

THE CALIFORNIA RAILROAD INDUSTRY

March 18, 2010

Mary Nichols
Chair
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Re: Freight Railroad Comments on Adoption of Updates to Proposition 1B: Goods Movement Emission Reduction Program Guidelines, Agenda Item 10-3-3 at the 3/25/2010 Board Hearing

Dear Ms. Nichols:

The California Freight Railroads appreciate the opportunity to submit brief comments and suggestions on this agenda item based on the program changes outlined in the *Staff Draft Concept Paper Proposition 1B: Goods Movement Emission Reduction Program Update to Program Guidelines* (“the Draft”). We are pleased with the changes proposed in the Draft. Your staff has worked tirelessly to fashion a fair and effective program consistent with the authorizing of bonds and statutes. They address nearly all of the issues that previously prevented more widespread rail participation in this program. An excellent example of a helpful modification is the use of the “job” eligibility concept compared to the previous “actual machine” approach. As mentioned in our December 19, 2008 letter, we strongly support this change, as it will greatly increase the number of eligible locomotives in the state.

Additionally, allowing locomotives that are already on order to fill a Proposition 1B commitment will put cleaner locomotives into California service faster. The Railroads generally order new locomotives at regular intervals as part of their procurement cycle, and those locomotives are then distributed as needed to maintain efficient service as dictated by business needs. This modification will create an incentive for the Railroads to put the cleanest locomotives into service in California.

The Railroads greatly appreciate the above modifications by staff, as well as other changes in staff’s proposed updates to the program. We also have some further comments on the proposed updated guidelines:

Rubber Tire Gantry Cranes. The Railroads suggest that the energy storage option not be removed from project consideration. While the cost effectiveness of this option is currently

estimated by staff to be too high to compete, eliminating it as a possibility would preemptively block the potential for future improvements in technology.

Locomotives with Limited Out of State Operations. While at first blush it makes sense to dedicate incentive funding to locomotives that work in California 100% of the time, this approach could neglect important emission reduction opportunities for Californians. Limiting incentive funding to locomotives that only operate in California eliminates line-haul locomotives that may still spend majority of their service time in state along major trade corridors. For instance, there are locomotives that run from in-state locations such as Oakland or Roseville to out of state locations such as Sparks, NV. Upgrading those locomotives to Tier 3 or Tier 4 would provide significant air quality benefits to California, and those projects should therefore be allowed to compete.

The March 2010 staff presentation indicated that this concept is under evaluation for trucks. If they operate in state 90 percent of the time, staff is evaluating potential for funding them at a lower level, and they would still have to compete with California only trucks. The same opportunity should be considered for locomotives.

By reducing the funding match based on the percentage of time spent working in the state, the ARB would be leveling the playing field with other competing locomotives, but not foregoing this potentially important source of emission reductions.

Duration of Locomotive Project Life. The project life of 15 years for all locomotive projects is comparatively long in relation to other eligible equipment (trucks are five years), and the reasoning for this duration is not provided in the concept paper. While it may work in unique cases for line-hauls, it restricts the eligibility in many potential locomotive applications that would be beneficial to the State, particularly if Proposition 1B continues to be limited to equipment that operates in state 100% of the time. These are assets that the Railroads could otherwise have the ability to relocate in response to changes in business demand or to meet operational needs. ARB recognizes the need to encourage adoption of the cleanest line-haul units available to serve California, and a commitment of 15 years for assets excessively limits that opportunity.

Matching Funds for Locomotives, (Table 2, Row C of the Draft). The Railroads appreciate that Staff has outlined increasing potential lump funding matches for Tier 3 (\$1.2 million), Tier 4 with NOx or PM (\$1 million), and Tier 4 with NOx and PM (\$2 million). However, ARB should either increase the allowable state funding match, or seek additional matching public funds to increase the allowable percentage of public funding match to 65% or greater for line-hauls and switchers. As we have previously stated, since line-haul locomotives traverse the country, there is great operational value to maintaining flexibility to serve other states along major trade corridors. Limiting the matching funds to 50% or lower will result in fewer locomotive applications for funding, and therefore decrease potential emission reductions for the state.

Clarification on Combining Trucks. Slide 17 of the staff's March 2010 presentation includes a bullet that reads "Combine port/rail yard trucks and other trucks", but there is no explanation of this change in the Final Concept Paper (2/18/10). We request further information on this item if Staff has more detail on what changes they intend.

Thank you for the opportunity to express our views. If you have any questions or concerns, please call me at 415-215-4213 x 12.

Sincerely,



Kirk Marckwald
Principal, California Environmental Associates
On behalf of the California Railroad Industry

cc:

James Goldstene, ARB
Robert Fletcher, ARB
Cynthia Marvin, ARB
Harold Holmes, ARB
Lanny Schmid, UPRR
Mark Stehly, BNSF
Mike Rush, AAR