

BOARD MEETING DATE: March 6, 2020

AGENDA NO. 6

PROPOSAL: Recognize Revenue, Amend Contract for Heavy-Duty Truck Replacements and Reimburse General Fund for Administrative Costs

SYNOPSIS: In November 2019, South Coast AQMD received approval of a revised project scope for a FY 18 U.S. EPA Diesel Emissions Reductions Act (DERA) grant previously awarded. The approved project scope will allow for replacement of older on-road heavy-duty diesel trucks with new near-zero emissions natural gas-powered trucks in non-drillage applications. Since Proposition 1B eligible projects qualify for these DERA funds, staff proposes to award the funds to a previously approved Proposition 1B project. These actions are to recognize \$1,601,523 in revenue from U.S. EPA DERA into the Advanced Technology Outreach and Education Fund (17), amend a contract for heavy-duty truck replacements adding DERA funds to reduce Proposition 1B-Goods Movement funding, and reimburse the General Fund for administrative costs up to \$99,444 to implement the project.

COMMITTEE: Technology, February 21, 2020; Less than a quorum was present; a concurrence of the staff recommendation will be forwarded to Board

RECOMMENDED ACTIONS:

1. Recognize revenue, upon receipt, up to \$1,601,523 from a U.S. EPA FY 18 DERA grant into the Advanced Technology, Outreach and Education Fund (17) to replace on-road heavy-duty diesel trucks with near-zero emissions natural gas heavy-duty trucks;
2. Amend a contract with Ecology Auto Parts, Inc., adding up to \$1,502,079 from the Advanced Technology, Outreach and Education Fund (17) to utilize DERA funds, thereby reducing the Proposition 1B funding for the Ecology vehicle replacement project; and

3. Reimburse the General Fund up to \$99,444 from the Advanced Technology, Outreach and Education Fund (17) to implement the DERA award.

Wayne Nastri
Executive Officer

MMM:NB:JI:PMB

Background

In September 2018, the South Coast AQMD was awarded \$1,601,523 in FY 2018 U.S. EPA Diesel Emissions Reduction Act (DERA) funds for a heavy-duty diesel truck replacement project, replacing older diesel drayage trucks with new natural gas trucks. Subsequently, in November 2019, the South Coast AQMD and U.S. EPA agreed to a project scope change allowing replacement of non-drayage trucks instead, without a change in the award amount. The new project scope will replace older (Model Years 2000-2003) non-drayage on-road heavy-duty diesel tractor-trailer trucks (HDDTs) with new near-zero-emissions (NZE) natural gas-powered tractor-trailer trucks in non-drayage applications. Since Proposition 1B eligible projects qualify for these DERA funds, staff proposes to award the funds to a previously approved competitively awarded Proposition 1B project. In 2018, following Board approval, a Proposition 1B contract with Ecology Auto Parts, Inc., (Ecology) was executed for the replacement of 47 older HDDTs with 47 new NZE natural gas-powered heavy-duty trucks for a total award of \$4,700,000 or \$100,000 per vehicle replacement. In October 2019, the Board also issued another Proposition 1B-Goods Movement Program Announcement to solicit additional projects to utilize turnback funds until all funds are exhausted.

Proposal

The actions are to recognize up to \$1,601,523 in FY 18 U.S. EPA DERA funds into the Advanced Technology, Outreach and Education Fund (17) and amend a contract with Ecology to add \$1,502,079 in DERA project funds and reduce \$1,502,079 in Proposition 1B funds, thereby maintaining the original \$100,000 per vehicle award under Proposition 1B. The proposed cost-share methodology is as follows: DERA Grant to fund up to 35 percent of the cost of the new NZE truck; Proposition 1B to fund the remaining balance of the \$100,000 award; and Ecology to fund the remaining cost of the vehicle. This cost-share methodology will be applied to as many of the 47 Proposition 1B qualifying vehicles that also meet DERA funding requirements.

The DERA Grant will supplement the Proposition 1B program and will enable the Proposition 1B funds to be reallocated to other eligible applications that have been received under the October 2019 Program Announcement, thereby reducing additional mobile source emissions and possibly leveraging other funds.

This action is to also reimburse the General Fund up to \$99,444 from the Advanced Technology, Outreach and Education Fund (17) to implement the DERA project.

Benefits to South Coast AQMD

Successful implementation of these vehicle replacements will permanently remove higher emitting on-road heavy-duty diesel trucks and deploy new ultra-low NOx emissions natural gas trucks certified to CARB's optional NOx standard of 0.02g-NOx/bhp-hr, which is 90% lower than the current standard. The accelerated replacement of diesel trucks with near-zero emissions natural gas trucks will help realize immediate emission reductions in the Basin.

Resource Impacts

The FY 18 DERA funds totaling \$1,601,523 will be recognized into the Advanced Technology, Outreach and Education Fund (17). Of the \$1,601,523 award, \$1,502,079 is for project costs and \$99,444 is for administrative costs. The DERA funding in the contract with Ecology will not exceed \$1,502,079.

With U.S. EPA's concurrence, the \$1,601,523 in FY 18 DERA funds will be used to supplement the Proposition 1B funds for this project, enabling the Proposition 1B funds to be reallocated to other projects, further reducing mobile source emissions and possibly leveraging other funds. The total project cost depends on the number of trucks replaced and the price per each truck. Funding for the project comes from the FY 18 DERA Grant, Proposition 1B and Ecology.