

JOINT AGENCY WORKSHOP
OF THE
CALIFORNIA ENERGY COMMISSION
CALIFORNIA AIR RESOURCES BOARD

In the Matter of:)
)
Implementation of Alternative and) Docket No.
Renewable Fuel and Vehicle) 08-ALT-1
Technology Program)
-----)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

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CALIFORNIA ENERGY COMMISSION

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Presiding Member, Transportation Committee

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Diana Schwyzer, Advisor to Commissioner Douglas

Mike Smith

Susan Fleming

Tim Olson

Steve Bonta

Nick Janusch

CALIFORNIA AIR RESOURCES BOARD

James Goldstene, Executive Officer

Jack Kitowski

Andrew Panson

Lucina Negrete

Johanna Levine

ALSO PRESENT

John Gilliland
Metcalf & Eddy
on behalf of EnviroEnergy Solutions

Richard Eplett
Biofuel and 100% Lubricants

Danielle Fugere
Friends of the Earth

ALSO PRESENT

Bill Bunnell
Bunnell and Almanns Petroleum, Inc.

Larry Greene
Sacramento Metropolitan Air Quality Management
District

Kristin Macey
California Department of Food and Agriculture

Jon Van Bogart
CleanFuelUSA

Chuck White
Waste Management

Jerald Cole
Hydrogen Ventures, LLC

Mike Kane (via WebEx)
Plug-In America

John Shears
Center for Energy Efficiency and Renewable
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Nathalie Hoffman (via WebEx)
California Renewable Energy

Roger Gault (via WebEx)
Engine Manufacturers Association

Richard Shoreski
Bay Area Climate Action Working Group

Philip Treanor
"ERG"

Joe O'Bannon
Monterey Bay Unified Air District

Thomas J. Christofk
Placer County Air Pollution Control District

John Boesel
WestStart-CALSTART

ALSO PRESENT

Bonnie Holmes-Gen
American Lung Association of California

John Johns
California State University, Los Angeles

Tom Stoflet
San Jose International Airport

Dave Myers
Luxfer Gas Cylinders

David Rubenstein (via WebEx)
California Ethanol Power

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P R O C E E D I N G S

1:09 p.m.

1
2
3 VICE CHAIRPERSON BOYD: Welcome. We had
4 a Commission meeting this morning and there were
5 about six people out there. I guess money talks.
6 We have a crowd. Glad to see all of you.

7 I'm Jim Boyd, Vice Chair of the Energy
8 Commission, and Chair of the Commission's
9 Transportation Committee. On the other side of
10 Mr. Goldstene is Karen Douglas, the newest
11 Commissioner at the Energy Commission and my
12 fellow member of the Transportation Committee, as
13 the Commission which oversees these kind of issues
14 I should say.

15 I appreciate all of you coming. This is
16 the beginning of a -- or the launch of what we
17 hope is a very positive experience and a positive
18 process for all involved. It's the end of a very,
19 how shall I put this diplomatically, what was a
20 very interesting and difficult legislative process
21 in bringing us to this major milestone.

22 It's been a long long time --

23 (Operator interruption.)

24 VICE CHAIRPERSON BOYD: I didn't do
25 that.

1 (Laughter.)

2 VICE CHAIRPERSON BOYD: As I was saying,
3 it was a long tough legislative process that
4 brought us this piece of legislation for both the
5 Air Board and the Energy Commission, which, by the
6 way, are good friends and have been partners in
7 this arena literally for decades.

8 It's just been awhile since the Energy
9 Commission, for one, had any money to speak of to
10 spend to facilitate transportation, transportation
11 fuels, transportation technology, transportation
12 in our land use, and transportation and travel
13 planning, so on and so forth.

14 So we're very grateful that the sponsors
15 of the legislature saw fit to --

16 (Operator interruption.)

17 VICE CHAIRPERSON BOYD: Not going to let
18 me finish this, okay.

19 (Laughter.)

20 VICE CHAIRPERSON BOYD: -- to grant us
21 these funds to move this issue forward to address
22 now a multitude of issues that face California.

23 Some of us have been working for years
24 on the knowledge that there's a system out there,
25 a huge nexus between air quality, energy

1 diversity, energy security, environmental
2 protection. And now climate change, the greatest
3 driver of all, is pushing us to make those kinds
4 of decisions and look at those kinds of systems
5 together, in any event.

6 I just want to say that the legislation,
7 AB-118, was difficult, as I indicated before
8 because lots of people have lots of different
9 goals and objectives and motives. And I'd like to
10 think all of them are positive and pointing in
11 more or less the same direction.

12 As you will learn, because of the
13 concerns of so many stakeholders, and because of
14 the complexity of this issue, the process that we
15 will go through to implement the goals and
16 objectives of the program will be somewhat
17 lengthy.

18 The process is heavily encumbered with
19 process. And beg your indulgence in working with
20 us to move speedily to the point where we can
21 totally implement the program and address the
22 problems and issues that we all wanted to see
23 addressed by such a program.

24 We don't have a lot of years to do an
25 awful lot of work, but that seems to be the

1 standard mantra for programs that are passed these
2 days, particularly given to the Air Board, such as
3 AB-32, or to our agency such as in a host of other
4 energy efficiency, energy conservation and energy
5 generation arenas.

6 So, with that, welcome, and that kind of
7 background statement. I'd like to ask Ms. Douglas
8 if she'd like to say something. And then we'll
9 have Mr. Goldstene, and we'll move into the
10 program. Karen.

11 COMMISSIONER DOUGLAS: Thank you,
12 Commissioner. I will be very brief. I'm very
13 excited and happy to be here today. I'm happy to
14 see such tremendous interest from the public in
15 this program.

16 AB-118 established a program carried out
17 both by the Energy Commission and the ARB that I
18 think will be very important to our state in
19 meeting our climate goals and our air quality
20 goals; and reducing our petroleum dependence.

21 And I am very pleased that we're here to
22 kick this off together. And look forward to
23 hearing from the staff and hearing from the public
24 today. Thank you.

25 EXECUTIVE OFFICER GOLDSTENE: Good

1 afternoon. Well, we're pleased to get an
2 opportunity to work closely with the Energy
3 Commission again on an important program. I just
4 have a few comments.

5 You know, AB-118 builds on successful
6 programs that we've been running for decades at
7 the Air Resources Board. For the past decade,
8 like the Carl Moyer program, which has funded
9 about 7500 engines in its first seven years that
10 has resulted in about a 24 tons per day reduction
11 of diesel -- also worked with the CEC, the joint
12 ARB/CEC, you know, lower emissions school bus
13 program has funded the replacement of 600 of the
14 oldest, most polluting buses. And paid to
15 retrofit about 3800 buses. And, of course, the
16 prop 1B monies, the first of those monies are
17 going out.

18 So these programs have given both
19 agencies a lot of experience in how to develop
20 programs like these. So, AB-118 program is
21 another example of that.

22 One of the great things about 118
23 program perspective is it does give us a lot of
24 flexibility to do things that we couldn't do under
25 other incentive programs like helping fund

1 emerging technologies and demonstration programs,
2 more research and workforce training.

3 Of course, as Jim mentioned, we're just
4 at -- this is just the beginning of what will be a
5 hopefully not too arduous process in -- where
6 we're going to take these programs.

7 So, good afternoon, everybody. We look
8 forward to hearing your thoughts and working with
9 you as we move forward.

10 VICE CHAIRPERSON BOYD: Thank you,
11 Karen; thank you, James. Mike Smith, I think it's
12 time for me to turn the microphone over to you and
13 to set the framework for this, and to start our
14 program.

15 MR. SMITH: Thank you very much,
16 Commissioner Boyd. Welcome, everybody. This
17 is --

18 VICE CHAIRPERSON BOYD: We're not
19 getting you on the mike.

20 MR. SMITH: On the recording mike? Can
21 you hear me now? It's on.

22 (Pause.)

23 MR. SMITH: Okay, thank you. It's
24 overwhelming to see this turnout. I want to
25 welcome you all to this kickoff meeting, joint

1 kickoff meeting --

2 VICE CHAIRPERSON BOYD: Mike, the mike
3 is not broadcasting you.

4 (Pause.)

5 MR. SMITH: Okay, how's that?

6 VICE CHAIRPERSON BOYD: There you go.

7 MR. SMITH: Okay, I should be pretty
8 practiced at this intro by now. Thank you all for
9 coming to this kickoff meeting with the -- joint
10 kickoff meeting with the Energy Commission and the
11 Air Resources Board on our AB-118 programs.

12 Before I get into the presentations I do
13 And if you'll indulge me for just a few minutes.

14 For those of you that are not familiar
15 with this building, the closest restrooms are
16 located just outside the hearing room to the left;
17 there's men's and women's restrooms next to each
18 other.

19 There's a snack bar on the second floor.
20 If you go up the stairs and just head straight to
21 the back corner you'll run right into the snack
22 bar.

23 Lastly, in the event of an emergency and
24 the building has to be evacuated, please follow
25 our employees to the appropriate exits. There is

1 a standard procedure that we have to go through.
2 We will meet over at Roosevelt Park which is
3 across the intersection over here. So, we'll exit
4 out these doors and go across the street. There
5 will be CEC employees there to direct you in case
6 of an evacuation.

7 Also, please proceed calmly and quickly,
8 following the employees with whom you are meeting,
9 to safely exit the building.

10 I also need to tell you that the
11 workshop is being recorded. And I believe that
12 provides us with the capability also to provide
13 recordings for you, CD recordings or DVD
14 recordings.

15 Also, questions. We will take questions
16 in between presentations. And we'll start with
17 questions from the house first. And in order to
18 do that we ask that you fill out -- there are
19 small blue cards in the back. And I believe Susan
20 Fleming -- is Susan back there? Okay, Susan is
21 just outside the door. She has blue cards that
22 you need to fill out and provide to her. And she
23 will provide them to Vice Chair Boyd and you'll be
24 called in order that he receives the cards.

25 We'll then go to folks that have logged

1 in on the WebEx. And right now they are all
2 muted. When they want to ask a question I ask
3 that the folks on the WebEx please identify
4 yourself first before you ask the question so that
5 we have a recording documentation of who you are
6 and what your question or issue is.

7 Okay, the first program of AB-118 that I
8 want to present to you today is the alternative
9 and renewable fuel and vehicle technology program.

10 There will be two other programs that
11 folks from the Air Resources Board will present.

12 let me first say AB-118 provides some
13 requirements for the implementation of all three
14 programs -- or excuse me, at least two programs,
15 the alternative fuels program and the Air
16 Resources Board's air quality improvement program.

17 I've listed them here. These come from
18 the statute, itself. I'm not going to read each
19 one. There's a couple here I will point out.
20 Establishing sustainability goals is going to be
21 an exceedingly important task that the Energy
22 Commission and the Air Resources Board will work
23 jointly on.

24 The Air Resources Board will also be
25 developing what we call anti-backsliding

1 guidelines that will guide both our programs and
2 they can talk more about this effort.

3 Lastly, I just want to point out in the
4 last bullet there's a provision in the law that
5 prohibits us from funding projects that are
6 otherwise required to be undertaken pursuant to
7 state or federal law, or district rules and
8 regulations.

9 This one will be, along with
10 sustainability goals, probably an equally tough
11 issue to clarify. And I'll speak more to that
12 later.

13 Very quickly, the purpose of the program
14 is to deploy -- develop and deploy innovative
15 technologies into California's transportation
16 fuels market.

17 The emphasis of the program is on
18 deployment. There is a research and development
19 aspect. And, in fact, we have research and
20 development money that is in the fund, or will be
21 deposited in the fund. But, by far, the emphasis
22 will be on deployment of technologies and fuels
23 into the market.

24 The bill also directs us to do this
25 without adopting any particular preference for a

1 fuel or technology. So we're taking the no-
2 silver-bullet approach in implementing this
3 program.

4 The program also advances the goals
5 established in the state alternative fuels plan,
6 or the AB-1007 report, which the Air Resources
7 Board and the Energy Commission jointly completed
8 and adopted in December of 2007.

9 I might point out also that this report,
10 this plan, is the tip of the iceberg in terms of
11 public policy foundation which has brought us here
12 today. The effort in identifying the need for
13 this sort of program goes back as far back as
14 2003, again, when the Energy Commission and the
15 Air Resources Board jointly adopted the strategy
16 to reduce petroleum dependence in California.

17 The issue was raised again in the 2003
18 and 2005 Integrated Energy Policy Reports that the
19 Commission authored in which we called for this
20 sort of program.

21 The alternative fuels program also
22 supports the bioenergy action plan, which the
23 Energy Commission and Air Resources Board and a
24 number of state agencies authored; and was
25 accepted by the Governor and resulted in an

1 executive order from the Governor.

2 And in that plan it called for the --
3 identified goals for instate production of
4 biofuels. And this program provides a very
5 important opportunity to achieve those goals, as
6 well.

7 The bill also calls for us to implement
8 the funding, which will be up to \$120 million a
9 year for the Energy Commission through a number of
10 means. So the bill has given us great flexibility
11 in exactly how we implement the program and the
12 financial vehicles that we use to fund projects.

13 The criteria set out in the bill for the
14 program is pretty clear. It asks us or directs us
15 in establishing this program to develop a diverse
16 portfolio of fuels in California. This effort is
17 going to be consistent with the petroleum
18 reduction goals that we have established,
19 alternative fuel use goals that most recently were
20 called out in the 1007 report.

21 It will be consistent with our climate
22 change policies and the low carbon fuel standard
23 that will ultimately be developed and implemented
24 by the Air Resources Board.

25 A very important feature of this

1 legislation, which is becoming the underpinning of
2 many things that we're doing now in the area of
3 transportation fuels, is that we will make
4 decisions about projects on a lifecycle basis, on
5 a full fuel cycle basis. So, from field to
6 wheels, from wells to wheels, depending on the
7 particular fuel.

8 The bill also directs that whatever we
9 do with these programs we do not adversely affect
10 the sustainability of the state's natural
11 resources.

12 There's a number of other criteria that
13 the bill lays out. That it asks the Commission to
14 consider implementing and give great weight to in
15 implementing the program. And I've listed them
16 out here. I don't think I need to read them
17 individually but you can see that the legislation
18 is asking the Commission to consider a great many
19 factors in implementation of this program.

20 The bill also gives the Energy
21 Commission considerable latitude in the types of
22 projects that we fund. And there's probably 11
23 different projects that the bill -- types of
24 activities that the bill defines. Some of them
25 are ones that would be the obvious projects in

1 terms of developing fuels and developing
2 technologies, deploying them in the marketplace.

3 But the bill also goes several steps
4 beyond that, which I think is an important
5 feature, in that it also recognizes that in
6 addition to the actual development and deployment
7 of fuels in vehicles, you have to also begin to
8 create that workforce infrastructure that's going
9 to be needed to support these activities and
10 support these industries in the future.

11 The bill also allows us to fund projects
12 and programs dealing with education, promotion and
13 vehicle technology centers. So, the bill has far-
14 reaching implications, and I think covers the
15 waterfront in terms of the types of activities
16 that are actually going to be needed to create a
17 meaningful alternative in renewable fuels industry
18 in California.

19 What I'd like to do now is just quickly
20 walk you through the activities that -- the
21 implementation activities for this program that we
22 are looking at over the course of the next nine
23 months to a year.

24 I will tell you at the outset that we
25 are trying to move as quickly and expeditiously as

1 possible in implementing this program. We
2 recognize certainly all the imperatives that
3 underlie this program. And so we are trying to
4 move this as quickly as possible.

5 We also, in the process of doing that,
6 however, we want to take great care in insuring
7 that all viewpoints and input are considered in
8 developing this program and implementing this
9 program. It's a very complex issue. Many points
10 of view. Many technologies and fuels to consider.
11 And we want to be very careful that those opinions
12 and views are taken into consideration.

13 The first step that we actually -- let
14 me jump out of order slightly, going down to the
15 third bullet. The first step the Energy
16 Commission took in this process was to adopt a
17 order instituting rulemaking. We did this because
18 we need to, for this program, to develop
19 regulations. So we are now in the process of
20 developing those regulations and I will come back
21 to that in a second.

22 The next step that we are taking is to
23 appoint and convene an advisory committee. The
24 legislation requires that the Energy Commission
25 establish an advisory committee to help it develop

1 the investment plan, which is the next bullet.

2 The bill is actually fairly clear about
3 what it requires in the advisory committee, and
4 I'll talk about that in a minute. It also is
5 fairly clear on what it wants the investment plan
6 to say.

7 Lastly, or second to the last, rather,
8 an important implementation activity is actually
9 securing the funding for this program for next
10 fiscal year, starting in 2008.

11 And then lastly we want to move quickly
12 in soliciting projects. And I will talk about
13 each of these briefly.

14 As I said, the legislation requires the
15 Energy Commission to establish this committee with
16 the intent of helping it develop the investment
17 plan. The statute is fairly clear about the
18 criteria and the types of entities that we are to
19 have on this committee. And we have already --
20 we've started the process of sending out
21 invitations and starting to receive confirmations
22 on that committee.

23 We're very clear also in establishing
24 this committee, an important factor that
25 participants need to understand is that to

1 participate on this committee means that you
2 cannot, you or the organization that you
3 represent, cannot apply for funding from the
4 program.

5 Now, there are a couple of exceptions to
6 that that the Commission will consider. And they
7 include state agencies and they include
8 individuals that or organizations that are members
9 of a broader organization, but don't sit on the
10 governing board of that broader organization.

11 So if you have a trade organization, for
12 example, you may be a member of that. But being a
13 member of that trade organization doesn't exclude
14 you from receiving funding.

15 We're hoping to have our first advisory
16 committee meeting in early May. And as all
17 activities here at the Energy Commission, they are
18 subject to the requirements of the open meetings
19 act.

20 We also want to stress that
21 participating on the advisory committee isn't the
22 only avenue for your input to be received by the
23 Commission. Again, as with all of our proceedings
24 here at the Commission, public input is given
25 great weight. And this program will be no

1 exception.

2 So, at each advisory committee meeting
3 we will create opportunities for input from
4 stakeholders and the public in providing input to
5 the Commissioners to help in the development of
6 the investment plan.

7 Also, every advisory committee meeting
8 will have transcripts. We want to create a clear
9 and transparent docket for this effort. So we
10 will have transcripts, written transcripts, after
11 each meeting. Generally they're available in
12 about two to three weeks after each meeting.
13 They'll be posted on our website, also.

14 Next, development of the investment
15 plan. The legislation tells us that the
16 investment plan will identify priorities and
17 opportunities for funding through this program.
18 It also asks us to describe how our funding will
19 complement existing public and private funding
20 sources.

21 We, in looking at the investment plan
22 and the development of it, we are -- and actually
23 let me back up to the advisory committee, I
24 skipped over one important point to make. The
25 input from this advisory committee, we are trying

1 to keep at a fairly strategic level. We don't
2 intend that the advisory committee will provide
3 input on project-level recommendations. But we're
4 seeking the expertise and the knowledge of members
5 on the advisory committee at a fairly high level,
6 at a fairly strategic level to help us develop the
7 funding recommendations.

8 That feeds into the investment plan.
9 And the investment plan will also have a fairly
10 high level look to it. We're not going to be, or
11 we don't intend that the plan will identify
12 specific projects to fund, but rather general
13 categories of funding opportunities and
14 priorities.

15 We also hope that the investment plan
16 will be a tool by which the Commission can reach
17 out or extend the reach of our program, and
18 develop strategic alliances with other partners,
19 funding partners.

20 The plan, we're expecting that the plan
21 will be adopted by the Commission in October 2008.
22 And the plan is required by law to be updated
23 annually. So we'll go through this cycle every
24 year for the length of the program in reviewing,
25 revising and renewing the priorities set in the

1 investment plan.

2 So, the advisory committee function
3 becomes very important. The public input and
4 stakeholder process becomes very important because
5 this plan is a dynamic document and we expect to
6 keep it dynamic through the life of this program.

7 Let me talk a bit about the regulations.
8 As I mentioned, the Commission adopted an OIR on
9 January 30, 2008, which started the regulatory
10 process.

11 The purpose of developing the
12 regulations is to clarify an ambiguities in the
13 statute and create certainty and transparency in
14 the administration of this program.

15 And there are a number of areas in the
16 bill which we have determined do need
17 clarification and do need definition in order for
18 us to effectively administer this program. So we
19 are going to look to the stakeholders and the
20 public to help us in developing those definitions
21 and clarifying certain provisions in the bill.
22 And I will discuss each of those shortly.

23 We have built or tried to build some
24 conservatism into the regulation process.
25 Regulations are never easy. And they can be

1 lengthy and time consuming.

2 We've tried to build some conservatism
3 into the schedule by including at least two public
4 workshops. And I need to make a correction here
5 on the next bullet. The Energy Commission will
6 likely adopt the regulations, according to the
7 schedule we have now, in December of 2008. And
8 they will immediately be sent over to the Office
9 of Administrative Law for their review and
10 consideration.

11 If everything goes smoothly we expect
12 that the Office of Administrative Law will approve
13 them in March of 2009. They'll be sent over to
14 the Secretary of State for publication. At which
15 point we can begin implementing the program in
16 earnest, and soliciting projects to fund.

17 With respect to the regulations, as I
18 said, there are certain areas in the bill that we
19 feel do need clarification. The first one is the
20 bill asks -- the legislation asks us to define
21 sustainability goals.

22 We will be working very closely with our
23 colleagues at the Air Resources Board on this
24 issue. We also have a conference in May that we
25 are planning in conjunction with the California

1 Biomass Collaborative, which will specifically
2 address sustainability issues in -- bioenergy
3 sustainability issues and lifecycle cost issues,
4 or full fuel cycle issues.

5 We also have a request for proposals on
6 the street now. It's a \$1 million RFP in which we
7 are going to -- intend to examine the issue of
8 sustainability more closely.

9 We will also use the RFP, the resulting
10 contract, to modify the GREET model that we used,
11 along with the Air Resources Board, in developing
12 the 1007 report. And the GREET model is the tool,
13 at least our tool of choice to help us analyze the
14 full fuel cycle impacts or implications of
15 differing fuel options.

16 The bill also asks us to identify
17 revenue streams which we will do in regulations.
18 And the bill also asks us to measure and quantify
19 results to insure that the benefits and the
20 emissions reductions from this program are
21 quantifiable. So we will be using the regulatory
22 process to identify the indicators, develop
23 indicators that we will use in measuring the
24 program.

25 Another, as I said earlier in the outset

1 of my presentation, the issue of what is required
2 by law now is going to be a very important factor
3 to clarify. This may be as difficult as
4 developing sustainability goals. It's going to be
5 very important to understand where existing law,
6 rules and regulations end and funding
7 opportunities for the Energy Commission begins.
8 So we will be seeking your help in that area,
9 also.

10 Other areas that the bill, we feel the
11 bill needs a little bit of -- excuse me, that need
12 a little bit of clarification through the
13 regulatory process is that further refinement of
14 how the advisory committee is structured; and how
15 the advisory committee will be used.

16 The investment plan, although the bill
17 defines the content of the investment plan, we
18 think it's important to define in regulation how
19 that investment plan will guide funding decisions
20 of the Commission.

21 And lastly, it will be important to
22 define ratepayer benefit. And this comes from a
23 provision in the law that directs and transfers
24 \$10 million from our Public Interest Research
25 demonstration account that funds our PIER program,

1 our research program here at the Energy
2 Commission.

3 The bill requires, because these funds
4 come from electric and natural gas ratepayers,
5 that we have to define a methodology to determine
6 how the expenditure of these funds will benefit
7 the electric and natural gas ratepayers. So this
8 also will be clarified in regulations.

9 I might add also in terms of regulations
10 it's important to keep in mind that we don't want
11 to use the regulatory process or the regulations,
12 themselves, to define too specifically each of
13 these items. We would envision that this program
14 is -- through the life of the program there will
15 be a certain evolution to it. And to define these
16 things too specifically in regulation may hinder
17 us in the future if factors should change and we
18 need to go back in and change those. We have to
19 go back through the regulation process.

20 And again, I don't think we ought to do
21 that in the middle of the program. So, we're
22 trying to keep the language in our regulations
23 fairly high level. We would anticipate using our
24 solicitation process to define for more detail
25 what we'd expect in funding proposals.

1 Another important piece of implementing
2 this program is actually securing the funding.
3 We've requested in the Governor's budget \$100
4 million for 2008/2009. We've also requested
5 \$900,000 for six positions here at the Energy
6 Commission to administer the program. And travel
7 expenses that will help us in not only the Energy
8 Commission Staff travel, but in helping the
9 advisory committee convene and meet. The \$10
10 million is from our Public Interest Energy
11 Research program.

12 The last bullet is important to note.
13 If everything goes according to plan and we are
14 able to begin soliciting for projects in March of
15 2009, that doesn't leave a lot of time left in the
16 fiscal year in order to solicit projects and award
17 money.

18 Typically funds are given, appropriated
19 on a one-year encumbrance period, which means you
20 have to get the money out the door within a year.

21 We've asked, because of the peculiar
22 schedule we're operating under due to the
23 regulatory process, we've asked the Legislature to
24 give us to approve a two-year encumbrance period
25 for these monies. So whatever funds we are not

1 able to encumber in 2008/2009, hopefully we'll
2 have the ability to encumber those funds in 2009
3 and '10. Trying to keep this process as seamless
4 as possible with few disruptions.

5 And then lastly, we want to hit the
6 ground running. Once regulations are adopted,
7 hopefully in the spring of 2009, we want to be in
8 a position to solicit for the projects as quickly
9 as possible.

10 That will require that we do some
11 upfront planning, solicitation planning in the
12 fall and winter of 2008. After the investment
13 plan is adopted, that will give us the guidance
14 that we feel we would need to then begin to plan
15 for solicitations. And that will put us in a
16 position hopefully of having solicitations
17 available shortly after the regulations are
18 adopted in the spring.

19 I just want to conclude with contact
20 information. And the only point I want to make on
21 here, the names that are listed, is down at the
22 bottom we have established two dockets for this
23 program.

24 The first one is used for the
25 regulations only. And any information that goes

1 into that will be supporting the rulemaking,
2 itself. It's important to keep that separate for
3 the OAL's purpose.

4 We have set up a separate docket for
5 everything else related to this program. So,
6 information that we request or that may be
7 submitted to the Energy Commission relating to the
8 advisory committee, related to the investment
9 plan, related to solicitations or any other
10 function of the Commission would be submitted to
11 the second docket.

12 Again, we're trying to keep this process
13 as clear and transparent as possible. We want
14 everybody to understand how the Commission is
15 implementing the program. We want everybody to
16 understand why the Commission makes decisions that
17 it makes in funding the program.

18 We may not always agree, but at least
19 you'll understand the basis for decisions that the
20 Commission makes in its implementation of the
21 program.

22 And with that, I will open it up for any
23 questions.

24 VICE CHAIRPERSON BOYD: Thanks, Mike.
25 And I've got to return to a housekeeping item

1 here. The best laid plans. The agenda everybody
2 has in front of them, and as Mike indicated, we
3 intend to have questions, the answers to those
4 questions in this fairly informal setting after
5 each one of the three presentations.

6 And Mike dutifully called for blue
7 cards. The problem is I can't tell from these
8 blue cards if you want to address item 1, 2 or 3,
9 But for one individual who was selective. And the
10 agenda doesn't have a public testimony component.

11 So, we're going to have to do a little
12 bit of an honor system, or what-have-you, here.
13 And if you really just want to address the entire
14 discussions of the day at the end of the day, I'll
15 see that we have a public testimony period.

16 But if you have questions or answers --
17 if you have questions, or answers -- if you have
18 questions or you want to testify specifically on
19 like presentation number 1, that we just finished,
20 now would be the time to just ask your question.
21 And/or if you want to testify, to come, in either
22 case, to the microphone and do that. And let us
23 know who you are.

24 Otherwise, I'll be calling the blue card
25 people, I guess basically at the end of the whole

1 day, because other than Mr. Gilliland, nobody
2 indicated they wanted to speak to item 1 or 2 or
3 3. And I'm not faulting you. I look at these
4 cards, I wouldn't know what to put down, myself,
5 if I had to fill one out. So, in any event, a
6 little housekeeping there.

7 So, first question folks might have of
8 Mike Smith and the CEC Staff on this item. And if
9 you have a question, just come up to the
10 microphone if you don't mind.

11 And, Mike, I'm going to turn it back to
12 you to adjudicate.

13 MR. GILLILAND: Chairman Boyd, my name
14 is John Gilliland. I work for Metcalf and Eddy
15 and I represent EnviroEnergy Solutions. And I put
16 1, 2 and 3 because I wanted to have a question
17 after presentation 1, and a question after
18 presentation 2, --

19 VICE CHAIRPERSON BOYD: Very good.

20 MR. GILLILAND: -- and a question after
21 presentation 3.

22 VICE CHAIRPERSON BOYD: You did good.

23 MR. GILLILAND: Thank you, sir. I have
24 three brief questions I'd like to ask.

25 The first is on Mike Smith's

1 presentation. He talked a lot about fuel
2 deployment and development. But I also see in the
3 body of the presentation and in AB-118 that
4 there's also verbiage built in there for
5 technology.

6 So, for example, if you don't have a
7 fuel, but you have a technology that provides you
8 the fuel reductions that you're looking for, is
9 that also applicable to this program? And that's
10 one question I have.

11 Because it looks like it's built into
12 the legislation, that it's there. It's in your
13 presentation that it's there. But you didn't
14 really elucidate on it. You talked more about
15 fuels and alternative fuels and the like. So I
16 was just hoping that I could get some
17 clarifications there.

18 The second question I have is on
19 procedure with slide 10 on regulations. You
20 talked about the CEC adopting; I'm assuming that
21 the Air Resources Board will not also have to
22 adopt this part of the regulation that'll be in
23 the second part? Okay.

24 And then the last question I have --

25 VICE CHAIRPERSON BOYD: I was just

1 shaking my head, but I don't know if that's the
2 right answer.

3 MR. GILLILAND: Well, I saw lots of
4 people shaking their heads.

5 VICE CHAIRPERSON BOYD: Okay, well, I
6 don't think the Air Board wants to or has to adopt
7 our regulations.

8 MR. GILLILAND: Okay.

9 MR. SMITH: I was holding; I was going
10 to answer each of your questions after you asked
11 them.

12 MR. GILLILAND: Okay, great, thank you.

13 VICE CHAIRPERSON BOYD: I'll try not to
14 nod, then.

15 (Laughter.)

16 MR. GILLILAND: The last question I have
17 is on slide 11 where you talked about
18 sustainability goals. If you, in fact, can reduce
19 your carbon footprint, is there possibilities
20 there for obtaining emission reduction credits?
21 carbon credits?

22 Or because this is going through a
23 regulatory procedure, are those now no longer
24 surplus because you have created these through a
25 grant funding. So you'll lose any potential for

1 generating carbon credits that you can then sell
2 on the open market?

3 And those are my three questions.

4 MR. SMITH: Okay.

5 MR. GILLILAND: Should I sit down?

6 MR. SMITH: You can stand if you wish.

7 You may have more questions after I give you
8 answers, so --

9 MR. GILLILAND: I hope not.

10 MR. SMITH: Regarding your first
11 question, yes, I focused a lot on alternative and
12 renewable fuels, but there is a provision in the
13 bill for the sort of activity you're describing.
14 And then specifically it says, projects to develop
15 and improve light, medium and heavy duty vehicle
16 technologies that provide for better fuel
17 efficiency and lower greenhouse gas emissions.

18 So, yes, there appears to be language
19 that addresses efficiency technologies, as well.

20 MR. GILLILAND: And you would be
21 receptive to that, then? As part of the
22 solicitations?

23 MR. SMITH: We would certainly be
24 receptive to the notion of funding --

25

1 MR. GILLILAND: Okay.

2 MR. SMITH: -- efficiency improvements.
3 The Commission has long argued that fuel
4 efficiency is probably the most cost effective way
5 of reducing dependence on petroleum, putting more
6 fuel efficient vehicles on the road. We've been
7 making that argument since our first report back
8 in 2003 on the strategy to reduce petroleum
9 dependence.

10 So we find that to be a very effective
11 strategy of reducing petroleum dependence. And
12 thereby, reducing greenhouse gas emissions and
13 pollution. So I believe the Commission would be
14 very receptive to proposals along those lines.

15 Your second question --

16 MR. GILLILAND: I think we answered
17 that. That was the does CARB have a rulemaking
18 role to play in this.

19 MR. SMITH: Yes. They do not have to
20 adopt our regulations. But as you'll find out
21 when the CARB representatives speak, there are
22 guidelines that the bill requires that they
23 develop for both our programs. And they will
24 adopt those guidelines. The anti-backsliding
25 guidelines that they're becoming commonly known

1 as.

2 We don't have to adopt those guidelines
3 as part of our rulemaking. Once CARB adopts them,
4 they're in -- they have the effect of law. And so
5 we would use those simply in developing our
6 solicitations.

7 And the third question dealt with carbon
8 credits and whether or not using public funds
9 would preclude the use of credits in a future
10 market that could be set up. And I think that's a
11 very important question. And I think that's a
12 question that I think -- and the Energy Commission
13 need to address that as a process. I don't think
14 there's a clear answer to that, yet. As there's
15 not a clear answer to whether there'll be a
16 market.

17 So, that's something we will address as
18 we move through this program.

19 VICE CHAIRPERSON BOYD: Mike, I think
20 James wants to --

21 MR. SMITH: Sure.

22 VICE CHAIRPERSON BOYD: -- address that.

23 EXECUTIVE OFFICER GOLDSTENE: Actually,
24 Mike, you did a nice job addressing it, but it is
25 an important question. But, just overall, the two

1 agencies are going to be working closely together
2 to make sure that all the regulations that are
3 involved in implementing AB-118 work well together
4 and mesh, line up properly.

5 With regard to credits it's a good
6 policy question. And as you're probably aware on
7 May 5th we're holding a scenarios workshop under
8 AB-32, and will be looking at those kinds of
9 questions. I don't know if we're looking at this
10 specific question in relation to 118, and we
11 should add it to our list. So, thank you.

12 MR. GILLILAND: Thank you very much for
13 your time.

14 VICE CHAIRPERSON BOYD: I just want to
15 underscore from my perspective your first question
16 about fuels and vehicle technologies, the law is
17 very clear in referencing both. And I think we,
18 as an agency, are very clear in our desire to
19 address both.

20 So, rest assured we're into vehicle
21 technology just as much as we're into alternative
22 and renewable fuels.

23 Yes, sir.

24 MR. EPLETT: Yes, my name is Richard
25 Eplett; I'm the sole proprietor of Biofuels and

1 100% Lubricants. And, of course, I'm interested
2 in the procurement by the public of alternative
3 fuels.

4 And I've been studying them quite a bit,
5 and I know at the moment it appears there are
6 people who are selling biodiesel. And I was
7 wondering if there was any certain type that is
8 being required in that regard.

9 And also compressed natural gas is
10 available to the public. And I was wanting to ask
11 if there are any other fuels that are available at
12 this time to the general public, or do they need
13 to be studied a little further. Is that basically
14 what we're talking about.

15 VICE CHAIRPERSON BOYD: Mr. Smith, you
16 want to respond to that --

17 MR. SMITH: Let me first say that the
18 legislation does point out a number of fuels that
19 are eligible for support through this program.
20 And beyond biodiesel and compressed natural gas, I
21 think you said compressed natural gas, there are
22 other fuels, other alternative and renewable fuels
23 that are available to the public, including
24 renewable diesel, including propane, electricity,
25 to name a few.

1 Am I answering your question?

2 MR. EPLETT: Yeah. That kind of
3 generally answers my question. I'm thinking about
4 ethanol and propane and that type of thing, if
5 that's acceptable to be sold in California.

6 MR. SMITH: Well, certainly both are in
7 differing forms. Ethanol is used now very largely
8 in California as a blending in conventional
9 gasoline. There is also the opportunity, a very
10 very small market at this point, on using ethanol
11 in E-85, 85 percent blend for use in certain types
12 of vehicles, flexible fuel vehicles.

13 One of the thing I didn't point out
14 clearly, one of the areas that we want to address
15 in regulation also is the definition of
16 alternative fuels that will be used in this
17 program. And we want to be very clear about those
18 definitions and make sure the list of available
19 fuels is comprehensive. So that will be an area
20 that we will be looking at in our regulatory
21 process also.

22 MR. EPLETT: I have some comments at the
23 end of this session that I wanted to come up with.
24 So I put in a blue card in that regard.

25 MR. SMITH: I might point out that also

1 while our regulations might be fairly general in
2 nature with respect to fuels, when we produce or
3 develop solicitations, if we're developing a
4 solicitation for a particular fuel, we may get
5 very very specific as to the type of the quality
6 of the fuel, if there's a fuel specification
7 that's being used, we may rely on that.

8 So it'll be the solicitation process
9 where we actually get into the details of the
10 quality and type of fuel that we're seeking
11 proposal to fund.

12 Commissioner Boyd, you said you wanted
13 to also respond?

14 VICE CHAIRPERSON BOYD: No, no, I just
15 was prompting you for fear that I might jump in --
16 Danielle, I didn't see the gentleman on his knees
17 there. Danielle Fugere, Friends of the Earth.

18 MS. FUGERE: Danielle Fugere, Friends of
19 the Earth, thank you.

20 I just have two quick questions
21 regarding the presentation. One, you said that
22 the solicitation process, there'll be more details
23 with regard to specific criteria, so the
24 regulations, themselves, will be general and more
25 specific in the solicitation process.

1 My question was how much public input
2 will be involved in the more specific solicitation
3 process. So I think it was 1008 where it was a
4 very rush process and the public didn't, at least
5 our groups didn't feel like we had sufficient time
6 for input in that process and the criteria. So I
7 was wondering about that.

8 And second, with regard to the \$1
9 million request for proposal that's outstanding on
10 sustainability, is that something that's available
11 to the public? And does the public have any input
12 in that particular process?

13 MR. SMITH: The RFP is available to the
14 public. It's on our website. It's out on the
15 streets. We recently sent out an addendum to the
16 RFP which added additional money to bring it up to
17 \$1 million for this contract, for this RFP.

18 The public, generally speaking, in
19 request for proposals, the public participation is
20 fairly limited. It's really a decision that's
21 been made by the Commission to seek a contractor
22 to help us with this issue. The input will come
23 from contractors, potential bidders, rather,
24 bidders conferences.

25 I suspect that the public is certainly

1 welcome to participate in the bidders conference.
2 There's nothing -- no prohibition on that. It's a
3 publicly noticed meeting.

4 The public input is also available when
5 the Commission awards the contract. I suspect
6 that when we develop this project, this contract
7 or contracts, we will be seeking input from
8 experts in the field to help us further refine the
9 work statement and scope of work for this
10 particular project.

11 It's an incredibly important issue and
12 incredibly complex. And so we wanted to make a
13 very earnest first stab at trying to deal with
14 this issue in our program by putting a fairly
15 substantial contract on the street to help us with
16 this topic.

17 MS. FUGERE: Right, we're encouraged by
18 that, but as you said, it's a very important issue
19 to us, and to make sure that we have some input in
20 the direction they're going and the questions that
21 are being asked.

22 MR. SMITH: Yes. We will make every
23 effort in the contracting process to try and make
24 that public input happen. It's just that the
25 contracted process is guided by some very rigid

1 state rules and laws. We'll make every effort,
2 though.

3 You also mentioned about the
4 solicitation process. To be honest with you, we
5 haven't thought that far in advance, but I think
6 the suggestion you made is probably very
7 worthwhile and probably would be very helpful to
8 the Commission.

9 Even though we may have adopted the
10 investment plan, again, keeping this program as
11 transparent as possible, it may very well be a
12 worthwhile effort to invite input on our
13 solicitations before we finalize them.

14 MS. FUGERE: Great, thank you.

15 MR. SMITH: Thank you very much.

16 MS. FUGERE: And I just had one final
17 comment, which is I'm very encouraged to hear that
18 this process will be comprehensive and take into
19 account 1007 and the low carbon fuel standard.
20 Because these issues are so intertwined, and we're
21 really looking for the state to not separate each
22 project, but to really be holistic and figure out
23 how do we meet our AB-32 goals, how do we just
24 comprehensively look at what the state is doing.
25 So, we appreciate that. Thank you.

1 MR. SMITH: You're welcome.

2 VICE CHAIRPERSON BOYD: Thank you.

3 MR. BUNNELL: Hi. My name Bill Bunnell
4 and I'm with Bunnell & Almanns Petroleum. And
5 what I'm trying to do is bring biodiesel and E-85
6 to the public so that you don't have to be an
7 owner or operator of a fleet to be able to use
8 those fuels. And hopefully we'll see some
9 pollution reductions because of that.

10 But what I'm facing is -- and what I'm
11 wanting to know is if it would preclude you from
12 this program is CARB's instructions to the local
13 air quality districts says that for flexible fuel
14 vehicles 95 percent of them already have ORVR, so
15 all the vapors are being recovered.

16 But when you talk to the local agencies
17 they say that because of this no slide provision
18 that you've talked about, that they can't allow
19 any system in place, even if it was 1 percent of
20 vehicles, which, as time goes by and more and more
21 of the new vehicles, they all have ORVR, so
22 eventually it will get down to zero.

23 But the dispenser manufacturers, and
24 I've spoken with all of them, all their product
25 development managers say that they're not going to

1 create any kind of equipment to be able to handle
2 biofuels, E-85 and/or biodiesel because there's no
3 market. There's not a big enough market in place
4 for them to make money doing it.

5 And so we're kind of caught in a "Catch
6 22" where we want to get it out there, we want to
7 get it to the public, but on the other hand our
8 own regulations, even though here in this group it
9 sounds like you're trying to promote it, other
10 regulations get in the way of implementing it.

11 And so what I want to know, is there
12 going to be any coordination with the local air
13 quality districts to implement these sort of
14 things? And then secondarily, would it prevent
15 funding for this program because of these
16 inconsistencies?

17 VICE CHAIRPERSON BOYD: Mike, I don't
18 know if you want to jump into that, or whether our
19 friends from the ARB want to jump into that. Or,
20 I know there's some local air district people out
21 there in the audience who may want to volunteer.
22 Jack, you're leaning into the mike there.

23 MR. KITOWSKI: Yeah, I'll take the first
24 shot at it, but I do note that there is certainly
25 at least one air district person who's welcome to

1 come up.

2 There were several issues you brought up
3 with both biodiesel and ethanol that I think need
4 to be segregated out, because there are different
5 issues with different ones. And we could talk to
6 you about them, and it's probably better to, you
7 know, talk offline instead of getting into those.

8 But, you know, there are specific
9 provisions about anti-backsliding. That is
10 critical. We have firm criteria and basically
11 smog and toxic air pollution rules. And they are
12 necessary because there are a number of
13 requirements, both federal and state, that are
14 tied to those rules.

15 So the air quality goals and
16 improvements we've made in the fuels we don't want
17 to go backwards on.

18 But I think it gets back to the last
19 commenter, as well, Friends of the Earth. I think
20 we're willing to do this, step forward and look at
21 this more holistically.

22 But there are several different issues.
23 The issues of biodiesel are different than those
24 with ethanol and so really to get at the root of
25 your problem, or the root of your question, I

1 think would probably take a longer answer than a
2 workshop would warrant.

3 But I do notice Larry Greene's stood up,
4 with the Sacramento District.

5 MR. GREENE: Larry Greene with the
6 Sacramento Air Quality Management District. We
7 have a contract with the Air Resources Board, a
8 \$3.5 million contract, to put E-85 availability on
9 the street in the Sacramento regional. And we
10 have already identified enough stations, both
11 public fleets and private fleets.

12 And we'll be signing contracts over the
13 next couple of months; and we'll have those
14 contracts signed and the work will get underway
15 the rest of the year to backfill those particular
16 locations so that they can actually dispense E-85.

17 And we've been working with the Air
18 Resources Board folks who would be certifying
19 those stations in that process.

20 So, I can't speak to the specific
21 technical details. I have staff that can. But
22 that program is well underway and I think we'll be
23 seeing some stations late this year, early next
24 year that will be dispensing E-85 at a substantial
25 level in the Sacramento region.

1 I can't speak to the biodiesel, but
2 certainly the E-85 will be available.

3 VICE CHAIRPERSON BOYD: Larry, is that
4 to say, then, or, Jack, that there is certifiable
5 or certified dispenser technology available?

6 MR. GREENE: I don't know if I have a
7 staff person here who can answer that. I've asked
8 that question. I do know that they have either
9 got a certifiable system, or they have weighed the
10 requirements and believe that the systems in place
11 are acceptable to dispense that.

12 But that is certainly an issue that
13 we've been talking with. And I have heard no
14 issue with the folks over in the vapor recovery
15 area that that is a problem.

16 So, they were working to certify a
17 system and get an executive order out. I'm not
18 sure whether the solution to that question was to
19 do a new executive order, or to do this on a test
20 basis and actually have a system that would be
21 acceptable to the Air Resources Board.

22 So, I can find that answer out pretty
23 quickly, but I don't know the answer right away.

24 VICE CHAIRPERSON BOYD: Well, at the
25 moment I'm left with the impression that let's

1 just say government to government program, there
2 are ways to make it work, but somebody in the
3 private sector trying to get into business may
4 face a different kind of hurdle or --

5 MR. GREENE: These are private stations
6 and public stations. Caltrans and a number of
7 public fleets, but half of this money is going to
8 private stations that will be accessible to the
9 public.

10 VICE CHAIRPERSON BOYD: I guess what I
11 meant really is you're doing the heavy lifting,
12 though, and the government agency, in trying to
13 move this. And somebody who is a private
14 entrepreneur may sounds like have a more difficult
15 time.

16 Yes, Jack.

17 MR. KITOWSKI: Might I suggest that we
18 take the person's contact information. I can get
19 the right people in our agency to make sure we
20 talk, sit down with him. And like I said, I think
21 the ethanol issues are different than the
22 biodiesel, --

23 VICE CHAIRPERSON BOYD: No, I would
24 agree with you, they're probably different issues
25 for different liquid fuels.

1 MR. GREENE: But I think the reason for
2 doing this was to work through the problems so
3 that then the public stations who wanted to come
4 onboard would already have a model in place that
5 we had worked together on so that we would answer
6 those questions in the process of this.

7 This is -- I think the purpose of the
8 grant was to do that, was to work through those
9 problems so then we could deliver a system that
10 would work to the stations in the public.

11 VICE CHAIRPERSON BOYD: It does sound
12 like something that's fairly complex and needs to
13 be addressed partially offline. But it also
14 sounds to me like it bears pretty heavily on the
15 ability to move forthrightly into enabling, if not
16 financing, incenting, move into the fueling
17 infrastructure arena.

18 So, sounds like it's an issue, Mike and
19 James, to put on our list of issues that need to
20 be addressed in this program area to be worked,
21 so --

22 MR. GREENE: We're available for any
23 questions that James or the staff would like to
24 contact us and follow up on.

25 VICE CHAIRPERSON BOYD: Thanks, Larry.

1 EXECUTIVE OFFICER GOLDSTENE: Thanks,
2 Larry, and I agree with Jack's suggestion that
3 we'll get your contact information and follow up
4 with you.

5 MR. BUNNELL: Okay, but --

6 EXECUTIVE OFFICER GOLDSTENE: Okay.

7 MR. BUNNELL: -- the one aspect of it
8 that would be good if we could follow up on is his
9 district has decided to move forward, and that way
10 each district views it differently.

11 The San Joaquin Central Valley Air
12 District doesn't view it that way. And so one
13 good thing would be is if you could get all the
14 air districts together and try to move forward
15 with some kind of standard system so that business
16 people would know what model to follow for all
17 their stations. Because this particular one is in
18 Fresno, but there's other stations that we'd like
19 to look at in other areas.

20 And I appreciate what he just said
21 because independent business people, I don't even
22 know how this whole process works. And like he
23 said, if he can be -- and that's what I'm trying
24 to be -- both my kids have asthma and I'm not here
25 to try to make money off this kind of thing. But

1 I'm trying to be a leader in the Central Valley to
2 clean up the air. Hopefully down the road people
3 will see you can make money at it, and it'll catch
4 on and improve the air a little bit.

5 But I don't know how to go through this
6 labyrinth of different agencies. And right now
7 I'm kind of stuck in a "Catch 22". I'm trying to
8 do the right thing overall it's going to increase
9 the air, but with the E-85 aspect of it, the
10 fueling dispenser 5 percent of the vehicles right
11 now are permitting 100 percent of improvement in
12 the fuel burning of those vehicles.

13 So, anyway, thank you very much.

14 VICE CHAIRPERSON BOYD: Point well made,
15 thank you. A young lady back there who's been
16 waiting patiently.

17 MS. MACEY: Hi, Kristin Macey with the
18 California Department of Food and Agriculture, the
19 Division of Measurement Standards.

20 And I'd like to add a little bit to the
21 complexity of this, because the Division of
22 Measurement Standards has a completely different
23 angle on this.

24 Our focus is device accuracy and fuel
25 quality. And to address the other gentleman's

1 question about the dispensing systems, there's one
2 other factor that you must consider.

3 For those commercial applications here
4 in California where the devices are used to sell
5 fuel directly in retail sales to the public, they
6 must also be type approved and given the blessing
7 from our division that the devices will dispense
8 accurately and be repeatable and provide for
9 certain commercial aspects that will make them
10 reliable in the marketplace.

11 And then the other thing that I wanted
12 to actually ask you today is from our fuel quality
13 aspect, for over 70 years the Division of
14 Measurement Standards has had a petroleum products
15 program where we've overseen the quality of
16 vehicle fuel that's been sold in California.

17 Through the inspection, the sampling and
18 the testing of petroleum products we've insured
19 that the quality specifications are being met.
20 And through that we've been able to provide
21 consumer protection and confidence in the
22 marketplace.

23 The motoring public hasn't had the need
24 to be concerned about the quality of the fuel, the
25 conventional fuel that they've been purchasing for

1 their vehicles. And I would hope that the
2 advisory committee would look favorably on any
3 sort of application we might make to insure that
4 the fuel quality testing for alternative fuels for
5 those that are being developed, and also
6 eventually going into the retail marketplace, are
7 a very small but necessary component for this
8 whole entire process.

9 VICE CHAIRPERSON BOYD: Thank you. I
10 don't want to speak for my friends at the Air
11 Board, but I know from a limited experience there
12 that a longstanding relationship with you folks on
13 this subject of gasoline dispensing and diesel
14 dispensing and what-have-you.

15 And I would agree with you that in this
16 joint program I'm sure your agency will be a
17 partner in working with all of us on addressing
18 those kinds of issues and solving those problems.

19 And I think I heard a request for some
20 financial help there, too, in that presentation.
21 We'll look to that.

22 MS. MACEY: Thank you.

23 VICE CHAIRPERSON BOYD: Thank you.

24 MR. SMITH: Commissioner Boyd, on that
25 matter I would just point out that the legislation

1 allows for public agencies to apply for funding,
2 so.

3 VICE CHAIRPERSON BOYD: And I notice
4 they've noticed it.

5 (Laughter.)

6 MR. VAN BOGART: Jon Van Bogart with
7 CleanFuelUSA. I just want to make a couple brief
8 comments on the dispenser issue. Under AB-1811 we
9 received some grant funding from the Air Resources
10 Board to address some of these issues. We just
11 handed in our quarterly report and I just wanted
12 to let everyone know that both Wayne Dresser and
13 Gilbarco have submitted certification projects for
14 dispensers for UL.

15 One of the things we're waiting for is
16 for the Air Resources Board to address the stage
17 two vapor recovery issue. They've now issued a
18 letter out to all the air districts, in which the
19 air districts will have to decide whether they
20 will accept the EPA waiver or not.

21 This will also include type approval
22 projects for dispenser technology for both Wayne
23 and Gilbarco, also OPW for the phase one drop all
24 the components there, and also Goodyear for hoses.
25 So that process is moving forward.

1 It looks like this fall UL will probably
2 issue their first UL-listed E-85 dispensers for
3 both those companies.

4 VICE CHAIRPERSON BOYD: Thanks, Jon,
5 that's good information. Did anyone else want
6 to --

7 MR. WHITE: Thank you, Commissioner.
8 Chuck White with Waste Management. I was just
9 wondering if you could elaborate a little bit more
10 on the solicitation process. Maybe it's a little
11 bit too early to really answer that in too much
12 detail.

13 But I think Mike's indicated there might
14 be a focus solicitation on a particular fuel type.
15 But then there might be a broader solicitation
16 that could involve alternative technologies for
17 vehicles; it could involve different kinds of
18 fuels.

19 And I guess my question goes how would
20 you balance all of that with respect to making a
21 decision on how to allocate the funds to the
22 various competing projects? Do you envision some
23 kind of point system based upon the eligibility
24 criteria in terms of fuel efficiency,
25 sustainability, greenhouse gas reductions, and

1 somehow the ones that score higher would be the
2 ones more likely to become eligible for project
3 funding?

4 And, again, I'm not asking for great
5 specificity. I was just wondering if you could
6 share some thinking about how these solicitation
7 processes would go to work, given you're going to
8 be measuring a whole variety of different kinds of
9 technologies and fuels to determine which ones
10 would be most likely eligible for funding.

11 Thank you.

12 VICE CHAIRPERSON BOYD: It's all yours,
13 Mike.

14 MR. SMITH: Thank you, Commissioner.
15 Let me begin by saying that AB-118 does provide
16 guidance in terms of project criteria that the
17 Commission needs to give weight to.

18 There's a list of criteria, and I showed
19 them on a couple of slides. It's important to
20 note that these criteria, the legislation tells us
21 that these are the important issues or factors
22 that we need to consider in the funding projects.

23 It doesn't say that we have to consider
24 each and every one of these needs to be reflected
25 in a funding recommendation, but that we need to

1 be able to show that we've given great weight to
2 each of these.

3 So these criteria, you know,
4 preferences, as the bill describes them, are laid
5 out for us. And we will take these very
6 seriously.

7 They're intended to push the fuel market
8 forward. Some of these are fairly aggressive in
9 their definitions -- or fairly aggressive, I'll
10 just leave it at that. And so that's actually
11 very helpful to us in trying to define how we
12 should develop solicitations.

13 In terms of what types of solicitations,
14 I didn't mean to imply that we would have a
15 focused and then a general solicitation. That's
16 going to be up to the Energy Commission and the
17 Commissioners involved in the project in making
18 those recommendations.

19 As to how we proceed, once we have an
20 investment plan in place, a lot will depend on
21 what comes out of that plan. And a lot will
22 depend on the input we get from stakeholders in
23 the development of that plan.

24 So, that's going to be a very critical
25 feature, and will guide -- will be very important

1 in guiding the Commissioner's decisions on how to
2 structure the initial solicitations.

3 But I also go back to the commenter
4 earlier that we probably should build into the
5 process input from the public in developing those
6 solicitations, as well.

7 VICE CHAIRPERSON BOYD: Thank you, Mike.
8 Yes, sir.

9 MR. COLE: My name's Jerald Cole. I'm
10 with the consulting firm Hydrogen Ventures.

11 VICE CHAIRPERSON BOYD: Oh, good. I had
12 this blue card, I was --

13 MR. COLE: You were wondering who that
14 was, right?

15 VICE CHAIRPERSON BOYD: This poor person
16 Jerald Cole is going to get called yet, so.

17 MR. COLE: And I checked off number 1.

18 VICE CHAIRPERSON BOYD: Yes.

19 MR. COLE: As so often happens, I
20 thought I was clear on many things in this bill
21 until Mike got up and started speaking.

22 (Laughter.)

23 MR. COLE: And this affects me and a few
24 of my colleagues. So, independent consultants,
25 many of us have expressed interest in

1 participating as members of the advisory board.

2 And you introduced this word
3 organizations represented by, which threw that
4 into a bit of a tizzy. I would like to know, if I
5 or other consultants that I know were to
6 participate in the advisory board, how would that
7 affect eligibility of our client firms for
8 funding.

9 And I can tell you that virtually every
10 one of my clients is very much interested in this.

11 Thank you.

12 MR. SMITH: Well, that's an interesting
13 question. And what we have discovered in
14 attempting to establish the advisory committee and
15 trying to keep the committee fairly removed from
16 any perceptions of influencing decisions by the
17 Commission, as we've established invitations and
18 sent them out, only then do we get the feedback of
19 well, what about me, what about my circumstance.
20 And we are discovering that there are some
21 peculiar circumstances that we hadn't considered.

22 I'm not going to pretend to respond to
23 that. I will consult our legal counsel to give
24 you a clearer response on that. But it's a good
25 question and we need to be very clear about our

1 answer. Thank you.

2 VICE CHAIRPERSON BOYD: In defense of
3 Mike's statement, or the elaboration, I would
4 point out that, you know, we desired to hit the
5 ground running, or quick, as the bill passed, and
6 start off down the path running; and stumbled over
7 lots of stones. And turned, we thought, most all
8 of them over. And came up with certain criteria.

9 And as Mike indicated, the public is
10 helping us discover even more stones to trip over
11 with interesting questions that I know our legal
12 staff is busy working on as we speak.

13 So we just add this one to the pile of
14 questions that have arisen. We tried not to
15 preclude people, but we are spending the public's
16 money and we do live in a fishbowl. And we do
17 have to be protective of any impressions that
18 we've giving advantages to folks.

19 So that's why the criteria was created,
20 the membership on our advisory committee was
21 eventually determined. And now we're learning
22 even more to have to deal with.

23 So, as Mike said, I think we'll be
24 elaborating on that a little bit more.

25 Unless Commissioner Douglas, who is our

1 resident attorney at the Commission has any --

2 COMMISSIONER DOUGLAS: I would just like
3 to add that nobody's precluded from participating
4 in the public process. The advisory committee
5 meetings will be held in public. The public will
6 have a chance to speak. And so we don't view the
7 membership restriction as cutting us off from
8 necessary or important input from people who
9 either are not on the committee or feel that they
10 do not want to join the committee because of the
11 requirement they would not then be able to apply
12 for funding.

13 VICE CHAIRPERSON BOYD: All right, any
14 other folks have questions or want to say
15 something whom I didn't recognize a blue card that
16 they wanted to do so? This should be fairly
17 informal, so any show of hands, anybody step up?
18 If not, I guess -- ah, the telephone.

19 Turn it back to you, Mike.

20 MR. SMITH: For those of you who are
21 logged into the WebEx, because there's so many of
22 you on right now we will not unmute everyone at
23 once. But you should be able to see the
24 participants panel now, and there's a little
25 button there for you to raise hand. If you do

1 have a question please do that and we'll
2 individually unmute you.

3 I see we have first Mike Kane. Do you
4 want to introduce yourself. You're now online.

5 MR. KANE: Hi, this is Mike Kane from
6 Plug-In America. I had a quick question about the
7 mention of an RFP to examine and modify the GREET
8 model.

9 And I was curious about what kind of
10 things we thought might need to be modified, you
11 know, what areas we'd be looking at and why we,
12 you know, why we're looking at doing it as a part
13 of the state effort rather than pushing it back to
14 Argon so we could keep it in one place.

15 Thank you.

16 MR. SMITH: Mr. Kane, this is Mike
17 Smith. As I said earlier in my presentation the
18 GREET model was the tool we used in assessing the
19 full fuel cycle impacts or implications of the
20 various fuels in the 1007 report.

21 We expect to continue to use that model.
22 The GREET model as it was originally developed is
23 more a national scale. In the 1007 effort we took
24 steps to try and make it more relevant to
25 California, so we had a California-modified

1 version.

2 In the RFP we recognized that -- well,
3 actually in the completion of the 1007 report we
4 recognized that the model needed further
5 refinement. And that we would put those efforts
6 off until the 1007 report was completed and
7 adopted.

8 Now that has since occurred, it's now
9 time to try and make those modifications. I will
10 note that the RFP, only part of the RFP will be
11 used to actually modify the model.

12 An important part of the RFP is to look
13 more closely at this issue of sustainability and
14 the indirect impacts that the production of
15 biofuels, both here domestically, as well as
16 internationally, create, or the implications that
17 they create.

18 And so we want to be sure we have -- we
19 take a careful look at that. And to the extent
20 that we can, modify the model to reflect that.

21 We also are going to try, through this
22 RFP to add more fuel pathways or fuel types to the
23 model so that we have a more complete -- can
24 create, conduct more complete assessments, both
25 fuel cycle assessments, during the life of our

1 program.

2 MR. KANE: I guess, I would commend that
3 effort. And some of that exists, by the way in
4 the parts I'm familiar with on electricity there
5 is a California-specific model in the GREET system
6 today.

7 And I guess I would encourage us to push
8 that back into the national model, especially when
9 we're looking at extending the model to make sure
10 we really have all of the well-to-wheels -- but
11 the full cycle analysis in the GREET model. We
12 should be trying to push that back into the
13 federal level, as well, I think.

14 MR. SHEARS: Yeah, Mike, I don't know if
15 you want to mention how this is being coordinated
16 with the work for the low carbon fuel standard.
17 Do you want to elaborate on that?

18 MR. SMITH: Say that again?

19 MR. SHEARS: Do you want to comment on
20 this work that's being funded through the Energy
21 Commission is being coordinated with the ARB work
22 on the low carbon fuel standard?

23 MR. SMITH: Well, we are working very
24 closely -- thank you, that was John Shears. We
25 are working very closely with the folks at the Air

1 Resources Board in development of this model.

2 We recognize that they will be relying,
3 to a large degree, on the outputs of the model
4 from the 1007 report in helping their -- in their
5 efforts in developing a low carbon fuel standard.

6 There is a timing issue in that the
7 folks at ARB will have to have draft regulations
8 out on a low carbon fuel standard later this year.
9 That's not going to be terribly consistent with
10 the timing of the development of a contract
11 through this RFP, and then initiating work.

12 Although we hope that there will be some
13 information developed early enough in the contract
14 process to help inform ARB's efforts. So we will
15 continue to work very very closely with our
16 colleagues at the Air Resources Board on this
17 matter.

18 MR. KANE: Thank you.

19 MR. BONTA: Thank you, Mr. Kane. Next
20 on the line we have Nathalie Hoffman.

21 MS. HOFFMAN: Hi. I'm Nathalie Hoffman
22 and I'm the CEO of California Renewable Energy,
23 which is one of the sugar cane-ethanol
24 biorefineries in development in the Imperial
25 Valley.

1 I'm sorry to say that I missed Mike
2 Smith's presentation, I was having some problems
3 getting on WebEx. So I apologize if I'm asking
4 something that was already addressed.

5 I'm going to kind of ask it on behalf of
6 Dr. Francis Arnold from CalTech, who I have been
7 working with because while we are planning on
8 using existing Brazilian technology which has been
9 so successful in sugar cane-ethanol technology in
10 Brazil. And, of course, in California, -- to use
11 it here, we're also looking ahead because we know
12 that cellulosic ethanol is going to become a
13 reality, whether it's three years, five years or
14 whatever.

15 But we're also looking ahead past that.
16 And Dr. Arnold is working on the next phase of
17 cellulosic ethanol that's longer out, ten year
18 paradigm shift.

19 And we were wondering what long term
20 means. And the fact have you thought about that,
21 what kind of projects that might be funded.

22 I saw in the PowerPoint you were talking
23 about driving technologies, new technologies. And
24 my question is how long term, what does that mean.

25 MR. SMITH: Ms. Hoffman, I don't have a

1 definition for long term. What I can tell you is
2 that the Energy Commission, in implementing this
3 program, is going to take very much a temporal
4 approach to funding projects.

5 We are going to look not only in the
6 very near term, but the full spectrum out to the
7 long term. We view this as an opportunity not
8 only to move fuels and technologies that are now
9 ready for the market and move them into the
10 market, but we need to be looking over the
11 horizon, as well, and be considering and thinking
12 about those technologies of the future, the next
13 generation of biofuels technologies, the next
14 generation of alternative and renewable fuel and
15 vehicle technologies. And we need to be very
16 cognizant of those.

17 And to the extent that we can support
18 those, to keep the flow of new information and new
19 technologies into the marketplace.

20 As I said at the outset, the emphasis in
21 the program will be on deployment. But we very
22 definitely have an eye for the long term, and very
23 much intend to make use of research budget in this
24 program.

25 MS. HOFFMAN: Well, okay, thank you. I

1 just want to make one other point, question, when
2 you were talking about the GREET model and the low
3 carbon fuel standard. And I think I've made this
4 comment before, but I'm just going to make it -- I
5 mean I made it before on 1007, when the report was
6 made.

7 The lowest carbon fuel that came up in
8 1007 was sugar cane-ethanol from Brazil. And I
9 just wanted to make the point again that we're
10 growing sugar cane in California. And, of course,
11 sugar cane being grown in California will have a
12 considerably lower carbon footprint than sugar
13 cane-ethanol made in Brazil -- made in California
14 will have a considerably lower carbon footprint
15 than that made in Brazil, because you have to get
16 it here and to get from the distillery to the
17 port, and then get here on shipments that use
18 fuel, et cetera. So, perhaps that should be taken
19 into account in the low carbon fuel standard.

20 VICE CHAIRPERSON BOYD: This is Jim
21 Boyd. I think the intent of all full fuel cycle
22 analyses is to do just that, to try to get cradle-
23 to-grave, source-to-wheels, whatever descriptor
24 you want to use, introduced into the arena. So I
25 think your point has been understood by others,

1 and is being taken into account.

2 One quick comment on what is long term.
3 And then you gave some rather long terms for the
4 views of someone in academia as to when some
5 technologies might arrive.

6 Not all of us share the view that some
7 things are as far away as those people say they
8 are. So in this process I think one of the things
9 we want to learn is exactly how long is long term,
10 what technologies really are just around the
11 corner rather than way out, as some people say
12 they are.

13 And is it truly technology that stands
14 in the way of development, or are there other
15 factors like economics that really are in the way,
16 or fixing the economics, so to speak, might be the
17 solution.

18 But, in any event, it's a very broad,
19 wide open and complex series of questions we have
20 to answer.

21 MS. HOFFMAN: I really appreciate your
22 explaining that because the amount of money that
23 Dr. Arnold, for example, is looking for is not
24 very much. And she is not just an academician,
25 although she's a very fine academician, I mean

1 she's one of the cofounders of Gevo with Vinod
2 Khosla. I mean they're (inaudible) in that
3 generation of cellulosics. So she is very
4 involved with all these other next-generation
5 matters.

6 So, I really appreciate that comment.
7 Thank you.

8 MR. BONTA: Thank you. Next we have
9 Roger Gault. Go ahead, you're unmuted.

10 MR. GAULT: This is Roger Gault with
11 Engine Manufacturers Association. We're actively
12 working with ARB on their biodiesel test program
13 associated with quantifying emission impacts of
14 biodiesel blends. And subsequently NOx mitigation
15 strategies associated with those. So we're
16 plugged into that part of the process.

17 We've been a little bit on the sidelines
18 in regards to low carbon fuel standard, clearly
19 engaged in that, although maybe not to the same
20 degree as others.

21 I think somebody earlier had made a
22 comment that there's a lot of moving parts right
23 now, and California all kind of working on the
24 same type of things. And a point we've made in
25 the other venues and we want to make sure we've

1 made everywhere we can, is that as these projects
2 move forward, get branded or whatever, that we
3 keep in mind that at the end of the day and the
4 product that comes out needs to be compatible with
5 the engine vehicles that are supposed to use them.

6 We continue to hear a lot of things
7 about new fuels, alternative fuels, et cetera, and
8 we're always concerned that, you know, we're
9 generating the panacea of fuels that's really
10 great for everything except for the fact you can't
11 use it for anything when you're done.

12 So we need to be really careful about
13 how we structure these things such that at the end
14 of the day the research that is branded actually
15 does have a focus on a product that's viable in
16 the marketplace at the end of the day.

17 EXECUTIVE OFFICER GOLDSTENE: Roger,
18 this is James Goldstene from ARB. I think, as you
19 know, we do consider that as we're working with
20 fuels, -- analyzing of fuels. So, I think CEC is
21 aware of that, too. And your point is well taken.

22 MR. GAULT: That was really all I had to
23 say, thank you.

24 VICE CHAIRPERSON BOYD: Thank you. Do
25 you have any others on the phone?

1 MR. BONTA: Yes, we actually have a chat
2 message from Natasha Meskal asking could you
3 please provide detailed information about the
4 mentioned bioenergy conference.

5 VICE CHAIRPERSON BOYD: Do you want to
6 give a commercial, Mike?

7 MR. SMITH: Well, to keep this brief, we
8 will provide her with the information that we
9 have. To sign up on this WebEx we have email
10 addresses, so we can provide her the information
11 she's looking for in detail.

12 MS. SCHWYZER: There is also information
13 about the conference online on the California
14 Biomass Collaborative website. It will have a
15 detailed agenda, and it will be open for
16 registrations in the next week or two.

17 The conference is May 28th through 30th
18 here in Sacramento.

19 MR. SMITH: Thank you, Diana.

20 VICE CHAIRPERSON BOYD: Any others on
21 the -- there was one gentleman who didn't get to
22 the mike -- here he comes.

23 MR. SHORESKI: Thank you. I'm Richard
24 Shoreski with the Bay Area Climate Action Working
25 Group. We are an association of public agencies

1 working on climate solutions in the Bay Area.

2 Very simple question, and that is
3 whenever you say alternative fuel infrastructure
4 or anything using the term alternative fuels, are
5 we to presume that that includes electricity?

6 MR. SMITH: Yes.

7 MR. SHORESKI: Okay, thank you.

8 MR. TREANOR: My name is Philip Treanor.
9 We represent the group of farmers in the Sutter,
10 Colusa, Yuba area.

11 In the last year we were fortunate
12 enough to be able to plant sorghum, sorghum being
13 one of the plants that people speak about as being
14 an equal type plant to sugar cane.

15 We were wondering that if, in the
16 future, after we expend all of our money, if the
17 CEC will be in any position to help the farming
18 community in trying to perhaps ingrain a new type
19 of plant into the California area that might be
20 used to make ethanol.

21 We have talked to the CEC; we have
22 talked with the different farming communities. We
23 have looked at the issue. I have been in this --
24 I've looked at the ethanol industry since 1991.
25 We thought we could do it then. We think that

1 maybe we could do it now.

2 We were wondering if we were able to
3 continue planting this sorghum and producing and
4 proving that we can get the sugars from the
5 sorghum, if the State of California are willing to
6 maybe expend a little bit of money in trying to
7 make something like this function.

8 We find that from what we read corn
9 seems to be the alternative that we can use to
10 make ethanol. Corn being one of the issues that
11 we have to bring in from out of state, it appears
12 that if we could do something instate, we would do
13 something that would benefit everybody.

14 That's all I have to say. I would like
15 to think that maybe somewhere in the future we can
16 do something together. Thank you.

17 VICE CHAIRPERSON BOYD: Thank you.
18 Mike, I don't know if you want to --

19 MR. SMITH: I'll just say that certainly
20 the Energy Commission has been pretty vocal about
21 the desire to build the instate renewable fuels
22 industry. So, I think it's certainly conceivable
23 that the Energy Commission would be interested in
24 crops or feedstocks that would contribute to that.

25 We are also very cognizant of the fact

1 that growing crops in California necessarily
2 creates certain implications that we have to be
3 very careful of and be able to analyze on a full
4 fuel cycle basis.

5 But I think that that fits into, you
6 know, the broader policy of trying to develop an
7 instate production industry.

8 VICE CHAIRPERSON BOYD: Thank you. All
9 right, seeing no other movement in the audience,
10 can I infer that we have finally finished item
11 number one?

12 And, if so, I'd like to turn it over to
13 Mr. Goldstene to introduce his staff. Because
14 they appear to have two items to carry. So, it'll
15 be a long --

16 EXECUTIVE OFFICER GOLDSTENE: The next
17 two items will be presented by the Air Resources
18 Board Staff. I'll have to leave a little bit
19 after 3:00 for a long-standing meeting that I
20 wasn't able to cancel. So I want to let you know
21 that when you see me leave that's why.

22 But Jack Kitowski and his team will be
23 here representing the Air Resources Board. So,
24 I'd like to introduce Andy Panson, who's going to
25 introduce everybody to the air quality improvement

1 program under AB-118. So, Andy.

2 MR. PANSON: Thanks, James. The first
3 presentation focused on the Energy Commission's
4 part of AB-118. I'm going to provide an overview
5 of ARB's role. As you heard in Mike's
6 presentation, there's significant cross-over
7 between both agencies' parts of AB-118. And we're
8 going to be working closely with the Energy
9 Commission to insure that the full incentive
10 package is invested in a coordinated manner.

11 We encourage those of you with funding
12 ideas to follow the development of both programs.

13 ARB has a part in each of the three new
14 incentive programs created under AB-118. We are
15 tasked with developing and administering the air
16 quality improvement program, or AQIP. And the
17 bulk of my presentation will focus on describing
18 the statutory framework for AQIP and our plans for
19 developing program guidelines.

20 The statute also directs ARB to develop
21 guidelines for AQIP and the Energy Commission's
22 program to insure that both complement
23 California's existing air quality programs and do
24 not increase emissions. Mike referred to this
25 provision as the anti-backsliding guidelines. And

1 we'll be describing our initial thoughts for those
2 guidelines during the third presentation today.

3 Finally, ARB has also been tasked with
4 developing and adopting guidelines for the
5 enhanced fleet modernization program which will
6 expand the Bureau of Automotive Repair's vehicle
7 retirement or scrap program.

8 We plan to hold a joint kickoff workshop
9 with the Bureau later this spring, probably in May
10 or June, to kick off this effort. We won't focus
11 on that part of AB-118 during today's workshop, so
12 stay tuned to our webpage or sign up to our
13 listserve if you want more details on that
14 program, or to receive a workshop notice once
15 we've set a date.

16 Now, for some background on AQIP. The
17 program will provide roughly \$50 a million a year
18 in incentive funds through 2015 via increase to
19 the smog abatement fee and DMV vessel and
20 equipment registration fees.

21 The purpose of AQIP is to fund air
22 quality improvement projects relating to fuel and
23 vehicle technologies. These projects will reduce
24 criteria air pollutants and toxics, promote the
25 use of clean alternative fuels and provide

1 research on the air quality impacts of alternative
2 fuels and vehicle technologies.

3 Projects must provide benefits not
4 required under existing federal, state or district
5 regulations in order to be eligible.

6 AQIP will complement ARB's existing
7 incentive programs, such as the proposition 1B
8 goods movement on the Carl Moyer program and the
9 lower emissions school bus program.

10 Statute provides greater flexibility in
11 implementing AQIP relative to these other
12 programs. For example, the Bond focuses on
13 reducing emissions from four specific goods
14 movement-related source categories. And the Moyer
15 program has a set cost effectiveness limit and a
16 requirement to fund only verified or certified
17 emission control technologies.

18 With the greater flexibility there's a
19 place in AQIP to fund emerging technologies,
20 demonstration projects and air quality research
21 which don't really have a place in the Moyer or
22 Bond programs due to the statutory constraints.
23 We're excited that this new program will provide
24 the opportunity to fund these emerging
25 technologies.

1 Statute lists eight project types which
2 are eligible to receive grants through AQIP. It's
3 a wide ranging list shown on this slide and the
4 next. It includes clean engine projects for on-
5 and off-road vehicles, hybrid and electric vehicle
6 projects, lawn and garden equipment replacement,
7 and light-duty vehicle projects. There are also
8 research and workforce training components.

9 The legislation provides four criteria
10 that ARB must use in evaluating projects to fund.
11 These are the potential reduction of criteria or
12 toxic air pollutants, cost effectiveness,
13 contribution to regional air quality improvement,
14 and the ability to promote the use of clean
15 alternative fuels and vehicle technologies.

16 There's a climate change tie-in as the
17 newer advanced technology engines and alternative
18 fuel engine projects complementing the Energy
19 Commission's part of the program will provide
20 climate change benefits.

21 I'd now like to provide some background
22 on the guidelines we'll be developing to implement
23 AQIP. These guidelines will establish through
24 rules and procedures for how ARB will solicit
25 grant proposals, evaluate applications and select

1 projects to fund.

2 The guidelines will also specify
3 reporting, monitoring and auditing provisions for
4 funded projects to insure that we achieve the
5 anticipated program benefits.

6 We've been administering similar grant
7 programs for a decade now, so we have experience
8 to draw from. And we'll look to our existing
9 incentive program guidelines to serve as models.

10 I do want to point out one of the
11 subtleties of the AB-118 legislation in comparison
12 to the Moyer and prop 1B Bond statutes. The Moyer
13 and Bond guidelines are both exempt from the
14 Administrative Procedures Act, or APA. Meaning
15 the guidelines become fully effective upon Board
16 adoption.

17 AB-118 does not exempt the AQIP
18 guidelines from the APA, meaning they will be
19 adopted as regulations. After Board adoption the
20 guidelines must go through an additional step.
21 The final statement of reasons, with all public
22 comments addressed, must be submitted to the
23 Office of Administrative Law. And the guidelines
24 become effective once they're approved by the
25 Office and filed with the Secretary of State.

1 Today is just the beginning of the AQIP
2 guideline development process. Let me briefly
3 highlight the steps we plan to take after this
4 kickoff workshop.

5 We will hold at least two additional
6 rounds of workshops, one in the summer or fall to
7 share preliminary guideline concepts and to
8 receive additional input. We'll then hold another
9 round, either at the end of the year or early next
10 year, to present our more fully fleshed out
11 proposal.

12 Some stakeholders have requested that we
13 hold at least one workshop in central California
14 and one in southern California. And we plan to do
15 that just as we have with the recent Moyer
16 guideline updates.

17 As we get into the details of the
18 guidelines we may establish stakeholder work
19 groups to develop more detailed proposals and
20 provide the opportunity for more focused input.
21 These would all be open to the public and we'd
22 send out notice via our AB-118 listserve prior to
23 setting up any work groups.

24 We anticipate Board consideration next
25 spring after releasing the regulatory proposal for

1 a 45-day comment period.

2 I want to mention one additional
3 potential avenue for public participation not
4 shown on this slide. Last year we established a
5 Carl Moyer program advisory group to assist with
6 the development of our most recent Moyer guideline
7 updates. Board Member Sandra Berg led that group.

8 And at its last meeting the group
9 discussed an ongoing role for the advisory group
10 beyond the guideline update, and agreed that it
11 would be worthwhile to have an ongoing forum to
12 discuss broader issues about how ARB's various air
13 quality incentive programs, including AB-118, fit
14 together.

15 The advisory group will meet about twice
16 a year and all meetings will be publicly noticed
17 and open to the public.

18 As shown on the previous slide we will
19 be spending the better part of the next year
20 developing the AQIP guidelines. ARB will receive
21 its initial \$50 million annual appropriation when
22 the fiscal year 2009 budget is signed next summer.
23 Meaning we will start soliciting and awarding
24 projects later in 2009 or early 2010.

25 We've included a general annual funding

1 schedule on this slide. As we develop the
2 guidelines we'll get a better idea of how we
3 expect the annual funding cycle to work. And
4 we'll share that information at future workshops.

5 To see today's discussions we would like
6 to tee up some of the questions and issues we'll
7 have to address as we develop the AQIP guidelines.
8 This is by no means an exhaustive list and we
9 expect and hope that you'll add issues during the
10 discussion period today and as we move forward.

11 We see several fundamental principles
12 which must be incorporated to insure a successful
13 program. We want the program to be run with
14 transparency and accountability to insure that
15 state funds are well spent.

16 We also want to insure that we only fund
17 actions which are surplus to regulatory
18 requirements and to normal fleet turnover, and
19 which would not occur without incentive funding.

20 We expect the program will be somewhat
21 fluid in terms of the technologies and categories
22 we fund over the years for which we have funding,
23 so we want to make sure that the guidelines are
24 structured to provide this flexibility.

25 We will have to decide what details

1 should be put in the regulatory guidelines which
2 remain static, and what details are more
3 appropriate for the annual solicitation packages
4 which will vary from year to year.

5 We work closely with our air district
6 partners to run our existing incentive programs.
7 District rules in each program vary depending on
8 the statutory framework. In some cases we pass
9 funds through the districts who run the program on
10 the ground. And in others we issue contracts and
11 grants directly to applicants.

12 For AQIP statute does not explicitly
13 define the district rules other than directing ARB
14 to administer the program in consultation with
15 districts. So we'll have to figure out the best
16 way to involve the districts and utilize their
17 expertise in these types of programs.

18 We will also have to sort out our
19 approach for setting the annual funding targets.
20 As I've noted, we expect the mix of projects to
21 change from year to year as the program evolves.
22 In setting targets we need to balance our near-
23 term goals, which may favor certain areas, versus
24 longer term goals which may favor others.

25 We will also have to evaluate how AQIP

1 funding decisions help meet ARB policy goals such
2 as attaining the air quality standards, diesel and
3 other toxics reduction goals, and our climate
4 change program goals.

5 We'll look for synergy with the Energy
6 Commission's part of AB-118 to insure that the
7 full package is invested in a coordinated manner.
8 And we'll have to carefully consider how best to
9 coordinate with other incentive programs to insure
10 that we're not overly committing resources to
11 certain categories at the expense of others.

12 I noted earlier in my presentation that
13 the AB-118 statute specifies four evaluation
14 criteria that ARB must consider in selecting
15 projects. We'll have to figure out how to balance
16 the various criteria in making funding decisions.

17 This is not a complete list of issues
18 and we hope that you'll provide your perspectives
19 today to help us add to the list.

20 The final two slides of my presentation
21 provide contact information, relevant what pages
22 are listed on this slide, including the link to
23 our AB-118 listserve. And we encourage all of you
24 to sign up for the listserve if you want to stay
25 updated on our progress.

1 And the final slide provides contact
2 information for the ARB Staff working on this
3 program. And if you have any questions or
4 comments following the workshop feel free to
5 contact any of us.

6 With that overview I'll conclude my
7 presentation and we'll open things back up for
8 questions.

9 EXECUTIVE OFFICER GOLDSTENE: Actually,
10 Andy, what we thought, Commissioner Boyd and I
11 were just talking that maybe we'd hear Johanna's
12 presentation right away, --

13 MR. PANSON: Okay.

14 EXECUTIVE OFFICER GOLDSTENE: -- and
15 then open it up for questions.

16 MR. PANSON: That sounds good.

17 EXECUTIVE OFFICER GOLDSTENE: Is she
18 ready? Are you?

19 MR. PANSON: That'll move us along.

20 EXECUTIVE OFFICER GOLDSTENE: Okay. And
21 then we can open up to questions, since it would
22 flow well. So, Johanna Levine's going to talk
23 about what is, I guess, known as the anti-
24 backsliding provisions, and what we're thinking
25 about that. So we'll give her a chance to get --

1 she wasn't expecting this. So, tell us when
2 you're ready.

3 (Laughter.)

4 MS. LEVINE: So in this last session of
5 today's workshop I'm going to focus on Andy's
6 development of the air quality guidelines.

7 AB-118 directs ARB to develop guidelines
8 for both the alternative and renewable fuels and
9 vehicle technology program and the air quality
10 improvement program.

11 These guidelines are to insure that the
12 programs do not interfere with efforts to achieve
13 and maintain federal and state air quality
14 standards and reduction of toxic air contaminant
15 emissions, and to maintain or improve upon
16 emission reduction benefits in the state
17 implementation plan for ozone, the California
18 phase two reformulated gasoline standards, and
19 diesel fuel regulations.

20 Essentially the guidelines are to set up
21 clear criteria to prevent net increases in
22 criteria air pollutants and air toxics.

23 As with the AQIP and the Energy
24 Commission guidelines, the air quality guidelines
25 are subject to the Administrative Procedure Act,

1 meaning that the guidelines will be adopted as
2 regulations.

3 This slide shows the tentative schedule
4 for ARB's adoption of the air quality guidelines.
5 As you can see, we are on an accelerated schedule
6 relative to the AQIP guidelines. We coordinated
7 the schedule with the Energy Commission to insure
8 the guidelines are approved in time for the Energy
9 Commission to take action on the alt fuels
10 program.

11 We will have to hit the ground running
12 to meet our schedule, and we'll spend the next two
13 months developing our proposal. So if you have
14 input you would like to share with us we encourage
15 you to contact us as soon as possible.

16 And to start off today's discussion we
17 would like to tee up some questions we will have
18 to address as we develop the guidelines. And as
19 Andy said earlier, we know that this is not a
20 complete list and it's just something to start the
21 conversation off.

22 We would also like to note that not all
23 of these questions are new and some of them are
24 currently being worked on by ARB as part of the
25 low carbon fuel standard.

1 One of the first items we will need to
2 resolve is determining the scope of the
3 guidelines. The projects that will be funded
4 through these programs can be placed into the four
5 main categories listed on this slide.

6 We think that it would be appropriate to
7 take research and workplace training out of the
8 scope of these guidelines since these types of
9 projects do not have a direct air quality impact.

10 We will also need to determine whether
11 or not greenhouse gas impact should be included in
12 the scope of these guidelines. The statute
13 requires that we address toxic and criteria
14 pollutants, but there is a climate change tie-in
15 with both programs.

16 We will need to determine how the
17 regulations should be structured. We expect the
18 regulation will establish the protocols for
19 analyzing the air quality impacts of projects, as
20 opposed to including the details of such analysis.
21 The regulation will need to be encompassing and
22 clear without being overly burdensome.

23 Because we cannot anticipate the full
24 universe of potential projects, we want to use
25 straightforward and proven analytical processes.

1 For example, in the Carl Moyer program we have
2 limited the funded technologies to those that have
3 already gone through ARB's verification and
4 certification programs.

5 How should we analyze the air quality
6 benefits and impacts? We can analyze the benefits
7 and impacts on a project-by-project basis, or we
8 can look at the grant programs holistically.

9 Should projects be analyzed within an
10 air basin, or should projects be analyzed on their
11 statewide effects?

12 Should criteria pollutants and toxics be
13 included in the same analysis? And if so, should
14 they be weighted differently?

15 For example, the Carl Moyer program
16 analyzes the air quality benefits on a per-vehicle
17 basis, based on the actual vehicles receiving
18 funding. The Prop 1b Bond takes a slightly
19 different approach, evaluating local agency
20 projects based on estimated emissions from average
21 existing and replacement vehicles; and then
22 following up with actual emission benefits on the
23 per-vehicle basis once the actual vehicles have
24 been selected for funding by the local agencies.

25 What if a project has a tradeoff of

1 small emission increases while the project as a
2 whole achieves large emission benefits? Is this
3 acceptable, and if so, how do we determine the
4 impact on the analysis and what threshold is
5 acceptable?

6 In the Carl Moyer program we allow for
7 small emission increases in one of the three
8 covered -- as long as this is accounted for in the
9 overall cost effectiveness of the project.

10 And although the statute does not
11 specifically state that environmental justice be a
12 factor in these guidelines, ARB has a history of
13 addressing environmental justice in existing grant
14 programs. We will need to make sure our
15 guidelines are consistent with ARB's existing
16 environmental justice policies.

17 And with that, this final slide listed
18 some additional contact information which is also
19 in the second presentation. And that's it. I
20 guess we go to questions and comments.

21 EXECUTIVE OFFICER GOLDSTONE: Thank you.
22 I note Commissioner Boyd has a bunch of blue
23 cards. I'm not sure how the best way to proceed.

24 VICE CHAIRPERSON BOYD: Well, since we
25 don't -- people didn't identify topics --

1 EXECUTIVE OFFICER GOLDSTENE: No? Okay.

2 VICE CHAIRPERSON BOYD: -- I think we're
3 just going to go ahead --

4 EXECUTIVE OFFICER GOLDSTENE: Line up at
5 the mike, I guess.

6 VICE CHAIRPERSON BOYD: -- with the
7 manual system, hands up, run to the mike.

8 EXECUTIVE OFFICER GOLDSTENE: All right.

9 VICE CHAIRPERSON BOYD: And at the end
10 of the day we'll try to go through the cards that
11 are left to see --

12 EXECUTIVE OFFICER GOLDSTENE: Okay. And
13 I apologize that I have to go, but Jack Kitowski,
14 who's the Chief of this area, will speak in my
15 place. I know he'll do a good job.

16 VICE CHAIRPERSON BOYD: And I've never
17 been reluctant to make --

18 (Parties speaking simultaneously.)

19 (Laughter.)

20 VICE CHAIRPERSON BOYD: Thanks.

21 MR. O'BANNON: Hi. My name's Joe
22 O'Bannon and I work with Michael Branman
23 Associates. But today I'm representing the
24 Monterey Bay Unified Air District.

25 I have a letter here from them that I'll

1 give to one of your staff. But they wanted to
2 emphasize that they're very interested in the
3 biodiesel in the north/central coast area air
4 basin.

5 But one of the things that they're
6 concerned with in this is that section 44274.5
7 says that the Legislature can actually transfer
8 some of the funds over to the Carl Moyer funds.

9 They are concerned about that because
10 the Carl Moyer funds is not subject to the
11 Administrative Procedures, and this one is. And
12 they're wondering when they get transferred are
13 the guidelines for the 118 going to overrule any
14 guidelines that are in the Carl Moyer funds.

15 What she has witnessed in Carl Moyer is
16 there's a pretty onerous process and it may be
17 very difficult for the upstart new companies to be
18 able to develop things with the requirements that
19 are put in the Carl Moyer fund process.

20 MR. PANSON: There are definitely
21 different, you know, goals between this program
22 and the Moyer program. And I think part of what
23 you described is the Moyer program being onerous
24 has to do with some of the statutory framework and
25 the goals of that program.

1 So, the statute, as written, you did
2 correctly point out that, you know, it provides
3 essentially the Legislature the option to transfer
4 money to the Moyer program. We certainly aren't
5 aware of any plans to do that. It's just an
6 option that the Legislature left themselves.

7 And if money was transferred to the
8 Moyer program that would be subject to Moyer
9 program guidelines. But the money that stays, you
10 know, under the purview of this program would be
11 subject to the guidelines that we set up in this
12 program.

13 MR. KITOWSKI: Can I just make one
14 comment on that, as well. It may just be
15 semantics, but I do take exception to the word
16 onerous. As Andy said, the programs are set up
17 for different purposes. And the Carl Moyer
18 program is set up to get -- creditable tons. And
19 that's legislatively the way it was directed.

20 And so if you wanted to say rigorous, I
21 would be all for that. And it is appropriately
22 rigorous for the legislative intent.

23 And this one there is more flexibility
24 within it. And we plan to embrace that
25 flexibility.

1 MR. O'BANNON: Well, I also understand
2 that the Carl Moyer is really a process of getting
3 existing usable technology into existing usable
4 trucks.

5 MR. KITOWSKI: Yes.

6 MR. O'BANNON: I mean that's the key.
7 In this case it's investing in the future to get,
8 you know, things that aren't necessarily existing
9 at the time.

10 But what we're trying to find out is
11 that if the guidelines -- we're not sure exactly
12 how the guidelines are going to be, but if the
13 guidelines, if that money changes hands over to
14 the Carl Moyer then you're saying it will be under
15 the Carl Moyer guidelines.

16 VICE CHAIRPERSON BOYD: More questions?
17 There's a gentleman --

18 MR. EPLETT: Yes. Again, I'm Richard
19 Eplett with Biofuels and 100 Percent Synthetic
20 Lubricants.

21 The lubricants that I'm dealing with can
22 go 25,000 miles between oil changes; and it's
23 totally 100 percent synthetic. There's no
24 petroleum whatsoever involved. And it has been
25 approved for use by the State of California. And

1 I'm a dealer for those lubricants right now.

2 So if you're interested in learning more
3 about them, you can see me afterward.

4 Also, I'm interested in the fuel
5 situation. I'm glad to hear the gentleman on
6 WebEx that spoke about engines, because that's a
7 very important consideration.

8 There are biodiesels, kind of first ones
9 to come out, that can wreck engines and cause
10 breakdowns. So I'm glad that we're being careful
11 about that.

12 And the fuels that I'm interested in
13 will not require, as much as possible, any food
14 products, particularly corn. I know that there is
15 some fuels that can use corn stalks, but I don't -
16 - you know, you don't have to use corn to make
17 these alternative fuels.

18 And I did want to mention one other fuel
19 that I've learned about, and it's called butanol,
20 which is a derivative of ethanol. It gives you
21 better gas mileage and can be distributed through
22 gasoline lines. And engines do not have to be
23 retrofitted to use this particular fuel.

24 So, there's a study about it in the
25 Wikipedia. That's how I got my information, and I

1 also read a magazine article that mentioned this
2 butanol. So if you want to know more about that
3 fuel, you can check that out.

4 I am interested in trying to get a grant
5 to study more about the fuels, and, you know, what
6 is required to give them, you know, sell them to
7 the public. And I did get the card from the lady
8 from the Measurements Department in regard to
9 that.

10 And if there's anybody in the audience
11 who is actually manufacturers of alternative fuels
12 I'd appreciate a card from you.

13 VICE CHAIRPERSON BOYD: Thank you. I
14 think both the Air Board and our staff are deep
15 into biohydrocarbons and have had many visits from
16 the butanol folks, among others.

17 Yes, sir.

18 MR. GILLILAND: Chairman Boyd, Board
19 Members, Staff, John Gilliland, Metcalf & Eddy,
20 representing EnviroEnergy Solutions.

21 Question regarding presentation two, and
22 I'll only have questions on presentation two, so
23 you can scratch me off three.

24 When you talked about emission
25 reductions you discussed, I think it was on slide

1 5, you discussed criteria and hazardous air
2 pollutants as part of our emission reductions. So
3 if the control device or retrofit device that I'm
4 looking at that's going to reduce emissions does
5 this criteria only, and not HAP, are you willing
6 to address that in the presentation, or does it
7 have to be both?

8 MR. PANSON: No. The statute is
9 definitely broadly worded than that. And it would
10 be -- I think the actual wording and what we have
11 to consider is potential reductions of criteria or
12 toxics air pollutants, not necessarily and.

13 So we would be looking at criteria-only
14 projects, toxics-only projects. There is a lot of
15 flexibility in how we can implement this program.

16 MR. GILLILAND: Okay, good. Well, then
17 I guess you'll have to put me down for three
18 again, because the guideline that you talked about
19 said you --

20 VICE CHAIRPERSON BOYD: I'm sure you'll
21 be up here --

22 MR. GILLILAND: No, only be up here for
23 another minute. But, Johanna, you talked about
24 whether or not the guidelines would have the
25 greenhouse gas component built into it.

1 Now, the guidelines are going to address
2 both the CEC and the AQIP?

3 MS. LEVINE: That's correct.

4 MR. GILLILAND: Okay, so if I came back,
5 say the device that EnviroEnergy Solutions is
6 working with right now, they're going to move
7 forward with the verification process through
8 health and safety code section 2700, something
9 like that.

10 If they're moving forward through that
11 and they discover that they're not getting a
12 criteria pollutant that they want reductions, but
13 they're getting the greenhouse gas component
14 reductions that they want -- well, I guess that's
15 not verification, but as part of this AQIP, could
16 they qualify for grant funding as an emerging
17 technology? Or are you just looking through the
18 AQIP for just criteria and HAPs, but not
19 greenhouse gas. And we're looking at greenhouse
20 gas through CEC. Does that make sense?

21 MS. LEVINE: Yes, a combination --

22 MR. GILLILAND: Or did I go too fast?

23 MR. PANSON: No, it does make sense.

24 And the two programs are definitely tied together.

25 And, you know, the statute directs ARB in how we

1 evaluate projects. You know, we do look at
2 criteria pollutants. We look at toxics. We also
3 look at the ability to promote the use of
4 alternative or renewable fuels.

5 And I think if you had a project that
6 did one of those, it still would be something that
7 would be potentially fundable.

8 MR. GILLILAND: So we could work it
9 through the AQIP portion of grant funding and
10 through the CEC?

11 MR. PANSON: Well, I think the two sides
12 are intended to coordinate. And the way the type
13 of projects that you can fund is written, it's
14 somewhat broadly worded. Whether there's
15 something that potentially falls into both sides
16 of the -- both sides, I'm not sure if that's the
17 case.

18 But the point is we're working closely
19 together on this, and I think if people come to us
20 with their ideas we're going to steer them in the
21 right direction.

22 Sometimes from the outside it's not
23 always readily apparent or clear I should be going
24 to ARB, or I should be going to CEC. If you have
25 ideas we want you to come to us. And if you come

1 to the wrong agency, we're not going to say, you
2 know, sorry, see you later. We're going to direct
3 you to the right agency.

4 MR. GILLILAND: So then going back to
5 number one, which is Mike's stuff, you're also
6 going to be looking at emerging technologies then,
7 also, even though that wasn't clearly specified in
8 your presentation like it was in Andrew's?

9 MR. SMITH: That's correct, we will be
10 looking at emerging technologies, as you describe
11 it.

12 MR. GILLILAND: Okay. Great. That
13 answered my questions, thank you very much.

14 VICE CHAIRPERSON BOYD: Well, it's a
15 good question. It's been pretty obvious to a lot
16 of us, and I've had this discussion with Chairman
17 Nichols and James Goldstene and I were just
18 talking about the fact that there's so much
19 seeming overlap between these two programs, that
20 we're going to have to be, as agencies, work very
21 hard at defining the criteria and drawing the line
22 between who does what, so to speak.

23 So, it will hopefully be fairly obvious
24 to folks which door to go through. Where if you
25 go through the wrong door the folks on the other

1 end will be able to tell you, no, you need to be
2 in the next stall, so to speak.

3 But, it just shows you that the ARB and
4 Energy Commission have been joined at the hip for
5 30 years, but that's because energy and
6 environment, energy and air quality are joined at
7 the hip, or part of the system. Certainly climate
8 change has certainly shown us that.

9 So, that's why the beauty of this
10 legislation, this program, is the two agencies are
11 living out of the same trough, so to speak, and
12 have to work together.

13 But it just emphasizes the fact that it
14 is hard to separate these things. Because long
15 ago we learned the vehicle -- system, and it had
16 to be worked out. So, good questions. And I know
17 the staffs will sort it out and provide us all
18 with some criteria for instructions for how to
19 approach this.

20 MR. GILLILAND: Thank you for your
21 clarification.

22 VICE CHAIRPERSON BOYD: Then you'll have
23 more questions afterwards, I'm sure.

24 MR. CHRISTOFK: Thank you, Chairman
25 Boyd, Commissioner Boyd, excuse me. Tom

1 Christofk; I'm with the Placer Air District.

2 One question. Is there any chance to
3 get that money pushed to 2008/2009 on the AQIP?

4 MR. PANSON: It's not in this year's
5 budget. And I think we laid out a, you know, we
6 laid out a timeline. We don't think it's going to
7 take us that long to develop the guidelines.

8 But, you know, we plan to adopt them in
9 the spring of 2009, and the budget will be signed
10 in the summer of 2009. And we think we're going
11 to be in a position to, you know, have our
12 guidelines fully in place and be able to get
13 money, you know, moving enrolling someone quickly.

14 So I would maybe view it as being
15 delayed to the next fiscal year, as putting us
16 back by a whole year, but maybe it's putting us
17 back by several months or six months or something
18 like that.

19 So, i don't think there's as much of a
20 difference as it might appear there is.

21 MR. CHRISTOFK: Well, the reason I asked
22 that question, a point of clarification here. The
23 project, the AQIP goals and objectives, I
24 appreciate the flexibility. I understand the
25 issues with 1B and Moyer. And this certainly is

1 an opportunity for moving the ball down the court
2 on criteria and toxic pollutants.

3 And the clarification aspect is it seems
4 like on the eligible projects you're really
5 focusing on vehicular type emission reductions.
6 Does that mean to the exclusion of marine and
7 locomotive type projects?

8 MR. PANSON: No, definitely not.
9 Sometimes we use the term vehicular maybe a little
10 loosely. It's on- and offroad vehicles and
11 equipment. So, --

12 MR. CHRISTOFK: Okay.

13 MR. PANSON: -- really it's quite
14 broadly worded. And so any on- or offroad
15 vehicle, vessel, equipment is potentially, you
16 know, within the purview of this program.

17 MR. CHRISTOFK: Okay, and I also heard
18 somebody say that demonstration projects were
19 acceptable, proof of concept and things of that
20 nature, under these funds, is that correct?

21 MR. PANSON: Yes.

22 MR. CHRISTOFK: Okay. Thanks.

23 VICE CHAIRPERSON BOYD: Thanks. Mr.
24 Boesel.

25 MR. BOESEL: John Boesel with CalStart.

1 Thank you for the opportunity to provide some
2 comment. I just -- a little bit on the tone of
3 the presentation here.

4 I do think that when the legislation was
5 developed that there was a clear intent for there
6 not to be backsliding on air quality. And I think
7 there are so many examples where we can get energy
8 security reduction in climate change, in
9 greenhouse gases and improvement of air quality it
10 won't be hard to find those areas.

11 I did just hear some of the references
12 to whether we look at this on a project-by-project
13 basis; whether we only fund certified
14 technologies. And I know that can be a very
15 costly and time-consuming process.

16 That just makes me a little bit
17 concerned. So I just wanted to raise those items
18 now, just as we're at the beginning of the
19 process.

20 MS. LEVINE: And when we talked about
21 funding certified and verified technologies, we
22 were using that as an example of how Moyer did
23 that. We aren't proposing that that be part of
24 the air quality guidelines. We were just using
25 that as an example of how Moyer got around, how

1 they corner off what is the analysis that needs to
2 be done.

3 So, that's not -- we're not proposing
4 that that be part of these guidelines.

5 MR. BOESEL: Okay. That's very helpful;
6 I embrace Jack's concept of running with this
7 program and embracing flexibility, something
8 that's a great idea.

9 I do think Moyer is a rigorous program.
10 I think the recent guidelines were about two
11 inches thick governing its expenditure.

12 (Parties speaking simultaneously.)

13 MR. KITOWSKI: Hey, we cut about 25
14 pages from the previous guidelines.

15 (Laughter.)

16 MR. KITOWSKI: Give us some credit.

17 MS. NEGRETE: But basically what we do
18 want folks to start thinking about is that's why
19 you put the questions out there, is how -- what
20 kind of framework should we be working under. How
21 we developed Moyer. The kinds of things we looked
22 at. Going forward with this program, what kinds
23 of things should we be looking at, as well.

24 And we want your input.

25 MR. BOESEL: Good. Thank you.

1 MS. HOLMES-GEN: Good afternoon. I'm
2 Bonnie Holmes-Gen with the American Lung
3 Association of California. And I just wanted to
4 talk for a minute about the importance of insuring
5 that the air quality guidelines do provide full
6 protection for air quality and public health in
7 California.

8 There was some discussion about cases
9 where there might be some slight increases in
10 criteria air pollutants. And from our
11 perspective, these anti-backsliding requirements
12 are, or the legislation requiring these anti-
13 backsliding guidelines is directed towards
14 insuring that we are not sacrificing any air
15 quality or emission reduction benefits as we move
16 forward to pursue alternative fuels and low carbon
17 fuels.

18 We don't want to see any tradeoffs
19 between greenhouse gas reduction, petroleum
20 reduction and protection of air quality.

21 So, I'm not sure, maybe -- I'm not sure
22 if you need to clarify, or if this is something
23 that needs to be discussed further in the
24 workshops, but from our perspective we really
25 don't want to see tradeoffs. We want to see the

1 Air Board focus on developing guidelines that
2 insure that we aren't losing any of those emission
3 reductions as it says in the statute.

4 And that the emission reduction benefits
5 that are currently accounted for in the state
6 implementation plan for ozone or benefits that
7 have been determined to result from the California
8 phase two reformulated gasoline standards and
9 diesel fuel, reformulated diesel fuel regulations.

10 So, I wanted to make that comment. And,
11 we, of course, are concerned about this because of
12 the severe air quality problems in California, and
13 the tremendous public health impacts from
14 premature deaths to asthma attacks to
15 hospitalizations.

16 I also wanted to comment that we are in
17 favor of including a greenhouse gas reduction
18 component in your air quality guidelines. And
19 that certainly makes sense to us. Not only
20 because, of course, ARB is the agency in charge of
21 developing the greenhouse gas plans and
22 implementing AB-32, but also because criteria
23 pollutants, in themselves, as you know contribute
24 to warming. And so I think it's an important
25 addition to these guidelines.

1 Thank you for the time to comment.

2 VICE CHAIRPERSON BOYD: Thank you,
3 Bonnie. Jack, did you have any comments?

4 Thanks, Bonnie.

5 MS. HOLMES-GEN: Well, we'll be
6 discussing that further. And I guess I also
7 wanted to say we would love to see this air
8 quality money get out as quickly as possible, too.
9 So we have to work with you and make sure we get
10 projects funded soon.

11 MR. JOHNS: Mr. Chairman and the
12 Commission, my name is John Johns. I'm from
13 CalState Los Angeles, California State University,
14 L.A.

15 Anyway, I wanted to mention the fact
16 that we are very appreciative of the work that
17 you've done in securing the fund under this
18 legislation.

19 And I wanted to make mention of the fact
20 that the University is committed to building a
21 sustainable hydrogen station. And to that end
22 we've raised three-quarters of a million dollars.
23 And we're probably looking at a budget of a couple
24 of million.

25 At any rate, I wanted to take a little

1 different tack. Much of the questions have been
2 about clarifications of policies and regulations.
3 And I realize, at the risk of preaching to the
4 choir, what I wanted to say was that, you know,
5 California is arguably a nation-state. We are the
6 fifth largest economy in the world; Los Angeles is
7 the seventh largest.

8 And so to that point the other day I
9 purchased my first \$60 tank of gas. And it's a
10 really critical thing in the sense that we're all
11 doing that; we're all addicted to oil. And the
12 reality is that even though I paid \$3.70 for a
13 gallon on gas, the reality was that I was paying
14 over \$12 a gallon when you consider the vast
15 amount of money that we have to spend to put a
16 fleet in the Middle East and have a war in Iraq
17 and military operations in Latin America to secure
18 oil.

19 At the same time, we know that the
20 health consequences -- previous speakers from the
21 Lung Association -- we know that the health
22 consequences of fossil fuels are, you know,
23 detrimental, given the rise in asthma among
24 infants, children and adults.

25 So what I wanted basically to state is

1 that we are, in the academic community, ready to
2 provide that leadership. And, in fact, we have a
3 25-year tradition, going back to the late 1980s,
4 when we had our first student design teams
5 create -- we were involved in a competition to
6 build a solar car.

7 And at that time, throughout the late
8 80s and early 90s, we had a team that won an
9 international competition beating -- I apologize
10 if anybody's a Berkeley or Stanford grad in the
11 room -- but we also beat MIT.

12 And it's interesting because we are an
13 applied research institution and so we are looking
14 a real world solutions, you know, very practical.
15 We're not theoretical, we're not 30 years down the
16 road.

17 And at the same time we have the poorest
18 student body of any four-year school in
19 California. Seventy percent of our student body
20 works 30 hours a week.

21 So we have a very determined group of
22 young men and women from the surrounding
23 communities of the campus. We're basically
24 located five miles east of downtown L.A. And we
25 are in the nexus of car culture, and we're right

1 at the middle of the most polluted corridor in the
2 state.

3 So, these are, you know, these are
4 factors that put us at the forefront of wanting to
5 solve problems that affect a great deal of people.

6 And it's interesting, I descended from a
7 long line of farmers, and it's interesting the
8 comments from the farming community. But the
9 reality is that the majority of population is in
10 the urban areas of, you know, Silicon Valley, the
11 Bay Area, Sacramento and Los Angeles, of course.
12 And those three areas, Silicon Valley, San Joaquin
13 Valley and L.A., have, you know, the worst air
14 quality in the state.

15 And so what you're doing is really
16 important and I want to encourage you to look to
17 us for academic leadership. As your funding
18 becomes available, you know, we'll be looking to
19 build out our second and third generation efforts
20 academically.

21 And we also have, just as one final
22 comment, we also have developed relationships with
23 the automobile manufacturers who are in southern
24 California. So, the basic message to us from them
25 is that if you can build a station we're there to

1 use it.

2 So that we know that within the next
3 year there will be 100 or so hydrogen fuel cell
4 vehicles available. And I'm sure -- again, I know
5 I'm preaching to the choir -- you know the value
6 of hydrogen. We're trying to prove the commercial
7 reliability of sustainably producing it. And
8 knock wood, we'll get there.

9 So, we do appreciate all the efforts
10 that you've done; and please utilize our expertise
11 on our faculty. Thank you.

12 VICE CHAIRPERSON BOYD: Thank you. You
13 might want to pay attention to the workforce
14 training component of this program since you're
15 developing the workforce of the future down there
16 in your academic institution.

17 Is there a Tom Stoflet here, or Stoflet
18 from --

19 MR. STOFLET: Here.

20 VICE CHAIRPERSON BOYD: -- San Jose
21 International Airport.

22 MR. STOFLET: Thank you for the
23 Commission to let me speak. I'm the Environmental
24 Manager for San Jose International Airport. We're
25 one of the few airports in California that owns

1 and operates its own compressed natural gas
2 fueling station.

3 It's currently a \$3.1 million asset that
4 provides up to 4 million gallons of compressed
5 natural gas a year. And I am currently
6 responsible for managing that asset.

7 And the only thing I wanted to share
8 with you, one of the most challenging positions of
9 being the manager of that station is to get fleet
10 managers to embrace conversion to compressed
11 natural gas. There's obviously a lot of
12 alternative fuels available.

13 This is an infrastructure the airport
14 has chosen, due to its conversion of its shuttle
15 buses to CNG.

16 However, since we have a large station
17 we have plenty of fuel available to the public.
18 Now, what I've been trying to do is use some of
19 the revenue from the station to get the
20 stakeholders to embrace conversion.

21 And also I'd like to share to ARB and
22 CEC is to evaluate grants on the basis of net
23 emission reductions, not necessarily on surplus
24 emissions to current regulations. And I think
25 that might do a real disservice. And I can give

1 many examples of those opportunities that may be
2 missed as a result of not looking at net emission
3 reductions from converting one fleet of
4 conventionally fueled vehicles to compressed
5 natural gas vehicles.

6 Because there's no OEMs. That's what
7 makes my job real difficult. I mean, without
8 getting into an editorial here, the municipalities
9 really have the greatest opportunity to create the
10 market. They're just not doing it. And shame on
11 them. And we only have one little station and I'm
12 hopefully trying to increase that station's
13 opportunity for conversion to alternative fuels.

14 Thank you.

15 VICE CHAIRPERSON BOYD: Well, thank you
16 very much. Thank you for your interest. Good
17 luck.

18 The last card I have is Dave Myers.

19 MR. MYERS: Thank you. Dave Myers with
20 Luxfer Gas Cylinders down in Riverside,
21 California.

22 And what we're looking to do is develop
23 new technology for compressed natural gas and
24 hydrogen vehicles for light-weight, high-pressure
25 cylinders. And we look at that as being a win/win

1 because it's going to cut down on emissions, but
2 also it's going to employ Californians.

3 And so that's what I'm here for is to
4 look for those opportunities.

5 VICE CHAIRPERSON BOYD: Well, thank you.
6 We're, as Mr. Smith said earlier in the day, we're
7 really into helping California's economy and
8 trying to find technology opportunities for the
9 California economy. So, appreciate your comments.

10 I have no other blue cards. So, does
11 anyone else out -- would like to say something?
12 Is there anyone on the phone?

13 MR. BONTA: Yes, we do.

14 VICE CHAIRPERSON BOYD: All right.

15 MR. BONTA: But before we begin that --

16 VICE CHAIRPERSON BOYD: We have one
17 coming forward. Come on, cut you off too quick
18 there -- while you line up the phone.

19 MR. VAN BOGART: Jon Can Bogart,
20 CleanFuelUSA. I had a question about the
21 alternative fuel vehicle development strategies,
22 both on the CEC and ARB presentations.

23 Do you have a sense yet of the funding
24 for the engine and platform development versus the
25 certification, funding for certification for ARB?

1 The funding on that.

2 Would there be funding available for
3 certification, that would be the other question.

4 MR. PANSON: Well, first of all, to
5 answer the broader question, we're really just at
6 the beginning of the process. So we haven't even
7 started to have our thoughts about how we're going
8 to, you know, what bins we're going to put funds
9 towards. So I think it's -- premature to ask
10 that.

11 Is there funding for certification. Let
12 me think about that. The statute certainly is
13 worded broadly. There's funds --

14 MR. MYERS: I think this kind of hits at
15 the heart of what he was talking about at the
16 airport.

17 MR. PANSON: To the extent there -- I
18 mean there is funding -- one of the criteria that
19 we look at is the ability of a project to promote
20 the use of clean alternative or renewable fuels.

21 And so would helping a new technology or
22 an engine get, you know, go through the
23 certification process does that promote the use of
24 clean alternative and renewable fuels. That sure
25 seems like it does.

1 So I think, yeah, I think there is a --
2 there certainly, you know, that falls within the
3 purview of the legislation that again, in terms of
4 how we're going to divvy up the monies. We're
5 just at the beginning right now.

6 MR. KITOWSKI: If could make just a --
7 Andy's right, you know, we have not had these
8 decisions. We welcome input and ideas and, you
9 know, contact us apart from this. Send us your
10 ideas more explicitly, that would be great.

11 But if I can just talk broadly, I think
12 in general we're open for the entire spectrum, but
13 I think in general, you know, there's a little
14 more of a desire to get actually vehicles on the
15 road. And what we're doing, you know, for more
16 the deployment as opposed to the -- versus the
17 R&D.

18 And so your burden's probably going to
19 be a little higher if you want to try and pitch an
20 R&D project to us, versus, you know, a rebate on
21 cars already, you know, cars that have been sold
22 and let's get folks a rebate back or something
23 like that.

24 Where you are in the spectrum, you know,
25 may affect sort of how much rigor you might need

1 to prove to us. But there's probably going to be
2 a little bias, let's get cars on the road, let's
3 get fuel in use. That's going to be a very
4 desirable aspect of this money.

5 MR. MYERS: Because this is one of the
6 market hurdles in getting vehicles that are
7 certified in California to actually use the fuels.
8 Whether it be a natural gas or propane vehicle, or
9 on flex fuel. We're looking at some of the P-ZEV
10 issues and some of the huge expense for OEM for
11 automakers to get that P-ZEV vehicle in the flex
12 fuel.

13 So appreciate working with you guys in
14 the future on that.

15 MR. SMITH: Jon, very quickly, from the
16 Commission's perspective. This sort of question
17 is the very kind of question that we would hope
18 would be raised during the advisory committee
19 process as we move through our efforts to develop
20 an investment plan.

21 Again, input like this and questions
22 like this from stakeholders and the public are
23 going to be very very helpful to the Commission.
24 And we weight that very greatly.

25 We recognize, you know, that there's any

1 number of types of barriers to getting a fuel that
2 is considered commercially available onto the
3 market. And from that standpoint, you know, it
4 would certainly be something we would want to
5 consider.

6 It would be up to the advisory
7 committee, and ultimately to sort of chew on that
8 and make -- and then up to the Commissioners as to
9 what we ultimately fund from year to year. But,
10 it's a good question and one I hope you will raise
11 as part of our --

12 MR. MYERS: It would be money well
13 spent.

14 VICE CHAIRPERSON BOYD: All right, the
15 fellow from --

16 MR. JANUSCH: All right. Before we
17 begin, I have two things to mention. First, this
18 is being recorded through WebEx, and the WebEx
19 recording will be posted on the website following
20 this workshop.

21 And second, to receive the rules for
22 wanting to talk online, just use the raise-hand
23 feature and I'll get to you. And we're going to
24 begin with Camille Soriano. Camille, go ahead.

25 MR. RUBENSTEIN: This is actually David

1 Rubenstein, I work with Camille --

2 MR. JANUSCH: Okay.

3 MR. RUBENSTEIN: -- and California
4 Ethanol Power. And one of the things we're doing
5 is we're working on developing and building sugar
6 cane-to-ethanol facilities down in the Imperial
7 Valley. We're working on the first one right now.
8 We're hoping to actually put fuel in the ground in
9 about a year from now.

10 Some of the issues that we have, we were
11 just recently at -- conference at MPC, for
12 instance, and it seems in a lot of cases where the
13 federal government has gone from no funding at all
14 for generation one fuel, to, you know, throwing
15 money at generation two, the cellulosic. Seems
16 like it just kind of leap-frogged over, you know,
17 available technologies right now, such as what we
18 are.

19 We feel we're probably a 1.5 generation
20 in that we're producing ethanol along the
21 Brazilian model, which is much more efficient and
22 much cleaner than the corn ethanol that we have
23 currently in the United States.

24 I have a couple issues that have come up
25 with us as we're going through this, and we hope

1 the Commission will look at some of this. You
2 know, we cover so many different areas of the
3 economy.

4 For instance, agricultural. We're
5 bringing jobs and opportunities to the Valley.
6 We're producing ethanol, not just corn ethanol.
7 It actually falls in the biofuel category that the
8 federal government just put into the energy bill.

9 We're also going to be burning the --
10 gas and the fuel waste from the crop which will
11 produce renewable electricity, which will be a
12 substantial amount back into the grid, helping the
13 public utilities with their efforts in trying to
14 get renewable energy for consumers.

15 And then at the same time, you know,
16 we're a self-funded venture where we're spending
17 money on research and development. Some of that
18 is converting the Brazilian model to U.S.
19 standards, and especially to California, clean air
20 and water standards, making sure that the plant is
21 built to meet the stringent requirements in
22 California.

23 As well as we're taking a look at 20
24 different varieties of sugar cane, we're growing
25 in rented greenhouses. And we're paying for the

1 upkeep of them, trying to find out, you know, a
2 better variety which ward off disease, which maybe
3 can use less water, pesticides, fertilizers, and
4 such like that, trying to be environmentally
5 friendly with that.

6 So really the question I have for you,
7 we cover a whole different range of areas here,
8 and we're hoping that there might be grants, low-
9 interest loans, loan guarantees, things like that.
10 Especially in today's credit market, you know,
11 things like that would be terrific and help us
12 out.

13 And we're also hoping that the power
14 that be, again, don't overlook generation 1.5 and
15 just jump into generation 2.

16 VICE CHAIRPERSON BOYD: Okay, thank you.
17 I think you can rest assured that, at least
18 speaking for the Energy Commission, we'll be
19 looking at the questions you raised. We'll be
20 looking at environmental footprints, carbon
21 footprints.

22 And it's highly likely that a
23 California-grown commodity will score better than
24 midwestern corn, but I can't guarantee that.

25 Just while on the subject of -- we don't

1 really talk about generation 1 and generation 2,
2 but it's out there, you have to acknowledge it.
3 But we, as an agency, if you look at our bioenergy
4 action plan, are really interested in obviously
5 bioenergy, biopower, biofuels. But we're also
6 really interested in using the California
7 wastestream to provide the input for that.

8 So, not just growing crops. I'm not
9 against growing energy crops in California. I
10 think it meet all the tests, but we have a lot of
11 other potential, as well. So, you bring up some
12 interesting points. Be careful about comparing
13 yourself with the Brazilian model. I've been
14 there, they don't put all the factors into their
15 equation. They're not giving us the right facts.

16 Anyway, somebody else?

17 MR. JANUSCH: Thank you. Mike Kane, go
18 ahead.

19 MR. KANE: Hi, this is Mike Kane, again,
20 with Plug-In America. I have two quick comments
21 and a question.

22 The first one of the comments is that we
23 would definitely support including greenhouse
24 gases in the model, as well as criteria pollutants
25 and toxics.

1 The second one is that however we do the
2 calculations in terms of input fuel, we would like
3 that consistent. And specifically we've run into
4 the issue before where for hydrogen generation it
5 was assumed that some portion of the electricity
6 would be from renewable sources like solar, while
7 for electric vehicles it was all assumed to come
8 from the general California generation mix.

9 And however that's done, we'd like it to
10 be consistent for all vehicles.

11 And then the question is as a part of
12 doing the AQIP, will there be a model by fuel
13 that's put out in the public that will be used as
14 part of the analysis and scoring, or is that going
15 to come from the Energy Commission's work?

16 MR. PANSON: Again, I think it's a
17 little premature. We are going to have to, you
18 know, figure out how we're going to score
19 projects. And, you know, we will, as we go
20 through the workshop process, you know, put out
21 ideas and take comment.

22 But we really haven't thought about
23 exactly how we're going to do the scoring criteria
24 at this point in time.

25 MR. KITOWSKI: Let me add one more point

1 to that, because the scoring, we -- the
2 legislation gives the AQIP program a lot of
3 different project categories to consider; and then
4 is also very broad with the spectrum of projects
5 we could fund.

6 And so our first order of business and
7 the area we would like the most feedback on over
8 the next several months is, you know, where and
9 how should we divide up our money. General air
10 quality projects; are there specific areas;
11 everything from, you know, lawnmowers to hybrids,
12 you know. Locomotives to, you know, weed-
13 whackers. I mean that's pretty broad.

14 So, you know, we need to figure out, you
15 know, how do we start splitting up that money.
16 And then when we do say, okay, we think we
17 generally want to get a certain amount of money
18 over into this type of project and this type of
19 project, I wouldn't imagine we would have
20 lawnmower projects competing with, you know,
21 hybrid locomotive projects.

22 We're going to probably allocate the
23 money, separate the money a little bit. And then
24 have them compete among themselves a little bit.

25 And where there are fuel aspects

1 involved in those projects, where, in fact, there
2 are criteria, we will certainly be coming back to
3 the Energy Commission, circling back around. Some
4 of those will be completely within our factors to
5 come up with the criteria. And others we'll
6 definitely need to draw in the Energy Commission
7 or other agencies about what are the appropriate
8 scoring criteria, as well as the general public.

9 MR. KANE: Great, thank you very much.

10 MR. JANUSCH: There's no one else
11 online.

12 VICE CHAIRPERSON BOYD: Okay, no one
13 else online. Anyone else in the audience have a
14 question, a comment they'd like to make at this
15 time?

16 Okay. Well, Commissioner Douglas, any
17 reflections or comments you'd like to make?

18 COMMISSIONER DOUGLAS: No, thanks.

19 VICE CHAIRPERSON BOYD: Well, let me
20 first thank everybody for your interest in this
21 program, and for your participation today.

22 As you've heard, this is both a very
23 complex issue, a very interconnected issue, but
24 there's a lot of people here on the staffs of the
25 two agencies very determined to see it work, to

1 make it work. And we look forward to input from
2 all of you and others, as stakeholders.

3 This is an opportunity that some of us
4 have been waiting for for a very long time, to
5 connect all the dots between energy and air
6 quality and now climate change and our
7 transportation system, which is the technology of
8 the vehicles, the fuel for the vehicles, and just
9 the way we approach transportation at all and the
10 movement of people.

11 So, we look forward to pursuing this
12 question and joining it together with a lot of the
13 other questions that are all connected to this
14 system we're dealing with.

15 So, look forward to, as I say, working
16 with you in the future. And I thank you. And I
17 guess we're finished for the day.

18 (Whereupon, at 3:45 p.m., the Joint
19 Agency Workshop was adjourned.)

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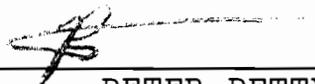
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I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Joint California Energy Commission and California Air Resources Board Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of April, 2008.



PETER PETTY