

APPENDIX D-4

Beneficiary Eligible Mitigation Action Certification



UPS CNG Delivery Vehicles FY17-18

NMED SUB-GRANT: # NM-DERA-24-01

BENEFICIARY ELIGIBLE MITIGATION ACTION CERTIFICATION

Beneficiary State of New Mexico

Lead Agency Authorized to Act on Behalf of the Beneficiary New Mexico Environment Department

(Any authorized person with delegation of such authority to direct the Trustee delivered to the Trustee pursuant to a Delegation of Authority and Certificate of Incumbency)

Action Title:	UPS CNG Delivery Vehicles FY17-18
Beneficiary's Project ID:	NM-DERA-24-01
Funding Request No.	<i>(sequential)</i> 041
Request Type: (Select one or more)	<input checked="" type="checkbox"/> Reimbursement <input type="checkbox"/> Other (specify): Click or tap here to enter text.
Payment to be made to: (Select one or more)	<input type="checkbox"/> Beneficiary <input checked="" type="checkbox"/> Other (specify): United Parcel Service
Funding Request & Direction (Attachment A)	<input checked="" type="checkbox"/> Attached to this Certification <input type="checkbox"/> To be Provided Separately

SUMMARY

Eligible Mitigation Action <input checked="" type="checkbox"/> Appendix D-2 item (specify): Eligible Mitigation Action 10. Diesel Emission Reduction Act (DERA) Option. (Class 4-7 Local Freight Trucks)
Action Type <input checked="" type="checkbox"/> Item 10 – DERA Option (5.2.12) (specify and attach DERA Proposal)
Explanation of how funding request fits into Beneficiary's Mitigation Plan (5.2.1): The Beneficiary Mitigation Plan's overarching goal is to protect New Mexico's environment and the health of her citizens. The Trust allows the State the opportunity to offset (mitigate) the impact of excess nitrogen oxide (NO _x) emissions associated with the affected vehicles registered within New Mexico. The reduction of NO _x from mobile sources achieves the intended use of Trust funds by preventing the deterioration of air quality, ensuring the health and safety of the inhabitants of the state, and promoting visibility improvement within New Mexico. Implementation of diesel NO _x reduction projects using Trust funds will have immediate and long-lasting benefits. The proposed project will reduce emissions of NO _x , focusing on the most cost-effective vehicles that maximize emission reductions.
Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2): This project consists of replacing three Class 6 and three Class 4 diesel-fueled package cars (two 2005 EMY and four 2006 EMY), with four Class 5 2024 EMY CNG-fueled package cars. Emission benefits will be realized in Albuquerque, Santa Fe, and Carlsbad
Estimate of Anticipated NO_x Reductions (5.2.3): The new delivery vehicles will operate within 100 miles of Albuquerque. The old vehicles to be taken out of service currently operate across New Mexico. Total lifetime NO _x reductions from the entire project are estimated to be 1.172 short tons.
Identification of Governmental Entity Responsible for Reviewing and Auditing Expenditures of Eligible Mitigation Action Funds to Ensure Compliance with Applicable Law (5.2.7.1): The New Mexico Environment Department Administrative Services Division is the governmental entity responsible for reviewing and auditing expenditures of EMA funds to ensure compliance.
Describe how the Beneficiary will make documentation publicly available (5.2.7.2):

The New Mexico Environment Department has created a public website, <https://www.env.nm.gov/vw-settlement/> for information relating to the Trust, the VW Partial Consent Trust Decrees, New Mexico's Beneficiary Mitigation Plan, and project implementation information. To provide transparency and accountability, the NMED will post information on its website.

Describe any cost share requirement to be placed on each NO_x source proposed to be mitigated (5.2.8):

The total project cost was Three Hundred Fifty-One Thousand, One Hundred Eight dollars (\$351,108.00). United Parcel Service was awarded One Hundred Twenty-Two Thousand, One Hundred Sixty-Nine dollars (\$122,169.00). They are eligible for One Hundred Twenty-Two Thousand, Eight Hundred Eighty-Eight dollars and Eighty cents (\$122,887.80) which is the maximum amount allowable (i.e. 35% *DERA Funding Limit* for CARB-certified low NO_x CNG). VW Trust funding will provide Forty-Eight Thousand, Eight Hundred Sixty-Seven dollars and Sixty cents (\$48,867.60) (40% of Award). DERA Grant funding will provide Seventy-Three Thousand, Three Hundred One dollars, and Forty cents (\$73,301.40) (60% of Award). The remaining Two Hundred Twenty-Eight Thousand, Nine Hundred Thiry-Nine dollars (\$228,939.00) constitutes UPS's cost share. (Minimum Mandatory Cost-Share 65%).

Describe how the Beneficiary complied with Subparagraph 4.2.8, *Notice of Availability of Mitigation Action Funds*, regarding notice to U.S. Government Agencies (5.2.9):

On February 27, 2018, NMED sent notice to the U.S. Department of the Interior (National Park Service, U.S. Fish & Wildlife Service) and the U.S. Department of Agriculture (Forest Service), using the contact information provided in Subparagraph 4.2.8.

If applicable, describe how the mitigation action will mitigate the impacts of NO_x emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions (5.2.10):

Trust funds have afforded the State the opportunity to advance environmental justice goals. New Mexico's Draft Beneficiary Mitigation Plan expresses a commitment to prioritizing projects that benefit those communities most impacted by poor air quality. Minorities and those living below the poverty level historically have borne a disproportionate share of air pollution, including emissions associated with on-road vehicles.

This project will remove harmful diesel emissions from Albuquerque, Santa Fe, and Carlsbad.

Albuquerque: 33% low income, 78% people of color. This area contains an EPA IRA disadvantaged community, a "Justice40 (CEJST)" disadvantaged community, as well as 2 schools.

Santa Fe: 48% low income, 99% people of color, 30% less than HS education. This area contains an EPA IRA disadvantaged community as well as 2 schools.

Carlsbad: 45% low income, 56% people of color, 25% less than HS education. This area contains an EPA IRA disadvantaged community, and a "Justice40 (CEJST)" disadvantaged community.

ATTACHMENTS

(CHECK BOX IF ATTACHED)

- | | | |
|-------------------------------------|---------------------|---|
| <input checked="" type="checkbox"/> | Attachment A | Funding Request and Direction. |
| <input checked="" type="checkbox"/> | Attachment B | Eligible Mitigation Action Management Plan Including Detailed Budget and Implementation and Expenditures Timeline (5.2.4). |
| <input checked="" type="checkbox"/> | Attachment C | Detailed Plan for Reporting on Eligible Mitigation Action Implementation |
| <input checked="" type="checkbox"/> | Attachment D | Detailed cost estimates from selected or potential vendors for each proposed expenditure exceeding \$25,000 (5.2.6). |
| <input checked="" type="checkbox"/> | Attachment E | DERA Option (5.2.12). [Attach only if using DERA option.] |
| <input type="checkbox"/> | Attachment F | Attachment specifying amount of requested funding to be debited against each beneficiary's allocation (5.2.13). |

CERTIFICATIONS

By submitting this application, the Lead Agency makes the following certifications:

1. This application is submitted on behalf of Beneficiary the State of New Mexico, and the person executing this certification has authority to make this certification on behalf of the Lead Agency and Beneficiary, pursuant to the Certification for Beneficiary Status filed with the Court.
2. Beneficiary requests and directs that the Trustee make payments described in this application and Attachment A to this Form.
3. This application contains all information and certifications required by Paragraph 5.2 of the Trust Agreement, and the Trustee may rely on this application, Attachment A, and related certifications in making disbursements of trust funds for the aforementioned Project ID.
4. All vendors were or will be selected in accordance with a jurisdiction's public contracting law as applicable. (5.2.5)
5. Beneficiary will maintain and make publicly available all documentation submitted in support of this funding request and all records supporting all expenditures of eligible mitigation action funds subject to applicable laws governing the publication of confidential business information and personally identifiable information. (5.2.7.2)

DATED: 8/20/2025



Eric Peters
Control Strategies Manager, Air Quality Bureau

New Mexico Environment Department

For

State of New Mexico

ATTACHMENT B
PROJECT MANAGEMENT PLAN
PROJECT SCHEDULE AND MILESTONES

Milestone	Date
Lead Agency Provides Notice of Availability of Mitigation Action Funds	7/15/2019
Pre-application meetings with applicants	NA
Project Sponsor Submits Proposal to Lead Agency	10/24/2023
Lead Agency Provides Written Approval of Project Sponsor's Proposal	3/1/2024
GRANT agreements signed.	4/3/2024
Lead Agency Incorporates Project Sponsor's Proposal into Mitigation Plan	7/12/2019
Trustee Acknowledges Receipt of Project Certification and Funding Direction	Q2 2025
Trustee Allocates Share of State Funds for Approved Project	Q2 2025
Project Sponsor Obtains Cost Share, Notifies or Certifies to Lead Agency	Q4 2023
Project Sponsor Enters into Contracts, Purchase Orders, etc. – Start	Q2 2024
Project Sponsor Enters into Contracts, Purchase Orders, etc. – Complete	Q3 2024
Project Installations(s) – Start	Q2 2024
Project Installations(s) – Complete	Q3 2024
Project Sponsor provides detailed invoices for all claimed project costs, documentation for emission reduction estimates, required certification documents to Lead Agency to support direction to Trustee for Payment (Reimbursement, Direct-to-Vendor) or final accounting (Forward Funded Projects)	5/30/25
Lead Agency completes review and certifies payment direction to Trustee (Reimbursement)	Q3 2025
Trustee Acknowledges Receipt of Direction for Payment(s) (Advance Funded, Reimbursement)	Q3 2025
Lead Agency Reports Project Completion	Q3 2025

PROJECT BUDGET

Period of Performance: 7.1.2020-6.30.2023				
Budget Category	Total Approved Budget	Share of Total Budget Funded by the Trust (VW)	Cost-Share (DERA)	Cost-Share (United Parcel Service)
1. Equipment Expenditure	\$351,108.00	\$48,867.60	\$73,301.40	\$228,939.00
2. Contractor Support	\$0	\$0	\$0	\$0
3. Subrecipient Support	\$0	\$0	\$0	\$0
4. Administrative ¹	\$0	\$0	\$0	\$0
Project Totals	\$351,108.00	\$48,867.60	\$73,301.40	\$228,939.00
Percentage	100%	14%	21%	65%

¹ Subject to Appendix D-2 15% administrative cap.

ATTACHMENT C
DETAILED PLAN FOR REPORTING ON ELIGIBLE MITIGATION
ACTION IMPLEMENTATION

The New Mexico Environment Department (NMED), as the lead agency for the State of New Mexico for implementing the Volkswagen Environmental Mitigation Settlement Plan, has established a webpage for the Settlement and mitigations actions, www.env.nm.gov/vw-settlement/. NMED will post documents and links as required under Paragraph 7 of Appendix D-3 Certification for Beneficiary Status form. NMED is subject to the *Open Meetings Act*, which provides the statutory guidelines for conducting public meetings and the *Inspection of Public Records Act*, which is a New Mexico state law that provides the public and media access to public information.

For the initial round of funding, NMED solicited, through a competitive process, public and private entities for funding opportunities. Projects were selected through a scored application using an identified scoring criterion. The records of selected projects will be posted and made available on the NMED VW Settlement webpage. The public website was created specifically to provide information related to the Trust, the VW Partial Consent Decrees, and accountability. NMED will post timely updates on the following:

- General information on the Trust and Consent Decrees
- The State's final Beneficiary Plan
- All public records supporting funding requests NMED submits to the Trust
- All public records supporting all expenditures of the Trust Fund
- NMED contact information

After the initial round of funding, NMED will periodically evaluate the implementation of the State's Beneficiary Mitigation Plan (BMP) and associated Eligible Mitigation Actions and will determine whether any revisions to the BMP and funding levels need to be reevaluated. If revisions to the BMP are warranted, NMED will seek public input on BMP revisions with a minimum of a 30 – day public comment period.

In addition, the State will also comply with the reporting obligations listed in the Environmental Mitigation Trust Agreement for State Beneficiaries in Subparagraph 5.3.

ATTACHMENT D
DETAILED COST ESTIMATE FROM SELECTED OR POTENTIAL VENDORS
FOR EACH PROPOSED EXPENDITURE EXCEEDING \$25,000 (5.2.6)

See attached invoices.

ATTACHMENT E
DERA Option (5.2.12)

FISCAL YEAR 2018**STATE CLEAN DIESEL GRANT PROGRAM****WORK PLAN AND BUDGET NARRATIVE TEMPLATE**

INSTRUCTIONS: States and territories applying for FY 2018 DERA State Clean Diesel Grant Program funding must use this template to prepare their Work Plan and Budget Narrative.

Please refer to the FY 2017-2018 STATE CLEAN DIESEL PROGRAM INFORMATION GUIDE for full Program details, eligibility criteria and funding restrictions, and application instructions.

SUMMARY PAGE

Project Title: New Mexico Clean Diesel Program

Project Manager and Contact Information

Organization Name: New Mexico Environment Department

Project Manager: Neal Butt

Mailing Address: New Mexico Environment Department Air Quality Bureau 525 Camino de los Marquez, Suite 1 Santa Fe, NM 87505

Phone: (505) 629-2972

Fax: 505-476-4375

Email: ~~[neal.butt@state.nm.us]~~ neal.butt@env.nm.gov

Project Budget Overview:

	FY 2017*	FY 2018
EPA Base Allocation	\$N/A	\$274,691
State or Territory Matching Funds (if applicable)	\$	\$274,691 (VW)
EPA Match Incentive (if applicable)	\$	\$137,346
Mandatory Cost-Share	\$	TBD
TOTAL Project	\$	\$686,728

*FY 2017 budget is only for states and territories with open FY 2017 State DERA grants

Project Period

October 1, 2018 – ~~[September 30, 2023]~~ [September 30, 2025](#). On 3/19/19, the AQB requested a no-cost time extension for the DERA FY17-FY18 state allocation from EPA, which was approved on 3/25/19. On 7/31/20, the AQB requested an additional no-cost time extension for the DERA FY17-FY18 state allocation from EPA, which was approved on 8/3/20. On 3/30/21, the AQB requested an additional no-cost time extension for the DERA FY17-18 state allocation from EPA, which was approved on 3/30/21. [On 3/11/22](#) the AQB ~~[is requesting]~~ [requested](#) a no-cost ~~[time extension]~~ [amendment](#) for the DERA FY17-18 state allocation to [correct error regarding “Mandatory Cost Share”; update contact information; and](#) extend the Project Period until September 30, 2023. [On 9/14/22, Received No-Cost Amendment from EPA to extend Project Period from 10/1/18-9/30/22 to 10/1/18 - 9/30/2024. On 12/27/22, received a revised Award Letter with corrected Total Budget Period Cost & Total Project Period Cost of \\$686,728](#)

(vs. \$2,621,728), to reflect corresponding values in EPA-approved Work Plan (approved 9/27/22). This revision restores the correct ratio of 60% EPA-DEA: 40% VW for reimbursement funding, by deleting the erroneous “Mandatory Cost Share”. The AQB requested a no-cost amendment for the DEA FY17-18 state allocation to extend the Project Period until September 30, 2025. On 7/29/24, extension was granted via revised Award Letter – Modification Number 7. On 5/1/25, EPA confirmed that a No-Cost Amendment (time extension), to extend Project Period past 10/1/2018-9/30/25 will not be approved.

Summary Statement

The mission of the New Mexico Environment Department's Air Quality Bureau (AQB) is to “Protect the inhabitants and natural beauty of New Mexico by preventing the deterioration of air quality.” Reducing harmful emissions generated from heavy-duty diesel-fueled vehicles is a progressive step towards upholding the mission of the AQB.

DEA funds afford the State of New Mexico the opportunity to address and reduce harmful emissions generated from heavy-duty diesel-fueled trucks. The AQB has successfully implemented a variety of diesel emission reduction projects throughout the state, enhancing air quality and the quality of the lives of the residents that are regularly exposed to the harmful emissions emitted from diesel-fueled vehicles.

The AQB proposes to select candidate fleet(s) for early vehicle replacement projects in areas that suffer from impaired air quality, high concentrations of diesel vehicle emissions, near and adjacent to Class I areas, and are Environmental Justice areas. Selected early vehicle replacement projects will partially fund the replacement of one or more older, heavy-duty diesel-fueled vehicles and replace it with those that meet the most current emission standards for on-road and non-road diesel-fueled vehicles or those that use alternative fuels such as compressed natural gas. Selected early vehicle replacement projects will meet the requirements as outlined in the program guide. The project(s) will be thoroughly documented, and the older vehicles will be disabled according to the program guide.

The New Mexico Clean Diesel website can be found at: <https://www.env.nm.gov/air-quality/diesel/>

SCOPE OF WORK

State Goals and Priorities:

The AQB has jurisdiction over air quality within the State except for tribal lands and Bernalillo County. The mission of the AQB is to protect the inhabitants and natural beauty of New Mexico by preventing the deterioration of air quality. The AQB is responsible for enforcing the National Ambient Air Quality Standards. Regulatory authority comes from the New Mexico Environmental Improvement Act, Air Quality Control Act, and our EPA-approved State Implementation Plan (SIP). The New Mexico Clean Diesel Program (NMCDP) supports the mission of the AQB by reducing diesel emissions generated by on-road and non-road diesel engines.

With the longevity, popularity and need for diesel-fueled trucks, emissions generated from diesel-fueled vehicles continue to be a growing concern, especially in those areas that are disproportionately affected by diesel fleets. DERA funds have afforded the State of New Mexico the opportunity to address the harmful emissions generated from diesel-fueled on-road and non-road vehicles, supporting the AQB's mission.

The State will select projects that will reduce or eliminate emissions associated with diesel-fueled on-road and non-road sources, focusing on the most cost-effective projects that will maximize emission reductions. The following list indicates the State's overall goals utilizing the DERA funds. This list is not meant to be inclusive. The State may consider other qualifications and factors when selecting projects for funding.

1. Focus on funding projects that repower or replace older diesel-fueled vehicles and engines.
2. Focus on vehicles, engines, and equipment operating or located in or near areas that bear a disproportionate share of the air pollution burden (priority areas), such as:
 - a. Distribution centers;
 - b. Fleet yards, to include school bus fleets;
 - c. Truck stops;
 - d. Major roadways/highways;
 - e. Multimodal centers;
 - f. Ports;
 - g. Rail and bus terminals;
 - h. Airports; and
 - i. Environmental justice areas.
3. Prioritize projects located in or near areas that are in nonattainment of National Ambient Air Quality Standards (NAAQS) for ozone, particulate matter (PM), or nitrogen dioxide (NO₂).
4. Focus on projects located in areas with high population density and high traffic density. In New Mexico, areas of high population density are often the areas with the poorest air quality.

While priority will be given to the areas mentioned above, the AQB will also implement diesel emission reduction projects in other areas within the state allowing other communities to benefit from diesel emissions reductions on local fleets as funds allow.

New Mexico is considered a freight bridge state that is subject to high volumes of diesel truck and rail traffic. Along with the high volume of truck traffic that passes through the state daily, there is the needed infrastructure, truck stops, rail fueling facilities, and distribution centers, to support heavy-duty diesel-fueled vehicles as they pass through the state. There are three major interstate highways, several U.S. highways, and several railroad lines that traverse the state. Disproportionally affected residents often reside near and adjacent to areas that are heavily impacted by diesel emissions.

New Mexico is known for its blue skies and scenic vistas, with the majority of the state having clean air. However, there are areas of concern within the state that will receive priority for project funding, including the following:

San Juan County is a 5,500-square-mile county in the northwest corner of New Mexico with a population of 130,044 (2010 census, U.S. Census Bureau). In recent years, monitoring conducted in San Juan County by the AQB has recorded levels of ozone that have come close to, but not yet exceeded, the National Ambient Air Quality Standard (NAAQS) for ozone. San Juan County is near several Class I areas and is adjacent to the Navajo Nation, Southern Ute Indian Tribe, Ute Mountain Ute, and Jicarilla Apache Nation reservations. This region has a history of elevated levels of ground-level ozone and impaired visibility. Oil and gas production and coal-fired power plants generate air pollution that contributes to the elevated ozone design value. Specific concerns include exceedances of the ozone NAAQS, Prevention of Significant Deterioration (PSD) increment consumption, degradation of visibility, and increased deposition.

Along with the oil and gas industry and power plants in the area, there is also heavy truck traffic on the arterial highways that lead through San Juan County and the cities of Farmington, Aztec, and Bloomfield. With the increasing popularity of both light- and heavy-duty diesel-fueled vehicles used for commercial and personal use, diesel exhaust emissions are likely to increase in this area contributing to the further degradation of air quality in this area.

The City of Albuquerque (ABQ), the largest city in New Mexico, is located in Bernalillo County. Bernalillo County has a population of approximately 674,221 (2010 census, U.S. Census Bureau). ABQ is located at the intersection of Interstate 40 and Interstate 25. Interstate 40 is a thoroughfare for the east-west transport of goods through the state and Interstate 25 is a major North America Free Trade Agreement (NAFTA) thoroughfare. As the largest city in the state and its location at the intersection of two major thoroughfares, ABQ is a hub for freight fleets, distributions centers and several large truck stops. There is one international airport and two rail lines located within the city. The Rail Runner Express has approximately 22 north and south bound trains running daily through ABQ during the work week. Transportation infrastructure contributes to sources of emissions generated by heavy-duty diesel-fueled vehicles. Growth in freight demand (both within and outside of New Mexico) continues to add more trucks to these corridors.

Doña Ana County encompasses 3,804-square-miles in the south-central section of New Mexico with an estimated population of 209,233 (2010 census, U.S. Census Bureau). This region of the state has historically had air quality problems, including particulate matter and ozone pollution.

There are two areas designated as nonattainment, one nonattainment area for particulate matter 10 microns or less in size (PM₁₀) in the town of Anthony, NM and one area located in Sunland Park for nonattainment of ozone.

Doña Ana County's population is greater than 65% Hispanic, with approximately 25% of the county residents living below the poverty level. Interstate 10 intersects with the southern terminus of I-25 in Doña Ana County. I-10 is a thoroughfare for the east-west transport of goods and I-25 is a major North America Free Trade Agreement (NAFTA) thoroughfare. There is a major east/west Class I rail line that passes through the southern part of Dona Anna County, including the southern part of the nonattainment area in Sunland Park. Up to 200 trains may pass through this area each day. An intermodal facility services the rail line.

Other areas of concern in the state are those where the ozone design value is within 95 percent of the ozone standard, such as the ozone monitors located in San Juan, Eddy, Lea, Rio Arriba, Sandoval, Valencia and Dona Aña counties. Eddy County has one Class I area, Carlsbad Caverns, located within the county and one Class-I area, Guadalupe Mountains National Park, adjacent to the county's southern border. In addition to the heavy presence of the oil and gas industry in Lea and Eddy counties, there is heavy truck traffic on the arterial highways that lead throughout the counties.

Doña Ana, Luna and Valencia Counties are listed in the EPA's 2018 National Priority List for counties and areas where all or part of the population is exposed to more than 2.0 µg/m³ of diesel particulate matter emissions in the 2011 National Scale Air Toxics Assessment.

Vehicles and Technologies:

The focus of the New Mexico Clean Diesel Program (NMCDP) will be, but is not limited to, partial funding of early vehicle replacement projects. Early vehicle replacement projects have been popular and successful within the state. It is common practice for fleets to keep vehicles in service for up to 15 years or more, depending on the current economic status of the applicable fleet(s), making early vehicle replacement projects cost effective while maximizing the longevity of the emission reductions. The NMCDP will give priority to those areas impacted by impaired air quality, located in areas highly impacted by diesel vehicles, and economically disadvantaged areas. Early vehicle replacement projects will consist of replacing older diesel-fueled vehicles with newer vehicles that meet the most current emission standards for heavy-duty diesel-fueled vehicle(s). Consideration will also be given to those projects that implement alternative fuel or hybrid vehicles. Projects that propose retrofits and idle reduction projects will also be considered as funding and interest allows. As funds become available, the AQB will continue to address other diesel-fueled fleets throughout the state.

Only vehicles that have a minimum remaining life of three years in the fleet will qualify for the early vehicle replacement program. Once the AQB has selected target fleets, and the grantee(s) take delivery of the new vehicles, the AQB will document the new vehicle(s) and old vehicle(s) pre- and post-disabling as per the requirements of the program. Once the project(s) have been completed, the NMED will send out a press release announcing the project.

Diesel emission reduction projects have profound and immediate effects on air quality within the state, ensuring and improving the quality of life for residents. This community investment from diesel emission reduction projects has immediate results and has a large payoff for sensitive populations that are regularly impacted by diesel emissions.

The AQB has successfully utilized DERA funding for the following projects:

- DOC/CCV retrofit project on the Farmington Municipal School District bus fleet, San Juan County (SJC);
- Idle reduction projects on the Central Consolidated school district in SJC, Gallup/McKinley in McKinley County and the Bloomfield School in SJC Districts' bus fleets;
- Partial funding for an early on-road vehicle replacement for Taos County in Taos County;
- Partial funding for an early off-road vehicle replacement for the City of Deming in Luna County;
- Funding to the New Mexico Association of Food Banks in Bernalillo County for low rolling resistance tires, aerodynamic fairings, and trailer refrigeration unit dock electrification;
- Partial funding for two early vehicle replacement projects for the City of Santa Fe, Santa Fe County; and
- Partial funding for five early school bus replacements for the Albuquerque Public School District in Bernalillo County.

Funding that is not expended through early vehicle replacement(s) will be directed towards other EPA-approved diesel emission reduction projects. Retrofit equipment will only be installed on vehicles that have a life expectancy that can maximize emission reduction benefits. Selected fleets will be retrofitted with emission reduction equipment, taking into consideration emission reduction benefits, cost effectiveness and remaining life in the fleet. Only EPA/CARB verified retrofit equipment will be used.

Roles and Responsibilities:

The AQB will follow state procedures for the selection of projects and distribution of the state allocation for private and public fleets.

The AQB is the agency responsible for the distribution of the FY-18 DERA funding. Disbursement of funding will be in the form of reimbursements for projects completed following guidelines set forth in the State Clean Diesel Program Guide and State procedures for the distribution of the State allocation. The grantee(s) must follow State procurement procedures for the purchase of the new vehicle(s). The grantee(s) will be responsible for the initial procurement of any replacement vehicles and procurement and installation of eligible diesel retrofit equipment. Reimbursement payments to the grantee(s) will only be made once the projects have been completed, the AQB has thoroughly documented all aspects of the projects, and the proper financial documents have been submitted to the AQB.

Timelines and Milestones:

Activity	Anticipated Start Date*	Comments
Initiate RFP/Application process	Date of award	This date is dependent on the date that the AQB receives notice of award.
Select fleet	First quarter after the notice of award.	The NMED will send out an announcement for the availability of the DERA state allocation.
Project implementation	Second and third quarters after award.	This time frame will allow the NMED to draft grant agreements and get signatures.
Project completion	September 30, [2023] <u>2025</u>	Projects must be completed by this date including all documentation needed for reimbursement. [On 3/19/19, the AQB requested a no-cost time extension for the DERA FY17-FY18 state allocation from EPA, which was approved on 3/25/19. On 7/31/20, the AQB requested an additional no-cost time extension for the DERA FY17-FY18 state allocation from EPA, which was approved on 8/3/20. On 3/30/21, the AQB requested an additional no-cost time extension for the DERA FY17-18 state allocation from EPA, which was approved on 3/30/21.]
*Anticipated date of award is October 1, 2018.		

Program Priorities:

1. The New Mexico Clean Diesel Program (NMCDP) focuses on the reduction of diesel exhaust to reduce the level of emissions to which the residents of New Mexico, especially children and the elderly, are exposed. Early vehicle replacement projects will have profound, immediate and lasting results in protecting sensitive populations from harmful pollutants that can exacerbate asthma and other respiratory symptoms. The reduction of diesel exhaust and reduced exposure to these pollutants will result in fewer hospital visits and missed school and workdays due to respiratory ailments. This project gives New Mexico another opportunity to ensure the health and well-being of its residents, allowing them to live full and productive lives.
2. Cost effectiveness is influenced by such factors as vehicle age, remaining vehicle life and vehicle usage. The EPA Diesel Emissions Quantifier will be used as a guide for cost effective options for emissions reductions. While cost effectiveness will be a key factor in considering the appropriate emissions reduction technology, other factors will be

taken into consideration including the life expectancy and availability of the technology, the complexity of installation, required maintenance, durability and the needs of the target fleet. The preferred options for this grant allocation include, but are not limited to, the partial funding of eligible early vehicle replacement projects. Table I lists the lifetime emission reductions that can be expected and health benefits in dollars per ton.

3. The NMCDP will prioritize diesel emission reduction projects located in areas with poor air quality, areas with fleets that routinely service residential areas, and/or are located in economically disadvantaged areas.
4. The focus of this program will be areas in New Mexico with compromised air quality, near Class I areas, and/or located in areas of maximum populations. These cities also include a significant percentage of the diesel fleet activities in New Mexico, including major truck thoroughfares, truck stops, rail yards, shipping terminals and distribution centers. However, as interest arises in the program, projects will be implemented throughout New Mexico.
5. EPA/ CARB-verified and certified technologies will be used. School bus replacements, solid waste truck replacements, Diesel Oxidation Catalysts (DOCs), diesel fueled direct fired heaters (DFH) aka Fuel Operated Heaters), and auxiliary power units and generator sets (APUs/GS) will be used for emission reduction projects. These technologies have been deployed on numerous projects throughout the country and have proven to be reliable and effective emission reduction technologies.
6. The approximate life expectancy of city/county vehicles is 12 years, but considering the current economic situation, service life may be extended. The expected life span of the other retrofit technologies is 8-10 years. Any additional retrofit equipment will only be installed on those fleet vehicles that have a life expectancy that maximizes emission reduction benefits. Idle reduction equipment will only be installed on vehicles that can maximize emission reduction benefits.

EPA's Strategic Plan and Anticipated Outcomes/Outputs:

With the use of FY-18 DERA funding, the NMCDP will have profound and immediate effects reducing air pollution associated with heavy-duty diesel-fueled vehicles not only reducing the impacts on the residents of the state that are regularly exposed to the harmful emissions, but those that are at greatest risk such as the elderly, children, and the economically disadvantaged that reside near or adjacent to sources of diesel emission. The projects funded under this award will support EPA's FY 2018-22 Strategic Plan, Objective 1,1, *Improve Air Quality*, thus improving all quality of life for the residents through the reduction of emissions generated by heavy-duty diesel-fueled vehicles.

Outcomes:

The anticipated lifetime emissions reductions for hypothetical projects were estimated using the U.S. EPA's Diesel Emissions Quantifier. The AQB estimated that the FY-18 State DERA allocation could potentially partially fund sixteen vehicles. Table I provides the anticipated type of vehicle and associated estimated lifetime emission reductions and annual health cost benefits.

Table I – Anticipated Lifetime Emissions Reduced in tons:

Vehicle Type	Number of Vehicles	NO _x	PM _{2.5}	HC	CO	CO ₂	Fuel
CNG Refuse Hauler	4	12.861	1.074	0.914	3.855	0	0
Class 6-7 Vehicles	5	9.098	0.816	1.249	4.594	0	0
School Buses	7	7.798	0.699	1.07	3.938	0	0

The AQB has implemented several successful diesel emissions reduction projects on a variety of fleets throughout New Mexico. This project like the previous ones, once implemented, will continue to act as a prototype for other diesel retrofit projects throughout New Mexico. Through these projects the NMCDP anticipates the following benefits:

- Provide an example of the benefits of on-road and/or non-road emissions reduction technologies that can be implemented in other areas and applications.
- Improve air quality via the reduction of NO_x, HC, CO, PM, CO₂ and toxic air emissions from medium- and heavy-duty diesel engines.
- Improve the quality of life for populations residing near the areas where diesel equipment operation is common.
- Assess the benefits of these projects for marketing similar diesel emission reduction strategies in the future.
- Raise public awareness and understanding of related health benefits.
- Identify and remove any obstacles to success and future improvements.

As funding becomes available, the State will continue to implement diesel emission reduction projects statewide.

Diesel emission reduction projects not only have a positive effect on the residents of New Mexico, but will also demonstrate to other fleet owners within the state the feasibility of the technologies and the benefits associated with them.

The fleet owners will retain ownership of the vehicles once the project period is over. The funds will not be used to fund any diesel-fueled vehicle emissions reductions mandated by local, state or federal laws, rules or local ordinances.

Monitoring for ground-level ozone and particulate matter in areas that are in, or approaching, non-attainment will continue past the project's time frame. Monitoring results are accessible via AQB's website.

Project Partners:

Partners will include those public or private entities selected to participate in a diesel emission project using FY-18 DERA grant funds. These partners may include, city/county fleets, local school districts, state public education department and other state fleets.

Sustainability of State Program:

The State of New Mexico will continue to seek funding to implement diesel emissions reduction projects statewide for both public and private fleets. Information with respect to the NMCDP will be placed on the AQB website and updated as appropriate to disseminate program objectives, program accomplishments, and educational information.

We intend to use this collaborative project not only to make significant reductions in diesel emissions, but also to share our experience and demonstrate to others the feasibility of the technologies so that they may be more widely adopted. The more we can implement technologies across diesel fleets, the greater the environmental benefits that can be achieved.

Once grant agreements are in place there will be press releases sent out via the NMED Public Information Officer and the grantee. The press release will also be posted on the NMED's website. Once the project is completed the project will be documented and information with respect to the completed project will be placed on the AQB's website.

BUDGET NARRATIVE

Itemized Project Budget

Budget Category	FY 2017*			FY 2018			Total Project Cost
	EPA Allocation	Voluntary Match (if applicable)	Mandatory Cost-Share (if applicable)	EPA Allocation	Voluntary Match (if applicable) (**VW Settlement)	Mandatory Cost-Share (if applicable)	
1. Personnel	N/A	N/A	N/A	[\$25,501] \$0	\$0	\$0	[\$25,501] \$0
2. Fringe Benefits	N/A	N/A	N/A	[\$8,925] \$0	\$0	\$0	[\$8,925] \$0
3. Travel	N/A	N/A	N/A	\$0	\$0	\$0	\$0
4. Supplies	N/A	N/A	N/A	\$0	\$0	\$0	\$0
6. Contractual	N/A	N/A	N/A	\$0	\$0	\$0	\$0
7. Program Income	N/A	N/A	N/A	\$0	\$0	\$0	\$0
8. Other	N/A	N/A	N/A	[\$370,309] \$412,037	\$274,691	\$0	[\$645,000] \$686,728
9. Total Direct Charges	N/A	N/A	N/A	[\$404,735] \$412,037	\$274,691	\$0	[\$679,426] \$686,728
10. Indirect Charges (.2121%S&B)	N/A	N/A	N/A	[\$7,302] \$0		\$0	[\$7,302] \$0
Total	N/A	N/A	N/A	\$412,037	\$274,691	\$0	\$686,728

*FY 2017 budget is only for states and territories with open FY 2017 State DERA grants

** As per Option 10 of the final Volkswagen Settlement Trust Agreement, the State of New Mexico plans on utilizing a percentage of the Volkswagen Mitigation Trust funding for the non-federal voluntary match, or to exceed the EPA Base amount for the FY-18 DERA state allocation for diesel emission reduction projects within the state.

DERA will only fund 25 percent of a new vehicle. Vehicle funding in the table above is based on the following percentages.		
EPA Base allocation + bonus	\$412,037	
VW voluntary match	\$274,691	
25% of School bus	90,000*.25	22500
Percent total EPA allocation, base + bonus	412037/686728	0.6
Percent Voluntary match VW	274691/686728	0.40
EPA allocation school bus	.6*22500	\$13,500
Voluntary match	.4*22500	\$9,000