



# **Clean Diesel Program EPA DERA 2021**

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## **Funding Program Guidelines**

Washington State Department of Ecology  
Olympia, Washington

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## Publication Information

This document is available on the Department of Ecology's website at:

<https://apps.ecology.wa.gov/publications/summarypages/2102026.html>

This document contains federal and state guidelines for administration of the 2020 EPA State Diesel Emission Reduction Act (DERA) Grant Program. (Notice of Funding Opportunity Number EPA-CEP-01 CDFA# 66.040) These guidelines apply to Ecology as the primary applicant for the grant and any sub-applicants requesting Ecology pass-thru any of these funds via an Ecology sub-grant.

## Contact Information

### Air Quality Program

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**Website**<sup>1</sup>: [Washington State Department of Ecology](http://www.ecology.wa.gov)

## ADA Accessibility

The Department of Ecology is committed to providing people with disabilities access to information and services by meeting or exceeding the requirements of the Americans with Disabilities Act (ADA), Section 504 and 508 of the Rehabilitation Act, and Washington State Policy #188.

To request an ADA accommodation, contact Ecology by phone at 360-407-6800 or email at [melanie.forster@ecy.wa.gov](mailto:melanie.forster@ecy.wa.gov). For Washington Relay Service or TTY call 711 or 877-833-6341. Visit Ecology's website for more information.

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<sup>1</sup> [www.ecology.wa.gov/contact](http://www.ecology.wa.gov/contact)

# Department of Ecology's Regional Offices

## Map of Counties Served



<b>Southwest Region</b> 360-407-6300	<b>Northwest Region</b> 206-594-0000	<b>Central Region</b> 509-575-2490	<b>Eastern Region</b> 509-329-3400
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Region	Counties served	Mailing Address	Phone
<b>Southwest</b>	Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Mason, Lewis, Pacific, Pierce, Skamania, Thurston, Wahkiakum	P.O. Box 47775 Olympia, WA 98504	360-407-6300
<b>Northwest</b>	Island, King, Kitsap, San Juan, Skagit, Snohomish, Whatcom	P.O. Box 330316 Shoreline, WA 98133	206-594-0000
<b>Central</b>	Benton, Chelan, Douglas, Kittitas, Klickitat, Okanogan, Yakima	1250 West Alder Street Union Gap, WA 98903	509-575-2490
<b>Eastern</b>	Adams, Asotin, Columbia, Ferry, Franklin, Garfield, Grant, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman	4601 North Monroe Spokane, WA 99205	509-329-3400
<b>Headquarters</b>	Statewide	P.O. Box 46700 Olympia, WA 98504	360-407-6000

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## I. Overview

EPA's Office of Transportation and Air Quality solicited proposals from eligible states and territories for participation in the 2020 Diesel Emission Reduction Act (DERA) State Grants. EPA anticipates approximately \$87 million available for all fiscal year 2020 DERA programs. In accordance with DERA, EPA makes 30 percent (approximately \$27 million for fiscal year 2020) of the annual allocation available to states and territories in the form of assistance agreements under the State Grants. Funding can support grant, rebate, and loan programs administered by eligible states or territories that are designed to achieve significant reductions in diesel emissions.

The DERA State Grants program is not a competition; it is an allocation process in which the eligible states and territories submit their interest to participate to EPA, and EPA awards a specific allocation by formula, based on the number of states and territories with approved applications that participate.

Ecology's Clean Diesel Program submitted their interest to participate in 2021 DERA State Grant program and accepted \$526,487 in federal funds with an additional state contribution of \$350,991. Funding was then passed through to local governmental agencies for eligible diesel emission reduction projects.

The Clean Diesel Program eligible diesel emissions reduction solutions include verified emissions control technologies such as engine retrofits, cleaner fuels, engine upgrades, verified idle reduction technologies, verified aerodynamic technologies and low rolling resistance tires, certified engine replacements, and certified vehicle or equipment replacements.

Eligible diesel vehicles, engines and equipment may include buses, Class 5 – Class 8 heavy-duty highway vehicles, marine engines, locomotives and nonroad engines, equipment or vehicles used in construction, handling of cargo (including at a port or airport), agriculture, mining or energy production (including stationary generators and pumps).

All public materials for the DERA State Grants are available on [EPA's DERA Grant website](#)<sup>2</sup>.

The Washington State Clean Diesel Program uses DERA State Grant funding in support of Ecology's Diesel Particulate Emission Reduction Strategy (Diesel Strategy), to reduce diesel exhaust particulate matter. A copy of our [Diesel Strategy](#)<sup>3</sup> can be downloaded from Ecology's website.

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<sup>2</sup> <https://www.epa.gov/dera/state>

<sup>3</sup> <https://fortress.wa.gov/ecy/publications/documents/0602022.pdf>

## II. EPA 2021 DERA State Guidelines

### General Terms and Conditions

Grant subrecipients must comply with the portions of the current [EPA general terms and conditions](#) applicable to subrecipients. [EPA general terms and conditions](#)<sup>4</sup> can be found on EPA's website.

### Special Terms and Conditions

Grant subrecipients will assist Ecology comply with the EPA grant DS-0J94501 special terms and conditions applicable to the grant recipient. Subrecipients must comply with programmatic conditions applicable to subrecipients.

#### A. Substantial Federal Involvement for Cooperative Agreements

EPA will provide substantial involvement in the form of technical assistance, development of outputs, and oversight. Specifically, substantial federal involvement will take the form of monitoring the recipient's project by EPA, participation and collaboration between EPA and the recipient in program content, review of project progress, and quantification and reporting of results.

#### B. Delays or Favorable Developments

The recipient agrees that it will promptly notify the EPA Project Officer of any problems, delays, or adverse conditions which may materially impair its ability to deliver on the outputs/outcomes specified in the work plan. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation. Failure to make satisfactory progress achieving the timeline and/or milestones defined in the approved workplan may result in termination of the award. The recipient agrees that it will also notify the EPA Project Officer of any favorable developments which may enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more beneficial results than originally planned.

#### C. Final Approved Workplan and Modifications

Recipient agrees to carry out the project in accordance with the final approved workplan. Recipients are required to report deviations from budget or project scope or objective, and must request prior written approval from EPA for:

- any change in the scope or objective of the project or program (even if there is no associated budget revision requiring prior written approval);
- any change in a key person specified in the application or workplan;
- the disengagement from the project for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or principal investigator;

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<sup>4</sup> [https://www.epa.gov/system/files/documents/2021-09/fy\\_2022\\_epa\\_general\\_terms\\_and\\_conditions\\_effective\\_october\\_1\\_2021.pdf](https://www.epa.gov/system/files/documents/2021-09/fy_2022_epa_general_terms_and_conditions_effective_october_1_2021.pdf)

- the inclusion of costs that require prior approval in accordance with 2 CFR Part 200 Subpart E—Cost Principles or 48 CFR part 31, “Contract Cost Principles and Procedures,” as applicable;
- the transfer of funds budgeted for participant support costs as defined in 2 CFR Section 200.1 Definitions to other categories of expense;
- unless described in the final approved workplan and budget, the subawarding, transferring or contracting out of any work under the award;
- changes in the approved cost-sharing or matching provided by the recipient; or
- the need arises for additional Federal funds to complete the project.

Proposed modifications to the approved workplan or budget, including additions, deletions, or changes in the schedule, shall be submitted in a timely manner to the EPA Project Officer for approval. Depending on the type or scope of changes, a formal amendment to the award may be necessary. Major project modifications which include changes to the approved types and number of affected vehicles, engines, or equipment, or the approved types of emission reduction technologies to be implemented, or to the approved project location(s) may not be allowed.

## **D. Use of Funds Restriction:**

**D.1. Federal Matching Funds:** Recipient agrees that funds under this award cannot be used for matching funds for other federal grants unless expressly authorized by statute. Likewise, recipient may not use federal funds as cost-share funds for the DERA State Grant, including funds received under the DERA National Grants, DERA Tribal and Insular Area Grants, DERA School Bus Rebates, and federal Supplemental Environmental Project (SEP) funds.

### **D.2. Emissions Testing:**

Recipient agrees that funds under this award cannot be used for emissions testing and/or air monitoring activities (including the acquisition cost of emissions testing equipment), or research and development.

### **D.3. Fueling Infrastructure:**

Recipient agrees that funds under this award cannot be used for fueling infrastructure, such as that used for the production and/or distribution of biodiesel, compressed natural gas, liquefied natural gas, and or other cleaner fuels.

### **D.4. Leasing:**

Recipient agrees that all vehicles, engines, and equipment purchased with funds under this award will be purchased, in full, before the end of the project period. Extensions will not be granted for the purpose of extending payments on purchases.

### **D.5. Mandated Measures:**

Recipient agrees that funds under this award cannot be used for emissions reductions that are mandated under federal law. This refers to specific compliance dates within the mandate, not when the mandate is passed. Voluntary or elective emissions reductions measures shall not be

considered “mandated”, regardless of whether the reductions are included in the State Implementation Plan of a State.

**D.6. Ownership, Usage and Remaining Life Requirements:**

Recipient agrees that funds under this award, including subawards/subgrants, cannot be used to upgrade engines, vehicles, and equipment that does not meet the following criteria:

D.6.1 The existing vehicle, engine, or equipment must be fully operational. Operational equipment must be able to start, move, and have all necessary parts to be operational.

D.6.2. The participating fleet owner must currently own and operate the existing vehicle or equipment and have owned and operated the vehicle during the two years prior to upgrade.

D.6.3. The existing vehicle, engine, or equipment must have at least three years of remaining life at the time of upgrade. Remaining life is the fleet owner’s estimate of the number of years until the unit would have been retired from service if the unit were not being upgraded or scrapped because of the grant funding. The remaining life estimate is the number of years of operation remaining even if the unit were to be rebuilt or sold to another fleet. The remaining life estimate depends on the current age and condition of the vehicle at the time of upgrade, as well as things like usage, maintenance and climate.

D.6.4. Highway Usage

The mileage of multiple units may be combined to reach the thresholds below where those units will be scrapped and replaced with a single unit.

D.6.4.1. School Buses:

To be eligible for funding, the existing vehicle must have accumulated at least 7,000 miles/year during the two years prior to upgrade, or during calendar year (Jan-Dec) 2019.

D.6.4.2 All Other Highway Engines:

To be eligible for funding, the existing vehicle must have accumulated at least 7,000 miles/year during the two years prior to upgrade.

D.6.5. Nonroad, Locomotive and Marine Usage:

The engine operating hours of multiple units may be combined to reach the thresholds below where those units will be scrapped and replaced with a single unit.

D.6.5.1. Agricultural Pumps:

To be eligible for funding, agricultural pumps must operate at least 250 hours/year during the two years prior to upgrade.

D.6.5.2. All Other Nonroad Engines:

To be eligible for funding, nonroad engines must operate at least 500 hours/year during the two years prior to upgrade.

D.6.5.3. Locomotive and Marine Usage:

To be eligible for funding the existing locomotive and marine engines must operate at least 1,000 hours/year during the two years prior to upgrade.

#### **D.7. Fleet Expansion:**

Recipient agrees that funds under this award, including subawards/subgrants, cannot be used for the purchase of vehicles, engines, or equipment to expand a fleet. Engine, vehicle, and equipment replacement projects are eligible for funding on the condition that the following criteria are satisfied:

D.7.1. The replacement vehicle/engine/equipment will continue to perform similar function and operation as the vehicle/engine/equipment that is being replaced.

D.7.2. The cost of optional components or “add-ons” that significantly increase the cost of the vehicle may not be eligible for funding under the grant; the replacement vehicle should resemble the replaced vehicle in form and function.

D.7.3. The replacement vehicle, engine, or equipment will be of similar type and similar gross vehicle weight rating or horsepower as the vehicle, engine, or equipment being replaced.

##### **D.7.3.1. Nonroad, Locomotive, and Marine:**

Horsepower increases of more than 40 percent will require written approval by the EPA Project Officer prior to purchase, and the applicant may be required to pay the additional costs associated with the higher horsepower equipment.

##### **D.7.3.2. Highway:**

The replacement vehicle must not be in a larger weight class than the existing vehicle (Class 5, 6, 7, or 8). Exceptions may be granted for vocational purposes and will require written approval by the EPA Project Officer prior to purchase.

D.7.4. The vehicle, equipment, and/or engine being replaced must be scrapped or rendered permanently disabled within ninety (90) days of being replaced.

D.7.4.1. If a 2010 engine model year (EMY) or newer highway vehicle is replaced, the 2010 EMY or newer vehicle may be retained or sold if the 2010 EMY or newer vehicle will replace a pre-2009 EMY vehicle, and the pre-2009 EMY vehicle will be scrapped. It is preferred that the scrapped unit currently operates within the same project location(s) as the 2010 EMY or newer vehicle currently operates, however alternative scenarios will be considered. The term “project location” refers to the primary area where the affected vehicles/engines operate. All existing and replacement vehicles are subject to the funding restrictions in this section. All equipment must operate within the United States. Under this scenario, a detailed scrappage plan must be submitted and will require prior EPA approval.

D.7.4.2. If a Tier 2, Tier 3 or Tier 4 locomotive, marine, or nonroad vehicle, equipment and/or engine is replaced, the units may be retained or sold if they will replace a similar, lower Tiered unit, and the lower Tiered unit will be scrapped. It is preferred that the scrapped unit currently operates within the same project location(s) as the original Tier 2 or 3 unit currently operates, however alternative scenarios will be considered. The term “project location” refers to the primary area where the affected vehicles/engines operate. All existing and replacement

equipment are subject to the funding restrictions in this section. All equipment must operate within the United States. Under this scenario, a detailed scrappage plan must be submitted and will require prior EPA approval.

D.7.4.3. Cutting a three-inch by three-inch hole in the engine block (the part of the engine containing the cylinders) is the preferred scrapping method. Other scrapping methods may be considered and will require prior written approval from the EPA Project Officer.

D.7.4.4. Disabling the chassis may be completed by cutting through the frame/frame rails on each side at a point located between the front and rear axles. Other scrapping methods may be considered and will require prior written approval from the EPA Project Officer.

D.7.4.5. Evidence of appropriate disposal is required in a final assistance agreement report submitted to EPA as detailed in Term and Condition L.

D.7.4.6. Scrapped engines and equipment and vehicle components may be salvaged from the unit being replaced (e.g. plow blades, shovels, seats, tires, etc.). If scrapped or salvaged engines, vehicles, equipment, or parts are to be sold, program income requirements apply.

D.7.4.7. For tire replacement projects, the original tires should be scrapped according to local or state requirements, or the tires can be salvaged for reuse or retreading. If salvaged tires are sold, program income requirements apply.

**D.8. Replacement Technologies:**

Recipient agrees that funds under this award cannot be used for the purchase of engine retrofits, idle reduction technologies, low rolling resistance tires or advanced aerodynamic technologies if similar technologies have previously been installed on the truck or trailer.

**D.9. Project Eligibility Criteria:**

Recipient agrees that funds under this award cannot be used to fund projects that do not meet the following eligibility criteria:

**D.9.1. Medium and Heavy-Duty Truck, Transit Bus, and School Bus Project Eligibility**

Current Engine Model Year (EMY)	DOC +/- CCV	DPF	SCR	Verified Idle Reduction, Tires, or <u>Aero-dynamics</u>	Vehicle or Engine Replacement: <u>EMY 2019+</u> (2015+ for Drayage)	Vehicle or Engine Replacement: EMY 2019+ Zero Emission <sup>2</sup> or Low-NO <sub>x</sub> <sup>3</sup>	Clean Alternative Fuel Conversion
older - 2006	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2007 - 2009	No	No	Yes	Yes <sup>1</sup>	Yes	Yes	Yes
2010 - newer	No	No	No	Yes <sup>1</sup>	No	Yes	Yes

Auxiliary power units and generators are not eligible on vehicles with EMY 2007 or newer. Eligible fuel cell projects are limited to hydrogen fuel cell engine replacements for eligible urban transit buses, shuttle buses and drayage trucks, and hydrogen fuel cell engine replacements for eligible urban transit buses, shuttle buses, and drayage trucks. Please see the Low-NO<sub>x</sub> Engine Factsheet found on EPA's website for guidance on identifying engines certified to meet [CARB's Optional Low NO<sub>x</sub> Standards](#).<sup>5</sup>

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<sup>5</sup> <http://www.epa.gov/dera/state>

### D.9.2. Nonroad Engine Project Eligibility

Current Engine Tier	Vehicle/Equipment Replacement: EMY 2019+					Verified Retrofit
	Compression Ignition			Spark Ignition	Zero Emission <sup>3</sup>	
	Tier 0-2	Tier 3-4i	Tier 4	Tier 2		
Unregulated – Tier 2	No	Yes <sup>1</sup>	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	Yes	No
Current Engine Tier	Engine Replacement					Verified Engine Upgrade
	Compression Ignition			Spark Ignition	Zero Emission <sup>4</sup>	
	Tier 0-2	Tier 3-4i	Tier 4	Tier 2		
Unregulated – Tier 2	No	Yes <sup>2</sup>	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	Yes	No

Tier 3 and Tier 4 interim (4i) allowed for vehicle/equipment replacement only when Tier 4 final is not yet available from OEM for 2021 model year equipment under the Transition Program for Equipment Manufacturers (TPEM).

Tier 3 and Tier 4i engines may be used for engine replacement only if Tier 4 is demonstrated to not be available or feasible through a best achievable technology analysis as defined in Section VIII.D.1 of the 2021 DERA State Grants Program Guide.

Eligible fuel cell projects are limited to hydrogen fuel cell equipment replacements for eligible terminal tractors/yard hostlers, stationary generators, and forklifts.

Fuel cell engine replacement is not eligible.

### D.9.3.: Marine Engine Project Eligibility

Engine Category	Engine Horsepower	Current Engine Tier	Engine & Vessel Replacement					Certified Remanufacture System <sup>3</sup>	Verified Engine Upgrade
			Compression Ignition			Spark Ignition (EMY 2019+)	Zero Emission <sup>2</sup>		
			Tier 1-2	Tier 3	Tier 4				
C1, C2	<803	Un-regulated – Tier 2	No	Yes	No	Yes	Yes	Yes	Yes
C1, C2	≥804	Un-regulated – Tier 2	No	Yes <sup>1</sup>	Yes	Yes	Yes	Yes	Yes
C1, C2	<803	Tier 3	No	No	No	Yes	Yes	No	No
C1, C2	≥804	Tier 3	No	No	Yes	Yes	Yes	No	No
C1, C2	≥804	Tier 4	No	No	No	No	No	No	No
C3	All	Un-regulated - Tier 2	No	Yes	No	No	No	No	No
C3	All	Tier 3	No	No	No	No	No	No	No

Tier 3 engines may be used for engine replacement only if Tier 4 is demonstrated to not be available or feasible through a best achievable technology analysis as defined in Section VIII.D.1 of the 2021 DERA State Grants Program Guide. Over 800 HP, Tier 3 engines are not eligible for full vessel replacement.

Fuel cell engine and vessel replacements are not eligible.

Some marine engine projects may be subject to the restriction on mandated measures.

### D.9.4.: Locomotive Engine Project Eligibility

Current Locomotive Tier	Engine & Locomotive Replacement				Verified Retrofit	Idle-Reduction <sup>2</sup> Technology	Certified Remanufacture System <sup>4</sup>
	Tier 0–2+	Tier 3	Tier 4	Zero Emission <sup>1</sup>			
Unregulated - Tier 2+	No	Yes <sup>3</sup>	Yes	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	No	Yes	No

Fuel cell engine and locomotive replacements are not eligible.

Automatic engine start-stop technologies are only eligible to be installed on locomotives currently certified to Tier 0 or unregulated, subject to the restriction on mandated measures.

Tier 3 engines may be used for engine replacement only if Tier 4 is demonstrated to not be available or feasible through a best achievable technology analysis as defined in Section VIII.D.1 of the 2021 DERA State Grants Program Guide. Tier 3 is not eligible for locomotive replacement.

Some locomotive engine projects may be subject to the restriction on mandated measures.

Note that Tier 0+, Tier 1+, Tier 2+, Tier 3, and Tier 4 represent locomotives manufactured or remanufactured under the more stringent Tier standards promulgated under the 2008 (current) locomotive and marine rule. Tier 0, Tier 1, and Tier 2 represent locomotives originally manufactured or remanufactured under the less stringent Tier standards promulgated in 1997.

#### **D.10. Marine Shore Connection:**

Recipient agrees that funds under this award cannot be used for marine shore connection system projects that are expected to be utilized less than 1,000 MW-hr/year.

#### **D.11. Locomotive Shore Connection:**

Recipient agrees that funds under this award cannot be used for locomotive shore connection system projects that are expected to be utilized less than 1,000 hours per year.

#### **D.12. Tires and Aerodynamics:**

Recipient agrees that funds under this award cannot be used to purchase aerodynamic technologies or low rolling resistance tires, unless they are combined on the same vehicle with a new installation of a verified engine retrofit funded under this award. Ineligible costs include aluminum wheels.

#### **D.13. Battery Electric Powered Replacements:**

Recipient agrees that funds under this award cannot be used to purchase power distribution to the pedestal, electrical panels and their installation, upgrades to existing electrical panels or electrical service, transformers and their installation, wiring/conduit and its installation, electricity, operation and maintenance, stationary energy storage systems that power the equipment (e.g. batteries) and their installation, and on-site power generation systems that power the equipment (e.g., solar and wind power generation equipment) and their installation.

#### **D.14. Grid Electric Powered Replacements:**

Recipient agrees that funds under this award cannot be used to purchase power distribution to the property line, electricity, operation and maintenance, stationary energy storage systems that power the equipment (e.g. batteries) and their installation, and on-site power generation systems that power the equipment (e.g., solar and wind power generation equipment) and their installation.

#### **D.15. Engine Replacements:**

Recipient agrees that funds under this award cannot be used to purchase cabs, tires, wheels, axles, paint, brakes, and mufflers.

#### **D.16. Engine Remanufacture Systems:**

Recipient agrees that funds under this award cannot be used to purchase the entire cost of an engine rebuild if a certified remanufacture system is applied at the time of rebuild.

#### **D.17. Electrified Parking Spaces:**

Recipient agrees that funds under this award cannot be used to purchase power distribution to the property line, electricity, operation and maintenance, stationary energy storage systems that power the equipment (e.g. batteries) and their installation, and on-site power generation systems that power the equipment (e.g., solar and wind power generation equipment) and their installation.

#### **D.18. Locomotive Shore Power:**

Recipient agrees that funds under this award cannot be used to purchase power distribution to the property line, electricity, operation and maintenance, stationary energy storage systems that power the equipment (e.g. batteries) and their installation, and on-site power generation systems that power the equipment (e.g., solar and wind power generation equipment) and their installation.

#### **D.19. Marine Shore Power:**

Recipient agrees that funds under this award cannot be used to purchase shipside modifications to accept shore-based electrical power, power distribution to the property line, electricity, operation and maintenance, stationary energy storage systems that power the equipment (e.g. batteries) and their installation, and on-site power generation systems that power the equipment (e.g., solar and wind power generation equipment) and their installation.

#### **D.20. Expense Cap:**

Recipient agrees that no more than 15 percent of the recipient's total project costs may be used to cover personnel, fringe benefits, and travel. Total project costs include the federal share as well as any cost-share provided by the state.

### **E. Best Achievable Technology:**

All new nonroad and locomotive engines are now manufactured to meet the EPA Tier 4 standards. All new Category 1 and 2, 804 horsepower and above marine engines are now manufactured to meet the EPA Tier 4 standards. Recipients replacing these nonroad, marine, and locomotive engines are expected to use Tier 4 engines if Tier 4 engines with the appropriate physical and performance characteristics are available. Recipients are required to submit a best achievable technology (BAT) analysis to EPA for approval before Tier 3 or Tier 4 engines can be purchased. Recipients should consult their EPA Project Officer for BAT requirements and approval.

### **F. Drayage Vehicle Replacement Project Requirements:**

F.1. In addition to the applicable requirements for highway vehicles described in D above, recipients replacing drayage vehicles are required to establish and document guidelines to

ensure that the scrapped vehicle has a history of operating on a frequent basis over the prior year as a drayage truck.

F.2. The recipient must establish and document guidelines to ensure that all drayage trucks receiving grant funds are operated in a manner consistent with the definition of a drayage truck, defined as any Class 8a and 8b in-use on-road vehicle with a gross weight rating (GVWR) of greater than 33,000 pounds operating on or transgressing through port or intermodal rail yard property for the purpose of loading, unloading or transporting cargo, such as containerized, bulk or break-bulk goods.

## **G. Emissions Control Technologies**

Emissions Reduction Projects funded by the recipient pursuant to this assistance agreement must use verified technologies and/or must use engines and engine configurations certified by EPA and, if applicable, CARB. Technologies are verified under EPA or California's Retrofit Technology Verification Programs.

## **H. Program Income:**

Program income as defined at 2 CFR §200.1 means gross income received by the grantee or subrecipient that is directly generated by a grant supported activity or earned as a result of the Federal award during the period of performance. Under DERA grants, program income is generally limited to the sale of scrapped or remanufactured engines/chassis or salvaged engine/vehicle/equipment components and does not include revenue generated by recipients or subrecipients through the commercial use of vehicles and equipment purchased with grant funds. "Period of performance" is the time between the start and end dates of the period of performance as included in the Federal award.

Program income earned during the project period shall be retained by the recipient and, in accordance with 2 CFR §200.307 recipient is authorized to use program income to meet the cost-sharing or matching requirement of the Federal award, including any mandatory or voluntary cost-share. The amount of the Federal award remains the same. The recipient will maintain records adequate to document the extent to which transactions generate program income and the disposition of program income. The recipient must provide as part of its final performance report, a description of how program income is being used. Further, a report on the amount of program income earned during the award period must be submitted with the final Federal Financial Report, Standard Form 425.

## **I. Equipment Use, Management, and Disposition**

These equipment use, management, and disposition instructions are applicable to assistance agreement recipients and subrecipients acquiring equipment under this award. State agencies may use, manage and dispose of equipment acquired a Federal award by the state in accordance with state laws and procedures.

Recipient agrees the equipment acquired under this assistance agreement will be subject to the use and management and disposition regulations at 2 CFR §200.313.

Equipment is defined as tangible personal property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of \$5,000, or the capitalization level established by the non-Federal entity for financial statement purposes (see Capital assets at 2 CFR §200.1 Definitions). Certified or verified technologies, vehicles, engines, and nonroad equipment are considered to be equipment to the extent they fall within this definition.

Recipient agrees that at the end of the project period the recipient will continue to use the equipment purchased under this assistance agreement in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award. When acquiring replacement equipment, the non-Federal entity may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property. Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency.

## **J. Procurement Procedures:**

The recipient must follow applicable procurement procedures. EPA will not be a party to these transactions. When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds as provided by 2 CFR §200.317. The state will comply with 2 CFR §200.323 Procurement of Recovered Materials, and ensure that every purchase order or other contract includes any clauses required by 2 CFR §200.327 Contract provisions. All other non-Federal entities, including subrecipients of a state, will follow 2 CFR §§200.318 General Procurement Standards through 200.327 Contract Provisions.

## **K. Quarterly Reporting and Environmental Results**

EPA requires Ecology to submit quarterly progress reports. Quarterly reports will address the progress made achieving the work plan activities and objectives, including:

- procurements, installations and scrappage;
- milestones;
- outputs and outcomes;
- summary of quarterly and cumulative expenditures;
- up to date fleet description and efforts should be made to track, measure and report the actual vehicle miles traveled, hours of use/operation, and fuel use for all vehicles and equipment involved in the project;
- signed eligibility statements, signed scrappage statements, and BAT analysis submitted to EPA for approval;
- accounting of personnel hours billed to the grant;
- planned activities for the next quarter;

Quarterly reports are due according to the following schedule. If a due date falls on a weekend or holiday, the report will be due on the next business day.

April 1 – June 30 Reporting Period: report due date July 30

July 1 – September 30 Reporting Period: report due date October 30

October 1 – December 31 Reporting Period: report due date January 30

January 1 – March 31 Reporting Period: report due date April 30

If a project start date falls within a defined reporting period the recipient must report for that period by the given due date. This quarterly reporting schedule shall be repeated for the duration of the award agreement.

Ecology will require subrecipients to submit information necessary to submit EPA quarterly reports. This information will be provided in the subrecipient's quarterly progress reports submitted to Ecology.

### **K.1. Subaward Reporting Requirement**

If the recipient chooses to pass funds from this assistance agreement to other entities, the recipient must comply with applicable provisions of 2 CFR Part 200 and the [EPA Subaward Policy](#)<sup>6</sup>. If applicable, the recipient must report on its subaward monitoring activities under 2 CFR 200.332(d). Examples of items that must be reported if the pass-through entity has the information available are:

K.1.1. Summaries of results of reviews of financial and programmatic reports.

K.1.2. Summaries of findings from site visits and/or desk reviews to ensure effective subrecipient performance.

K.1.3. Environmental results the subrecipient achieved.

K.1.4. Summaries of audit findings and related pass-through entity management decisions.

K.1.5. Actions the pass-through entity has taken to correct deficiencies such as those specified at 2 CFR 200.332(e), 2 CFR 200.208 and the 2 CFR 200.339 Remedies for Noncompliance.

### **L. Final Report:**

The final project report will include all categories of information required for quarterly reporting, including a final, detailed fleet description. The final project report will also include a narrative summary of the project or activity, the successes, and lessons learned for the entire project. Project results including specific outputs and outcomes detailed in the project workplan (including any sustainability commitments), and final emissions benefit calculations. To the extent possible, final emission benefit calculations should be based on the actual number and type of technologies, vehicles, equipment and engines implemented under the award and actual vehicle miles traveled, idling and/or operating hours, and fuel use. If actual vehicle miles traveled, idling and/or operating hours, and fuel use are not available, the final report will include a detailed explanation of how these values are derived, as well as any assumptions or default values used, for the purposes of emissions benefit calculations. The final report will also detail the methodologies used for the emission benefit calculation.

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<sup>6</sup> <https://epa.gov/grants/epa-subaward-policy>

The recipient must provide in the final report signed eligibility statements from participating fleet owners in which fleet owners attest to the criterion in term and condition D.6., and which include each vehicle make, model, year, vehicle identification number, odometer/usage meter reading, engine make, model, year, horsepower, engine ID or serial number, and vehicle/equipment registration/licensing number and state. A sample [eligibility statement](#)<sup>7</sup> may be on EPA's website.

For projects involving vehicle/engine/equipment replacements the recipient must provide in the final report evidence of appropriate scrappage. Participating fleet owners must attest to the appropriate disposal in a signed scrappage statement. A sample [scrappage statement](#)<sup>8</sup> may be found on EPA's website. The scrappage statement must include: Vehicle owner's name and address; Vehicle make, vehicle model, vehicle model year, VIN, odometer reading or usage meter reading, engine make, engine model, engine model year, engine horsepower, engine ID or serial number, as applicable; Name, address, and signature of dismantler; Date engine and/or vehicle/equipment was scrapped; Statement attesting to scrappage of vehicle/engine as defined above; Signature of participating fleet owner. Digital photos as follows: Side profile of the vehicle, prior to disabling; VIN tag or equipment serial number; Engine label (showing serial number, engine family number, and engine model year); Engine block, prior to hole; Engine block, after hole; Cut frame rails or other cut structural components, as applicable; Others, as needed.

For projects that take place in an area affected by, or includes vehicles, engines or equipment affected by federal law mandating emissions reductions, the recipient must provide in the final report evidence that emission reductions funded with EPA funds were implemented prior to the effective date of the mandate and/or are in excess of (above and beyond) those required by the applicable mandate.

The final report shall be submitted to the EPA Project Officer within 120 days after the project period end date or termination of the assistance agreement. A [template for the final report](#)<sup>9</sup> is available on EPA's website.

### **L.1. Subaward Reporting Requirement**

If the recipient chooses to pass funds from this assistance agreement to other entities, the recipient must comply with applicable provisions of 2 CFR Part 200 and the [EPA Subaward Policy](#), which may be found on EPA's website. If applicable, the recipient must report on its subaward monitoring activities under 2 CFR 200.332(d). Examples of items that must be reported if the pass-through entity has the information available are:

L.1.1. Summaries of results of reviews of financial and programmatic reports.

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<sup>7</sup> <http://www.epa.gov/dera/state>

<sup>8</sup> <http://www.epa.gov/dera/state>

<sup>9</sup> <http://www.epa.gov/dera/state>

- L.1.2. Summaries of findings from site visits and/or desk reviews to ensure effective subrecipient performance.
- L.1.3. Environmental results the subrecipient achieved.
- L.1.4. Summaries of audit findings and related pass-through entity management decisions.
- L.1.5. Actions the pass-through entity has taken to correct deficiencies such as those specified at 2 CFR 200.332(e), 2 CFR 200.208 and the 2 CFR 200.339 Remedies for Noncompliance.

## **M. Employee and/or Contractor Selection:**

EPA will not help select employees or contractors hired by the recipient.

## **N. Cybersecurity Condition**

### **State Grant Cybersecurity**

N.1. The recipient agrees that when collecting and managing environmental data under this assistance agreement, it will protect the data by following all applicable State law cybersecurity requirements.

N.2. EPA must ensure that any connections between the recipient's network or information system and EPA networks used by the recipient to transfer data under this agreement, are secure. For purposes of this Section, a connection is defined as a dedicated persistent interface between an Agency IT system and an external IT system for the purpose of transferring information. Transitory, user-controlled connections such as website browsing are excluded from this definition. If the recipient's connections as defined above do not go through the Environmental Information Exchange Network or EPA's Central Data Exchange, the recipient agrees to contact the EPA Project Officer (PO) and work with the designated Regional/Headquarters Information Security Officer to ensure that the connections meet EPA security requirements, including entering into Interconnection Service Agreements as appropriate. This condition does not apply to manual entry of data by the recipient into systems operated and used by EPA's regulatory programs for the submission of reporting and/or compliance data.

N.3. The recipient agrees that any subawards it makes under this agreement will require the subrecipient to comply with the requirements in N.2. if the subrecipient's network or information system is connected to EPA networks to transfer data to the Agency using systems other than the Environmental Information Exchange Network or EPA's Central Data Exchange. The recipient will be in compliance with this condition: by including this requirement in subaward agreements; and during subrecipient monitoring deemed necessary by the recipient under 2 CFR 200.332(d), by inquiring whether the subrecipient has contacted the EPA Project Officer. Nothing in this condition requires the recipient to contact the EPA Project Officer on behalf of a subrecipient or to be involved in the negotiation of an Interconnection Service Agreement between the subrecipient and EPA.

## **O. For-Profit Sub-recipients**

In addition to the EPA General Term and Condition “Establishing and Managing Subawards”, the recipient (i.e. “pass-through entity”) agrees to require that for-profit subrecipients comply with Subparts A through F of the Uniform Grant Guidance (2 CFR Part 200) and the Federal cost principles applicable to for-profit entities located at 48 CFR Part 31, with the exception of the method of payment to for-profit subrecipients must be “reimbursement” rather than “advance”. Pass-through entities must obtain documentation that the for-profit subrecipient has incurred eligible and allowable costs prior to releasing EPA funds to the subrecipient.

## **P. Mandatory Cost-Share Requirement**

Any voluntary matching funds provided by the state to qualify for the matching incentive are included in the “EPA funds + Voluntary Match including VW Trust” described below. Mandatory cost-share funds provided by the state and/or eligible third parties cannot count towards the state’s voluntary matching funds to qualify for the matching incentive. However, if a state requires a third-party cost-share contribution above and beyond the mandatory cost-share amount for the elected technology, then the “excess” cost-share may be applied towards the state voluntary match funds for the purpose of qualifying for the matching incentive.

Volkswagen Environmental Mitigation Trust Funds cannot be used to fund any mandatory cost-share.

This award and the resulting federal funding share (as shown under "Notice of Award" in the award document) is based on estimated costs requested in the recipient’s final approved workplan. While actual total costs may differ than those estimates, the recipient is required to provide no less than the cost-share percentages outlined below, as applicable, of the final equipment costs. EPA's participation shall not exceed the total amount of federal funds awarded or the maximum federal cost-share percentages outlined below, as applicable, of the final equipment costs. Recipients must satisfy any applicable cost share requirements with allowable costs as set forth in 2 CFR §200.306. The cost share requirements are as follows:

<b>Eligible Technologies</b>	<b>DERA Funding Limits (EPA Funds + Voluntary Match including VW Trust)</b>	<b>Minimum Mandatory Cost-Share (Fleet Owner Contribution)</b>
Drayage Truck Replacement	50%	50%
Vehicle or Equipment Replacement with EPA Certified Engine	25%	75%
Vehicle or Equipment Replacement with CARB Certified Low NOx Engine	35%	65%
Vehicle or Equipment Replacement with Zero-tailpipe Emission Power Source	45%	55%
Engine Replacement with EPA Certified Engine	40%	60%
Engine Replacement with CARB Certified Low NOx Engine	50%	50%
Engine Replacement with Zero-tailpipe Emission Power Source	60%	40%
EPA Certified Remanufacture Systems	100%	0%
EPA Verified Highway Idle Reduction Technologies when combined with new or previously installed exhaust after-treatment retrofit	100%	0%
EPA Verified Highway Idle Reduction Technologies without new exhaust after-treatment retrofit	25%	75%
EPA Verified Locomotive Idle Reduction Technologies	40%	60%
EPA Verified Marine Shore Connection Systems	25%	75%
EPA Verified Electrified Parking Space Technologies	30%	70%
EPA Verified Exhaust After-treatment Retrofits	100%	0%
EPA Verified Engine Upgrade Retrofits	100%	0%
EPA Verified Hybrid Retrofit Systems	60%	40%
EPA Verified Fuel and Additive Retrofits when combined with new retrofit, upgrade, or replacement	Cost differential between conventional diesel fuel	Cost of conventional diesel fuel
EPA Verified Aerodynamics and Low Rolling Resistance Tires when combined with new exhaust after-treatment retrofit	100%	0%
Alternative Fuel Conversion	40%	60%

The eligible acquisition cost for equipment means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance and freight may be included in or excluded from the acquisition cost in accordance with the non-Federal entity's regular accounting practices.

## **Q. Leveraging**

The recipient agrees to provide the proposed leveraged funding, including any voluntary cost-share contribution that is described in its final approved workplan. If the proposed leveraging does not materialize during the period of award performance, and the recipient does not provide a satisfactory explanation, the Agency may consider this factor in evaluating future applications from the recipient. In addition, if the proposed leveraging does not materialize during the period of award performance then EPA may reconsider the legitimacy of the award; if EPA determines that the recipient knowingly or recklessly provided inaccurate information regarding the leveraged funding the recipient described in its final approved workplan. EPA may take action as authorized by 2 CFR Part 200 and/or 2 CFR Part 180 as applicable.

## **R. Voluntary Cost-Share**

If a state provides a voluntary match equal to the base allocation offered by EPA, EPA will provide a matching incentive equal to 50 percent of the base allocation. The voluntary match may be satisfied by allowable costs incurred by the state (i.e. in-kind contributions), or by cash donations of state funds or private funds. State voluntary matching funds included in the approved project budget are subject to the same terms and conditions and funding limits as the awarded DERA funds. A recipient is legally obligated to expend any voluntary match included in the approved project budget within the project period of that award.

Any voluntary matching funds provided by the state to qualify for the matching incentive count towards the “EPA funds + Voluntary Match including VW Trust” described in Term and Condition P, above. Mandatory cost share funds provided by the state and/or eligible third parties cannot count towards the state’s voluntary matching funds to qualify for the matching incentive. However, if a state requires a third-party cost-share contribution above and beyond the mandatory cost-share amount for the elected technology, then the “excess” cost-share may be applied towards the state voluntary match funds for the purpose of qualifying for the matching incentive.

Volkswagen Environmental Mitigation Trust Funds may be used (via the DERA Option) as voluntary matching funds but cannot be used to fund any mandatory cost-share.

This award and the resulting federal funding of \$526,487 is based on estimated costs requested in the recipient’s final approved workplan. Included in these costs is a voluntary cost-share contribution of \$350,991 by the recipient in the form of a voluntary cost-share that the recipient included in its final approved workplan. The recipient must provide this voluntary cost-share contribution during performance of this award unless the EPA agrees otherwise in a modification to this agreement. While actual total costs may differ from the estimates in the recipient’s application, EPA's participation shall not exceed the total amount of federal funds awarded.

If the recipient fails to provide the voluntary cost-share contribution during the period of award performance, and does not provide a satisfactory explanation, the Agency may consider this factor in evaluating future applications from the recipient. In addition, if the voluntary cost-share contribution does not materialize during the period of award performance then EPA may reconsider the legitimacy of the award; if EPA determines that the recipient knowingly or

recklessly provided inaccurate information regarding the voluntary cost-share or overmatch the recipient described in its final approved workplan, EPA may take action as authorized by 2 CFR Part 200 and/or 2 CFR Part 180 as applicable.

## **S. Rebates:**

Rebates, subsidies, and similar one-time, lump-sum payments to program beneficiaries for the purchase of eligible emissions control technologies and vehicle replacements are eligible participant support costs under this award. Engine replacements, marine and locomotive shorepower projects, and most electrified parking space technology projects are not eligible as participant support costs. Rebates can only fund a participating fleet owner's equipment purchase and installation costs (i.e. parts and labor, including costs incurred to scrap the existing vehicle); if a participating fleet owner requires funding for project administration, travel, extensive design/engineering, construction, etc., in order to carry out the project a subaward is the more appropriate option. Questions regarding the use of rebates under this award should be directed to the EPA Project Officer. Rebates are not considered subawards/subgrants as defined in 2 CFR Part 200 and should not be treated as such under this award.

Program beneficiaries may be individual owner/operators or private or public fleet owners, however program beneficiaries cannot be employees, contractors or subrecipients of the DERA grant recipient. Rebates cannot exceed the applicable EPA cost share limits as defined in the terms of this award agreement. Participant support costs for rebates must be supported by guidelines issued by the recipient and approved by EPA's Award Official or Grants Management Officer, defining the rules, restrictions, timelines, programmatic requirements, reporting and transaction documentation requirements, eligibility, and funding levels that rebate beneficiaries must follow. Additionally, there must be written agreement between recipient or subrecipient and the program beneficiary that:

- Describes the activities that will be supported by rebates, subsidies or other payments;
- Specifies the amount of the rebate, subsidy or payment;
- Identifies which party will have title to equipment (if any) purchased with a rebate or subsidy; and
- Establishes source documentation requirements to ensure proper accounting of EPA funds.
- Specifies any reporting required by the beneficiary.

[EPA Guidance on Participant Support Costs](https://www.epa.gov/grants/rain-2018-g05-r1)<sup>10</sup> specifies requirements for rebate program approval by Authorized EPA Officials. EPA's Award Official or Grants Management Officer must approve participant support costs on the basis of either a precise description of the participant support costs in the EPA approved budget and work plan, or on a transaction-by-transaction basis. Should a DERA recipient decide to award participant support costs that were not described in the approved work plan and budget the recipient must obtain prior written

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<sup>10</sup> <https://www.epa.gov/grants/rain-2018-g05-r1>

approval from EPA's Award Official or Grants Management Officer. Moreover, after a grant is awarded, should a recipient decide to modify the amount approved (upwards or downwards) for participant support costs, prior written approval from EPA's Award Official or Grants Management Officer is also required.

## **T. Public Notification:**

Not later than 60 days after the date of the award of a subaward, rebate, or loan by a State, the State shall publish on the website of the State:

T.1. For subawards, rebates, and loans provided to the owner of a diesel vehicle or fleet, the total number and dollar amount of subawards, rebates, or loans provided, as well as a breakdown of the technologies funded through the subawards, rebates, or loans; and

T.2. For other subawards, rebates, and loans, a description of each application for which the subaward, rebate, or loan is provided