



Proposition 1B Ports' Clean Truck Program

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Matt Miyasato, Ph.D.
Assistant Deputy Executive Officer
South Coast Air Quality Management District



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Proposition 1B Background

- Ports originally granted \$98M in 2008 for drayage
- Re-initiation to provide \$45M
- CARB and Ports requested AQMD administer program
- Severely constrained schedule
 - Drayage truck regulation (December 31, 2009)
 - Ordering & manufacturing lead time (6 months typical)



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AQMD Activities

- AQMD Governing Board approved
 - June 5th: administer program & fund admin costs
 - July 10th: release Program Announcement
 - August 3rd: MOU with Ports to receive funds (at a special meeting)
- Working closely with Ports, consultants for outreach and CARB throughout process



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Program Announcement

- Released on July 10th
- Open for two weeks; closed July 24th
- Over 1,500 applications received
- ~480 for LNG drayage trucks
- QA/QC all applications using consultants and AQMD staff



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Resources

- Program solicitation (completed)
 - 7 full-time technical staff
 - 10 inspectors for pre-inspections
 - ~5 weeks including weekend OT processing
 - 3 consultant teams for outreach and evaluation of applications - \$350k
- Implementation and Contracting (future)
 - Maintain AQMD staffing level
 - Request additional consultant support - \$350k



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CARB Issues

- CARB staff newly expressed concerns
 - Ensuring sufficient opportunities for independent operators
 - Rigid interpretation of Program Guidelines
- CARB disallowing projects if applicant does not own old truck at time of application
- CARB will not allow AQMD preferred lease-to-own model despite history of success
- CARB skeptical on benefits from natural gas trucks compared to less expensive diesel trucks



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Ownership Issue

- CARB staff agreed that applicants can purchase old trucks to use for scrapping
- CARB staff instructed AQMD on how to enter information into application form in the event the applicant was not title holder for old truck
- Ports, AQMD and consultants all had same understanding that ownership must be transferred by contract execution
- CARB now indicates such trucks are not allowed per the Prop 1B Guidelines



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Proposition 1B Guidelines

Proposition 1B: Goods Movement Emission Reduction Program—Guidelines for Implementation

IV. General Equipment Project Requirements

A. Ownership Requirements

Equipment project applications shall be signed and submitted only by equipment owners.

New or Old Truck?

Pg. 90 Proposition 1B: Goods Movement Emission Reduction Program, Final Guidelines for Implementation, Adopted February 28, 2008

Equipment Owner

"Equipment owner" means the legal owner of Program-eligible equipment, except that for grid-based shore power, the term "equipment owner" shall encompass any party with the authority to co-fund, implement, and operate improvements resulting in provision of grid-based shore power, which may include, but not be limited to the port, a marine terminal operator, and shipping companies.

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Proposition 1B Guidelines

Equipment owner shall:

- Commit to at least 8 years California base-plated registration, 100% California-only operation and IRP, and any other out-of-state registrations are prohibited.
- Commit to at least 50% of travel in trade corridors for duration of contract term.
- Agree to accept an on-board electronic monitoring unit at any time during the contract term.
- Agree to equipment inspections.
- Scrap the old truck.
- Comply with record-keeping, reporting, and audit requirements
- Sign a legally binding contract with the local agency including project milestone and completion deadlines. Under a lease program, the owner and lessee must sign the contract.
- Properly maintain new truck in good operating condition and according to manufacturer's recommendations.
- Demonstrate proof of equipment warranty and comprehensive insurance on new truck.
- Provide copy of ARB Executive Order documenting that the new truck engine meets 2007 emission levels.
- Certify that there are no outstanding ARB equipment violations associated with the equipment project application.

Executive Authority

On May 28, 2009, CARB Board provided Executive Officer authority to make changes to the Guidelines in Resolution 09-40

BE IT FURTHER RESOLVED that the Board affirms the existing authority of the Executive Officer to interpret or clarify the Program Guidelines, and delegates to the Executive Officer, or his or her designee, the authority to adopt changes to the Program Guidelines that he or she deems necessary to enable effective implementation of the Program, provided that such changes are consistent with statute and the goals established by the Board. Staff shall identify those changes when the Board considers the next comprehensive update to the Program Guidelines.



Lease-to-Own Issue

- 132 LNG trucks funded under Prop 1B "Early Grant" awards
- AQMD contract to Cal Cartage as guarantor for lessee
- City National Bank (CNB) owned truck and included Prop 1B requirements in lease
- AQMD also entered into an enforcement agreement with CNB
- Tax benefits received and passed on by CNB to driver
- CARB previously unwilling to accept this model for new solicitation



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Alternative Fuel Tax Credit



Truck Cost:	\$160,000.00
CARB / AQMD Grant:	\$100,000.00
Federal QAFMV Tax Credit:	\$ 28,800.00
Term of Lease:	84 months
Residual Payment at End:	\$ 12,000.00 (7.5% of \$160,000)
Estimated Monthly Payment <u>with</u> tax credit:	\$ 472.00
Estimated Monthly Payment <u>without</u> credit:	\$ 953.00

Significant savings realized by lessee/operator



Letter dated Sept. 9, 2009, J. Sandoval, VP City National Bank to Fred Minassian, AQMD

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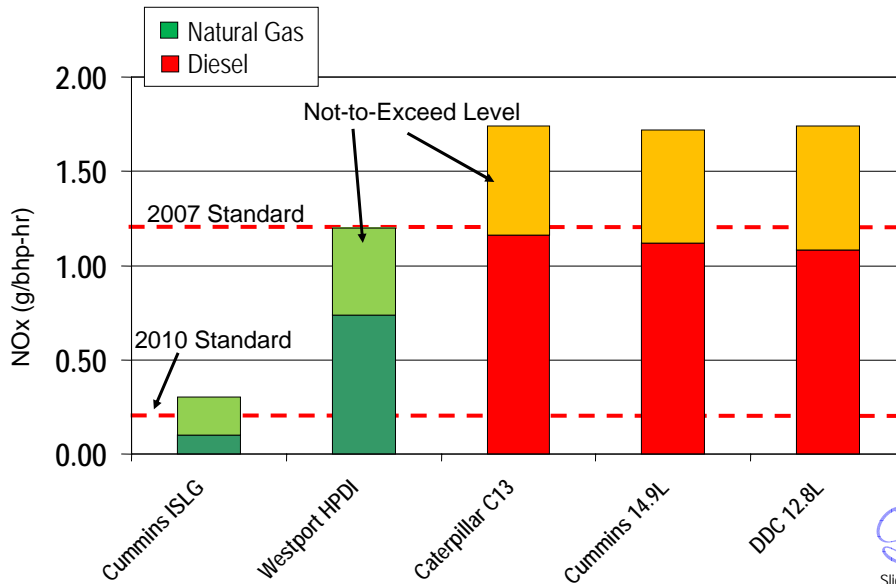
Lease-to-Own Options

	Non-Profit Model	Licensed Motor Carrier Model
Owner of Truck	Nonprofit	Bank or LMC is the owner
Financing	Letter of credit from banks	Bank or LMC acquires financing
Driver (lessee)	Truck driver has a lease-to-own arrangement with the nonprofit and eventually becomes owner	Truck driver has a lease to own arrangement with either the bank or the LMC and eventually becomes owner
Employment	Nonprofit cannot employ drivers	LMCs may also own the trucks and employ the drivers (with associated benefits)
Alt Fuel Tax Credit	Nonprofit cannot take advantage of tax credit	Bank or LMC pass tax credits to drivers in form of lower payments
Compliance	Nonprofit is responsible for program compliance	Both LMC and bank share responsibility for program compliance



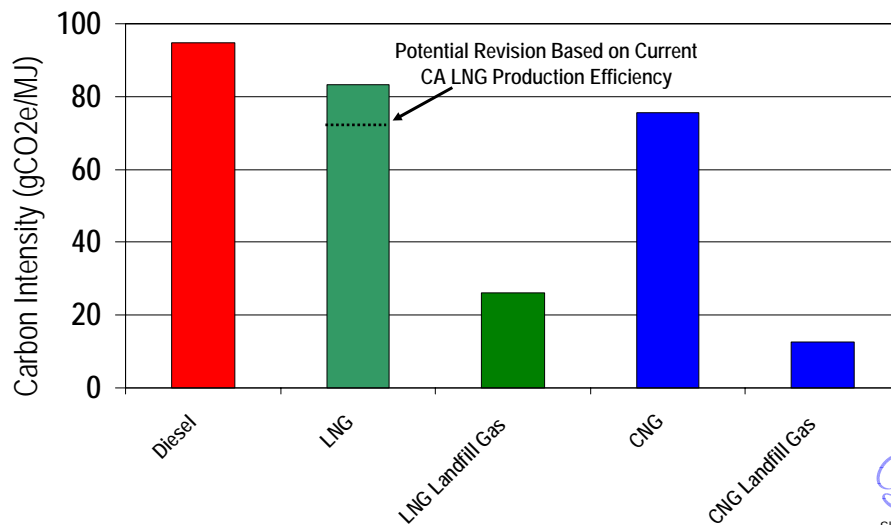
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Natural Gas Emission Benefits



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Diesel and NG Carbon Intensities



Consequences

- 1,373 applications after QA/QC
- Carl Moyer experience ~ 20% drop out rate
- Targeting 900 truck replacements (\$45M)
- ~500 (mostly NG) at risk due to interpretations by CARB
- CARB proposed solutions require additional AQMD resources
 - Convert to lease-to-own (potential loss of tax benefits)
 - Additional solicitation/application evaluations



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Recommendations

Proposition 1B Port Truck Awards

Approve list of applications received and authorize contracts for eligible trucks as approved by CARB

- \$50k per truck from Proposition 1B (\$45.45M)
- Additional \$50k for NG trucks from “mixed funds” comprised of AQMD and Ports monies (\$25M)



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Recommendations

Non-Proposition 1B Awards

- Recognize additional funds up to \$18.325M from DOE, CEC and DOT and use as “mixed funds” to support NG trucks
- Authorize revision of MOU with Ports to allow non-Proposition 1B awards
- Authorize contracts for \$100k per NG truck until funds are exhausted



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Recommendations

- Approve transfer of \$25M from AB 923 fund to the Proposition 1B fund as a loan until other funds are received
- Authorize contracts for intermodal truck replacements and retrofits not to exceed \$2.46M from the Proposition 1B fund
- Authorize contracts for consultant support for the implementation of the Program in an amount not to exceed \$350k

