

DERA Program Rural States Webinar

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Audio options:

1. Listen through headphones/speakers connected to your computer
2. Join conference line at 1-866-299-3188, **code** 202 343 9541#

Please mute your phone line.

Please enter all questions in the Q&A module in Adobe Connect



Purpose of today's webinar

Highlight how the DERA program operates in rural states

- Review DERA funding opportunities
- Review VW Environmental Mitigation Trust
- Provide resources for successful projects
- Take questions



Overview

1. Brief Background
 - Diesel exhaust
 - DERA program
2. Two Currently Open Funding Opportunities
 - School Bus Rebates
 - Tribal DERA RFP
3. National competitive DERA RFP info
4. State Program Review and Tips
5. VW Mitigation Trust
6. Tools and Resources
7. Questions



Why Clean Diesel?

- Diesel engines are the workhorses of the nation; millions of diesel engines already in use continue to emit large amounts of nitrogen oxides, particulate matter and air toxics
- These emissions are linked to premature deaths, asthma attacks, lost work days, and other health impacts



Persistent Health and Environmental Issue: Diesel Exhaust

- Over ten million older heavy duty diesel engines in use
 - Locomotives, buses, construction, farming, transit, trucks, vessels etc.
 - EPA standards for cleaner engines only apply to new engines
- Diesel exhaust contains harmful pollutants:
 - By-product of diesel combustion
 - Particulate matter (“PM”) and NOx (nitrate particles and ozone)
 - Toxic substances (benzene, heavy metals, etc.)
- Children are particularly vulnerable to the effects of diesel exhaust
 - Pollutants 2-5 times worse inside school bus cabin than outside
- Many studies link breathing PM to significant health problems:
 - Aggravated asthma, respiratory symptoms, decreased lung function
 - Cancer, heart disease
 - These emissions are linked to premature deaths, asthma attacks, lost work and school days, and other health impacts



DERA Program Highlights

- DERA originally authorized under the Energy Policy Act of 2005
- Amended and reauthorized by the Diesel Emissions Reduction Act of 2010 (Public Law 111-364)
 - Passed with unanimous consent, bi-partisan support
- Provide funding to eligible entities, to achieve significant reductions in diesel emissions in terms of:
 - pollution produced; and
 - diesel emissions exposure, particularly from fleets operating in areas designated by the Administrator as poor air quality areas.
- Projects must use a certified engine configuration or a verified technology
- Priority given to projects that:
 - Maximize health benefits and are most cost-effective
 - Serve areas with a high population and poor air quality
 - Maximize the useful life of vehicles and technologies
 - Conserve diesel fuel



Ten years of DERA

- First appropriation was in 2008
- Wide array of stakeholders: industry, fleet owners, local/state/regional gov't, NGOs
- Sought feedback from a wide variety of stakeholders to maximize DERA for everyone
- Heard from lots of different interests – tweaks were made, such as waivers for State program and rebate program
- Waiver requests have resulted in changes to program
- EPA offers resources and assistance through EPA staff, online documents and a help line



DERA Appropriation

As of January 2017:
\$668M = 1145 Awards
- 270 Rebates
- 875 Grants

30% State Program
(Formula Grants)

70% National Program
(Competitive Grants and Rebates)

1% for administrative
"management and oversight"

National RFP

Tribal RFP

Rebate Programs



Two Currently Open Opportunities

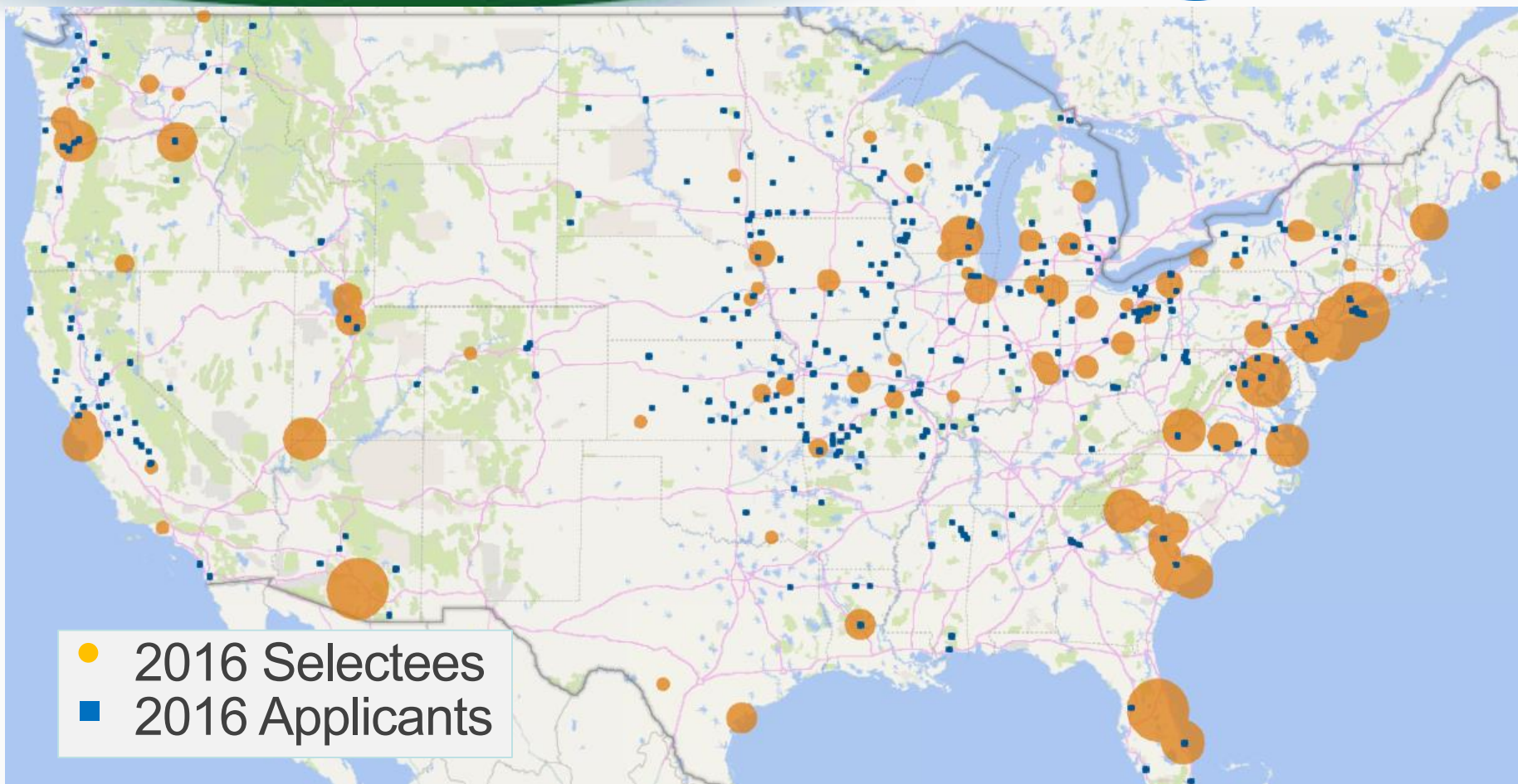
- Rebates for School Buses
- Tribal DERA Request for Proposals



2017 School Bus Rebate Program

- One page form! Easy to apply
- For retrofits, EPA will pay up to \$6,000 for each DOC, CCV, and Fuel Operated Heater
- For vehicle replacements, EPA will pay:

Bus Class	Gross Vehicle Weight Rating	Rebate Amount
Class 3	10,001-14,000 lbs	\$15,000
Class 4	14,001-16,000 lbs	\$15,000
Class 5	16,001-19,500 lbs	\$15,000
Class 6	19,501-26,000 lbs	\$20,000
Class 7	26,001-33,000 lbs	\$20,000
Class 8	33,001+ lbs	\$20,000





School Bus Rebate Program

- FY17 Timeline
 - \$7 million available
 - **Accepting applications from September 28 through November 14**
 - Public and contracted private school bus fleets eligible
 - No population or air quality criteria
 - Easy to apply, one page form!
 - Will notify selectees picked in lottery in January
 - Payment deadline in September 2018
 - High participation rate from school districts and fleet owners in rural areas



School Bus Rebate Program Last Year

- FY2016 Rebate Highlights:

1. Applications

- 514 applications in October 2016 requesting \$44 million in funding

2. Selection

- **82 selectees replacing 369 school buses using \$7.24 million in rebates**

Fiscal Year	Total Disbursed
2012	\$1.88 million
2014	\$3.94 million
2015	\$6.04 million
2016	\$7.24 million



Scrapping old engines = environmental benefit





Tribal DERA RFP Timeline

1. Thursday, October 5, 2017 – RFP Opened
2. Funding available - \$1.5 million (for funding requests up to \$800,000)
3. For clean diesel projects – VW funds can be used as voluntary match
4. Thursday, November 9, 2017 – Webinar
5. Thursday, January 18, 2018 – RFP Closes – Proposals due
6. Spring 2018 – Anticipated Notification of Selection
7. Spring/Summer 2018 – Anticipated Award of 2-6 Cooperative Agreements
8. Period of Performance – May 1, 2018 through April 30, 2020

About 30 DERA Tribal grants awarded total (2009-2017)



Upcoming Tribal DERA RFP – 2018

- Possible roll-out of FY18 Tribal RFP in mid-Spring 2018
- Not anticipating significant changes to eligibility or selection criteria



Upcoming DERA National RFP – 2018

- Possible roll-out of National RFP in early winter
- There will be webinars on how to apply
- Not anticipating significant changes to eligibility or selection criteria
 - Look at this past year's RFP to prepare
 - Resources on how to apply on epa.gov/cleandiesel
- States can apply!



Typical DERA projects in rural areas

- Agricultural equipment, inc. ag pumps
- Nonroad equipment: farm, construction, mining, drilling
- Road equipment, snow removal, trash/waste
- Stationary generators
- Small vessel engine replacements (fishing)
- Local school bus fleets



Background on State Clean Diesel Grant Program

- Annual funding opportunity since 2008
- Allocates funds to eligible states and territories to establish programs that reduce harmful diesel emissions
- States/territories can use funding for grant, loan, or rebate programs
 - Voluntary match
 - Match can be 3rd party funds or State funds
- Same criteria as DERA national program (waivers possible)



State DERA Grant Program

FY2017 Highlights:

1. Total participation for FY17: 46 states, Puerto Rico, Guam, and American Samoa
2. 27 states and 3 territories are providing matching funds and received State bonus funds
 - 21 states indicated they will use VW trust funds as the voluntary match on their State DERA grants
3. Period of performance is Oct. 1, 2017 – Sept. 30, 2018



State Grant Program – Moving Forward

- Fall 2017: Period of performance starts for FY17 State Grants and participants are posted on website
- ~February 2018: State DERA Grant Program rollout.
 - FY18 funds will be awarded as amendments to FY17 State grants for participating States.



State DERA Grant Program

- Eligible clean diesel projects are outlined in the [State Program Guide](#)
- In most cases, EPA and state voluntary matching funds can only fund a portion of eligible equipment, with the remaining cost share typically covered by the fleet owner

DERA Eligible Activities	DERA Funding Limits (DERA Funds + Voluntary Match)	Minimum Mandatory Cost-Share (Fleet Owner Contribution)
Exhaust Control Retrofit	100%	0%
Engine Upgrade / Remanufacture	40%	60%
Highway Idle Reduction	25%	75%
Locomotive Idle Reduction	40%	60%
Marine Shore Power	25%	75%
Electrified Parking Space	30%	70%
Engine Replacement – Diesel or Alternative Fuel	40%	60%
Engine Replacement – Low NOx	50%	50%
Engine Replacement – All-Electric	60%	40%
Vehicle/Equipment Replacement – Diesel or Alternative Fuel	25%	75%
Vehicle/Equipment Replacement – Low NOx	35%	65%
Vehicle/Equipment Replacement – All-Electric	45%	55%



Notable State Program Changes for FY 2017

1. Standalone highway idle reduction tech now funded at 25% by EPA
 - Previously bundled with retrofits
2. Electrified Parking Spaces [also known as Truck Stop Electrification (TSE)] now funded at 30% by EPA
 - Previously funded at 25%
3. “Repowers” now called “engine replacements”
4. Nonroad engine eligibility updated
5. CNG alt-fuel conversion kits now eligible technology



VW Environmental Mitigation Trust - Overview

- The U.S. government and Volkswagen (VW) resolved allegations that VW violated the Clean Air Act by selling approximately 590,000 vehicles equipped with defeat devices.
- Under this settlement, among other actions, VW is required to provide ~\$3 billion to remediate the excess NOx emissions from the affected vehicles
- Wilmington Trust will administer the fund:

<http://www.vwenvironmentalmitigationtrust.com>



VW Mitigation Trust - Overview

- 50 states, DC, Puerto Rico, and federally recognized Tribes are eligible to become beneficiaries
 - Each State beneficiary will receive a specific allocation of funds that can be used for any of the eligible mitigation actions listed in the trust agreement
 - Appendix D lists 9 eligible mitigation actions (EMAs) as well as a 10th EMA, the “DERA Option”
 - **States MUST become certified as beneficiaries by December 1, 2017**
 - Helpful: National Association of State Energy Officials (NASEO) and National Association of Clean Air Agencies (NACAA) VW Settlement webpage: <http://vwclearinghouse.org>



VW Mitigation Trust – Eligible Mitigation Actions

Eligible Mitigation Projects

1. Class 8 local freight trucks and port drayage trucks
2. School/shuttle/transit bus
3. Locomotive switchers
4. Ferries/tugboats
5. Ocean going vessel shorepower
6. Class 4-7 local trucks
7. Airport ground support equipment
8. Forklifts and cargo handling equipment at ports
9. Light duty ZEV supply equipment (up to 15% of allocation)

DERA Option (#10)

- Option to use Trust Funds for actions eligible under DERA (may or may not be eligible under VW EMAs)
- Beneficiaries may use Trust Funds for their DERA non-federal voluntary match
- State and Tribal DERA grants only



VW Mitigation Trust – DERA Option

- Most of the eligible project types under the DERA Option allow trust funds to pay for only a certain percentage of the project
- In addition, DERA grants generally require a mandatory cost-share
- Trust funds cannot be used to meet this non-federal mandatory cost-share requirement
- Mandatory cost-share funds cannot count towards the state's voluntary matching funds to qualify for the matching incentive (bonus)



VW Mitigation Trust – DERA Option Examples

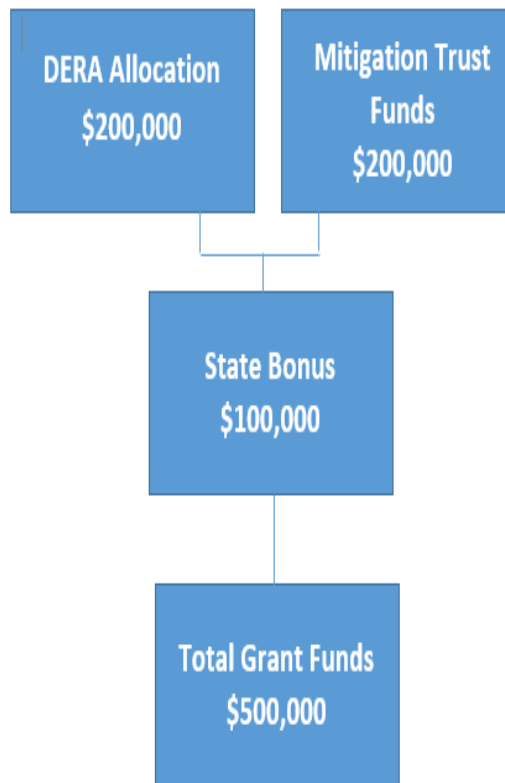
Example A: Trust funds can be used to match the EPA base funding for State DERA grants

- State's DERA allocation in FY2017 is ~\$200,000
- State uses \$200,000 in Trust funds as the 1:1 voluntary non-Federal match
- State bonus is 50% of the base amount \$100,000
- Total State grant is \$500,000
 - State will receive \$300,000 from DERA and \$200,000 from the Trust

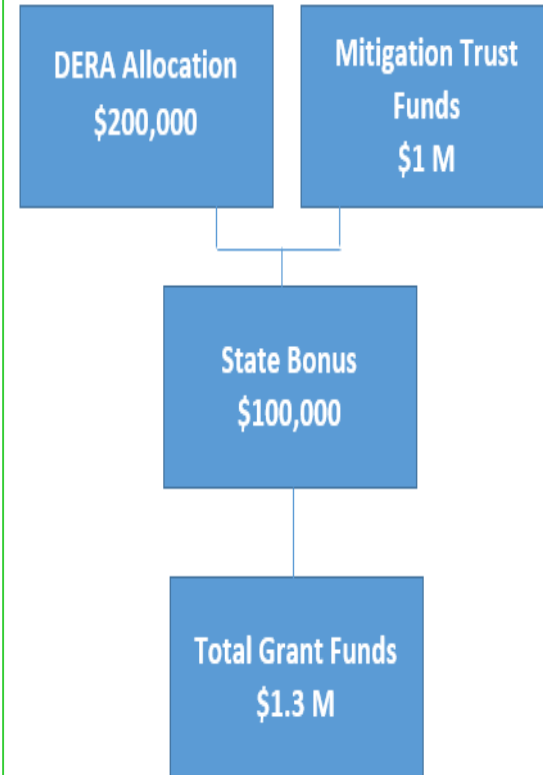
Example B: Trust funds can be greater than the 1:1 voluntary match above

- State's DERA allocation in FY2017 is ~\$200,000
- State may use a larger amount - \$1,000,000 in this example - in Trust funds
- State bonus DERA amount of \$100,000
- State's DERA Clean Diesel Grant program for FY2017 would be \$1.3 million
 - State will receive \$300,000 from DERA and \$1,000,000 from the Trust.

Example A



Example B





VW Mitigation Trust - Reporting

- A Beneficiary which chooses the DERA Option must submit DERA Quarterly Programmatic Reports and a Final DERA Programmatic Report to EPA as required under the DERA grant terms and conditions
- A Beneficiary may submit its DERA reports to the Trustee to fulfill its reporting requirements for any portion of its Trust funds using the DERA Option



State DERA Grant Program - Waivers

- EPA will consider, on a case-by-case basis, waiver requests from programmatic requirements
- Waivers will only be approved for non-statutory and/or non-regulatory requirements. Sufficient justification for the waiver must be provided by the state.
 - Projects must still have emissions reduction benefits
- Please Note: States must obtain EPA approval for any waiver request before conducting any work or expending any funds on a project involving a waiver request.



State DERA Grant Program – Waivers (cont.)

- Examples of waivers granted
 - Engine model years (on highway)
 - Tiers (nonroad)
 - Bundling idle reduction and retrofits
- Examples of waivers denied
 - APU installation on post-2007 trucks (added emissions instead of reduced emissions)
 - Class 5 replaced by Class 8 vehicle (added emissions instead of reduced emissions)



State DERA Grant Program – Waivers (cont.)

- How to seek a waiver for a project
 - Calculate emissions to ensure there is a reduction
 - Check with EPA Project Officer to ensure project isn't prohibited by statute or regulation
 - Submit letter to EPA Project Officer
 - Describe project (tier or model year, usage of equipment, what engine is being replaced, technology applied, etc.)
 - Why waiver is needed, including what efforts were made to find fleets within program requirements (these requirements maximize reductions)
 - Emissions reductions calculations
 - EPA PO works with EPA HQ to secure response



Tips for Rural States

1. States/territories may fund local or state mandates
2. Look for areas with localized diesel exhaust impact – school bus depots, truck delivery area, rail hub, trash transfer station, etc.
3. Reach out to local/municipal fleets, school bus fleets, local private companies for project partners early
4. Consider how VW voluntary match could maximize benefits of the program for residents
5. Take advantage of waiver process.
6. Can use State (BPA) Blanket Purchase Agreement instead of issuing RFP for projects for State fleet projects



Program Documents

- 2017 State Program Guide:
 - www.epa.gov/sites/production/files/2017-02/documents/fy17-state-program-guide-2017-02.pdf
- Technical Tips Document:
 - <https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockkey=P100CVIS.pdf>
- 2017 State Work Plan and Narrative Template:
www.epa.gov/sites/production/files/2017-03/fy17-workplan-narrative-template.docx
- 2017 State Budget Example: www.epa.gov/sites/production/files/2017-03/documents/fy17-state-budget-examples_1.pdf
- VW DERA Option Factsheet: www.epa.gov/cleandiesel/vw-settlement-dera-option-supporting-documents



Tools and Resources

- DERA State Clean Diesel Program Website:
 - www.epa.gov/cleandiesel/clean-diesel-state-allocations
- DEQ – Diesel Emissions Quantifier:
 - www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq
- Verification Lists:
 - www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel
 - www.arb.ca.gov/diesel/verdev/vt/cvt.htm

Helpline: cleandiesel@epa.gov or 877-623-2322



Questions?

- Please enter your questions or comments in the Adobe Connect Q&A module
- Slides will be posted on our [website](#) soon

Thank you for your participation in this webinar

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