



San Joaquin Valley

AIR POLLUTION CONTROL DISTRICT

January 22, 2009

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 08-ALT-1
1519 Ninth Street
Sacramento, CA 95814-5512

DOCKET	
08-ALT-1	
DATE	JAN 22 2009
RECD	JAN 26 2009

**Re: Implementation of California Energy Commission Portion of AB118
Program funds, Docket Number 08-ALT-1**

The San Joaquin Valley Unified Air Pollution Control District (District) is a public health agency whose mission is to improve the health and quality of life for all Valley residents through efficient, effective and entrepreneurial air quality strategies. The District is made up of eight counties in California's Central Valley: San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the Valley portion of Kern.

The same characteristics that make the Valley the world's most fertile agricultural region and a beautiful place to live, unfortunately, also create optimal conditions for creating and trapping air pollution. Surrounding mountains, stagnant weather patterns, hot summers, and foggy winters make the formation of air pollution in the Valley inevitable and prevent air pollutants from dispersing. The Valley air basin has a natural propensity to form and retain Ozone. The Valley does not currently meet Federal health-based ambient air quality standards for Ozone and PM2.5 and has and has been re-classified as Extreme non-attainment for the 1-hour Ozone standard. The District is also in the process of being designated as Extreme non-attainment for the 8-hour Ozone standard.

The District has over 15 years of experience implementing highly successful voluntary incentive programs. To date, the District has awarded over \$212 million, achieving 62,800 tons of emission reductions. The District's Emission Reduction Incentive Program (ERIP) has gained a reputation of excellence and has become a model for grant programs throughout the State. The District recently participated in several successful State audits of the incentive programs, including the Bureau of State Audits, ARB Carl Moyer Program, and State Department of Finance. In these audits the District was lauded for its efficient, robust and effective use of incentive grant funds in reducing air pollution. ARB commended the District on its incentive programs and several District practices have been instituted by ARB as "best practices" for all air districts in the 2008 Carl Moyer Program guideline revisions, including invoice scrutiny and pre- and post-inspection processes.

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The District reaffirmed its commitment to green house gas reductions at the August 2008 meeting of the District's Governing Board when it approved the Climate Change Action Plan. There are significant combined benefits of many project categories to both air quality and green house gas reductions. The District's interest in air quality in combination with its commitment to green house gas reduction and incentive program history make it a valuable potential partner for the implementation of the Alternative and Renewable Fuel and Vehicle Technology Program. The District would like to make available its expertise in identifying and implementing incentive projects to assist in the implementation of the program.

District programs in the past have included project types that are targeted by the Alternative and Renewable Fuel and Vehicle Technology Program. Historically, these District programs have been oversubscribed, and there are projects currently identified by the District that could be implemented with AB118 program funds. In addition to these projects the District looks forward to the opportunity to establish new programs for "win-win" project types that provide multiple benefits in reducing green house gases and criteria pollutants, and furthering State alternative and renewable energy goals. The District would like to partner with the CEC by administering local projects utilizing AB118 program funds in the following categories.

1. On-road Heavy-Duty Diesel repowers and retrofits with new cleaner and more efficient technologies

The District has a history of successfully administering Heavy Duty Diesel repower and retrofit projects. During that history the program has been extremely cost-effective and severely oversubscribed. Cost-effective emission reductions are available to be funded rapidly and efficiently. These projects, including SmartWay certified upgrades, provide dual benefits to both efficiency and emissions.

2. Alternate and Renewable Fueling infrastructure, fueling stations, and equipment

The District has funded alternative fuel infrastructure programs in the past and has experience in administering these programs. In recent years there has not been funding available to continue the District's infrastructure program and it has been idle. Funding for alternate and renewable fueling infrastructure would allow the District to renew the program, and begin funding infrastructure projects.

3. Vehicle replacement with clean alternative and renewable fuel technology

The District has funded programs for heavy, medium, and light-duty vehicles to encourage widespread deployment of clean alternative and renewable fuel technologies. Expansion of these programs will be beneficial to bringing the public into the alternative and renewable fuel cycle.

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4. Regional distributed alternative and renewable fuel/power production

Projects to produce clean alternative, renewable fuels and power also have the potential to achieve significant emission reductions. Converting diesel-fueled heavy duty truck fleets to natural gas through projects such as dairy digester CNG/LNG fuel production projects or small-scale LNG liquefaction systems can not only reduce the emissions associated with existing diesel fleets, but can also create a local source of alternative, renewable fuel that does not have to be transported into the region. Generating clean power through dairy digester systems utilizing "near-zero" emissions power generation technologies such as fuel cells can provide an alternative, renewable source of energy as well as significant emissions reductions from dairies. The District would like to fund a variety of such win-win projects that not only further alternative, renewable energy goals, but also achieve much needed emissions reductions.

5. Biomass incentives

The District has aggressively pursued reducing agricultural burning, and the biomass generated can be used to fuel power generation. High costs of accepting agricultural biomass have limited its use for power generation. The District would like to provide incentives to bring agricultural biomass into competitiveness with other renewable energy generation alternatives.

6. Agricultural pumping efficiency improvement

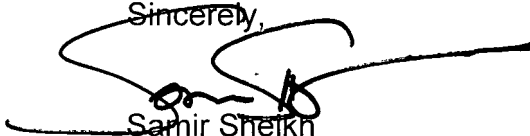
There is room for improvement in agricultural pumping efficiency. Inefficient pumping systems require increased hours of operation. The District has a strong history of working with agricultural pumping projects to improve engine emissions, further progress can be made with pumping efficiency. The District would like to expand on existing agricultural pumping efficiency programs.

7. Aboveground tank liquid fuel storage efficiency

Improved vapor systems installed on aboveground tanks will have an efficiency effect as fuel lost due to ineffective vapor systems is wasted. The District would like to implement a program to improve the storage efficiency of aboveground tanks.

The District is also open to other ways to partner with the CEC to effectively utilize available AB 118 and other funds, and we look forward to working together to tackle the monumental air quality challenges ahead of us. Please feel free to contact me at (559) 230-5815 to further discuss opportunities to work together.

Sincerely,



Samir Sheikh

Director of Emission Reduction Incentive Programs