

VW Grants 2020 Rulemaking

Summary

Rulemaking Advisory Committee Meeting #1

Monday, March 9, 2020, 9 a.m. to 3 p.m.

DEQ Headquarters Office

3rd Floor Conference Room
700 NE Multnomah Street, Suite 600
Portland, OR 97232



State of Oregon
Department of
Environmental
Quality

Air Quality - Planning

700 NE Multnomah St.,
Suite 600
Portland, OR 97232
Phone: 503-229-5177
800-452-4011
Fax: 503-229-6124
Contact: Gerik Kransky
Gerik.Kransky@state.or.us

www.oregon.gov/DEQ

DEQ is a leader in restoring, maintaining and enhancing the quality of Oregon's air, land and water.

Committee Members in Attendance

| Committee Member | Affiliation | Representing |
|---|---|--|
| Larry Gesher | Association of General Contractors | Construction Companies |
| Mike Bezner | Association of Oregon Counties | Oregon Counties |
| Christine Kendrick | City of Portland | City Regulated by HB 2007 |
| Corky Collier | Columbia Corridor Association | Small Fleets |
| Michael Graham | Columbia Willamette Clean Cities Coalition | Large Fleets and Alternative Fuels |
| Allen Schaeffer (by phone) | Diesel Technology Forum | Diesel Equipment and Technology |
| John Wasiutynski | Multnomah County | County Regulated by HB 2007 |
| Nate McCoy | National Association of Minority Contractors | Minority Contractors |
| Mary Peveto | Neighbors for Clean Air | Clean Air Community-Based Organization |
| Chris Krocker | Northwest Natural Gas | CNG/RNG Vehicles |
| Rich Angstrom | Oregon Concrete & Aggregate Producers Association | Concrete & Aggregate Business |
| Morgan Gratz-Weiser | Oregon Environmental Council | Environmental Community-Based Organization |
| Curtis Cude | Oregon Health Authority | Public Health |
| Waylon Buchan (by phone) | Oregon Trucking Association | Private Heavy-Duty Fleets |
| Greg Alderson | Portland General Electric | Medium/Heavy-Duty Vehicle Electrification |
| Patrick O'Herron (alternate for Kelly Campbell) | Physicians for Social Responsibility | Public Health |
| David Breen | Port of Portland | Intermodal Freight, Ports, and Drayage |
| Aaron Deas | TriMet | Transit Providers |
| Jeff Bissonette | Union of Concerned Scientists | Scientific Community |
| Jose Mikalauskas (alternate for Tony DeFalco) | Verde | Impacted Communities, Environmental Justice Community-Based Organization |

Committee Members Not in Attendance

| Committee Member | Affiliation | Representing |
|------------------|--------------------------------------|--|
| Tracy Rutten | League of Oregon Cities | Oregon Cities |
| Huy Ong | Organizing People Activating Leaders | Impacted Communities, Environmental Justice Community-Based Organization |

Staff Present

| Staff Member | Affiliation |
|------------------|--------------|
| Gerik Kransky | DEQ |
| Morgan Schafer | DEQ |
| Ali Mirzakhilili | DEQ |
| Eric Feeley | DEQ |
| Michael Orman | DEQ |
| Emil Hnidey | DEQ |
| Angela Parker | DEQ |
| Penny Mabie | EnviroIssues |
| Max Farbman | EnviroIssues |

Community Members Present

| Community Member | Affiliation |
|------------------|--------------------------------|
| Gerald Fox | Vintage Trolley Inc. |
| Chad Morrison | Thermo King Inc |
| Victoria Paykar | Climate Solutions |
| Max Smith | Cummins |
| John Lightner | Cummins |
| Rhett Lawrence | Forth |
| Mark Johnson | Port of Cascade Locks |
| Kevin Downing | Skookum Environmental Advisors |
| Rick Breznick | N/A |

Meeting Commencement

Gerik Kransky (DEQ) and Facilitator Penny Mabie (EnviroIssues) welcomed everyone to the meeting and introduced Ali Mirzakhilili the Air Quality Division Administrator for the Oregon Department of Environmental Quality (DEQ). Mirzakhilili welcomed and thanked the committee members for attending the meeting. He set the stage for the meeting by reminding committee members of the following:

- The goal of this process is to develop a grant program for Oregon's remaining Volkswagen (VW) Settlement Funds that will improve air quality and help upgrade the fleet of diesel equipment and vehicles in Oregon.
- He noted that diesel engines are powerful and central to Oregon's economy, but they pose a significant risk to human health particularly through their release of diesel particulate matter (DPM)

and nitrogen oxide (NOx). He pointed out that diesel pollution is currently at unhealthy concentrations throughout the state, especially in the Portland Metropolitan region.

- In addition to the health impacts of diesel pollution, he emphasized that black carbon from diesel engines is a significant contributor to climate change.
- He stated that it is these downsides of diesel exhaust that led the Oregon Legislature to pass HB 2007 in 2019 which gives DEQ direction to create a grant program that will spend all remaining VW settlement funds. This bill creates new regulations that will inform the parameters of the grant program.
- Mirzakhali reminded committee members that through the rulemaking process, they would help DEQ establish administrative rules and application procedures for the VW grant program that respond to the statutory direction from HB 2007 and to the settlement decree itself. He asked committee members to prepare for and engage in meetings to the best of their abilities. He noted that DEQ staff are available to help them prepare for meetings and to make presentations to and engage with their constituents so that they can accurately represent those voices at the table.

Committee Ground Rules and Charter Review

Penny Mabie walked committee members through the committee’s charter. She read the purpose and scope of the committee:

This rulemaking will produce guidelines for the administration of diesel emission reduction grants funded by Volkswagen funds. The committee will:

- *Help clarify and interpret the Volkswagen Environmental Mitigation Grants in HB 2007*
- *Make recommendations on basic program design*
- *Consider eligibility and project selection criteria*
- *Think about project solicitation processes and timing*
- *Advise on what should go into rule versus program guidance*

Policy guidance from Oregon Revised Statute, Volkswagen Environmental Mitigation Trust, and the federal Diesel Emissions Reduction Act will directly inform program rules. Rules may not conflict with this guidance.

Fiscal and Economic Impact

ORS 183.333 requires that DEQ ask the committee to consider the fiscal and economic impact of the proposed rules including:

- *Whether the rules will have a fiscal impact, and if so, what the extent of that impact will be.*
- *Whether the rules will have a significant adverse impact on small businesses, and if so, how DEQ can reduce the rules’ negative fiscal impact on small businesses.*

All other topics are out of scope of this committee.

She then read the responsibilities for the facilitator and those of the committee members:

| Facilitator Responsibilities | Committee Member Responsibilities |
|---|---|
| <ul style="list-style-type: none">• Encourages open, candid and robust dialogue• Starts and ends the meetings and agenda items on time | <ul style="list-style-type: none">• Prepares for and sets aside time for the meetings |

| | |
|---|---|
| <ul style="list-style-type: none"> • Encourages innovation by listening to all ideas • Tries not to lose good ideas to the consensus process • Recognizes when the discussion is outside the scope of the meeting and steers the discussion back to the focus of the meeting | <ul style="list-style-type: none"> • Provides DEQ staff with copies of relevant research and documentation cited during the meeting • Stays focused on the specific agenda topics for each meeting • Comments constructively and in good faith • Consults regularly with constituencies to inform them on the process and gather their input • Treats everyone and his or her opinions with respect • Allows one person to speak at a time • Is courteous by not engaging in sidebar discussions • Avoids representing to the public or media the views of any other committee member or the committee as a whole |
|---|---|

Mabie followed up on the roles and responsibilities by listing proposed ground rules for the committee:

- Listen respectfully
- Speak from interests
- Share airtime
- Participate fully
- Demonstrate curiosity
- Silence noisemakers

She asked if there were any questions or comments on the ground rules. There were none.

Mabie also listed the responsibilities for DEQ staff and public observers present at the meeting. She noted that they would have a public comment opportunity at the end of the meeting for observers.

| | |
|---|---|
| <p>DEQ Staff Responsibilities</p> <ul style="list-style-type: none"> • Establish clear committee goals, meeting objectives and agendas • Give committee members reasonable access to staff • Encourage all members to take part in discussions • Provide a clear description of members' roles, the committee timeline, the level of agreement expected and feedback on how members' input is used | <p>Public Observer Responsibilities</p> <ul style="list-style-type: none"> • Observe the meeting and not actively participate except during designated public comment periods |
|---|---|

Committee Priorities

Penny Mabie opened a discussion on the committee priorities by asking committee members to respond to two questions:

- 1. What would success look like for this grant program?**
- 2. What information do you need in order to fully participate in this process?**

Committee members' responses to the first question are grouped into categories and listed below alongside the name and affiliation of the committee member who suggested each success factor:

Emissions Reductions

- Maximizing emissions reductions (multiple committee members stated this).

Program Flexibility

- Having flexibility in the program so that grantees can use the funds to switch from diesel to alternate fuels
- A program that includes both on-road and off-road
- Flexibility for the applicant to bring what makes sense for them to the table and the grant program to be able to accommodate that

Health Benefits

- Prioritizing the funding to provide the greatest near-term health benefits
- Maximizing health benefits to children because exposure to diesel emissions has lifelong impacts

Social Equity

- Maximizing the benefit of the grant money and making sure this benefit flows to as many people as possible
- Maximizing the emissions reductions benefits for people who have been historically impacted by diesel emissions
- Focusing on vehicle types and fuel types that are most used in communities with longstanding air quality impacts, particularly from diesel emissions
- Prioritizing contracts with small businesses and equitably distributing these resources to give underserved communities more access to capital

Application Process and Selection Criteria

- A simple application process that enables people to easily apply for and access funding without the need for a large administrative staff
- An application timeline that allows people to apply for Diesel Emissions Reduction Act (DERA) grants in addition to these grants
- A program that prioritizes projects based on their inherent competitiveness and merits

Regulatory Compliance and Supporting Contracting Community

- A program that helps contractors comply with the clean diesel procurement standards that the City of Portland, Multnomah County, Washington County, Metro, and the Port of Portland developed, as well as the standard that the Oregon Department of Transportation is currently developing
- Focusing some of the funds towards people who (based on previous laws) will soon be ineligible to register their heavy-duty vehicles in Oregon

- Ensuring that the contracting community can fix some of their equipment and spreading the resources to do this beyond just the counties in the Portland Metropolitan area

Miscellaneous

- Focusing on using emissions reductions standards and technology that have been used in California and are known to work
- Prioritizing funding that will incentivize partners or grantees to invest their own money in addition to the VW Trust money

Responses to the second question “What information do you need in order to fully participate in this program?” are listed below:

- One committee member asked for:
 - Data from the Environmental Protection Agency’s (EPA) and DEQ’s emissions inventories to understand the largest sources of diesel emissions in the state.
 - Information on what sources of diesel emissions in Oregon have the largest financial need.
 - Information on where seed money from the VW Trust could provide an incentive for other partners to invest in diesel reductions.
- Committee members need a deeper understanding of how to balance the goals of spreading out the limited funds while also trying to achieve the greatest emissions reductions.
- Whether public and private projects were eligible for funding from the grant program.
- Understanding whether projects should be compared based on immediate combustion emissions or lifecycle emissions.
- Request for information on whether the goal is to limit NOx, carbon dioxide, or diesel particulate matter 2.5 (PM2.5).
- What types of emissions reductions provide the most significant health benefits to impacted populations (including workers and owner-operators).
- What requirements are placed on the funding if it is combined with DERA funding? Should there be a minimum threshold for the grant size to make this combination worth the additional administrative burden.
- What are the differences in the requirements to receive funding from the VW Trust and DERA.
- Need for information about depreciation schedules and how the industry makes decisions about when to replace vehicles and engines. This will allow the committee to think about what the right moment is to intervene and help someone purchase new diesel equipment.
- Committee needs a better understanding of which communities are most impacted by diesel reductions so it can prioritize funding in those communities.

Presentation: DEQ’s Existing Diesel Grant Programs

Morgan Schafer, Air Quality Analyst for DEQ, gave the committee a presentation on DEQ’s existing diesel grant programs. In her presentation she discussed:

- Why it is important to reduce diesel emissions
- Main sources of diesel emissions in Oregon
- 2007 and 2010 diesel emissions standards
- Overview of the VW Trust and how it interacts with the DERA grant program
- Guidelines for VW Trust and DERA applicants

Schafer opened her presentation by reminding committee members of some facts on diesel emissions in Oregon:

- Most diesel emissions in the state come from non-road diesel equipment (e.g. backhoes, cranes, logging equipment, heavy machinery, etc.).
- A significant amount of emissions in the state comes from medium- and heavy-duty vehicles.
- All diesel vehicles except on-road light-duty vehicles can be addressed with these funds.

Schafer then discussed how previous federal emissions standards that took effect in 2007 and 2010 helped lower PM2.5 and NOx emissions in diesel vehicles. However, there are still many “legacy” vehicles in use that have engines built before these standards. These engines continue to emit high concentrations of PM2.5 and NOx.

Schafer went on to give a general overview of the VW Trust and how it interacts with DERA grants. She stated that:

- The VW Trust was established as a result of a lawsuit against Volkswagen for including emissions test defeat devices in their cars which allowed them to violate emissions standards undetected.
- Oregon received \$72.9 million to mitigate diesel emissions (out of a total of a \$2.9 billion settlement fund).
- The VW Trust has various guidelines that limit what types of projects can be funded and how much funding can be given to each type of project. These guidelines do allow for the federalization of the funds through the DERA program.
 - Federalizing the funds is the only way that non-road diesel equipment (currently the largest contributor of diesel emissions and PM2.5 in Oregon) can receive funding.
 - Using the DERA program also expands the eligible treatment options.
 - However, federalizing the funds increases the administrative burden of the grant on both DEQ and the applicant.
- The first phase of Oregon’s emissions mitigation plan was to retrofit engines from some diesel school buses to reduce their emissions. This is expected to be completed by 2022.

Schafer then gave a more detailed overview of the guidelines for applicants for grants from the VW Trust and DERA program. To do this, she walked committee members through several tables that gave detailed information on available funding based on the type of equipment, the usage, and the proposed treatment (vehicle replacement, engine replacement, engine retrofit).

Questions and Comments

Committee members provided the following questions and comments:

- Many schools in Oregon have privatized their school bus fleets. Are those buses eligible to receive funding for emissions reductions?
 - Schafer confirmed that they are. She noted that to choose which buses received funding for emissions reductions, the state looked at which buses had the highest emissions and would be on the road longest. They did not have enough funding to treat all these buses, so they chose school districts at random to receive mitigation treatments.
- What is the continued need is for emissions reductions in Oregon school buses?
 - Schafer responded that the Oregon Department of Education is hoping to phase out all buses from 2007 or before by 2025.

- Gerik Kransky (DEQ) noted that to find the exact answer to that question they would need to pull an inventory from the state's fleet. He noted that DEQ is confident that many school districts are struggling to meet a statutory requirement to phase out old diesel vehicles.
 - The member suggested that they should use the remaining VW Trust funding to fund this need.
 - Kransky noted that this is a possibility.
- What is the cost comparison for purchasing a new diesel vehicle versus purchasing a diesel particulate filter (DPF) to reduce emissions?
 - Schafer used school buses as an example. She said that a new school bus costs between \$130,000 and \$150,000 and a DPF costs \$10,000 to \$15,000 (with some additional maintenance costs).
- Can DEQ share the emissions reductions potential of different mitigation treatments (e.g. engine replacements, installation of DPFs, vehicle replacements, etc.) so that the committee can compare these.
 - Schafer noted that this is highly dependent on the vehicle and the use. She did say that DPFs are the more cost-effective treatment in the short-term, but they are not necessarily cost-effective in the long-term. Their long-term cost-effectiveness depends on how frequently the filter needs to be changed which depends on the vehicle, the usage, and how well maintained the filter is.
 - The member followed up and asked if the amount of money given by the VW Trust for each mitigation treatment corresponds directly to the level of emissions reductions that the treatment can achieve.
 - Kransky said that DEQ does not know the potential emissions reductions without the information included in the application. This means that potential reductions can be evaluated against the cost on a case by case basis, but this is not included in the general guidelines provided by the VW Trust or DERA.
- How long does a DPF last?
 - Schafer noted that it depends on how well they are maintained but with proper maintenance they expire after about seven years. She also noted that they need to be frequently cleaned and can get clogged.
- Why is a new diesel engines cleaner than an old engine?
 - John Lightner, a meeting observer (a diesel engine manufacturer) answered. He explained that new engines use a higher grade of fuel and combustion chambers that recirculate gases from the engines exhaust. These both reduce the levels of harmful particulates in the emissions.
 - Another member followed up to ask if there have been significant changes in how diesel engines function since the changes were made to comply with the 2007 and 2010 emissions reductions standards.
 - They noted that there have not been significant changes since 2010.
- What are the differences in getting funding from the VW Trust versus getting it from the DERA program?
 - Schafer responded that that is something they can address in future meetings. **Action item: DEQ will gather materials on this for future meetings.**
- A member noted that the VW Trust and DERA requirements give various ranges for the age of eligible vehicles and asked if those ranges are universal or sector specific.
 - Schafer responded that they are sector-specific because different vehicles last for different lengths of time.

Grant Program Design – Existing Criteria

Presentation: Review and Discuss HB 2007

Gerik Kransky gave the committee a presentation on the statutory direction that DEQ received from the 2019 Legislature through HB 2007 and how this direction will apply to the development of the grant program. In his presentation, he discussed:

- The specific text of the bill
- The implications of this bill text on grant rules
- Additional considerations for the grant rules

Kransky first discussed specific sections of text in the bill. He noted:

- The bill expanded the definition of a “retrofit” beyond its traditional definition to include alternative fuel conversions. The amount of funding that can be given to these types of retrofits will still be limited by the rules of the VW Trust and DERA.
- Section 2 of the bill creates the grant program and authorizes DEQ to use the DERA program in this grant program.
 - The Legislature directed DEQ to give preference to projects that:
 - Support compliance with regulatory burdens put in place by the legislature or other standards.
 - Have applicants who are disadvantaged business enterprises (DBEs), minority-owned, women-owned, service-disabled veteran-owned, or emerging small businesses.
 - Involve replacement, repower, or retrofits of vehicles with at least three years of useful life remaining. (Kransky noted that this requirement brings some challenges because it can be hard to determine exactly how long a vehicle will remain in use.)
 - Support the utilization of credit-generating fuels under DEQ’s Clean Fuels Program. These include propane, renewable diesel, electric vehicles, and compressed natural gas.
 - Benefit owner-operators of heavy-duty trucks with only one vehicle that is registered in Multnomah, Clackamas, or Washington County.
 - Have applicants that are “small fleets.” (Kransky noted that the Legislature left it up to DEQ to develop a definition for small fleets.)
 - Involve concrete mixer trucks or the transportation of aggregate.
 - Meet any other criteria established through the rulemaking process.
- The bill established deadlines after which older diesel engines cannot be registered and titled in Oregon (although it includes some exceptions).
- Section 15 of the bill creates a voluntary emissions control labelling program. These labels will be applied to the outside of engines and will show what the engine’s emissions are. This will not impact this rulemaking process but DEQ wants to coordinate with participants in this labelling program to make sure they know about the availability of funding from the VW Trust.
- The bill also requires the use of clean diesel technology in public works contracts led by a state contracting agency when the contract is more than \$20 million and located in Multnomah, Clackamas, or Washington County.

Questions and Comments

Committee members made the following comments after Kransky's presentation:

- A member noted that the panel that reviews and selects applications should be diverse.
- Another added that the application should be available in languages other than English, particularly Spanish, because many business owners are more comfortable in languages other than English.
- It was suggested that DEQ think about whether and how applicants with Business Oregon's COBID Certification (Certification Office for Business Inclusion and Diversity) could get preference in their applications.
- A member stated that DEQ should think about how it treats applicants who satisfy multiple of the preference conditions listing in the bill: Should they be given even more weight if they fulfill multiple conditions instead of just one?
 - Kransky responded that he thinks giving more preference to those who satisfy multiple conditions feels true to the statutory intent. DEQ will reflect that while also finding ways to ensure that beneficial projects that do not fit into the preference conditions are not dismissed out of hand.
- The member also said that even though Oregon's remaining funds in the VW Trust will soon run out, DEQ should look at this rulemaking as an opportunity to set a vision for future grant programs that could be developed when new sources of funding are available.
 - Another member followed up on this comment by asking: If the state allocates funding for another diesel reduction program, would these rules apply, or would there be another rulemaking process?
 - Kransky clarified that there would likely be a new rulemaking process. He noted that DEQ currently has existing rules on clean diesel programs, but they are not using them for this grant program because they have too many contradictions with the guidelines of the VW Trust. He noted that they are also ten years old so likely need to be updated.
- Will the expansion of the definition of retrofit to include alternative fuels applies only to the vehicles themselves or if it could apply to supporting infrastructure?
 - Kransky said that some of that infrastructure is eligible under DERA but not under the VW Trust. He noted that the infrastructure that is eligible is likely costly enough that its cost-effectiveness would be low, and that this would be a place where other public or private funds might be in a better position to install that infrastructure.

After Kransky heard and answered these questions and comments, Penny Mabie asked the group the following questions for discussion:

Did you hear anything in the presentation that impacts what you said this morning in terms of what a successful grant program would look like? Did it bring up further questions or concerns? Do you feel that some of what you indicated as a success factor is already addressed in the bill?

Committee members made the following comments and asked the following questions:

- One committee member thought it would be challenging for the committee to balance the priorities of helping small businesses and maximizing diesel emissions.
- Another noted that it would be helpful to see data on diesel emissions at the neighborhood level to help make these funding decisions.
- One member was having trouble knowing what exactly the committee is trying to produce through this rulemaking process.
 - Kransky responded to this comment noting that as DEQ develops these rules, it will need to reply to the content of the bill and can also develop additional ways applicants can receive

preference. As part of the advisory committee process, DEQ would like to hear how the committee members would prioritize some of the competing benefits that could be created with this funding.

- It was noted that it is imperative to explicitly name that the program will lead with investments in majority black and brown businesses since they are often the businesses that are working in communities of color. They stated that it is important to consider during the outreach efforts for this grant program as well.
 - Another member agreed with this comment and noted that it is important not to sum up black-, brown-, and women-owned businesses under the mantle of “small businesses” but name each of these specifically.
- Another pointed out that the City of Portland has hired a staff person to provide technical assistance to COBID-certified firms to help them find funding to upgrade their diesel equipment and Multnomah County is trying to do the same. They suggested that the state do this as well.
 - Kransky said that DEQ can help with technical assistance although there will be some contracting and procurement challenges to funding that technical assistance.
- A member reminded the group that this funding is delivered to the applicant as a reimbursement. They pointed out that this is a potential barrier because someone must have enough cash to pay for the upgrade to their vehicle and asked how long someone would need to wait for reimbursement.
 - Kransky acknowledged that this is a real barrier but noted that DEQ will not enter into any grant agreements until they have the funding in hand from the VW Trust. Thus, DEQ can reimburse an applicant almost immediately.
- The member also stated that DEQ has done previous work where they gave low-cost loans and leveraged private funding. Is this possible for this program?
 - Kransky explained that DEQ is explicitly forbidden from using the funds for loans.
- It was asked if DEQ can set target goals like Disadvantaged Business Enterprise (DBE) goals that make sure the agency is incentivized to adequately help specific disadvantaged communities.
 - Kransky responded that DEQ staff have been looking at what makes DERA such an effective program and noticed that it is because DERA just looks at cost-effectiveness. This allows the cheapest and best projects to go forward. DEQ takes that lesson to mean that it should keep a broad application that is not too prescriptive. This will prevent DEQ from undersubscribing some funds and oversubscribing others which could prevent good projects from receiving funding.
 - The member followed up to ask how DEQ defines the best projects
 - Kransky said that they would be defined first based on the statute and second based on the success factors identified through the rulemaking process.
 - Another member suggested that DEQ could earmark money for specific things but with a sunset that opens this money up to other communities or projects if the funding is undersubscribed.
- One member said that it would be beneficial for the Joint Task Force on Revenue to demonstrate revenue uses that would go beyond VW Trust funding. For example, technical assistance funding. They noted that if the legislature allocates that funding, it could make the funding from the VW Trust more useful.
- A member said that even with a focus on cost-effectiveness, there will be conflicts. He thought the committee should lay out conflicts and address them on a case by case basis. For example, they asked how the committee should compare a project that reduces NOx and PM2.5 in emissions to one that primarily reduces carbon dioxide. As another example he asked how it should compare a project with more short-term benefits to one with more long-term benefits.

- It was pointed out that DERA and this grant program are different because the DERA program is completely optional while Oregon has statutory requirements to phase out certain engines by certain dates, meaning this program is meant to help people meet those requirements. They also noted that unlike DERA, this program is not just about cost efficiency but also about taking care of Oregonians with certain limitations.
- They also stated that there is a concern about letting large public agencies like TriMet access the funds because they can quickly use them all. And that is a program through which the people who are the most impacted can have access to funding while huge agencies have other ways of getting funding.
- Another member noted that one of the success factors the committee had talked about previously was having emissions reductions in communities that are most impacted by pollution. They asked how the committee can quantify this and if they needed to add additional qualifications to applicants like where they are operating. They stated that this could be burdensome, and the committee needs to balance quantifying the impact of the program with creating new burdens.
- It was pointed out that other states such as California have offered grant programs where different grants for different groups or vehicles come online over the course of the year. They noted that maybe DEQ can do this.
- It was also stated that the issue this group faces in terms of priorities is exactly what a DERA grant walks through in terms of social equity. However, the process DERA uses to determine this is too onerous for the recipients the committee wants this funding to go to. They thought that there are ways the committee can simplify this process. For example, it can identify certain geographic areas as priorities or identify specific technologies as priorities.
- Another member asked if vouchers are an option for owner-operators or fleets who cannot afford to purchase some of the cleaner upgrade options.
 - Kransky responded that he did not know.
- A member noted that many public agencies in Oregon have big projects coming up. They asked if DEQ can dovetail these projects into this grant program noting that this could help attract additional lenders.
 - Kransky responded that the clean diesel for public contracts requirements does apply on a specific project basis. Any contractor who wins a job on one of these large public contracts will face a regulatory burden from the bill.
- The member also asked if equipment manufacturers should be in the room so they can build relationships with communities they have not done business with or have only rented to in the past.
 - Kransky noted that DEQ has been talking with and trying to build relationships with equipment manufacturers.
 - Wasiutynski noted that equipment rental companies are a big stakeholder to be included in the conversation as well.

Grant Program Design – Additional Criteria

Penny Mabie told committee members that DEQ wanted to use this section of the meeting to talk more about the success factors that committee members had identified earlier. Committee members were provided with a list that summarized these success factors:

- Applicant simplicity
- Emissions reductions benefits
- Most emissions reductions
- Temporal considerations (near-term, long-term, etc.)
- Unfunded mandates/regulatory burden
- Sources with most financial need
- Flexibility of program
- Accessibility of funding

- Geographic considerations
- Community health benefits
- Disadvantaged communities (black and brown)
- Disadvantaged businesses (black and brown)
- Valuation/scoring/weighting of preferences
- Leveraging additional investment (public/private)
- Cost-effectiveness

Committee members discussed the following success factors in more detail:

Flexibility of Program

- After discussing what type of flexibility this referred to, committee members determined it refers to the idea that the program should allow projects involving diesel or alternative fuel, on- or off-road vehicles, and not exclude projects based on restrictions from DERA (specifically restrictions on the age of equipment).
- A member also noted that to increase the flexibility of the program, DEQ could adopt the DERA eligibility criteria for drayage since this is more flexible than the standard DERA requirements.

Disadvantaged businesses (black and brown)

- Committee members discussed whether this success factor should also mention small businesses. They decided that since the bill specifically requires that small businesses be given preference, they do not need to add it as an additional success factor. Instead, they decided to leave this success factor to refer to disadvantaged businesses specifically those owned by people of color to make sure that those businesses get preference even though they are not specifically mentioned in the bill.

After this discussion, Mabie asked the committee members to individually identify what they saw as the three most important factors for success from this list and the three least important factors for success from the list. She then had committee members share their ranking with the group. Their rankings are reflected in the table below:

| Success Factor | Number of committee members who included this in their top three | Number of committee members who included this in their bottom three |
|---|--|---|
| Disadvantaged businesses (black and brown) | 10 | 0 |
| Community health benefits | 8 | 1 |
| Most emissions reductions | 7 | 1 |
| Flexibility of program | 6 | 0 |
| Cost-effectiveness | 6 | 0 |
| Disadvantaged communities (black and brown) | 5 | 0 |
| Applicant simplicity | 3 | 0 |

| | | |
|--|---|----|
| Temporal considerations (near-term, long-term, etc.) | 2 | 4 |
| Geographic considerations | 2 | 4 |
| Unfunded mandates/regulatory burden | 1 | 10 |
| Sources with most financial need | 1 | 0 |
| Valuation/scoring/weighting of preferences | 1 | 5 |
| Leveraging additional investment (public/private) | 1 | 12 |
| Emissions reductions benefits | 0 | 0 |
| Accessibility of funding | 0 | 0 |

Grant Program Design - Administrative Guidance

Gerik Kransky told the committee that DEQ now wanted to get feedback on the administrative processes the agency would put in place for the grants. He asked the following questions:

- *On what timeline should DEQ make the funding available?*
- *What types of detailed technical assistance can DEQ staff provide to applicants?*

In their discussion, committee members mostly spoke about the second question and highlighted the following things:

- A member noted that many diesel vehicle operators may not know exactly what type or model year engine they are using so DEQ staff should provide technical assistance for operators to understand what they have.
 - Multiple committee members and DEQ staff noted that this is much more challenging and labor intensive than it seems so it would be especially helpful if DEQ could do this legwork for applicants.
 - An observer, from a manufacturer of diesel engines, suggested that DEQ and the owners should work with the engine manufacturer to determine this information.
 - Another member suggested that DEQ could potentially make this easier for the applicant by not requiring that they provide the engine information on the application. Instead, DEQ can help them purchase a new vehicle or engine, and then once DEQ takes possession of the old engine the agency can determine the type and year for documentation purposes.
- It was suggested that DEQ should make the application period at least three months long so applicants and partners have enough time to develop a thorough application.
- A member emphasized that it is important to raise the value given to community engagement in this process. They noted that the community engagement process for the DERA grants is relatively superficial. By engaging in more extensive community engagement, They thought that people in these communities would be able to better understand and see the benefit these diesel emissions reductions

programs bring to them. They highlighted that this would help get future funding for these programs because there will be more support for them.

- Another member agreed with this point and suggested that DEQ should partner with individuals and organizations in communities who could guide members of their community through this grant application process. They noted that this would help more people have access to the funding.
- A third member agreed with the others and noted that DEQ will need to do focused outreach and education so that communities are aware of the grant program and potential technical assistance for submitting applications.
- Another member pointed out that DERA applications require emissions reductions counts and cost-benefit information that can be complicated for applicants. They stated that it would be good for DEQ to simplify that. Some things like DPFs have published cost-benefits so he suggested that DEQ could use that existing data and publish estimates of cost-benefits based on hours of use.
- The member also said that DERA funds training programs for the maintenance and operation of eligible retrofits. They suggested that DEQ should make sure people know about and can access these trainings so they can do the work that this grant is funding.

Public Comment

Penny Mabie opened the floor for public comments.

John Lightner from Cummins, Inc. provided the following comments:

- I work with engine repowers and lowering diesel emissions in Washington and Oregon and there are a few things I want committee members to realize:
 - For a vehicle to get a retrofit, it needs to be from 2006 or older because engines from Model Year 2007 already have DPFs. Given the age of such a vehicle you need to consider whether the value of the engine is worth the cost of the retrofit. It is also challenging to do a retrofit on an off-road vehicle because DPFs need to be custom fit to these vehicles and can get clogged very easily.
 - If the engine does not qualify for a retrofit, the owner will need to repower or replace the engine. This is very expensive and even with money from the VW Trust it can make more sense to buy a new vehicle instead.
 - It is important to take advantage of idle reduction technology as part of this program.
- In response to a question from a committee member about the costs of replacing a diesel engine with an electric engine, Lightner noted:
 - It depends on the vehicle but generally costs at least \$150,000 to \$170,000.

Gerald Fox from Vintage Trolley, Inc. provided the following comments:

- We are working to convert streetcars in Lake Oswego from diesel to electric. It is not clear if this is covered by HB 2007 because the bill talks about transit buses and locomotives but not passenger trains. I plan to submit a written application to determine if this is a project that could be eligible for this funding.

Kevin Downing formerly from DEQ now from Skookum Environmental Advisors provided the following comments:

- The conversations you are having show the challenge of weighing the competing priorities. My favorite tool to do this would be a paired comparison analysis. Compare each parameter to every other and then you will get a group valuation of what is most important.

- DERA has very complex procedures for how to give funding to applicants. My preference for this program would be to devise a very simple process that can evaluate your criteria with checkboxes that the applicant can fill out.
- I suggest looking at a voucher rebate program. This is something that EPA does with school buses, and it can lower the burden on the applicant and increase the accessibility of the funding.

Future Committee Meeting Logistics

Gerik Kransky closed the meeting by discussing logistics for future meetings. DEQ is currently planning for two more meetings, but they may need to add another. DEQ will take the comments that were provided in this meeting and use them to develop draft rules. They will bring these rules back to the committee at the next meeting in around two months. They will then use feedback from that meeting to develop final rules. At the third meeting, the committee will review the final rules as well as the fiscal impact of the bill. The process will close with formal action from the Environmental Quality Commission.

Kransky asked if committee members had any question on future logistics. There were none.

Kransky noted that committee members could provide written comments on the topics of the meetings. The deadline to submit these is March 23, 2020.

The meeting adjourned.