GRANITE CONSTRUCTION INCORPORATED

January 20, 2009

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

Subject: Proposed Amendments to the Regulation for In-Use Off-Road Diesel-Fueled Fleets

Dear Members of the California Air Resources Board and CARB Staff:

I would like to begin this letter by stating that Granite Construction Incorporated is fully supportive of an extension of the deadline to receive double credit for the installation of verified diesel emission control strategies (VDECS). An extension of this deadline is critical given the absence of VDECS prior to the original double credit deadline.

Moreover, we believe it is prudent for the Board to consider an extension of the initial compliance dates of the regulation concurrently with the extension of the double credit deadline. While an extension of the initial compliance dates of the regulation may create a concern as to a loss of emission reductions; the current state of the economy is creating its own emissions reduction. Additionally, the continuing lag in technology makes a postponement of compliance dates a necessary and logical step.

Current State of the Economy:

When the In-Use Off-Road Diesel Fleet Rule was adopted on July 26, 2007, California's economy and California's construction industry were both booming. Since that time, we have seen the mortgage meltdown, the credit crunch, and the Wall Street bailout all contribute to the economic recession for California and the construction industry. This means that we are doing less work and contributing fewer emissions.

A reduction of construction work over the past 18 months has led to a significant decrease in equipment utilization across California. This decrease in utilization correlates directly with a reduction of emissions purely through economic factors. Adding to the absolute reduction in emissions is the fact that equipment still being operating is newer and emits fewer pollutants than the equipment being parked.

CARB Staff and the Board should take into consideration the current economically driven reduction of emissions relative to the modeling conducted for compliance with the Offroad rule and adjust the initial compliance dates accordingly.

Lack of Technology:

While it is encouraging to see the development of retrofit technology over the past few months, the six VDECS currently verified for mobile off-road applications still

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only cover a fraction of Granite's fleet. Furthermore, the most recent verifications have only served to duplicate potential retrofit installations rather that to expand the pool of possible retrofits.

Granite's California fleet of off-highway diesel equipment is made up of approximately 1100 pieces of equipment totaling nearly 220,000 horsepower. Even if Granite is able to take full advantage of the double credit extension, the task of retrofitting 110 machines/22,000 horsepower in the next year with limited technology available is a huge challenge.

To break down Granite's fleet, 600 of Granite's 1100 California machines (including most high-horsepower machines) do not have a verified VDECS. Of the 500 machines that do technically fall under a verification, 170 are in low-load applications that do not support the verification requirements. Taking into account additional requirements such as turbocharger arrangements, safety, operability, and feasibility, the number of machines in Granite's fleet that can realistically be retrofitted with a DPF falls to under 200, or less than 18% of Granite's fleet.

With the extension of the double credit deadline, Granite will be able to meet the 2010 requirements of the off-road regulation, but compliance beyond 2010 is not possible without extensive additional verifications. At this point, it is not possible for us to adequately plan or implement emissions reduction strategies beyond 2010 in the absence of viable technology. It imposes an oppressive burden if our industry is left to guess what technology may or may not become available in the next few years.

To conclude, Granite Construction is fully in favor of the proposed extension of double credit for compliance with the In-Use Off-Road Rule. Additionally, we hope you will consider an extension of the initial compliance dates of the regulation to provide more technological certainty, since this extension can be offset through realistic modeling adjustments to reflect existing conditions in the marketplace.

Sincerely,

Nick Pfeifer
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Corporate Equipment Department
Granite Construction Inc.

Cc:
Dave Sbaffi, Granite Construction Inc.
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