

BOARD MEETING DATE: April 3, 2020

AGENDA NO. 4

PROPOSAL: Recognize Revenue, Implement Truck Trade Down Program and Amend Award

SYNOPSIS: In July 2019, the Board recognized \$1,500,000 in FY 19 U.S. EPA Diesel Emissions Reduction Act (DERA) funds and awarded those funds to a Market Acceleration Program (MAP) for near-zero emissions heavy-duty natural gas trucks. Subsequently, U.S. EPA advised that an additional \$789,581 in funds was awarded to the South Coast AQMD. In December 2019, the Board approved a contract with Metropolitan Stevedore Company dba Metro Ports to replace one diesel switcher locomotive using Community Air Protection Program funds, noting FY 18 DERA funds were anticipated to cost-share this project. These actions are to recognize \$789,581 in FY 19 DERA funds into the Clean Fuels Program Fund (31) and \$719,500 in FY 18 DERA funds into the Advanced Technology, Outreach and Education Fund (17), implement a Truck Trade Down Program, and amend an award for replacement of one diesel switcher locomotive.

COMMITTEE: No Committee Review

RECOMMENDED ACTIONS:

1. Recognize revenue up to \$789,581 for a FY 19 U.S. EPA DERA Grant into the Clean Fuels Program Fund (31);
2. Recognize revenue up to \$719,500 for a FY 18 U.S. EPA DERA Grant into the Advanced Technology, Outreach and Education Fund (17);
3. Implement a Truck Trade Down Program, with the South Coast AQMD as administrator, using \$2,289,581 in FY 19 U.S. EPA DERA Grant funds;
4. Authorize the Executive Officer to execute agreements and/or approve vouchers with truck dealers to participate in the Truck Trade Down Program (Qualified participants trade in their 2014 or newer diesel truck with an incentive for a new NZE natural gas-powered truck. The dealer will then sell the 2014 to an owner of a 2009 or older truck at a maximum of \$30,000) for implementation of the DERA Grant until all funds are exhausted; and

5. Authorize the Chairman to amend an award with Metropolitan Stevedore Company dba Metro Ports to cofund a switcher locomotive project using \$1,243,280 in Community Air Protection Program incentive funds and \$719,500 in FY 18 DERA funds for a total award not to exceed \$1,962,780.

Wayne Nasti
Executive Officer

MMM:NB:JI:PMB:JL

Background

Truck Trade Down Program

In January 2018, the Board released an RFP soliciting stationary and mobile source projects to achieve emission reductions of NOx, VOC and PM, in accordance with approved control strategies in the 2016 AQMP. In January 2019, the Board awarded several contracts for air quality emissions reduction projects from various special revenue funds, one of which was awarded to Clean Energy for \$3,000,000 to conduct a Market Acceleration Program (MAP) to replace older on-road heavy-duty diesel trucks with new near-zero emission (NZE) natural gas powered heavy-duty trucks. In July 2019, the Board recognized \$1,500,000 in FY 19 U.S. EPA Diesel Emissions Reduction Act (DERA) funds and awarded those funds to Clean Energy, to act as the administrator, to expand MAP to include a truck trade down element. Subsequently, U.S. EPA advised that an additional \$789,581 in funds was awarded to the South Coast AQMD for a total award of \$2,289,581.

Locomotive Replacement Project

In December 2019, the Board approved a contract with Metropolitan Stevedore Company dba Metro Ports to replace one diesel switcher locomotive using Community Air Protection Program (CAPP) funds in the amount of \$1,243,280, but noting that approximately \$720,000 in FY 18 DERA funds were also anticipated to cost-share this project. Subsequently, CARB approved this project and acknowledged that additional revenue from FY 18 U.S. EPA DERA in the amount of \$719,500 would be available for the Metro Ports project. While the funding table (5A) in the December Board letter noted the Metro Ports project would be funded with both CAPP incentives and DERA revenue, the DERA revenue needs to be recognized and included as part of the funding award for this locomotive project.

Proposal

Truck Trade Down Program

These actions are to recognize an additional \$789,581 in FY 19 U.S. EPA DERA funds into the Clean Fuels Program Fund (31) and implement a Truck Trade Down Program using the full \$2,289,581 in FY 19 DERA Grant funds, with the South Coast AQMD acting as the administrator, instead of trying to enhance MAP; the U.S. EPA has

approved this recommendation. This action is to also authorize the Executive Officer to execute agreements and/or approve vouchers with truck dealers to participate in the Truck Trade Down Program for implementation of the DERA-funded incentive. This approach will ensure a more equitable distribution to all fleets including smaller operators operating in environmental justice communities. Under the new Truck Trade Down Program, qualified participants can trade in their 2014 or newer heavy-duty diesel truck to an approved dealer and receive a \$100,000 incentive from South Coast AQMD towards the purchase of a new NZE natural gas powered heavy-duty truck plus receive a \$25,000 trade-in credit for their older diesel truck. The dealer will sell the 2014 or newer diesel truck for a maximum of \$30,000 to an owner of a 2009 or older heavy-duty diesel truck. The 2009 or older diesel truck will be scrapped at a South Coast AQMD qualified truck dismantler. The dealers will retain up to \$5,000 per truck for administration and participation in the Truck Trade Down Program. The objective of the Truck Trade Down Program is to accelerate the turnover of the older heavy-duty diesel trucks while also increasing the deployment of NZE natural gas-powered heavy-duty trucks and maximizing emission reductions.

Locomotive Replacement Project

These actions are to recognize \$719,500 in FY 18 U.S. EPA DERA funds into the Advanced Technology, Outreach and Education Fund (17) and amend the award to Metro Ports to cofund the project using \$1,243,280 in CAPP incentives and \$719,500 in DERA funds for a total award of \$1,962,780. The DERA Grant originally set aside a portion of the award for administrative costs, but the U.S. EPA has approved allocating all funds toward project costs. The new switcher locomotive will be the cleanest available Tier 4 locomotive technology. The older Tier 2 diesel switcher will be traded down to Trona Railway, which is located within the Mojave Valley APCD. Trona Railway will scrap one dirtier, currently unregulated locomotive.

Benefits to South Coast AQMD

Successful implementation of these projects will permanently remove higher-emitting heavy-duty on-road diesel trucks and replace these heavy-duty diesel trucks with comparably powered trucks with ultra-low NOx emissions that are certified by CARB to an exhaust emissions standard that is 90% lower than the current standard and achieve the co-benefits of renewable, low carbon intensity natural gas. The locomotive and truck replacement projects will continue to provide reductions of NOx, PM and GHG emissions for several years throughout the South Coast Air Basin (Basin), especially in disadvantaged communities. The accelerated replacement of diesel trucks with NZE natural gas trucks will help realize immediate emission reductions in drayage and goods movement sectors and within fleets operating in the Basin. Projects to replace heavy-duty diesel trucks are included in the *Technology Advancement Office Clean Fuels Program 2020 Plan Update* under the category of “Fueling Infrastructure and Deployment (Natural Gas/Renewable Fuels).”

Resource Impacts

Truck Trade Down Program

The additional \$789,581 in FY 19 U.S. EPA DERA Grant funds will be recognized into the Clean Fuels Program Fund (31). Funding for NZE natural gas trucks will be provided through trucks dealers until all funds are exhausted. Project funding is listed in the table below.

Funding Source	Funding Amount
FY 19 DERA (<i>redirected</i>)	\$1,500,000
Additional DERA Award	\$789,581
Total	\$2,289,581

Sufficient funds are available in the Clean Fuels Program Fund (31) for this proposed project. The Clean Fuels Program Fund (31) is established as a special revenue fund resulting from the state mandated Cleans Fuels Program. The Clean Fuels Program, under Health and Safety Code Sections 40448.5 and 40512 and Vehicle Code Section 9250.11, establishes mechanisms to collect revenues from mobile sources to support projects to increase the utilization of clean fuels, including the development of the necessary advanced enabling technologies. Funds collected from motor vehicles are restricted, by statute, to be used for projects and program activities related to mobile sources that support the objectives of the Clean Fuels Program.

Locomotive Replacement Project

The FY 18 U.S. EPA DERA Grant funds totaling \$719,500 will be recognized into the Advanced Technology, Outreach and Education Fund (17). Funding to Metropolitan Stevedore Company dba as Metro Ports will not exceed \$1,962,780, with full project cost-share as follows:

Funding Source	Funding Amount
FY 18 DERA Grant	\$719,500
CAPP Incentives	\$1,243,280
Metro Ports	\$915,220
Total	\$2,878,000