

RULE 9610 STATE IMPLEMENTATION PLAN CREDIT FOR EMISSION REDUCTIONS GENERATED THROUGH INCENTIVE PROGRAMS (Adopted [*adoption date*])

1.0 Purpose

The purpose of this rule is to provide an administrative mechanism for the District to receive credit towards State Implementation Plan (SIP) requirements for emission reductions achieved in the San Joaquin Valley Air Basin through incentive programs administered by the District and other public agencies.

2.0 Definitions

- 2.1 APCO: the Air Pollution Control Officer of the San Joaquin Valley Unified Air Pollution Control District, or any person authorized to act on behalf of the APCO.
- 2.2 ARB (CARB): the California state Air Resources Board as established by Health and Safety Code section 39510, or any person authorized to act on its behalf.
- 2.3 Carl Moyer Program: the Carl Moyer Memorial Air Quality Standards Attainment Program; a State of California funded incentive program as defined by California Health and Safety Code Sections 44275– 44299.2.
- 2.4 Case-by-Case Determination: alternative procedures approved by ARB for specific projects, as authorized under the Carl Moyer Program Guidelines.
- 2.5 Contract: a legally binding agreement signed by the District or other public agency and the grantee to fund an incentive program project for the purpose of reducing emissions. Contracts include provisions for ensuring that the emission reductions occur, including, but not limited to, actions that the grantee must take to achieve the emission reductions for the project, deadlines, inspection and monitoring requirements, and non-performance penalties.
- 2.6 Cost Effectiveness: the amount of incentive funding expended per ton of emissions reduced, as defined by the applicable incentive program guidelines.
- 2.7 District: the San Joaquin Valley Unified Air Pollution Control District.
- 2.8 Enforceable: for purposes of this rule, emission reductions are enforceable if the incentive program includes provisions for ensuring the following:
 - 2.8.1 The emission reductions are independently and practicably verifiable through inspections, monitoring, and/or other mechanisms;

- 2.8.2 Incentive program violations are defined through legally binding contracts, including identifying the party or parties responsible for ensuring that emission reductions are achieved;
- 2.8.3 Grantees are obligated to provide all records needed to demonstrate that emission reductions are achieved; and
- 2.8.4 The public has access to all emissions-related information for reductions claimed in the annual demonstration report, as outlined in Section 4.0.
- 2.9 EPA: the United States Environmental Protection Agency.
- 2.10 Environmental Quality Incentives Program (EQIP): a voluntary program administered by the NRCS that provides financial and technical assistance to agricultural producers to plan and implement conservation practices that address natural resource concerns, including the improvement of combustion systems from stationary agricultural irrigation pump engines and mobile agricultural equipment.
- 2.11 Funding Source: a source of funding used to implement incentive programs, including, but not limited to, federal, state, and local sources. Examples of funding sources include Carl Moyer Program funds and Proposition 1B – Goods Movement Emission Reduction Program funds.
- 2.12 Grantee: a person, business, association, public agency, or other entity that enters into a contract with the District or other public agency to reduce emissions under an incentive program.
- 2.13 Implementation Date: for the purposes of this rule, the date which new or replacement equipment, vehicles, or practices funded through incentive programs are put into service.
- 2.14 Incentive Program: a program that reduces emissions by promoting the adoption of lower emitting equipment, vehicles, or practices through the distribution of financial incentives to a grantee.
- 2.15 Incentive Program Guidelines: administrative procedures, quantification methodologies, eligibility criteria, cost-effectiveness criteria, reporting practices, and/or other procedures and methodologies used to implement incentive programs, as described in Section 3.0.
- 2.16 Inspection: for purposes of this rule, a physical inspection by the APCO of equipment under contract as part of an incentive program.
- 2.17 NRCS: the United States Department of Agriculture Natural Resources Conservation Service.

- 2.18 Permanent: for purposes of this rule, emission reductions are permanent for the duration of the project life if actions are taken to physically destroy, permanently disable, or otherwise ensure the reduction of emissions in the Valley from existing or baseline equipment, vehicles, or other practices.
- 2.19 Project: for purposes of this rule, actions taken to reduce emissions through incentive programs, as contracted between the grantee and the District or other public agency. Such actions include, but are not limited to, replacements, retrofits, new purchases, new practices, and repower.
- 2.20 Project Life: for purposes of this rule, the period of time over which an incentive program project achieves SIP-creditable emission reductions. Project life shall not exceed the useful life of equipment, vehicles, or practices funded through incentive programs, and may vary across incentive programs, and project types.
- 2.21 Project Type: for purposes of this rule, the project type is identified as the type of equipment, vehicle, or practice, and the incentive project .
- 2.22 Proposition 1B: the Goods Movement Emission Reduction Program; a State of California funded incentive program as codified in California Health and Safety Code Section 39625 et seq.
- 2.23 Quantifiable: for purposes of this rule, emission reductions are quantifiable if they can be reliably determined through the use of well-established, publicly available emission factors and calculation methodologies, as outlined in applicable incentive program guidelines.
- 2.24 SIP: the State Implementation Plan. For purposes of this rule, plans adopted by the District or ARB, and submitted to EPA, to address Federal Clean Air Act requirements. SIPs include strategies for reducing emissions and attaining National Ambient Air Quality Standards promulgated by EPA, and are developed and adopted through public processes.
- 2.25 SIP Baseline Emission Levels: base year, attainment year, and interim year emissions inventories as reported in a SIP.. SIP Baseline Emission Levels serve as a primary starting point for modeling and other SIP analysis, and account for base year emissions estimate methodologies, adopted regulatory emissions reductions, and anticipated emissions growth rates.
- 2.26 SIP-Creditable Emission Reduction: for purposes of this rule, reductions of emissions through incentive programs that are Surplus, Quantifiable, Enforceable, and Permanent, in accordance with this rule.
- 2.27 SIP Shortfall: for purposes of this rule, an instance when a commitment in an adopted SIP to achieve a certain amount of emission reductions is not achieved.

- 2.28 Surplus: for purposes of this rule, emission reductions are surplus when they are not otherwise required by any federal, state, or local regulation, or other legal mandate, and are in excess of the SIP Baseline Emission Levels.
 - 2.29 Valley: the San Joaquin Valley air basin including Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the San Joaquin Valley air basin portion of Kern County.
- 3.0 Incentive Program Guidelines
- 3.1 The District shall ensure that all SIP-creditable emission reductions are achieved through appropriate incentive program guidelines, as follows:
 - 3.1.1 Use Carl Moyer Program Guidelines for incentive projects funded by either the Carl Moyer Program or non Carl Moyer funding sources, for the following project types as defined in the Carl Moyer Program Guidelines:
 - 3.1.1.1 On-Road Heavy-Duty Vehicle: replacements, new vehicle purchase, repower, or retrofit.
 - 3.1.1.2 On-Road Heavy-Duty Vehicles Fleet Modernization.
 - 3.1.1.3 Emergency Vehicles: replacement vehicle.
 - 3.1.1.4 Off-Road Compression-Ignition Equipment: repower, retrofit, or replacement.
 - 3.1.1.5 Off-Road Large Spark-Ignition Equipment: equipment replacement, retrofit, or new electric purchase.
 - 3.1.1.6 Off-Road Equipment Replacement.
 - 3.1.1.7 Portable and Stationary Agricultural Sources: repower, new purchase of electric motor, or retrofit.
 - 3.1.1.8 Locomotives: alternative switcher, idle limiting device, U.S. EPA certified engine remanufacture kit or repower/refurbishment, ARB verified retrofit, or head end power unit.
 - 3.1.1.9 Marine Vessels: engine repower.
 - 3.1.1.10 Light-Duty Vehicles: voluntary accelerated vehicle retirement (VAVR), or voluntary repair of vehicles (VRV).

- 3.1.1.11 Other project types eligible under the Carl Moyer Program Guidelines not listed above, provided the use of such projects for SIP-creditable emission reductions is reviewed through a public process, including an opportunity for public comment.
- 3.1.2 Use NRCS Program Combustion System Improvement of Mobile Engines Guidelines for incentive projects funded by EQIP funds; or
- 3.1.3 Use Proposition 1B Goods Movement Emission Reduction Program Guidelines for incentive projects funded by Proposition 1B Funds or non-Proposition 1B funds, this includes the following project types:
 - 3.1.3.1 Heavy-Duty Diesel Trucks: repower, replacement, three-way truck transaction, truck electrification infrastructure, PM retrofit, or PM + NOx retrofit.
 - 3.1.3.2 Locomotives and Railyards: switcher locomotive, medium horsepower locomotive, line-haul locomotive, or locomotive emissions capture and control system.
 - 3.1.3.3 Ships at Berth: grid-based power, non-grid-based power, or ship emissions capture and control system.
 - 3.1.3.4 Commercial Harbor Craft: repower/replacement of tugboats or towboats, repower/replacement of other vessels, or retrofit/replacement with hybrid power system.
 - 3.1.3.5 Cargo Handling Equipment: rubber-tired gantry crane repower/replacement, or yard truck replacement.
 - 3.1.3.6 Other projects eligible under the Proposition 1B Program Guidelines not listed above, provided the use of such projects for SIP-creditable emission reductions is reviewed through a public process, including an opportunity for public comment.
- 3.1.4 Use incentive program guidelines and funding sources not identified in Sections 3.1.1 through 3.1.3 for incentive projects, provided such guidelines are reviewed through a public process, including an opportunity for public comment. Incentive program guidelines developed to reduce emissions from mobile sources shall be developed in consultation with ARB.

3.2 The District shall develop and maintain a Manual of Procedures that includes all incentive program guidelines used to achieve SIP-creditable emission reductions from incentive programs, pursuant to Section 3.1. The Manual of Procedures shall:

3.2.1 Be made publically available on the District's website and maintained on an ongoing basis as incentive program guidelines are adopted;

3.2.2 Include a description of how the incentive program guidelines ensure that incentive program emission reductions are SIP creditable; and

3.2.3 Include a summary of case-by-case determinations.

4.0 Annual Demonstration Report

The APCO shall annually prepare a report that demonstrates the quantity of SIP-creditable emission reductions. This report shall include the following elements, and shall be prepared and submitted to ARB and EPA through a public process in accordance with Section 5.0.

4.1 Description of incentive program guidelines used by the District or other public agency to implement the incentive programs generating claimed SIP-creditable emission reductions, a description of how the procedures ensure that the claimed emission reductions are SIP-creditable, and a list of any procedures that are being used for the first time under this rule. Additionally, this description shall include case-by-case determinations.

4.2 SIP-creditable emission reductions generated through incentive programs, as implemented in the preceding year(s), summarized by pollutant, years that the emission reductions are occurring (project life), cost-effectiveness, funding amount, incentive program guideline, and project type.

4.3 Adjustments to SIP-creditable emission reductions claimed in prior annual demonstration reports shall be reported in the annual demonstration report the year that the adjustments are made with a discussion explaining the cause for the adjustments. Adjustments to emission reductions claimed in prior annual demonstration reports may be the result of, but are not be limited to, updated project information received during the course of project implementation or the adoption of new local, state, or federal requirements that might affect the surplus nature of emission reductions achieved by incentive programs.

4.4 Summary of SIP commitment(s) identified in District adopted SIP(s) (by year, pollutant, and magnitude), and for which SIP-creditable emission reductions will be used to satisfy, or partially satisfy. Such commitments include, but are not limited to, attainment carrying capacity targets, Reasonable Further Progress, Rate of Progress, contingency measures, and long-term measures as defined by the Federal

Clean Air Act 182(e)(5) (“black box” reductions). The District shall identify SIP commitment shortfalls, if any, and remedies for addressing said shortfalls. Any SIP commitment shortfalls shall be addressed through the appropriate mechanisms and requisite public processes, as outlined under the Federal Clean Air Act.

4.5 Project Information

Reported project information shall include the following information for incentive projects achieving SIP-creditable emissions reductions, as applicable:

- 4.5.1 Unique project identification number, as established by the District or other public agency;
- 4.5.2 Project location;
- 4.5.3 Project type;
- 4.5.4 Project life;
- 4.5.5 Implementation date of project;
- 4.5.6 Funding amount provided by District or other public agency;
- 4.5.7 Incentive program guideline(s) used to implement the project, including revision date;
- 4.5.8 Quantified emissions per year, and aggregated over the project life, by pollutant; and
- 4.5.9 Description of baseline and new equipment, vehicles, or practices, including the following for each, as applicable:
 - 4.5.9.1 Make and model of equipment;
 - 4.5.9.2 Equipment/vehicle rating or horsepower;
 - 4.5.9.3 Model year; and
 - 4.5.9.4 Historical and projected annual usage.
- 4.5.10 Additional project details, as necessary to demonstrate the SIP-creditable emission reductions claimed in the annual demonstration report.

4.6 Project Monitoring and Enforcement

The annual demonstration report shall include a summary of monitoring and enforcement activities conducted during the reporting period for all incentive programs for which SIP-creditable emission reductions are being claimed, as follows:

4.6.1 Identification of project audits, usage reports, inspections, and other project monitoring activities; and

4.6.2 List of actions taken to enforce emission reductions associated with contract requirements, including the following:

4.6.2.1 Identification of projects that do not satisfy contractual requirements; and

4.6.2.2 Identification of enforcement actions and remedies, including penalties, additional contractual requirements, or other actions.

4.7 Incentive Program Evaluation

The District shall perform a retrospective assessment of the performance of its incentive program to evaluate overall incentive program performance and develop recommendations for future enhancements to incentive program implementation. This assessment shall include a summary of the public process to receive comments on the draft report, as required by Section 5.0.

5.0 Annual Demonstration Report Process

5.1 The APCO shall submit the annual demonstration report and information described in Section 4.0 to ARB and EPA no later than August 31 of each year.

5.2 The APCO shall release the draft annual demonstration report to the public and present it to the District Governing Board prior to submittal to ARB and EPA for concurrence.

5.3 The most three recent final annual demonstration reports shall be made available on the District's website, as appropriate.

6.0 Recordkeeping Requirements

6.1 All documents created and/or used in implementing the requirements of Section 4.0 shall be kept and maintained as required by the applicable incentive program guidelines. Consistent with the California Public Records Act and other related requirements, such records shall be made available for public review. Information regarding the process for the public review of such records shall be included in the Annual Demonstration Report.

6.2 Records related to implementation of the NRCS Program Combustion System Improvement of Mobile Engines incentive program are prohibited from mandatory disclosure, pursuant to the Federal Food Security Act of 1985 (7 U.S.C. § 608d(2)).

7.0 Use of Projected Incentive Program Reductions as Control Strategies in SIPs

As necessary to address Federal Clean Air Act SIP requirements, the District may identify SIP-creditable emission reduction commitments for a particular year or years in District adopted SIPs. Such commitments may include, but are not limited to attainment carrying capacity targets, Reasonable Further Progress, Rate of Progress, contingency measures, and long-term measures as defined by the Federal Clean Air Act 182(e)(5) (“black box” reductions). Such SIP commitments shall be:

- 7.1 Limited to the amount of emission reductions projected to be achieved through the use of secured or reasonably anticipated incentive program funding and the estimated availability of emission reductions projects and willing participants, based on historical participation and estimates of remaining equipment; and
- 7.2 Included in the SIP and accounted for in the annual demonstration report as SIP-creditable emission reductions are achieved through provisions of this rule.

This page intentionally blank.