

Clean Air Construction Equipment Incentives

**Health, Environment & Human Services
May 9, 2005**

Incentive for Use of Low Emission Diesel ("LED")

- TCEQ mandates, beginning October 1, 2005, that non-road diesel construction equipment used in the Dallas/Fort Worth Nonattainment Area utilize LED. Legislation currently being considered will extend this to 2010 or 2013.
- To incentivize use of LED prior to the TCEQ's mandate, a Special Specification is recommended to compensate for the cost of furnishing, storing, dispensing, and using LED fuel.

- Review of additional costs incurred indicates the following information:
 - TCEQ found that additional cost of LED is 4-8¢/gal.
 - TxDOT Special Specification provides an incentive payment of 10¢/gal. for LED

- Recommend a City of Dallas Special Incentive Specification use of LED in off-road diesel equipment
 - Contractor to submit, at time of bid, a calculated cost for the incentive for LED use based on qualifying estimated fuel utilization
 - City would pay 10¢/gal. for certified LED as for full compensation for all additional contractor costs related to certified LED if proper documentation is presented
 - Payment only for LED delivered prior to October 1, 2005 (If TCEQ extends deadline mandating LED, modify specification to continue incentive to the extended deadline)
 - Documentation for payment would be delivery tickets or receipts and project usage documentation for LED
 - Certification comes from the supplier that the LED delivered meets Title 30 Texas Administrative Code, §114.312
 - Contractor relinquishes all rights for compensation or grants from TCEQ for LED fuel compensated for under this Special Specification

Incentive for Using Non-Road Diesel Equipment Powered by EPA Tier 1, 2, or 3 Diesel Engines

- Federal Clean Air Act requires attaining compliance in air quality standards by June, 2010
- EPA has established standards for non-road diesel equipment that meet emission standards as Tier 1, Tier 2, or Tier 3 (with 1 being the lowest and 3 the highest)

- To incentivize use of non-road diesel equipment utilizing engines subject to emission standards for NO_x (oxides of nitrogen) or NMHC (non-methane hydrocarbon) + NO_x as established by EPA to assist in attaining compliance with the Federal Clean Air Act, a Special Specification is recommended to compensate for additional cost of operating the equipment.

- TxDOT has established a special specification that pays an incentive to use of Tier 1, 2, and 3 equipment, based on the relative benefit in emission reductions on a monthly basis.
- Recommend that a modified version of this specification be used by the City of Dallas to:
 - Pay on the basis of hours of usage in lieu of 30 day/month used by TxDOT.
 - Use 120 hrs./month based on working days x 6 hours utilization/day with payment not to exceed 120 hrs.
 - Payment for less than 120 hrs. will be a prorated amount determined as recorded hours divided by 120 hrs.

- Recommended monthly incentive compensation

EPA Tier	Monthly Incentive Payment Rate Per Engine Horsepower Rating
1	\$0.50
2	\$0.75
3	\$1.00

- Recommended City of Dallas Special Specification
 - Contractor to submit a bid on the basis of its typical traditional use of non-qualifying, non-road diesel equipment
 - Contractor to submit at time of bid a calculated cost for the incentive for Tier 1, 2, or 3 equipment based on estimated utilization
 - No incentive payments will be made for this incentive after June 2010 (If Federal Clean Air Act deadline for attainment is extended modify specifications to continue incentive to the extended deadline)
 - Documentation for payment will be equipment hour meter readings indicating specific equipment and horsepower rating for the period. Meter to be used must be installed according equipment manufacturers requirements
 - Certification by either EPA, CARB or TCEQ, he EPA Tier 1, 2, or 3 emission standard for each equipment to be used

Guidelines for Incentive Special Specifications on City Projects

- State law allows the city to pay both LED and Equipment Incentives; each Incentive payment obligation will be capped at 5% of the total contract price
- Projects will be evaluated prior to bidding to consider one or both incentives based on:
 - Project budget capacity to pay incentives
 - Targeting projects with a large amount of heavy off-road equipment utilization
 - Focus on projects with a large amount of work done during Ozone Season (April 1 through September 30)
 - Prior effectiveness of contract efforts

Projected Project Costs

Review of DWU contracts for the last 12 months where fuel and equipment usage are tracked indicate that the average addition contract cost is projected to be:

- LED Incentive – 0.05%
- Equipment Incentive if all off road equipment met either.

Tier 1 - 0.05%

Tier 2 - 0.08%

Tier 3 - 0.10%

Schedule for Implementation

The Special Incentive Specifications are being finalized at this time and will be utilized on selected contracts starting in June, 2005.