

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT

MEMORANDUM

06/07/2021

TO: FRAQMD BOARD OF DIRECTORS

FROM: Christopher D. Brown, AICP, APCO

SUBJECT: Informational Item on the Stationary Diesel Engine Project Plan for Community Air Protection Incentive Funds.

RECOMMENDATION:

None. Informational item only.

BACKGROUND:

The State of California adopted Assembly Bill (AB) 617 (Chapter 136, Statutes of 2017) with the intent to identify and reduce exposure in communities most impacted by air pollution. To support the AB 617 effort, the California Legislature appropriated incentive funding to support early actions to address localized air pollution in the most impacted communities. The state budget appropriated California Air Resources Board (ARB) California Climate Investments funding for Community Air Protection (CAP) incentives to be administered by air districts in partnership with local communities.

The Legislature directed that air districts spend the funds appropriated in AB 134 on mobile source projects pursuant to the Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program) and the Proposition 1B Goods Movement Emission Reduction Program (Proposition 1B Program). The Carl Moyer Program Guidelines include funding categories for mobile equipment including school buses, tractors, and trucks, and infrastructure to support zero-emission mobile equipment.

The Legislature expanded the scope of the CAP incentives appropriated in 2018 to include additional project types. The eligible project types now include:

- Mobile source projects. Eligibility continues through either the Moyer Program or the Proposition 1B Program, with a focus on zero-emission equipment.
- Zero-emission charging infrastructure projects. Eligibility continues with a focus on medium- and heavy-duty vehicle infrastructure.
- Stationary source projects. New eligibility for the replacement of equipment at locations of stationary sources of air pollution not subject to the Cap-and-Trade Program, which will result in direct reductions of TACs or criteria air pollutants.
- Community-identified projects. New eligibility for programs developed by an air district consistent with the actions identified in the applicable Community Emissions Reduction Program pursuant to AB 617, provided there is community input through a public process.

As part of the ARB Board approval of the CAP Incentive Guidelines on May 23, 2019, the Board delegated authority to the Executive Officer to modify the CAP Guidelines to expand project types that are of priority to the communities.

The Community Air Protection Incentive Program Guidelines were amended in 2020 to include stationary sources of air pollution¹. Prior to implementation, an air district must submit to CARB a Project Plan for approval.

DISCUSSION:

The District has prepared a project plan to replace uncertified and Tier 1 diesel engines used for emergency backup power by public agencies. These engines have an existing District Permit to Operate and may operate up to 20 hours per year for non-emergency purposes (maintenance and testing). There is no current regulation requiring changeout of these engines.

The replacement of an uncertified or Tier 1 diesel engine with a Tier 4 diesel engine can result in up to a 90% reduction in diesel particulate matter, a toxic air contaminant.

The Project Plan is available for public review and comment on the District's website. The public may submit comments on the Plan, which will be considered prior to incorporating the Plan into the Community Air Protection Incentives Program Policy and Procedures.

Comments received prior to June 30, 2021, will be considered prior to the next CAP Incentive Funds solicitation, anticipated later this summer.

¹ Community Air Protection Incentives 2019 Guidelines, California Air Resources Board, Revised October 14, 2020. https://ww2.arb.ca.gov/sites/default/files/2020-10/cap_incentives_2019_guidelines_final_rev_10_14_2020_0.pdf

Engines located within the District's Disadvantaged and Low-Income Communities will be prioritized for funding. The Disadvantaged Communities in the District are located in the City of Marysville, Yuba City, and in the communities of Olivehurst and Linda.

The City of Marysville submitted an application to the CAP Incentive Funds for stationary engine replacements during the 2020 CAP Incentive Funds Request for Proposals. The approval of the Project Plan by ARB and subsequent inclusion in the District's Policy and Procedures would allow the District to process the application and funding for those engines, and other applications for eligible engines submitted in the next CAP Incentive Funds solicitation.

FISCAL IMPACT:

The development of the Stationary Diesel Engine Project Plan and administration of the grant program is funded by the CARB grant named the Community Air Protection Incentive Program. The grant funding is expected to cover the cost to implement the Program and no additional fiscal impact is expected.

ATTACHMENT:

A – Project Plan for Stationary Engine Replacement

ATTACHMENT A

Project Plan for Stationary Engine Replacement

Feather River Air Quality Management District AB 617 Community Air Protection Program Incentives

Stationary Diesel Engines Emission Reductions Project Plan

1. Project Identification

This document serves as the “Project Plan” for Stationary Diesel Engines Emission Reductions. It was drafted according to the guidelines laid out in the Community Air Protection Incentives 2019 Guidelines¹. It describes the nature of the strategy, its support by the community, requirements for entities desiring to participate and receive project funding, how these projects will benefit the community through improved air quality, as well as other key aspects like project selection criteria and inspection requirements.

This Project Plan is applicable to stationary source projects and will fund the replacement of older diesel internal combustion engines with cleaner diesel engines, or zero-emission technology. The eligible source classification code for eligible engines is 20200401.

This Project Plan will replace older emergency, backup engines with newer engines or zero-emission technology. The Airborne Toxic Control Measure (ATCM) for Stationary Compression Ignition Engines² (Title 17, CCR section 93115 through 93115.15) was adopted to reduce diesel particulate matter (PM) and criteria pollutant emissions from stationary diesel-fueled compression ignition engines. The ATCM applies to emergency and prime engines with a rated brake horsepower greater than 50. Existing emergency diesel engines with a PM standard of 0.40 grams per brake horsepower-hour or greater (uncertified, Tier 0 and Tier 1) may operate a maximum of 20 hours per year under the ATCM for non-emergency use (maintenance and testing). These engines would be replaced by Tier 4 diesel or zero-emission technology.

2. Community Support

The Project Plan will be implemented in the Feather River AQMD with the jurisdictional boundaries of Yuba and Sutter counties. The Community Air Protection Incentive Funds will be primarily spent on projects within and benefitting

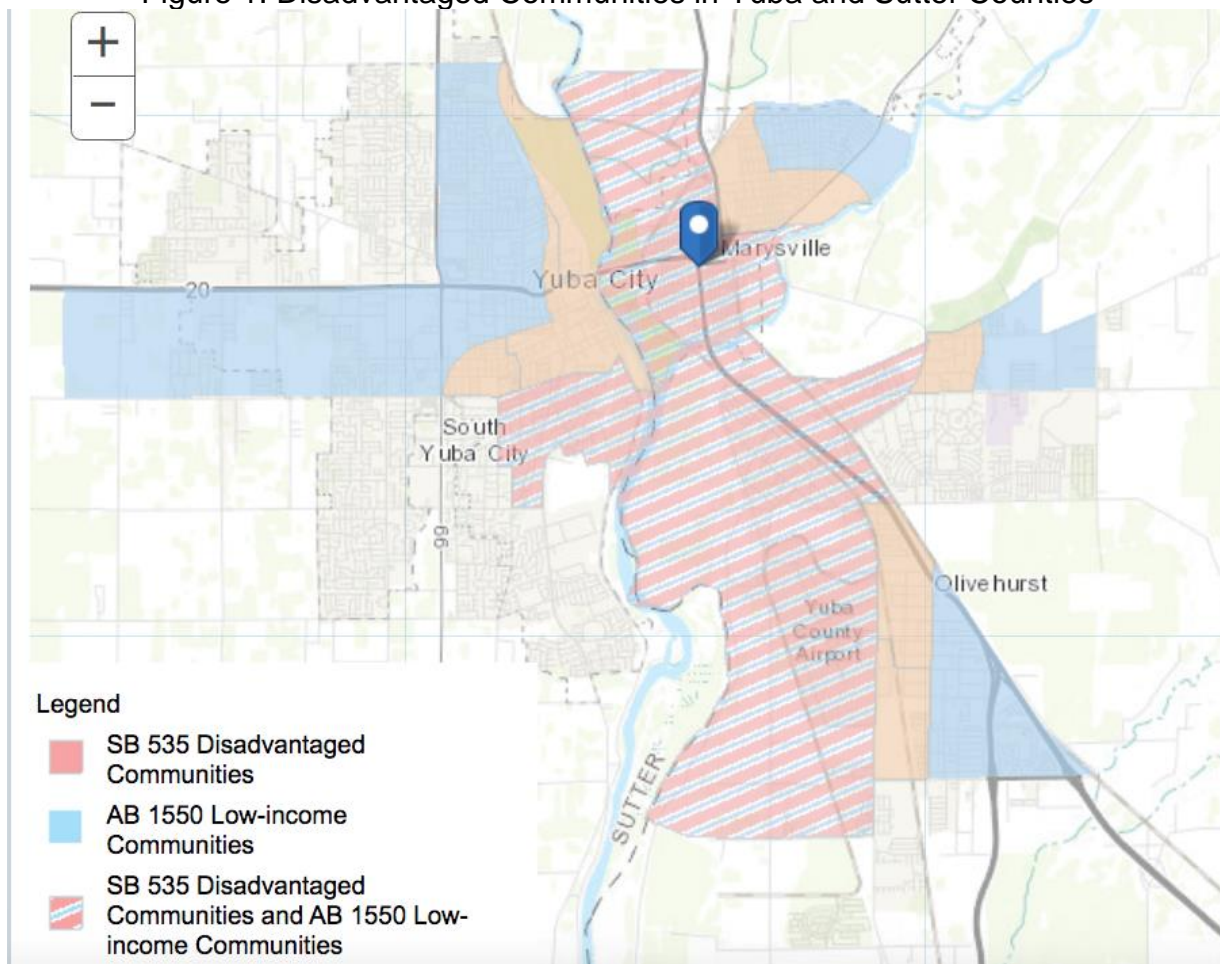
¹ CARB. 2020. Community Air Protection Incentives 2019 Guidelines. October 14. Available at: https://ww2.arb.ca.gov/sites/default/files/2020-10/cap_incentives_2019_guidelines_final_rev_10_14_2020_0.pdf. Accessed: April 2021.

² <https://ww2.arb.ca.gov/sites/default/files/classic//diesel/documents/finalreg2011.pdf>

disadvantaged and low-income communities. There are several disadvantaged census tracts in Yuba County and one in Sutter County in CalEnviroScreen3³. They are generally located in the cities of Marysville and Yuba City and in the Olivehurst/Linda community, as seen in figure 1. The District does not contain an AB 617 Community and does not have a Community Emissions Reduction Program or a steering committee. Outreach on the AB 617 program has been conducted through the following:

- Social media
- Mailers
- Newspaper print notices
- Press releases and press events
- Community events
- Webinars
- Surveys

Figure 1: Disadvantaged Communities in Yuba and Sutter Counties



³ <https://oehha.ca.gov/calenviroscreen>

The City of Marysville has expressed strong support for projects that reduce emissions from stationary diesel engines. The District has updated its Board of Directors, who represent the cities and counties in the Disadvantaged Communities, on the AB 617 Program and will present the Stationary Engine project plan to the Board at the June meeting. At the June meeting, District staff will present the project plan and provide an opportunity to the elected representatives of the Disadvantaged Communities and the public to comment on the proposed plan.

The proposed project plan will be made available for public review and comment for at least 30 days on the District's website. During the 30-day public comment period, the project plan will be promoted on social media and sent to interested parties. After the public comment and review period the comments received will be considered and included in the project plan prior to incorporation in the District's CAP Incentives Program Policy and Procedures.

3. Eligibility and Requirements

(A) Stationary Diesel Engine Project Eligibility

Public entities that own and operate stationary diesel engines are eligible to apply. The engines must have a current Permit to Operate from the District and be in compliance with the Stationary Diesel Engine Air Toxic Control Measure.

(B) Existing Engine Requirements

To be eligible for replacement, existing engines must:

- 1) Meet and maintain compliance with all Federal, State, and Local requirements applicable to emergency diesel engine use in the District.
- 2) Have a valid District Permit to Operate.
- 3) Be at least 25 horsepower.
- 4) Be fueled by diesel.
- 5) Be uncertified or Tier 1 with a PM emissions rating of equal to or greater than 0.40 g/bhp-hr.

(C) Replacement Engine Requirements

- 1) The replacement engine must be available for inspection if requested by District staff or CARB staff during the contract period and in accordance with the terms of the Permit to Operate.
- 2) Replacement engines must provide EPA certification or CARB executive order for diesel engines. Zero-emission technology will be considered on an individual basis.

- 3) Replacement engines should be no greater than 125% above the existing engine brake horsepower rating, unless a larger engine would result in greater emission reductions.
- 4) The applicant may not claim emission reduction credits from the project during the entire contract period.
- 5) The replacement engine must be under contract for seven (7) years.

(D) Process and Participant Requirements

- 1) Participants will be required to submit a complete project application, which includes a quote for the new engine, Permit number, and an executive order for new engine (if diesel).
- 2) Applications selected for funding will be processed by District staff and Participant will provide all necessary engine data to be entered into the spreadsheet to calculate emission reductions.
- 3) Pre-inspection of the engine will be conducted by District staff. During the pre-inspection District staff will verify engine information and hour meter reading. A compliance inspection conducted within the past 12 months may be substituted for the pre-inspection if it confirms the engine information and hour meter reading.
- 4) Once the application and pre-inspection have been approved, a contract will be offered to the participant. Once both parties have agreed to sign the contract, the participant will be notified of the contract execution. If the new engine requires a District Permit, the participant will then submit an Authority to Construct to the District. Once the Authority to Construct has been issued, the participant may proceed with the purchase and installation of the new engine. If the zero-emission technology does not require an Authority to Construct, the participant may proceed with the purchase and installation upon notification of contract execution.
- 5) Once a Participant has purchased and installed their new engine or zero-emission technology, they must contact the District to complete the post-inspection. After the successful post-inspection, the Permit to Operate for the new engine will be issued, if applicable.
- 6) The invoice from the purchase and installation of the new engine or zero-emission and a W-9 tax form should be submitted to the District.
- 7) The old engine must be surrendered to an approved salvage yard within 30 days of the post-inspection.

- 8) Once all of these requirements have been met, the District will submit a check request. The check will be mailed to the participant.

4. Funding Amounts

The District will fund the Tier 4 diesel engines at 85% of the eligible costs of the project. The District will fund the zero-emission technology at 95% of the eligible costs of the project.

Eligible costs will be determined by the District before a contract is offered.

Eligible costs include:

- Purchase of Tier 4 diesel engine or zero-emission technology
- Equipment and materials necessary to install new engine
- Installation, if hourly rate is included on invoices
- Delivery charges

Expenses not to be included in grant amount but may count towards eligible costs and participant's cost share of 5-15% include:

- Sales tax
- Permit fees, including District's ATC/PTO and required building permits

Costs not eligible to be funded and not eligible to count towards participant's cost share:

- Purchase, lease, or rental of land
- Planning and design fees
- Consultant fees
- Administrative/staff time of public agency to participate
- CEQA or environmental analysis costs

5. Project Selection

Projects will be selected according to the process established in the District's Community Air Protection Incentive Funds Policy and Procedures Guidelines⁴:

Project Ranking

The District will prioritize eligible projects based on the following criteria (from highest priority to lowest priority):

- a) *Projects in disadvantaged communities addressing a primary community need as determined based on community engagement.*

⁴ Community Air Protection Incentives, Policy and Procedures Manual, Feather River AQMD, March 17, 2020

- b) Projects in low-income communities addressing a primary community need as determined based on community engagement.*
- c) Projects located outside of disadvantaged or low-income communities that may benefit these communities.*
- d) Eligible projects located outside of disadvantaged and low-income communities.*

6. Calculating Emission Reductions

The District will calculate emission reductions for each project funded under this plan. Emission reductions will be calculated using the standard method for stationary emergency engines. The emissions of the existing engine and the emissions of the new engine would be calculated as described in the example calculation in Attachment A.

Zero-emission technology would not typically require an Authority to Construct/Permit to Operate from the District and thus would not require an emissions calculation as part of the normal permit evaluation and issuance process. Zero-emission technology funded under this project plan would use Attachment B to calculate emission reductions.