



GOVERNMENT OF PUERTO RICO
DEPARTMENT OF NATURAL AND ENVIRONMENTAL RESOURCES

**VOLKSWAGEN DIESEL EMISSIONS ENVIRONMENTAL MITIGATION TRUST
FOR STATE BENEFICIARIES, PUERTO RICO AND THE DISTRICT OF COLUMBIA**

PROGRAM GUIDELINES

VEHICLE OR ENGINE REPLACEMENT PROJECT

LOCAL FREIGHT MEDIUM TRUCKS (CLASS 4 – 7)

Request for Application Opens:	October 1st 2020
Request for Application Closes:	November 15, 2020
Anticipated selection notification:	December 2020- January 2021
Anticipated Award:	February – March 2021

Application packages must be submitted to DNER through electronic mail to vwmititrust@jca.pr.gov no later than **November 15, 2020 at 11:59 pm** to be considered for funding.

Ave Ponce de León 1375, Street 8838, Sector el Cinco, Río Piedras, PR/
San José Industrial Park 1375 Ave. Ponce de León San Juan, PR 00926



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FUNDING OPORTUNITY

The Department of Natural and Environmental Resources (DNER) anticipate to award approximately \$7.5 millions in Volkswagen Diesel Emission Environmental Mitigation Trust funds. Award will be selected according to DNER Administrative Order 2020-16.

BACKGROUND

The Vehicle or Engine Replacement Project, (VERP) for the replacement of local freight medium trucks (Class 4 – 7) is a competitive project created to provide funds to private and government entities for the replacement of trucks or truck engines in order to reduce nitrogen oxides (NO_x) emission.

These funds come from the two Partial Consent Decrees entered by the United States District Court for the Northern District of California. These, to settle the allegation of the Volkswagen's violation of the Clean Air Act for secretly installing in VW and its subsidiaries diesel vehicles software designed to cheat emissions test and deceive federal and state regulators. On October 2016 the Court entered the first Partial Consent Decree related to Volkswagen "Clean Diesel" Marketing, Sales Practices, and Products Liability Litigation, among Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., and Volkswagen Group of America Chattanooga Operations, LLC. Later on May 2017, the same Court entered the Second Partial Consent Decree, among the Settling Defendants, Porsche AG, and Porsche Cars North America, Inc.

To mitigate nitrogen oxides (NO_x) emission increase, pursuant to both Consent Decrees, the [Volkswagen Diesel Emission Environmental Mitigation Trust for State Beneficiaries, Puerto Rico and the District of Colombia](#) (VW Mitigation Trust) was established. The VW Mitigation Trust identify in its Appendix D-2, ten (10) mitigation actions to reduce NO_x emissions in areas where vehicles were sold. Puerto Rico as a Beneficiary of VW Mitigation Trust will receive up to \$8.125 million in mitigation funds from the Trust.

SCOPE OF WORK

The VERP provides funding to eligible recipients for the implementation of Eligible Mitigation Action Number 6 established in Appendix D-2 of the VW Mitigation Trust. This Eligible Mitigation Action consist scrappage and repower or replacement of **commercial trucks with a Gross Vehicle Weight Rating (GVWR) between 14,001 and 33,000 lbs.** used to deliver **cargo and freight** such as delivery trucks, box trucks moving freight, trucks used for courier services, bucket trucks and service vehicles such as ambulances, fire trucks and waste haulers. For more information see the [NASEO VW Toolkit](#). VW Mitigation Trust Funds cannot be use, at this time, for any other Eligible Mitigation Action. **School bus, shuttle bus and transit bus are not covered** under Eligible Mitigation Action Number 6.

PROGRAM REQUIREMENTS

- a. Applicants may only request funding for Eligible Mitigation Action Number 6 as described in Appendix D-2 of the [VW Mitigation Trust](#).

- b. Recipients may only replace vehicles and or repower engines that are **owned by the recipient organization**.
- c. VW Trust funds for eligible vehicles, engines, is limited to the cost shares identified under Cost Covered section.
- d. Replacement projects require **scrappage** of the existing engine and scrappage of the chassis for full vehicle/equipment replacement. Scrapped means to **render inoperable** and available for recycle, and, at a minimum, to specifically cut a **3-inch hole in the engine block** for all engines. If any Eligible Vehicle will be replaced as part of an Eligible project, scrapped shall also include the **disabling of the chassis by cutting the vehicle's frame rails completely in half**.
- e. VERP eligibility or approval does not waive any applicable regulatory requirements for vehicles and engine owners, operators, manufactures, installers and others.

ELIGIBLE VEHICLES UNDER ELIGIBLE MITIGATION ACTION NUMBER 6

- a. Eligible Medium Trucks include **1992-2009 engine model year** (EMY) class 4-7 Local Freight trucks. Eligible Medium Trucks replaced must be Scrapped.
- b. Eligible Medium Trucks may be **repowered** with any new diesel or Alternate Fueled ¹ or All-Electric engine, or may be **replaced** with any new diesel or Alternate Fueled or All-Electric vehicle, with the engine model year in which the Eligible Medium Trucks Mitigation Action occurs or one engine model year prior.
 - a. **Repower** mean to replace an existing engine with a newer, cleaner engine or power source that is certified by EPA, to meet a more stringent set of engine emission standards. Repower includes, but is not limited to, diesel engine replacement with an engine certified for use with diesel or a clean alternate fuel, diesel engine replacement with an electric power source (e.g., grid, battery), diesel engine replacement with a fuel cell, diesel engine replacement with an electric generator(s) (genset). All-Electric and fuel cell Repowers do not require EPA.

COSTS COVERED

- a. For Non-Government Owned Eligible Medium Trucks:
 - 1. Up to 40% of the cost of a Repower with a new diesel or Alternate engine, including the costs of installation of such engine.

¹ Alternate fueled is a vehicle or piece of equipment powered by an engine, which uses a fuel different from or in addition to gasoline fuel or diesel fuel (e.g., compress natural gas, propane or LPG, diesel-electric Hybrid).

2. Up to 25% of the cost of a new diesel or Alternate Fueled (e.g., CNG, propane, Hybrid) vehicle.
 3. Up to 75% of the cost of a Repower with a new All-Electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new All-Electric engine.
 4. Up to 75% of the cost of a new All-Electric vehicle, including charging infrastructure associated with the new All-Electric vehicle.
- b. For Government Owned Eligible Medium Trucks:
1. Up to 100% of the cost of a Repower with a new diesel or Alternate Fueled (e.g., CNG, propane, Hybrid) engine, including the costs of installation of such engine.
 2. Up to 100% of the cost of a new diesel or Alternate Fueled (e.g., CNG, propane, Hybrid) vehicle.
 3. Up to 100% of the cost of a Repower with a new All-Electric engine, including the costs of installation of such engine, and charging infrastructure associated with the new All-Electric engine.
 4. Up to 100% of the cost of a new All-Electric vehicle, including charging infrastructure associated with the new All-Electric vehicle.

Table 1: Summary of Funds Distribution

Description	Strategy ¹	Allowed amount	
		Private	Gov.
Class 4-7 local freight trucks	Repower with a new diesel or Alternate Fueled ²	40%	100%
<ul style="list-style-type: none"> • Eligible medium Trucks include 1992-2009 engine model. <ul style="list-style-type: none"> ○ Truck/engine must be scrapped. ○ New engine must be model year in which the action occurs or one engine model year prior. 	Acquire a new diesel or Alternate Fueled vehicle	25%	100%
	Repower with a new All-Electric engine ³	75%	100%
	New All-Electric vehicle, including charging infrastructure ⁴	75%	100%

¹ Note that all eligible trucks, busses or engines must be scrapped

² Include engine installation costs. New engine must be same year or a year prior to the year mitigation action occurs.

³ Include engine installation costs and charging infrastructure. New engine must be same year or a year prior to the year mitigation action occurs.

⁴ Include charging infrastructure costs.

Based on funds availability, the amount of funding granted may be lower than the amount established in this section. This may be related to ineligible costs or available funds are insufficient to cover requested amount.

ENTITY ELIGIBILITY INFORMATION

Any government (state or municipal) agency or private entity that owns a **diesel engine** local freight medium trucks (Class 4-7) is an eligible entity. Only applications from eligible applicants that present a replacement project as established Scope of Work will be evaluated. If necessary, DNER may contact applicants to clarify questions prior to making an eligibility determination. Applicants deemed ineligible for funding consideration will be notified within 15 calendar days of the ineligibility determination.

OWNERSHIP, USAGE AND REMAINING LIFE REQUIREMENTS

- a. The existing vehicle or engine must be **fully operational**. Operational equipment must be able to start, move in all directions, and have all necessary parts to be operational.
- b. The participating fleet owner must currently own and operate the existing vehicle or engine and have owned and operated the vehicle during the twenty-four months prior to application.
- c. Must report the remaining life of the vehicle at the time of upgrade. Remaining life is the fleet owner's estimate of the number of years until the unit would have been retired from service if the unit were not being upgraded or scrapped because of the grant funding. The remaining life estimate is the number of years of operation remaining even if the unit were to be rebuilt or sold to another fleet. The remaining life estimate depends on the current age and condition of the vehicle at the time of upgrade, as well as things like usage, maintenance and climate. Vehicle life must be used to determine emission reduction from the replacement.

APPLICATION CONTENT AND SUBMISSION

- a. Applications must be submitted **only** through regular mail or e-mail. Regular mail must be stamped on or before the application submission deadline. The postal address is:

Department of Natural and Environmental Resources
Volkswagen Mitigation Trust
San José Industrial Park
1375 Ave. Ponce de León
San Juan, PR 00926

For email submission, use the following address: vwmititrust@jca.pr.gov. Application through email must be received no later than November 15 at 11:59 pm.

- b. Applications submitted after the submission deadline will be considered **late and deemed ineligible** without further consideration unless the applicant can clearly demonstrate that it

was late due to DNER mishandling.

- c. Ineligible activities: If an application is submitted that **includes** any **other eligible mitigation actions** apart from Eligible Mitigation Action Number 6, that application **will be ineligible** for funding.
- d. Applications which request assistance funds above the applicable amounts specified in Table # 1 of this Guidelines are **not eligible** and will not be reviewed.
- e. Applicants that submit more than one application to DNER under this solicitation, for the same project, will be contacted prior to DNER review of any of the applications to determine which application(s) the applicant will withdraw from the competition.
- f. Selection will be based on priorities established in the [Puerto Rico Mitigation Plan](#) and the VW Mitigation Trust.
 - a. Reduce NO_x emission island-wide through the implementation of cost-effective eligible mitigation projects under Appendix D-2 of the Trust.
 - b. Priority will be given to projects proposed in the San Juan MSA and Ponce the Metropolitan Statistical Areas (MSA).
 - c. Priority will also be given to island wide government owned projects.
 - d. If not enough funds available or proposed expenditures are ineligible, DNER may grant an amount less than the requested.

VEHICLE/ENGINE SCRAPPAGE

1. The vehicle or engine being replaced must be scrapped or rendered permanently disabled within **ninety (90) days of being** replaced.
 - a. Cutting a three-inch by three-inch hole in the engine block (the part of the engine containing the cylinders) is the preferred scrapping method.
2. Disabling the chassis may be completed by cutting through the frame/frame rails on each side at a point located between the front and rear axles.
3. Evidence of appropriate disposal is required in a final assistance agreement report submitted to DNER. Participating fleet owners must attest to the appropriate disposal in a signed scrapping statement. A sample scrapping statement may be found in Appendix A of this document. The scrapping statement must include:
 - a. Vehicle owner's name and address;
 - b. Vehicle make, vehicle model, vehicle model year, VIN, odometer reading or usage meter reading;
 - c. engine make;

- d. engine model;
 - e. engine model year, engine horsepower;
 - f. engine ID or serial number, as applicable;
 - g. Name, address, and signature of dismantler;
 - h. Date engine and/or vehicle/equipment was scrapped;
 - i. Statement attesting to scrapping of vehicle/engine as defined above;
 - j. Signature of participating fleet owner.
 - k. Digital photos as follows:
 - i. Side profile of the vehicle, prior to disabling;
 - ii. VIN tag or equipment serial number;
 - iii. Engine label (showing serial number, engine family number, and engine model year);
 - iv. Engine block, prior to hole;
 - v. Engine block, after hole;
 - vi. Cut frame rails or other cut structural components, as applicable;
 - vii. Others, as needed.
4. Equipment and vehicle components that are **not part of the engine or chassis** may be **salvaged** from the unit being replaced (e.g. plow blades, shovels, seats, tires, etc.). If disabled engines, disabled vehicles, disabled equipment, or parts are to be sold, program income requirements apply.

ALLOWABLE EXPENDITURES

For detailed information on eligible mitigation actions and expenditures, refer to Appendix D-2 of the VW Mitigation Trust.

FUNDING RESTRICTIONS

If a submitted application includes any of the following ineligible activities, that portion of the application will be ineligible for funding and may render the entire application ineligible for funding.

1. **Ineligible Activities and Costs:** Funds awarded shall be used only for **eligible vehicles and engines**, indicated in the Scope of Work section. No funds awarded shall be used for ineligible vehicles, and engines.
2. **Expenses Incurred Prior to the Project Period:** no funds awarded under this PRAP shall be used to cover expenses incurred prior to the allocation of fund.
3. **Fleet Expansion:** Funding under this RFA cannot be used for the purchase of vehicles and engines to expand a fleet. Engine and vehicle replacement project are eligible for funding on the condition that the following criteria are satisfied:
 - a. The cost of **optional components** or “add-ons” that significantly increase the cost of

- the vehicle **may not be eligible** for funding under the grant;
- b. the replacement vehicle should resemble the replaced vehicle in form and function.
- c. The replacement vehicle or engine will be of similar type and **gross vehicle weight** rating as the vehicle or engine being replaced. If a different weigh class is required applicant must provide a justification.

EQUIPMENT ACQUISITION

For government agency, equipment vendor will be selected through a General Services Administration (GSA) open contract or following GSA acquisitions guidance and regulations.

For private sector, equipment vendor shall be selected after obtaining at least 3 (three) quotes. The lowest cost quote will be selected to acquire the equipment. If, due a rational reason (e.g. previous experience, specific requirements), the selected quote is not the lower cost, the awarded must document and request DNER approval of the vendor prior to the acquisition of the equipment.

EVALUATION

Grant Applications will be evaluated for completeness and eligibility from a committee appointed by the Secretary of the DNER.

Funding award decisions will be made by a recommendation from Committee. Each Application will be evaluated, and funds allocated according to the mitigation priorities and funds available.

Award and Funding

Applicants will be notified in writing via electronic mail of funding decisions on or before November 30, 2020.

Upon notification of an affirmative funding decision, the Grantee will sign a Grant Agreement, which will be provided to the Grantee with the notification of approval. The Grant Agreement document will be a legally binding agreement between the DNER and the Grantee and lays out the terms and restrictions for the use of Grant funds.

COMPLIANCE

Any Grantee that receives funds from the Trust will be required to submit a quarterly financial and status reports using the reporting template provided by the Program.



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APPENDIX A – SCRAPPAGE STATEMENT
Vehicle or Engine Replacement Project
Local Freight Medium Trucks (Class 4-7)

Vehicle make: _____ Engine make: _____
Vehicle model: _____ Engine model: _____
Vehicle model year: _____ Engine model year: _____
VIN: _____ Engine horsepower: _____
Odometer reading: _____ Engine ID or SN: _____

I certify that on _____, the above engine and chassis were permanently disabled. Disabling the engine consisted of drilling a three-inch hole in the engine block. Disabling the chassis consisted of cutting completely through the frame/frame-rails on each side of the vehicle/equipment at a point located between the front and rear axles. The following required digital photos of the disabled engine and chassis are attached: Side profile of the vehicle, prior to disabling; VIN tag or equipment serial number; Engine label (showing serial number, engine family number, and engine model year); Engine block, prior to hole; Engine block, after hole; and Cut frame rails.

Vehicle Owner: _____

Vehicle Owner Representative Name (Print Name)

Vehicle Owner Signature _____ Date _____

Dismantler/Scrapper name and address:

Dismantler/Scrapper (Signature) _____ Date _____

Digital photos of scrapped vehicle/engine attached

