



HAWAII STATE
Energy Office



Program Guide

Diesel Replacement Rebate 2024

Program Year 3

Program Launch: March 28, 2024 9am

Applications may be submitted online via

<http://www.energy.hawaii.gov/DRR>

Applicants may email Sage.A.Lang@hawaii.gov for assistance.

This program is funded through the United States
Environmental Protection Agency State Clean Diesel Grant and
the Hawaii Volkswagen (VW) Environmental Mitigation Trust



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Introduction

The Diesel Replacement Rebate (DRR) provides rebates for the replacement of medium- and heavy-duty diesel vehicles with new, zero-emission equivalents. Presented by the Hawaii State Energy Office (HSEO) in partnership with the Hawaii Department of Health (DOH), the DRR is funded by the Volkswagen Environmental Mitigation Trust (VW) and the Diesel Emissions Reduction Act (DERA).

The DRR supports national and local goals to reduce transportation-related greenhouse gas (GHG) emissions and reliance on imported oil. Hawaii relies on imported fossil fuels for more than ninety percent of its total energy needs, making Hawaii the most petroleum-dependent state in the United States¹

Hawaii seeks to decrease dependence on imported fossil fuels by utilizing the State's abundant renewable clean energy sources. In 2015, the State increased its commitment to energy self-reliance to an unprecedented level in the United States: one hundred percent renewable energy in the electric sector by 2045.^{2 3} That same year, the State of Hawaii amended an energy planning objective to explicitly incorporate the decarbonization of the transportation sector, *"Increased energy security and self-sufficiency through the reduction and ultimate elimination of Hawaii's dependence on imported fuels for electrical generation and ground transportation"*⁴. In July 2022, Hawaii received its final shipment of coal as the last coal plant in the state shut down on September 1, 2022. This follows through on a commitment made in 2020 that banned the use of coal for energy starting in 2023.⁵

In 2020, Hawaii joined with 14 other states and the District of Columbia as signatories to the Multi-State Medium- and Heavy-Duty Zero Emission Vehicle Memorandum of Understanding which, among other things, is an agreement to strive to make sales of all new medium- and heavy-duty vehicles in their jurisdictions zero emission vehicles by no later than 2050. Additionally, Hawaii passed House Bill 552 in 2021, establishing clean ground transportation goals for state agencies to achieve a one hundred per cent light-duty motor vehicles zero-emission fleet by December 31, 2035. In order to ensure adequate progress toward the MOU 2050 goal, the signatory states will strive to make at least 30 percent of all new medium- and heavy-duty vehicle sales in their jurisdictions zero emission vehicles by no later than 2030.

This program will help Hawaii meet its decarbonization goals and create a healthier environment for our community.

¹ Hawaii Energy Facts and Figures, Hawaii Energy Office, 2020 https://energy.hawaii.gov/wp-content/uploads/2020/11/HSEO_FactsAndFigures-2020.pdf

² Hawaii's two electric utilities – the Hawaiian Electric Companies and the Kauai Island Utility Cooperative reported a 23.4 percent RPS at the end of 2015, a full 8 percentage points ahead of the 2015 interim RPS target of 15%.

³ Section 269-92, Hawaii Revised Statutes.

⁴ Act 38, 2015, amendment of HRS 226-18 (a) (2)

⁵ Act 23, 2020, SB 2629 SD2 HD1



Section 1 – Program Summary

This program offers up to 45% percent rebate towards a zero emission medium or heavy –duty vehicle that replaces an existing diesel-powered vehicle. The replacement vehicle can be either hydrogen powered or a battery-electric vehicle. The rebate can also cover up to 45% of the cost of a battery-electric vehicle charger. The existing vehicle must be scrapped. If the project includes a charger, it may be required to meet Build America Buy America compliance.

This is the third year of the program, and \$1,035,253 is available. Projects will have a deadline of **September 30, 2026**.

Approximately 2 months after program launch, HSEO will review program structure and may update the program. Updates will be announced publicly prior to going into effect.

Section 2 - Eligible Participants

Applicants must utilize the vehicles in the State of Hawaii. Public and private organizations within the State of Hawaii with eligible projects are encouraged to apply. State employees, State contractors, or subrecipients of the State are precluded from making decisions on rebates to firms/individuals where there is an obvious conflict of interest. As such, for the purposes of this program, employees and contractors/subrecipients of Hawaii Department of Health – Clean Air Branch and the Hawaii State Energy Office are not deemed eligible. ⁶

Section 3 - Eligible Projects

Eligible Technology

The following vehicles are eligible for a replacement rebate through this program:

This program is funded by the Volkswagen Environmental Mitigation Trust (VW) and the Diesel Emissions Reduction Act (DERA). Information regarding the DERA state grant can be found at <https://www.epa.gov/dera/state>. The information within

⁶ per new interpretation of EPA guidance, projects cannot present an obvious conflict of interest



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this program guide contains DERA requirements, an eligible mitigation action under the Volkswagen Settlement Trust, as well as DRR Programmatic requirements.

Projects must at a minimum comply with DERA and DRR guidelines and are subject to funding availability.

HSEO may contact an applicant if additional or clarifying information is required.

School Buses	Includes diesel powered school buses of Type A, B, C and D. To be eligible as a school bus a vehicle should meet the definition of a school bus as defined by the National Highway Transportation Safety Administration. This definition includes but is not limited to: 1) A bus that is used for purposes that included carrying students to and from school or related events on a regular basis; 2) Be identified with the words “School Bus”; and 3) Be painted National School Bus Glossy Yellow.
Transit, Shuttle, and Tour Buses	Class 5+ diesel powered medium-duty and heavy-duty buses.
Medium-duty or heavy-duty trucks	Includes diesel powered medium-duty and heavy-duty highway vehicles with gross vehicle weight rating (GVWR) as defined below: Class 5 (16,001 -19,500 lbs GVWR) Class 6 (19,501 -26,000 lbs GVWR) Class 7 (26,001 -33,000 lbs GVWR) Class 8 (33,001 lbs GVWR and over)
Nonroad vehicles	Includes diesel powered equipment and vehicles used in handling of cargo at ports and airports, and agricultural tractors.

Existing Vehicle Requirements

- The existing vehicle must be diesel-powered.
- The existing vehicle must be located in the state of Hawaii.
- The existing vehicle must be fully operational. Operational vehicles must be able to start, move, and have all necessary parts to be operational.
- The applicant must currently own and operate the existing vehicle and have owned and operated the vehicle during the two years prior to application



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- To be eligible for funding, nonroad vehicles must have operated at least 500 hours each year during the two years prior to application. All highway vehicles must have accumulated at least 7,000 miles each year during the two years prior to application .
- The existing vehicle must have at least three years of remaining life at the time of replacement. This is a DERA funding requirement.
 - 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.

Replacement Requirements

The replacement vehicle must meet the following criteria in order to be considered for a rebate:

- The replacement vehicle must be fully electric with a new zero emission engine;
- The replacement vehicle may be either battery-powered or hydrogen powered
- The replacement vehicle should resemble the replaced unit in form and function;
- The replacement vehicle should be the most recent model year available;
- The replacement vehicle must *not* be a retrofit;
- The replacement vehicle should be of similar type and similar gross vehicle weight rating or horsepower as the vehicle being replaced
- The replacement vehicle MUST operate in the state of Hawaii for a minimum of 5 years immediately following deployment.

Charging Station Requirements

- Projects may include the purchase of one new charging unit per vehicle, including the unit and charging cable, mount and/or pedestal. Fueling stations for Hydrogen replacement projects are not eligible costs for the calculation of the rebate.
- The cost of a charger can be included in the overall project total, and is subject



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to the 45% rebate limit.

- If the applicant is also applying for the Hawaii Energy charger rebate, the applicant must disclose the projected rebate amount. The Hawaii Energy rebate will be netted from the project cost and the Diesel Replacement Rebate will be applied to the remaining cost. HSEO reserves the right to check with Hawaii Energy to confirm information prior to paying out the Diesel Replacement Rebate.
- Ineligible costs for EV chargers include power distribution to the pedestal, electrical panels and their installation, upgrades to existing electrical panels or electrical service, transformers and their installation, wiring/conduit and its installation, electricity, operation and maintenance, stationary energy storage systems that power the equipment (e.g. batteries) and their installation, and on-site power generation systems that power the equipment (e.g., solar and wind power generation equipment) and their installation.

Build America Buy America (BABA) requirements:

Certain projects under this program are subject to the Buy America Sourcing requirements under the Build America, Buy America (BABA) provisions of the Infrastructure Investment and Jobs Act (IIJA) (P.L. 117-58, §§70911- 70917) that requires that all of the iron, steel, manufactured products, and construction materials used in public infrastructure projects funded by federal dollars must be produced in the United States.

For the purposes of this rebate, infrastructure refers to electric vehicle chargers.

EV chargers funded through this program will be subject to this requirement if they serve a public function. For example, a charger is considered to serve a public function if it is publicly owned or supports a vehicle that serves a public function, such as a school bus.

On highway vehicles/engines and non-road engines/equipment funded by this program are not considered “infrastructure.”

If the applicant has selected an EV charger that must meet BABA requirements, they must provide a letter from the manufacturer that attests to BABA compliance.

A sample letter can be found in appendix A.

Applicants are encouraged to reach out to HSEO to discuss their project if they are unsure how BABA applies. Applicants can email sage.a.lang@hawaii.gov.



Scrappage Requirements

The existing vehicle that is replaced must be scrapped according to the following criteria:

- The vehicle replaced must be scrapped or rendered permanently disabled within ninety (90) days of the replacement being received;
- Evidence of appropriate disposal including digital photos of the VIN tag, side profile of the vehicle, engine tag (showing serial number, engine family number, and engine model year), before and after pictures of the destroyed engine block, and cut frame rails or other cut structural components as applicable.
- The scrapping method must include drilling a three inch hole in the engine block and disabling the chassis;
- Vehicle components that are not part of the engine or chassis may be salvaged from the unit replaced; and
- If scrapped or salvaged vehicles/parts are sold, the income may be used to meet the cost-sharing or matching requirement of the award. Therefore, the rebate amount will remain the same.
- **Successful project participants must complete a Scrappage Statement and have it signed by the relevant parties in order to receive the final rebate.**

Section 4 - Funding

The DRR will fund up to 45% of selected projects.

The following section describes the method by which projects will be funded.

- Funds will not be dispersed until the replacement vehicle has been received by the applicant and all final paperwork submitted. See 'Requirements for Reimbursement' (section 6).
- Selected projects will receive up to 45% of the cost of a zero emissions vehicle. EV projects can include a charger.



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- Applicants must provide a minimum of 55% cost match. The cost match **cannot** include funding from federal sources, such as other federal grants.
- An estimate of rebate funding will be provided to selected project applicants up to 45% of the quoted purchase price. Final rebate amount will be determined upon submission of final documentation, which will include the exact purchase price of the vehicle and charger, if applicable.

The final rebate will be 45% of the final project invoice or the amount of the original rebate estimate, whichever is lower.

- DRR will not issue rebates for vehicles purchased prior to project selection. Project selection occurs when all parties have signed the Participant Agreement. Additionally, expenses incurred prior to project selection are not eligible as a cost share. Rebates will be made on a reimbursement basis for eligible costs incurred and paid by the recipient. Costs will not be considered incurred until the equipment has been received and accepted by the recipient.
- Program funds must only be used to purchase a replacement vehicle that is equipped with essential or standard equipment. Additional features may be added at the awardee's expense.
- Funds shall not be used for leasing vehicles. If financing is necessary, the purchase must be financed with a conventional purchase loan.
- Funds shall not be used to pay for the costs of emissions reductions that are mandated under federal law.
- If requesting rebates for multiple vehicles, applicants must submit one application per unit.

Program Updates: Approximately 2 months after program launch, HSEO will review program structure and may update the program. Updates will be announced publicly prior to going into effect.

Section 5 – Total Program Funding

Approximately \$1,035,253 is available for Program Year 3 of the rebate program at the time of launch.



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Please refer to our website at www.energy.hawaii.gov/DRR for up to date funding availability.

Section 6 – Application and Award Process

Applications will be reviewed in the order they are received. Projects will be selected in accordance with DERA and DRR program requirements and funding availability.

Applicants will be notified individually as decisions are made, and completed projects will be posted publicly on www.energy.hawaii.gov/DRR

Process

1. Interested organizations can apply using the online form at www.energy.hawaii.gov/DRR . A sample application can be found online as well.
 - a. Applicants will be required to submit a dealer quote for the vehicle (and charger, if applicable). The quote(s) should be dated and include a complete breakdown of all material costs as applicable: vehicle, hardware, warranty costs, freight or shipping costs, installation costs, setup fees, and the sales tax with the percentage rate indicated.
 - b. Applicants must submit a project details document. A template can be found online at www.energy.hawaii.gov/DRR.
2. Applications will be reviewed in the order received and evaluated according to DRR and DERA requirements.
3. Applications that are missing crucial elements, such as a Build America Buy America attestation letter, will be considered incomplete and must reapply. Applicants will be notified if their applications are considered incomplete.
4. Applicants will be notified via email
 - a. Successful participants will have an estimate of their funding reserved. Funds will be paid when final documentation is received (see requirements below).
 - b. Participants will be required to sign an Eligibility Statement and a Participant Agreement.
5. Applicants have 15 business days to sign the eligibility statement and participant agreement after the offer is made. After which time HSEO at it's sole discretion may extend the offer period or offer it to the next eligible applicant.
6. Participants will be required to show proof of purchase no later than 4 months after their application was submitted. Extensions are possible but not guaranteed. In the event that a participant cannot show proof of purchase within 4 months following their application, their funds may be released.
7. When a participant has completed their project, they will submit the final documentation, including a Request for Reimbursement form and Scrappage Certification that attest to the project being complete.
8. After the project funds have been paid out, the participant will sign an Award



Receipt.

9. Eligible applications in excess of funding availability will be placed in a queue and their applications will be revisited as funding becomes available.

Requirements for Reimbursement

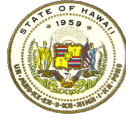
As mentioned above, a rebate will be issued after the following items are completed and received/approved by HSEO:

- Request for Reimbursement Form. This will include
 - Evidence of final vehicle/equipment purchase price. Ex. A receipt from the vendor/manufacturer; and
- Scrappage Certificate with Video or photographic evidence of disposal.
 - In order for the vehicle to be considered Scrapped, the engine and chassis must be 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 elements must be captured during the scrappage in order for reimbursement to be paid:
 - 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
 - Cut frame rail

After the rebate is issued, the participant will sign and return an Award Receipt to acknowledge receipt of rebate funds.

Section 7 – Verification

Any applicant that receives DRR funds may be subject to verification of each project funded. The verification may be conducted by a representative of the State of Hawaii and/or EPA. Grant documentation, records, and referenced materials must be made available for review during monitoring visits. Upon the completion of verification, staff will determine if the funds were used for the approved project and make the verification available to the applicant and to the public upon request. If staff determines that the funds were expended in a manner contrary to law or not in accordance with provisions, staff will notify the applicant of the determination, and may, at its discretion, seek re-payment of funds misappropriated, spent for non-eligible activities, or otherwise inappropriately expended.



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Project information may be shared with all funding parties.

Section 8 –Schedule

The schedule is subject to change. Any changes will be posted on the DRR website at: <https://energy.hawaii.gov/DRR>

Activity	Date
Program opens	March 28, 2024 9am
Applicant selection	Selection will occur as applications are reviewed in the order they are received
Deadline for project completion	September 30, 2026 Please contact sage.a.lang@hawaii.gov if you would like to discuss your project timeline and a possible extension.



APPENDIX A

Sample Material Certification Letter for BABA Compliant Manufacturer



MINAS MORGUL

Material Certification

Minas Morgul Steel, Inc.
1245 Barad Dur Ave.
Mordor, Middle Earth
+1 555 867 5309

September 15, 2023

Gondor Supply Co.
3477 One Ring Ln.
Fort Tirith, IA 50501

RE: Job Name: Saruman Contracting
Project #: Hobbiton Bus Depot, The Shire, WY
Order Type: Submittal

Table with 2 columns: Quantity (4) and Item Description (8550350 - DC fast - 120kW)

Dear Valued Partner:

We hereby certify, subject to fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. 1001, that the above listed products supplied to the subject project are in full compliance with 2 CFR 184, Buy America infrastructure project requirements. The charger and all of its components are manufactured in the United States of America at our facilities in Moria, OK and Isengard, MI.

Meriadoc Brandysbu

Product Quality Manager
Minas Morgul Steel, Inc.

Key Elements:
1. BABA reference
2. Title 18 Criminal Code Reference
3. Specific list of products
4. Project Reference
5. Location of manufacturing (city and state)
6. Signature or representative