GRANITE CONSTRUCTION INCORPORATED

December 14, 2010

Clerk of the Board
California Air Resources Board
1001 I St.
Sacramento, CA 95814

Subject: Proposed amendments to the CARB Offroad and Onroad Diesel Rules

Chairman Nichols and Members of the Board:

Granite Construction is a heavy civil contractor and construction materials producer headquartered in Watsonville, California. Granite operates across the U.S., but facilities and offices throughout California remain the heart of the company's operations. Granite has taken a leadership role from the beginning with the CARB diesel rules – actively participating in the development of the rules and taking proactive steps toward compliance with the expectation that regulatory enforcement would preserve a level playing field.

While Granite agrees that economic relief from the CARB rules is necessary and appropriate in today's economy, the mechanics of the relief that are being proposed are of great concern. Proactive fleets like Granite that exhausted cash and disposed of older equipment are now paying a huge price for compliance. In a nutshell, the rule changes penalize leaders and reward laggards in today's ultra-competitive, low-bid construction market.

Granite is in favor of general economic relief for Offroad and Onroad diesel fleets but asks that the following changes be included to establish an equitable regulatory environment where environmental leadership is still encouraged.

1. **Emission reductions achieved by complying with the current Offroad Rule that are no longer required under the proposed rule should be transferable to the Onroad Rule.**

Granite installed over 50 DPF retrofits on offroad equipment and made substantial changes to its offroad fleet in preparation for the initial compliance dates in the offroad rule. These steps will create excess emission reductions in Granite's offroad fleet while the company struggles to comply with the much more aggressive compliance schedule proposed for heavy trucks in the Onroad Rule.

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Granite has provided Staff with multiple exchange concepts that we feel are viable, and some type of mechanism must be given to allow this exchange of emissions credit. At a minimum, the amendments should allow fleet owners to apply to the Board for a transfer of emission credit.

2. **Full, unexpiring retirement credit should be given to offroad fleets from the original March 1, 2009 baseline date forward.**

Granite structured a long-term compliance plan around retirement of equipment over time to meet fleet average targets years in the future. Discounting retirement credit from 2009 and dis-allowing the accrual of full retirement credit from 3/1/2011 to 1/1/2013 rewards laggards while putting fleets that have taken proactive steps toward compliance at a further disadvantage.

Changing the retirement credit structure as currently proposed will reward companies that have done nothing or acquired unregulated engines and are thus operating under a decreased cost structure. The currently proposed retirement credit structure also has the potential to create a near-term emissions dis-benefit by dis-incentivizing the disposal of tier 0 engines until after 1/1/2013.

3. **Vocational trucks should have separate and distinct provisions in the Onroad Rule.**

Vocational trucks range from mechanics trucks and fuel/lube trucks to water trucks and dump trucks. These trucks log fewer miles per year than over-the-road trucks, so they have a longer service life. They also tend to have much lighter duty cycles than over-the-road trucks, and thus are generally poor DPF retrofit candidates. In many cases, these truck spend a significant amount of their operating time running a power take-off unit consuming only a small fraction of the engine's rated power capacity (and emitting only a fraction of the engine's rated emissions output).

The inability to retrofit makes vehicle turnover the preferred compliance method for vocational trucks. Unfortunately, the current compliance schedule for trucks over 26,000 pounds creates a situation where heavy vocational trucks would need to begin being turned over when they have not even reached half of their expected service life.

A provision is needed to allow vocational trucks traveling less than 15,000 miles per year and operating less than 1000 hours per year to operate for a period of time beyond 2015 without requiring retrofit or retirement.

We have recently presented these issues to CARB Staff and engaged in a constructive dialogue to work toward fair and viable amendments to the Offroad and Onroad Rules. At the Board's direction, we are confident that our concerns can be addressed while maintaining the integrity of the rules.

In closing, Granite supports the Board in its efforts to reduce diesel emissions and meet air quality goals. Granite's main purpose in commenting on the proposed amendments is to preserve fairness in the regulatory environment, maintain some predictability and certainty, and ensure that companies are not discouraged in the future from embracing CARB's environmental initiatives.

Sincerely,

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