



CLEAN FUELS FUNDING ASSISTANCE PROGRAM

2020 Applicant Guidance

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Division of Environmental Quality
Office of Air Quality

www.adeq.state.ar.us/air/planning/vw.aspx

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I. Program Summary

The Clean Fuels Funding Assistance Program (“Clean Fuels program”) is a competitive funding opportunity for public, private, and non-profit entities seeking to repower or replace eligible medium trucks, heavy trucks, or buses with new lower-emitting alternative-fueled technologies. The goal of the Clean Fuels program is to reduce emissions of nitrogen oxides (NO_x) from across the state and spur markets for alternative fuels. The Division of Environmental Quality (DEQ) will award funding under the Clean Fuels program in four program cycles. DEQ has allocated \$697,794 to fund projects under the current Clean Fuels program cycle. No more than \$200,000 will be awarded to any one entity during this program cycle.

The deadline for applications is February 28, 2021. Applicants must submit their application online at <https://portal.adeg.state.ar.us/?FormTag=CleanFuelsApplication>. After the close of the application period, DEQ will score proposals for eligible projects based on several criteria:¹

- Share of air pollution burden
- Cost-effectiveness in dollars per ton of NO_x reduced
- Programmatic Capability
- Environmentally Aware
- Funding Contribution

Projects selected for award under this program will receive reimbursement for project costs upon completion of the project and receipt by DEQ of all required documentation. A cost-share is required for projects funded under the Clean Fuels program. DEQ retains the right to partially fund projects. DEQ will not award funds for projects completed prior to signature of a Memorandum of Agreement (MOA) between DEQ and the project sponsor.

II. Definitions

All-Electric means a vehicle that is exclusively powered by electricity provided by a battery, fuel cell, or the grid.

Alternative-Fuel mean an engine, or a vehicle or piece of equipment that is powered by an engine, which uses a fuel different from or in addition to gasoline fuel or diesel fuel (e.g., CNG, propane, diesel-electric Hybrid).

¹ Scoring criteria are further elaborated in Section V.B. of this Guidance.

Certified Remanufacture System or Verified Engine Upgrade means engine upgrades certified or verified by the United States Environmental Protection Agency (EPA) or California Air Resources Board (CARB) to achieve a reduction in emissions.

Class 4–7 Local Freight Trucks (Medium Trucks) means trucks, including commercial trucks, used to deliver cargo and freight (e.g., courier services, delivery trucks, box trucks, moving freight, waste haulers, dump trucks, concrete mixers) with a Gross Vehicle Weight Rating (GVWR) between 14,001 and 33,000 pounds (lbs).

Class 4–8 School Bus, Shuttle Bus, or Transit Bus (Buses) means vehicles with a GVWR greater than 14,001 lbs used for transporting people.

Class 8 Local Freight and Port Drayage Trucks (Heavy Trucks) means trucks with a GVWR greater than 33,000 lbs used for port drayage and/or freight/cargo delivery (including waste haulers, dump trucks, concrete mixers).

Drayage Trucks means trucks hauling cargo to and from ports and intermodal rail yards.

Gross Vehicle Weight Rating (GVWR) means the maximum weight of the vehicle, as specified by the manufacturer. GVWR includes total vehicle weight plus fluids, passengers, and cargo.

Class 1: < 6000 lbs

Class 2: 6001-10,000 lbs

Class 3: 10,001-14,000 lbs

Class 4: 14,001-16,000 lbs

Class 5: 16,001-19,500 lbs

Class 6: 19,501-26,000 lbs

Class 7: 26,001-33,000 lbs

Class 8: > 33,001 lbs

Hybrid means a vehicle that combines an internal combustion engine with a battery and electric motor.

Memorandum of Agreement (MOA) means the formal contract between DEQ and the project sponsor that outlines the eligible expenses, allowable reimbursement amounts, reporting requirements, photographic evidence, records retention requirements, and additional documentation required for reimbursement of project costs.

Non-Profit Entity means a nonprofit organization that is registered as a 501(c)(3), under the Internal Revenue Service tax code.

Normal Attrition means that a replacement or repower of the existing vehicle or engine is scheduled to take place within three years of the project end date.

Private Entity means any organization that is not a unit of government or a non-profit entity, including, but not limited to, a corporation, partnership, company, or other legal establishment.

Public Entity means the state and units of state government; a political subdivision of the state, including a municipality and its subdivisions; a public school district; or an organization composed of political subdivisions of the state.

Project Sponsor means the organization that proposed a project that is selected by DEQ for funding under the Clean Fuels program.

Repower means to replace an existing engine with a newer, cleaner engine or power source that is certified by EPA and, if applicable, CARB, to meet a more stringent set of engine emission standards. Repower includes, but is not limited to, diesel engine replacement with an engine certified for use with a clean alternative fuel, diesel engine replacement with an electric power source (e.g., grid, battery), or diesel engine replacement with a fuel cell. All-electric and fuel cell repowers do not require EPA or CARB certification.

School Bus means a Class 4–8 bus sold or introduced into interstate commerce for purposes that include carrying students to and from school or related events. School buses may be Type A–D.

Scrap Value means income from selling salvaged vehicle components.

Scrapped means to render inoperable and available for recycle, and, at a minimum, to specifically cut a three-inch hole in the engine block for all engines. If any eligible vehicle will be replaced as part of a project, scrapped shall also include the disabling of the chassis by cutting the vehicle's frame rails completely in half.

Sensitive Population means a population that include people who are racial or ethnic minorities, children, elderly, socioeconomically disadvantaged, underinsured or those with certain medical conditions. Members of sensitive populations often have health conditions that are exacerbated by unnecessarily inadequate healthcare.

III. Eligibility

A. Eligible Applicants

Any public, private, or nonprofit entity that meets the following criteria is eligible to apply for funding assistance under the Clean Fuels program.

B. Eligible Vehicles

Vehicles eligible for repower or replacement under this program include diesel-powered vehicles with an engine model year between 1992 and 2009 that fall into one of the following categories:

- Class 8 Local Freight Trucks and Port Drayage Trucks (Heavy Trucks)
- Class 4–8 School Bus, Shuttle Bus, or Transit Bus (Buses)
- Class 4–7 Local Freight Trucks (Medium Trucks)

C. Eligible Project Types

1. Vehicle Repower Projects:

Vehicle repower projects must satisfy all of the following requirements:

- The eligible vehicle will be repowered to a new alternative-fueled engine or all-electric engine;
- The eligible vehicle will perform the same function after the repower project is completed;
- The eligible vehicle must be operational, registered, and used in Arkansas for the preceding two (2) years;
- The eligible vehicle or engine is not scheduled to be replaced under normal attrition;
- The horsepower of the replacement engine cannot be more than twenty-five percent (25%) greater than the horsepower of the original engine;
- The repowered vehicle will be operated in Arkansas for at least ninety percent (90%) of the time it is operation;
- The repowered vehicle will be operated in Arkansas for at least five (5) years;
- The replacement engine must be EPA- or CARB-certified to the engine model year in which the repower project occurs or one engine model year prior. All-electric repowers do not require EPA or CARB certification.
- The engine being replaced must be scrapped. At a minimum, a three-inch hole shall be drilled in the engine block and manifold.

2. Vehicle Replacement Projects

Vehicle replacement projects must satisfy all of the following requirements:

- The eligible vehicle will be replaced with any new hybrid, alternative-fueled or all-electric vehicle;
- The replacement vehicle will perform the same function as the eligible vehicle that is being replaced;
- The eligible vehicle must be operational, registered, and used in Arkansas for the preceding two (2) years;
- The eligible vehicle is not scheduled to be replaced under normal attrition;
- The horsepower of the replacement vehicle cannot be more than twenty-five percent (25%) greater than the horsepower of the original vehicle;
- The replacement vehicle will be operated in Arkansas for at least ninety percent (90%) of the time it is operation;
- The replacement vehicle will be operated in Arkansas for at least five (5) years;
- The replacement vehicle must be EPA- or CARB-certified to the engine model year in which the repower project occurs or one engine model year prior;
- The eligible vehicle being replaced must be scrapped. At a minimum, a three-inch hole shall be drilled in the engine block and manifold and the chassis shall be disabled by cutting the vehicle’s frame rails completely in half; and
- Vehicle components that are not part of the engine or chassis from the unit being replaced may be sold as scrap. The scrap value must be reported to DEQ and subtracted from the total project cost.

IV. Cost Share Requirements

A cost-share by the project sponsor is required for all projects funded under the Clean Fuels program. The cost-share amount is dependent on the organization type (government or non-government) of the project sponsor and the project type (eligible vehicle repower or eligible vehicle replacement). A project sponsor may choose to contribute additional funds toward the project beyond the minimum mandatory cost share to increase the competitiveness of their application or cover costs beyond the \$200,000/entity funding assistance cap. The table below provides the funding assistance amounts and minimum cost-share for each organization and project type.

Organization Type	Project Type	Maximum Funding Assistance (Percentage of Project Cost)	Minimum Mandatory Cost-Share from Project Sponsor (Percentage of Project Cost)
Non-Government Owned	Repower	40%	60%
	Replacement	25%	75%
Government Owned	Repower	70%	30%
	Replacement	70%	30%

V. Project Selection Process

A. Application Submittal

Please direct all questions regarding the Clean Fuels program to Deiona McKnight at 501-682-0641 or (mcknight@adeq.state.ar.us).

DEQ will accept applications from September 11, 2020 through February 28, 2021.

You must submit your application online. You may include multiple vehicle repower or replacement projects in a single application. The online application form can be found at <https://eportal.adeq.state.ar.us/?FormTag=CleanFuelsApplication>.

You must provide all required information and documentation specified in the online application form. DEQ will not evaluate incomplete applications. DEQ may contact you for clarification and/or supplemental information. Applicants have ten (10) calendar days to respond to any such request.

Applications are subject to the Arkansas Freedom of Information Act.

B. Application Evaluation Criteria

At the close of the application period, DEQ will evaluate and score applications. The application scoring criteria is described below.

1. Share of Air Pollution Burden

DEQ will evaluate this criterion based on the county in which the equipment will primarily be used as identified in the application. Three metrics govern the scoring for this criterion:

- Metric 1: Percentage of vehicles subject to the Volkswagen Settlement registered in the county relative to the total number of vehicles subject to the Volkswagen Settlement in Arkansas;
- Metric 2: Percentage of onroad NO_x emissions in the County relative to statewide onroad NO_x emissions; and
- Metric 3: Areas with historic ozone and fine particulate concentrations near to or exceeding the level of national ambient air quality standards.

2. Cost-effectiveness

DEQ calculates cost-effectiveness in terms of dollars requested per pound of NO_x reduced using the applicant-provided parameters required in the application. The more cost-effective (lower \$/pound) a project is, the more points it will receive under this criterion.

3. Project Benefits

DEQ will evaluate the applications on the degree to which the application demonstrates a public benefit to the community. Such benefits may include the following:

- The project reduces environmental risks for sensitive populations;
- The project provides an economic benefit to the community; and/or
- The project is part of a partnership effort that supports the construction or expansion of a publically available alternative fuel station. Note: no funding is available under this program for the construction of alternative fuel stations.

4. Programmatic Capability

DEQ's evaluation of each application will take into account the applicant's ability to complete and manage the proposed project. DEQ will consider the applicant's proposed project management plan and how the cumulative experience, knowledge, qualifications, and organizational resources of the applicant will assist in completion of the project.

5. Environmentally Aware

DEQ will evaluate applications based on other environmentally beneficial measures that the applicant already practices.

6. Additional Funding Contribution

Additional points are available if the applicant proposes to provide additional funding beyond the minimum cost-share requirements.

C. Project Selection

DEQ will select the highest scoring projects to recommend for funding.

D. Notifications

DEQ will notify all applicants by email once applications have been scored and projects have been selected for funding. Notifications to successful applicants will indicate that the evaluation process is complete and that Clean Fuels program staff recommends the applicant for award. The Agency will send the notification to the original signer of the application. **This initial notification, which advises that the applicant's proposed project has been recommended for award, is not an authorization to begin the project. The formal notification of award, which will be a MOA, is the only document that authorizes commencement of the project.** The formal notification will be delivered by the US Postal Service and will require a signature from both the recipient and an DEQ official. The MOA will outline the following: eligible

expenses, allowable reimbursement amounts, reporting requirements, photographic evidence, record retention requirements, and additional documentation required for reimbursement.

VI. Competitive Procurement Requirements

Once an MOA has been signed, the project sponsor must complete a sealed competitive bidding process prior to committing to the goods and/or services of a vendor, as outlined by state procurement law² and specified in the MOA unless the project sponsor will use a contract³ established consistent with Arkansas state procurement regulations for purchasing the new equipment. If a state contract is utilized, the project sponsor must provide DEQ with the outline agreement numbers (OA #) and vendor numbers (Vendor #) on all purchase orders.

² See Ark. Code Ann. § 19-11-229 for applicable state law for sealed competitive bidding.

³ <https://www.dfa.arkansas.gov/state-contracts>