DEPARTMENT OF THE NAVY
COMMANDER NAVY REGION SOUTHWEST
937 NO. HARBOR DR.
SAN DIEGO, CALIFORNIA 92132-0058

IN REPLY REFER TO:
5090
N40/006
December 9, 2008

Ms. Mary Nichols
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: DEPARTMENT OF DEFENSE COMMENTS ON OCTOBER 2008 DRAFT OF AB 32 SCOPING PLAN

Dear Ms. Nichols:

On behalf of Rear Admiral Hering, the Department of Defense (DoD) Regional Environmental Coordinator for EPA Region IX, and the Military Services in California, I write to communicate the DoD's observations and comments on the second publicly released draft (October 2008) of the Scoping Plan (Scoping Plan) for the implementation of AB 32, the Global Warming Solutions Act of 2006 (AB 32).

We believe the Scoping Plan to be a thoughtful blueprint for California's forthcoming regulatory efforts to address what is indisputably a complex and controversial issue. There is no doubt that California Air Resources Board (CARB) staff have worked very hard - across the spectrum of often fractious stakeholders - to craft a plan that is likely to realize very real reductions in the production of greenhouse gases in California; while attempting to minimize the equally real economic and societal consequences that will flow from implementation of the Scoping Plan. Staff is to be commended for seeking to achieve the right balance in what can only be characterized as "uncharted territory."

In this letter we seek engagement and dialogue on a number of measures needed to accommodate the unique mission and needs of the military with our national and international mission requirements. We also call attention to the many programs DoD has in place in California, and will continue to implement, to be leaders in reducing our carbon footprint. These programs range from successful and long-standing energy reduction/efficiency programs on our installations to our pioneering use of biodiesel, ethanol and compressed natural gas for fuel in vehicles and portable equipment, and also includes our large scale initiatives in geothermal, solar power and other alternative forms of energy. On the land use side of the climate change question, and as discussed in greater detail on page 4 of this letter, DoD installations are implementing policies that reduce vehicle miles traveled (VMT) from our active duty and civilian workers by mandating smart growth in our installation land use decision-making. We

are proud of our accomplishments, and we welcome the opportunity in the future to partner with California on implementing the next wave of technology on our installations.

As we previously communicated to CARB in our correspondence of September 3, 2008, Department of Defense installations in California face unique challenges[1] with the implementation of AB 32. Some of these unique challenges (e.g., concerns with enforcement of a low carbon fuel standard [LCFS] in military tactical equipment and vehicles) can and should be addressed upfront through staff to staff dialogue. We suspect that much progress can be made in this manner - much as DoD and CARB staffs have obtained productive solutions to complex implementation problems in the past. However, given the systemic changes that implementation of the Scoping Plan is likely to affect in the context of utility provision/siting, transportation, land use decision-making and fuel availability, we believe that a more programmatic approach to DoD/CARB interface is appropriate at this time - particularly in the land use/transportation context. For example, DoD ex officio participation in executive level technical advisory groups - such as the Regional Targets Advisory Committee (RTAC), which will be formed this January in accordance with SB 375, would be a helpful step towards ensuring that DoD installation specific concerns in the land use/transportation context are raised and resolved before they ever have the potential to encroach upon the mission and effectiveness of DoD installations.

Previously Expressed Concerns:

Since the October 2008 draft of the Scoping Plan is in most respects similar to the prior version that was circulated for public comment, we will largely focus our comments herein on "new" areas of proposed regulation that were added to the Scoping Plan (or raised by other stakeholders) since the previous draft. However, we ask that CARB staff again review our September 3, 2008 letter, attached as enclosure (1), in order to address DoD concerns previously identified. Concerns identified in the September 3 letter, and reiterated herein, include:

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[1] As previously discussed in numerous DoD comment letters, and reiterated herein because of the gravity of the point, DoD installations in California must be able to train, equip and deploy their Marines, Soldiers, Sailors, Airmen and Coastguardsmen for diverse and dangerous missions across the globe. The lives of young men and women, and our Nation's security, depend upon it. Tactical vehicles and equipment based in California must be interoperable with comparable equipment from other parts of the country and across the world. DoD tactical vehicles must be able to utilize the same types of fuel that they will encounter in austere environments, and military specification chemicals (even if of high global warming potential [HGWP]) must be allowed to remain in place where process standardization and interoperability are contingent upon the continued use of such chemicals. Similarly, regional greenhouse gas reduction targets, and the sustainable communities' strategies (SCS) that will implement them, must not be allowed to prevent the construction of military ranges and weapons systems that will facilitate the training of our Armed Forces to fight the wars of tomorrow.

- Creating a mechanism to quantify and catalog "credit" for prior and ongoing reductions of GHGs obtained pursuant to federal executive orders and initiatives (e.g., the 1997 Defense Reform Initiative; Executive Order 13423);
- Awarding credit or otherwise incentivizing smart growth and green building initiatives by federal agencies where such programs fall outside the regulatory ambit of SB 375 and California Environmental Quality Act (CEQA) review (as will typically be the case);
- Incentivizing implementation of renewable energy opportunities in a manner that is consistent with existing and future military training requirements at the various DoD installations;
- Continuing to define military installations for purposes of record-keeping and reporting requirements for industrial sources in a manner that is consistent with other comparable local governments (e.g., each source of GHG emissions on a military base should be evaluated separately in order to determine compliance obligations); and
- Ensuring that adequate fuel stocks are authorized and commercially available in California to support future DoD tactical operations after implementation of CARB's proposed LCFS.

Concerns with the New Elements in the Scoping Plan:

Scoping Plan Section II.C.6: (Regional GHG Targets)

The most significant new addition to the Scoping Plan, and coincidentally the greatest area of potential concern to the DoD, involves California's implementation of the newly passed SB 375 and its mandates for reduction of GHGs from land use and transportation planning. While SB 375 does not directly regulate DoD installations, the indirect impacts of the legislation on DoD facilities that anticipate the need to expand in coming years (in order to accommodate new training requirements or weapons systems) could be quite significant,[2] as obviously SB 375 applies to local and regional governments in the vicinity of DoD installations. These governments, not surprisingly, will want to avail themselves of the various incentives that SB 375 provides for smart growth and public transit friendly development by developing an SCS through their Metropolitan Planning Organizations (MPO). Given California's strategic importance, and long history with our Nation's military, future growth of military installations to support military training is likely to take place at various DoD facilities in California over the next twenty years. For example, planned expansion of the Marine Corps Air Ground Combat Center at Twenty-Nine Palms may require development of large areas of land, include construction of new road infrastructure, and increase vehicle miles travelled between military ranges and cantonment areas.

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[2] As explained in more detail on page 4, the impacts of SB 375 could potentially represent a net benefit for DoD installations. However, because of the systemic land use changes associated with SB 375 implementation, DoD ex officio participation on the RTAC, and continued coordination with CARB staff, will be critically important in ensuring that SB 375 implementation remains consistent with military needs.

DoD installations believe very strongly in being good neighbors to the local and regional governments that surround them, and as a result DOD wishes to avoid any adverse impacts to local government SCS approvals. Thus, we believe it is necessary to add greater clarity, upfront in the Scoping Plan, regarding how regional GHG emissions from DoD installations will be considered in Regional Target setting and SCS approval. We therefore suggest that the ***Scoping Plan recommend excluding emissions from DoD installations in the setting of regional GHG targets***. It is our understanding that MPOs do not typically include DoD projects inside DoD installation fence lines in their regional transportation plans (RTPs). Nor would it make sense for MPOs to do so under most circumstances. DoD construction projects are typically funded out of specific military appropriations, not federal highway funds. Since DoD projects are not included in the RTP, it makes little sense for CARB to include DoD projects in the regional targets that must be established in accordance with the SB 375 timeline. MPOs should not be responsible for attaining emissions reductions from the lands of a separate sovereign over whose actions they have no control. Their inability to manage DoD national defense projects - which are directed by policy makers at national and international levels based upon threats to national security - should not stand as an obstacle to local and regional governments availing themselves of the opportunities presented in SB 375.

Smart Growth Initiatives:

As discussed in our September 3, 2008 letter, DoD is supportive of "smart growth" policies which result in improved housing opportunities for our service members and employees - who often must live in the highest cost areas of the state. We also recognize that these policies may help to reduce encroachment into areas of the state where DoD installations utilize air space for training. Therefore, we acknowledge the potential benefits of reducing VMT between employment centers and housing - as SB 375 (and Section II.C.6 of the Scoping Plan) contemplate. As CARB staff are likely aware, in some parts of the state DoD installations are significant employment centers. As a result, policies that allow private land-uses in existing developed areas (on or off military installations) when crafted in a manner that avoids encroachment to military missions, provide benefit to the DoD and California's efforts to minimize GHG emissions while facilitating construction of affordable housing. The Scoping Plan should continue to encourage land use policies that reduce VMT in and around employment centers - such as the Navy facilities in San Diego - by encouraging the construction of affordable housing and associated transit rather than alternatives that perpetuate long commutes. Encouraging these types of smart growth strategies in and around urban military facilities in the Scoping Plan (and follow-on regulation) is good policy. The need to encourage appropriate infill development in and around military "employment centers" is yet another reason why we believe the SB 375 process must involve formal DoD participation at the programmatic level. DoD ex officio participation in the RTAC will facilitate development of smart growth strategies that are consistent with military land uses while discouraging private developments that have the potential to impair military objectives.

Responsibility for Implementing the Scoping Plan:

As CARB well knows, DoD has facilities throughout the country and throughout California. Unlike other types of air pollutants, which are typically of local and regional concern, GHGs are a concern of worldwide significance. DoD can operate most efficiently and effectively when it is able to leverage the resources it has throughout the country to meet environmental compliance challenges and acquire compliant systems, on a large scale. Having to meet different GHG reduction requirements in every state threatens the interoperability of DoD systems and may lead to conflicts with procurement processes and greatly increased compliance costs.

a. CAPCOA's Proposal to Be the Primary Implementing Arm for GHG Control:

It is for this reason that we must identify concerns with some of the proposals suggested by the California Air Pollution Control Officers Association (CAPCOA) and various non-governmental organizations (NGOs) during previous testimony and in written comments that have been submitted on the Scoping Plan. While it is sensible for California air districts to permit local sources of criteria and hazardous air pollutants that have the potential to (or are currently causing) violations of the National Ambient Air Quality Standards (NAAQS), the impetus for air district permitting is less compelling in the GHG control context. Unlike criteria pollutants that are regulated in each air quality control region (AQCR) to protect human health from localized and regional impacts, excessive GHGs are presumably an international problem with effects that extend well beyond the boundaries of a single air district. GHGs, if they are to be regulated, must be regulated consistently at the state (and perhaps the national) level by utilizing best management practices, changing transportation and development patterns, and improving technology in various products and systems.

GHG regulation at the district level, by permit, for each and every stationary source - no matter how small - will be costly, burdensome, and lead to potentially inconsistent regulatory requirements at each DoD installation throughout the state (some of which fall within the jurisdiction of multiple air districts). Military bases have thousands of small-scale stationary source permits administered by air districts throughout the state. Because of the sheer volume of permits and their associated compliance requirements (record-keeping, reporting, testing/monitoring), CAPCOA's proposal to incorporate a GHG best available control technology (G-BACT) mandate and other GHG control requirements into each and every stationary source permit is of great concern to the DoD.

Additionally, DoD is concerned that air district regulation, and regulation interpretation, ***which can, and often does, vary greatly from one air district to the next***, may indeed extend the role of air districts well beyond the control of traditionally permitted stationary source equipment, and risk interfering with the implementation of critical DoD projects to support national defense. In Appendix 1 to CAPCOA's November 18, 2008 comments on the Scoping Plan (November 18 Letter), CAPCOA provides a "Sample Permit to Operate." In this sample permit, there are proposed restrictions on uses of

mobile sources (forklifts), building specifications (requirement for solar roof panel), and requirements for replacements of chemicals utilized in industrial processes (replacement of HGWP with ammonia). All of these areas of proposed regulation are areas typically regulated by CARB, and they should remain so - for the same reasons that CARB regulates these areas today (consistency in application, regulatory certainty, economies of scale, etc.). While the Sample Permit in the November 18 letter represents "out of the box" thinking on the part of CAPCOA on mechanisms to realize even greater reductions of GHGs, the existing mechanisms for GHG reduction included in the Scoping Plan already impose tremendous new costs and regulatory compliance challenges on the DoD and similarly situated regulated industries. Implementation of any proposed G-BACT for minor stationary sources, which are not otherwise subject to the Scoping Plan's proposed cap and trade program, should be delayed until implementation of CARB's initial ambitious round of programs identified in the Scoping Plan are complete or well underway.

b. Indirect Source Rules:

Numerous NGOs have commented that CARB needs to include in the scoping plan a requirement that each air district around the state adopt so called "indirect source review" (ISR) rules, such as the program currently adopted in the San Joaquin Air Pollution Control District and under development in South Coast Air Quality Management District.[3] DoD believes that such an approach should not be applied to military installations as it is both unnecessary and may lead to conflict with the Federal Clean Air Act (CAA) General Conformity requirements (which federal agencies must already satisfy). *See* 42 U.S.C. § 7506. At the outset it is worth noting that SB 375 will render ISRs redundant in the portions of the state where the vast majority of GHG emissions will emanate (e.g., urbanized areas) because land use controls in these regions are likely to be implemented as a component of the SCS that each MPO will submit to CARB over the next five years. Additionally, because DoD projects must already comply with the CAA General Conformity provisions, and because there is some issue whether the land use controls typically mandated in ISRs would fit within any existing waiver of federal sovereign immunity vis-à-vis regulation of federal agency projects. we suggest that the Scoping Plan continue to omit any suggestion that air districts implement ISRs to control GHGs or CAA criteria pollutants. It is worth noting that military installations already undertake measures that minimize what could be considered indirect sources of GHGs. Many of our installations have housing areas for active-duty personnel that are in relatively close proximity to their places of duty. Our installations include supporting commercial and community activities such as stores, restaurants, schools and day care facilities in close proximity to family housing. These items, taken together, substantially reduce the VMT that would otherwise pertain in off installation development. Further, many of our urban installations have public transit subsidy and carpooling programs for military personnel and civilian employees alike.

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[3] Several of the NGOs also suggest that ISRs be extended to include GHG reduction in addition to the current ISR focus on reducing criteria pollutants in designated non-attainment AQCRs.

Based on the foregoing, we believe that ISRs are unnecessary to achieve the goals of the Scoping Plan and a particularly poor fit with existing regulations governing military development projects. Should CARB choose to incorporate some expression of support for ISRs into the Scoping Plan, it should expressly recognize that ISRs are inappropriate tools as applied to military lands.

Fees: A number of fees are discussed in the Scoping Plan. Further, CAPCOA suggests that the Scoping Plan authorize additional fees to fund its proposed ambitious efforts to concurrently regulate GHGs. Potentially objectionable fees from the DoD perspective in the Scoping Plan include the HGWP mitigation fee and the Feebate program for mobile sources. Neither proposed fee is aligned with a specific statutory waiver of federal sovereign immunity, and neither fee would appear to convey specific benefits on DoD installations that are distinct from those benefits realized by the public at large. Accordingly, we recommend that the Scoping Plan acknowledge this potential limitation on funding by noting that fee collections from federal agencies for AB 32 programs shall only be authorized where such assessments are found to be consistent with federal law.

Thank you for the opportunity to again provide comments on the AB 32 Scoping Plan. We look forward to engaging CARB staff to resolve immediate implementation concerns addressed herein while working to create a long term engagement framework for addressing future DoD specific concerns with AB 32 and its progeny, before adverse effects on the national defense mission can develop. If you have any questions regarding these comments or if we can provide further clarification or assistance, my points of contact are Mr. Randal Friedman, (619) 572-5037, and Major Jeremy Jungreis, USMCR, (760) 725-2631.

C. L. STATHOS
By direction

Enclosure 1: DoD Comments on AB 32 Draft Scoping Plan Letter of 3 September 2008

DEPARTMENT OF THE NAVY
COMMANDER NAVY REGION SOUTHWEST
937 NO. HARBOR DR.
SAN DIEGO, CALIFORNIA 92132-0058

IN REPLY REFER TO:
5090
Ser N40/0001
September 3, 2008

Ms. Mary Nichols
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Ms. Nichols

RE: DEPARTMENT OF DEFENSE COMMENTS ON AB 32 DRAFT SCOPING PLAN

On behalf of Rear Admiral Hering, the Department of Defense ("DoD") Regional Environmental Coordinator for EPA Region IX, and the Military Services in California, I write to communicate DoD's comments on certain aspects[1] of the Draft Scoping Plan (Scoping Plan) for the implementation of AB 32, the Global Warming Solutions Act.

The military services in California recognize the California Air Resources Board (CARB) staff's dedication and commitment to seeking innovative methods to reduce Greenhouse Gases (GHG) emissions in California. I can assure you that we also remain dedicated to reducing air pollution and pursuing innovative techniques for air quality improvement. I am confident that we will continue to work constructively with CARB Staff—as we have in the recent past on a number of CARB regulatory initiatives—and together we will develop ways to address the unique challenges faced by the military services in California.

We appreciate CARB's continued recognition of DoD's national security mission and our need to deploy tactical vehicles and equipment worldwide, often into rugged and austere conditions. Such equipment must be flexible and resilient. Often operational requirements necessitate the ability to operate from a common fuel supply. Your special consideration of tactical vehicles and equipment in prior regulations allows our equipment to remain standardized, facilitating inter-operability of fuel

[1] DoD intends to make additional comments on the Draft Scoping Plan, as appropriate, as the Scoping Plan is developed and the strategies for achieving reductions in greenhouse gases (GHGs) achieve greater clarity.

ENCLOSURE 1

and parts anywhere in the world that military tactical equipment based in California may need to go.

In the Mandatory Reporting Regulation (see scoping Plan—p.69), we appreciate your conceptual recognition that military installations, given their size complexity and function, are more analogous to small cities—containing industrial, residential and commercial uses—than single industrial facilities. Allowing DoD installations to group distinct discrete and related emission sources within an installation's fence line for the purpose of tabulating emissions fairly approximates the treatment of non-DoD facilities under the regulations. We would ask that as the Scoping Plan continues to evolve you continue to treat military installations and tactical equipment/vehicles in accordance with this concept.

Our comments on specific aspects of the Scoping Plan are as follows:

1. Credit for Early Compliance and Previous GHG reductions (Scoping Plan Section II.C.3) (Scoping Plan Sections II.B.12, II.D.1):

The DoD has been a leader in implementing proactive policies that reduce pollution to air, water and land for some time. As early as 1997, DoD installations in California began implementing the Defense Reform Initiative with the intention of becoming more energy efficient and reducing emissions of greenhouse gases. As a result, some of the "low hanging fruit" in GHG reductions was harvested by the DoD several years ago—long before other elements of regulated industry began considering ways to reduce their carbon footprint. Consequently, DoD already has more energy and water efficient buildings and ports than many of its private sector counterparts and already utilizes cleaner burning alternative fuel technology in its non-tactical vehicle applications. The result of these early actions by DoD (other than less GHGs in the ambient air today) is that additional reductions from regulated DoD applications will be even more technologically and financially difficult to obtain than they would otherwise be if the DoD had simply taken no prior action.

While we understand that credits cannot be awarded for every past project that inadvertently reduces greenhouse gases, we request CARB acknowledge and seek that in establishing the baseline and methodology for determining an individual regulated entity's compliance with the reduction targets mandated by AB 32, CARB authorize credit (in some form) for prior GHG

reductions that were undertaken for the purpose of reducing GHG emissions or promoting energy efficiency. While Section II.C.3 vaguely addresses credit for early actions and voluntary offsets, the language utilized appears to indicate that credit will only be awarded for prospective projects (and only after receiving approval from CARB). The model suggested in Section II.C.3 for early action implementation is likely to be cumbersome and time consuming and unlikely to facilitate significant efforts to achieve early reductions from regulated industry. We recommend that CARB revise the scoping plan in Section II.C.3 (and elsewhere) to clarify that past projects that were intended to, and indeed achieved, meaningful reductions in GHG production, may be eligible for credit under appropriate circumstances (notwithstanding failure to obtain prior approval from CARB). In this manner the past proactive steps of DoD and other environmentally responsible actors can be equitably included in the AB 32 regulatory scheme.

2. Encouragement and Credit for Smart-Growth Land Use Policies that Reduce Vehicle Miles Traveled (VMT) (Scoping Plan Section II.B.13):

Many military installations in California are located in the country's highest cost areas for housing. As a result, each decade our service members and civilian staff live further and further away from their work-places contributing to California's growing vehicles miles traveled (VMT) problem and frustrating state efforts to reduce GHG emissions from mobile sources. As a result, the DoD has an interest in land use decision-making that produce affordable housing proximate to our military facilities. Policies that reduce sprawl and increase affordable housing also serve our national security mission by allowing service members to live closer to their workplaces thereby facilitating quicker deployments and more rapid responses to contingencies locally and around the world.

Unfortunately, we also know first-hand the difficulties of building housing in urban locations. For example, at Naval Station San Diego we are topping out four 17-story buildings that will house almost 1,900 sailors. These structures are a short walk from a light rail station and from the ships where many of the service members work. These buildings are also a short walk from a wide array of shopping and recreational activities - thereby improving morale while at the same time reducing emissions from motor vehicle trips. As a substitute for long commutes we believe the greater density projects discussed herein will substantially reduce VMT and therefore

substantially reduce GHG emissions. Enclosure (1) provides further discussion of these issues.

Although "smart growth" is discussed briefly in Section II.B.13, we believe that the Scoping Plan should have a more robust discussion and proposal for recognizing the importance of urban infill. The Scoping Plan, and follow on regulations should provide strong incentives (such as offset credits) for construction of projects that reduce VMT and facilitate walkable communities. Such regulations should also provide a methodology for quantification of the GHG reductions from individual smart growth projects for possible use as future offsets or tradable GHG reduction credits. In this manner a developer of a military construction project could use green building concepts as a potential source of GHG credits to help these difficult projects pencil out.

3. Concerns With Scoping Plan Goods Movement Requirements for Ocean Going Vessels (Scoping Plan Section II.B.10):

The Scoping Plan in Section II.B.10 discusses the reduction of the speed of ocean going vessels in and out of California ports as a GHG reduction measure. We have a particular concern with this proposal as it relates to the Ports of Los Angeles/Long Beach As we previously stated in a 7 June 2007 comment letter regarding the California Ozone SIP:

> We have a specific concern with the proposals for increased regulation of the shipping industry that center on plans for additional regulation of ships within 24 nautical miles of the California coastline. At least one shipping company has approached the Navy to seek approval to minimize its travel in California coastal waters by leaving the established shipping lanes and traversing our training ranges in order to evade a substantial portion of ARB's regulation. We strongly oppose any such movement. Aside from an almost total disruption of our ability to train and conduct research, development, test and evaluation, the extra distance involved and the higher speeds that will be maintained will lead to greater emissions in the South Coast. I call your attention to ARB's "Air Quality Impacts from NOx Emissions of Two Marine Vessel Control Strategies in the South Coast Air Basin Final Report" (September 2000) which after much modeling and review documented the increase in pollution. We believe the 2007 SIP must be revised to incorporate measures that will ensure that the shipping industry does not abandon the current shipping lanes.

We request that the Scoping Plan explicitly acknowledge our concerns about this issue and seek to ensure that consideration of vessel speed reduction fully account for all GHG emissions in the vicinity of the California Coastline--not just those emissions within the currently defined zone. We also request that follow on regulations fully consider the environmental and national defense impacts of the measures suggested in Section II.B.10 to include identification of mitigation measures that will be implemented in the event the shipping industry moves ship routing to evade the application of AB 32 regulation.

4. Encouragement of Solar Power and Additional Renewable Energy Alternatives (Scoping Plan Sections II.B.12, II.C.1):

The discussion of solar power in Section II.B.12 of the Scoping Plan only mentions residential and commercial buildings and not industrial buildings. Industrial buildings, especially on large military installations, are ideal candidates for solar power generation given their strong access to the sun and minimal shade issues. We question whether or not existing industrial buildings should be subject to requirements to exceed California's Title 24 standards as many industrial buildings, particularly on military installations, are warehouses, hangers, etc. It is inconsistent with the goals and robust emission reductions required under AB 32 to expect a building which is open to the environment much of the time to have to upgrade to and beyond Title 24 standards just to capture the significant solar potential present in these buildings. We also have issues with California regulations that limit the extent of California Solar Initiative (CSI) funding which can be used beyond 1MW thereby limiting the use of military installations for solar development in some instances (see enclosure 2.) We believe that the Scoping Plan should include measures that recognize the potential value of industrial sites as a major source of solar power and encourage creative ways to utilize the solar resource. The scoping plan should seek to remove barriers to green energy development such as those discussed in enclosure (2).

5. Definition of Industrial (Scoping Plan Sections I.B and II.C.1 [and others]) :

The Scoping plan references future measures tied to the "industrial sector" and industrial sites, e.g. cap and trade and audits. There is no definition, however, of what constitutes an industrial site. As discussed at the beginning of this letter, we ask that ARB continue to recognize the uniqueness of military installations and continue use of the definition of industrial

site currently utilized within the GHG Mandatory Reporting regulation.

6. Low Carbon Fuel Standard (Scoping Plan Section II.B.5):

The Scoping plan indicates CARB's intention to fast-track development of a Low Carbon Fuel Standard (LCFS)—which is to be approved by the Board by the end of 2008. While DoD is supportive of efforts to develop cleaner fuel blends, we ask CARB to carefully consider the needs of fleets (such as many of DoD's fleets) which have already transitioned to cleaner fuel blends such as B-20 biodiesel and E-85. LCFS specifications developed for CARB diesel and gasoline blends should either include low carbon specifications for B-20 and E-85 or otherwise clarify that fleets utilizing these clean alternative fuel blends will not be penalized (or lose otherwise applicable reduction credits) for using B-20 or E-85 in lieu of standard CARB diesel or gasoline.

Thank you for the opportunity to provide comments on the Draft Scoping Plan. We look forward to working with CARB staff to address our concerns. If you have any questions regarding these comments, my point of contact is Randal Friedman. He can be reached at (619) 572-5037.

C. L. STATHOS
By direction

Enclosures:
1. Greenhouse Gas Credit for Housing Initiatives
2. Executive Summary: Renewable Energy Brief to Congresswoman Susan Davis

GREENHOUSE GAS CREDIT FOR HOUSING INITIATIVES

NAVY INITIATIVES TO CONSTRUCT HOUSING PROXIMATE TO EMPLOYMENT/SUPPORT FACILITIES RESULTS IN SUBSTANTIAL AND QUANTIFIABLE REDUCTIONS IN GREENHOUSE GAS EMISSIONS

BACKGROUND: As California continues to implement Assembly Bill (AB) 32, the Global Warming Solutions Act, one of the newest areas of efforts involves the relationship between land use development/planning and GHG. Consider that in 2004 passenger cars and light duty trucks accounted for 136 million metric tons (MMT) of California's 479 MMT total emission, or 28.4% . Then consider that vehicle miles traveled in California continues to grow faster than the population due to continued land use trends further away from central employment areas and it is easy to understand the problem. Hence renewed interest in what is termed "smart growth" which is more dense development located close to transit and employment/support areas.

43% of young sailors are priced out of the San Diego apartment market. Less than 3% of all sailors are paid a wage economists deem sufficient to enter into the home ownership market in San Diego. There is evidence to suggest these facts will precipitate an ever-expanding commuting arc as sailors seek affordable housing when the Navy housing inventory cannot meet the demand. Coupled with the absence of sophisticated mass transit options, it is reasonable to conclude the Navy will witness a marked increase in commute times and a corresponding increase in community impact owing to these greater commutes.

Discussion: The Naval Base San Diego Pacific Beacon project is an excellent example of how a "smart growth" project can reduce GHG in California through reduction of VMT. This project creates housing for almost 1900 sailors who, absent the project and resulting from the limitations on the SD housing market would, for large part, have long commutes and contribute to the growing problem of VMT in California.

Figure 1 summarizes the current trend in commuting distances. While 82% of sailors commute less than 30 miles one-way, the average commuting distance one-way is a fraction over 20 miles. For 1,900 sailors this is 76,000 VMT per day! 18% travel more than 30 miles. And a full 9% of the Active Duty Military population drives in excess of 60 miles one-way. Navy Region Southwest is home to 74,335 sailors as of 30 Nov 2007. 55,489 report to Metro San Diego Bases and home ported ships each day. San Diego County does not have the mature mass transit system as other large metropolitan areas have. Absent Pacific Beacon and the continued growth in San Diego's population we would expect, over time, the commute distances for these sailors to increase.

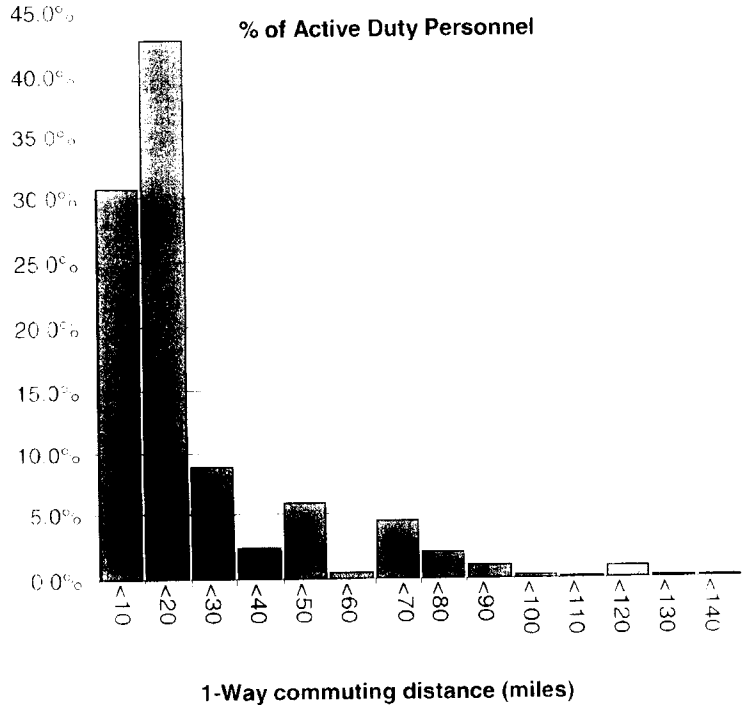

Figure 1 - Commuting distance (miles) for Active Duty Sailors

The Pacific Beacon project allows sailors to live within walking distance of their ships and is located a couple of hundred yards from a light rail station. Also within easy walking distance are basic support services such as shopping, recreation, and dining. It is therefore safe to say that Pacific Beacon's high density development will substantially reduce VMT and therefore substantially reduce GHG emissions. Thus, in addition to the potential 76,000 miles per day eliminated for commute, if each sailor eliminates just an additional 10 mile trip that is another 19,000 miles or a total of 95,000 miles per day. In addition to VMT considerations, given the project's high density, energy efficient design the buildings will also reduce GHG emissions. Finally, in addition to GHG emissions, all emissions of concern, e.g. NOx will also be reduced.

There is widespread interest in this subject, but at the same time a reluctance to engage because it is an admittedly difficult task. Pacific Beacon, however, appears to offer a case where quantification would be easier as we have data on commuting patterns and can make good assumptions about future transportation patterns after the project's completion.

Upon quantification, the GHG reductions could be considered a credit against future Navy emission increases. Quantification of these reductions would also serve to highlight beneficial aspects of "smart growth" housing projects as a counterpoint to opposition these projects often have from others. For example, the Coastal Commission staff opposed the Pacific Beacon project due to a minor view issue. Following this thought, this project on a macro level could highlight the general difficulties that "smart growth" infill projects have in California through a case study showing how a planning agency focus on a narrow localized issue did not consider the larger contextual issues surrounding smart growth, including VMT and corresponding GHG reductions.

The Pacific Beacon project could serve as a case study for groups like the Climate Registry, or ARB, or others to further discussion and development of methodologies for this important subject.

(UNCLASSIFIED)
Region 9
EXECUTIVE SUMMARY

6 Aug 2008

(U) Renewable Energy Brief to Congresswoman Susan Davis: DODREC 9 participated in a 1 Jul 08 Renewable Energy brief to Congresswoman Davis and her staff and then helped to provide follow-up info to her staff and California state Senator Christine Kehoe's staff. We identified 2 state law barriers to expanding DOD's photovoltaic construction on board our bases and 1 federal barrier:

1. California Solar Initiative (CSI) Limitations prevent DoD from receiving financial incentives for systems over 1,000 kW (1 MW) and requires that we aggregate systems on our bases, thus reducing financial viability of larger systems. This limitation obviously did not take into consideration the unique aspect of DoD (i.e., very large customer with city-sized installations). Contrast this with a potential scenario for a company like Qualcomm which occupies many buildings in Sorrento Valley and is allowed financial incentives for multiple sites less than 1 MW.

2. Public Utilities Commission (PUC) approved utilities tariffs are outright disincentives to larger systems. Utility companies are authorized to charge Systems above 5MW the Departing Load Charge and Standby Fee tariffs. We specifically identified this issue when we were trying to develop a very large system at China Lake (10-20 MW). These tariff charges would make this type of development uneconomical because of the penalty costs. The rationale for these penalties relate to the fact that the utility company must still maintain enough power capacity for the "departed load", since the solar system can become defective, trip offline, and then the base would need utility company power.

3. There is uncertainty as to whether the Federal Investment Tax Credit (ITC) will be extended, and without it, solar development becomes financially prohibitive. The ITC is currently scheduled to expire on 31 Dec 08. Our contacts all indicate that the ITC will be extended; however, large projects cannot proceed at the point, since the ITC requires on line completion by expiration date. This is a critical issue if we want private developers to build/ own/ operate systems on DoD land.

We are in dialogue with California State Senator Kehoe's staff to attempt a state legislative fix to the first 2 issues identified above. Our naval installations present a unique opportunity for the State of California renewable energy programs. DoD has a vast "sea" of roofs and as a single-entity we have the ability to closely monitor and maintain PV systems. In the next 10 years DoD could potentially develop 50+ MW of solar, if we could get relief on these issues.

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ENCLOSURES (2)