

APPENDIX B

**DRAFT IMPLEMENTATION MANUAL
FOR THE HYBRID TRUCK AND BUS
VOUCHER INCENTIVE PROJECT**

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EXECUTIVE SUMMARY

The purpose of the Hybrid Truck and Bus Voucher Incentive Project (HVIP) is to offset about half of the incremental additional cost of eligible hybrid medium- and heavy-duty vehicles. This provides a public benefit by helping commercialize these technologies and support a critical ramp-up in production that is necessary to meeting California's clean air goals. The HVIP provides vouchers of up to \$45,000 on a first-come, first served basis for the purchase of an eligible new hybrid truck or bus. The HVIP will be administered and implemented through a partnership between ARB and a third-party Grantee, selected via a competitive ARB grant solicitation. Ninety-five percent of HVIP funds are for the purchase of new eligible hybrid vehicles. The Grantee may use no more than five percent of HVIP funds for outreach and to administer the program. Hybrid truck and bus manufacturers, dealers, and purchasers will also play a key role in ensuring the success of the HVIP.

The HVIP Implementation Manual, in conjunction with the Air Quality Improvement Program (AQIP) Guidelines and AQIP Funding Plan for Fiscal Year 2009-10, identifies the minimum requirements for administration, implementation, and oversight of the HVIP. The Draft Implementation Manual is a work in progress and will continue to be refined throughout the HVIP Grantee selection period (See Table 1 on Page 4 for the HVIP development timeline). The selected HVIP Grantee will update the implementation Manual in coordination with ARB as part of project start-up. The Grantee may also recommend periodic updates to the Implementation Manual as needed to clarify project requirements and improve project effectiveness. The HVIP Implementation Manual, including any updates, will be posted on the HVIP webpage at www.arb.ca.gov/msprog/aqip/hvip.htm.

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- A. Draft Hybrid Vehicle Eligibility Application
- B. Draft List of Eligible Vehicle Models
- C. Lower-Emission School Bus Program Policy Advisory 08-006
- D. Draft Sample Voucher Request Form *(to be developed by the Grantee in collaboration with ARB)*
- E. Draft Sample Vehicle Voucher *(to be developed by the Grantee in collaboration with ARB)*
- F. Draft Sample Voucher Redemption Form *(to be developed by the Grantee in collaboration with ARB)*
- G. Draft Status Report Form *(to be developed by the Grantee in collaboration with ARB)*

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1 INTRODUCTION

In 2007, Governor Schwarzenegger signed into law the *California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007* (AB 118, Statutes of 2007, Chapter 750). AB 118 created the Air Quality Improvement Program (AQIP), a voluntary incentive program administered by ARB to fund clean vehicle and equipment projects, air quality research, and workforce training. ARB's funding, based on projected revenues for AQIP projects in the Fiscal Year (FY) 2009-10 State Budget, is \$34.6 million.

In April 2009, ARB adopted AQIP Guidelines that establish minimum administrative and implementation requirements, providing the overarching rules for how ARB will run this incentive program. The AQIP Guidelines include the procedures for issuing project solicitations and selecting projects.

In April 2009, ARB also approved the AQIP Funding Plan for FY 2009-10 (Funding Plan), which serves as the blueprint for expending FY 2009-10 AQIP funds. The Funding Plan establishes ARB's priorities for the funding cycle, describes the projects ARB will fund in FY 2009-10, and sets funding targets for each project. Under the Funding Plan, AQIP funds will be focused on supporting development and deployment of the advanced technologies needed to meet California's longer-term, post-2020 air quality goals. The Funding Plan establishes the HVIP as the cornerstone of the AQIP for FY 2009-10, accounting for about 60 percent of this year's funds. The AQIP Guidelines and Funding Plan are available at: www.arb.ca.gov/msprog/aqip/aqip.htm.

This document constitutes the ARB's Draft Implementation Manual for the HVIP (Implementation Manual). The purpose of this incentive project is to offset about half of the incremental cost of eligible hybrid medium- and heavy-duty vehicles. This, in turn, helps with commercialization of these technologies and supports a critical ramp-up in production that is necessary to meeting our clean air goals. The project provides vouchers of up to \$45,000 to qualified individuals, businesses, public agencies and entities, and non-profit organizations for the purchase of an eligible hybrid vehicle. The HVIP will be administered and implemented through a partnership between ARB and the Grantee, selected via a competitive ARB grant solicitation. Hybrid truck and bus manufacturers, dealers, and purchasers will also play a key role in ensuring the success of the HVIP.

The Implementation Manual, in conjunction with the AQIP Guidelines and AQIP Funding Plan, identifies the minimum requirements for administration, implementation, and oversight of the HVIP. Definitions of key program parameters are in Section 5 of this manual.

2 PROJECT IMPLEMENTATION

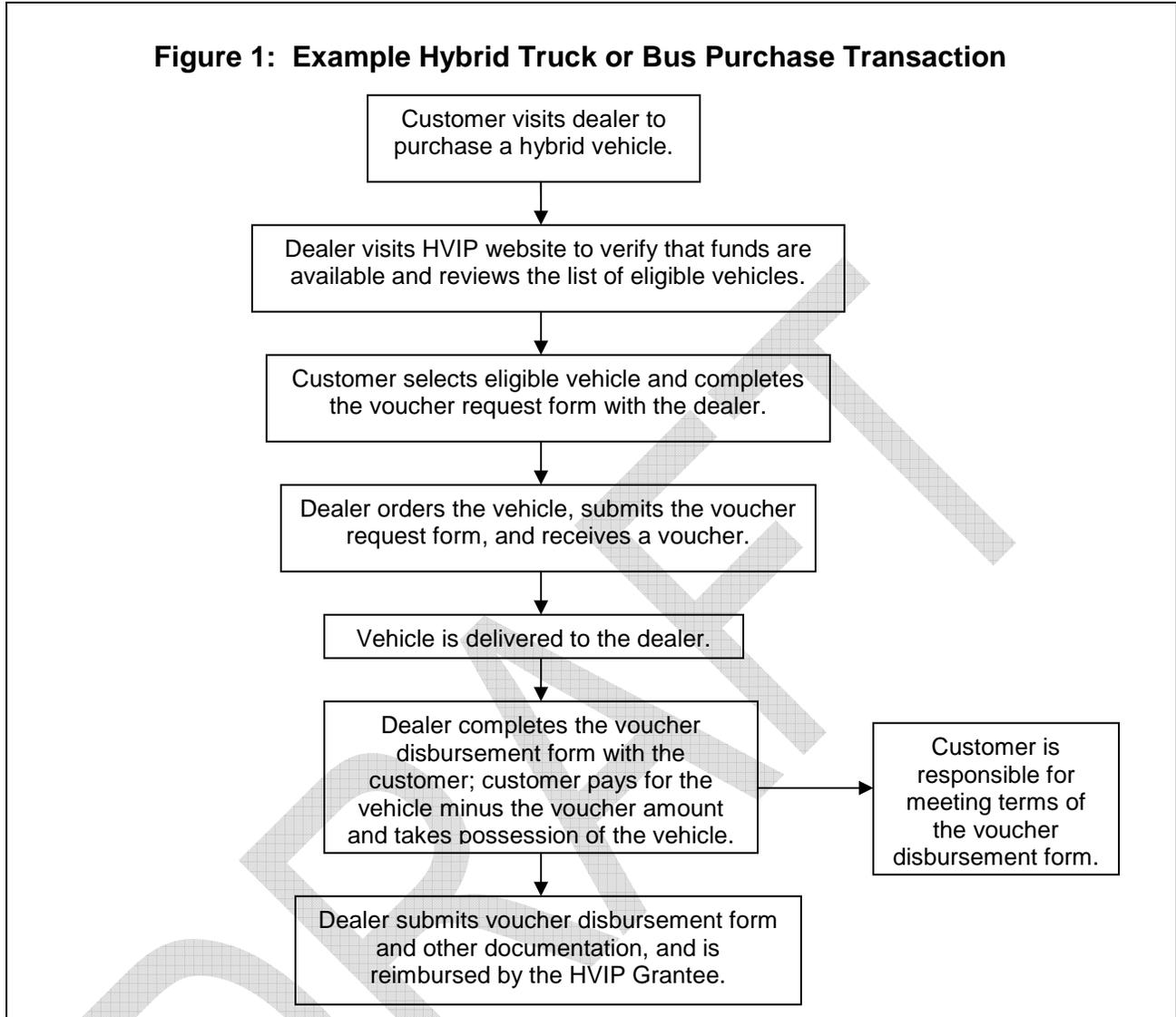
2.1 Project Framework

Figure 1 illustrates a hypothetical vehicle dealer sale and voucher reimbursement transaction. The HVIP will enable the buyer of an eligible hybrid truck or bus to receive a voucher for the incentive amount, redeemable at the time of the vehicle purchase.

The HVIP website will include a list of eligible hybrid trucks and buses, as well as the eligible voucher amount for each vehicle. The webpage will include a voucher request form for the dealer, in concert with the purchaser, to submit at the time a specific vehicle is ordered. A similar structure also applies to vehicles which are ordered directly from a hybrid truck manufacturer or a truck equipment manufacturer (TEM).

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Figure 1: Example Hybrid Truck or Bus Purchase Transaction



Key timelines for HVIP development and implementation are identified in Table 1 (below).

Table 1: Proposed HVIP Development and Implementation Timeline

Action Item	Date or Time Period
Solicitation for HVIP Grantee.	August 31, 2009
HVIP Grantee selected.	October 21, 2009
HVIP Grantee develops project webpage, conducts outreach and dealer training. Implementation Manual and voucher forms finalized.	November-December 2009
Funding becomes available to redeem vouchers.	December 2009 (until depleted)
Status Report to ARB Project Liaison.	January 2010 – June 2012

The timeline may be changed at ARB's sole discretion.

2.2 Eligible Vehicles

Hybrid medium- and heavy-duty vehicles that are ARB-certified are automatically eligible for HVIP voucher funding, provided they meet all other applicable program requirements. In order for hybrid heavy-duty vehicles that are not ARB-certified to become eligible for the HVIP, a vehicle manufacturer must:

1. Have its vehicle listed by the Internal Revenue Service (IRS) as eligible for a federal tax credit pursuant to the Energy Policy Act of 2005. The current IRS list of Qualified Heavy Hybrid Vehicles is found at: www.irs.gov/businesses/article/0,,id=175456,00.html; and
2. Complete the Hybrid Vehicle Eligibility Application Form (See Appendix A). Only vehicles which can demonstrate that the vehicle hybrid platform, engine, and after-treatment devices will continue to function as required and that the vehicle's air quality benefits are achieved will be approved for HVIP funding eligibility.

ARB is responsible for developing and updating the list of vehicles eligible for an HVIP voucher. The draft list of eligible vehicles as of August 28, 2009 may be found in Appendix B.

2.3 Vehicle Eligibility Criteria

To be eligible for a voucher, the vehicle must also meet the following requirements:

- The vehicle must have a GVWR of at least 10,000 pounds.
- The vehicle must use an ARB-certified engine. The engine must be appropriately matched for the intended service class of the hybrid vehicle in which it is used. Engines must meet the following criteria if used in vehicles not yet certified by ARB:
- A light heavy-duty diesel engine may be used in a vehicle up to 23,000 GVWR

- A medium heavy-duty diesel engine may be used in a vehicle up to 38,000 GVWR
- A heavy heavy-duty diesel engine may be used in a vehicle up to 80,000 GVWR
- The vehicle must be a commercial, non-profit agency, or public fleet vehicle. Personal passenger vehicles are not eligible for HVIP funding.
- A vehicle must draw propulsion energy from onboard sources of stored energy that are both an internal combustion or heat engine using consumable fuel, and a rechargeable energy storage system. This definition does not exclude plug-in hybrid vehicles.
- The chassis must be titled and licensed in California, and the vehicle must be California-registered.
- The vehicle must be purchased from a participating dealer (see Section 3.3)
- The vehicle must be new and be a 2009 or newer model year. Used vehicles are not eligible for HVIP funding.
- Modifications to engine performance (including changes in horsepower), emissions characteristics, engine emission components (not including repairs with like-original equipment manufacturers replacement parts), or any other modifications to the engine's emission's control function is not allowed. (Violation, Vehicle Code 27156)
- The vehicle must have at least one California-based service provider affiliated with the vehicle manufacturer and capable of vehicle service and repair.

2.4 Requesting a Voucher

An HVIP voucher shall only be provided for a specific vehicle on order or purchased by a specific customer. The dealer must work with the vehicle purchaser to complete the HVIP voucher request form – available on the HVIP webpage – for the hybrid vehicle. Only vehicles listed as eligible on the HVIP webpage may receive a voucher. The maximum voucher amount for each eligible vehicle is also provided on the HVIP webpage.

The Grantee shall, in coordination with ARB, develop a system for dealers to quickly, effectively, and transparently request and redeem vouchers. The HVIP webpage shall include all the information necessary for the dealer, in conjunction with the vehicle purchaser, to complete and submit the voucher request. Only completed and accurate voucher request forms will be accepted by the Grantee. The Grantee will review the voucher request form for eligibility and provide vouchers on a first-come, first served basis until HVIP funds are depleted. It is the Grantee's responsibility to notify any dealer in writing within five business days of the reason for a rejected voucher request.

Renewal of Voucher Reservation

An HVIP voucher will be valid for 120 calendar days from the time it is issued by the Grantee. A voucher may be renewed by the participating dealership beginning two weeks before the voucher expiration date if the vehicle identified on the voucher has not yet been delivered for purchase. A voucher can be renewed only one time (for a total of 240 days). Renewal of the voucher automatically reserves the eligible vehicle's and customer's voucher funding for an additional 120 days. A voucher which is not renewed within its 120 day reservation period will be deemed expired and the voucher funds will be allocated to the next eligible HVIP participant. A voucher for a vehicle that has not been delivered for purchase after 240 calendar days may be reserved again on a case-by-case basis at the request of the dealer. A decision regarding extension of the voucher reservation beyond 240 days shall be made by the Grantee in consultation with ARB, and shall be based upon factors such as the projected vehicle delivery date, the good faith efforts of the dealer and purchaser to complete the purchase, and demand from other participants for remaining available HVIP funding. The Grantee must maintain written documentation regarding approval of voucher reservations beyond the 240 day period.

State law requires that FY 2009-10 HVIP funds be fully expended by June 30, 2012. All HVIP voucher reservations not redeemed by that date shall be null and void.

2.5 Voucher Redemption

Once a vehicle has been delivered and purchased, the dealer must submit the voucher and required documentation to the Grantee for redemption. A voucher will only be honored if the vehicle and customer listed on the voucher match that in the completed purchase transaction. HVIP vouchers must also meet the following criteria:

- An HVIP voucher can only be redeemed upon vehicle delivery and final payment by the customer.
- A copy of the delivery Bill of Lading, vehicle invoice, DMV registration, temporary DMV tags, and vehicle identification number for the purchased vehicle must be provided to confirm delivery and purchase specifications, and a copy of vehicle Line Setting Ticket (otherwise known as the Factory Build Sheet) must be provided to confirm vehicle GVWR. The vehicle's GVWR for determining the base voucher amount from Table 2 shall be based upon the vehicle's Line Setting Ticket.
- The vehicle invoice must show that the voucher amount has been discounted from the vehicle purchase price.
- The vehicle GVWR as designated on the manufacturer Line Setting Ticket must be consistent with the vehicle's base vehicle incentive identified in Table 2 in Section 2.4.
- It is the goal of the HVIP to provide payment to the dealership within seven calendar days from the time the eligible voucher redemption form and associated documentation is provided to the Grantee. If the voucher payment is delayed for more than 14 calendar days from the time the eligible voucher redemption form

and associated documentation is provided, the Grantee must notify the dealership by phone or e-mail at the earliest possible time of such delay.

- A voucher shall only be redeemed if the vehicle and purchasing customer match that on the original voucher request form. ARB, the Grantee, and the HVIP are not responsible for payment of a voucher if the vehicle or purchasing customer do not match those described on the voucher request form. If the dealer has a new customer for a delivered vehicle and HVIP funds are still available, the dealer and new purchaser may request a new voucher.

2.6 Vehicle Voucher Amounts

Eligible hybrid vehicles may receive an HVIP voucher for up to the funding amounts identified in Table 2. These voucher amounts correspond to approximately one-half of the incremental cost of a hybrid truck or bus.

Table 2: Eligible Hybrid Truck and Bus Voucher Amounts

Vehicle Weight	Base Vehicle Incentive ¹	Additional Incentive for ARB Vehicle Certification
10,001 – 14,000 lbs.	\$10,000	none
14,001 – 26,000 lbs.	\$20,000	\$5,000
26,001 – 33,000 lbs.	\$25,000	
> 33,000 lbs.	\$35,000	

¹The first HVIP-eligible hybrid truck or bus purchased by a single fleet is eligible for an additional \$5,000 voucher.

Additional Incentive for ARB-Certified Hybrids

A heavy-duty hybrid vehicle (i.e. a vehicle above 14,000 lbs.) which has been ARB-certified is eligible for an additional \$5,000 voucher amount, since ARB-certified vehicles' criteria pollutant emission reductions have been verified, and these vehicles are demonstrated to meet ARB durability requirements. This additional voucher amount will be reflected in the voucher received by the dealer when the hybrid vehicle is ordered. If a vehicle becomes ARB-certified while the vehicle is on order, but before the vehicle has been purchased by the customer, that vehicle will be eligible to receive the additional \$5,000 voucher amount if HVIP funding is still available. Hybrid medium-duty vehicles (weighing between 10,000 and 14,000 lbs.) are not eligible for an additional \$5,000 incentive for ARB certification, because medium-duty vehicles are required to be ARB-certified to be sold in California.

Additional Incentive for the First Vehicle Purchased

To further encourage participation by small fleets, the first HVIP-eligible hybrid truck or bus purchased by any single fleet is eligible for an additional \$5,000 voucher. For example, a truck owner-operator purchasing just one truck would be eligible for an additional \$5,000 voucher for that vehicle, while a larger fleet buying several trucks would also receive one \$5,000 voucher for the first vehicle purchased. To ensure that funds are not monopolized by one entity, no single fleet is eligible to receive more than 100 HVIP vouchers. For the purposes of this Implementation Manual, vehicles under common ownership or control sharing a common California Carrier Identification Number (CA #) are considered part of a single fleet even if they are part of different

subsidiaries, divisions, or other organizational structures of a company or government agency.

2.7 Opportunities for Additional Vehicle Cost Buy-Down

The HVIP is intended to allow public agencies and private fleets to augment HVIP funds with other sources of public funding. Examples of program funds that may be combined with HVIP funds include:

- Lower-Emission School Bus Program: The Lower-Emission School Bus Program (LESBP) provides up to \$140,000 per bus to help replace an existing older school bus with a new diesel or alternative-fueled school bus. However, this funding amount is not likely to cover the cost of a hybrid school bus, which is typically about \$200,000. The HVIP allows for LESBP and an HVIP voucher to be combined to pay for up to the full cost of a new hybrid school bus.
- Local Air District Funds: Local air districts may augment HVIP vouchers with additional local funding for hybrid trucks or buses, effectively offering an additional buy-down of the vehicle incremental cost.¹
- Federal Stimulus Package: The American Recovery and Investment Act of 2009 (ARRA) has over \$1 billion in funds nationally for energy conservation and air quality improvement incentives. Fleets may combine ARRA or other federal hybrid truck and bus funding with HVIP funding to further buy-down the incremental cost of eligible vehicles.

HVIP funds may not be combined with Carl Moyer Program funds due to the Carl Moyer Program's enabling statute.

The HVIP has no prohibition on combining funds from other programs to further buy-down a vehicle's incremental cost; however, these combined funds should not exceed the vehicle's incremental cost. School buses are an exception to this restriction, as illustrated in the school bus example below. For the purposes of simplicity, a vehicle's incremental cost is assumed to be twice the HVIP base incentive (since the HVIP voucher amount reflects about half of a hybrid vehicle's incremental cost), plus \$5,000 for an ARB-certified vehicle. The maximum allowable amount of HVIP funding plus any other public agency funding is therefore twice the HVIP base incentive, plus any additional \$5,000 incentive for ARB-certification and for the first voucher redeemed by a single fleet (See Table 3, below). For example, if the HVIP base incentive amount is \$25,000, the total HVIP voucher amount plus any other public incentive for that vehicle may not exceed \$50,000 for a non-ARB-certified vehicle or \$55,000 for an ARB-certified vehicle, plus \$5,000 for the first vehicle purchased.

¹ These district funds may be used as voluntary HVIP match funding (even if focused within district boundaries) if they meet all other HVIP requirements.

Table 3: Assumed Hybrid Truck and Bus Incremental Cost

Vehicle Weight	Base Vehicle Incentive	Assumed Incremental Cost	
		Not ARB-Certified	ARB-Certified
10,001 – 14,000 lbs.	\$10,000	\$20,000	
14,001 – 26,000 lbs.	\$20,000	\$40,000	\$45,000
26,001 – 33,000 lbs.	\$25,000	\$50,000	\$55,000
> 33,000 lbs.	\$35,000	\$70,000	\$75,000

The first HVIP-eligible hybrid truck or bus purchased by a single fleet is eligible for an additional \$5,000 voucher.

Example Calculations

This section provides example calculations of the maximum allowable HVIP voucher amount, based upon assumptions regarding other potential funding sources. These examples are for illustrative purposes only. The actual maximum voucher amount will depend upon each specific circumstance.

Air District Grant. A local air district grant of \$35,000 for a non-ARB certified hybrid utility truck of 30,000 lbs. GVWR would cover most of that vehicle’s assumed \$50,000 incremental cost (See Table 3). As a result, the maximum allowable HVIP voucher amount would be \$15,000.

$$\begin{aligned}
 & \$50,000 \text{ full incremental cost} \\
 & - \underline{\$35,000 \text{ air district grant}} \\
 & = \$15,000 \text{ maximum HVIP voucher}
 \end{aligned}$$

The vehicle would be eligible for an additional \$5,000 voucher (or \$20,000 in HVIP funding) if the voucher is the first redeemed by the purchaser.

Federal Stimulus Funding. A federal grant of \$50,000 for an ARB-certified hybrid trash truck of 35,000 lbs. GVWR would cover most of that vehicle’s assumed \$75,000 incremental cost (See Table 3). As a result, the maximum allowable HVIP voucher amount would be \$25,000:

$$\begin{aligned}
 & \$75,000 \text{ full incremental cost} \\
 & - \underline{\$50,000 \text{ federal grant}} \\
 & = \$25,000 \text{ maximum HVIP voucher}
 \end{aligned}$$

The vehicle would be eligible for an additional \$5,000 voucher (or \$30,000 in HVIP funding) if the voucher is the first redeemed by the purchaser.

Lower-Emission School Bus Program. School buses purchased by public school districts eligible to receive LESBP new bus funding are not subject to incremental cost prohibition described in this section (See Appendix C for guidance regarding what qualifies as a public school district). For these public school district purchases, the HVIP and other total local, state, or federal public incentives may not exceed the total hybrid school bus purchase price. For example, if a new \$200,000 hybrid school bus

receives \$140,000 in LESBP funding, and \$25,000 in school district LESBP match funding, the maximum allowable HVIP voucher amount is calculated as:

$$\begin{aligned} & \$200,000 \text{ full cost of new hybrid school bus} \\ & - \$140,000 \text{ LESB grant} \\ & - \underline{\$25,000 \text{ district match}} \\ & = \$35,000 \text{ maximum HVIP voucher} \end{aligned}$$

In each of the above examples, the HVIP incentive may not exceed the voucher amount identified for each vehicle weight class identified in Table 2.

3 DUTIES AND REQUIREMENTS

3.1 Air Resources Board

ARB is responsible for:

- Development of the Draft HVIP Implementation Manual (the Implementation Manual will be finalized by the selected Grantee in coordination with ARB).
- Selecting the Grantee.
- Evaluating and approving non-ARB certified vehicles for HVIP eligibility, and providing the Grantee an up-to-date list of eligible vehicles. ARB is responsible for working closely with vehicle manufacturers and TEMs to determine vehicle eligibility.
- Participating in regular meetings with the Grantee to discuss project refinements and guide project implementation.
- Review and approval of project elements provided by the Grantee, such as the HVIP webpage, voucher payment verification, and progress reports.
- Distribution of project funds to the Grantee.
- Project oversight and accountability (in conjunction with the Grantee).
- Meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan, the HVIP solicitation, the grant agreement with the Grantee, and the HVIP Implementation Manual.

ARB shall also designate an ARB Project Liaison as the contact person for coordination with the Grantee. The ARB Project Liaison for the FY 2009-10 HVIP is Mr. Joe Calavita. Mr. Calavita can be reached by e-mail at jcalavit@arb.ca.gov or by telephone at (916) 445-4586.

3.2 Grantee

The Grantee is responsible the on-the-ground project implementation of distributing voucher payments for eligible vehicles, including but not limited to) the following tasks:

- Finalize this Draft Implementation Manual in consultation with ARB.

- Conduct the statewide public outreach to vehicle dealers and fleets necessary for the project to be successful. Outreach could include on-site dealer trainings and public question and answer sessions.
- Develop a user-friendly public webpage to:
 - Include a list of eligible vehicles and each vehicle's eligible voucher amount
 - Provide voucher request and voucher redemption forms
 - Track total HVIP funds available and expended in real time
- Ensure participating vehicle dealers and purchasers meet all applicable HVIP requirements.
- Use the criteria in this Implementation Manual to review and approve voucher requests.
- Distribute voucher payments to vehicle dealers for eligible vehicle purchases.
- Track reservation and expenditure of HVIP grant funding.
- Closely communicate with the ARB to ensure that the most current vehicle eligibility list is being used.
- Respond to public inquiries regarding the HVIP.
- Work with vehicle manufacturers to create a list of dealerships authorized to receive HVIP vouchers
- Develop a fraud deterrent protocol in collaboration with ARB, and ensure the efficient and transparent implementation of the program.
- Provide ARB with a HVIP Final Report that summarizes and evaluates total fund expenditures (including match and in-kind funds), vehicles funded, outreach efforts, and implementation challenges, and recommends potential program improvements.
- Provide Status Reports to the ARB detailing vouchers awarded for ordered vehicles and redeemed for purchased vehicles. The grant agreement with the Grantee may specify an electronic format for quarterly reporting, as needed for transparent and effective data tracking.
- Provide ARB a mechanism for receiving three years of annual reports from vehicle purchasers.
- Provide ARB with all webpage(s), software or other intellectual property developed or purchased by the Grantee for the purposes of administering or implementing the HVIP (if requested) .
- Meet all applicable requirements of statute, the AQIP Guidelines and Funding Plan, ARB's HVIP solicitation, the HVIP grant agreement with ARB, and this Implementation Manual.

Grantee responsibilities encompass three phases to ensure the efficient and proper distribution of voucher payments for eligible vehicles – project development, project implementation, and project activity reporting.

Conflict of Interest

The HVIP Grantee may have no interest, and shall not acquire any interest, direct or indirect, which will conflict with its ability to impartially complete the project tasks described above. Applicants to become the HVIP Grantee must disclose any direct or

indirect financial interest or situation which may pose an actual, apparent, or potential conflict of interest with its duties at the time of the HVIP Grantee solicitation. Although applicants are not automatically disqualified due to a potential or appearance of a conflict of interest at the time of the HVIP Grantee solicitation, ARB may consider the nature and extent of any potential or apparent conflict of interest in evaluating the proposal. The HVIP Grantee must immediately advise ARB in writing of any potential new conflicts of interest throughout the grant term.

3.3 Vehicle Dealer

Hybrid truck and bus dealers play a central role in the HVIP's success. The Grantee shall work with ARB to develop a list of dealerships eligible to participate in the HVIP, and to receive a written commitment from these dealers to comply with all applicable project requirements. The eligible dealership list will be used to streamline project access while ensuring project transparency and accountability. The following entities are considered eligible vehicle dealers for the purposes of the HVIP:

- A hybrid truck or bus dealership which has a written agreement with a medium- or heavy-duty vehicle manufacturer, which has had a valid business license for the past two years, and which has an official dealer number.
- An original hybrid truck or bus vehicle manufacturer (such as International Truck and Engine Corporation, Kenworth Truck Company, or Peterbilt Motors Company) which manufactures HVIP-eligible vehicles and sells those vehicles directly to fleets.
- A hybrid truck or bus TEM which has a written agreement with a medium- or heavy-duty vehicle manufacturer and has had a valid business license for the past two years.

The Grantee will work with vehicle manufacturers to create a list of dealerships authorized to receive HVIP vouchers. Hybrid vehicle dealerships have an important role in ensuring the success of the HVIP. Dealer responsibilities include:

- Become familiar with all HVIP requirements, including participation in dealer training.
- Provide accurate information to vehicle purchasers, the Grantee, and ARB.
- Assist applicants in completing voucher request and voucher redemption forms, and in supplying the necessary vehicle purchase documentation.
- Provide accurate and complete documentation of the vehicle purchase to the Grantee.
- Allow ARB or its designee to inspect vehicles or review HVIP-related records during normal business hours.

The HVIP is intended to lower the vehicle price for the vehicle purchaser by the full voucher amount. Vehicle dealers must deduct the full voucher amount from the vehicle purchase price to be eligible for a voucher. The invoices provided by the dealer as proof of purchase for voucher redemption must itemize all vehicle charges (e.g. price of

the vehicle, delivery fee, all applicable taxes, etc...) and must show the deduction of the voucher price.

A sample voucher request form, vehicle voucher, and voucher redemption form can be found in Appendices D, E, and F, respectively. The voucher request form and voucher redemption form both are legally binding and enforceable agreements to meet the requirements of the project. The dealer is responsible for ensuring the accuracy of the vehicle and dealership information on all voucher request or redemption forms it submits to the Grantee. Submission of false information on any of these forms may result in cancellation of the voucher, recapture of funds, and removal from the dealership list. In addition, ARB may seek other remedies available under law.

Participating dealers must keep written records of sales transactions for vehicles funded with an HVIP voucher – including the vehicle Bill of Lading, vehicle invoice, and proof of purchase -- for three years after the vehicle purchase transaction. A vehicle dealer must provide ARB (or its designee) with all requested information related to compliance with HVIP requirements or any vehicle(s) purchased with an HVIP voucher within ten days of ARB's written request for such information. Requested information may include but is not limited to purchase orders or agreements, delivery Bill of Lading, and vehicle payment information and related bank records. Dealers that submit false information to the Grantee or inflate the price of a funded hybrid vehicle may be required to return the full voucher amount to the Grantee or ARB, and may be excluded from future participation in the HVIP. In addition, ARB may seek other remedies available under law.

3.4 Vehicle Purchaser

The hybrid truck or bus purchaser is responsible for completing the voucher request and redemption forms with the dealer and for paying the non-voucher portion of the vehicle cost. To receive an HVIP voucher, a vehicle purchaser must:

- Be an individual, business, non-profit, or government entity which is based in California or has a California-based affiliate.
- Maintain insurance as required by law.
- Commit to operate the vehicle 100 percent within California for at least three years after the voucher redemption date. Vehicles registered in a county that borders another state and emergency response vehicles may be granted permission to accrue up to 25 percent of their mileage each year for the three year reporting period outside of California if requested and justified on the voucher request form.
- Not make or allow any modifications to the vehicle's emissions control systems, hardware, software calibrations, or hybrid system. (Vehicle Code Section 27156)
- Submit annual usage surveys for three years.
- Commit that any emission reductions generated by the purchased hybrid vehicle will not be used as marketable emission reduction credits, to offset any emission reduction obligation of any person or entity, or to generate a compliance extension or extra credit for determining regulatory compliance.

- Allow ARB, the Grantee, or their designee to verify the hybrid vehicle registration with the California Department of Motor Vehicles (DMV).
- Be available for follow-up inspection if requested by the Grantee or ARB.

Vehicle purchasers participating in the HVIP are expected to keep the vehicle and meet all applicable project requirements for a minimum three year period after the vehicle purchase date. However, resale of a vehicle one time is allowed within this three year period if necessitated by unforeseen or unavoidable circumstances. A vehicle purchased with an HVIP voucher may not be resold more than once within three years of the original purchase date.

For vehicles resold within three years of the original vehicle purchase date, the original vehicle purchaser must inform the new purchaser in writing about the voucher rebate amount and applicable voucher project requirements. The new vehicle purchaser must meet all applicable HVIP requirements of original vehicle purchasers. The original vehicle purchaser must notify the ARB Project Liaison in writing of its intent to sell the vehicle at least seven calendar days prior to the vehicle resale. Within seven calendar days after the vehicle resale, the original vehicle purchaser must notify the ARB Project Liaison that the vehicle has been resold and provide the mailing address, phone number and e-mail (if any) of the purchaser as well as the vehicle resale price. Within thirty calendar days after the vehicle resale, the entity buying the vehicle from the original vehicle purchaser must also provide the ARB Project Liaison with: 1) their mailing address, phone number and e-mail (if any); 2) a copy of the new California DMV title documenting of the vehicle resale; 3) a written commitment to meet the California activity requirements identified on the original voucher; and 4) a written commitment to meet the annual usage survey as required by the original voucher. ARB reserves the right to pursue all remedies available under the law for noncompliance with these requirements.

The vehicle purchaser is responsible for ensuring the accuracy of the vehicle and vehicle purchaser information on the voucher request and redemption forms. Submission of false information on either of these forms may be considered a criminal offense and is punishable under penalty of perjury under the laws of the State of California.

Vehicle purchasers must keep written records of the vehicle purchase for vehicles funded with an HVIP voucher – including the vehicle invoice, proof of purchase, and DMV records-- for three years after the vehicle purchase transaction. A vehicle purchaser must provide ARB (or its designee) with all requested information related to any vehicle purchased with an HVIP voucher within ten days of ARB's written request for such information. Requested information may include but is not limited to purchase orders or agreements, vehicle payment information and related bank records, and purchaser fleet information. Vehicle purchasers that submit false information to the Grantee or ARB may be required to return the full voucher amount to the Grantee or ARB, and may be excluded from future participation in the HVIP. In addition, ARB may pursue other remedies available under the law.

Vehicle Lease or Rental Agencies

A vehicle purchaser that leases or rents a vehicle purchased with an HVIP voucher within three years of the HVIP voucher redemption date must disclose the voucher amount and voucher terms to any entity that leases or rents the vehicle within that three year period. The lease or rental agreement must include any commitments needed from the lessee or renter to ensure that 1) the vehicle operates in California as required by the voucher redemption form and 2) all required annual activity reports will be submitted to ARB. ARB reserves the right to review lease or rental agreements to confirm appropriate disclosures are made regarding the HVIP voucher amount received and vehicle activity and reporting requirements. Vehicle purchasers must provide ARB (or its designee) all requested information related to any vehicle purchased with an HVIP voucher (including lease or rental agreements) within ten days of ARB's written request for such information. The vehicle purchaser (rather than the lessee or renter) is responsible for ensuring annual activity reports are accurate and are submitted as required. An HVIP voucher can be provided at time of vehicle purchase only, and is not provided at the time a vehicle is leased or rented.

4 PROJECT ADMINISTRATION

4.1 Background

This section defines the respective roles of the ARB and the Grantee in administering the HVIP.

4.2 Disbursement of Project Funding

4.2.1 Vehicle Funding

The success of the HVIP is contingent upon hybrid vehicle dealerships deducting the voucher amount from the vehicle purchase price at the time the customer makes the purchase. A dealership is more likely to accept the voucher's cash value at the time of purchase if the voucher is redeemed quickly. As such, the Grantee will receive ten percent of HVIP funding from ARB as seed money at project start-up in order to turn around voucher redemptions from dealers within one to two weeks. This seed funding includes up to fifty percent of the total allowable HVIP administration funding (See Section 4.2.2), with the remainder of the ten percent of total HVIP funds to be used to redeem vehicle vouchers. ARB will provide adequate additional funds to the Grantee on a set schedule as needed to quickly and efficiently redeem vouchers. The Grantee must submit a Status Report to ARB to justify additional vehicle funding. The Grantee may request a funding amount up to that needed to pay off vouchers which have been assigned and not yet redeemed.

4.2.2 Administration Funding

The Grantee may use up to \$1.02 million, or the amount committed to in its HVIP funding application, whichever is less, for project administration and outreach (costs associated with the overhead of promoting, issuing, and redeeming rebates). The Grantee shall receive funding for project overhead on the following schedule:

- 50 percent of project administration funds at the time the Grant Agreement is signed for outreach, to develop the webpage, and other project start-up costs
- 20 percent of administration funding after half of vehicle funding is expended, and the complete and accurate Status Reports demonstrating fund expenditure for these vehicles have been supplied to ARB
- 20 percent of administration funding after all vehicle funding is expended, complete and accurate Status Reports demonstrating fund expenditure for these vehicles have been supplied to ARB, and the Grantee provides documentation describing expenditure of all match funding and in-kind services committed to in the project application.
- 10 percent of administration funding after ARB has received and approved the Grantee's mechanism for receiving vehicle annual activity reports, ARB has received all intellectual property and data needed to ensure continued smooth implementation of the HVIP (see Sections 4.4 and 4.5, below), and ARB has received a Final Report documenting vehicles paid for by the program and fulfillment of all project commitments.

With the exception of the initial 50 percent of administrative funding provided for project start-up, all administrative funding provided to the Grantee shall be on a reimbursement basis and requires administrative cost summaries approved by ARB for completed tasks and/or eligible expenses. The Grantee must provide cost summaries for the first 50 percent of administration funding before additional administration funding will be provided.

Administrative cost summaries used to justify an additional increment of administration funding from ARB must describe costs for work completed in the following categories: 1) labor expenses (including total staff time and labor costs); 2) external consultant fees for completed work (if applicable); 3) printing, mailing, travel, and other outreach expenses; and 4) indirect costs. Additional administrative cost category summaries may be provided to ARB if warranted. Documentation substantiating these costs must be maintained by the Grantee and provided to ARB upon request, as described in Sections 4.6 and 4.12 of this Implementation Manual.

4.3 Accounting of State Funds

The Grantee must provide ARB with documentation accounting for the proper expenditure of State funds. The documentation must be provided in Status Reports submitted at least every three months to ARB and a Final Report submitted after all vehicle funding has been expended and prior to the Grantee receiving their last disbursement of administrative funding.

Status Report

The Grantee must submit a Status Report to ARB detailing the vehicles and associated voucher amounts assigned and redeemed to date (See Appendix G for a sample Status Report). The Status Report must include at a minimum the following information:

- Number of voucher request forms received
- Number and amount of vouchers awarded broken out by GVWR, vehicle type, fleet type (public or private), and California air basin
- Administrative cost summaries
- Remaining grant funding available
- Identified problems or concerns

The Status Report provides a mechanism for the Grantee to justify a need for an additional HVIP funding increment from ARB. The Status Report must be submitted at least every three months, but may be provided on a monthly or bi-monthly basis if needed to justify additional funding from ARB. The first Status Report must be submitted three months after the grant agreement is fully executed or when requesting additional disbursement of funds, whichever is sooner.

4.3.1 Final Report

The Grantee must submit a Final Report to ARB after all vehicle funding has been expended. This report must document all vehicles paid for by the program (may be provided as a summaries of previously submitted Status Reports) and fulfillment of all project commitments.

4.4 Intellectual Property

The Grantee selected via competitive solicitation in 2009 is responsible for implementation of the HVIP project approved by the Board as part of the AQIP Funding Plan for FY 2009-10. Should the HVIP receive additional funding in FY 2010-11, the ARB is required to select a Grantee for these future year funds via another competitive solicitation. The Grantee selected to administer FY 2009-10 HVIP funding is encouraged to apply to manage the HVIP in subsequent funding years.

Any webpage(s), software or other intellectual property developed or purchased by the Grantee for the purposes of administering or implementing the HVIP are the property of ARB. Should a different Grantee be selected to manage the HVIP in subsequent funding years, it will be the Grantee's responsibility to turn over this property and information to the new Grantee and provide all reasonable and necessary assistance needed to ensure a smooth transition. It is ARB's intention that access to and redemption of vouchers be seamless to vehicle dealers and purchasers as HVIP funding transitions to each new fiscal year.

4.5 Vehicle Activity Reporting

The purchasers of hybrid vehicles that receive a HVIP voucher must report annually for three years regarding vehicle miles travelled, fleet location, and compliance with the 100 percent operation in California requirement. The Grantee is responsible for providing ARB with a simple and effective mechanism for requesting and receiving this information from vehicle purchasers. These mechanisms could include U.S. Mail packages with the reporting form and return envelope to be sent by ARB to the vehicle purchaser annually, an internet-based system for the vehicle purchaser to annually

report activity, or some other mechanism. ARB will work with the Grantee to determine the most simple and effective mechanism for ensuring receipt of annual reports.

4.6 Documentation of Administrative Costs

Administrative funds shall only be used for costs associated with project implementation related tasks outlined in the AQIP Funding Plan, the project solicitation, the Implementation Manual, or grant agreement with the Grantee. Administrative funds shall be used for HVIP administration and outreach including: Grantee staff time; consultant fees (if pre-approved by ARB); printing, mailing, and travel costs; project monitoring and compliance expenses; and indirect costs such as general administrative services, office space, and telephone services.

The Grantee must maintain documentation of HVIP funds used for administration and outreach, including:

- Personnel documentation must make use of timesheets or other labor tracking software. Duty statements or other documentation may also be used to verify the number of staff and actual hours or percent of time staff devoted to HVIP administration and outreach.
- Fees for external consultants must be documented with copies of the consultant contract and invoices. All external consultant fees must be pre-approved by ARB.
- Printing, mailing, and travel expenses must be documented with receipts and/or invoices.
- Any reimbursement for necessary travel and per diem shall be at rates not to exceed those amounts paid to the State's represented employees. No travel outside the State of California shall be reimbursed unless prior written authorization is obtained from ARB. The State's travel and per diem reimbursement amounts may be found online at www.dpa.da.gov/jobinfo/statetravel.shtm. Reimbursement will be at the State travel and per diem amounts that are current as of the date costs are incurred by the Grantee.
- If indirect costs are used to document project administrative costs funded by the HVIP, the Grantee must have an official written policy regarding calculation of these costs. The Project Administrator must maintain documentation for all costs referenced in the indirect cost calculation formula.

The above documentation, records, and referenced materials must be made available for review during ARB, or its designee, monitoring visits and audits. These records must be retained for a minimum of three years after submittal of the final HVIP invoice to ARB.

4.7 In-Kind Services

The Grantee is encouraged to contribute in-kind services to improve the HVIP's effectiveness, or match funding to increase the number of vehicles funded. Funds

expended on in-kind services must meet all the requirements of Section 4.6 of this Implementation Manual and must be documented in the HVIP Final Report to ARB.

4.8 Match Funding

For the purposes of the HVIP, match funding shall include only those funds contributed by the Grantee directly to the HVIP for the purposes of funding eligible hybrid vehicles. Contributions to similar hybrid vehicle voucher programs or other air quality incentive projects (i.e. in-kind match) are not considered eligible match funds for the purposes of the HVIP. The Grantee must meet all match funding commitments made in its HVIP application.

Match funding can only be used in two ways – to increase the number of eligible vehicles funded, or to increase the voucher amount provided to eligible vehicles (up to the vehicle's full incremental cost). All HVIP match funding or vehicles funded with match funds must meet the following criteria:

- Funding from other state or federal revenue sources, such as the Carl Moyer Program or other AB 118 programs, may not be counted as match.
- The combination of HVIP and match funding may not exceed a vehicle's incremental cost (See Section 2.7 for guidance regarding incremental cost).
- Match funding must meet the same requirements applicable to HVIP non-match funds, and vehicles purchased wholly or in part with match funding must meet the same requirements as vehicles funded with non-match HVIP funds.

Documentation of match funding expended on eligible vehicles must be retained for a minimum of three years after the match-funded voucher has been redeemed.

4.9 Earned Interest

Interest earned by the Grantee or its designee on HVIP funds must be reported to ARB. All interest income on HVIP funds, including both hybrid vehicle funding and project administration/outreach funding, must be reinvested in the HVIP to fund additional hybrids trucks or buses. The Grantee is responsible for reporting to ARB on all vehicles funded with interest earned on HVIP funds.

The Grantee must maintain accounting records (e.g. general ledger) that tracks interest earned and expended on HVIP funds, as follows:

- The calculation of interest must be based on an average daily balance or some other reasonable and demonstrable method of allocating the proceeds from the interest-generating account back into the program.
- The methodology for tracking earned interest must ensure that it is separately identifiable from interest earned on non-HVIP funds.
- The methodology for calculating earned interest must be consistent with how it is calculated for the Grantee's other fiscal programs.
- Earned interest must be fully expended by June 30, 2012.

Documentation of interest earned on HVIP funds must be retained for a minimum of three years after it is generated. Documentation of interest expended on eligible vehicles must be retained for a minimum of three years after the interest-funded voucher has been redeemed.

4.10 Fidelity Bond Insurance

ARB encourages the Grantee to maintain Fidelity Bond/Crime Insurance coverage for state-owned property or funding in the care, custody, or control of the Grantee. The policy should include as loss payee the California Air Resources Board and provide insurance against loss of HVIP funding or property due to employee misconduct. Public entities and non-profit agencies may provide either proof of insurance or bond or a letter of self-insurance.

4.11 Records

Without limitation of the requirement to maintain project accounts in accordance with generally accepted accounting principles, the Grantee must:

- Establish an official file for the HVIP which shall adequately document all significant actions relative to the project.
- Establish separate accounts which will adequately and accurately depict all amounts received and expended on the HVIP.
- Establish separate accounts which will adequately and accurately depict all income received which is attributable to the HVIP.
- Establish an accounting system which will adequately depict final total costs of the HVIP, including both direct and indirect costs.

If the Grantee charges unallowable costs for project administration or outreach, it shall be required to substitute eligible administration and outreach expenses equal to the dollar amount found ineligible, or return the funds for the unallowable cost to the ARB.

4.12 Oversight and Accountability

Through its administration of longstanding incentive programs such as the Carl Moyer Program, ARB has found that project evaluations and program reviews are essential to ensure that incentive program funds are run in accordance with statutory requirements and that State funds are spend transparently and efficiently. The Grantee is responsible for working closely with vehicle manufacturers, dealerships and ARB to safeguard HVIP funds from misuse as it implements the HVIP. The Grantee will work with ARB to develop and implement a fraud deterrent protocol to detect fraud and to deter misuse of project funds. Vehicle dealers and purchasers participating in the HVIP must provide ARB or its designee and the Grantee access to all requested files and relevant information related to vehicle purchases involving an HVIP voucher.

ARB holds the overarching responsibility for HVIP fund oversight and project accountability and has final authority regarding vehicle eligibility and other program parameters. As such, ARB is responsible for monitoring and reviewing the Grantee's

implementation of the HVIP. The Grantee shall allow ARB, the Bureau of State Audits, or their designated representative the right to review and to copy any records and supporting documentation pertaining to its development or implementation of the HVIP. The Grantee must maintain such records for a possible audit for a minimum of three years after final payment from ARB. The Grantee must allow ARB or its designee access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records.

Responsibilities for HVIP oversight are as follows:

- ARB has primary oversight responsibility for the HVIP to ensure transparent and efficient implementation, and that AQIP funds are spent consistent with the requirements of statute, the AQIP Guidelines and Funding Plan, the HVIP solicitation and grant agreement with the Grantee, and this Implementation Manual. ARB reserves the right to conduct a site visit, evaluation, review, or audit the HVIP for the life of the project grant.
- If the Grantee detects any potentially fraudulent activity by a vehicle dealer or purchaser, it shall notify ARB as soon as possible and work with ARB to determine an appropriate course of action.
- ARB staff or its designees have primary responsibility for conducting project reviews and/or fiscal audits of HVIP administration and implementation.
- Voucher recipients and the Grantee shall allow ARB, the California Department of Finance, the California Bureau of State Audits, or any authorized designee access, during normal business hours, to conduct HVIP reviews and fiscal audits or other evaluations. Granting of access includes, but is not limited to, reviewing project records, site visits, and other evaluations as needed. Project evaluations or site visits may occur unannounced as ARB staff or its designee deems necessary.

Project Non-Performance

ARB or its designee has the authority to recoup HVIP funds which were received based upon misinformation or fraud, or for which a Grantee, dealership, manufacturer, or vehicle purchaser is in significant or continual non-compliance with this Implementation Manual or State law. ARB also retains the authority to prohibit any entity from participating in the HVIP due to non-compliance with project requirements.

5 DEFINITIONS

“ARB-Certified ” for the purposes of the HVIP means a vehicle that has been certified as a hybrid vehicle and issued an Executive Order by ARB in accordance with the provisions of *California Interim Certification Procedures for 2004 and Subsequent Model Hybrid-Electric Vehicles, in the Urban Bus and Heavy-Duty Vehicle Classes* , adopted by ARB on October 24, 2002 or subsequent revisions (<http://www.arb.ca.gov/regact/bus02/ip.pdf>)

“ARB Project Liaison” for the purposes of this program is the ARB staff person, named in this Implementation Manual, that serves as the point of contact for coordination with the HVIP Grantee.

“Commercial vehicle” for the purposes of this program means any vehicle or combination of vehicles defined in Vehicle Code Section 15210(b).

“Dealer” for the purposes of the HVIP includes dealerships, manufacturers, and TEMs that sell new hybrid medium- or heavy-duty vehicles directly to a vehicle purchaser (see Section 2.4 for dealer eligibility requirements).

“Earned interest” for the purposes of this program means any interest generated from State AQIP funds provided to the Grantee and held in an interest-bearing account.

“Expend” for the purpose of this program means the payment of funds on a invoice for an eligible vehicle.

“Fleet” is defined for purposes of determining eligibility for extra \$5,000 HVIP voucher for first vehicle purchased by a single fleet and limit of 100 vouchers for a single fleet. Fleet means vehicles traveling in California owned by a person, business, non-profit or government agency and consists of one or more vehicles. Vehicles under common ownership or control that share a common California Carrier Identification Number (CA #) are considered part of a single fleet even if they are part of different subsidiaries, divisions, or other organizational structures of a company or government agency.

“Grantee” for the purposes of this program means the entity selected by ARB via competitive solicitation to administer the HVIP. The responsibilities of the Grantee are described in Section 3.2 of this Implementation Manual and in the grant agreement between ARB and the Grantee.

“Gross vehicle weight rating (GVWR)” for the purposes of this program means the vehicle weight described on the original manufacturer Line Setting Ticket provided to the vehicle dealer.

“Heavy-duty vehicle” for the purposes of this program means a motor vehicle having a manufacturer's gross vehicle weight rating greater than 14,000 pounds.

“Hybrid vehicle” for the purposes of this program means any vehicle that can draw propulsion energy from both of the following on-vehicle sources of stored energy: 1) consumable fuel, and 2) a rechargeable energy storage system.

“Incremental cost” for the purposes of this program means the difference in cost between the new hybrid vehicle and the comparable new gasoline or diesel fueled vehicle that would be purchased to perform the same function. For the purposes of the HVIP, a hybrid vehicle incremental cost is assumed to be the amount identified in Table 3 of this Implementation Manual.

“In-kind services” for the purposes of this program means payments or contributions made in the form of goods and services, rather than direct monetary contributions.

“Line Setting Ticket” for the purposes of this program means the factory build or construction sheet created when the vehicle order is sent to the vehicle manufacturer. The Line Setting Ticket typically includes the new vehicle’s identification number (VIN), all the codes for standard equipment and options the salesman used to create this vehicle for his customer. After the factory assembles the vehicle and the vehicle is shipped and sold, the Line Setting Ticket identifies such things as the gross vehicle weight rating, engine type, transmission type, drive line, paint codes, gear ratio, and standard and optional equipment, specific to that vehicle.

“Match funding” for the purposes of this program means those funds contributed by the Grantee directly to the HVIP for the sole purposes of funding additional vehicles or increasing the vehicle voucher amount. Per Section 4.8 there are only two ways match funding can be used.

“Medium-duty vehicle” for the purposes of this program means a motor vehicle having a manufacturer's gross vehicle weight rating of greater than 10,000 pounds but less than or equal to 14,000 pounds.

“Non-profit agency” for the purposes of this program means an agency or corporation that does not distribute corporate income to shareholders and is exempt from federal income taxes under Section 501 of the Internal Revenue Code (26 U.S.C.A. § 501).

“Public fleet” for the purposes of this program includes all federal, state, city and government fleets plus universities, airports, school districts, ports and special districts such as water, utility, and irrigation districts.

“Truck Equipment Manufacturer (TEM)” for the purposes of this program means a company that installs equipment on a truck or bus chassis. The TEM bears full responsibility for any vehicle defects under federal law and is responsible for certifying that the vehicle meets all applicable federal safety standards.

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APPENDIX A

**AB 118: HYBRID TRUCK AND BUS VOUCHER INCENTIVE PROGRAM (HVIP)
VEHICLE ELIGIBILITY APPLICATION FOR ORIGINAL HYBRID VEHICLE
MANUFACTURERS**

This is an application for hybrid vehicles which are not certified by the California Air Resources Board (ARB) to become eligible for HVIP incentive funding. Hybrid medium- and heavy-duty vehicles which are ARB-certified are automatically eligible for HVIP voucher funding, provided they meet all other applicable program requirements.

In order for *non-ARB certified hybrid heavy-duty vehicles* to become eligible for HVIP vouchers, vehicle manufacturers must:

1. have their vehicle listed by the Internal Revenue Service (IRS) as eligible for a federal tax credit pursuant to the Energy Policy Act of 2005 (the current IRS list of Qualified Heavy Hybrid Vehicles is found at: www.irs.gov/businesses/article/0,,id=175456,00.html); and
2. complete this vehicle eligibility application form. Only vehicles which can demonstrate that the vehicle hybrid platform, engine, and after-treatment devices will continue to function as required and that the vehicle’s air quality benefits are not adversely impacted will be approved for HVIP funding eligibility.

ARB reserves the right to request additional information or clarification of responses provided in this application. This application applies to and must be completed by the original vehicle manufacturer or its legal representative. ARB may require additional information from a Truck Equipment Manufacturer or Final Stage Vehicle Manufacturer before listing a vehicle as eligible for funding.

Part I: Original Vehicle Manufacturer Information

1. Company Name/Organization Name/Individual Name:		
2. Contact Name and Title:		
3. Business Mailing Address and Contact Information		
Street:		
City:	State:	Zip Code:
Phone: ()	Fax: ()	
E-mail:		

In Table 1 (below), please describe the vehicle exactly as identified on the current IRS Qualified Heavy Hybrid Vehicles list, and indicate the typical cost of the vehicle for sale in California (not including applicable sales tax) with normal dealer profit.

Table 1: Vehicle Information

Model Year	Vehicle Description (vehicle type; vehicle model, engine model, hybrid system)	Gross Vehicle Weight

Typical vehicle pre-tax cost in California with normal dealer profit: \$ _____

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Part II: Self-Certification of Vehicle and Engine Parameters

Please check the box next to each statement if the statement is correct. Do not check the box if the statement is not correct.

- This vehicle utilizes an ARB-certified engine.
Engine Family: _____
ARB Executive Order Number: _____
Engine type (check one):
 - Light-heavy duty diesel engine
 - Medium-heavy duty diesel engine
 - Heavy-heavy duty diesel engine
 - Other (please describe): _____

- The vehicle meets the original engine manufacturer's build requirements.
- No modifications have been made to the engine hardware or after-treatment device(s).
- No modifications have been made to the engine's original software calibrations.
- The hybrid vehicle operation does not change the engine's certified regeneration cycles/events for emission control devices such as filters.
- The vehicle emission control sensors or signals to or from the engine control module have not been modified.
- This vehicle has at least one service provider for the hybrid vehicle in California. Please provide name and city of primary service provider. _____
- This vehicle's electric drive or software calibrations shall be updated at a Truck Equipment or Final Stage Manufacturer (TEM). If answer is "yes", please provide the following:
TEM Name and Mailing Address: _____

- TEM Contact Name and Phone Number: _____

Part III: Attachments

As attachments to this form, please provide all of the following:

- An engine exhaust temperature profile for the vehicle while operating as part of its typical, intended function. Engine exhaust temperature must be measured every one to five seconds.
- Briefly describe information provided to vehicle dealers/purchasers regarding proper disposal of the hybrid vehicle battery and how this information is conveyed.

I hereby certify by penalty of perjury that all information provided in this application and any attachments are true and correct.

Printed Name of Responsible Party:	Title:
Signature of Responsible Party:	Date:

APPENDIX B

**Air Quality Improvement Program (AQIP)
Hybrid Truck and Bus Voucher Incentive Program**

Draft List of Eligible Vehicles and Funding Amounts

ISE Corporation			
Model Year	Vehicle Description	Gross Vehicle Weight	HVIP Voucher Amount
2009	ISE Corporation Hybrid Urban Bus with Gasoline Engine Model F53-04 (6.8L) (Engine Family 9ISEH06.8GHB)	14,001 - 26,000	\$25,000
2009	ISE Corporation Hybrid Urban Bus with Gasoline Engine Model F53-04 (6.8L) (Engine Family 9ISEH06.8GHB)	26,001-33,000	\$30,000
2009	ISE Corporation New Flyer Hybrid Urban Bus with Gasoline Engine Model F53-04 (6.8L) (Engine Family 9ISEH06.8GHB)	14,001 - 26,000	\$25,000
2009	ISE Corporation New Flyer Hybrid Urban Bus with Gasoline Engine Model F53-04 (6.8L) (Engine Family 9ISEH06.8GHB)	26,001-33,000	\$25,000
2009	ISE Corporation NAB1 42 Hybrid Urban Bus with Gasoline Engine Model F53-04 (6.8L) (Engine Family 9ISEH06.8GHB)	14,001 - 26,000	\$25,000
2009	ISE Corporation NAB1 42 Hybrid Urban Bus with Gasoline Engine Model F53-04 (6.8L) (Engine Family 9ISEH06.8GHB)	26,001-33,000	\$30,000

Navistar, Inc./Eaton Corporation			
Model Year	Vehicle Description	Gross Vehicle Weight	HVIP Voucher Amount
2009	Navistar International DuraStar Hybrid Box Truck; Model MaxxForce DT Equipped with an Eaton 10 HEV Hybrid System 13 GSC	14,001 - 26,000	\$25,000
2009	Navistar International DuraStar Hybrid Box Truck; Model MaxxForce DT Equipped with an Eaton 10 HEV Hybrid System 13 GSB	26,001-33,000	\$30,000
2009	Navistar International DuraStar Hybrid Utility Truck; Model MaxxForce DT Equipped with an Eaton 10 HEV Hybrid System 13 GSC	14,001 - 26,000	\$25,000
2009	Navistar International DuraStar Hybrid Utility Truck; Model MaxxForce Equipped with an Eaton 10 HEV Hybrid System 13 GSB	26,001-33,000	\$30,000

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Navistar, Inc./IC Bus LLC			
Model Year	Vehicle Description	Gross Vehicle Weight	HVIP Voucher Amount
2009	Navistar IC Bus Model PB10500 CE Series Hybrid School Bus Equipped with the Enova Charge Depleting Hybrid Drive System	14,001 - 26,000	\$25,000
2009	Navistar IC Bus Model PB10500 CE Series Hybrid School Bus Equipped with the Enova Charge Depleting Hybrid Drive System	26,001-33,000	\$30,000
2009	Navistar IC Bus Model PC10500 CE Series Commercial Bus Equipped with the Enova Charge Depleting Hybrid Drive System	14,001 - 26,000	\$25,000
2009	Navistar IC Bus Model PC10500 CE Series Commercial Bus Equipped with the Enova Charge Depleting Hybrid Drive System	26,001-33,000	\$30,000
2010	Navistar IC Bus Model PB10500 CE Series Hybrid School Bus Equipped with the Enova Charge Depleting Hybrid Drive System	14,001 - 26,000	\$25,000
2010	Navistar IC Bus Model PB10500 CE Series Hybrid School Bus Equipped with the Enova Charge Depleting Hybrid Drive System	26,001-33,000	\$30,000
2010	Navistar IC Bus Model PC10500 CE Series Commercial Bus Equipped with the Enova Charge Depleting Hybrid Drive System	14,001 - 26,000	\$25,000
2010	Navistar IC Bus Model PC10500 CE Series Commercial Bus Equipped with the Enova Charge Depleting Hybrid Drive System	26,001-33,000	\$30,000

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APPENDIX C



Linda S. Adams
*Secretary for
Environmental Protection*

Air Resources Board

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov

Arnold Schwarzenegger
Governor



December , 2008

Mail-Out #MSC 08-XX

TO: All Interested Parties

SUBJECT: LOWER-EMISSION SCHOOL BUS PROGRAM ADVISORY 08-006
ELIGIBLE APPLICANTS FOR NEW REPLACEMENT SCHOOL BUSES
(*LAST UPDATED DECEMBER 2008*)

This policy advisory provides air districts and public school districts participating in the Lower-Emission School Bus Program guidance regarding eligible applicants for new replacement school buses.

Background

Since the creation of the program, Lower-Emission School Bus Program funding has targeted replacing the oldest school buses in the state and retrofitting in-use buses, to ensure that the program reduces children's exposure to smog-forming and cancer-causing pollution. School bus replacement funds have always been oversubscribed, going almost exclusively to public school districts. Since there are other public entities that provide public, K-12, student home-to-school transportation, clarification of which public entities are eligible to participate in the replacement portion of the Lower-Emission School Bus Program is needed.

Eligible Applicants

Public School Districts: The 2008 Lower-Emission School Bus Program Guidelines (Guidelines) describe eligible applicants for replacement funds as "Public school districts in California that own their own buses..." This includes public school districts that own their buses but contract with a County Office of Education or private contractor for maintenance and operations.

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Joint Power Authorities: The 2008 Guidelines also state “Where a Joint Power Authorities (JPA) has been formed by several public school districts, and the JPA holds ownership of the school buses, then the JPA is also eligible to participate.”

Public Charter Schools: The intent of this advisory is to clarify that other public entities that provide public, K-12, student home-to-school transportation are also eligible to receive funding for the replacement of older school buses provided the buses to be replaced meet the requirements of the Lower-Emission School Bus Program. One such entity is public charter schools.

County Offices of Education acting as a public school district: County Offices of Education are not public school districts. However, there are circumstances where a County Office of Education acts as a public school district such as taking over and operating a ‘failing’ public school or operating a public school for any other reason. In these cases, County Offices of Education are eligible to receive funding for the replacement of older school buses provided the buses to be replaced meet the requirements of the Lower-Emission School Bus Program.

Ineligible Applicants

School Transportation Contractors: School transportation contractors are not eligible to apply for school bus replacement funds. This includes County Offices of Education under contract to provide public, K-12, student home-to-school transportation.

Non-Profit Agencies, Private Schools, and Private Companies: Also, school bus purchases by non-profit agencies, private schools, and other private companies are not eligible for State program funding.

If you have questions regarding the Lower-Emission School Bus Program Advisory 08-006 Eligible Applicants for New Replacement School Buses, please contact Ms. Lisa Jennings, Air Pollution Specialist, at (916) 322-6913 or lnenning@arb.ca.gov.

Sincerely,

/s/

Robert H. Cross, Chief
Mobile Source Control Division

cc: Ms. Lisa Jennings
Air Pollution Specialist
Planning and Regulatory Development Section

DRAFT FOR REVIEW ONLY

8/31/2009

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