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Clerk of the Board
California Air Resources Board
PO Box 2038
Sacramento, CA 95812

RE: Comments on Amendments to the Portable Equipment Airborne Toxic Control Measure (ATCM) and the Statewide Portable Equipment Registration Program (PERP)

Dear Board Members,

Kings Oil Tools, Inc. (KOT) as a stakeholder owns and operates portable engines subject to the Airborne Toxic Control Measure for Diesel Particulate Matter from Portable Engines Rated at 50 Horsepower and Greater (Portable ATCM). These engines and portable units they power are utilized throughout the state. They perform critical functions necessary for drilling and production of our natural resources and are integral to many oil operations. KOT would like to thank the Air Resources Board (ARB) and the ARB staff for the opportunity to participate in all the workgroup meetings on the development of modifications to the Portable ATCM and the PERP.

There are many positive changes to the rules.

- 1- Stakeholders are being given an extra two years for compliance.
- 2- Exemptions are being added for second engines if one is included in the Off-Road rule, engines used exclusively for emergencies and equipment designated for hazardous locations.
- 3- The low-use definition is being increased from 80 hours to 200 hours annually.
- 4- Large fleets are being given the option of using the fleet average calculation or Tier phase out option.
- 5- Credits are being given for fleets that did early compliance.
- 6- Last but not least, CARB has recognized that the high horse power equipment cannot meet the standards set by the rule. KOT is submitting the following comments on the Staff Report Initial Statement of Reasons.

In the Staff report Initial Statement of Reasons, staff focused on the cost of a Tier 4F engine and not the cost of the equipment. A statement indicated that "the purchase price of a Tier 4F engine is twice the cost of a Tier 3 engine and the equipment must be redesigned to accommodate the larger footprint of a Tier 4F engine." This statement is absolutely correct however, your cost model does not take into account the cost of redesigning and or engineering associated with the install of the engine. This indirect cost that the model does consider may well exceed into the millions.

Over the past few years the oil industry has experience a historic downtrend in the market that has tested the stability of the market and of all companies that support the market. This has bankrupted several. The proposed rule is going to be a capital intensive proposition that has and will continue to have negative consequences to companies as we continue to fight to recover from this downturn. Even though oil prices appear to have stabilized, most exploration and production companies are undercapitalized now and likely the foreseeable future. Our challenge is to remain vigilant and hope we can survive the economic hardship.

Regarding Appendix L in the Initial Statement of Reasons – Cost Methodology; the concerns are with Staff's inference about the estimated cost. "the cost curve used in ARB's equipment turn over model to calculate

equipment replacement cost on a per unit basis by taking the cost of the newly purchased equipment required and subtracting it from the existing resale value." The inference made was that fleets will realize a value from the retired equipment by selling the equipment outside of California. First and foremost the assumption we can sell the equipment outside of California is unwarranted. There is an enormous expense of getting the equipment to auction. You are also implying that soliciting sales to individual companies is a straightforward task. Equipment used in the oil industry is uniquely built for oil field service companies; for that reason its use is restricted to the petroleum industry. Based on the aforementioned solicitation of our equipment has a finite audience. Regarding the 'cost methodology' it is our recommendation staff should recalculate the cost methodology by using the full purchase value of the new equipment.

Regarding 'staffs' engine assessment discussed in Appendix K, stake holders are concerned with Tier 4F engines that operate at low-load and with long-idle cycles. It is stated that the ARB is working with engine manufacturers to help develop solutions to these concerns. One solution stated some Tier 4F engines can meet the emission standards without the use of a DPF. And Volvopenta is one of those engines. However, cooling of the engine is an issue; KOT is experiencing this issue currently. And after one year of experimentation, there is still no clear resolution to the issue of cooling. Even though all Tier 4F engines are certified by the USEPA and ARB, these agencies issue experimental permits and provide engine manufacturers approval to make changes and to test solutions. For that reason, how long will it take for the stakeholders to have a final approved product?

We as stake holders working in the state of California are regulated by the On-Road ATCM, the Off-Road ATCM, by PERP and lastly the Portable ATCM. The cost of these regulations has enormous investments in equipment purchases and repowering which cost millions of dollars to achieve and maintain compliance.

The inference that industry will save millions by being in compliance with the rule(s) is unwarranted. Based on Appendix C Regulatory Impact Assessments, it is assumed that the industry will have a cost savings of approximately \$416 million or an average of \$42 million per year in fines. There is clearly no evidence that the current level of non-compliance generates fines of \$42 million per year. And based table 12 in Appendix C the probability of spending approximately \$200 million will save \$416 million in fines for a net result \$232 million is artificial. In order to evaluate future cost savings on enforcement activities the last 20 years need to be accounted as well.

In conclusion, we would like to thank the ARB Staff and acknowledge that there has been considerable energy put into this effort with the stake holders in order to perfect a clear concise consensus on these amendments. These regulations as well as the others are extremely complicated which need to be updated and synchronized. Many issues are unique to many specialized industries and the Staff has remained aware and listening carefully with a clear goal of finding effective solutions.

Sincerely,

Jim Zaben

Jim Zaben, Environmental Manager
Kings Oil Tools, Inc.