

REVISIONS TO THE CARL MOYER PROGRAM GUIDELINES

Mailout #MSC 10-50; 10-52; 11-01

Summary of Public Comments and Agency Responses

The following comments were received at the December 8, 2010 public meeting, or prior to the final comment dates listed in Mailouts 10-50 or 10-52, and are reflected in the final Guideline language contained in Mailout 11-01.

A. On-Road Changes

1. **Comment:** The Carl Moyer and Voucher Incentive Program should preferentially fund diesel retrofit systems that are verified to reduce both NOx and PM emissions.

Agency Response: Retrofit projects funded under the Carl Moyer Program (CMP) currently require the highest-level retrofit verified for the specific engine. The 2008 CMP Guidelines specify that the highest-level retrofit achieves the highest level of PM reductions (Level 3 – 85 percent) and the highest level of NOx reductions (2008 CMP Guidelines, Chapter III, Section IV(e)(4)). If there are no retrofit devices verified for the specific engine that reduce NOx, then any Level 3 PM retrofit would meet the highest level retrofit requirement.

2. **Comment:** Funding of up to 100% of retrofit cost should be reinstated for devices that reduce both NOx and PM.

Agency Response: Currently, the maximum grant amount for the highest level retrofit is \$10,000. Grant amounts are determined through a cost-effectiveness calculation that evaluates the total cost and emission reduction of the project. In order to qualify for the current maximum grant of \$10,000 for model year 2004-2006 engines and meet cost-effectiveness requirements, an applicant would need to operate approximately 100,000 miles per year. Since the vast majority of applicants operate less than 100,000 miles per year, ARB did not propose to raise the maximum retrofit funding amount.

3. **Comment:** Is ARB proposing to change the maximum funding amount for retrofits?

Agency Response: No. The maximum funding amount for retrofits will remain at \$10,000.

4. **Comment:** Expanding the two year minimum surplus period to all eligible on-road retrofit projects is good; reducing the surplus period to one year would be even better.

Agency Response: As described in Mailout 10-50, the two year minimum surplus period applies to on-road retrofit projects with small fleets. Most CMP projects require a minimum three year surplus period to help ensure that emission reductions are surplus to regulatory requirements. The two year surplus flexibility was originally granted by the Board in December, 2008 for small fleets requesting Fleet Modernization funding, recognizing the unique economic challenges faced by owner/operators. The Guideline changes finalized in Mailout 11-01 are consistent with previous Board direction.

5. **Comment:** ARB is proposing to reduce the required registration period from two years to the past eight consecutive months, when supplemented by alternate documentation showing California operation for the past 24 months. What are examples of alternate documentation?

Agency Response: Examples of alternate documentation are provided in the CMP Guidelines (Chapter IV, Section 4(b)(7)). Examples include logbooks, fuel records, maintenance records, or tax records.

6. **Comment:** Will the proposed change to the registration requirement apply to truck replacement projects and retrofit projects?

Agency Response: Yes, the Guideline changes finalized in Mailout 11-01 cover all on-road projects, including retrofits, Fleet Modernization, and the on-road Voucher Incentive Program (VIP).

7. **Comment:** ARB is proposing to reduce the emission reduction surplus period for on-road small fleet retrofit projects. Are small fleets defined as three or fewer vehicles?

Agency Response: Yes. Small fleets have the same definition as in the Statewide Truck & Bus Regulation (Cal Code Regs., tit. 13, § 2025). In most cases, fleets of three or fewer trucks are small fleets.

8. **Comment:** Who will enforce the requirement that Carl Moyer Program projects do not engage in drayage activities during the contract term?

Agency Response: For trucks funded through the on-road VIP, ARB will monitor and enforce the drayage restrictions. For trucks funded through any other CMP funding option, the funding contract is between the air district and the grant recipient, so the air district would enforce drayage restrictions as identified in the funding contract.

9. **Comment:** Is “dray-off” considered drayage activity?

Agency Response: Yes. The December 2010 board action included these trucks in the Drayage Rule.

10. **Comment:** What is the proposed on-road VIP funding cap for a replacement truck that meets the 2010 NOx engine standards of 0.20 grams per brake horsepower hour (g/bhp-hr)?

Agency Response: The funding cap for replacement trucks that meet the 0.20 g/bhp-hr NOx standard is \$45,000, the same as the current funding cap for trucks that meet the 1.20 g/bhp-hr NOx standard. Trucks that meet the cleaner standard may be able to qualify for a higher grant amount, or may qualify for the maximum grant amount at a lower mileage or fuel use level.

11. **Comment:** Is the on-road VIP funding cap for a used truck meeting the 2010 engine standards also \$45,000?

Agency Response: The on-road VIP funding cap for used trucks is \$35,000 for heavy heavy-duty (HHD) trucks, and \$30,000 for medium heavy-duty (MHD) trucks. ARB staff is proposing additional changes to the maximum funding amounts through the CMP retooling process. The proposed funding cap for used trucks meeting the 1.20 g/bhp-hr NOx standard is \$35,000 and \$20,000 for heavy heavy-duty and medium heavy-duty trucks, respectively. The proposed retooling changes will be released for public comment in March, 2011, and will be considered by the Board in April, 2011. For more information on retooling, please visit the retooling website:
<http://www.arb.ca.gov/msprog/moyer/retooling.htm>.

12. **Comment:** Why does the Carl Moyer Program allow funding for replacement trucks with engines that do not meet the current NOx standard of 0.20 g/bhp-hr.

Agency Response: The new 0.20 g/bhp-hr NOx engine standard became effective on January 1, 2010. Some engines manufactured before this date were certified to a higher NOx engine standard, and may be sold for a period of time during the transition to the new standard. The intent of the new funding levels is to maximize the incentive to purchase trucks with the cleanest engines available. Funding options remain, albeit at a lower amount, for trucks with engines certified between 1.20 and 0.20 g/bhp-hr NOx. This flexibility will help to improve the supply of qualifying less expensive new and used trucks that still provide a significant emission reduction.

13. **Comment:** Is there any advantage for trucks that did not use credits to meet engine emission standards?

Agency Response: Yes. Engines that are certified to 0.20 g/bhp-hr NOx can receive a higher funding amount.

14. **Comment:** Is there any difference in funding amounts or eligibility for trucks above or below 26,000 gross vehicle weight rating (GVWR)?

Agency Response: The changes to the Truck and Bus Regulation (Regulation) include special provisions for trucks with a GVWR of 26,000 lbs or below. Currently, the on-road funding amounts and eligibility are based on the Regulation as adopted in December, 2008. However, ARB is separately preparing a revision to the entire CMP Guidelines through the retooling process. The Guidelines changes proposed through the retooling process will include changes resulting from regulatory amendments adopted in December, 2010. The proposed retooling changes will be released for public comment in March, 2011, and will be considered by the Board in April, 2011. For more information on retooling, please visit the retooling website: <http://www.arb.ca.gov/msprog/moyer/retooling.htm>.

15. **Comment:** Can trucks that are powered by either liquefied natural gas (LNG) or diesel qualify for the maximum CMP on-road grant amount of \$60,000?

Agency Response: Yes. Funding amounts are determined in part by the replacement engine emissions certification level, regardless of fuel type. However, the baseline truck must have a diesel powered engine.

16. **Comment:** The Off-Road Equipment Replacement Program is being modified to allow administration by an air district without a plan approved in advance by ARB. Is ARB proposing to allow implementation of the Fleet Modernization program without a pre-approved plan?

Agency Response: In Mailout 11-01 ARB did not eliminate the air district requirement for a pre-approved Fleet Modernization plan. However, ARB is separately preparing a revision to the entire CMP Guidelines through the retooling process. ARB has conducted workshops that included the concept of eliminating the requirement for a pre-approved Fleet Modernization plan, and instead requiring that a Fleet Modernization section be added to the district's CMP Policies and Procedures. The proposed retooling changes will be released for public comment in March, 2011, and will be considered by the Board in April, 2011. For more information on retooling, please visit the retooling website: <http://www.arb.ca.gov/msprog/moyer/retooling.htm>.

17. **Comment:** The Carl Moyer Program should allow on-road funding for fleets with 10 or fewer vehicles.

Agency Response: This suggested change to eligibility requirements is beyond the scope of the changes proposed in the mailouts. However, ARB is separately preparing a revision to the entire CMP Guidelines through the retooling process. ARB has conducted workshops that included the concept of expanding on-road

funding eligibility to fleets with 10 or fewer vehicles. The proposed retooling changes will be released for public comment in March, 2011, and will be considered by the Board in April, 2011. For more information on retooling, please visit the retooling website:

<http://www.arb.ca.gov/msprog/moyer/retooling.htm>.

18. Comment: The Carl Moyer Program should allow on-road funding for solid waste collection vehicles.

Agency Response: Vehicles that are subject to the Solid Waste Collection Vehicle Rule, including residential refuse collection vehicles, currently qualify for CMP funding through the Fleet Modernization program. Grants must be based on NOx reductions only, because the Rule required that all regulated vehicles reduce PM emissions by December 31, 2010. Because on-road VIP grants are based on PM and NOx reductions, vehicles subject to the Rule are not eligible for VIP funding.

B. Off-Road Equipment Replacement Program Changes

19. Comment: In the Equipment Replacement Program, is the current requirement that an applicant document the availability and cost of repowering the existing equipment being eliminated?

Agency Response: Yes. The Guideline changes finalized in Mailout 11-01 modified how the maximum funding limit is determined by allowing the maximum eligible funding amount be 80 percent of the total new equipment costs, up to the cost-effectiveness limit. This eliminates the need to determine the cost and availability of engine repowers for specific pieces of equipment which are planned for replacement.

20. Comment: Does the proposed change to the documentation requirements of the equipment replacement program mean that the districts are no longer required to put usage criteria in the contract if applicants supply two years of usage documentation in the application?

Agency Response: Yes. At this time, participants must submit documentation of annual usage of existing equipment for the previous two years. The documented usage is then used to determine project cost-effectiveness and is included as a requirement in the project contract. In March 2010, the Board approved changes to the general CMP administrative requirements to eliminate the requirement to specify usage in Carl Moyer funded project contracts provided robust, historic usage documentation was provided during the application process. Alternatively, applicants who are unable to provide robust usage documentation can participate in the Carl Moyer Program so long as equipment usage is specified in the project contract. Grantees are still required to submit all required annual reports necessary ensure that actual project usage is monitored.

The Guideline changes finalized in Mailout 11-01 make the Equipment Replacement Program usage requirements consistent with the March 2010 administrative changes.

21. **Comment:** What specific usage documentation must an equipment replacement project applicant provide to allow districts to evaluate a project for eligibility?

Agency Response: The Guideline changes finalized in Mailout 11-01 did not modify the type of documents acceptable to determine usage in equipment replacement projects. Rather, the modified language allows districts to exclude usage in the project contract if documentation of annual usage is provided during the application process (see Response #20). The type of documentation acceptable to document usage in off-road equipment replacement projects can be found in the current CMP Guidelines (Chapter VII, section IV(b)(4)).

22. **Comment:** In the Equipment Replacement Program, what are the criteria for establishing the contracted level of use in project contracts if the project applicant did not supply robust usage documents during the application process?

Agency Response: The district and applicant would need to review information available at the time of application submittal and determine the appropriate usage amount to specify in the project contract. The applicant would then be obligated via contract to meet the usage requirement and would be required to submit annual usage reports to confirm project usage.

23. **Comment:** Why not simply establish a date by which only new equipment with Tier 4 engines be allowed to be purchased under the equipment replacement program? Will district staff be required to determine when new Tier 4 engines are available?

Agency Response: With the varying compliance options available to manufacturers producing new engines, significant challenges exist to determine a specific date when all new equipment will be available for purchase and delivery with a Tier 4 engine. Therefore staff does not feel it is appropriate to establish a cut off date at this point. This uncertainty has added additional burden and concern for both applicants and districts needing to confirm what is determined to be the cleanest engine available. In order to help eliminate the uncertainty during this transitional period while Tier 4 engines are being introduced into the market, staff added language through Mailout 11-01, which clarifies when an engine is considered "available." For example, the language states that if a specific piece of equipment cannot be purchased and delivered within six months of commitment to a project, it will be acceptable to purchase equipment with an engine meeting the previous Tier. However, if the project contract is not executed within six months of district commitment, then the district

must recheck for the availability of equipment with Tier 4 engines. This has added a clear mechanism to confirm when the cleanest equipment is available for a specific project and yet also ensure that a good faith effort is made to purchase and deliver the cleanest replacement equipment. Districts and applicants will need to use Executive Orders and information from dealers and manufacturers to determine availability.

24. Comment: What if the existing (old) equipment is a brand which is no longer available? Can the availability check be limited by the equipment brand that the applicant requests?

Agency Response: No. If the existing (old) equipment is a brand which is no longer available for sale, without any other factors under consideration, equipment with the cleanest engine available should be purchased and the brand of the existing equipment should not be a consideration. If however, an applicant applies for a equipment replacement project grant, and the brand of the existing (old) equipment only offers Tier 3 engines and, the district receives documentation from the equipment manufacturer that a cleaner engine cannot be purchased and delivered within six months of project commitment (thus the Tier 3 engine is the cleanest available for that brand), then the project may proceed with the brand specific Tier 3 engine, assuming all other Carl Moyer project criteria are met.

C. Other Comments

25. Comment: When will the modified Guidelines be available?

Agency Response: Mailout 11-01 included final modified Guideline language. The preceding 45-day notifications, Mailouts 10-50 and 10-52, discussed in detail the changes that ARB is proposing. In the future, staff will include draft Guideline language in the 45-day notification Mailout along with a discussion of the proposed changes.

26. Comment: When will the proposed changes become effective?

Agency Response: The implementing Mailout, 11-01, was posted on January 10, 2011 and the Guidelines changes became effective on that date.