

BOARD MEETING DATE: November 2, 2018

AGENDA NO. 5

PROPOSAL: Approve Awards for Heavy-Duty Diesel Drayage Truck Replacement Projects

SYNOPSIS: On November 3, 2017, the Board recognized \$1,050,000 from U.S. EPA's 2017 Diesel Emissions Reduction Act (DERA) and issued a Program Announcement to solicit applications for the replacement of heavy-duty diesel drayage trucks with natural gas trucks as well as the transfer of the replaced diesel trucks to Washington State to replace older dirtier diesel trucks, which would then be scrapped. This action is to approve awards to replace 2012 or newer heavy-duty diesel drayage trucks with near-zero NOx emissions natural gas trucks in an amount not to exceed \$1,000,000 from U.S. EPA's 2017 DERA Grant in the Advanced Technology, Outreach and Education Fund (17).

COMMITTEE: Technology, October 19, 2018; Recommended for Approval

RECOMMENDED ACTION:

Authorize the Executive Officer to execute contracts with one or more of the following entities to replace up to ten 2012 or newer on-road heavy-duty diesel drayage trucks with near-zero heavy-duty natural gas drayage trucks in an amount not to exceed \$100,000 for each truck replaced for a total of up to \$1,000,000 from U.S. EPA's 2017 DERA Grant in the Advanced Technology, Outreach and Education Program Fund (17): (a) National Freight Industries LLC; (b) MDB Transportation Inc.; and (c) Westcoast Warehousing & Trucking Inc.

Wayne Natri
Executive Officer

MMM:FM:NB:AAO

Background

SCAQMD needs mass introduction of near-zero and zero emissions truck technologies in the South Coast Air Basin (Basin) to achieve significant progress towards the Basin's air quality goals. The Puget Sound Clean Air Agency (PSCAA) also needs to continue to aggressively reduce diesel particulate emissions from heavy-duty diesel trucks (HDDTs) operating in its region. Consequently, both agencies as well as CARB, U.S.

EPA, the Clean Cities Coalition and other stakeholders established a diesel emissions reduction strategy to accelerate truck turnover by providing incentives and encouraging the Basin and Washington fleets to replace their older and dirtier HDDTs with newer and cleaner trucks across each other's geographical locations.

On November 3, 2017, the Board recognized \$1,050,000 from U.S. EPA's 2017 Diesel Emissions Reduction Act (DERA) into the Advanced Technology, Outreach and Education Fund (17) and issued a Program Announcement (PA) to solicit applications for the replacement of 2012 or newer HDDTs in the Basin with new near-zero NOx emission natural gas heavy-duty trucks as well as to transfer the replaced 2012 or newer HDDTs to Washington State to displace Model Year 1995-2006 HDDTs, which would then be scrapped.

Outreach

In accordance with SCAQMD's Procurement Policy and Procedure, a public notice advertising the PA and inviting bids was published in the Los Angeles Times, the Orange County Register, the San Bernardino Sun, and the Riverside County's Press Enterprises newspapers to leverage the most cost-effective method of outreach to the entire South Coast Basin.

Additionally, potential bidders may have been notified utilizing SCAQMD's own electronic listing of certified minority vendors. Notice of the PA was emailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, and placed on the Internet at SCAQMD's website (<http://www.aqmd.gov>).

Proposal

This project is a two-step HDDT replacement project involving two public agencies--the SCAQMD and PSCAA--and fleets in both agencies' respective geographic boundaries. The first step involves replacement of 2012 or newer HDDTs operating in the Basin with 2017 or newer near-zero NOx emission natural gas trucks. In the final step, the replaced 2012 or newer HDDTs will be transferred and sold to fleets in Washington State to replace 1995-2006 HDDTs, which would then be scrapped. As part of the condition of sale and as an incentive for Washington fleets to participate, the purchase price of each replaced 2012 or newer HDDT will not exceed \$30,000 per truck.

Three applications with a total of twenty 2012 or newer HDDTs were received from three Basin fleets in response to the PA. Staff reviewed the applications and sent a list of thirteen 2012 or newer HDDTs to PSCAA to locate potential buyers in Washington State. The remaining seven trucks were excluded from the list because of high maintenance and operating costs and market values less than \$30,000.

This action is to execute contracts with one or more of the following fleet contractors-- National Freight Industries LLC, MDB Transportation Inc. and Westcoast Warehousing & Trucking Inc.¹--for the replacement of up to ten 2012 or newer HDDTs with near-zero NOx emissions natural gas trucks in an amount not to exceed \$100,000 per replaced truck. A maximum of \$1,000,000 from U.S. EPA's 2017 DERA Grant in the Advanced Technology, Outreach and Education Program Fund (17) will be awarded for truck replacements.

SCAQMD will reimburse Basin fleets a total of \$100,000 per each near-zero NOx emissions natural gas truck as each new near-zero emissions natural gas truck is purchased and placed into service, as well as confirmation by PSCAA that the replaced 2012 or newer HDDT has been received by a Washington fleet and each replaced 1995–2006 HDDT with its engine has been destroyed or rendered useless. Additionally, Washington fleets will pay Basin fleets up to \$30,000 for the sale of the 2012 or newer HDDT. The Basin and Washington fleets will execute an agreement with each other delineating, at a minimum, terms of bill of sale and purchase price, transfer of ownership, truck conditions, maintenance records and insurance as well as a signed statement that the replaced 2012 HDDTs will never re-enter the SCAQMD's jurisdiction.

Benefits to SCAQMD

Successful implementation of the HDDT replacement project will provide reductions of NOx, PM and GHG emissions. The HDDTs funded under this program are expected to operate for many years providing long-term emissions reduction benefits. In addition, the replaced 2012 HDDTs will never re-enter the SCAQMD's jurisdiction.

The proposed project is included in the *Technology Advancement Office Clean Fuels Program 2018 Plan Update* under the category "Fueling Infrastructure and Deployment (NG/RNG)".

Resource Impacts

Total funding for the recommended truck replacement awards will not exceed \$1,000,000 from U.S. EPA's 2017 DERA Grant in the Advanced Technology, Outreach and Education Program Fund (17). Of the remaining \$50,000 from the DERA Grant, the Board previously awarded \$25,000 to PSCAA to implement the replacement projects in Washington State and approved reimbursement of the General Fund up to \$25,000 for administrative costs.

¹ National Freight Industry, which has bought Cal Cartage (which is alleged to have used lease-to-own contracts), has confirmed that all their trucks are company-owned and they do not do lease-to-own contracts. It is our understanding that the other two companies do not have recent truck-driver related adjudications against them, and do not do lease-to-own contracts.