made in implementing the SIP
through your rulemaking. They're a very challenging
rulemaking, and we really appreciate that effort.
Also want to commend staff for the progress made with U.S. EPA towards an approvable SIP. That's the action you're taking today.

We do have very short comments.

The first is that the proposed SIP revision contains a commitment to achieve future emission reduction in total. If there is a shortfall in adopting specific measures, other measures or strategies will be identified to make up the shortfall. We believe to strengthen this commitment that commitments should be extended to existing regulations in the case that these existing regulations do not achieve the benefits that were to be realized when you adopted the rule. So we believe that can strengthen your commitment on the SIP.

The other comment is that we just want to be mindful that the large black box that we have in the South Coast that despite the significant progress, we need to move expeditiously towards identifying specific measures or strategies to make up for that black box. And so we need to move as quickly as possible. And we really want to see a SIP revision earlier than 2020 in order to look at the black box.

With that, I just want to say that the South Coast AQMD staff is looking forward to working with your staff as you identify these measures in the black box.
Thank you.

CHAIRPERSON NICHOLS: Thank you.

Were there any other cards submitted on this item?

BOARD CLERK VEJAR: No.

CHAIRPERSON NICHOLS: Okay. Well, I think we actually have a resolution here that we need to act on. Do we have any other remarks, Mr. Goldstene or Mr. Karparos, anything else we need to do before we bring this resolution up?

EXECUTIVE OFFICER GOLDSTENE: No. Not at this time.

BOARD MEMBER D'ADAMO: I'll move adoption of the resolution.

BOARD MEMBER BALMES: Second.

CHAIRPERSON NICHOLS: Okay. All in favor -- all in favor please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed?

Great. Thank you very much.

Now we return to the agenda as it was previously organized. We have an early action item that was identified under AB 32, which is to develop guidance and protocols to assist small businesses in reducing greenhouse gas emissions. These are voluntary guidelines.
They're not regulatory. But the belief is that there is an interest and certainly an opportunity out there for small business to both assist in improving our greenhouse gas emissions profile and also to develop cost effective measures that they can take themselves that will help with energy efficiency.

So we need to hear a progress report on how this is doing. Mr. Goldstene.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Of course, small businesses are an essential part of California's economy. And the AB 32 Scoping Plan underscored the need for us to provide tools to assist businesses with transitioning to a low-carbon future.

In response, staff's been developing an online toolkit that will help businesses identify meaningful and cost effective actions that they can take as part of our statewide effort to reach our 2020 greenhouse gas goals.

Staff from the Research Division has led this effort with a lot of support from other State agencies and several other -- many external stakeholders.

Kyra Naumoff of our Research Division will make the staff presentation.

(Thereupon an overhead presentation was presented as follows.)
MS. NAUMOFF: Thank you, Mr. Goldstene. Good morning, Madam Chair and members of the Board.

We are pleased to introduce to you ARB's small business toolkit that will help small businesses participate in California's efforts to reduce greenhouse gas emissions, and in many instances, save money.

This measure was identified by the Board as an AB 32 early action in 2007.

Before I discuss the toolkit, I will highlight the importance of the small businesses both in terms of California's economy and in meeting California's climate change goals as outlined in AB 32.

I will then discuss our resource portal, CoolCalifornia.org, home of the small businesses toolkit.

The remainder of the presentation will focus on the toolkit itself.

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MS. NAUMOFF: California's 3.4 million small businesses employed 13.8 million Californians and generated $149 billion in 2007. They are clearly an important contributor to California's economy.

Small business owners are also a hard-working and creative group of people. In many cases, they work on tight margins with limited time and constantly wear multiple hats.

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This creative drive will be an important asset in helping California meet its climate change goals.

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MS. NAUMOFF: Given the importance of small businesses to California's economy, ARB analyzed the impact that implementation of Scoping Plan measures will have on them. While most of the measures in the Scoping Plan will not impact small business directly, our analysis concluded that the primary impacts AB 32 will have on small businesses include changes in the costs of goods, services, and energy.

The Scoping Plan specifically recognizes the need to work in partnership with California small businesses and reiterated the importance of developing a small business toolkit to provide a one-stop shop for technical and financial resources to facilitate voluntary GHG emission reduction and cost savings strategies.

We will continue working with the many business associations, organizations, and other State partners that can contribute resources, input, and expertise.

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MS. NAUMOFF: CoolCalifornia.org is our overarching resource portal designed to provide all Californians with tools to voluntarily reduce GHG emissions. Tools have been developed for small
1 businesses, local governments, and individuals. Staff
2 will introduce the local government toolkit at the May
3 Board meeting.

4 Future plans to improve the website include
5 developing tools and resources for youth, school, and
6 community organizations, and translating the site into
7 other languages, including Spanish and Chinese.
8 Though there are many existing resources that
9 promote climate-friendly action, they are not organized in
10 a central location. CoolCalifornia.org strives to do just
11 that, while also providing a unique carbon footprint
12 calculator and social networking capacities that are
13 California specific. Staff worked with the web designers
14 and stakeholders to create a site that is clear and user
15 friendly.

--o0o--

17 MS. NAUMOFF: A strength of CoolCalifornia.org is
18 its partnership of five government, academic, and
19 non-governmental organizations. Collectively, the
20 partners have the expertise to develop site content and
21 experience to broadly distribute the information.
22 Our key partners are NEXT 10 and UC Berkeley.
23 NEXT 10 is a non-governmental organization that creates
24 tools and provides information that fosters a deeper
25 understanding of the critical issues effecting all
1 Californians. They provided website design, expertise,  
2 and financial support.  
3 The Berkeley Institute for the Environment at  
4 U.C. Berkeley is currently building an online California  
5 business-specific carbon footprint calculator for the  
6 toolkit.  
7  
8 MS. NAUMOFF: To facilitate stakeholder input,  
9 staff presented at meetings with California small business  
10 leadership, including the California Small Business  
11 Association, the National Association of Women Business  
12 Owners in Sacramento, and the National Federation of the  
13 Independent Business.  
14 Staff conducted a public workshop in Sacramento  
15 last December to preview the draft toolkit and highlight  
16 California success stories. One of the key discussion  
17 items focused on the most effective way to disseminate the  
18 toolkit.  
19 Staff followed up by partnering with the  
20 California Business, Transportation, and Housing Agency.  
21 They committed to disseminating printed and online copies  
22 of the toolkit via their extensive network of economic  
23 development agencies across the state.  
24 Throughout the development process, the toolkit  
25 has been constantly improved by valuable comments from our
technical review panel, shown on the slide, and from small
business owners.

MS. NAUMOFF: Discussions with stakeholders were
instrumental in guiding the toolkit development process.
Via these conversations, staff learned that it
was critical to:
Emphasize that cost savings often go hand in hand
with emission reduction strategies;
Highlight success stories that can be replicated
by other small business owners;
Concisely discuss how AB 32 will impact small
businesses;
Provide business to business networking
opportunities;
And develop a plan to actively distribute the
toolkit so that small businesses across the state can use
it.
These suggestions are reflected in part by the
icons shown on the left-hand side of the screen that are
currently displayed on the CoolCalifornia.org home page.
Five precedents in particular informed toolkit development. They are the California utility programs, California green business programs, Flex Your Power, EnergyStar, and the Carbon Trust.

As just two examples of these programs' success, under the EnergyStart program, Americans saved enough energy in 2008 to avoid GHG emissions equivalent to those from 29 million cars while saving $19 billion on their utility bills.

Similarly, since 2001, the Carbon Trust has helped participants and their energy efficiency and carbon emissions reduction programs in the UK save over $1.4 million worth of energy and reduce carbon dioxide emissions by 17 million metric tons according to independent auditors.

All of these effective programs have clear, well developed resources on-line and in print as well as targeted marketing and distribution campaigns. ARB is using similar approaches to develop the small business toolkit.

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MS. NAUMOFF: Building on this foundation of stakeholder engagement and program review, the small business toolkit was designed as a one stop shop to provide California-specific information that
cost-effectively facilitates voluntary GHG reductions.

Sites that currently host related information are linked
to CoolCalifornia.org so that a busy small business owner
need only go to a single site to be directed to all online
resources. For those businesses without internet access,
printed materials will be available.

Toolkit components include: Specific
cclimate-friendly actions to save money; information about
where to find money to get started; California success
stories; a business-specific carbon footprint calculator;
and a small business award program. The toolkit is
currently available online at CoolCalifornia.org.

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MS. NAUMOFF: Staff realized that the bottom line
is most important to small businesses, even under the best
of economic conditions. As such, we have worked hard to
convey the message that actions to reduce GHG emissions
can be no or low cost and save money, though payback
periods vary.

The toolkit has eight action areas designed to
save money and reduce GHG emissions. They are: Save
ergy, drive less and drive clean, use green energy, save
water, recycle and cut waste, buy green, be a green
business, and build green.

Each how to save money page as shown on the
screen is organized similarly. A table of contents at the
top of the page directs users to no-cost, low cost, and
long-term energy savings strategies. The resources
section on the right-hand side of the page points users to
related sites with additional information.

--o0o--

MS. NAUMOFF: In addition to the online
resources, staff developed concise down-loadable check
lists for each money-saving strategy to facilitate action.
This is part of a sample checklist for saving energy.
In addition to specific actions, the checklist
has information on initial investment costs, annual cost
savings, and GHG reduction potential. A comprehensive
checklist can be downloaded from the small business home
page.

Alternatively, specific check lists can be
downloaded for each money saving strategy.

--o0o--

MS. NAUMOFF: Another tool for tuning up
businesses is information about funding options to get
small businesses started on climate friendly retrofit
projects.

Considering only monies available to facilitate
energy efficiency upgrades, there is approximately $800
million available for 2009 for general energy efficiency
and $300 million for low-income energy efficiency according to information from the California Public Utility Commission. Though there are no energy efficiency funds strictly allocated for small businesses, businesses can apply for existing funds. To help small businesses navigate the application process, staff compiled links to all the programs that service small businesses, such as utility programs, third-party providers, searchable incentive databases, and so forth.

Additionally, this page contains information about on-bill financing, a program where an electric utility offers upgrades to its small business customers and loans to pay for the upgrades. All investor-owned utilities are required to implement on-bill financing programs in the 2009-2011 cycle.

The site also has social networking capacity so that busy users can easily e-mail, print, and/or share this page's resources with interested users on sites like Facebook and others.

--o0o--

MS. NAUMOFF: A central element of the toolkit are California's success stories. Staff compiled examples of real businesses that are already saving money and reducing GHG emissions. These are easy ways for small businesses to learn what their counterparts are doing and
1 pursue similar strategies.
2 Small businesses can also upload their story to
3 share both success and challenges.
4 Moving forward, we will continue to add new
5 success stories to the toolkit. On CoolCalifornia.org,
6 users can both view snapshots as shown for each of the
7 eight ways to save money or click through the view case
8 study details. I will highlight components of the case
9 study next.

       --o0o--

11 MS. NAUMOFF: Harmony Farm Supply and Nursery in
12 Sebastopol is a store, nursery, and photovoltaic panel
13 dealer.
14 Working with the Small Business Energy Alliance,
15 Harmony Farm conducted a comprehensive lighting upgrade.
16 These changes immediately cut energy consumption in half.
17 The facility's heating and cooling systems were upgraded
18 with an EnergyStart qualified programmable thermostat.
19 This comprehensive package, after subtracting financial
20 incentives from the Small Business Energy Alliance, cost
21 the owners $3,000.
22 After making energy efficiency upgrades, Harmony
23 considered other steps to reduce their energy consumption
24 and decided to install a 37 kilowatt solar array.
25 Harmony's energy efficiency and renewable energy
efforts collectively save more than $7,000 each year and prevent the emissions of about 40 tons of carbon dioxide annually.

This is just one example of a case study web visitors will find that describes a California small business taking action to cost effectively reduce its energy use and in doing so improve its bottom line and reduce GHG emissions.

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MS. NAUMOFF: Operating under the adage if you can't measure it, you can't change it, staff contracted with the U.C. Berkeley's Institute of the Environment to design a simple carbon footprint calculator for small businesses that use California-specific emission factors. This calculator allows for a 30 second carbon footprint estimate by entering sector, annual revenue, and location data. If businesses are interested in a more accurate carbon footprint estimate, they can enter additional information about their facility, energy and fuel consumption, transportation habits, and goods and services procurement.

After viewing their carbon footprint, the calculator helps businesses develop a personalized plan to reduce emissions by providing information on GHG savings of recommended actions and corresponding financial
metrics, like up-front cost, payback period, net cost savings, and investment rate of return.

MS. NAUMOFF: Staff also developed an awards program to incentivize, recognize, and reward early leadership. This program is based on existing models. Some models, like EnergyStart, Flex Your Power, and the Waste Reduction Award Program recognize businesses that have taken action in a specific area, such as energy conservation or waste reduction.

Other programs, like the Governor's Environment and Economic Leadership award, have a climate change award, but tend to recognize high level extraordinary businesses and organizations.

This new award will recognize multiple California small businesses that demonstrate climate leadership by implementing and promoting climate friendly practices.

Applicants will be eligible for one of two awards. For the CoolCalifornia excellence award, each business will be evaluated individually and up to 20 awards will be presented. Approximately five 'Small Business of the Years' awards will be awarded to the businesses that demonstrate exceptional climate change management practices and communication.

Applicants will be scored by selected experts.
Award winners will be able to use the CoolCalifornia winner logo in their window and on other materials to publicize their achievements.

MS. NAUMOFF: Staff is committed to developing a comprehensive toolkit distribution strategy. A key avenue will be working in partnership with stakeholders to share the toolkit through existing networks coordinated by California small business leadership. For example, both the air districts and California.gov will post a link to CoolCalifornia on their home pages.

Business Transportation and Housing is committed to promoting the toolkit by working through local economic development agencies.

We are also going to be working with the Office of Climate Change to organize multiple community forums across the state to introduce online and printed toolkit versions and facilitate connections to local resources.

Staff regularly give toolkit presentations at conferences and trade fairs and is willing to make presentations for interested business associations. We are also working closely with ARB's Office of Communications to develop a marketing strategy.

MS. NAUMOFF: The toolkit is a continually...
evolving resource. Our plan is to continue to incorporate stakeholder suggestions and research results to increase toolkit effectiveness.

To measure success in the short term, staff will conduct toolkit pilot testing with small businesses around the state to gauge and improve the toolkit's utility. Staff will measure web hits and other web-based parameters to gain an understanding of the number and type of users. In the long term, staff seek to use interactive pledges, challenges, and maps to measure public participation. Staff are also working on metrics to measure and estimate actual GHG emissions reductions and to monitor and evaluate the toolkit's effectiveness.

To improve the toolkit, staff's first priority is to develop a printed version. We will continue to work with the web design team to add functionality to upload media like photos and web-based seminars, more complex tools such as a virtual business energy audit, additional social networking features, and will incorporate results from in-house research.

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MS. NAUMOFF: Staff initiated in-house research to further inform toolkit development by evaluating how environmentally sustainable behavior is motivated among California businesses.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
The first research objective will be completed in partnership with California's Employment Development Department. This department is conducting a statewide green jobs survey. Staff added questions to this survey to assess climate-friendly practice implementation barriers, resources necessary to reduce GHG emissions, and perceived benefits of achieving GHG emissions reductions. Fifty thousand California businesses will be surveyed in May.

The second research objective will be completed by staff. A sample of the 20 to 30 small businesses will complete a survey about environmental attitudes and business practices and participate in a monitoring exercise to track business heating, electricity, and water consumption, vehicle usage, and waste generation. This data will be used to create a customized action plan for each business designed to promote cost effective climate-friendly action. One year later, participants will be asked to provide information on the measures implemented. This information will be used to design next generation strategies and incentive programs to facilitate successful GHG emissions reductions within the business community.
MS. NAUMOFF: Many small businesses across the state have already demonstrated that they can improve their bottom line with climate friendly actions. Collectively, these actions can help California reach its 2020 GHG emissions reduction goals.

Moving forward, staff will continue to work with small business leadership to improve and widely distribute the toolkit.

Throughout the process, it's instructive to keep in mind that the EnergyStart campaign started in 1992 as a voluntary labeling program, saved businesses, organizations, and consumers about $19 billion in 2008, and avoided GHG emissions equivalent to those from 29 million cars.

Similarly, since 2001, the Carbon Trust helped participants in their energy efficiency and carbon emissions reductions programs save over $1.4 billion worth of energy and reduce carbon dioxide emissions by 17 million metric tons.

Staff looks forward to moving the small business toolkit and CoolCalifornia.org along in a similar trajectory.

Thank you for your attention. We would be pleased to answer any questions.
They're actually partners and collaborators of ours. And I'd like to hear from them, and then we can have some discussion.

We'll start with Noel Perry from NEXT 10.

Welcome, Noel.

MR. PERRY: Thank you, Chairman Mary.

My name is Noel Perry, and I'm the founder of NEXT 10. NEXT 10 is a nonpartisan, nonprofit organization located in Palo Alto, California. And NEXT 10 is working at the intersection of the environment, the economy, and quality of life issues in California.

I'm honored to be here today to talk a little bit about the work of NEXT 10 with the Air Resources Board and also our other esteemed partner.

As a venture capitalist and businessman, I'm very impressed with the resources that the California Air Resources Board has brought to the CoolCalifornia site and specifically, as we're focused on today, small businesses in California. I thought the report that was done by Kyra was excellent. I could go on and on about the importance of small business in California, but I think she did a really good job highlighting what the contribution is.

And specifically, quite simply, in business, most businesses in California are small, with under 150 employees. And I think it's really significant that the
California Air Resources Board is reaching out to small business California, because small business California is the life blood of California.

I just want to say a little bit about what NEXT10 has produced. We've produced the California green innovation index. And the index is focusing on the economy and the environment as relates to AB 32 and the successful implementation of it. And check it out, if you'd like to look at it. It's not partisan. I think it's documenting the work that's happening here in the state of California, specifically focused on the economy, green jobs, and how we reduce greenhouse gas emissions.

I'd like to compliment the California Air Resources Board for what happened yesterday with the low carbon fuels. I guess that was an early action item. And so we are honored to be here working on another project that was an early action item which is the CoolCalifornia.

CHAIRPERSON NICHOLS: Not quite as many witnesses on this one.

MR. PERRY: Right. I guess today is a little easier to come up here and speak.

I would like to thank Mary for her leadership. I'd like to thank Bob Croes and all the staff that we're working with on this project. And it's a real honor.

I would like to really say how tremendous it is
to work with the California Air Resources Board, because I
see it as the leader in the nation and actually the world
as one of the most respected and esteemed regulatory
bodies that is leading the world in terms of reduction of
greenhouse gas emissions. So keep up the fabulous work.

Last, but not least, I want to thank Sara Henry,
the NEXT 10 program manager who's been working very
closely with CARB. Congratulations, and thank you for
letting me speak.

CHAIRPERSON NICHOLS: We hate to cut people off
when they're complimenting us, but we have to keep the
time limits.

Thank you so much, Noel, for all your support.
And really you've added a lot to this document, which is
very much appreciated. Thank you.

Go ahead.

MS. KLEINENTICH: Good morning. My name is Eloisa
Kleinentich. I'm Assistant Deputy Secretary of Business
Transportation and Housing Chairwoman and to the Board.

I just wanted to talk a little bit about what BT
and H is doing and how we got involved and really jumped
on this excellent opportunity and your great staff here at
the ARB.

Secretary Bonner has a regional economic recovery
and work plans. And what we're trying to do is trying to
get from the bottom up is understand what infrastructure
projects locals have focused on as being important for
their communities. But what we also have asked is what
can we do to support small businesses, specifically in
these difficult economic times.

Secretary Bonner put green teams as one of those
options. What we'd like to do -- our initial idea was to
go and create a website and get all of the organizations
within the state together. But when I ran into your great
team, as I mentioned, here at the ARB, I thought this is
great. I'll have the opportunity to work with them.

So what we were able to do, thanks to the
information that we received from them, is work together
to really focus some of the content for small businesses.
We work with all the economic developers throughout the
state. That's county, regional, and cities all have some
sort of economic development effort. What they're telling
us is they would like some sort of tools they can use to
bring to the table with small businesses.

So what we've teamed up is again based on the
website information, filling some of the information on
small businesses, is how can we, in fact, help them. What
we will do with that is teaming up with ARB is get the
information out to the economic developers about what
these options are. And in our responses back to local
communities on their regional economic recovery work plans, we'll also be referencing the website CoolCalifornia, so they can also work with their businesses as well.

So we find that this is a great opportunity for cross pollenization. It's a great toolkit. It's been a pleasure to work with the excellent staff at ARB. And it's great that we're all coming together to support small business.

So thank you.

CHAIRPERSON NICHOLS: Thank you very much.

I'd like to open this discussion. I know we could take a day on this issue and it would be very productive, but we have people on this Board who have some real expertise in this area that I would also like to hear from, other than just myself.

I just want to start off by saying I think this is a very good start. I think it's well organized. It's thoughtful. But the most important thing that I want to flag about this is that it has to be road tested. And it hasn't really been yet. And where we need the help is not just to count the number of hits that come to a website, but to actually find out whether people are taking action as a result of this and what they need in order to enable them to do that, because they disconnect between what
government thinks it's offering no matter how good it is
and what people actually do is very large as we all know
in many programs. And finding ways to actually get this
information to people in a format that's usable that they
can act on is not an easy thing at all.

One of the reasons why I think having these two
partners that are here today is tremendously valuable to
us is they have different networks. They come from
different backgrounds. They have different resources
literally available to them than we do.

But, you know, I have to acknowledge the fact
that yesterday we heard from an array of people who have
Chamber of Commerce and small business in their titles who
are hearing nothing but that AB 32 and the Air Resources
Board are going to cost them a lot of money and create
havoc in the state. And I don't think that they're part
of this process at all. Maybe we can't get every
individual in the state or every group in the door. But
I'd sure like to find a way to do something about that
disconnect.

So I'd like to open the discussion up to the
Board members. Start with you, DeeDee, I guess, or you.

BOARD MEMBER KENNARD: Well, first of all, I had
a pre-briefing, and I'm really very impressed with the
work that staff has done.
And I think this is the first step in engaging the small business community, in educating them. But most importantly, at the end of the day, it's going to be the economics. If you're a small business owner, and particularly in this environment, you're struggling just to survive. And if this can help to create the nexus and the information to convince that small business owner that this is going to increase their margins of profitability, I think we'll have a real win here.

And this is a great first step at getting people educated in this vain and that they can participate in reducing emissions and still be profitable. And that will be the key I think for the small business owners.

So I'm really excited about this.

Congratulations on this good work. Again, this is another just beginning for us, and I think it's very exciting.

CHAIRPERSON NICHOLS: Great. Thank you.

DeeDee.

BOARD MEMBER D'ADAMO: Well, I agree with the comments that the Chair made about the groups that were here yesterday.

I'd like to know from staff, did you meet with any of the representatives? We did see a number yesterday that were here yesterday and on several previous occasions. So did you meet with any of those individuals?
RESEARCH DIVISION MANAGER MORA: We met initially with the Hispanic Chamber. So we went over the concept of the toolkit. We've been trying to arrange a meeting, but we certainly look forward to working with them in the future. We have a couple of meetings set up in the next few weeks. So we will continually improve the toolkit as we get feedback from the various groups. There will always be an opportunity to provide.

BOARD MEMBER D'ADAMO: Terrific.

I just think we need to find a constructive place for those groups to go.

And I agree with Ms. Kennard that if it results in a savings, if they see that connection, that that might be one way to peak their interest.

And then I think a key is going to be distribution. It's going to involve a lot of work getting out into the communities. And a lot of these businesses don't even have time to go to their local chamber meetings. So figuring out a way to get beyond just organization meetings and somehow getting the information out to individuals that are just busy working well beyond 9:00 to 5:00.

CHAIRPERSON NICHOLS: Right.

Yes, Supervisor.

BOARD MEMBER YEAGER: Thank you.
Thank you, Kyra, for the follow-up information that you sent me. I was able to forward it on to a lot of green organizations in Santa Clara Valley, and hopefully we'll have some of our success stories to site.

And then as we had talked about, and I think you were going to follow up on it, if we could track where users go after they've been to this website, it's always -- and I know there are programs that are out there. Just be curious to know what additional information are they looking for that they couldn't find at the website. And then we can figure out if we didn't want to include that or do a link or whatever. I think it will give us additional information.

And is there a way for similar businesses or government agencies to sort of talk with each other? Because all these businesses and whether you're a school or city just sort of have different needs and are going to be wanting different information. Will there be a category for schools? How can you just sort of zero in on like businesses or services?

MS. NAUMOFF: Sure. That's a great question.

When you go to the home page, the top of the home page area, there is a horizontal navigation bar that lists the different sectors: Government, business, community, and organizations.
And we are also going to a Phase 2 development where we're exploring more social networking opportunities to give, for example, businesses the opportunity to create a page that they can post their own things if they're interested in that and do those same type of things for the local government. We can follow up with you on that, because we'll be having those discussions within the next week.

BOARD MEMBER YEAGER: You'd be able to cross reference you can go to all the school districts that are listed or all the nurseries that are listed or restaurants just to figure out -- and maybe it's a little bit to the social networking you're saying if there is perhaps a way for people to comment. I applied for this loan; it was really easy. Or I applied for this loan, and it was a nightmare. Whatever it is. I tried this, and it didn't save me any money, you know. In that way, you can sort of -- they can all talk to each other to some extent.

MS. NAUMOFF: That point came up in another briefing sharing the challenges. We're going to have some sort of online blogging opportunities for businesses to do that. We have talked about that idea with actual business owners and chambers at a meeting organized by Marty Keller, and they seem very receptive to that opportunity as well. We expect to see that as part of the toolkit
BOARD MEMBER YEAGER: One last point. I'm more familiar with government, but there's a lot of businesses and government agencies that are doing a lot. Is it going to be their responsibility to log onto the website and put down what they're doing, or is it our responsibility to find out what others are doing and then include that? Because the latter is going to take a lot more staff time, but it's going to be a lot more comprehensive, because, you know, a lot of businesses and government agencies are really being very serious about this. And so there's a lot of information out there. I'm not sure how you're going to collect it.

MS. NAUMOFF: I think it's going both ways. At this point, it's been staff mostly trying to compile the resources, but clearly that list isn't comprehensive. So as we have these community forums across the state as we just extend our network and have our marketing and outreach campaigns, hopefully more governments and businesses that are already doing things will contact us as well. So I think that is going to be going in both directions.

BOARD MEMBER YEAGER: Great. It's very exciting.

CHAIRPERSON NICHOLS: Sandy.

BOARD MEMBER BERG: It is very exciting, and I
congratulate staff. You've done an outstanding job in
taking the first step.

I think I'm disappointed that we don't have some
representatives here from small business, and we did have
quite a few people yesterday. And so I think we see what
one of our challenges is. They obviously do go over the
agenda, and they do attend and come and testify. And yet
it would have been very helpful to get some feedback
today.

So I think that for me that is an indication of
some of the challenges we're going to face on providing
what Chairman Nichols said is a valuable tool that they
actually will get valuable information. The value's here.
We just have to figure out how to get the value
proposition out.

The other thing I think as a Board member and
somebody that meets with these people is I also can say,
wait a minute. These are the tools that are available,
and so I would like to assist in that. And as we roll
these things out, being able to have that information as
I'm having meetings so that I can pass on that information
and have a little accountability from both sides. I know
there's a great deal of intrepidity, a great deal of
uncertainty, but sometimes you have to push them up to a
momentum where they start seeing the positive rather than
the negative. And so if we could be mindful of that. As we go into the social networks -- and I'm not of the generation that really understands all that dynamic. But after seeing what happened with the black car situation on the cool paints, which I did get a tremendous amount of calls about -- I could have almost sold out of my black paint. We would really need to monitor those blogs and make sure that we have like information and accurate information for people to read. And so it would be important if we venture into that that we would commit the staff resources to monitor, to respond, and to keep the conversation flowing from all opinions. So that would be an observation that I would have.

And I would be happy to help in any of the marketing strategies as we look to getting this out. But congratulations. It's a great first step, and I look forward to participating.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Doctor.

BOARD MEMBER TELLES: Yes, so my first question is to Ms. Naumoff.

So, Kyra, when you were measuring wood stove emissions in Guatemala a few years ago, did you ever think
you would be doing the CoolCalifornia website?

MS. NAUMOFF: I'm still looking for the link.

BOARD MEMBER TELLES: Very proud of your work here. Another former student. School of Public Health at Berkeley.

But more seriously and to follow up on Ms. Berg's comments, I think we -- this is a great toolkit. And you're talking about surveying 50,000 businesses. But there are 3.4 million businesses.

And I think that in the area of climate change in greenhouse gas emissions, we're, as we talked about yesterday, in a different ballpark than the air quality regulations that we've been used to for the last number of decades. So I think we have to have a different communication strategy.

You know, I think it's great how we get op-ed pieces in the L.A. Times about the low-carbon fuel standard. I think we're very good at doing that. And I commend the communication staff. But to market this kind of stuff and get the word out that climate change, AB 32 regulations are more than gobbledygook, which is what most people think they are, we have to figure out a way to do that. And it's probably an entirely different type of communication and marketing strategy than we've ever been used to. So I don't know if staff has been thinking about
But the only thing I can compare from my own experience is the California Department of Health Human Services then put a lot of resources into professional marketing about smoking and stop smoking. Those campaigns were very effective. They were also very expensive and very slick. People knew what they were doing in developing those slick adds.

Are we moving in that direction? Because I think it would be -- it's really probably important not just for us to feel good about getting the word out, but so that the public, all sectors, small businesses, in particular, we're focused on is engaged in working with us, because if the public isn't engaged, we aren't going to get there.

CHAIRPERSON NICHOLS: Right. I'm pretty convinced that there is a strong overlap between what we're trying to do or the product we're trying to sell, if you will, and the Flex Your Power campaign and previous campaign to get people involved in energy conservation. There are some additional items, of course, that we're talking about here in terms of, you know, products for re-doing your auto air conditioning.

I mean, there are going to be some other approaches other than just energy conservation. But most of the stuff is really about energy conservation, using
energy more efficiently. And there is a lot to learn about what's worked and what hasn't worked in the past.

The twist or connection between that and greenhouse gases kind of cuts two ways. I agree with several people who said that for a lot of the folks that are listening to this, greenhouse gases are just some weird thing that people are talking about now that environmentalists are trying to get you scared about. And there is a substantial minority, but it's not a fringe of people, who feel that this whole issue is just one more thing they don't want to worry about. They'd rather not hear about it, thank you very much.

And I do think that since we are obviously -- we have to talk about it, because we're required to by AB 32, making the connection between that and other things that do resonate like energy efficiency and independence from foreign oil and saving money are the ways that we're going to succeed. So we don't have to cover up what our agenda is, but we have to talk to people about something that they're actually willing to hear about. And I think that's going to be the key to this.

And it is going to involve marketing techniques that we are not familiar with. I think it's actually perfect that someone who has a background in public health is working on this project, because that's exactly the
same kind of approach that we have to take here.

Sandy.

BOARD MEMBER BERG: We might be able to piggyback on some of those programs, as you said, that wouldn't be as expensive.

And the other thing, it might be a great opportunity to go to some of the business schools and see who would like to take a project on marketing this type of program and coming up with a campaign and get some of that younger generation that really is embracing these changes and how would they get the word out.

So we might want to -- we've got some dynamite business schools in this state. And if a few of the schools and a couple of student teamed up if that was their project, we might be get some really interesting ideas.

CHAIRPERSON NICHOLS: That's terrific.

BOARD MEMBER KENNARD: Mary, I had one other thought.

That is in listening to this conversation, I want us to be very careful about the expectation, because this is all phenomenal work. But to expect that us as Board and staff can make a huge and phenomenal impact on this is really I think unfair and that we ought to have some measurable expectations about the numbers of businesses we
actually can reach by utilizing organizations like NEXT 10 and the chamber, et cetera. Because as a matter of reality, we're not going to reach a huge number of businesses, particularly in these initial years. And so I just want us to be careful about not putting that kind of pressure on staff and ourselves to believe we can all of a sudden miraculously get a huge number of small businesses engaged.

CHAIRPERSON NICHOLS: Do you have any suggestions? Maybe this is another one of those business school type projects. But, you know, how to develop a realistic plan for what we should be targeting so we would be able to really measure our success.

BOARD MEMBER KENNARD: I think that in coordinating with the chambers and other organizations to kind of take a pole on what is realistic. Is it ten percent of the population of small businesses? Is it one percent? I think it would be really helpful if we had kind of a target as opposed to just out there nebulously saying we're going to reach out to small businesses. Because if we don't have a target, we never can be successful, because we don't know what the number is.

CHAIRPERSON NICHOLS: That's a very good point.

I hope we can address that and fold that into your
thinking. And obviously there's a lot of interest on the part of the Board in staying abreast of what you're saying. So keep us posted.

BOARD MEMBER BERG: And there certainly are other programs out there that we can measure against as well.

So I think that's an excellent point.

CHAIRPERSON NICHOLS: Okay. If we're done with this item, which I think we are -- thank you for those who came to join with us today.

If there's anybody that doesn't get the joke about black paint, you can ask one of the ARB staff people. They'll explain it to you.

We need a Resolution here. What are we doing with the Resolution?

EXECUTIVE OFFICER GOLDSTENE: You're directing us to continue to work on this.

CHAIRPERSON NICHOLS: We're directing you to continue to work on this.

BOARD MEMBER BERG: I move on Board Resolution 9-4-5, instructing staff to move forward.

CHAIRPERSON NICHOLS: We don't have a quorum at the moment to pass a Resolution. People left.

BOARD MEMBER KENNARD: It's still an important issue.

EXECUTIVE OFFICER GOLDSTENE: The discussion has
been very helpful.

CHAIRPERSON NICHOLS: You don't need a Resolution anyway. But I think you have the sense of the Board. We wish you to continue working on this project.

EXECUTIVE OFFICER GOLDSTENE: Thank you.

CHAIRPERSON NICHOLS: Thank you.

BOARD MEMBER BALMES: I heard that.

CHAIRPERSON NICHOLS: We still need one more. We need six.

 Normally, when we have a nice feel good item like this, we don't also have to pass a Resolution. But staff seems to wish to have a Resolution. We have one, and it's good.

BOARD MEMBER KENNARD: I'll move it.

BOARD MEMBER BERG: Second.

CHAIRPERSON NICHOLS: All in favor say aye.

(Ayes)

CHAIRPERSON NICHOLS: Thank you very much.

When Dr. Balmes was commenting on the effective anti-smoking campaign, I remember hearing a very interesting briefing from one of the professionals that was involved in designing those commercials about how they had developed them. And it focused on the fact which I think most people realize, although we don't like it, is we all respond better to negative commercials than we do
to positive. So all of the commercials they did that were
designed to make people understand why it would be good to
quit smoking were not nearly as effective as the ones
that focused on evil tobacco industry people who were
coercing you to do things that were bad for your health.
So I guess we can say the same thing.

We are now ready for the next two items, which
we're going to take up together, because they're directly
related. They both address implementation of the air
quality improvement program, which we call AQIP, ARB's
newest incentive program. And this is a program which was
created by a bill called AB 118 signed into law by
Governor Schwarzenegger in 2007. It was a priority for
then Assembly Speaker Nunez who worked very hard to create
this program, which provides money for incentives for
transforming vehicle fuels and technologies.

And so we now have the opportunity to put
together guidelines for how this money is to be spent.
And so we're going to be looking at a regulation for this
funding plan regulation which will define how the funding
program will work for fiscal year 2009-2010. It gives us
the opportunity to spend $42 million for projects in the
next fiscal year and establishes our priorities also for
the funding cycle, describes the projects that we would
fund, and sets funding targets for each of these projects.
This will be an annual event, but hopefully we will have priorities which will stretch out for more than one year at a time so that people can see the direction that we're going in.

So we'll take up the funding plan and the guidelines at the same time and hear testimony on both of these items together.

Mr. Goldstene, would you introduce this item, please?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

AB 118 creates three new incentive programs providing up to $200 million in annual funding through 2015 to support introduction of alternative fuels and reduce greenhouse gas and smog emissions.

The funding is administered by ARB, the California Energy Commission, and the Bureau of Automotive Repair.

Today, we are asking the Board to approve two proposals that would enable us to move forward with ARB's part of AB 118, the air quality improvement guidelines, and the plan for expending this year's funding.

AQIP provides over $40 million annually for ARB to invest in clean vehicle and equipment projects to reduce criteria pollutants and toxics. The projects will
also provide significant ancillary greenhouse gas
benefits.

AB 118 expands ARB's portfolio of air quality
incentives, providing the opportunity to fund projects
that do not fit within the statutory framework of existing
incentive programs, such as the Carl Moyer Program, Goods
Movement, and Lower Emission School Bus Programs.

These existing programs focused on near-term
reductions to reduce ozone and particulate matter
pollution and cut exposure to toxics. We propose to use
AB 118 funds to help achieve commercializing the advanced
technologies necessary to help meet post-2020 SIP goals
and 2050 climate change goals. This fills a critical
niche in ARB's air quality investment portfolio.

This funding will provide an economic stimulus
for California by accelerating development and deployment
of tomorrow's vehicles and improvement, providing a boost
to local advanced technology manufacturers, and
stimulating the California market for the next generation
of green workers needed to support these technologies.

Today's proposal builds upon the action the Board
took last September by approving the AB 118 guidelines.
As we noted at that time, those guidelines were narrowly
limited in scope to ensure the projects ARB and the Energy
Commission fund under AB 118 complement and do not
interfere with California's existing air quality programs.

Today's proposals focus on the broader
administrative guidelines for implementing the AQIP and
air funding plan for the upcoming year.

As part of today's presentation, staff will also
provide an update on the roll-out of the new air quality
loan program for trucks being funded with our fiscal year
2008 AQIP Money.

Joe Calavita of the On-Road Controls Branch will
provide you with a detailed description of staff's
proposal.

Joe.

(Thereupon an overhead presentation was
presented as follows.)

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

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MR. CALAVITA: We're excited to be here today to
kick off ARB's newest incentive many program. I'll start
today's presentation with some background on the AB 118
legislation and the air quality improvement program. I'll
then provide an overview of three components of the AQIP:

Our proposed regulatory guidelines, which
establish the program's administrative requirements;

ARB's new Truck Loan Program funded by the AQIP
this year;

Our proposed funding plan to guide expenditure of
$42 million in AQIP year two funds.

MR. CALAVITA: First some background on AB 118
and how it fits in with California's other air quality
incentive programs.

MR. CALAVITA: The state now has over half a
billion dollars available annually to invest in clean air.

Each of these six incentive programs have different
statutory provisions and fill particular niches, but they
fit together to form a complementary portfolio that can
help us meet both our near-term and long-term air quality
goals.

Traditionally, ARB's incentive programs have
focused on near-term reductions to reduce ozone,
particulate matter, and air toxics. AB 118 builds on
these successes and creates three new programs.

The first provides $30 million a year to expand
the Bureau of Automotive Repair's car scrap program.
We'll propose implementation guidelines for this program
at the June Board meeting.

AB 118 also provides up to 120 million annually
to the California Energy Comission for alternative and
renewable fuels and vehicles to help meet our climate change goals. The Commission just approved its investment plan this week, so this funding will be rolling out shortly.

Finally, the AQIP, ARB's program, provides over $40 million annually for clean vehicle and equipment projects to reduce criteria pollutants and toxics. Statute provides broad flexibility for this funding. Our first year of AB 118 funding is being directed to the Truck Loan Program, which I'll describe in a few minutes. AQIP naturally complements the Carl Moyer Program, Goods Movement Bond Program, and Lower Emission School Bus Program, providing the opportunity to focus on advantaged technologies that don't fit within these program's statutory framework.

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MR. CALAVITA: Now I'll briefly summarize the proposed AQIP guidelines.

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MR. CALAVITA: Statute requires the AQIP guidelines to be adopted as regulations. The proposed guidelines provide the AQIP's overarching administrative requirements establishing the rules for how we'll run the program. The guidelines are intended to remain mostly static over the AQIP's eight funding years, so they've
been crafted to allow the types of projects, funding mechanisms, and other program elements to evolve.

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MR. CALAVITA: The proposed regulation establishes the robust administrative requirements necessary to ensure that AQIP will be implemented in accordance with statutory provisions. At the same time, the proposed regulation provides sufficient flexibility to encourage the development of new emerging emission control technologies.

We held four rounds of public workshops over the past year to develop today's proposal. We've received positive feedback supporting the guidelines, and we've had no requests for changes.

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MR. CALAVITA: I'll now change gears a little bit and provide an update on how we're using year one AQIP funds to launch the Truck Loan Program, as known as PLACE. We introduced the Board to this program last December as a way to assist truckers impacted by the two regulations adopted that month.

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MR. CALAVITA: The Truck Loan Program helps truckers get more reasonable financing terms for purchase of new and used trucks, exhaust retrofits, and SmartWays
energy efficiency upgrades.

We estimate that ARB's $42 million appropriation will leverage about $300 million in financing.

Today's tightening credit market makes this program even more critical than when it was originally conceived. The target participant is what we refer to as the nearly bankable truck owner, one that doesn't quite conform to conventional loan underwriting standards, yet is not so risky as to be considered unbankable.

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MR. CALAVITA: The loan program has two components. The first is a loan guarantee program run through the State Treasurer's Office Capital Access Program, also known as CalCAP. We spoke to you briefly about this at last month's Board meeting during our update on ARB truck incentives.

The CalCAP loan program kicked off just this week. Truck owners can now access loans either through participating lenders or truck dealerships.

We're heard a number of truck owners have already submitted loan applications which are with banks being processed.

We're also launching a second component to provide additional financing options, such as interest rate buy downs, lease buy backs, or extended re-payment.
periods. These alternative financing options will be available starting this summer.

We will closely monitor the Truck Loan Program and evaluate future funding each year as part of the annual AQIP funding plan.

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MR. CALAVITA: I'll now shift into the core of the presentation, the proposed funding plan for the coming fiscal year.

Our vision is for these funds to advance the next generation of technologies needed to meet longer term SIP and climate change goals. This compliments the Moyer and bond program's focus on near-term reductions from fully commercialized vehicles and equipment.

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MR. CALAVITA: The cornerstone of the proposed funding plan is $25 million to accelerate the deployment of hybrid trucks and buses. This is a category where we believe an initial large investment can have an impact on truck and bus fleet makeup and help advance hybrid technology.

We anticipate this funding commitment will help these vehicles become established in the market, much the way hybrid cars are now established.

We're also proposing investments in the next
 generation of passenger vehicles, lawn and garden
equipment, and off-road work vehicles. The 9 million
proposed for demonstration projects target technologies
that are not yet ripe for commercialization, but that show
near-term promise.

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MR. CALAVITA: This slide identifies the ten
types of AQIP projects authorized by AB 118. Our proposal
covers these six of the ten allowable project types.

Substantial investments in air quality research,
work force training, and light-duty vehicle scrap are
being made by the Energy Commission and Bureau of
Automotive Repair pots of AB 118 funding, so we're
deferring funding for these categories this year.

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MR. CALAVITA: You may be wondering how the
proposed funding plan for this year fits into our
long-term vision for AQIP. We expect that as hybrid
trucks and buses are produced in larger numbers, vehicle
costs will decline to the point that funding is no longer
needed.

At the same time, hybrid off-road equipment and
marine vessel technology should mature and could be a good
candidate for future year AQIP funds.

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
MR. CALAVITA: Similarly, we anticipate funding for electric residential mowers will help encourage further development of this technology, to the point that electric equipment becomes available for use in the commercial sector where the bulk of emissions occur.

MR. CALAVITA: Our funding allocation for ZEVs is based on the number of vehicles expected in the next year. As production of these vehicles ramps up further, we may recommend additional funding in future years.

As with the other deployment projects proposed for funding today, we expect these vehicles to eventually be self-sustaining so incentives would no longer be needed in the longer term.

Of course, each year's funding plan will be dictated by on-the-ground circumstance and is ultimately predicated upon Board approval.

MR. CALAVITA: On to a summary of the proposed projects.

Hybrid technology can significantly reduce criteria pollutant, air toxic, and greenhouse gas emissions, particularly in delivery vans, work vehicles, urban buses, trash trucks, and other vehicles with high stop and go or idling duty cycles.
Hybrid trucks and buses are now on the market in multiple configurations and models. But because they're being built in small numbers, their price is typically too high to justify their purchase based on fuel economy savings alone. This project would provide a voucher for about half the incremental cost of these vehicles --

MR. CALAVITA: -- which is between 10 to $35,000 depending upon vehicle weight.

Our funding would accelerate deployment of about the first thousand vehicles in California, helping pave the way for the medium and heavy-duty hybridization measure in Climate Change Scoping Plan.

MR. CALAVITA: The next project is for incentives to purchase zero-emission and plug-in hybrid passenger vehicles, neighborhood electric vehicles, zero emission motorcycles, and zero emission commercial vehicles.

This project's proposed structure and rebate amounts are modeled after ARB's successful alternative fuel incentive program, which is sunsetting this spring.

For the first time, we're also proposing incentives for zero emission medium- and heavy-duty commercial vehicles, such as electric delivery vans.

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
MR. CALAVITA: The next project would augment local air districts' popular and successful lawn and garden equipment replacement programs. The project would fund replacement of gas powered lawn and garden equipment, typically residential lawn mowers with cordless electric equipment.

District programs have been limited in scope due in part to lack of funding. And this project would invest significant State funds in this category for the first time.

We anticipate this program will enable districts to fund an additional eight to 10,000 zero emission lawn mowers.

All air districts designated as non-attainment for the federal 8-hour ozone standard would be eligible with a focus on those districts with the worst air quality. Districts would be required to match each dollar of AQIP funding with a dollar of local funds.

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MR. CALAVITA: The final vehicle deployment project is for zero emission agricultural utility terrain vehicles, or UTVs. The equipment population of these vehicles in the California agricultural industry is second only to that of tractors.

Electric agricultural UTVs are available for sale
today, but their higher cost relative to gas-powered UTVs can defer their purchase. The proposed rebates equal about half the vehicle incremental cost. Recreational vehicles would not be eligible for funding.

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MR. CALAVITA: We're proposing to administer these projects differently than the Carl Moyer or Goods Movement Incentive Programs. We've used the lessons learned from these existing programs and the statutory flexibility provided by AB 118 to craft streamlined, transparent, and user-friendly funding mechanisms.

The first three projects listed here would allow purchasers to access and redeem vouchers or rebates as part of their typical purchase transaction and would use common statewide funding protocols.

You may hear comments today suggesting other funding mechanisms. However, we believe the administrative structure we're proposing is consumer friendly and provides the simplest most transparent mechanism to accelerate deployment of these technologies.

The proposed AQIP guidelines complement our proposal by providing the framework for robust oversight and accountability.

We'll conduct competitive solicitations for an air district, CAPCOA, or other qualified public or private
organizations to administer each of the first three projects listed here.

The lawn and garden equipment replacement project, the fourth deployment project, is intended to allow multiple air districts to fold AQIP funding into their existing programs.

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MR. CALAVITA: I'll now move on to the demonstration projects we're proposing to fund. To identify projects, we held 12 public work group meetings with local air districts, technology providers, vehicle and equipment manufacturers, and other interested stakeholders.

The off-road focus of our proposed demonstration project was made in coordination with the Energy Commission, which focuses its AB 118 demonstration project funds on the on-road sector. We targeted those technologies which show the most promise for commercialization within the next three years.

As mentioned earlier, we believe the technologies proposed for demonstration today could be good candidates for rebate funding to accelerate their deployment in future years.

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MR. CALAVITA: This slide identifies the five
proposed vehicle and equipment categories and funding
targets for demonstration projects. The $9 million
proposed for demonstration projects represents about 20
percent of the total AQIP funding allocation.

Eligible technologies, including hybrid and zero
emission technologies, are detailed in the proposed
funding plan.

We believe air districts are uniquely suited to
administer demonstration projects for vehicle and
equipment types that most impact their regions.

Solicitations for demonstration project administrators
would be staggered over the 2009-2010 fiscal year and
would allow for funding of projects in the five categories
listed here.

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MR. CALAVITA: The bulk of this program's
benefits aren't from the vehicles that are directly
funded, but are ancillary benefits from accelerating
initial deployment of proven advanced technologies.

These accrue by helping increase production and
bring down vehicle and equipment costs to the point where
they can be competitive.

By bringing these technologies into the main
stream, our projects will also help accelerate technology
transfer, for example, hybrid technology transfer from
on-road trucks to off-road equipment.

Finally, these projects will increase California's exposure to these technologies, reducing consumer reluctance to invest in unfamiliar vehicles and equipment.

Accelerating deployment of the next generation of vehicles and equipment will also provide an economic stimulus for California and help position the state for green job growth over the next several decades.

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MR. CALAVITA: Finally, we're proposing contingency measures providing the Executive Officer the authority to adjust the funding plan in certain circumstances.

For example, should California receive federal stimulus funding for the technologies in this plan, the Executive Officer would have the flexibility to shift up to five percent of AQIP funds to where they may be more needed.

We're also keeping an eye on the Truck Loan Program. Should this program be so popular more funding is needed this year, the Executive Officer could divert up to $10 million from this funding plan to truck loans.

And we'll be updating you on the status of the Truck Loan Program and all the projects funded this year.
when we bring our proposed year three funding plan to you
for your consideration next spring.

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MR. CALAVITA: In conclusion, we recommend the
Board adopt the proposed air quality improvement program
guidelines and approve the proposed funding plan for
fiscal year 2009-2010.

CHAIRPERSON NICHOLS: Thank you.

I don't have a witness list on this item.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: The
next step is to go outside and look at the vehicles that
we showed on the slide.

CHAIRPERSON NICHOLS: We're going to take a break
first. All right. Sorry. I thought we were going to do
it the opposite way. I've been confused before.

In that case, we will adjourn briefly, like for
15 minutes I would say probably, to go out the back way
and down the stairs and out to the street on the 10th
Street side. We'll follow you.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: We've
got -- I think there's probably about eight or nine pieces
of equipment. They're labeled with the kind of incentives
they are. There's somebody to talk about each one if you
have interests. But we can go relatively quickly down the
line and hit the street. We'll start at the right-hand
side and go towards I Street toward the Citizen Hotel.

CHAIRPERSON NICHOLS: Okay. Great. Thank you.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: The first name on my list

is Aleecia Macias from the California Energy Commission.

The other Board members are in the back, but they
can hear you.

EXECUTIVE OFFICER GOLDSTENE: Chairman Nichols,

before she starts, I'd like to say we've been very happy

with the work we've been doing with the Energy Commission

and are very proud of the partnership we have with them.

CHAIRPERSON NICHOLS: Very glad to hear that.

MS. MACIAS: Thank you, Mr. Goldstene.

Good morning, Chairman Nichols and members of the

Board. I feel kind of awkward saying that.

CHAIRPERSON NICHOLS: They're not physical, but

ey're there virtually.

MS. MACIAS: My name is Aleecia Macias. I am

representing the California Energy Commission today in

support of the Air Quality Improvement Program guidelines

and the 2009-10 funding plan.

The Energy Commission has worked closely with the

Air Resources Board staff over the last year to ensure our

respective programs and the proposed funding allocations

are complementary.
Staff have held a number of coordination meetings and supported our program development. So we also appreciate the Air Resources Board staff.

And today at the Board meeting, the potential adoption of the guidelines and the funding program, we wrap up a big week for alternative fuels in California. You may be aware on Earth Day the Energy Commission adopted the investment plan for the Alternative Fuel and Vehicle Technology Program. The Air Resources Board Air Quality Improvement Program and Energy Commission's Alternative Renewable Fuel and Vehicle Technology Program couldn't be timelier with the availability of federal moneys through the stimulus package.

California has the potential to double the investment in alternative fuels that come into our state. And these programs offer investment that is critical to California's alternative fuel industry, allowing for growth in our economy, green job creation, and more.

And I would like to thank the Air Resources Board staff for the partnership we've shared in developing these programs. We support the adoption of both the AQIP guidelines and funding plan today as the next step towards bringing alternative fuels to the marketplace. And we look forward to continuing our partnership to make these programs a success.
Thank you for your time.

CHAIRPERSON NICHOLS: Thank you very much. This is a real partnership, and it's so far I think unprecedented really historically that we've had two agencies working so effectively to make sure that our funds go further than they would have separately.

So I know that's what the Governor's insisting on and hopefully will put us in good stead for getting more stimulus money as well.

So thank you.

CHAIRPERSON NICHOLS: Okay. Laura Marion from APTERA.

(Thereupon an overhead presentation was presented as follows.)

MS. MARION: Good morning.

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MS. MARION: My name is Laura Marion, and I'm the Chief Financial Officer of APTERA Motors. And I'm pleased to have the opportunity to speak with you this morning.

APTERA understands the broad purpose of the Air Quality Management Improvement Program, and we support the staff proposals on both the guidelines and 2009-2010 funding plans.

Next slide.

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MS. MARION: Particularly as it relates to encouraging greater adoption of light-duty clean vehicles through the use of the Clean Vehicle Rebate Program. We believe that one of the challenges that has been impeding the adoption of clean light-duty vehicles to date has been the limited number of options available to consumers in the market.

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MS. MARION: Very few zero emission vehicles available on the market today are freeway capable and affordable. And APTERA believes increased adoption of clean vehicles will require a broader selection of choices for consumers that are both freeway capable and affordable.

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MS. MARION: That's why APTERA strongly supports the inclusion of two- and three-wheeled vehicles known as ZEMs in the clean vehicle rebate program. Including ZEMs increases the product choices that are available for consumers and importantly provides additional transportation alternatives that are both freeway capable and affordable.

APTERA's corporate mission, in fact, is to provide consumers with personal transportation that is highly efficient, which aligns very closely with the
objectives of AB 118.

MS. MARION: Our first vehicle to market is the APTERA 2e, a prototype of which you just saw outside. The APTERA 2e is a two passenger plug-in electric vehicle, which will be in production starting in the fourth quarter of this year.

MS. MARION: The APTERA 2e is an ideal commuter vehicle. It offers 100 mile range per charge freeway capability with a top speed of 90 miles an hour and an affordable price point of 25 to 540,000.

In addition, consumers do not need any special infrastructure at home to drive an APTERA 2e, as it recharges on a conventional 110 volt outlet.

In addition to supporting California's AB 118 objectives, APTERA is supporting California's economic development. We are headquartered in northern San Diego County and will be manufacturing our vehicles there.

Our direct employment will add more than 300 jobs in California by year end 2010, and our sales and supply chains will add or protect even more California jobs.

APTERA appreciates ARB's leadership in improving California's air quality by supporting increased adoption of light duty-clean vehicles through use of rebates.
We're particularly pleased the staff proposals recognizes the important role that ZEMs have to play in the clean vehicle space.

We support the adoption of the staff proposals for the AB 118 guidelines and funding plan. And we encourage the staff and the Board to consider increasing both the rebate amounts and the total rebate dollars available to further enhance the adoption of light-duty clean vehicles.

Thank you very much for your time.

CHAIRPERSON NICHOLS: Thank you. That's quite an exciting looking vehicle. Appreciate your bringing it.

Okay. John Shears with CEERT.

MR. SHEARS: Good morning, Chair Nichols and members of the Board. Here we are again.

Just want to echo Aleecia's comments. And this, indeed, is an historic week here in California with the Energy Commission approving the AB 118 component investment plan, the OAL approving their regulations, and low-carbon fuel standard yesterday, and today ARB launches its program.

And I want to thank and commend the ARB staff who've been diligent, I must say, in reaching out and making sure that they had received a lot of input on designing this program. There's been a lot of very good
thinking that has gone into designing this program.

Look forward to working with ARB and with the Energy Commission going forward on the rest of this program and also in helping go after some of the federal stimulus money starting on Monday.

We support and urge that you approve the regulations -- to approve the proposed regulations and the funding program. Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

Max Scheder-Bieschin from Barefoot Motors.

(Thereupon an overhead presentation was presented as follows.)

MR. SCHEDER-BIESCHIN: Good morning, Madam Chair, members of the Board. My name is Max Scheder-Bieschin. I'm co-founder of Barefoot Motors. We design and assemble 100 percent electric off-road utility vehicles. And we thank you for the opportunity to speak today.

We want to convey our support for staff's recommendation to include 1.3 million for electric agricultural work vehicles in the proposed 2009-2010 AQIP funding plan.

At Barefoot Motors, we have integrated best of class electric propulsion technologies and innovative design to develop rugged, high performance, market-driven vehicles.
Our focus is on agricultural and land management application, ideal environment for the power and torque of electric motors.

Our earth utility vehicle is a zero-emissions vehicle. It's clean and quiet and can be powered by renewable energy sources.

Next slide.

MR. SCHEDER-BIESCHIN: The bin you see is a great bin for harvesting, for example. Fully loaded, it weighs 1200 pounds.

MR. SCHEDER-BIESCHIN: Barefoot Motors is a relatively young company, but has conducted extensive on-farm field testing in the development of our product. We have received positive reviews from trade publications as well as from excited customers.

We are just completing final testing and have interests in place to take us through our summer's production.

The type of customers include wineries, dairies, forest owners, ranchers, eco resorts, and orchards.

Next slide.

MR. SCHEDER-BIESCHIN: I look forward to coming
back to you in three years and showing how setting aside
just three percent of your budget turned the tide and made
clear once and for all the potential of electric vehicles.

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MR. SCHEDER-BIESCHIN: Just the last couple
comments.

Comment, the range question as this is perceived
Achilles' heel of the EV industry. This we address by
matching the technology with the appropriate applications.
The average size of California's farms, 76,000 of them, is
349 acres. Do the math, and you will know why we see
farmers pleasantly surprised. We don't need 300-mile
range. Crisscrossing your land 30 to 40 times during the
day is just fine.

A comment to cost, the reason AQIP's plan is so
spot on. Initially, yes, our up-front cost will be about
40 percent more. But because you spend 25 to $3,000 less
in fuel and don't spend 25 to 3,000 on engine maintenance
and the like, customers pencil out spending 20 percent
less over the life of the vehicle.

This brings me full circle as to why I will be
back here in three years congratulating you. The five per
vehicle you set aside under AQIP covers less than
one-seventh of one percent of ATVs on California farms
today. This credit will help jumpstart California's
efforts to demonstrate the benefits of electric vehicles and will do so in conjunction with those that feed our country.

This is great directional leadership you are showing at a time when our country wants to go cleaner and wants to know more about how our food is made. Thank you.

CHAIRPERSON NICHOLS: Thank you. One question.

BOARD MEMBER D'ADAMO: How long does it take to recharge and what type of power outlet?

MR. SCHEDER-BIESCHIN: Standard plug, 110 or 220 volt outlet. The on-board charger takes seven hours and the option for two on-board chargers will be three and a half hours.

Every hour you charge it, you increase the seat time, as we call it, of three to eight hours for the vehicle you increase it 25 percent.

CHAIRPERSON NICHOLS: Thanks.

Have you had any feedback about the lack of noise? Do people appreciate that?

MR. SCHEDER-BIESCHIN: People love it. People love it. It's incredible. I have a video here, but I ran out of time. During the interview, the vehicle is on and you hear the birds chirping in the orchard.

CHAIRPERSON NICHOLS: That's great. Thank you.

MR. SCHEDER-BIESCHIN: Thank you.
CHAIRPERSON NICHOLS: Okay. Damian Breen.

MR. BREEN: Good morning, Chairperson Nichols, and members of the California Air Resources Board.

I'm here this morning representing the Bay Area Air Quality Management District. And I would like to thank you for the opportunity to provide comments on the Air Quality Improvement Funding Plan for fiscal year 09-10.

In general, the Bay Area Air District strongly supports ARB's efforts to provide funding through AB 118 to accelerate the deployment of technologies and programs that look to the future of air quality throughout the state. However, there are two particular issues in the proposed funding plan that we believe may keep it from achieving its overall goals.

Firstly, the Bay Area Air Districts feels ARB's definition where the greatest air quality impact can be identified may be too narrow. Based on our review of the proposed funding plan, it seems ARB's focus is decidedly on areas in non-attainment of the federal ambient air standards for criteria pollutants.

While the Bay Area Air District applauds this goal of improving air quality in these areas, we feel this program needs also to address areas with specific health concerns. For example, the Bay Area's home to...
approximately 22 percent of California's population, and a number of those citizens, those living in the west Oakland community, are highly impacted by toxic diesel particulate emissions. It is important that highly impacted areas like these are also addressed in the funding plan by targeting at least some of the efforts to address areas with toxic concerns.

Secondly, the Bay Area Air District feels that many local air districts are better equipped and positioned than unknown third-parties to administer incentive programs that achieve AB 118's goals.

ARB's current planning for the AQIP requires that the bulk of funding be distributed through third party vendors through competitive processes that via their statewide nature limited local air district's participation. ARB staff has argued this will make participation easier and that that will get advanced emission reduction technologies into the field earlier.

However, the Bay Area Air District feels without those technologies operating in areas where they can be most effective, such as highly impacted communities, and without thought to sustainable infrastructure, these technologies may actually be harmed by ARB's current planning.

We would propose that similar to the advanced
technology demonstration projects local air districts be
equipped to compete for funding based on the merits of the
projects they can solicit. This funding approach would
provide air districts with the ability to seek affordable
funding from inventive programs, the California Energy
Commission portion of the 118 program, local
Transportation Commission funds, and be able to support
and coordinate the infrastructure needed for these
projects to succeed.

We at the Bay Area Air District appreciate all
the hard work that ARB staff has done on the development
of these programs and believe they represent a valuable
contribution to the improvement of air quality statewide.

We understand that you may not be able to act on
these suggestions today, but by considering and
incorporating the Bay Area Air District's suggestions,
these programs and the AQIP as a whole can have an even
greater chance of success now and in the future.

And thank you for your attention, and I'm
available to answer questions.

CHAIRPERSON NICHOLS: Thank you. I appreciate
your comments. I just wanted to reflect this is the first
year of this program. And I think the staff has done a
good job of balancing a lot of different considerations.
But I share your fondness for competitive grant
programs in the sense I think they always get people thinking more creatively and give you an opportunity to see an array of different kinds of ideas come forward. So I hope that would be something that we would be able to consider next time around. Thank you.

Jay Friedland.

MR. FRIEDLAND: And actually it's a real pleasure to be here on this kind of a day.

So, first, thank you, Chairman Nichols and members of the Board. And I want to especially thank staff today. I am here to specifically comment on the ZEV Clean Vehicle Rebate Program. But I overall I want to just say what a pleasure it's been to work with staff. They've done a tremendous job in putting together this program, and we feel that it's just been a really, really great process. So they deserve a lot of kudos.

CHAIRPERSON NICHOLS: Thank you.

MR. FRIEDLAND: As everyone knows, Plug-In America's goal is to get more vehicles on the road. That is our fundamental approach. We want to get more plug-ins on the road. We feel the AQIP program does exactly that. There are key components to it that make a significant difference. We're particularly pleased with the range of vehicles that are covered, everything from ZEMs, the zero emission motor cycles, all the way through zero emission...
commercial vehicles.

The one thing I guess that I would also add is that basing the program -- at least that part of the program on the very successful AFIP program was an excellent idea, because what it does is allows this money to get out quickly and get into consumers' hands. We really fundamentally believe that getting consumer awareness increasing and getting consumers in vehicles and getting vehicles in showrooms are the key things that are going to create the tipping point for mass acceptance of these vehicles.

So one of the things I want to just mention is we come to you in a time where it's a very different time frame. We now have nine OEMs that have announced either plug-in hybrids or pure electric vehicles. It's a very, very different time.

The key ask I would say today we would like you this year to consider potentially allocating more money to this program. And beyond that, looking at the out years. Obviously, we want to show a success.

One of the things we believe that can happen by allocating more money, we can attract some of the early deployment programs, particularly for plug-in hybrids. And right now, if you look at the numbers, really after you give out the money to the commercial vehicles, which
is about 150 commercial vehicles, you only end up with
about 400 full ZEVs or about 600 plug-in hybrids or, you
know, the combination of 600 or 700 zero emission
motorcycles.

So clearly, the funding when you go look at the
zero emission motorcycle space, they're talking about
thousands of vehicles. Nissan is talking about deploying
thousands of vehicles next year. If you look at Chevrolet
or General Motors, there's also many, many vehicles there.

So we really just like to encourage you. And our
proposal is to increase from five million to nine million
that number of vehicles or to potentially look at the
commercial vehicles and move them over to the hybrid
program, which would allocate about three million more
into direct consumer rebates.

CHAIRPERSON NICHOLS: Thank you.

I was just going to ask you the question, because
I know you're counting numbers of vehicles. But it seems
to me that for air quality and also market development
purposes that demonstrating these commercial vehicles is a
really important piece.

MR. FRIEDLAND: And we believe really the range
of vehicles having everything from zero emission
motorcycles all the way up to your commercial vehicles,
really the commercial vehicles I like to say, you know,
one of the requirements should be as you give money is
that somewhere very large on the side of them they should
say they're zero emission vehicles as part of the program.
You know, so those are rolling billboards for the program.

CHAIRPERSON NICHOLS: Thank you.

MR. FRIEDLAND: Thank you.

CHAIRPERSON NICHOLS: Jamie Hall followed by Matt
Miyasato.

MR. HALL: Thank you, Madam Chairman and members
of the Board, for giving us an opportunity to provide
comment here.

I'm here on behalf of the CalSTART and the Hybrid
Truck Users Forum to express strong support for the AQIP
program guidelines and the funding plan for the first
year.

We commend the staff for their work in developing
this hybrid truck and bus voucher incentive program, which
is really what I want to focus on. We think this
visionary approach should really serve as a model for
other technology commercialization efforts in California
and around the county.

Hybrid trucks and buses are a valuable next
generation technology that really provide significant
greenhouse gas criteria emission and petroleum reduction
benefits. This technology is on the cusp of full
commercialization, but high initial purchase costs really acting as a barrier. These are largely due to low sales and production volumes at this stage in the commercialization process.

The hybrid voucher incentive program directly addresses this barrier by providing a buy down right at the point of purchase. This approach is consistent with the recommendations from our hybrid truck users forum working groups and will be far more valuable than the tax credit or other indirect buy down mechanism.

The voucher program should jumpstart the commercialization of hybrid technologies. And the need for public support, as Joe mentioned in his presentation, should disappear as volumes increase and costs come down. The beauty of this program from our standpoint is really its simplicity. It's a straight forward, user friendly, transparent, and easy to understand program.

This meets the needs of both fleet operators and manufacturers without creating additional barriers or administrative burdens. We believe this is the best approach and do not recommend further complicating the program by adding geographical or other restrictions beyond those contained in the staff recommendations.

California's innovative policy will help the state meet its 2020 greenhouse gas goals. It will also
help jumpstart an industry with economic and environmental benefits, including the creation and retention of green jobs in advanced vehicle manufacturing. We believe this hybrid voucher program can and should serve as a national model, and we are working to make this happen.

Thank you again for the opportunity to provide input today and throughout this process. The staff has been great to work with. And we think you definitely should adopt the plan as is.

CHAIRPERSON NICHOLS: Well, CalSTART has been keeping this flame going for a long time now. It's much appreciated.

Mr. Miyasato, followed by Mel Assagai.
(Thereupon an overhead presentation was presented as follows.)

DR. MIYASATO: Thank you, Madam Chair, members of the Board, I have some slides.

--o0o--

DR. MIYASATO: For the record, I'm Dr. Matt Miyasato, the Assistant Deputy Executive Officer for Technology Advancement at the South Coast AQMD.

I'm providing on behalf of the South Coast staff our comments and input on the proposed funding plan as well as the guidelines.

--o0o--

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DR. MIYASATO: Overall, we're very supportive of the program, specifically the staff's recommendation for maintaining flexibility. You noticed on the staff presentation slide four that showed half a billion dollars of investment incentive. But you also noticed it could be a bit convoluted and confusing with all of those funding incentive programs as adopted with all the regulatory requirements. So who could argue the goal of the program to reduce criteria pollutants. We certainly wouldn't want to argue that and support that.

We also support staff's focus in areas that do not already incorporate incentive fundings. If you click the mouse one more time, we urge the Board to direct staff to propose an integrated review of a comprehensive program that looks at all of the incentive programs and identify which technologies can be funded under each of those programs and then use the flexibility that's allowed by AB 118 to perhaps go after additional emission reductions that aren't afforded by the incentive programs. So have an integrated and comprehensive approach to how you invest that half a million dollars in incentives.

Next slide.

--00o--

DR. MIYASATO: And we're extremely interested in these incentive programs, because as you know, we have the
worst air quality not only in the state, but in the
nation. And we are faced with reducing NOx emissions from
many different sectors. But you'll notice in our
different inventories the off-road heavy-duty diesel
equipment and heavy-duty diesel trucks are the two bad
actors that we have to face. You can see the tons per day
of NOx emissions reductions that were required to meet our
PM2.5 standard and the 2023 ozone standard. They're about
200 tons per day as well as almost 400 tons per day. It's
a huge amount.

So what we really need are the cleanest available
technologies brought to bear as soon as possible.

If you go to the next slide.

DR. MIYASATO: What we recommend is the funding
plan incorporate funding of the cleanest technologies.
For example, 2010 compliant heavy-duty trucks. There are
engines available now that meet that requirement. We
would further suggest that instead of dedicating the full
25 million to hybrid trucks, that some of those funds be
used for these cleanest available technologies. And also
give the priority to the cleanest technologies in each of
those different categories.

We further suggest that the environmental justice
portion of the guidelines not be just a nice to have, but
that you really have them address it in each and every
solicitation. Instead of would discuss each of these
things, we would suggest shall discuss and provide higher
priority projects that are located in environmental
justice areas.

One final comment, Madam Chair. We are looking
forward to working with your staff in implementation of
this program, specifically in our lawn mower exchange
program. I might note we just opened our exchange program
this week, close to 5,000 units, 90 percent have been
reserved since Tuesday so it's clear we do need additional
funding, because it's going to be an oversubscribed
program. And we're looking forward to working with you in
the future.

CHAIRPERSON NICHOLS: Good. Thank you.

On the environmental justice overlay on this, one
of the problems I think we're finding this year is that
districts differ a lot in terms of how they designated
environmental justice areas. The boundaries are in some
places very small. In others, they are very huge. Not
just based on numbers of people, but on sort of political
decisions that were made, policy decisions I should say.
I don't need to minimize it. But this is one of those
things we need to be working on. And we are with our
friends at OEHHA to try to clarify it.
BOARD MEMBER BALMES: I would just respond by saying we have one screening that we funded, which I would still like to see us try to move into use. I know OEHHA is working on other tools. But we need these tools to assess cumulative impacts.

CHAIRPERSON NICHOLS: And this should be applied in the area of grant programs as well. So that's a consideration I'd like to see pushed forward as we move on with this grant program.

Okay. For the next speaker we have Mr. Assagai and Colleen Quinn.

MR. ASSAGAI: Good morning, Madam Chair and members. I'm Mel Assagai for Navistar. Our subsidiaries produce the IC brand school bus and commercial school buses workhorse brand chassis for motorhomes and the durastar which was demonstrated out front. We're in very strong support of the staff's AQIP guidelines and the funding. We think this staff has gone out and become a partner with industry in producing the kind of technologies that meet the challenges of the state.

You have through this program helped us develop products that lower emissions and lower greenhouse gas emissions at the same time.

As you know, in Napa, we have a school bus that's a plug-in hybrid that has twice the fuel efficiency of...
other low-emission buses and 40 percent less greenhouse
gas emissions.

We also have trouble trucks like the one you --
well, similar in technology to the one that Mr. Williams
demonstrated out front that provide immensely lower
greenhouse gas emissions and greater fuel efficiency.

We think your program and this plan have been
able to jumpstart the kind of technologies California
needs to meet its greenhouse gas emissions reductions.

And we are very much excited to work with you in that
quest. And very proud to announce today that ours is the
first company to get certification for its electric diesel
electric hybrid technologies for both buses and trucks.

So thank you very much for your outreach. And
thank you so much for your cooperation. We look forward
to working with you.

CHAIRPERSON NICHOLS: Thank you. Appreciate your
comments.

Colleen Quinn and then Bonnie Holmes-Gen.

(Thereupon an overhead presentation was
presented as follows.)

MS. QUINN: Thank you, Madam Chairman and Board.

My name is Colleen Quinn. I'm here representing Vectrix.

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MS. QUINN: We're here to support the proposed
funding plan for the AB 118 Air Quality Improvement Plan, AQIP. Specifically, I'm here to talk about the rebate program for zero emission motorcycles.

You were able to see our vehicle out front. We are the world's first zero emission high performance, street legal, mass produced consumer electric vehicle in the world. And we have participated successfully in your AFIP program.

We worked closely with your staff to ensure that the spirit and implementation of the plan has addressed your goals and objectives.

This morning I want to share with you some data that I think will be informative to all of you to tell you how this program has been working. And most importantly, how consumer acceptance and market impact for these vehicles has impacted in California and also to review the fact that once again California has been put in front -- in the forefront of critical policies that are now being replicated nationally.
We have taken this technology from our C&D into commercialization through internal development. We have produced over 2,000 electric vehicles.

It is a two-wheel vehicle run on 3.7 kilowatt hour nickel metal hydride battery. It has a maximum speed of 62 miles an hour that accelerates from zero to 50 in 6.8 seconds. It recharges in 2.5 hours with a range of 35 to 55 miles.

MS. QUINN: I think one of the things that you were attempting to do with this program is to determine whether or not there would be an impact on the California market.

Well, California is Vectrix's most successful market in the United States, accounting for over one-quarter of all of our sales in the country. The rebate has helped to lower the cost differential between the Vectrix vehicle and its all-gas equivalent, but by lowering that number from 60 percent to 33 percent.

MS. QUINN: The other point I want to make is electric motorcycles are an integral part of the green technology economy and provide jobs in California. We have the largest distribution network in the country with 82 dealers, eleven of which are in California contributing...
to supporting 220 jobs in the state. Our motor controller
component manufacturer is also located in the state.

--o0o--

MS. QUINN: I think another important point that
you're worried about is what kind of usage will these
vehicles get. Well, one thing is certain. Vectrix
consumers use their vehicles as a commuting alternative to
their cars. We have polled consumers all over the state,
and you can see that we have an average of 4,000 vehicle
miles traveled per year.

CHAIRPERSON NICHOLS: You have ran out of time.

MS. QUINN: Well, thank you very much. I just
want to say we support the program and hope that you will
continue the $1500 rebate.

CHAIRPERSON NICHOLS: Thank you. We appreciate
the data that you brought also as well as the motorcycle.

Bonnie Holmes-Gen, followed by Mark Aubry.

MS. HOLMES-GEN: Chairman, Nichols and Board
members, first of all, congratulations again on your
historic decision yesterday. And we are pleased to be
here again today to support the investment plan, the
guidelines for the AB 118 AQIP program, and to be part of
the launch of this important program for spending $50
million a year in air quality funding.

And I wanted to comment that we agree with the
funding priorities in the plan. We do appreciate the
staff's hard work and have to compliment the staff on
their level of effort to outreach and include us, even
when we're harried and running around on so many projects.
And also I do appreciate that the Air Board and
the CEC staff had a very good level of coordination. It's
important to ensure we're maximizing the use of the whole
$200 million and covering the basis and getting the
funding out for key technologies.

And when we start off getting engaged in this
effort, we were concerned that the funding should be
focused on a few key areas to maximize the impacts on
technology development deployment. And we do think the
final recommendations are doing that and focusing funding
a big chunk on the hybrid heavy-duty technologies and
smaller but still very important chunks on EV and hybrid
electric deployment for heavy duty.

I wanted to just comment that this funding is
especially important in these difficult fiscal times. And
it's so important to have this funding. And former
Speaker Nunez got this bill passed, and it wasn't easy at
the time. It was a difficult project. And we really look
forward to the Board reporting back to the Legislature in
the next year and briefing them on a tremendous success
that you're going to be achieving with this funding.
And I think that will be very, very helpful in ensuring the Legislature continues support for this program. So we support the effort. Thank you for the hard work. And let's get going with it.

CHAIRPERSON NICHOLS: Thank you for all of your help in securing the funding in the first place.

Mr. Aubry.

MR. AUBRY: Good morning.

CHAIRPERSON NICHOLS: Good morning.

MR. AUBRY: My name is Mark Aubry. I'm Vice President of Sales for Smith Electric Vehicles.

Thank you for everyone being here on the Board and everyone of the Air Resources Board staff.

This is an historical moment and certainly has been an historical week. And we fully support the passing of this AQIP bill and certainly the $20,000 per vehicle on the commercial electric vehicle side.

From an historical standpoint, Smith Electric vehicles has over 90 years of experience and numerous major corporations across Europe and now into North America that will be taking some of our largest commercial products and also in coordination with Ford Motor Company later on this year and begin using some of the money that today will be passed by the Air Resources Board.

I think one of the things that we would like to
notice is that the support of Air Resources Board shows once again California's leadership in leading the nation and changing air transportation. As we begin production in July of 2009, one of our major plans is to steer the numerous launch partners that we have to replace our current short haul vehicles with our vehicles in order to begin using the Air Resources Board resources and helping increasing California jobs. And also inconclusive of that, the universities involvement teaching and training students and in-house mechanics how to work with all-electric commercial vehicles.

With that being said, we fully support it. Thank you for all the hard work that Joe Calavita and his team did. Look forward to working with the Air Resources Board staff.

CHAIRPERSON NICHOLS: Thank you. Thank you for coming today.

Okay. I have no further witnesses. I think it is time to close the record. Having received written testimony as well as staff comments and put those into the record, and we are not going to need to grant any extensions for the comment period, so we can close the record on Agenda Item Number 6. That will then put us in the position to move to consideration and a vote.

I think we should disclose any ex partes
communications, if there are any. Anybody have any to
report?

BOARD MEMBER BALMES: Before we do that, I
actually wanted to bring up questions.

CHAIRPERSON NICHOLS: We can ask questions or --

BOARD MEMBER BALMES: We already moved to the ex
parte.

CHAIRPERSON NICHOLS: We can continue to ask
questions. I'll back off.

BOARD MEMBER BALMES: This is actually for Dr.
Telles who --

CHAIRPERSON NICHOLS: Yes, he was not able to be
here today unfortunately.

BOARD MEMBER BALMES: He has one of his kids is
in the hospital in San Jose.

But he asked me to bring up whether -- doesn't
sound like for this year, but maybe in the future these
moneys could be used for non-vehicle technologies.

Specifically, I'm going to read what he said so I don't
misquote him.

"A good use would be to have grants for biofuel
plants in the San Joaquin Valley to be used to help them
acquire NOx filters. In our polluted valley, these plants
have to get expensive filters. The expense of these
filters has limited the expansion of projects like methane
digesters on dairies. With 2,500,00 dairy cattle in the San Joaquin Valley, we can make a lot of methane.

So I'm just passing that on from Dr. Telles.

EXECUTIVE OFFICER GOLDSTENE: Thank you. Give us a moment.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: If that example -- it doesn't have to do with transportation, then it doesn't work here. But things like biofuel plants that provide transportation fuel are one of the subjects at the Energy Commission $120 million or so a year is aiming at.

EXECUTIVE OFFICER GOLDSTENE: We'll pass that comment on to the Energy Commission.

BOARD MEMBER BALMES: Maybe you could get back to Dr. Telles.

EXECUTIVE OFFICER GOLDSTENE: We'll do that.

BOARD MEMBER BALMES: Thank you.

CHAIRPERSON NICHOLS: Another comment, yes.

BOARD MEMBER D'ADAMO: I can't find the slide that I wanted to refer to.

Did you have two separate presentations? I thought it was all one. There was a slide that referred to the different programs, funding programs.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Page 2.

If you have a double one like we do, it's page 2 of this.

BOARD MEMBER D'ADAMO: Oh, there it is. A long
So slide four. This is not the time to get into a discussion about the on- and off-road rules. But looking at this reminds me of the tremendous need that we have. And I know that we have got infusion of funds in the program. But I think staff is really supporting use -- big portion of those funds for locomotives. So I'm wondering if staff could come back to us at some point with a discussion sort of honed in on the on- and off-road rule strategies for incentive funds.

I think with what Dr. Telles talked about yesterday, his concern about the impact that these rules are having on certain regions of the state, that might be a good way to channel, you know, some of our energy.

CHAIRPERSON NICHOLS: Yes. I think an overview of the strategy behind how we allocate this money and where the big gaps are if we see them, it would be I think useful, because the Legislature keeps creating new different programs instead of taking an overview of what's there in existing programs. So we may need to do that for them.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: I think we have at least three different events coming up between now and December, the end of the year, that recap parts of the on- and off-road rule. And so maybe what we can do is
each time we come back, we should not make it the sole subject, but we can include an update on where we are on funding. So like when -- in July, we're going to do the revisions for the budget change that effects the off-road rule and we could at least at that time summarize how the pilot program for funding is going in the valley and whether, you know, your other Moyer things. Because some of the changes we're making are aimed at reducing the costs of the program. So we can do that. And then we've got on-road truck rule revisions I think were coming back in September or October on that. Not revisions, but to update you on that program.

So would that be okay, every time we come back we'll include something on funding?

BOARD MEMBER D'ADAMO: Sure. That would be fine. I didn't mean to have the focus be on the valley, statewide. But also to put it in perspective when we see large amounts of money, 250 million, 200, et cetera, what does that mean in terms of how far that gets us with compliance?

EXECUTIVE OFFICER GOLDSTENE: We can make sure when we present that we're able to show the context of where it fits in. As Chairman Nichols said, where the gaps might be.

CHAIRPERSON NICHOLS: How far we have to go.
Those sounds like such big sums, and of course they are. Yet in comparison to the need, oftentimes, they're really a drop in the bucket.

I need to push back a little bit on your comment though, Mr. Cackette, about the digester projects. I would agree with you if they were building a digester and using the gas to create electricity to pump on the farm or something like that. But if they were using it to create a fuel that could be used in a vehicle, then it would be eligible.

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes.

CHAIRPERSON NICHOLS: I know there's been some different views about what the best ways to handle many of these agricultural -- but dairy digesters are the biggest focus I know for us at this point.

But there are different technologies that can be used for everything, from tree trimmings to clippings and all of that that where people have a real choice as to what the product is they want to produce, whether they want to try to go to a gas or to electricity. I don't know if we're trying to direct that kind of thinking one way or another.

ON-ROAD CONTROL REGULATIONS BRANCH CHIEF KITOWSKI: If we can interject.

The statute actually does prohibit us from making
infrastructure or fuel-related projects within our funding. So the comment back to CEC really is where this project, even if the digester was used to make a fuel, it still is a CEC project.

CHAIRPERSON NICHOLS: It's not within our ARB pot. But it's within AB 118. You're right of course.

Sorry. Thank you.

Yes.

BOARD MEMBER D'ADAMO: Sorry to take up so much time, but this reminds me. I have received so many comments from dairymen and from dairy associations about the challenge with criteria pollutants.

So I think not just handing it off to CEC, but maybe if we could get Ms. Terry and others to work -- put together a meeting and do some follow-up on the air quality piece as well. There seems to be a lot of angst out there in the ag community.

DEPUTY EXECUTIVE OFFICER TERRY: Yes, actually there is. We are working with our technical staff as we speak over the next few weeks to try to pull together a comprehensive overview of this issue. And it is primarily in the valley, because as Chairman Nichols talked about, there are lots of different potential decisions about the form of the project, what the ultimate fuel is, whether it goes in a pipeline, whether it goes into a fuel cell
So our technical staff are working on sort of a more comprehensive overview that we think could help frame the issue. And once that's done, perhaps it might be something appropriate to present to the Board at some point for --

CHAIRPERSON NICHOLS: Well, particularly if there are opportunities to work in conjunction with the Energy Commission on this, that would be good. This is one of the thorniest issues I have encountered yet given the difficulties that different people seem to have of defining what the problem is, what the project is. We know there is technology out there. We know there is a better way to do things than what we're doing today. But we seem to be having a hard time getting a collective vision of where we're headed. I know Ms. Terry and her staff have been doing a lot of work on this issue. I'm glad to hear it's not stalled.

Okay, yes.

BOARD MEMBER YEAGER: Yes. Thank you.

I'm wondering if staff could talk more about the idea of this third-party vendor. I know that some of the air districts for a lot of good reasons think they're in a better position with this. I'm a little worried about paying additional overhead costs perhaps depending on who
What kind of evaluation process are we going to have to see how they are distributing the funds?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Let me tell you why we have third party vendor. Under State budgetary rules, the general theme is when we get money, we got to get rid of it real quick. We have to spend it or contract or do whatever is supposed to be done with it.

On many of these incentive programs, what we need is the money could be out there for two or three years, because we don't know when exactly some of these new technologies will come into place and when they'll start ramping up. So we've chosen to use a second party, contract with them to be the bank that then distributes the incentives to whichever sector is being done. That's the reason why we have to do it that way versus just leaving it, for example, at the State.

BOARD MEMBER YEAGER: Air districts couldn't play that role of being a bank?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yes, they could. So we have had discussions with them about whether they would be interested, either CAPCOA as a group or even one air district who would be willing to do this on a statewide basis.

In other words, not only pay the money for
projects in their areas, but also Bay Area and South Coast as well. And we've asked them for a proposal. We haven't got one yet. We're still talking to them. And they certainly can compete along with private sector people for that contract to distribute funds if they wanted to.

There's still time for them to do that. Let me just ask if there's --

ON-ROAD CONTROL REGULATIONS BRANCH CHIEF KITOWSKI: I also think it's -- you've heard from a number of commenters today that they believe the approach that we have is streamlined and will allow for the efficient operation.

I think it's important that one other fact get on the table. The legislative -- there isn't legislative overlay related to this in that the legislation does require a competitive aspect to the funding. So, for instance, the Board could not say we like your voucher program for heavy-duty hybrids, but we want to go through and assign so much to South Coast, so much to Bay Area, so much to each district. That would not be consistent with the legislative direction. There needs to be a competitive point in there some place. And as Mr. Cackette said, CAPCOA as an entity is certainly allowed to compete in that.

BOARD MEMBER YEAGER: Just one other question.
I know some of these programs are just going to be available to a certain number of the air districts. I'm just wondering if in the future we'll be able to broaden it so that all the air districts in the area in this state will be able to apply for them, or what the timing it might be on that.

ON-ROAD CONTROL REGULATIONS BRANCH CHIEF KITOWSKI: There actually are not any of the categories that are limited. Any one of the categories are open to all air districts. There is only one category, specifically lawn and garden, that has extra points for the air districts that are in more severe attainment areas. So they get bonus points. But every air district is allowed to compete for the funds across each and every category.

BOARD MEMBER YEAGER: That wasn't my understanding. Thank you for that clarification.

CHAIRPERSON NICHOLS: All right. Can we move forward now? Are we ready?

So at this time, not only is the record closed, but it's time to move towards a vote, which means we have to go through the disclosure of ex partes. I'll start. I don't have any.

BOARD MEMBER BALMES: Neither do I.

BOARD MEMBER BERG: I had a phone call on April
22nd with South Coast Air Quality and Henry Hogo and Matt.

BOARD MEMBER YEAGER: I had conversations with Bay Area Air Quality Management District.

CHAIRPERSON NICHOLS: As you would expect.

Great.

Anybody on this side here? No. No.

I think we're ready to have a motion and vote, I think.

BOARD MEMBER D'ADAMO: Move adoption of -- do you want to do separate ones?

CHAIRPERSON NICHOLS: We can do them together.

BOARD MEMBER D'ADAMO: Move adoption of Resolution 09-3-2 and 09-3-3.

CHAIRPERSON NICHOLS: Okay.

BOARD MEMBER BALMES: Second.

CHAIRPERSON NICHOLS: All in favor please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed?

Very good. It's done.

We've had no sign-ups for general comment at this time, so therefore we will stand adjourned. 11:27 AM

(Thereupon the California Air Resources Board adjourned at 11:27 a.m.)
CERTIFICATE OF REPORTER

I, TIFFANY C. KRAFT, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing hearing was reported in shorthand by me, Tiffany C. Kraft, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of May, 2009.

TIFFANY C. KRAFT, CSR, RPR
Certified Shorthand Reporter
License No. 12277

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