

Puget Sound Clean Air Agency (PSCAA) Diesel Fleet Facility Registration Program Stakeholder Process

Meeting Summary
April 29, 2009
Seattle, WA

Participants

Name	Organization
Jim Boon	King County Metro
Matt Hink	CalPortland
Nels Johnson	Allied Waste Services
Sue Mauermann	Port of Tacoma
Allen Mitchell	Snohomish County Department of Public Works
Mike Moore (by phone)	Pacific Merchant Shipping Association
Gene V. Questad	Boeing Company
Sarah Rees (by phone)	Washington State Department of Ecology
Tim Sexton	Washington State Department of Transportation
Stephanie Jones Stebbins	Port of Seattle (for Wayne Grotheer)
Greg Tisdell	Tiz's Door Sales
Svea Truax	Consultant to BNSF (for John Chavez)
Jack Ziebarth (by phone)	Gordon Trucking

PSCAA and Support

Name	Organization
Dennis McLerran	PSCAA
Amy Fowler	PSCAA
Dave Kircher	PSCAA
Tom Beierle	Ross & Associates Environmental Consulting
Patrick Donovan	Ross & Associates Environmental Consulting
Bill Ross	Ross & Associates Environmental Consulting
Heather Rogers	Berk & Associates

Welcome and Agenda Review:

Bill Ross, Ross & Associates, welcomed the stakeholder group and reviewed the main agenda items for the meeting. Stakeholders were thanked for their continued participation in the design of the Puget Sound Clean Air Agency's (hereafter "the Agency") Diesel Fleet Facility Registration Program (DFFRP). Bill noted that the primary intent of the meeting was to walk the group through major components of the DFFRP and identify any remaining issues. Stakeholders were asked to consider all presentation materials as the straw DFFRP proposal. Bill encouraged the group to provide specific feedback on the following program components: the distribution of fee paying responsibility over the entire fleet, the initial and final phasing of on-road and off-road fleets, and the aggregate distribution of fees between on-road and off-road fleets. Bill indicated that the outcome of this meeting would determine if a fifth stakeholder group meeting would be beneficial.

Dennis McLerran, PSCAA Executive Director, welcomed participants and thanked them for their continued dedication to the development of the DFFRP. Dennis commented that it will be important for the stakeholder group to determine if their feedback and comments are accurately and adequately reflected in the straw program design. Dennis stated that he would, at a later point in the meeting, brief the group on the outcome of the Agency's efforts to obtain additional funding for the Diesel Solutions program and how it may affect the implementation and cost of the program.

Diesel Solutions Program Components, Impacts and Costs:

Amy Fowler, PSCAA, provided an overview of the components and potential impacts of the future Diesel Solutions program. She discussed slides 3 through 13 of the PowerPoint presentation¹ and emphasized the following points:

- The key components of the Diesel Solution program include the following:
 - Current & future Federal grants to fund vehicle retrofits,
 - A partnership with the Port of Seattle (POS) on a program to scrap older trucks,
 - Current & future partnerships with third-party organizations (e.g., Cascade Sierra Solutions) to retrofit diesel vehicles,
 - A future low-cost financing program for clean vehicle purchases based on PSCAA access to low-interest financial instruments, and
 - The pending facility registration program.
- The Agency estimates that the combined impact of the program components will result in approximately 1,500 retrofits or replacements per year.
- The Agency plans to begin registration and reporting in 2011 for facilities with on-road vehicle fleets of three or more vehicles and in 2013 for facilities with smaller on-road fleets and facilities with non-road fleets

Amy and Dave Kircher, PSCAA, emphasized the following points when discussing sources of operations and capital funding for the Diesel Solutions:

- The Agency is actively seeking \$6.3 million in Diesel Emission Reduction Act (DERA) grant funding.
- The Agency is actively working in cooperation with the Clean Cities Coalition, to win a federal stimulus grant from the Department of Energy (DOE). The DOE grant will award approximately \$15 million in funding for the purchasing of new natural gas-powered vehicles and the electrification of diesel-powered engines.

¹ http://www.pscleanair.org/programs/dieselsolutions/registration/stakeholders/documents/PSCAA_DFFRP_slides_meeting4.pdf

- The Agency anticipates approximately \$3 million in future federal grant funding to pay for specific emission reduction projects and related operating costs. These funds are expected in fiscal year 2010 and beyond.
- The Port of Seattle is providing \$1.5 million over two years to pay for a truck scrapping program.

Stakeholders provided the following comments and questions regarding the Diesel Solutions program components:

- With respect to the graphics on slide 5 of the PowerPoint presentation, why does the baseline population of Category 2 diesel vehicles remain relatively static over the life of the program?
 - While the baseline assumes that some Category 2 vehicles will be retrofitted it also assumes that smaller operators will replace older Category 1 vehicles with Category 2 vehicles. The net effect is for the size of Category 2 to stay relatively stable over the program period in the baseline case.
- With respect to the chart shown on slide 6 of the PowerPoint presentation, a fifty percent improvement over baseline conditions as shown in the outer years of the Diesel Solutions program is misleading. The Agency should recognize that both baseline turnover and the Diesel Solutions program will lead to substantial cumulative reductions in particulate matter.
 - The intent of this graphic is to depict the impact that the Diesel Solutions program will have in accelerating diesel emissions reductions. Furthermore, under the Diesel Solutions program risk reduction will be focused on the larger dirtier fleets instead of randomly distributed across the fleet as it is under the baseline.
- With respect to the chart shown on slide 6 of the PowerPoint presentation, if the timeline of the chart were to be extended, approximately how long would it take for the baseline to equal the Diesel Solutions program?
 - The point at which the program and natural turnover have substantially cleaned up the regional fleet is the point at which this program will have accomplished its goal and will sunset. Right now, we are assuming that point will be 2022.
- What is the Agency's estimated timeline for the DOE Clean Cities grant application?
 - The Agency submitted the DOE grant application in early April 2009. The awards are tentatively set for distribution in late summer of 2009. The Agency is looking into a second round of DOE grant funds that will be available 36 to 48 months from now.
- Will the Port of Seattle truck program deny trucks older than 1994 access to port property?
 - Yes. The Port of Seattle truck program has been approved by the Port of Seattle Commission. The Port is working with terminal operators to include lease requirements that deny access to port property to any regularly calling trucks that are model year 1994 or older starting January 1st, 2011. This currently accounts for approximately 20% (300 to 400 trucks) of the total fleet calling on the Port. The intent is to get owner-operators to scrap their old diesel vehicles and to upgrade to newer cleaner diesel trucks. The Port and the Agency are working with Cascade Sierra Solutions to help implement a program to replace scrapped port trucks with newer retrofitted trucks from California. These trucks would be leased to truckers at a subsidized rate.
- What percentage of the DFFRP operating cost is associated with the Agency's internal program processes?
 - Around half of the operating costs go to internal administrative costs. Stakeholders should remember, however, that these operating costs should be compared to the total program costs—only some of which is funded through the registration program. Program operating costs should be compared to the amount of grant and other funding being generated by the program.

Dennis McLerran informed the stakeholder group of the Agency's recent success in obtaining additional funding that can be used to cover a portion of the operating costs of the Diesel Solutions program. Dennis indicated that the additional funding will allow the Agency to fund diesel emission projects during the initial year of the program (2010) and will allow the Agency to defer implementation of the DFFRP to 2011. Dennis

further explained that if the Agency has continued success in finding alternate funding, the implementation of the DFFRP could be delayed for an additional year or the amount of revenue collected through registration fees could decrease. Some stakeholders said that even if the Agency has further success in obtaining funding, the DFFRP should begin in 2011. These stakeholders said that delaying the program may hinder the Agency's ability to identify and register facilities.

Heather Rogers, Berk & Associates, provided an overview of the on-road fleet facility assumptions, program cost shares, and program revenue shares. She discussed slides 10 through 12 of the PowerPoint presentation and emphasized the following points:

- The summary of facility ownership data (slide 10) depicts the assumed rate of compliance for all on-road fleets over life of the DFFRP.
- The fee and cost structure is designed so that on-road diesel fleets cover a large portion of the initial program costs, with non-road covering a large portion of costs during the end of the program. Cumulatively, on-road accounts for 55% of program revenue and off-road accounts for 45%.
- The cost and fee structure assumes an initial low rate of compliance for fleet facility sizes of 1-2 vehicles, with their compliance rate increasing over the life of the program.
- The Agency has the ability to adjust the cost and fee structure over the course of the program to adequately reflect an increase or decrease in facility compliance rates.
- The increase in program costs between fiscal years 2011 and 2012 is directly related to the Agency's internal preparation to register additional on-road facilities and bring off-road facilities into the program.

Stakeholders provided the following comments and questions:

- What will be the penalty for facilities that don't comply with registration requirements?
 - This hasn't been determined yet. Currently, the Agency charges evading companies a triple registration fee under the stationary sources program. The Agency makes an effort to work with facilities so that they understand all of the regulatory rules.
- In the fee and cost model, is the split between off-road and on-road fleets related to their respective levels of pollution?
 - The split between offroad and onroad fleets is based on the expected focus of the Diesel Solutions program on on-road vs. off-road fleets. We anticipate that this will break out as 55% of for on-road and 45% for non-road. The split does, however, also reflect the approximate share of diesel particulate emissions that each category contributes in the region.
- Will the DFFRP require that port cargo-handling equipment be registered as non-road equipment?
 - Yes.
- What types of diesel vehicles or equipment are covered under the non-road sector?
 - The non-road sector will include a wide variety of diesel powered equipment. Stakeholders should note that currently the DFFRP does not include marine vessels or locomotives. The Agency is still working to establish a registration threshold for non-road equipment; this is likely to be a horsepower-based threshold.

Registration Fee Calculation Table and Modeling Assumptions

Heather Rogers provided an overview of the DFFRP registration fee calculation table and modeling assumptions. She discussed slides 13 through 20 of the PowerPoint presentation and emphasized the following points:

- The following revisions were made to the fee calculation and modeling assumptions since the 3rd DFFRP stakeholder group meeting:

- The first year of registration and reporting will be 2011 instead of 2010.
- The program cost and fee model no longer assumes the need for a program reserve.
- A portion of the program will be paid for through alternative funding sources.
- Three additional fleet size categories have been added for larger fleets
- The largest percent decrease in pollution—and therefore the largest drop in fees—will result from diesel fleet vehicles moving from emissions Category 1 to 2.
- As the program progresses the difference in fees between the dirtier emission categories (Categories 1 and 2) and the cleaner emission categories (Categories 3 and 4) will increase.
- The DFFRP revenue target is not static and will be recalculated annually.
- Fees under the DFFRP are weighted using the midpoint of the facility fleet size category.

Stakeholders provided the following comments and questions:

- To have an impact on the private sector, the Agency will need to make the DFFRP attractive to facilities and companies. The ultimate challenge will be to determine and market the attractive elements of the program.
- Having the same fee for both Category 1 and 2 fleet vehicles may create an issue with owner operators of Category 2 diesel vehicles as they are technically cleaner and therefore should be assessed a lower fee.
 - The original intent of having a standard fee for Category 1 and 2 was to avoid the appearance of a per-vehicle registration fee. However, if the largest amounts of emissions reductions are realized by moving fleet vehicles from Category 1 to 2, the program should find a way to incentivize this behavior.
- Will the DFFRP raise enough funding for public outreach and education?
 - The Agency understands the importance of outreach and has budgeted for it in estimating program costs.
- The fees assessed to the large facilities are too low to stimulate fleet turnover or retrofits.
 - The DFFRP cannot generate any more revenue from fees than it expends on program operating costs. The fees for the program are designed to provide a meaningful signal to facilities, but are not enough to justify the full costs of retrofits or replacements.
- If a facility has both onroad and nonroad vehicles and equipment will they be required to calculate and pay separate fees for the two fleets?
 - Yes.
- Once the DFFRP is implemented will the revenue target be flexible?
 - Yes.
- The Agency should note that many facilities are outsourcing delivery needs to contracting companies such as UPS and FedEx. In this case who will the fee be assigned to under the DFFRP?
 - This is an important question and one that will need a solution. Under the current DFFRP design the owners of the facilities that house the delivery vehicles would be registered, but staff will need to examine these outsourcing situations to determine how best to ensure that a facility's emissions are accounted for through the program.

Registration Program Eligibility, Registration, and Reporting

Amy Fowler reviewed the registration and reporting components of the DFFRP. She discussed slides 20 through 29 of the PowerPoint presentation and emphasized the following points:

- The definition of “Diesel Fleet Facility” is a working definition and will be refined in the rule-making process.
- The DFFRP registration and reporting system will be straightforward and easy to use with options to pay by credit card and/or PayPal.
- Facilities will be required to provide an electronic certification that all information reported is correct and accurate.

- All facilities registered under the DFFRP are subject to an audit, but not all will actually be audited in any given year.
- Registered facilities will be required to maintain records to verify information they report.

Stakeholders provided the following comments and questions:

- The stakeholder group should consider shifting program fees from independent owner operators to their contracting company. This would decrease the burden and cost of locating and registering all independent owner operators.
- How long will a facility need to maintain records for inspection?
 - This has not yet been determined but will be specified in the rulemaking process.
- Is it critical to report the number of vehicles that a facility may have or the categories they fall within?
 - It is important for each facility to report the number of vehicles and provide the percentage of vehicles within each of the categories. This information can be reported as business confidential upon request.
- Will the Agency require that a corporate officer certify the accuracy of the reported information?
 - This has not been established but will be specified in the rule-making process.
- Is the program reporting timeline firmly established? The current reporting schedule would come at a hectic time when many reports are due.
 - The Agency can adjust the reporting time frame, such as moving it to early November or December.
- Hypothetically speaking, how will fees be assessed for an architecture or law firm that contracts with a shredding company that utilizes an industrial sized diesel-powered shredder?
 - The fee would be assigned to the shredding company.
- What happens when a facility has a fleet that spends exactly half of its time in the four-county area and the other half outside the region?
 - Under the current program design, the facility where that fleet is part of normal business operations would have to report on the fleet, regardless of where the vehicles travel.

Dennis McLerran asked the stakeholder group to comment on whether it would be better for the DFFRP to focus on registering facilities that physically own and operate construction-related non-road equipment within the 4-County area or if it should focus more broadly on capturing all construction equipment operated within the area. Dennis reminded the stakeholder group that the key of the program is to capture facilities that generate significant emissions over a long period of time. A stakeholder commented that the program is likely to achieve the greatest percent reduction in emissions by working directly with companies that own, lease, or rent construction equipment. The stakeholder group generally agreed that it will be important for the Agency to clearly identify where the liability of fees falls (contractor or job owner).

Stakeholder Views on Program Design

Bill Ross asked the stakeholder group to provide specific feedback on the straw DFFRP proposal. Each stakeholder group member was provided with a chance to comment on the existing design. The stakeholder group made the following high level comments:

- The mechanics of the program are adequate; the challenge will be to successfully locate and provide outreach to facilities covered by the program.
- The program should incorporate an incentive that will allow for fully retrofitted facilities to phase out of the program early.
- The program's simplicity and early recognition component will help gain public support.
- Some stakeholders were not comfortable with the equity of fees assessed for clean large facilities compared to small facilities.

- It will be important to demonstrate to facility fleet owners that they will receive something in return for their cooperation and payments under the program.
- The program mechanics are transparent and it is obvious that Agency has gone to great lengths to make the overall design simple and understandable.

Wrap Up and Next Steps

Bill Ross indicated that a fifth stakeholder group meeting would be beneficial to help address remaining program design issues and to discuss the final stakeholder group report that will be presented to the Agency Board. The stakeholder group agreed and asked that the draft final report be distributed with adequate time for review before the next meeting. Bill indicated that a final stakeholder report could include the following key elements: stakeholder discussions, the evolution of key issues, the program's merits, future challenges, and remaining issues. A draft of the final report will be distributed to the stakeholder group prior to the 5th meeting on May 20th, 2009. Dennis McLerran asked the group to remember that the final report is solely for the stakeholder group process and that there will be a separate rule-making process.

Bill provided a recap of the following additional elements that will be added to the final report:

- Clear direction on the next steps for handling non-road,
- Place more emphasis on definitions, and
- Include the main assumptions in the cost and fee model and how the stakeholders generally felt about them.

Bill noted that the next meeting will be on May 20th, 2009, at the Puget Sound Clean Air Agency and will mainly focus on the final collecting group feedback on the draft of the final stakeholder report.