

**2010
MARINE ENGINE
GRANT PROGRAM**

**GUIDELINES FOR
REQUEST FOR PROPOSALS
GRANT APPLICATION**



**AIR POLLUTION
CONTROL DISTRICT**
COUNTY OF SAN LUIS OBISPO

June 11, 2010

**San Luis Obispo County Air Pollution Control District
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San Luis Obispo, California 93401
(805) 781-5912**

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APPENDIX: GRANT APPLICATION - 2010 MARINE ENGINE PROGRAM

I. INTRODUCTION

The San Luis Obispo County Air Pollution Control District (APCD) administers several types of grant programs with the goal of improving air quality in San Luis Obispo County. San Luis Obispo County has been designated as non-attainment for the California Ambient Air Quality Standards for respirable particulate matter (PM₁₀) and ozone. Emissions from diesel engines are a significant contributor to ambient concentrations of ozone and particulate matter in San Luis Obispo County. In addition, the California Air Resources Board (ARB) identified diesel particulate matter (PM) from diesel engines as a toxic air contaminant (TAC) in 1998.

This Request for Proposal (RFP) solicits proposals from qualified applicants to participate in the San Luis Obispo County 2010 Marine Engine Grant Program - a first-come, first-served grant program, which provides funding to help replace older high-emission commercial marine vessel diesel engines with newer, cleaner engines. By promoting voluntary diesel engine emission reduction grant programs under cooperative agreements with eligible applicants, the APCD can reduce a significant source of health risk to San Luis Obispo County residents, while accelerating the process of achieving attainment with the California Ambient Air Quality Standards.

On November 15, 2007, the ARB approved the Commercial Harbor Craft Regulation (Regulation) to reduce emissions from diesel engines on commercial harbor craft vessels that operate in Regulated California Waters. The 2010 Marine Engine Grant Program will reduce emissions from marine diesel engines surplus to this regulation. The emission reductions are considered surplus if they are not required in any other way by an air quality regulation or plan to achieve an air quality standard.

II. FUNDING AVAILABILITY AND APPLICATION DETAILS

A. Source of Funding

This program is administered with funding obtained through an agreement reached with AT&T which resulted in the creation of the AT&T Gateway Mitigation Fund, a mitigation account to offset nitrogen oxide (NO_x) emissions resulting from the installation of fiber optic cables along the coastal zone and elsewhere in San Luis Obispo County. This grant program will fund the replacement or retrofit of older, high-emission diesel marine engines and result in substantial reductions in nitrogen oxides (NO_x) emissions, an ozone precursor pollutant, and toxic diesel particulate matter (PM). Approximately \$143,944 in marine engine replacement incentives are available to replace engines on marine vessels that operate in coastal waters off of San Luis Obispo County and have home ports in Morro Bay or Port San Luis.

B. Application Details

1. The APCD is currently seeking proposals to fund qualified marine engine replacement projects on a competitive first-come, first-served basis using the criteria listed in this document;
2. Applications can be mailed or hand-delivered to the APCD on or after June 21, 2010;
3. The Application Guidelines, Grant Application and Application Checklist may be found on the APCD website www.slocleanair.org under the Programs/Grants section;
4. The funding order of qualified projects will be based on the date which the APCD determines that the application is complete;
5. Project applications that are deemed complete on the same day on or after June 21, 2010 will be prioritized in the order of the cost-effectiveness;
6. The application period will be closed when the allocated funding is fully contracted.

C. Eligible Project Costs

1. Approved marine engine;
2. Labor to install the marine engine (from an APCD approved installer);
3. Sales tax on the purchase of the marine engine and engine shipping costs;
4. Any costs related to vessel modifications needed to install the new engine are not eligible for funding. Parts related to installation of the new engine are not eligible for funding.
5. Project awards are subject to a cost-effectiveness limit and capped at 65% of the total eligible project costs, and cannot exceed \$100,000 per applicant per grant program for the 2010 funding cycle.

III. SCHEDULE

A. APCD Application Completeness Review

Applications will be reviewed for completeness by APCD staff. If the application is deemed incomplete, the APCD will send the applicant a letter that describes what is needed to complete the application. Projects are not placed in line for grant funding until the application is deemed complete.

When the application is complete, the APCD will issue an "Application Complete Notice."

B. Application Complete Notice

Based on the information provided in the application, the APCD shall estimate project cost-effectiveness and define the project's eligible award amount. The "Application Complete Notice" will either:

1. Include an offer of the award amount from the APCD. Upon acceptance by the applicant, this award letter will be followed by the Grant Agreement signed by the APCD's attorney ready for the applicant's review. The applicant will return the

- signed agreement to the APCD for the Air Pollution Control Officer (APCO)'s signature; or
2. Specify that although the application is complete, the project cannot be funded because no more grant funds are available.

C. Pre-Inspection & Project Initiation

As part of the application or contracting phase, the APCD shall contact applicants to schedule a pre-inspection of the existing engine to verify that it is both functional and that the application information, such as engine serial number or other identification number, matches that from the engine. Engines that do not have serial numbers will be tagged by the APCD with the project file number.

Work on the engine replacement project SHALL NOT begin until the Applicant has received a copy of the fully signed executed Grant Agreement from the APCD.

D. Project Installation

The engine manufacturer, a manufacturer-approved dealer, or a certified professional must install the new engine and complete the project. The applicant must provide a letter from the engine dealer stating that the engine installer is approved by the dealer and the new engine warranty will be valid once the engine is installed by the approved installer. The installer must provide a detailed written estimate of parts and labor charges to complete the project. A sea trial shall be conducted by the installer after the engine is properly installed to verify that the engine is operating properly.

E. Project Post-Inspection & Replaced Engine Destruction

When the new engine has been properly installed, the applicant will:

1. Contact the APCD and schedule the project's post-inspection;
2. Conduct a successful sea trial and provide a letter from the installer stating that the engine was installed properly and the warranty is valid;
3. Destroy and render useless the old engine by placing a three-inch (minimum) diameter hole in the block for APCD to verify during the post-inspection;
4. After the post-inspection, the old engine is to be taken to a metal recycling/salvage yard for recycling. **The applicant must obtain a receipt that includes the engine serial number from the recycling/salvage yard that states the old engine was received and will be recycled;**
5. Complete the APCD Engine Destruction Certificate that is included in the Grant Agreement, attach a copy of the metal recycling yard receipt to that certificate, and return it to the APCD.

F. Reimbursement of Project Costs

The Applicant must invoice the APCD for their project costs up to the award amount listed in the Grant Agreement. The Applicant must attach receipts that demonstrate the purchase of the new engine, required parts and installation charges. Only eligible expenses are

allowed for reimbursement by the APCD. **The invoice will be paid only after the new engine has been properly installed; the letter from the installer is provided to the APCD stating that the engine was installed properly and the warranty is valid; the post-installation inspection has been conducted; the old engine has been sent to the salvage yard; the Grant Agreement scrap form is provided to the APCD; and a matching receipt is provided which includes the engine serial number from the recycling/salvage company and states that the engine was received as scrap metal.** The APCD will initiate payment as promptly as possible, generally within 30 days after receipt of this information.

G. New Equipment Maintenance and Operation Reports

After the project is complete, applicants must maintain their new engine as recommended by the equipment manufacturer and must submit operation reports to the APCD as outlined in the Grant Agreement.

H. Follow-up Inspections and Audits

After the new engine is operational, as part of the Grant Agreement, the APCD, or their designee(s) shall be allowed to inspect the engine(s) and/or records relating to the engine and accomplish fiscal audits during the term of the Grant Agreement.

I. Performance Expectations

After the new engine is operational, the Grant Agreement will specify usage requirements to ensure emission reductions. The APCD has the authority to collect repayment from the owner or seek other remedies available under the law for noncompliance with program requirements and/or unacceptable performance with regard to the performance parameters agreed upon within the Grant Agreement (e.g., lower engine usage than stated in the application). The APCD will consider unforeseen circumstances beyond the owners' control in determining repercussions, if any, for nonperformance.

IV. PROJECT SELECTION

A. Vessel Eligibility Criteria

1. Vessels that may be eligible for this program include:
 - a. Vessels that are strictly Commercial Fishing Vessels are exempt from the engine replacement requirement section of the Regulation, and are eligible for funding, subject to the conditions in this Request for Proposals.
 - b. Fishing vessels that are operated over 300 hours per year and offer ferry, excursion (whale watching, harbor cruises, diving, etc.), tugboat, or towboat services at any time during the year are considered Multipurpose Harbor Craft and are subject to the Regulation. Multipurpose Harbor Craft as defined by the Regulation are eligible for funding if the project is completed at least three years prior to their regulated compliance deadline. Refer to Table 1 in the ARB

publication “*Commercial Harbor Craft Regulation Compliance Guideline*” for compliance deadlines:

<http://www.arb.ca.gov/ports/marinevess/documents/chccomplianceguideline.pdf>

- c. Commercial Harbor Craft as defined by the Regulation are eligible for funding if the project is completed at least three years prior to their regulated compliance deadline. Refer to Table 1 in “*Commercial Harbor Craft Regulation Compliance Guideline*” for compliance deadlines.
2. Emission reductions resulting from this project must be surplus to any reductions required by any regulations, including the ARB Commercial Harbor Craft Regulation. The emission reductions are considered surplus if they are not required in any other way by an air quality regulation.
3. Funding is limited to repower projects for harbor craft and fishing vessels with a home port in Morro Bay or Port San Luis that operate in waters offshore San Luis Obispo County (i.e. ports, estuaries, bays and within 24 nautical miles from the coastline). Proof of operation in these areas must be provided.
4. Applicant must demonstrate historic usage in the San Luis Obispo County portion of California Regulated Waters (i.e. ports, estuaries, bays and within 24 nautical miles from the coastline) and must provide documentation to support the demonstration of cost-effective emission reductions.
5. Applicant must demonstrate future usage in the San Luis Obispo County portion of California Regulated Waters (i.e. ports, estuaries, bays and within 24 nautical miles from the coastline) must be similar to or greater than historic usage.
6. Projects required as mitigation under NEPA (National Environmental Policy Act) or CEQA (California Environmental Quality Act) are not eligible for funding under this program.
7. Only existing main (propulsion) or auxiliary diesel engines of at least 25 hp are eligible for replacement under this program.
8. Applicant must demonstrate to the APCD that the existing engine(s) is (are) operational during pre-inspection.
9. Replacement engines must meet emissions limits equal to or cleaner than current U.S. EPA or CARB marine standards and be marinized.
10. Applicant must provide the APCD with a copy of a current Commercial Fishing License issued by the California Department of Fish and Game.
11. Applicant shall provide documentation that verifies usage within (and outside) the San Luis Obispo County portion of California Regulated Waters (i.e. ports, estuaries, bays and within 24 nautical miles from the coastline) for the preceding twenty-four (24) month period. Types of documentation may include copies of fuel receipts or fuel logs, operation or maintenance records, hour meter data or vessel logs.
12. Applicant must provide the APCD with a copy of the vessel’s current California DMV or US Coast Guard registration.

B. Program Restrictions and Requirements:

1. Prior to receiving funds, successful project applicants must execute a Grant Agreement with the APCD, which will specify the terms and conditions of the project.
2. The applicant must provide current certificates of insurance with the application to show evidence of coverage for the appropriate insurance coverage, which may

include Hull and Machinery, Protection and Indemnity (P&I) (which may include the equivalent of Worker's Compensation for the crew), Property Insurance, General Liability, Longshoreman's (USL&H) or equivalent Worker's Compensation insurance. Funded projects will be required to provide certificates of insurance endorsing the APCD as additionally insured for this project that covers General Liability and the replacement cost of the new equipment. When these policies are renewed or changed, updated certificates must be submitted to the APCD until the Grant Agreement expires. If the applicant is exempt from any insurance requirement, proof of such exemption must be provided.

3. The grant-funded engine must be properly maintained and operated as specified by the manufacturer to ensure that reduced emission levels are maintained at least for the duration of the Grant Agreement.
4. Project costs are the sole responsibility of the project proponent. Project proponent will be reimbursed for eligible expenses only, as defined in the Grant Agreement. Eligible expenses include the cost of the marine engine and labor cost to install the engine, sales tax for the sale of the engine, and shipping costs for the engine, up to the award amount stipulated in the Agreement. All other components are excluded and will not be funded under this program. Additional costs are the responsibility of the project proponent in the form of in-kind and/or matching contributions.
5. All labor associated with the engine replacement project must be performed by the engine manufacturer, a manufacturer-approved dealer, or a certified professional. Professional labor costs are an eligible expense under this program.
6. Successful project proponents will be issued 1099 tax forms as appropriate.
7. Project proponent will maintain records or receipts of sale of catch or other work performed to document usage within the San Luis Obispo County portion of California Regulated Waters (i.e. ports, estuaries, bays and within 24 nautical miles from the coastline), as well as fuel or hour usage logs, engine maintenance logs and proof of insurance, and submit these documents to the APCD on an annual basis for the duration of the project as specified in the Grant Agreement.
8. The grant award will not exceed 65% of the eligible expenses, and is capped at \$100,000 per applicant per grant program and the 2010 funding cycle. The project cost-effectiveness must be below the cost-effectiveness cap of \$16,400 per weighted ton of emissions reduced.
9. Funds from this program may not fund engine research and development, certification testing, operation and maintenance or other "life-cycle" costs.
10. The project proponent must agree that all emission reductions resulting from funded projects will be retired by the APCD as part of meeting air quality attainment goals.
11. Grant applications from government agencies must be accompanied by a resolution from the governing body authorizing participation in the program.

V. PROPOSAL FORMAT

All proposals submitted to the District by the filing deadline must contain a completed Grant Application (Appendix) with all requested additional information and documentation.

Public agencies applying for funding must include a Resolution or Letter of Commitment from their governing board providing authorization to submit the application and approving matching and in-kind contributions.

VI. SUBMISSION OF PROPOSALS

Completed applications can be hand delivered or mailed to:

San Luis Obispo County Air Pollution Control District
c/o Gary Arcemont
3433 Roberto Court
San Luis Obispo, CA 93401

Please note that the District may request additional information after the application submittal. Questions should be directed to Gary Arcemont at (805) 781-5712.

VII. STAFF EVALUATION AND FUNDING DECISIONS

To be considered eligible for funding, emission reductions and cost-effectiveness will be calculated by the APCD for each project. It is the responsibility of the project proponent to provide all requested information to complete the emission reduction and cost-effectiveness calculations. The application will not be considered complete until this information is provided.