



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

JAN 5 2018

OFFICE OF
AIR AND RADIATION

Janet Reiser
Executive Director
Alaska Energy Authority
813 West Northern Lights Blvd.
Anchorage, Alaska 99503

Dear Janet Reiser:

Thank you for your letter dated May 18, 2018 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) 2017-2018 State DERA Program requirements for the following items:

1. Reduced mandatory cost-share using 2017 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 and low-emission Nonroad engines
3. Provide DERA Program flexibility to reflect unique circumstances for rural Alaska prime power applications
4. Horsepower increases greater than 25% with prior approval from EPA
5. Exceed administrative cost cap due to Alaska's unique logistic and technical support Requirements

The equipment eligibility and funding restrictions for the FY 2017-2018 State DERA Program are defined in EPA's FY 2017-2018 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 disproportionately 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 will fund up to 80 percent 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, EPA will fund the following diesel generator engine and equipment replacement projects:
 - 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.

On a case-by-case basis, EPA will consider funding cleaner Tier 2, Tier 3, or Tier 4i nonroad engines replacing eligible Tier 0, Tier 1, Tier 2 nonroad engines and cleaner Tier 3 marine engines replacing Tier 2 marine engines. For these projects, AEA must submit a "Best Achievable Technology" analysis to EPA for approval before replacement engines may be purchased to ensure that the project will result in criteria pollutant emission reductions. Please refer to the attached appendix for further guidance.

3. i. AEA requested a waiver from the 3-year normal attrition requirements in Section IX.H of the FY 2017-2018 State Clean Diesel Grant Program Information Guide. The justification given was that the "3-year scheduled replacement is unduly restrictive for a prime power engine" and that these "engines are operated either until failure or the rebuild cost approaches the replacement cost." If the standard replacement schedule in a rural Alaska community is to run the engines until failure, then the normal attrition requirements do not necessarily prohibit their replacement using DERA funds. In this scenario, AEA can document the community's plan to run the engines until failure, including through future rebuilds, as evidence that the engine meets the normal attrition requirements. As a result, EPA does not consider it necessary to grant a waiver from any programmatic requirements for this request.
- ii. AEA requested a waiver to allow the replacement of engines that are temporarily out of service. If the engines are only temporarily out of service, and would, in the absence of DERA funding, be brought back into service, then they can qualify for replacement using DERA funds. The original engines must still meet all eligibility requirements, including any required hours of operation within the last 12 months. EPA does not consider it necessary to grant a waiver from any programmatic requirements for this request.
4. EPA allows horsepower increases of more than 25 percent of the original engine's horsepower rating with prior approval from the EPA Project Officer pursuant to Section IX.I of the FY17-18 State Program Guide.
5. 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:

Dan Brown, EPA R10
Lucita Valiere, EPA R10
Dave Bray, EPA R10
Jason Wilcox, OTAQ Headquarters
Faye Swift, OTAQ Headquarters

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 emissions reductions (tons/year), in descending order of expected emissions reduction (tons/year)
 - Options ranked with top spot going to the most cost-effective engine (dollars per ton of PM reduced), in descending order of cost effectiveness
 - Options ranked with top spot going to the most cost-effective engine (dollars per ton of NOx reduced), in descending order of cost effectiveness
- 4) Evaluate the cleanest engines available and document results**
 - Evaluate most effective engines based on all the factors in Step 3
 - 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.