UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUN 27 2019

OFFICE OF
AIR AND RADIATION

Curtis Thayer
Executive Director
Alaska Energy Authority
813 West Northern Lights Blvd.
Anchorage, Alaska 99503

Dear Curtis Thayer:

Thank you for your letter dated May 23, 2019 to the U.S. Environmental Protection Agency (EPA). According to your letter, the Alaska Energy Authority (AEA) is requesting a waiver from the fiscal year (FY) 2019 State DERA Program requirements for the following items:

1. Reduced mandatory cost-share to match those used in the FY 2018/2019 Tribal DERA cost-share requirements, for projects benefiting rural Alaska Tribes
2. Replace stationary prime power Nonroad Engines and Equipment with certified Tier 2 & Tier 3 marine engines
3. Replace larger stationary prime power Nonroad Engines and Equipment (generally larger than 550 HP) with Tier 0, Tier 1 and Tier 2 low-PM-emitting engines
4. Exceed administrative cost cap due to Alaska's unique logistic and technical support Requirements

The equipment eligibility and funding restrictions for the FY 2019 State DERA Program are defined in EPA's FY 2019 State Clean Diesel Grant Program Information Guide. See the following list of EPA's determinations on the waiver requests summarized above:

1. EPA recognizes that rural Alaska tribes are disproportionally impacted by the diesel emissions of older diesel generators that they depend on, and that these tribes have limited resources with which to address the issue. EPA will allow a reduced cost share for rural Alaska tribes; DERA funds and voluntary matching funds can fund up to 80% of the cost of an eligible stationary generator equipment replacement or engine replacement.

2. Understanding that Tier 4 nonroad engines present availability and operational issues for rural Alaska communities, and that marine engines used in prime power applications can offer environmental and reliability benefits over nonroad engines, EPA will fund the following diesel generator engine and equipment replacement projects in rural Alaska communities:

    i. Cleaner Tier 2 marine engines replacing eligible Tier 0, Tier 1, and Tier 2 nonroad engines.
    ii. Cleaner Tier 3 marine engines replacing eligible Tier 0, Tier 1, Tier 2, and Tier 3 nonroad engines.

3. Similarly, EPA recognizes that rural Alaska communities can achieve significant reductions in particulate matter (PM) pollution by replacing existing equipment with specific low-pm-emitting Tier 0, 1, and 2 engines in large prime power applications. EPA will fund 550+hp nonroad Tier 0, 1, and 2 prime power replacement projects in rural Alaska communities if:

   i. The replacement engines and equipment meet or exceed Tier 3 PM emission standards;
   ii. The replacement engines and equipment result in improved fuel efficiency and a reduction in PM emissions compared to the original equipment being replaced; and
   iii. To ensure the above requirements are met, AEA must submit a "Best Achievable Technology" analysis to EPA for approval before replacement engines may be purchased. This analysis should take into consideration the availability and performance record of equipment in rural Alaska. Please refer to the attached appendix for further guidance.

4. EPA will allow administrative costs in excess of 15% as eligible expenses under the grant.

If you have further questions, please contact me or your staff may call Jason Wilcox, the DERA State Clean Diesel Program Coordinator, at 202-343-9571.

Sincerely,

Jennifer Keller, Director
Legacy Fleet Incentives and Assessment Center

cc:
Karl Pepple, EPA R10
Lucita Valiere, EPA Rl0
Jason Wilcox, OTAQ Headquarters
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APPENDIX A – BEST ACHIEVABLE TECHNOLOGY ANALYSIS

1) Identify all available engines, regardless of cost

2) Eliminate technically infeasible engines
- Feasibility is determined based on availability and applicability
- Must demonstrate technical infeasibility, based on physical, chemical, and engineering principles
- May show technical infeasibility through an unresolvable technical difficulty with applying the engine (e.g., size of unit, location of project, operating problems related to specific circumstances)
- May not use cost to demonstrate infeasibility

3) Rank remaining engines by effectiveness
- Options ranked with top spot going to engine that achieves the highest expected PM emissions reductions (tons/year), in descending order of expected PM emissions reduction (tons/year)

4) Evaluate the cleanest engines available and document results
- Where an engine has been successful for similar vehicles/equipment, applicant needs to document significant cost differences to eliminate as an option
- Document results

5) Select BAT
- The cleanest engine is BAT unless the applicant demonstrates that technical considerations or economic impacts justify the elimination of the engine.