



# South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178  
(909) 396-2000 • www.aqmd.gov

**REVISED**

## LOCAL GOVERNMENT & SMALL BUSINESS ASSISTANCE ADVISORY GROUP MEETING

### Advisory Group Members

Council Member Ben Benoit, LGSBA Chairman (Board Member)  
Supervisor V. Manuel Perez (Board Member)  
Supervisor Janice Rutherford (Board Member)  
Felipe Aguirre  
Mayor Pro Tempore Rachele Arizmendi, City of Sierra Madre  
Paul Avila, P.B.A. & Associates  
Geoffrey Blake, Metal Finishers of Southern California  
Todd Campbell, Clean Energy  
LaVaughn Daniel, DancoEN  
John DeWitt, JE DeWitt, Inc.  
Bill LaMarr, California Small Business Alliance  
Rita Loof, RadTech International  
Eddie Marquez, Roofing Contractors Association  
David Rothbart, Los Angeles County Sanitation Districts

**Friday, May 8, 2020 ♦ 11:30 a.m.**

**Pursuant to Governor Newsom’s Executive Orders N-25-20 (March 12, 2020) and N-29-20 (March 17, 2020), the South Coast AQMD Local Government & Small Business Advisory Group meeting will only be conducted via video conferencing and by telephone. Please follow the instructions below to join the meeting remotely.**

### **INSTRUCTIONS FOR ELECTRONIC PARTICIPATION AT BOTTOM OF AGENDA**

*Join Zoom Webinar Meeting – from PC or Laptop*

<https://scagmd.zoom.us/j/92459924491>

**Zoom Webinar ID:** 924 5992 4491 (applies to all)

**Teleconference Dial In**

+1 669 900 6833

**One tap mobile**

+16699006833, 92459924491#

**Audience will be allowed to provide public comment through telephone or Zoom connection during public comment period.**

**PUBLIC COMMENT WILL STILL BE TAKEN**

## AGENDA

*Members of the public may address this body concerning any agenda item before or during consideration of that item (Gov't. Code Section 54854.3(a)). Please provide a Request to Address the Committee card to the Committee Secretary if you wish to address the Committee on an agenda item. If no cards are available, please notify South Coast AQMD staff or a Board Member of your desire to speak. All agendas for regular meetings are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the regular meeting. Speakers may be limited to three (3) minutes each.*

### CALL TO ORDER

#### **ACTION ITEMS (Items 1 through 3):**

1. Call to Order/Opening Remarks  
*(No Motion Required)*  
*Council Member Ben Benoit  
Committee Chair*
2. Approval of February 14, 2020 Meeting Minutes  
*(Motion Required)*  
*[Attachment 1]*  
*Council Member Ben Benoit  
Committee Chair*
3. Review of Follow-Up/Action Items  
*(No Motion Required)*  
*Staff will review the follow-up/action items identified in the previous meeting.*  
*Derrick J. Alatorre  
Deputy Executive Officer  
Legislative, Public Affairs &  
Media*

#### **DISCUSSION ITEMS (Items 4 through 5):**

4. Update on Proposed Rule 2305 – Facility-Based Mobile Source Measures  
*Staff will provide an update on the development of proposed Rule 2305.*  
*(No Motion Required)*  
*[Attachment 2]*  
*Ian MacMillan  
Planning & Rules Manager  
Planning, Rule Development &  
Area Sources*
5. Updates on State and Federal Legislation  
*Staff will provide updates on State and Federal legislative activities from 2019 and a preview for 2020.*  
*(No Motion Required)*  
*[Attachment 3]*  
*Lisa Tanaka O'Malley  
Sr. Public Affairs Manager  
Philip Crabbe III  
Public Affairs Manager*

#### **WRITTEN REPORT:**

6. Monthly Report on Small Business Assistance Activities  
*Summary of assistance and outreach activities conducted by South Coast AQMD's Small Business Assistance Office for February, March & April 2020.*  
*(No Motion Required)*  
*[Attachment 4]*  
*All*

#### **OTHER MATTERS:**

7. **Other Business**

*Any member of this body, or its staff, on his or her own initiative or in response to questions posed by the public, may ask a question for clarification, may make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter, or may take action to direct staff to place a matter of business on a future agenda. (Govt. Code Section 54954.2)*

8. **Public Comment Period**

*At the end of the regular meeting agenda, an opportunity is provided for the public to speak on any subject within the Local Government and Small Business Assistance Committee's authority that is not on the agenda. Speakers may be limited to three (3) minutes each.*

9. **Next Meeting Date** - Friday, June 12, 2020 at 11:30 a.m.

**ADJOURNMENT**

**Document Availability**

*All documents (i) constituting non-exempt public records, (ii) relating to an item on an agenda for a regular meeting, and (iii) having been distributed to at least a majority of the Committee after the agenda is posted, are available prior to the meeting for public review at the South Coast AQMD, Public Information Center, 21865 Copley Drive, Diamond Bar, CA 91765.*

**Americans with Disabilities Act and Language Accessibility**

*Disability and language-related accommodations can be requested to allow participation in the Local Government and Small Business Assistance Advisory Group meeting. The agenda will be made available, upon request, in appropriate alternative formats to assist persons with a disability (Gov't Code Section 54954.2(a)). In addition, other documents may be requested in alternative formats and languages. Any disability or language-related accommodation must be requested as soon as practicable. Requests will be accommodated unless providing the accommodation would result in a fundamental alteration or undue burden to the South Coast AQMD. Please contact Elaine Hills at (909) 396-2945 from 7:00 a.m. to 5:30 p.m., Tuesday through Friday, or send the request to [ehills@aqmd.gov](mailto:ehills@aqmd.gov).*

## **INSTRUCTIONS FOR ELECTRONIC PARTICIPATION**

### **Instructions for Participating in a Virtual Meeting as an Attendee**

As an attendee, you will have the opportunity to virtually raise your hand and provide public comment.

Before joining the call, please silence your other communication devices such as your cell or desk phone. This will prevent any feedback or interruptions during the meeting.

**Please note:** During the meeting, all participants will be placed on Mute by the host. You will not be able to mute or unmute your lines manually.

After each agenda item, the Chairman will announce public comment.

A countdown timer will be displayed on the screen for each public comment. If interpretation is needed, more time will be allotted.

**Once you raise your hand to provide public comment, your name will be added to the speaker list. Your name will be called when it is your turn to comment. The host will then unmute your line.**

#### **Directions for Video ZOOM on a DESKTOP/LAPTOP:**

- If you would like to make a public comment, please click on the “**Participants**” button on the bottom of the screen.
- A list of participants will appear on the right side of the screen. At the bottom of the list, please click on the grey “**Raise Hand**” button.
- This will signal to the host that you would like to provide a public comment and you will be added to the list.

#### **Directions for Video Zoom on a SMARTPHONE:**

- If you would like to make a public comment, please click on the “**Participants**” button on the bottom of your screen.
- A new screen will pop up with the list of participants. Look for the “**Raise Hand**” button on the screen and click the button.
- This will signal to the host that you would like to provide a public comment and you will be added to the list.

#### **Directions for TELEPHONE line only:**

- If you would like to make public comment, please **dial \*9** on your keypad to signal that you would like to comment



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# DRAFT

## LOCAL GOVERNMENT & SMALL BUSINESS ASSISTANCE ADVISORY GROUP FRIDAY, FEBRUARY 14, 2020 MEETING MINUTES

### MEMBERS PRESENT:

Council Member Ben Benoit, LGSBA Chairman (Board Member)  
Supervisor V. Manuel Perez (Board Member)  
Felipe Aguirre  
Mayor Pro Tempore Rachele Arizmendi, City of Sierra Madre  
Paul Avila, P.B.A. & Associates  
Geoffrey Blake, Metal Finishers of Southern California  
Todd Campbell, Clean Energy  
LaVaughn Daniel, DancoEN  
John DeWitt, JE DeWitt, Inc.  
Bill LaMarr, California Small Business Alliance  
Rita Loof, RadTech International  
Eddie Marquez, Roofing Contractors Association  
David Rothbart, Los Angeles County Sanitation Districts

### MEMBERS ABSENT:

Supervisor Janice Rutherford (Board Member)

### OTHERS PRESENT:

Tom Gross, Board Member Consultant (*Benoit*)  
Andy Silva, San Bernardino County  
Harvey Eder, Public Solar Power Coalition

### SCAQMD STAFF:

Derrick Alatorre, Deputy Executive Officer  
Philip Fine, Ph.D., Deputy Executive Officer  
Fabian Wesson, Assistant Deputy Executive Officer  
Naveen Berry, Assistant Deputy Executive Officer  
Sarah Rees, Ph.D., Assistant Deputy Executive Officer  
Nancy Feldman, Principal Deputy District Counsel  
Joseph Impullitti, Planning and Rules Manager  
Lisa Mirisola, Program Supervisor  
Elaine-Joy Hills, Air Quality Specialist  
Van Doan, Air Quality Specialist

### **Agenda Item #1 - Call to Order/Opening Remarks**

Mr. Derrick Alatorre called the meeting to order at 11:34 a.m.

### **Agenda Item #2 – Approval of January 17, 2020 Meeting Minutes/Review of Follow-Up/Action Items**

Mr. Bill LaMarr indicated, under Action Item #2 on the December minutes provided at the Administrative Committee meeting, that he was commenting on the retrospective analysis on various rules and Mr. Alatorre responded regarding the severe nonattainment of the South Coast basin, which were two separate items. Mr. Alatorre agreed and recalled that he would ask staff about studies on rules that were implemented and their cost-effectiveness.

Chair Benoit called for approval of the January 17, 2020 meeting minutes. The minutes were approved with one abstention due to absence.

### **Agenda Item #3 – Review of Follow Up/Action Items**

Mr. Alatorre provided a response to an action item from the previous meeting and indicated that staff coordinated with Mr. David Rothbart regarding the LGSBA Goals and Objectives. Mr. Rothbart reiterated that the language has been clarified and addressed.

### **Agenda Item #4 – Information on Available Clean Air Vehicles**

Ms. Lisa Mirisola presented on near- and zero-emission vehicles, as well as the infrastructure.

Mr. John DeWitt inquired on what the criteria is when choosing a plug-in hybrid, battery electric or fuel cell; if there is a standard that needs to be reached before being considered. Ms. Mirisola replied that we are looking to advance the technology over time, so each year staff looks at the new ones available and which get the most range. We started at plug-in hybrids that had a ten-mile range, but when the leases were done, we went to the next that had 30 to 40 miles. Ms. Mirisola further indicated that we are trying to cover four counties with our fleet. Although our goal is to get to zero emissions, staff has been seeing the ranges with the battery electric and more fueling infrastructure for the fuel cell vehicles, but the plug-in hybrids are a great transition. Therefore, each entity or each fleet will have different ways to evaluate what fits their needs, as well as each individual.

Mr. Paul Avila asked if buyers are required to purchase a warranty in the event of a malfunction. Ms. Mirisola indicated that the State of California requires an emission control warranty in order to get State incentives, which is more stringent than Federal requirements. Ms. Mirisola pointed out that there are optional warranties available at dealerships for different purposes. For plug-in hybrids, a 15-year warranty is required to receive all the incentives.

Mr. Todd Campbell commented that he thought, under the Blumenfield legislation, even though it was three years, there was a possibility of extensions on the carpool stickers. Ms. Mirisola replied she was not aware of any extension for individual stickers. Mr. Campbell asked if there is an increase in leases as opposed to purchases. Ms. Mirisola indicated that staff is not tracking that; our demonstration fleet has been leased since 2017 and our regular fleet is purchased.

Mr. Avila commented that it has been about six years since hybrids came out and asked if South Coast Air Quality Management District (South Coast AQMD) is tracking the sale of used vehicles that are five years and older. Ms. Mirisola specified that we are monitoring the vehicles and not measuring them and indicated that there are more vehicles coming off lease, which are seen in the used market. She further

stated that Replace Your Ride program allows low income families to replace used vehicles with newer used vehicles that are six years old or newer. Mr. Avila asked if the tax incentives stay the same or depreciate over time. Ms. Mirisola responded that the Federal tax credit is only for the first purchase.

Mr. DeWitt asked if Ms. Mirisola is the contact person for a prospective purchase of a car that may qualify for a rebate. Ms. Mirisola indicated that there are different staff that handle different parts of the incentive programs and she focuses on the technology portion and evaluates what to add to the demonstration fleet.

Mr. LaMarr referenced a Google search on electric cars, which indicated that, to date, 570,000 electric cars have been sold in California since 2011, approximately eight to nine years and about 60,000 cars per year. Mr. LaMarr asked what the secondary market is for electric or alternative vehicles and stated that the typical cost of a new car is arguably way out of reach for many people such as those in AB 617 communities. Mr. LaMarr commented that if South Coast AQMD and the State's objective is to lower pollution from mobile sources, then there should be facts as to what the secondary market is, what the trade-in values are, what incentives or warranties are available, and what the ideal mileage is to trade in the car. Ms. Mirisola replied that there are cost calculators for any kind of used cars and mentioned that there was proposed legislation to provide more incentives for used vehicles, which resulted in the Replace Your Ride program for low income individuals to purchase new or used cars. Mr. LaMarr stated that monetary incentives are one thing, but was concerned about the availability of mechanical help with maintenance and repairs for these types of vehicles. Mr. Naveen Berry provided feedback on the AB 617 communities and indicated that staff has done extensive outreach on the availability of programs such as Replace Your Ride. Some vehicles are available for \$9,500 or less for low-income residents who qualify, which covers the full cost of the car, and a lot of the used Nissan Leafs are well under \$10,000 and are more readily available now. Mr. Berry referenced Mr. LaMarr's search on over half a million of electric vehicles being sold, and stated that as that market is growing, the aftermarket support and non-dealer repair technicians are also growing. Mr. LaMarr stated that his thoughts are for the buying public who may pose questions such as "should I do this, am I getting a good bargain, am I doing this for clean air, how long will the car last?" Mr. Berry responded that we get two reasons for the Replace Your Program - the carpool lane stickers and the fuel cost savings, which is maintained over the life of the vehicle. In terms of warranty, anything that has an auxiliary, hybrid or full battery, has a seven year or 150,000 miles warranty required by the California Air Resources Board (CARB), as opposed to 36,000 or 50,000 miles for traditional internal combustion engines. Mr. Berry stated that there is a protection in the system for the higher cost components, such as battery packs.

Ms. Rita Loof indicated the carpool stickers are now expiring and asked if they are for people who purchase a new vehicle, what happens after three years when they expire, and how it works for people purchasing used vehicles. Ms. Mirisola replied, even though a vehicle was purchased new, if they did not get a carpool sticker, it would be available for the second owner. However, once a sticker has been issued, it is only good for three years. Ms. Mirisola further stated that there is a possibility that if you are low income, you may be able to get another sticker. The Department of Motor Vehicles (DMV) screens for qualifications, but Ms. Mirisola is not aware if the DMV is implementing that part of the legislation yet.

Mr. Eddie Marquez referenced slide #9 on California Hydrogen Stations and asked how this syncs with CARB's electrification rules. Ms. Mirisola responded that the buses are now making plans to transition to zero-emission buses, and many of them are adding battery electric buses. However, for the larger fleets, they are considering the hydrogen fuel cell as well. The station development is supporting some

of this role-out, but there are also some private investments that need to go with this. Ms. Mirisola indicated that these are co-funded and not entirely publicly funded. Mr. Marquez commented that in terms of upgrades with natural gas, hydrogen and other alternative sources of energy, there is a big electrification push. Mr. Marquez asked, with all the money already invested in these sources of energy, if it will all be electric at one point and what happens to the money invested in these alternative sources. Ms. Mirisola replied that we take a portfolio approach and try not to predict the market too strongly. We still see a role, especially for hydrogen in medium and heavy-duty trucks, other applications, as well as in seasonal and large storage. Mr. Joseph Impullitti stated that South Coast AQMD tries to be technology agnostic, we support both electric and hydrogen fuel cell technologies, and a lot of it depends on the transit authorities. Some are going the electric path, and some are going to hydrogen. The Orange County Transportation Authority (OCTA) is going both ways, which we deployed ten fuel cell buses and a fuel cell hydrogen station in Santa Ana, and they also ordered some electric buses to determine which fits their duty cycles before deciding which path to go down. It all depends on how it works with their situation and there are advantages to both.

Mr. Avila asked how much a hydrogen bus cost. Mr. Impullitti responded that they are more expensive than battery electric and cost about \$1.1 million per bus. Mr. Campbell commented that when they (Clean Energy) first developed CARB's first transit bus that moved away from diesel fuel, Ballard promised that the buses would be down to \$500,000 in 2008. Mr. Berry indicated that it is dependent on volumes and scale, and as Mr. Impullitti and Ms. Mirisola explained, transit authorities are going different pathways, testing them all out. Mr. Berry further explained that one of the analysis that staff is currently doing is looking at volumes from both perspectives, and as we get a better handle on pricing, volume and scale, we will be able to better address, in more detail, these questions. Mr. Campbell indicated that Los Angeles (LA) County is doing a progressive plan to switch over from natural gas to electric, and their preliminary estimates in the operations plan is approximately \$100 million for charging infrastructure per division for 12 divisions, which is about \$1.2 billion. This is a forecast that does not include the upstream power that needs to be delivered to each division, what must be spent on the utility side for repair, and the buses still have to be purchased. Mr. Berry stated that staff work closely with transit authorities and that is certainly a concern for them, which is why they are looking at alternatives. Mr. Impullitti added that staff is investigating to support electric and hydrogen infrastructures with microgrids.

Mr. LaMarr asked if there is any data on electric trucks, zero- or near-zero emission trucks that manufacturers might have. Ms. Mirisola responded that we are more in the demonstration phase and are accumulating mileage. However, they can make predictions before commercializing something and determine what type of warranties will be offered and what services will be required. Our demonstration data can help show what the life will be for the new products. Mr. Berry stated that the 8.9-Liter engines started rolling out in 2015/2016 and did not have any issues with engine durability. The 12-Liter engines rolled out of production about 18 months ago, and we did not receive any feedback. The one minor area of concern was specific to one manufacturer, and it was not related to the engine or power plant itself. We have not seen the long-term durability analysis yet, but we have put them through accelerated testing before the certification of the engines, showing strong performance in terms of grades, reliability and availability equal to today's diesel engines.

Mr. Campbell asked what the range was on Daimler battery electric trucks. Mr. Impullitti responded that their targeted range is 150 miles, but depending on load and duty cycle, going uphill or downhill, it could be greater. Mr. Campbell expressed concerns about the Federal implementation plan being a risk. He explained that when looking at a \$31 million demonstration project that covers 20 trucks, including



infrastructure, and did the same thing with a low NOx truck, which is equivalent to a zero-emission truck with upstream emissions, in terms of carbon emissions, it could be better with low NOx truck powered by renewable natural gas. Mr. Campbell further stated that you can get 130 trucks with a \$5 million station, and mentioned that when Metro went to CNG, they paid about \$60 million, and now will pay about \$1.2 billion to go electric. Mr. Campbell provided information on a conference in Napa Valley, discussion on the Carl Moyer program, and a workshop held by CARB regarding their concept on additional zero emission fleet regulations. Mr. Campbell recommended representation from South Coast AQMD at CARB's Mobile Source Strategy meeting. Mr. Berry indicated that staff has provided detailed comments to CARB on their advanced clean truck regulation, and that they have to do a regulatory approach to lower the emissions standards sooner than later. South Coast AQMD has been actively and closely working with CARB on a lot of different fronts. Mr. Campbell clarified his statement and complemented staff for advocating in Sacramento. Mr. DeWitt asked Mr. Campbell if this goes back to having people measure the cost and the results. Mr. Campbell agreed.

Mr. Harvey Eder provided information about the history of the zero-emissions program and money taken from solar power.

Mr. Campbell commented that under the low carbon fuel standard, renewable natural gas is the lowest carbon fuel, and if you put it towards electricity, the carbon benefits go from negative 380 carbon intensity to negative 600 to 700 carbon intensity towards electricity. Mr. Eder responded that the numbers are wrong.

#### **Agenda Item #5 – Updates on 2016 Air Quality Management Plan (AQMP)**

Dr. Sarah Rees provided an update on the 2016 AQMP and the development of the 2022 AQMP. She also provided information on meeting the 2023 attainment deadline and contingency plan adopted by the Governing Board (GB).

Mr. Avila asked what percentage of ocean-going vessels will impact or influence South Coast AQMD's plan. Dr. Rees responded that it is a significant amount. Currently, heavy duty trucks are the biggest source of NOx emissions, but by 2023, we expect that ocean-going vessels will be the single biggest source of NOx emissions in the South Coast basin because of the busy port complex.

Ms. Loof requested for elaboration on the regional vehicle miles travel (VMT) reductions and how they would play out. Dr. Rees explained that CARB has some strategies looking at VMT reduction. If you have less VMT, we would expect there would be some co-benefit of NOx emissions reductions associated with that. Dr. Rees indicated that it would be a relatively small amount, but that is one strategy that CARB is working on with regional transportation authorities.

Mr. LaMarr referenced slide #17 regarding contingency measures and reductions prior to 2023 and asked how optimistic is staff that the Environmental Protection Agency (EPA) will approve these measures. Dr. Rees responded that staff has worked hard with EPA, who has six months from the time of submittal to issue a completeness determination. For example, if all the required elements have been submitted and they do not act within six months, then it becomes complete by operation of law. Dr. Rees further explained that they will have time to take action to either approve, partially approve, or disapprove, but effectively we have between now and an 18-month window by which EPA could take action. If they are disapproving or partially approving, there could be some sanction clocks associated with that. Mr. LaMarr asked if the sanction clock starts at the end of the 18 months. Dr. Rees replied

that the sanction clock starts after the EPA takes action so anything less than a full approval, there could be a sanction clock started at that point, which could be within the next six months.

Mr. David Rothbart commented that all stationary sources would agree that South Coast AQMD has done everything that can possibly be done; there is nothing more that can be done within South Coast AQMD's regulatory control to get to attainment; EPA has not stepped up with the on-road, heavy duty standard needed to get to attainment; and CARB is focused on electrification, slowing down progress. He further stated that when there are penalties, stationary sources are in the "cross-hairs" of paying the penalty. Mr. Rothbart asked how this can be avoided or shift the paradigm and say that we are not responsible, it is other entities. Mr. Rothbart expressed he wanted a dialogue started up with Washington D.C. earlier to keep stationary sources from paying the penalty. Dr. Rees indicated that we are in a little bit of uncharted territory in terms of being in an area that has not triggered some of these actions in the Clean Air Act. Likely, in a different administration, EPA would probably work out a reasonable approach, it is unclear where that would unfold today, but we continue to work with Region 9 and in Washington D.C. to alert them of the issues that we face.

Mr. LaMarr commented that, in the past, we have been hearing terms like all reasonable measures, and staff goes through great lengths on building a case every time we come into situations like these. An obvious reasonable case is that we have done everything here with the sources under your jurisdiction, and no matter what we do, such as shutting down all sources, we still would not reach attainment. When you say negotiate with EPA, we get another 20 years going through the same issues. Dr. Rees responded that when you are in ozone nonattainment, there are multiple levels. If you start off far out of attainment, you are given a long time. The Clean Air Act never anticipated that the 20 years will not be enough time to reach attainment. It is focused on the districts putting regulations in place, take those actions, and it works out. We are faced with statutory provisions that have very hard deadlines and consequences associated with them. Mr. LaMarr commented that he recalls a conversation with Representative Henry Waxman, who indicated that his legislation had unintended consequences. Dr. Philip Fine responded that with a cooperative administration, there would be a way to work through it. However, today's administration, it is not just not being able to work through it, they will use it against California. Staff have visited Washington D.C. many times and provide the same message. Mr. Rothbart suggested working with other air pollution districts to find creative ways to focus the attention on our problems. Dr. Fine indicated that our legal staff is also looking at all possible options.

Ms. Loof requested for an explanation regarding the 128 tons per day of NOx reduction to meet the attainment and the contingency plan that mentions 108 tons per day, which has a difference of 20 tons per day. Dr. Rees explained that the 108 tons per day was for the further deployment of measures, which is the black box provision. We have 27 tons per day of defined measures on top of that, and with some accounting it adds up to 128 tons per day.

#### **Agenda Item #6 –Monthly Report on Small Business Assistance Activities**

No comments.

#### **Agenda Item #7 - Other Business**

Mr. Rothbart asked if there is a policy as far as public comment. Ms. Nancy Feldman indicated that this is a Brown Act meeting, and we do provide for public comment, which can be limited by the Chair as needed.

#### **Agenda Item #8- Public Comment**

Mr. Eder commented on solar power.

**Agenda Item #9 – Next Meeting Date**

The next regular Local Government & Small Business Assistance Advisory Group meeting is scheduled for Friday, March 13, 2020 at 11:30 a.m.

**Adjournment**

The meeting adjourned at 1:24 p.m.

# PROPOSED RULE 2305

## WAREHOUSE

### INDIRECT SOURCE RULE UPDATE

May 8, 2020

South Coast AQMD Local Government Small Business Assistance Advisory Group

1

## Warehouse ISR Need

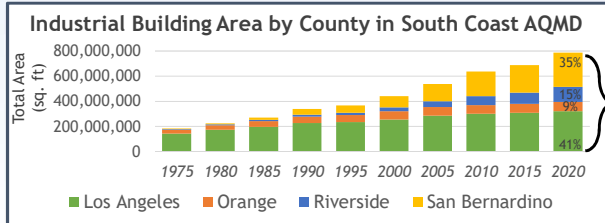
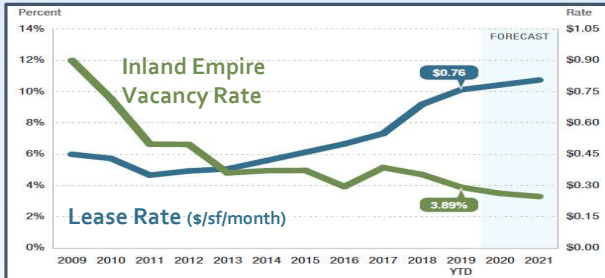
- AQMP calls for NO<sub>x</sub> reductions of 45% by 2023 (108 tpd) and 55% by 2031
  - Mobile sources make up >80% of total NO<sub>x</sub>
  - AQMP includes several facility-based mobile source control measures to reduce NO<sub>x</sub>
    - Indirect source authority is one of few mechanisms South Coast AQMD can use to require reductions in mobile source emissions
- Recent Board-approved 2023 contingency measures require >80 tpd through federal measures and new incentive programs
- In May 2018, the Board directed staff to develop a warehouse Indirect Source Rule (ISR) as part of control strategy to reduce regional ozone levels
- Subsequent AB 617 process has resulted in warehouse ISR as a critical action requested by all three Year 1 communities - with a focus on local air quality impacts

*Warehouses are currently unregulated with regards to air quality*

2

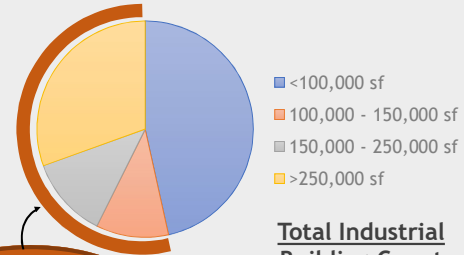
2

## Background - Warehouses in South Coast AQMD



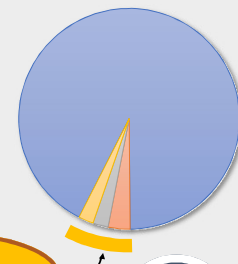
Source: Costar, 2019, <http://voitco.com/market-reports/>

### Total Industrial Building Square Footage



~800 million square feet

### Total Industrial Building Count



~3,300 Facilities

~20% Owner Occupied

3

## Emissions Related to Warehouses

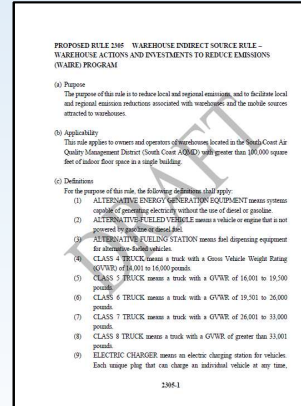
- Preliminary estimated NOx emissions from all warehouses = ~34 tpd in 2023
  - ~80% from trucks
  - All stationary source emissions in 2023 = ~43 tpd
- Significant turnover underway to comply with 2023 Truck and Bus Rule mandate
- Many new regulations from CARB/EPA proposed to reduce truck emissions
  - Expected additional reductions in 2023 = 0%, in 2031 = 35% - 75%
  - CARB pursuing new truck fleet rule, but potentially limited by SB 1



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## Overview of Discussion Draft Rule

- Discussion draft rule language released Nov. 10, 2019
  - Preliminary WAIRE Menu released Dec. 10, 2019
  - Updated WAIRE Menu and draft technical report released March 3, 2020
- Draft focused on structure of rule
- Overarching concept is a menu-based point system, similar to LEED for building design
  - Warehouse Actions and Investments to Reduce Emissions (WAIRE Program)
  - Approach provides flexibility to suit diverse business models in the warehousing industry



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## Proposed Draft Rule 2305 Purpose & Applicability

- Purpose
  - *The purpose of this rule is to reduce local and regional emissions, and to facilitate local and regional emission reductions associated with warehouses and the mobile sources attracted to warehouses.*
- Applicability
  - *Proposed rule applies to owners and operators of warehouses located in the South Coast AQMD with greater than 100,000 square feet of indoor floor space in a single building.*
    - Applicability covers all entities that would be regulated in some way by the rule
      - Not all entities will have the same requirements

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## Proposed Draft Rule 2305 Requirements

- Requirements are different between an owner and an operator
  - Operators responsible for most parts of the rule
  - Owners only have reporting requirements
    - Owners have ability to earn WAIRE Points on behalf of operator
- Main components of proposed rule
  - 1) WAIRE Menu of actions and associated Points
  - 2) Conditions for limited transferring of WAIRE Points
  - 3) Initial and annual reporting obligations
  - 4) Administrative Fee and Optional Mitigation Fee
  - 5) How many WAIRE Points a facility needs to earn every year

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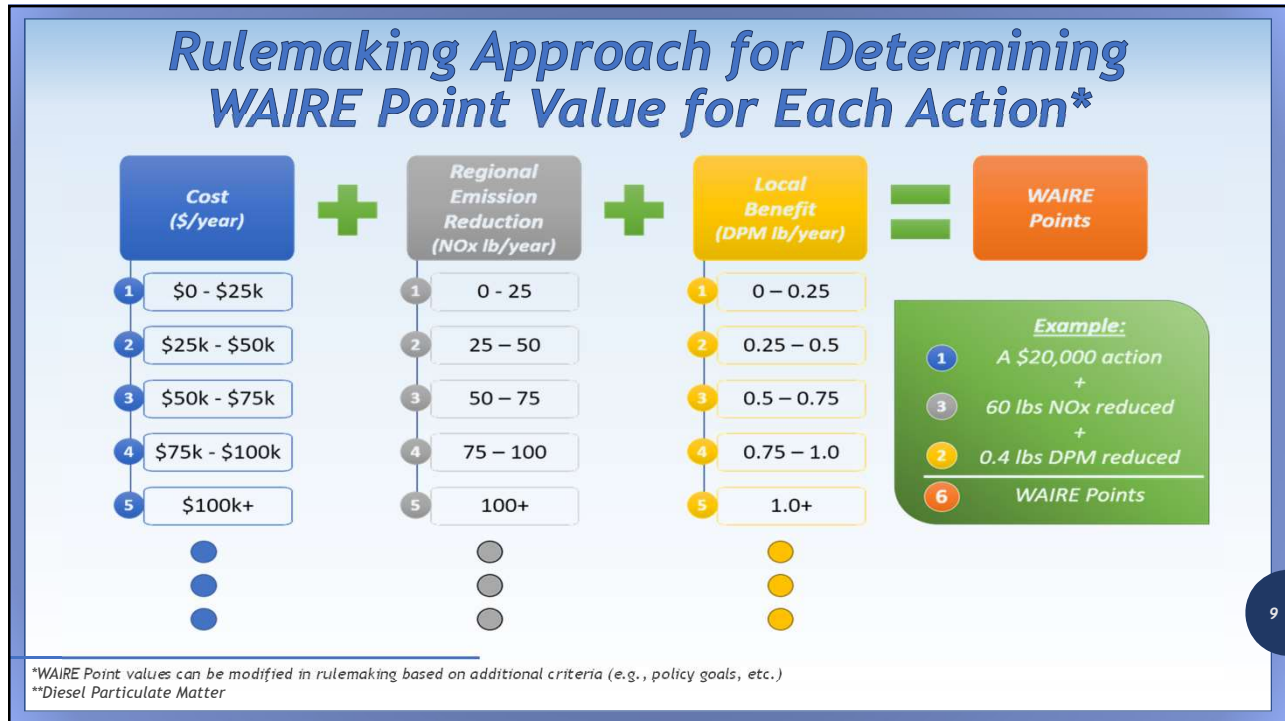
7

## Proposed Draft Rule 2305 Menu and Point Transfers

- 1) WAIRE Points are earned by completing actions/investments from the WAIRE Menu
  - Actions/investments must go beyond existing regulations
  - Alternative compliance possible if a facility chooses to pay a mitigation fee instead
  - WAIRE Points only required for the portion of the year that a warehouse operator occupies a warehouse
  - WAIRE Points must be earned only for buildings with >100,000 sf dedicated to warehousing activities (*≤3,300 facilities*)
- 2) WAIRE Points can be transferred in three ways
  - Points can be transferred between warehouse operator and owner, and vice versa
  - Points can be transferred into a subsequent year for up to three years, but must stay at site
  - Operator may transfer excess Points to another facility under its control
    - These transferred Points are discounted to account for reduced local benefit

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## DRAFT WAIRE MENU

(Version 3-3-2020)

- Calculations used to develop WAIRE Menu for rulemaking are detailed
- WAIRE Menu is simplified for facility compliance

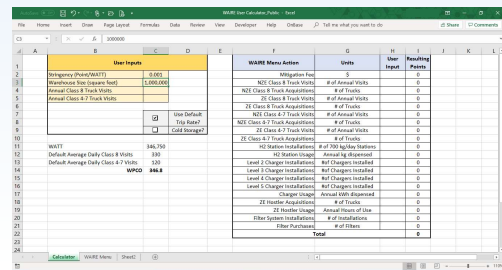
WAIRE Menu Item	Action	Annualized Metric	WAIRE Points
Hydrogen Station	Install	1 700 kg/day project	1680
ZE Yard Truck	Use	1000 hours	291
ZE Yard Truck	Acquire	1 truck purchased	177
ZE Class 8 Truck	Acquire	1 truck purchased	126
Level 5 Charger	Acquire	1 charger purchased	118
ZE Class 4 - 7 Truck	Acquire	1 truck purchased	68
Level 3, 4, or 5 Infrastructure Final Permit Sign-off	Install	1 construction project	59
NZE Class 8 Truck	Acquire	1 truck purchased	55
Air filter system	Install	25 systems	55
ZE Class 8 Truck	Use	365 truck visits	51
Level 4 Charger	Acquire	1 charger purchased	51
Air filters	Acquire	200 filters	51
Hydrogen Station	Use	6,152 kg	43
NZE Class 8 Truck	Use	365 truck visits	42
Electric Charger	Use	165,000 kWh	42
NZE Class 4 - 7 Truck	Acquire	1 truck purchased	26
Level 3 Charger	Acquire	1 charger purchased	26
ZE Class 4 - 7 Truck	Use	365 truck visits	12
NZE Class 4 - 7 Truck	Use	365 truck visits	12
Level 3, 4, or 5 Infrastructure Construction Mobilization	Install	1 construction project	9
Level 2 Infrastructure Construction Mobilization	Install	1 construction project	9
Level 2 Infrastructure Final Permit Sign-off	Install	1 construction project	9
Level 2 Charger	Acquire	1 charger purchased	5
TRU Plug	Acquire	1 plug purchased	TBD
TRU Plug Infrastructure Construction Mobilization	Install	1 construction project	TBD
TRU Plug Infrastructure Final Permit Sign-off	Install	1 construction project	TBD
TRU Plug	Use	TBD	TBD
Solar Panels	Install	TBD	TBD
Battery Storage	Install	TBD	TBD
Solar Panels	Use	TBD	TBD
Battery Storage	Use	TBD	TBD

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# ISR Stringency

- Stringency of rule measured in Points per Weighted Annual Truck Trips (WATTs)
  - Annual Variable will control phased-in stringency of rule
- Proposing to analyze stringency in the range of **0.0001 - 0.005 Points/WATT**
  - Mitigation Fee → \$1,000/Point
- Examples illustrate potential compliance pathways (*next slides*)
- Draft WAIRE Compliance Calculator available to test different compliance scenarios: [www.aqmd.gov/fbmsm](http://www.aqmd.gov/fbmsm)



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## Compliance Example - 1 million sf Warehouse

- WATTs=346,750\*  
Class 8 = 165 visits/day  
Class 4-7 = 60 visits/day
- Stringency = 0.001  
Annual variable = 1  
**WPCO = 347**

\*Default truck trip rate  
Actual truck trips must be reported  
*Some values in table are rounded*

WAIRE Menu Item Compliance Options	Level of Implementation	Potential Annual Cost	Potential NOx Reduction During Compliance Year	WAIRE Points Earned During Compliance Year
Acquire Class 8 NZE	7 trucks	\$455,000	-	385
Class 8 NZE Truck Visits	9 visits/day	\$31,581	0.7 tpy	378
Acquire Class 8 ZE	3 trucks	\$450,000	-	378
Class 8 ZE Truck Visits	7 visits/day	\$369,864	0.6 tpy	357
Acquire Class 4-7 NZE	14 trucks	\$420,000	-	364
Class 4-7 NZE Truck Visits	29 visits/day	\$402,473	0.4 tpy	348
Acquire Class 4-7 ZE	6 trucks	\$480,000	-	408
Class 4-7 ZE Truck Visits	29 visits/day	\$20,250	0.4 tpy	348
H2 Station Installation	1 station	\$2,000,000	-	1680
H2 Station Usage	136 kg/day	\$496,094	2.2 tpy	347
50 kW Charger Installation	11 chargers	\$410,000	-	354
350 kW Charger Installation	3 chargers	\$500,000	-	422
Charger Usage	3,732 kWh/day	\$245,202	2.2 tpy	347
Acquire ZE Yard Truck	2 trucks	\$420,000	-	354
Use ZE Yard Truck	3.3 hrs/day	\$7,447	0.2 tpy	347
Mitigation Fee		\$347,000		347

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## Proposed Draft Rule 2305 Rule Stringency

- Considerable interest from all stakeholders on proposed level of stringency (*i.e. how many Points needed?*)
  - Structure of rule and rule compliance options needed to be set first
  - Stakeholders generally agree that current proposed structure is best available for ISR
- Each facility's compliance obligation determined by: number of annual truck trips and rule stringency level
  - Rule stringency will increase through time
- Cost, technology availability, and air quality need are considered together to determine stringency
  - Potentially calculated first with \$XX per sq. ft. and converted to **WAIRE Points per truck trip** during rulemaking
  - Key parts of socioeconomic analysis
    - Classify types of warehouses (e.g., cold storage, e-commerce, etc.) and examine sensitivity to local regulatory costs
    - Real estate market conditions in South Coast AQMD and nearby regions
    - Other economic impacts (e.g., port analysis, community impacts)

Analysis In Progress

### Existing Costs (\$/sq. ft.)

Annual Lease Rates = \$9 - \$12  
 Annual Property taxes = \$0.50 - \$2  
 One-time development fees = \$4 - \$6  
 One-time Riv. Co. AQ Mit. Fee = \$0.32

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## Proposed Draft Rule 2305 Reporting/Notification/Recordkeeping

### Owner Notification

- Basic site information and operating company information

- 2 months after rule adoption
- 2 weeks after new operator, whse size change, or EO request

### Operator Initial Site Information

- Detailed site characteristics and potential compliance methods

- One-time report, 6 months before 1<sup>st</sup> Annual WAIRE Compliance report due from operator at that site

### Annual WAIRE Compliance

- Report on compliance choices from previous year

- Annual report, with details on compliance

- **All reporting conducted online through new web portal**
  - Information made available to public online and through annual Board reports
  - All records must be kept for 7 years

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## Proposed Draft Rule 2305 **Mitigation Fee and Administrative Fee**

- Mitigation fee option available if a warehouse operator chooses not to complete sufficient actions/investments in WAIRE Menu
  - Mitigation fee can be used to make up a shortfall if not enough WAIRE Points earned
  - Funds directed to ZE/NZE trucks and/or charging/fueling infrastructure
    - Funding directed back to areas around warehouses that paid the mitigation fee
- An administrative fee will also be included in Regulation III
  - Amendment to Regulation III will accompany Rule 2305 with Board vote
  - Administrative fee used to fund South Coast AQMD compliance staff for WAIRE Program
  - Current estimated admin fee = \$300 - \$500 per year

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## **Role of Incentive Funding**

- Most existing sources of funding place limits on using funds to comply with a regulation
  - Limitations placed in authorizing statute or funding program requirements
  - Indirect source authority does not inherently limit the use of incentive funding

- Carl Moyer
- Greenhouse Gas Reduction Fund (e.g., HVIP, AB 617-related funding, etc.),
- AB 118 Air Quality Improvement Program, and Alternative and Renewable Fuels and Vehicle Technology Program
- VW Trust

Mechanisms available to allow incentive funding to assist in ISR compliance

**Funding Programs Without These Limits**

**Funds Not Directed to Regulated Entity**

**Potential New Funding Programs That Might Not Have These Limits**

- LCFS
- Utility infrastructure subsidies
- Warehouse operator who purchases a truck **can't** use existing incentive programs
- Incentivized truck visits **can** be used for facility compliance
- ISR Mitigation Fees
- Potential future sales tax funds?
- Other?

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## *Upcoming Work & Next Steps*

- Develop draft rule stringency
  - First comment period on Draft WAIRE Menu Technical Report ended May 1
- CEQA
- Next Steps
  - Continue meeting with Working Group to complete draft rule and supporting documentation
  - Community Meetings?
    - Inland Empire (Mar. 18 meeting cancelled) and LA County
  - Bring proposed rule to Board for consideration in first quarter 2021

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1



2







# Introduction

- First year of 2019-2020 session adjourned on September 14th
- Legislators introduced over 3,000 measures
- Legislators sent over 1,000 bills to Gov. Gavin Newsom
- Gov. signed 870 bills
- Many bills that did not make it to Gov.'s Desk turned into "2-year bills"
- Legislature reconvened on January 6, 2020

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## State Relations – Key Position Bills

			
<b>AB 142</b> (C. Garcia)	<b>AB 836</b> (Wicks)	<b>SB 1</b> (Atkins)	<b>SB 210</b> (Leyva)

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## State Relations – Key Position Bills

### AB 142 (C. Garcia) Lead-acid Batteries

- Will increase the amount of lead-acid battery fee from \$1 to \$2 in perpetuity
- Monies generated by the fee will be used for activities relating to the clean-up of contamination caused by lead-acid batteries throughout the state
- Bill signed into law

### AB 836 (Wicks) Clean Air Centers

- Establishes grant program to retrofit ventilation systems “clean air centers” for public access during wildfires or other smoke events
- Bill signed into law

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## State Relations – Key Position Bills

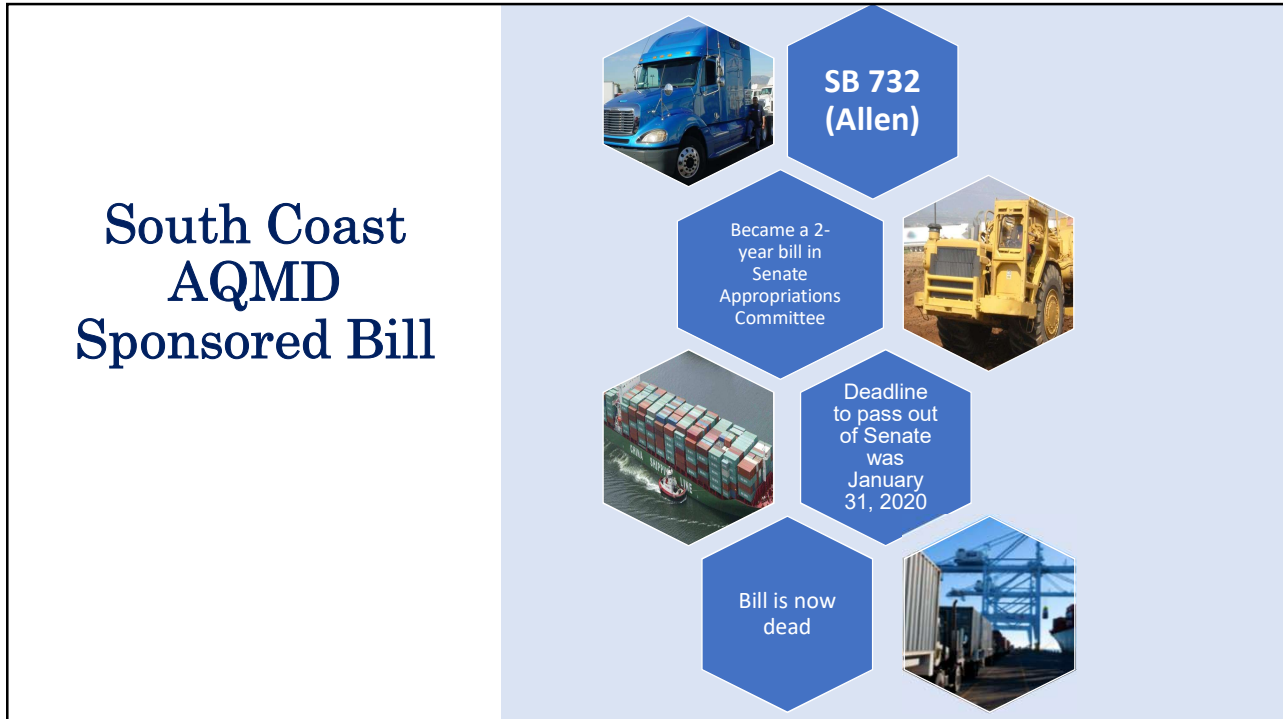
### SB 1 (Atkins) CA Environmental, Public Health, & Workers Defense Act of 2019

- Maintains protections afforded to CA by fed laws as of Jan. 2017, if fed govt. weakens or repeals them
- Requires CARB to take regulatory action to counter weakening of federal law
- South Coast AQMD had Support position, and sought amendments clarifying that local air districts could act regarding stationary sources
- Bill vetoed by Gov.

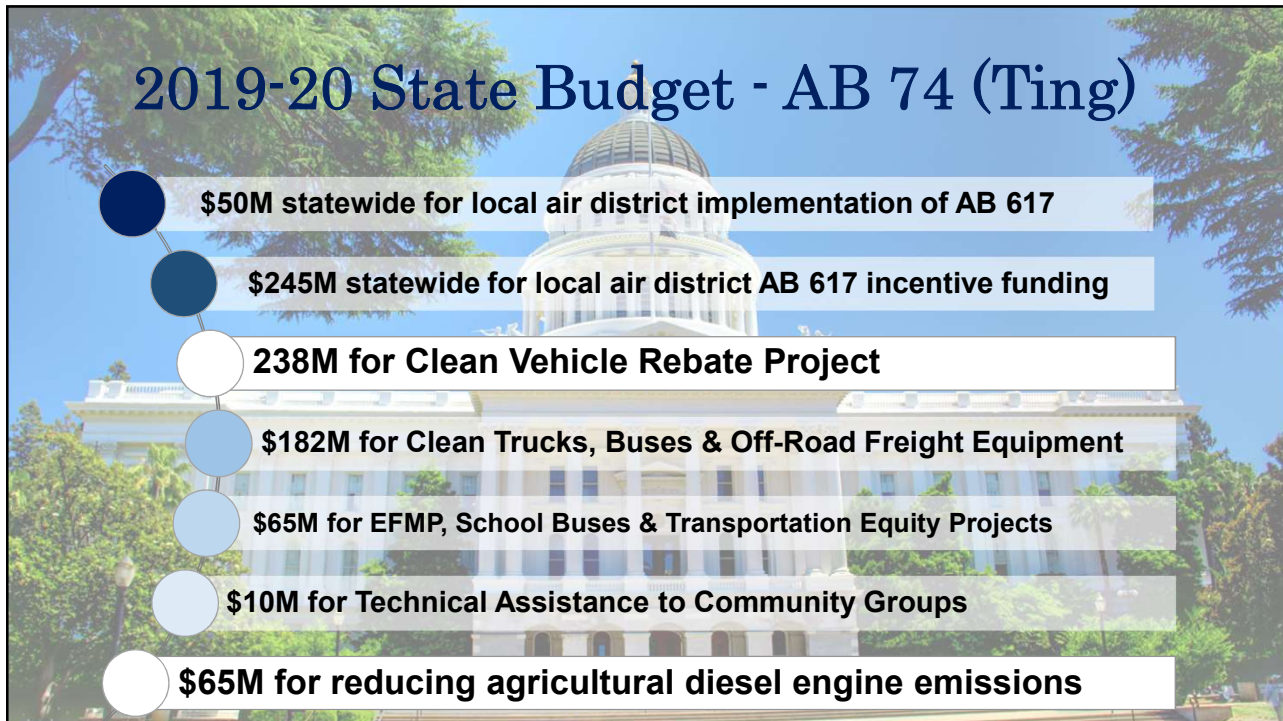
### SB 210 (Leyva) Heavy-Duty Vehicle Inspection & Maintenance Program

- Requires CARB to develop and implement a smog check program for heavy-duty vehicles
- South Coast AQMD had **Support** position, and secured amend exempting ZE vehicles
- Bill signed into law by Governor

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## Preview of 2020 State Legislative Activities

### • **COVID-19 Pandemic Impact on State Legislature's Activities**

- State Legislature Adjourned on March 19, 2020
- State Assembly Scheduled to Reconvene on May 4, 2020
- State Senate Scheduled to Reconvene on May 11, 2020
- Total bills considered in 2020 expected to be reduced
- Focus will be on passing a workload budget by June 15, 2020
- Later budget trailer bills likely

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## Preview of 2020 State Legislative Activities

### • **Sustainable Funding from GGRF/Other Sources**

- AB 617 Program requires ongoing implementation funds
- Incentives to facilitate attainment of federal requirements needed
- e.g. SB 44 (Skinner) – attempted to secure annual portion of GGRF for air quality purposes

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## Preview of 2020 State Legislative Activities

- **Governor's Proposed 2020-21 Budget Cuts**
  - Cuts AB 617 Program Implementation Funds from \$50M to \$25M
  - Cuts AB 617 Incentive Funding from \$245M to \$200M
  - Actual Need: \$100M for Implementation & \$350M for Incentives
  - Other proposed cuts:
    - CVRP - \$238M to \$125M
    - Clean Trucks/Buses/Off-Road Equipment - \$182M to \$150M

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## Preview of 2020 State Legislative Activities

- **Voting District Authorization Bill - Spot Bill 2241 (Calderon)**
- **Future Bond Funding**

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# Federal Relations *2019 Accomplishments*

U.S. EPA Clean Trucks Initiative – Ultra-Low Nox Rule for Heavy Duty Trucks - Advanced Notice of Proposed Rulemaking

\$87M for Diesel Emissions Reduction Act Program

Prevented Diversion of Funds from Targeted Airshed Grants Program

\$56.3M for Targeted Airshed Grants Program

Maintain Section 103/105 Funding

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# Federal Relations *2020 Goals*

- Ultra Low Nox Rule**
  - Transparent process with equitable stakeholder participation
- Appropriations (Funding)**
  - Funding for air quality issues through existing & new opportunities
- Policy**
  - Influence transportation, infrastructure, climate change initiatives & other air quality related policy initiatives

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State & Federal  
*Q&A*

Legislative Update

Thank  
You



# Small Business Assistance Report on February, March & April 2020 Activities for LG&SBA Advisory Group Meeting of 5/8/2020

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## Services Offered – February

■ Permit Application Assistance	194
■ On-site Consultations	6
■ Fee Review Committee Request	3
■ 1 Granted (Correct Equipment Description)	
■ 1 Denied (Reinstate Permit)	
■ Air Quality Permit Checklist Processed	63

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## Services Offered – March

■ Permit Application Assistance	258
■ On-site Consultations	7
■ Fee Review Committee Request	3
■ 2 Granted (Payment Plans)	
■ 1 Denied (Payment Plan)	
■ Air Quality Permit Checklist Processed	47

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## Services Offered – April

■ Permit Application Assistance	223
■ Fee Review Committee Request	3
■ 2 Granted (Payment Plan; Equipment Description Correction)	
■ 1 Denied (Reinstate Permit)	
■ Air Quality Permit Checklist Processed	49

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## Permit Assistance – February

- 194 Activities Providing Help with Permit Applications. Examples include:
  - 24 *General Contractors/Consultants/Architects*
  - 21 *Restaurants*
  - 17 *Manufacturing Facilities*
  - 16 *Warehouses (Storage/Distribution)*
  - 15 *Retail Stores*
  - 11 *Auto Body and Repair Shops*
  - 11 *Dry Cleaners/Garment Cleaners*
  - 2 *Fuel Dispensing Facilities*

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## Permit Assistance – March

- 258 Activities Providing Help with Permit Applications. Examples include:
  - 25 *Retail Stores*
  - 23 *General Contractors/Consultants/Architects*
  - 21 *Dry Cleaners/Garment Cleaners*
  - 20 *Warehouses (Storage/Distribution)*
  - 14 *Manufacturing Facilities*
  - 13 *Restaurants*
  - 12 *Auto Body and Repair Shops*
  - 5 *Fuel Dispensing Facilities*

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## Permit Assistance – April

- 223 Activities Providing Help with Permit Applications. Examples include:
  - 40 *General Contractors/Consultants/Architects*
  - 23 *Restaurants*
  - 21 *Manufacturing Facilities*
  - 14 *Retail Stores*
  - 11 *Dry Cleaners/Garment Cleaners*
  - 8 *Auto Body and Repair Shops*
  - 5 *Warehouses (Storage/Distribution)*
  - 3 *Fuel Dispensing Facilities*

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## Activities – February

- Conducted 6 free on-site consultations
  - Offices
  - Fuel Dispensing Facilities
  - Dry Cleaner
  - Contractor
- Event(s) Attended
  - No events attended for February

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## Activities – March

- Conducted 7 free on-site consultations
  - Manufacturing Facility
  - Coatings Facilities
  - Dry Cleaners
- Event(s) Attended
  - No events attended for March

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## Activities – April

- No on-site consultations conducted
- Event(s) Attended
  - Alliance for Education, Los Angeles (Webinar)

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## Dry Cleaner Grants Issued (as of 2/2020)

■ Professional Wet Cleaning	154
■ CO <sub>2</sub> Machines	4
■ Hydrocarbon (funds expended)	488

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## Dry Cleaner Grants Issued (as of 3/2020)

■ Professional Wet Cleaning	156
■ CO <sub>2</sub> Machines	4
■ Hydrocarbon (funds expended)	488

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## Dry Cleaner Grants Issued (as of 4/2020)

- Professional Wet Cleaning 156
  
- CO<sub>2</sub> Machines 4
  
- Hydrocarbon (funds expended) 488

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## Small Business Activity February 2019 – February 2020

ACTIVITY	Permit Assistance	On-Site Consultations	Variance Assistance	Fee Review Requests	Air Quality Permit Checklists
Feb-2019	168	2	2	3	72
Mar-2019	163	2	0	5	53
Apr-2019	228	4	1	6	77
May-2019	258	6	1	3	80
Jun-2019	210	8	0	2	60
Jul-2019	236	11	0	2	57
Aug-2019	254	10	0	6	55
Sep-2019	177	0	1	2	49
Oct-2019	243	7	0	4	72
Nov-2019	159	3	0	3	61
Dec-2019	162	2	0	2	81
Jan-2020	216	3	0	2	68
Feb-2020	194	6	0	3	63
<b>TOTAL</b>	<b>2668</b>	<b>64</b>	<b>5</b>	<b>43</b>	<b>848</b>

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## Small Business Activity March 2019 – March 2020

ACTIVITY	Permit Assistance	On-Site Consultations	Variance Assistance	Fee Review Requests	Air Quality Permit Checklists
Mar-2019	163	2	0	5	53
Apr-2019	228	4	1	6	77
May-2019	258	6	1	3	80
Jun-2019	210	8	0	2	60
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Aug-2019	254	10	0	6	55
Sep-2019	177	0	1	2	49
Oct-2019	243	7	0	4	72
Nov-2019	159	3	0	3	61
Dec-2019	162	2	0	2	81
Jan-2020	216	3	0	2	68
Feb-2020	194	6	0	3	63
Mar-2020	258	7	0	3	47
<b>TOTAL</b>	<b>2758</b>	<b>69</b>	<b>3</b>	<b>43</b>	<b>823</b>

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## Small Business Activity April 2019 – April 2020

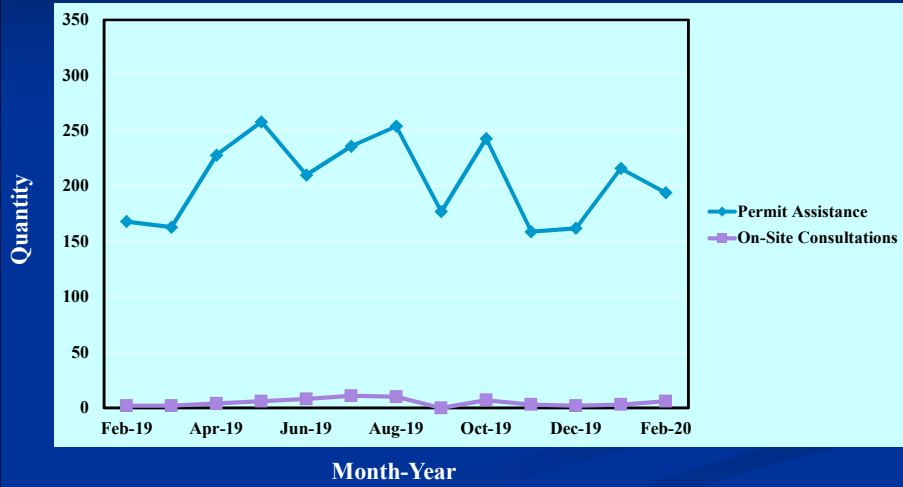
ACTIVITY	Permit Assistance	On-Site Consultations	Variance Assistance	Fee Review Requests	Air Quality Permit Checklists
Apr-2019	228	4	1	6	77
May-2019	258	6	1	3	80
Jun-2019	210	8	0	2	60
Jul-2019	236	11	0	2	57
Aug-2019	254	10	0	6	55
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Jan-2020	216	3	0	2	68
Feb-2020	194	6	0	3	63
Mar-2020	258	7	0	3	47
Apr-2020	223	0	0	3	49
<b>TOTAL</b>	<b>2818</b>	<b>67</b>	<b>3</b>	<b>41</b>	<b>819</b>

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## Small Business Activity February 2019 – February 2020

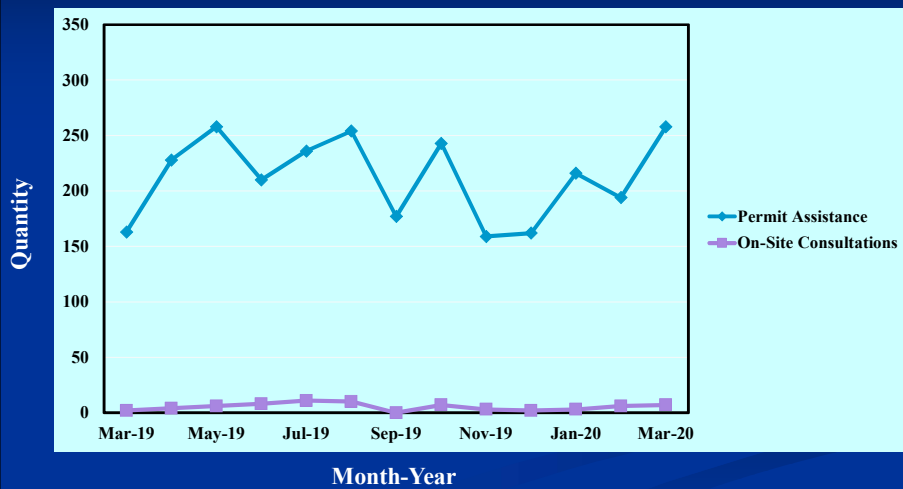


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## Small Business Activity March 2019 – March 2020

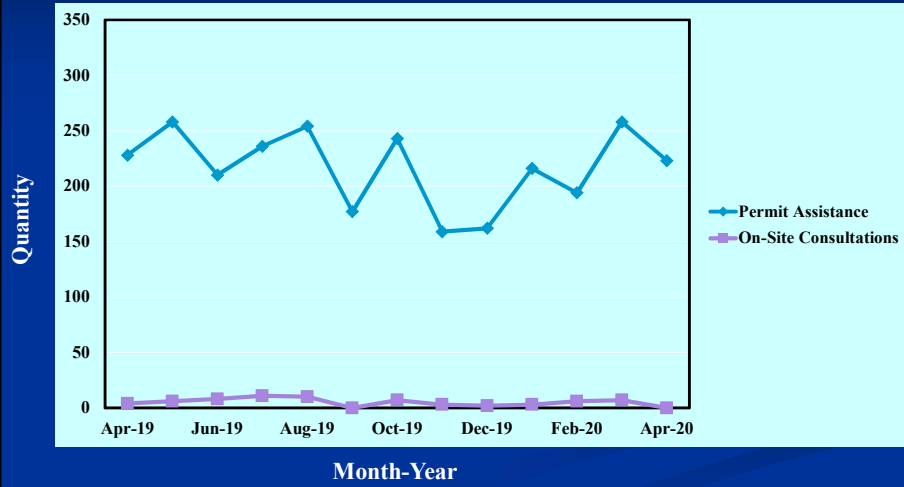


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# Small Business Activity April 2019 – April 2020



5/8/2020

February, March & April 2020 Reports