

## Chapter 2: GENERAL CRITERIA

The project criteria listed below apply to all Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) projects. Additional project criteria are located in the relevant source category chapters. In cases where the source category requirements conflict with the criteria listed below, the source category requirements will take precedence. Projects must also conform to the project application, contract, reporting, and other requirements as described in Chapter 3: Program Administration.

- A. Emission reductions obtained through Carl Moyer Program projects must not be required by any federal, state or local regulation, memorandum of agreement/understanding, settlement agreement, mitigation requirement, or other legal mandate.
- B. The air quality management district (air district) governing board or the Air Resources Board (ARB) rule approval date (or the promulgation date of a federal regulation) represents the cutoff date by which a Carl Moyer Program project contract must be fully executed, without needing to consider the rule in evaluating the surplus nature of the project's emission reductions. After that date, the new rule must be considered in the evaluation of a project's eligibility.
- C. A grant recipient subject to an in-use regulation may be eligible to receive funding through the Carl Moyer Program if the applicant has met all compliance requirements of applicable regulations. Documentation of regulatory compliance must be provided by applicants to air districts at the time of pre-inspection.
- D. Participating air districts retain the authority to impose additional more stringent requirements in order to address local concerns.
- E. No emission reductions generated by the Carl Moyer Program may be used as marketable emission reduction credits, or to offset any emission reduction obligation of any person or entity.
- F. The Carl Moyer Program will only take credit for the emission reductions achieved from a project or part of the project funded using any Carl Moyer Program incentive funds.
- G. No project funded by the Carl Moyer Program may be used for credit under any federal or state emission averaging banking and trading program.
- H. Engines operating under a regulatory compliance extension granted by ARB, an air district, or the United States Environmental Protection Agency (U.S. EPA) are not eligible for funding.

- I. Throughout the contract term, projects funded by the Carl Moyer Program must not be used to generate credits or compliance extensions, and must be excluded when determining regulatory compliance.
- J. Projects funded by the Carl Moyer Program must be included when defining the size of the fleet for determining regulatory requirements.
- K. Projects must meet a cost-effectiveness limit per weighed ton of oxides of nitrogen (NOx), reactive organic gases, and particulate matter reduced as calculated in accordance with Appendix G.
- L. Except for tax credits, tax deductions, public rebates, public loans, or local air district penalty funds, all other funds contributed to a project including air district local AB 923 funds, or local air district mitigation fees, and other state and local air district incentives, must be part of the cost-effectiveness calculations and must meet current cost-effectiveness limits (Health & Safety Code § 44283(d)). An example of the calculation methodology is located in Appendix C.
- M. If an applicant reports other public financial incentives, the air district must deduct this amount from the total incremental costs that can be funded with Carl Moyer Program funds, except for tax credits, tax deductions, public rebates, public loans, or local air district penalty funds (Health & Safety Code § 44283(g)). An example of the calculation methodology is located in Appendix C.
- N. Federal funding for programs to reduce greenhouse gas (GHG) emissions, funding provided by the Alternative and Renewable Fuel and Vehicle Technology Program, Air Quality Improvement Program, or ARB's Low Carbon Transportation Investment funds to reduce GHG emissions are exempt from the requirements in sections L and M above. For these exempt projects, grantees must provide at least 15 percent of the project cost from non-public sources.
- O. Public agency applicant funds toward a project are exempt from the requirement in sections L, M, and N above. Emission reductions may not be claimed for the applicant-funded portion of the project. The sum of all grants and public funding sources shall not exceed the total project cost (Health & Safety Code § 44287.2(b)).
- P. Carl Moyer Program grants can be no greater than a project's incremental cost. The incremental cost is described in each source category chapter of these Guidelines.
- Q. Carl Moyer Program funds cannot be used for fuel projects; however other funds under an air district's budgetary authority or fiduciary control (e.g. match funds) may be used to pay for the incremental cost of liquid or gaseous fuel, other than standard gasoline or diesel, which is integral to a project receiving grant funding under the Carl Moyer Program. If all Carl Moyer Program criteria are met and the project is not a "fuel-only" project, the incremental cost of alternative fuel can be considered a qualified matching contribution from an air district.

- R. The contract term must extend to the end of the project life.
- S. The new engine/vehicle/equipment must remain in service for the project life.
- T. Projects must have at least 75 percent of their total activity for the project life in California (this requirement does not apply to marine projects).
- U. Potential projects that vary from the requirements of these Guidelines and do not meet all of these criteria may be approved by ARB on a case-by-case basis if the project is demonstrated to achieve real, surplus, quantifiable, enforceable, cost-effective emission reduction benefits in California for the full project life. Additional information regarding approval of case-by-case projects is found in the Program Administration chapter.
- V. Carl Moyer Program projects must meet requirements applicable to that project category found in the applicable source category chapter of these Guidelines, in addition to the general criteria outlined in this chapter.
- W. In general, projects must have a minimum project life of three years, but some source categories allow a project life of less than three years. Refer to the specific source category chapter for more detail.
- X. Projects for which activity is based on hours of operation must include a functioning hour meter on the new engine.
- Y. Project engines and retrofits may only use the fuel allowed by the engine certification or retrofit device verification during the project life. Fuel additives are not allowed to be used unless specifically identified as allowable in the engine certification or retrofit device verification.
- Z. Replacement engines participating in the averaging, banking, and trading program that are certified to family emission limits (FEL) higher than the applicable emission standards, as designated on the Executive Order are ineligible to participate in the Carl Moyer Program.
- AA. Replacement engines that are certified to a FEL NO<sub>x</sub> or NO<sub>x</sub> + non-methane hydrocarbons (NMHC) level that is lower than the required emission standard are eligible to be used in repower and replacement projects. However, the emission level that can be used in cost-effectiveness calculations for these engines would be the applicable emission standards and not the FEL levels.
- BB. Emission reduction technologies must be certified or verified by ARB. If an ARB certification or verification process does not exist or if engines or retrofits are preempted from ARB certification/verification, then an engine or retrofit must be certified/verified to Federal standards as applicable.

- CC. For the purposes of the Carl Moyer Program, a technology granted a conditional certification/verification by ARB is considered certified/verified.
- DD. Emission reduction technologies for sale in California must comply with all durability and warranty requirements.
- EE. Prior to destruction, an engine that is required to be dismantled may be used as a test engine for purposes of retrofit or fuel verification. This can occur as long as the engine complies with the requirements of the guidelines, and the old engine must be destroyed before a payment to the grantee is issued for the new engine.
- FF. In circumstances where projects have multiple engines per vehicle/equipment, the replacement (or repower) engines are eligible for funding. The emission benefits calculation may be based on overall vehicle/equipment cost-effectiveness and not on a per engine basis at the discretion of the air district. The project must meet the current project cost-effectiveness cap.
- GG. Funding is not available for projects where a spark-ignition engine (i.e., natural gas, gasoline, etc.) is replaced with a diesel engine.
- HH. For a new purchase, engine(s) must be certified by ARB to reduce NOx emissions by at least 30 percent more than the current NOx emission standard. This criterion also applies to locomotives with the exception that the engine(s) must be certified by U.S. EPA. For marine vessel new purchases, refer to chapter for specific criteria.
- II. For repower and replacement projects, the replacement engine must achieve an annual NOx emissions benefit of at least 15 percent.
- JJ. Retrofit projects that reduce NOx emissions must be verified by ARB to a NOx reduction level of at least 15 percent from the baseline engine to claim NOx reductions from the project.
- KK. No public monies are allowed for the support of any sectarian or denominational school, or any school not under exclusive control of the officers of the public schools.
- LL. These 2011 Guidelines must be used for all projects funded with fiscal year 2011-2012 (Carl Moyer Program Year 14) and subsequent years' funds. For projects funded using fiscal year 2010-2011 funds (Year 13), or any previously awarded funds, an air district has the option of using either the 2008 Guidelines (and relevant Program Advisories and Mail-Outs) or using these 2011 Guidelines. Air districts may not pick and choose requirements from both sets of Guidelines. The 2011 Guidelines may be utilized after the Board approval date and would apply to projects for which contracts have been fully executed after the Board approval date. If an air district chooses to begin applying the 2011

Guidelines to projects, it must continue to apply only the 2011 Guidelines to all subsequently funded projects. ARB will follow these 2011 Guidelines for administration of the Carl Moyer Program following Board approval.

- MM. The revised cost-effectiveness limit and capital recovery factors may be used by air districts once the Board adopts the 2011 Carl Moyer Program Guidelines, but must be used by July 1, 2011. As required per statute, ARB will update the cost-effectiveness limit and capital recovery factors annually through a Mail-Out.
- NN. Contracts executed after the adoption date of a regulation must consider all applicable regulations when determining eligibility for a project. If an existing contract is amended to increase the total Carl Moyer Program funding of the project, then the air district must reevaluate eligibility and consider all applicable regulations. If the total dollars do not increase, then the air district does not need to reevaluate eligibility.
- OO. For a repower project, the installation of the engine must be completed in a manner such that it does not void the engine warranty provided by the manufacturer and any remaining warranty provided by the equipment/vehicle manufacturer.
- PP. Any funds earned or collected by the air district through Carl Moyer Program resources must be reported and either returned to ARB or spent on the air district's Carl Moyer Program. The Carl Moyer Program does not require Districts to earn funds through its program actions. Districts are not expected to base business decisions on their ability to generate returns or collect funds through program activity.
- QQ. Any Carl Moyer grant funds lost due to air district investment choice will be replaced by the air district. Air Districts are free to designate the type of storage account based on their business needs.