TITLE 13. CALIFORNIA AIR RESOURCES BOARD

NOTICE OF PUBLIC HEARING TO CONSIDER THE PROPOSED AMENDMENTS TO THE REGULATION TO REDUCE EMISSIONS OF DIESEL PARTICULATE MATTER, OXIDES OF NITROGEN AND OTHER CRITERIA POLLUTANTS FROM IN-USE HEAVY-DUTY DIESEL-FUELED VEHICLES

The Air Resources Board (ARB or Board) will conduct a public hearing at the time and place noted below to consider the adoption of amendments to the "Regulation to Reduce Emissions of Diesel Particulate Matter, Oxides of Nitrogen and Other Criteria Pollutants from In-Use Heavy-Duty Diesel-Fueled Vehicles" (Truck and Bus regulation), title 13, California Code of Regulations (CCR), section 2025. This notice summarizes the specific amendments being proposed. The staff report: Initial Statement of Reasons (ISOR) presents the proposed amendments and information supporting the amendments of the regulation in greater detail.

DATE: April 24, 2014

TIME: 9:00 a.m.

PLACE: California Environmental Protection Agency
Air Resources Board
Byron Sher Auditorium
1001 I Street
Sacramento, California 95814

This item will be considered at a two-day meeting of the Board, which will commence at 9:00 a.m., April 24, 2014, and may continue at 8:30 a.m., April 25, 2014. This item may not be considered until April 25, 2014. Please consult the agenda for the hearing, which will be available at least ten days before April 24, 2014, to determine the day on which this item will be considered.

INFORMATIVE DIGEST OF PROPOSED ACTION AND POLICY STATEMENT OVERVIEW PURSUANT TO GOVERNMENT CODE 11346.5(a)(3)

Sections Affected: Proposed amendments to CCR, title 13, section 2025, Truck and Bus regulation.

Background and Effect of the Proposed Rulemaking:

The Truck and Bus regulation was approved by ARB on December 12, 2008, to reduce emissions of diesel particulate matter (PM), oxides of nitrogen (NOx), and other criteria pollutants from about one million in-use diesel trucks and buses that operate in California. The regulation became effective in January 2010. In April 2010, due to the unanticipated economic recession that California and the nation were experiencing, the Board directed staff to update the emissions inventory from trucks to reflect the impact of the recession on emissions. The Board further directed staff to develop amendments to the Truck and Bus regulation that takes into account that emissions were lower as a

result of the recession while continuing to meet air quality goals and obligations. The amended regulation was adopted by the Board on December 17, 2010, and became effective on December 14, 2011.

Despite the amendments, many fleet owners may not have fully recovered from the recession, especially fleet owners in rural areas, smaller fleets, and lower mileage fleets affected by the significant reduction in statewide construction activity. In addition, on January 17, 2014, Governor Brown declared a drought emergency in California which has and will continue to affect many industries, particularly agriculture.

The existing Truck and Bus regulation applies to nearly one million diesel vehicles that annually operate in California with a manufacturer's gross vehicle weight rating (GVWR) greater than 14,000 pounds. The regulation requires newer heavier trucks and buses to meet PM filter requirements starting January 1, 2012, and to replace all older vehicles starting January 1, 2015. The emission reductions will be achieved through three principal means: (1) installing verified diesel emission control strategies (VDECS), also referred to as PM filters, on existing engines; (2) replacing vehicles with newer ones that have cleaner engines; or (3) repowering vehicles with newer, cleaner engines. These emission reductions are necessary to meet State and federal ambient air quality standards, to reduce premature deaths attributable to exposure to fine particulate matter (PM2.5) emissions, and to reduce exposure to carcinogenic diesel PM in support of the Diesel Risk Reduction Plan (DRRP) adopted by the Board on September 30, 2000 (ARB, 2000).

Objectives and Benefits of the Proposed Regulation:

At the Board's October 2013 meeting, staff provided an update on the implementation of the Truck and Bus regulation. Stakeholders expressed concern regarding the ability of some fleets to make the needed upgrades to comply. These concerns specifically focused on small fleets, lower mileage fleets, and fleets in rural areas, all of which arguably continue to be impacted by the recession. Staff informed the Board that it intended to develop and propose amendments to the regulation that will help ensure that the air quality benefits originally envisioned by the regulation will be achieved, while providing the ability of these fleets with additional compliance flexibility.

In developing these amendments, staff focused on three objectives:

- Protecting emission reductions by providing lower cost compliance options to small fleets, low mileage fleets, and certain rural fleets.
- Providing new opportunities for fleets to access public incentive funds.
- Recognizing fleets that made early investments to comply.

Overall, these amendments would achieve about $400 million dollars in cost savings (a 20 percent reduction in overall regulatory cost) for those affected by the amendments, while:

- Starting in 2020, ensuring emissions would be at the same level as the existing regulation.

- Continuing progress in reducing statewide exposure to diesel PM from vehicles covered by the regulation by 85 percent, in support of the DRRP.
- By 2023, providing the NOx reductions from trucks necessary to meet State and federal air quality standards.

By 2023, the amended regulation would cumulatively achieve 93 percent of the PM2.5 and NOx benefits, and similar benefits to reduce premature deaths attributable to exposure to PM2.5 emissions, as was envisioned in 2010. On balance, staff believes the proposed new flexibilities are reasonable and consistent with a rebalanced compliance approach for fleets still suffering from the impacts of the economic recession.

Proposed Amendments

To achieve these objectives and benefits, staff is proposing amendments to the Truck and Bus regulation that include:

- A longer-phase-in period for PM requirements in certain rural areas while continuing to ensure compliance with diesel risk reduction program goals.
- Additional time and a lower-cost pathway for small fleets to achieve compliance with PM requirements, while re-opening opportunities for these fleets to apply for and receive public incentive funding.
- A compliance pathway for owners currently unable to qualify for a loan to finance compliance.
- A longer compliance timeline for low-use and certain vocational or work trucks that travel fewer annual miles and are not competitive in obtaining incentive funding.
- Recognition of fleets that took early action to comply by providing additional useable life for retrofit trucks.

Additional detail and examples of how the individual amendments would affect fleets and the rationale is discussed in more detail in the Initial Statement of Reasons in Chapter VIII.

Providing Relief in Rural Areas with Cleaner Air

Staff is proposing changes to the compliance options for vehicles that are operated in NOx Exempt Areas as defined in section 2025(d)(45) by expanding the regions that are in the definition and by extending compliance requirements contained in section 2025(p)(1) over a longer period of time. First, staff is proposing to amend the definition of NOx Exempt Areas" in section 2025(d)(45), to add the following counties: Amador, Butte, Calaveras, Eastern Kern, Inyo, Mariposa, Mono, Nevada, Northern Sutter, Tuolumne, and the portions of El Dorado and Placer that are within the Lake Tahoe Air Basin. These counties have made substantial progress towards cleaner air, hence creating an opportunity to provide additional time for realizing emission reductions. Second, staff is proposing to amend the compliance schedule for all vehicles, including out-of-state vehicles, that are operated solely within the NOx Exempt Areas (section 2025(p)(1)).

The initial compliance deadline would be extended by one year and the final compliance deadline would be extended four years per the proposed schedule shown in Table 1.

Table 1: Proposed Compliance Schedule for NOx Exempt Area Fleets

Compliance Deadline as of January 1	Existing PM Filter Phase-in Requirement	Proposed Revised Requirement PM Filter Phase-in
2014	33%	0%
2015	66%	25%
2016	100%	40%
2017		55%
2018		70%
2019		85%
2020		100%

Small fleets with three or fewer vehicles that operate in the NOx Exempt Areas would have the option to add PM filters according to the schedule in Table 2.

Table 2: Proposed Compliance Schedule for Small Fleets in NOx Exempt Areas

Number of Trucks	Existing Rule PM Filter Required January 1	Proposed Revised Rule PM Filter Required January 1
One Truck	2015	2017
Two Trucks	2014, 2016	2015, 2019
Three Trucks	2014, 2015, 2016	2015, 2017, 2019

Staff is also proposing to amend section 2025(p)(1)(D) to clarify that vehicles that use the NOx Exempt Area Extension may travel outside of the designated NOx exempt areas for emergency operations, as defined in proposed section 2025(d)(23).

Additional Time and Lower-Cost Pathway for Small Fleets in Non-Attainment Areas

For small fleets (section 2025(h)) not operated exclusively in NOx exempt areas, staff proposes to defer the compliance requirements for the second and third truck in a small fleet, such that the second truck must have a PM filter installed by 2016 and the third truck must have a PM filter installed by 2018. The existing subsections 2025(h)(2), (3), (4)

would be deleted because these sections refer to past reporting dates and are no longer needed. A new definition for "Small Fleet" would be added as amended section 2025(d)(54) for clarity, and the definition of "Fleet Size" in existing section 2025(d)(30) would be deleted because the fleet size definition is only needed to define small fleets. By providing this relief to the second and third trucks in small fleets, small fleet owners would be able to upgrade with lower-cost used trucks, and could be eligible for additional incentive funding.

Providing a Limited Compliance Extension for Owners that Cannot Currently Comply

Staff is proposing a new flexibility option through the addition of section 2025(p)(10) that waives the PM filter requirement for up to three vehicles in a fleet if they are upgraded to 2010 model year engines or newer by January 1, 2018. To qualify, fleet owners must have been denied a loan for purposes of compliance after July 1, 2013 and opt-in by reporting no later than January 31, 2015. This proposed amendment would help ensure air quality benefits will be achieved by providing a compliance pathway for any fleet that is unable to fully comply with regulatory requirements because they were unable to obtain a loan and in doing so may make trucks in those fleets newly eligible for incentive funding. The amendment also potentially reduces compliance costs for fleets because they will be able to defer the purchase of a PM filter, and instead upgrade directly to used compliant 2010 model year engine, which would also result in NOx reductions earlier than currently required.

Adjusted Compliance Timeline for Low-Use Work Trucks

Staff is proposing several amendments to spread out compliance requirements for fleets with lower-use vehicles and dedicated work trucks. These amendments would ensure that air quality benefits are achieved by providing additional time for these vehicles to comply and providing a temporary exemption for the lowest use vehicles.

- Work Truck Extension

Staff is proposing to add a new option for a wide range of low-mileage trucks that is broader than the existing low-mileage construction truck option. Staff is proposing to replace the existing low mileage construction truck extension of section 2025(p)(2) with new language that applies to work trucks and provides an extended compliance schedule for work trucks that travel less than a total of 20,000 miles per compliance year, regardless of its weight or where the truck is operated. The existing mileage limit for low mileage construction trucks is 20,000 miles per year for dump trucks and 15,000 miles per year for other construction trucks. The proposed schedule would phase-in the PM filter requirements for low-mileage work trucks from January 1, 2015 to January 1, 2018, as shown in Table 3 below.

Table 3: Proposed Schedule for Work Trucks

Compliance Date	Minimum PM Filters
January 1, 2015	40%
January 1, 2016	60%
January 1, 2017	80%
January 1, 2018	100%

With this change, the definition for Low-Mileage Construction Truck of existing section 2025(d)(40) would be deleted and replaced with a new definition for Low-Mileage Work Truck in amended section 2025(d)(62). This amendment would provide a lower-cost pathway to compliance for vehicles and equipment that are deployed in specific vocations that demand application-specific configurations with substantial added cost.

- Expanding the Low-Use Vehicle Exemption Until 2020

Staff is proposing to amend the existing "Low-Use Vehicle" definition in amended section 2025(d)(40) to include vehicles that operate fewer than 5,000 miles total per compliance year until January 1, 2020. The definition would also be revised to remove the annual hourly limit for vehicles that use power take off while stationary. This proposed amendment expands the low use exemption temporarily for the lowest use vehicles, and as a result both defers and reduces compliance costs for these vehicles and allows fleet owners to prioritize upgrades of higher use vehicles.

- Smoothing Phase-in Requirements for Low Mileage Agricultural Vehicles

Staff is proposing to amend section 2025(m)(2) to allow agricultural vehicles that operate more than 10,000 miles per year, but less than the mileage thresholds shown in Table 4, to continue using the extension past January 1, 2017.

Table 4: Existing Agricultural Vehicle Extension until January 1, 2017

Engine Model Year	Existing Annual Limit
2006 or newer	25,000 miles
1996 to 2005	20,000 miles
1995 and older	15,000 miles

The amendments would allow the extension to continue for vehicles that operate less than 15,000 miles per year from January 1, 2017 until January 1, 2020, and less than 10,000 miles per year from January 1, 2020 to January 1, 2023. Section 2025(m)(3) would be deleted to remove the requirement for a vehicle to continue to be covered by the extension and be able to operate past January 1, 2017, it must have operated less than 10,000 miles per year since 2011. Staff is also proposing to modify proposed section 2025(m)(6) and is proposing to add section 2025(m)(7) to clarify how eligibility is maintained when a vehicle is retired and how an extension may be used for a different

vehicle in the fleet. This proposed amendment would reduce the annual compliance burden for agricultural trucks by allowing compliance requirements to be phased-in over a greater length of time.

Staff is proposing to amend section 2025(m)(12) to allow log truck owners to make changes to the number of log trucks that are in the log truck phase-in option until January 31, 2015. This change would provide more flexibility to take advantage of other amended options that may be more favorable to the owner. In addition, staff is proposing to amend section 2025(m)(12)(B) by deleting the language about rounding that is already addressed in the regulation and replacing it with clarifying language on how log trucks that are counted towards the log truck phase-in option cannot be double counted when determining compliance with other compliance options.

- Providing Relief for Livestock Cattle Trucks

Staff is also proposing to amend existing section 2025(m)(11) to add livestock cattle trucks the specialty agricultural truck extension while deleting language that is no longer needed to limit the number of agricultural specialty truck extensions that were initially approved. The language regarding the limits on the number of specialty trucks that could be approved in 2011 is no longer needed because the number of specialty truck extensions in a fleet cannot be increased from year to year. Staff is also proposing to allow livestock cattle truck owners to claim the extension by reporting prior to January 31, 2015, without limiting the number of livestock cattle trucks that can be added provided the other criteria to use the extension are met. Section 2025(d)(55)(F) was added to provide a new definition of livestock cattle truck. Livestock cattle trucks are owned by ranchers and a limited number of haulers that drive seasonally in and out of California; however most of these miles are driven in rural areas with cleaner air. This proposed change would recognize that while in-state and out-of-state livestock cattle haulers typically operate more miles than are permitted under the low-mileage agricultural vehicle provisions, as provided in section 2025(m)(2), they are being significantly impacted by current market conditions, and that mileage from these trucks in California is likely to be significantly depressed for several years.

- Providing Flexibility for Heavy Cranes

Staff is proposing to add section 2025(n)(2) to provide a new compliance option for heavy cranes. A new definition for "Heavy Crane" is proposed in section 2025(d)(33). The proposed schedule would require heavy cranes to be upgraded to 2010 model year or newer engines at a rate of 10 percent of the heavy cranes in the fleet per year from January 1, 2018 to January 1, 2027. Staff is also proposing to provide credit for heavy cranes that are equipped with a retrofit or original equipment PM filter before January 1, 2018, by counting such cranes towards meeting the proposed 2010 engine requirement. This credit would recognize crane owners that have already retrofitted or upgraded to newer cranes. These cranes would also be exempt from the replacement requirement. This option would recognize the high cost of replacing heavy cranes and the added complexity for retrofitting existing cranes and meeting crane safety certification standards.

- Smoothing out Regulatory Compliance Requirements

Staff is proposing to amend section 2025(f) to allow lighter vehicles with a GVWR of 26,000 pounds or less to use the amended Phase-in option for vehicles operated exclusively in defined NOx Exempt Areas and the new Low-Mileage Work Truck Phase-in Option. Specifically, staff is proposing to amend section 2025(f)(3) to allow owners of lighter vehicles to use the amended "NOx Exempt Areas Phase-in Option" of section 2025(p)(1)(B) and the proposed "Work Truck Phase-in Option that is described in newly amended section 2025(p)(2). Staff is also proposing to delete the text of section 2025(f)(4) that is no longer needed and to replace it with language to add a new compliance option that would set an upper limit on the number of lighter vehicles that would need to be upgraded with a 2010 model year engine each year starting January 1, 2015. Staff is proposing similar changes for heavier trucks in a new section 2025(g)(7). These changes would provide additional compliance options for fleet owners that have a high percentage of older trucks, which tend to be lighter vehicles that would need to be upgraded in 2015.

Recognizing Early Actions Already Taken by Fleets to Comply

- Extending the Use of Existing PM Filter Retrofits

Staff is proposing to amend sections 2025(f)(2) and 2025(g)(4) to extend the compliance period from January 1, 2020 until January 1, 2023 for any engine that was retrofitted with a PM filter prior to January 1, 2014, provided that the owner reports by January 31, 2015 and the vehicle remains in the fleet. For clarity, the same language would be added in the Small Fleet Option section 2025(h) in a new subsection 2025(h)(7).

- Extending the use of Credits with the PM Filter Phase-In Option

Staff is proposing to amend the existing compliance option in section 2025(i) and associated sections in 2025(j) to extend the use of various compliance credits up to January 1, 2020. Staff is proposing to extend the use of fleet downsizing credits in existing section 2025(j)(1), credits for early PM retrofits in existing section 2025(j)(2)(A), and credit for early addition of original equipment PM filters in existing section 2025(j)(3) until January 1, 2018. Staff is also proposing to amend section 2025(j)(2)(B) to extend the credit for adding alternative fueled vehicles and pilot ignition engines until January 1, 2018, and to extend the use of credits until January 1, 2020 for "Advanced Technology Vehicles" that are newly defined in proposed section 2025(d)(4). The proposed changes would allow fleet owners that have not fully recovered from the recession to have more time to comply, would recognize the actions fleet owners took to comply early, and would continue to encourage owners to upgrade to alternative fueled or advanced technology vehicles.

- Extending Compliance for PM Filters that Are Recalled

Staff is proposing to add section 2025(q)(2)(C) to extend compliance for a retrofit PM filter that is recalled after the PM filter is installed and is not repaired or replaced by the manufacturer. The new section would allow vehicle owners that have installed a retrofit PM filter that becomes subject to a recall (as defined in Cal. Code Regs., tit 13, § 2701(a)(35)) to continue operating the vehicle in the appropriate configuration up to five years from the

date of the recall. This amendment would recognize the efforts of fleet owners to comply on time.

Minor Changes

Staff is proposing amendments to section 2025(d), to modify existing definitions and to define new terms that are associated with the amendments outlined above. Staff is also proposing to modify other sections to clarify existing requirements, improve enforceability of the regulation, and update reporting and recordkeeping requirements.

DETERMINATION OF INCONSISTENCY AND INCOMPATIBILITY WITH EXISTING STATE REGULATIONS

During the process of developing the proposed regulatory action, ARB has conducted a search of any similar regulations on this topic, and has concluded that these regulations are neither inconsistent nor incompatible with state regulations.

COMPARABLE FEDERAL REGULATIONS

- No Comparable Federal Regulations Exist

Under the federal Clean Air Act (CAA), the United States Environmental Protection Agency (U.S. EPA) does not have authority to adopt in-use emission standards relating to the control of in-use motor vehicles or engines or in-use nonroad (off-road) engines used in vehicles or equipment. Thus, there are no federal regulations comparable to the Truck and Bus regulation to reduce emissions from in-use on-road diesel vehicles or vehicles that use off-road engines that operate in California.

- Federal Waivers and Authorizations under the CAA

Section 209(a) of the CAA preempts states from adopting emission standards for new motor vehicles and engines. However, section CAA 209(b) provides that the Administrator of the U.S.EPA shall grant California a waiver of preemption, unless certain specified findings can be made. The regulations proposed for amendment do not establish emission standards for new motor vehicles and engines, and thus no issue of federal preemption exists. Additionally, CAA section 209(e)(2) allows California, upon obtaining authorization from U.S.EPA, to adopt and enforce emission standards and other requirements related to the control of emissions for new and in-use off-road engines not expressly preempted (i.e., as set forth in CAA section 209(e)(1), new off-road engines under 175 horsepower used in farm and construction equipment and vehicles and new locomotives and locomotive engines). The Truck and Bus regulation has requirements for off-road engines used in yard-goats (for agricultural operations) and auxiliary engines of 2 engine sweepers that require waiver authorization from U.S. EPA for California to be authorized to enforce requirements on those vehicles. With the exception of these 2 vehicle types, no other vehicle types subject to the regulation require an authorization. ARB requested that U.S. EPA grant authorization of a waiver for the 2 above-described types of vehicles on March 2, 2012, and on May 24, 2013 was granted the request for authorization of California's emission standards and accompanying enforcement procedures for in-use off-road yard trucks

and auxiliary engines used in 2 engine sweepers as described in the Truck and Bus regulation. To the extent that the proposed amendments affect the previously granted authorization, ARB may submit a follow-up request to U.S. EPA for authorization action.

AVAILABILITY OF DOCUMENTS AND AGENCY CONTACT PERSONS

ARB staff has prepared a Staff Report: ISOR for the proposed regulatory actions, which describes the basis of the proposed actions, and includes a summary of the economic and environmental impacts of the proposed amendments. The report is entitled: "Proposed Amendments to the Truck and Bus Regulation."

Copies of the ISOR and the full text of the proposed regulatory language, in underline and strikeout format to allow for comparison with the existing regulation, may be accessed on ARB's website listed below, or may be obtained from the Public Information Office, Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, First Floor, Sacramento, California, 95814, (916) 322-2990, on March 5, 2014.

Final Statement of Reasons Availability

Upon its completion, the Final Statement of Reason (FSOR) will be available and copies may be requested from the agency contact person in this notice, or may be accessed on the ARB's website listed below.

Agency Contact Persons

Inquiries concerning the substance of the proposed amendments to the Truck and Bus regulation may be directed to the designated agency contact persons, Ms. Beth White, Manager of the On-Road Compliance Assistance Section, at (916) 324-1704, or Ms. Jacqueline Johnson, Air Pollution Specialist, at (916) 323-2750.

Further, the agency representative to whom non-substantive inquiries concerning the proposed administrative action may be directed is Ms. Trini Balcazar, Regulations Coordinator, at (916) 445-9564. The Board staff has compiled a record for this rulemaking action, which includes all the information upon which the proposal is based. This material is available for inspection upon request to the contact persons.

Internet Access

This notice, the ISOR, and all subsequent regulatory documents, including the FSOR, when completed, are available on ARB's website for this rulemaking at http://www.arb.ca.gov/regact/2014/truckbus14/truckbus14.htm.

DISCLOSURES REGARDING THE PROPOSED REGULATION

The determinations of the Board's Executive Officer concerning the costs or savings necessarily incurred by public agencies and private persons and businesses in reasonable compliance with the proposed regulation are presented below.

Fiscal Impact / Local Mandate

Pursuant to Government Code sections 11346.5(a)(5) and 11346.5(a)(6), the Executive Officer has determined that the proposed regulatory action would not create costs or savings to any State agency or in federal funding to the State, costs or mandate to any local agency or school district, whether or not reimbursable by the State pursuant to Government Code, title 2, division 4, part 7 (commencing with section 17500), or other nondiscretionary cost or savings to State or local agencies.

Significant Statewide Adverse Economic Impact Directly Affecting Business, Including Ability to Compete

Pursuant to Government Code section 11346.5(a)(8), the Executive Officer has made an initial determination that the proposed regulatory actions covering the affected regulation would not have a significant Statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. In accordance with Government Code sections 11346.5(a)(10) and 11346.3(b), the Executive Officer has further determined that the proposed regulatory actions will decrease the elimination of jobs within – as well as outside of – the State of California, and decrease the elimination of existing businesses within – as well as outside – the State of California.

The amendments to the Truck and Bus regulation would reduce the compliance obligations for most fleets and businesses, both in-state and out-of-state, affected by the regulation over the next three years, and for some, until 2023. The extensions and expanded provisions included in the amendments would provide more time for the economy to continue to recover and would reduce the total compliance investments required of affected businesses.

These modifications could have a negative economic impact on retrofit manufacturers and installers and firms that provide repowers in the short term because orders would be spread out over the next several years, and affected fleets may opt to replace their vehicle with a newer compliant vehicle rather than installing a retrofit or performing an engine replacement.

An assessment of the economic impacts of the proposed regulatory action and its effect on California businesses can be found in the ISOR.

Cost Impacts on Representative Private Persons or Businesses

The determinations of the Board's Executive Officer, pursuant to Government Code section 11346.5(a)(9), concerning the costs or savings necessarily incurred by representative private persons and businesses in reasonable compliance with the proposed amendments to the regulations are presented below.

Results of The Standardized Regulatory Impact Analysis/Assessment Prepared Pursuant to Gov. Code sec. 11346.3(c).

Effect on Jobs/Businesses:

The proposed amendments to the Truck and Bus regulation would reduce the overall cost of the regulation and would reduce the impact on employment by providing additional compliance options or by extending compliance periods that will reduce compliance costs for fleets. The amended regulation would defer some of the compliance costs for many vehicles for one to five years and would improve the ability of vehicle owners to raise the capital needed to make upgrades. This additional time would also give fleets additional opportunities to take advantage of declining used compliant truck prices and to apply for public incentive programs. The estimated costs of the amended Truck and Bus regulation would be about $400 million lower than the existing regulation over the next 10 years.

Benefits of the Proposed Regulation:

These amendments would achieve $400 million dollars in cost savings (a 20 percent reduction in overall regulatory cost) to those subject to these regulatory requirements, while achieving 93 percent of the PM2.5 and NOx benefits envisioned in 2010. Starting in 2020 emissions would be at the same level as the existing regulation.

The amendments do not result in any increase in emissions compared to existing environmental conditions and would continue to meet the goals that were established when the regulation was initially adopted. The regulation has already reduced diesel PM emissions by 39 percent and practically all trucks operating in California would still be equipped with a PM filter by 2020, meeting the goals of the DRRP. Staff also anticipates the amended regulations would achieve a 37 percent reduction in statewide NOx emissions in 2023, consistent with the current regulation. Table 5 compares the projected benefits of the existing regulation and the proposed amendments on key dates.

Table 5 - Statewide Emission Reductions of the Current Regulation Compared to the Proposed Amendments (tons per day)

Year	NOx Reductions		PM2.5 Reductions	
	Existing Regulation	Proposed Amendments	Existing Regulation	Proposed Amendments
2014	57	52	6.0	5.6
2017	83	62	6.1	5.0
2020	63	70	4.2	4.2
2023	95	94	2.9	2.9

Because the proposed amendments would defer and/or relax some requirements for businesses and some small fleets in the near term, staff projects there would be a temporary delay in emission benefits, until 2020, compared to emission benefits that may have been achieved absent the proposed amendments. Emissions of diesel PM, and NOx would continue to trend down from today and it would ultimately result in essentially the same projected emissions after 2020. A more detailed discussion of the effect on emissions is presented in the Initial Statement of Reasons, Chapter IV.

Please refer to "Objectives and Benefits of the Proposed Regulation" under the Informative Digest of Proposed Action and Policy Statement Overview Pursuant to Government Code 11346.5(a)(3) discussion earlier in this notice on page 2.

Effect on Small Business

Pursuant to Government Code section 11346.5(a)(7)(C), the Executive Officer has made an initial determination that the proposed regulatory action would have a net positive effect on small businesses that own trucks. The amendments reduce the impact on employment; however, the amendments could have a negative effect on businesses that aid in the making, distribution, cleaning, and maintenance of PM filters. Because the proposed amendments provide options to delay compliance with the PM requirements, the demand for retrofit PM filters will be extended longer and may ultimately be substantially lower if fleets chose to replace rather than retrofit their trucks. For some retrofit PM filter manufacturers and associated businesses that have invested capital based on original predictions of demand, there could be a delay in recovery of their capital investment, or an inability to fully recover that investment. However, the proposed modifications designed to ensure that fleets have an increased ability to comply could help mitigate potential impacts on retrofit businesses.

For the foregoing reasons, the Executive Officer has determined, pursuant to California Code of Regulations, title 1, section 4, that the proposed regulatory action would affect small businesses.

Housing Costs

The Executive Officer has also made the initial determination that the proposed regulatory action will not have a significant effect on housing costs.

Business Reports

In accordance with Government Code sections 11346.3(c) and 11346.5(a)(11), the Executive Officer has found that the reporting requirements of the proposed regulatory action which apply to businesses are necessary for the health, safety, and welfare of the people of the State of California.

Alternatives

Before taking final action on the proposed regulatory actions, the Board must determine that no reasonable alternative considered by the Board, or that has otherwise been identified and brought to the attention of the Board, would be more effective in carrying out the purpose for which the action is proposed, or would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. Alternatives that staff considered are discussed in the ISOR.

Summary of any comments from Department of Finance on "major regulations" pursuant to Gov. Code sec. 11346.5(a)(10).

Summary of Comments from Department of Finance on Standardized Regulatory Impact Assessment (SRIA) Proposed Amendments to Truck and Bus Regulation and Air Resources Board Response to Comments

Department of Finance (DOF) conducted a review of the ARB's Standardized Regulatory Impact Assessment for the proposed amendments. DOF's comments are summarized and responded to below:

DOF Comment 1:

DOF concurred with the direct savings figure of at least $621 million during 2015 implementation year. This savings will be garnered by the regulated trucking businesses. DOF also agrees that the SRIA fulfills all the requirements set forth in Finance regulations, and therefore meets the guidelines promulgated by SB 617.

ARB Response: None needed

DOF Comment 2:

DOF commented that confusion may result from using discounted values and suggested a methodology of annual disaggregated impacts. DOF suggests

providing consistent numbers throughout the SRIA and other regulatory documents and/ or including both values indicated previously.

ARB Response: The SRIA was modified to include the following further explanation.

> "***Expenditures Vs. Compliance Costs/Savings***
>
> Table 5 shows annual changes in expenditures and compliance costs associated with the proposed Amendments. Expenditures represent changes in total capital costs and on-going costs that occur in each year while compliance costs represent changes in annualized capital costs and on-going costs that occur in each year. Annual expenditures are estimated for the purpose of the economic modeling while compliance costs are calculated for the purpose of estimating the cost-effectiveness. Cost-effectiveness is a ratio of annual compliance costs to annual emissions reductions. Since emissions occur annually, compliance costs need to be estimated on annual basis too in order to make a meaningful comparison of the costs and benefits of a regulation.
>
> Compliance costs are estimated to spread out the costs that do not occur annually over the useful life of equipment using a capital recovery factor (CRF). For this amended regulation, we used a 7 percent discount rate and a useful life of 10 years to calculate the CRF). The 7 percent discount rate includes higher risk premium associated with affected businesses, which are 90 percent small business.
>
> As shown in Table 5, the total expenditures and compliance costs attributed to the amendments are about $406 and $420 million lower in 2014 dollars than the existing regulation."

DOF Comment 3:

DOF suggests modeling the alternatives with the same vigor as the regulation itself. Additionally, DOF suggests expanding the alternative analysis from the two alternatives that are less costly with less benefits to add an third alternative that has more cost and more benefits.

ARB Response:

> The more costly alternatives would fall under ARB taking no action to postpone some of the requirements of the original Regulation. Such alternatives were deemed unreasonable because it was apparent to the ARB that some flexibility was needed to assure the long-term success of the Truck and Bus Regulations. It would have been unreasonable to continue the requirements that could have put many of the small firms out of business because of economic hardship. The flexibility provides time to the regulated community to comply, and in a few short years, the foregone emission reduction due to the Amendments would be attained.

DOF Comment 4:

DOF suggests additional discussion of the health impacts of the proposed amendments, and that the health impacts of the original regulation be cross referenced.

ARB Response: The SRIA was modified to include the following further explanation.

> The proposed amendments also would have little impact on the overall emissions benefits achieved; therefore, the health impacts are not expected to change significantly and are within the margin of error of the mortality calculations. As an example, over the life of the regulation, the proposed amendments cumulatively achieve 93 percent of the PM2.5 and NOx benefits, providing similar reductions in premature mortality (approximately 3,500 fewer deaths statewide attributable to PM2.5 exposure) as envisioned in the 2010 amendments, valued at billions of dollars in reduced health care costs. The proposed amendments result in an insignificant change in emissions compared to today's existing environmental conditions and would continue to meet the goals that were established when the regulation was initially adopted.

Environmental Analysis

ARB, as the lead agency for the proposed regulatory action, has prepared an environmental analysis (EA) under its certified regulatory program (Cal. Code. Regs., tit 17, §§ 60000 through 60008) and the California Environmental Quality Act (Pub. Resources Code § 21080.5) to assess the potential for significant adverse and beneficial environmental impacts associated with the proposed regulatory action. Staff has determined that the proposed regulatory action would not result in any significant adverse impacts on the environment. The basis for reaching this conclusion is provided in Chapter V of the ISOR. Written comments on the EA, submitted as described below, will be accepted during a 45-day public review period starting on **March 7, 2014,** and ending at **5:00 pm** on **April 21, 2014**.

WRITTEN COMMENT PERIOD AND SUBMITTAL OF COMMENTS

Interested members of the public may present comments relating to the proposed amendments orally or in writing at the hearing, and comments may be submitted by postal mail or by electronic submittal before the hearing. The public comment period for this regulatory action will begin on March 7, 2014. To be considered by the Board, written comments, not physically submitted at the hearing, must be submitted on or after March 7, 2014, and received **no later than 5:00 pm on** April 21, 2014, and must be addressed to the following:

Postal mail: Clerk of the Board, Air Resources Board
1001 I Street, Sacramento, California 95814
Electronic submittal: http://www.arb.ca.gov/lispub/comm/bclist.php

Please note that under the California Public Records Act (Gov. Code, § 6250 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

ARB requests that written and email statements on this item be filed at least 10 days prior to the hearing so that ARB staff and Board members have additional time to consider each comment. The Board encourages members of the public to bring to the attention of staff in advance of the hearing any suggestions for modification of the proposed regulatory action.

Additionally, the Board requests but does not require that persons who submit written comments to the Board reference the title of the proposal in their comments to facilitate review.

AUTHORITY AND REFERENCE

This regulatory action is proposed under that authority granted in Health and Safety Code, sections 39002, 39003, 39500, 39600, 39601, 39602, 39602.5, 39650, 39656, 39658, 39659, 39665, 39666, 39667, 39674, 39675, 40000, 41511, 41513, 41752, 41754, 41755, 42400, 42400.1, 42400.2, 42402, 42402.2, 42410, 43000, 43000.5, 43013, 43016, 43017, 43018, 43018.2, 43023, and 43600. This action is proposed to implement, interpret, and make specific Health and Safety Code sections 39600, 39601, 39650, 39658, 39659, 39666, 39667, 39674, 39675, 40000, 41511, 41752, 41754, 41755, 42400, 42400.1, 42400.2, and 42402.2, 42410, 43013, 43016, 43018, 43023, and 43600.

HEARING PROCEDURES

The public hearing will be conducted in accordance with the California Administrative Procedure Act, Government Code, title 2, division 3, part 1, chapter 3.5 (commencing with section 11340).

Following the public hearing, the Board may adopt the regulatory language as originally proposed, or with non-substantial or grammatical modifications. The Board may also adopt the proposed regulatory language with other modifications if the text as modified is sufficiently related to the originally proposed text that the public was adequately placed on notice and that the regulatory language as modified could result from the proposed regulatory action; in such event, the full regulatory text, with the modifications clearly indicated, will be made available to the public, for written comment, at least 15-days before it is adopted.

The public may request a copy of the modified regulatory text from ARB's Public Information Office, Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, First Floor, Sacramento, California, 95814, (916) 322-2990.

At the Board meeting, the Board may direct staff to develop additional modifications to the regulation to be considered at a later Board hearing. If directed to do so, ARB will

prepare a separate notice of proposed rulemaking that will be published not less than 45 days before the scheduled hearing date.

SPECIAL ACCOMMODATION REQUEST

Consistent with California Government Code Section 7296.2, special accommodation or language needs may be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format or another language;
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerk of the Board at (916) 322-5594 or by facsimile at (916) 322-3928 as soon as possible, but no later than 10 business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Consecuente con la sección 7296.2 del Código de Gobierno de California, una acomodación especial o necesidades lingüísticas pueden ser suministradas para cualquiera de los siguientes:

- Un intérprete que esté disponible en la audiencia;
- Documentos disponibles en un formato alterno u otro idioma;
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al (916) 322-5594 o envié un fax a (916) 322-3928 lo más pronto posible, pero no menos de 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

CALIFORNIA AIR RESOURCES BOARD

Richard W. Corey
Executive Officer

Date: February 25, 2014

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website at www.arb.ca.gov