



**MISSOURI DEPARTMENT OF NATURAL RESOURCES**  
**Air Pollution Control Program**  
**Volkswagen Trust Locomotive and Marine Program Requirements**

**I. Program Requirements**

This document sets forth the requirements pertinent to Volkswagen (VW) Trust Awards (Award) made by the Missouri Department of Natural Resources (Department), Air Pollution Control Program (APCP).

By submitting a complete application for an Award, the applicant agrees to comply with these requirements in addition to any other governmental, regulatory, or statutory provision that may be applicable.

**A. Use and Award of VW Trust Monies**

1. All Awards shall be used for switch locomotive, tugboat, and ferry engine replacements (repowers) and switch locomotive vehicle replacements (replacements), and marine power projects.

**Switch Locomotive Repower or Replacement:**

- Locomotive is a Pre-Tier 4 locomotive
- Locomotive is used to move rail cars around a rail yard (Line-haul locomotives used for hauling freight will not be considered)
- Locomotive operates minimum of 1,000 hours per year
- Locomotive operates minimum of 50% of current and expected future total time within Missouri

**Tugboat and Ferry Repowers:**

- Marine vehicle is unregulated, Tier 1, or Tier 2 marine engine
- Marine vehicle is used for pushing or pulling other marine vessels (tugboats); or for the transport of people, cargo, and vehicles (ferries)
- Marine vehicle's main port is within Missouri and minimum of 25% of current and expected future operation time is within or along the border of Missouri; or 50% of current and expected future operation time is within or along the border of Missouri
- Marine vessel projects may only request an engine repower (Vessel replacement projects will not be considered)

Eligible vehicles may be repowered with any new diesel, biodiesel, alternate fueled or all-electric engine. Eligible vehicles may also be replaced with any new diesel, biodiesel, alternate fueled or all-electric vehicle. The new repower or replacement engine must be the engine model year in which the eligible mitigation action occurs or one year prior. The new vehicle or engine cannot be a gasoline powered engine.

Alternate fueled means a vehicle powered by an engine using a fuel different from or in addition to gasoline, ethanol, diesel, or biodiesel. This includes, but is not limited to compressed natural gas, liquid natural gas, propane, and diesel-electric hybrid. For vehicles powered by gasoline, ethanol, diesel, or biodiesel fuel, the use of pretreatment or fuel additives generally will not qualify the vehicle as alternate fueled.

All-electric means powered exclusively by electricity provided by a battery, fuel cell, or the grid.

Any proposed repower or replacement of an eligible vehicle with a cost effectiveness calculation of more than \$5 award dollars per pound of lifetime NO<sub>x</sub> emission reduction is ineligible to receive funding.

2. Additionally, the new engine must meet the following requirements based on the type of project:
  - New locomotive engines must be certified for the applicable EPA emissions standards as published in the Code of Federal Regulations for the engine model year in which the project occurs (40 CFR Part 1033.101 Table 2 defines emissions standards of switch locomotive engines)
  - Eligible Tugboats, Tow Boats, and Ferry Engines may be repowered with any new Tier 3, Tier 4, or electric engine; or may be upgraded with an EPA certified remanufacture (Further definitions of acceptable marine engine upgrades are found in the State Beneficiary Trust Agreement Appendix D-2)
3. Documentation Requirements
  - a. **Notification of Award.**
    - i. Within ten (10) days of notification of the award, the applicant must provide photos of the vehicle or engine being replaced, including the following; and
      - Profile of the vehicle with fleet unit number in view
      - Profile of the engine (preferably with fleet unit number in view)
      - Photos of the engine information with the following in view:
        - Engine make
        - Engine model
        - Engine model year
        - Engine serial number
        - Horsepower rating
        - Fleet unit number
    - ii. Within forty-five (45) days of notification of the award and after approval of photos, the applicant must provide the following documentation:
      - Purchase Order;
      - Copy of title of old vehicle.
  - b. **Delivery and Acceptance of New Vehicle or Engine.** Within thirty (30) days of delivery and acceptance of the new vehicle or engine, the applicant must provide the following documentation:
    - i. Photos of the new vehicle or engine purchased with award monies, including the following; and
      - Profile of the vehicle with fleet unit number in view
      - Profile of the engine (preferably with fleet unit number in view)
      - Photos of the engine or vehicle identification information sufficient to prove eligibility in view
    - ii. Invoice(s) showing proof of payment(s) with a copy of the check or wire transfer used for payment.
  - c. **Disabling.** Within fourteen (14) days of disabling the vehicle or engine, the applicant must provide the following documentation:
    - i. Photos documenting the disabling of the vehicle or engine being replaced; and
    - ii. Demonstrate compliance with Disabling Requirements in paragraph I.A.5. of this document.

4. Certified Engine Requirements

The engine year of all new vehicle or engines purchased must be the same as the year in which the project occurs or one (1) year prior. All new vehicle or engines, except all-electric or hydrogen fuel cell powered vehicles with zero tailpipe emissions, must be certified to conform to all EPA emission regulations.

5. Disabling Requirements

The VW Trust Locomotive and Marine Program requires applicants to permanently disable the engine and/or chassis of the vehicle being repowered or replaced using the following methods:

- For repower projects, applicants must disable the old engine they are replacing through the program. Any old, replaced engine shall be scrapped or rendered permanently disabled within sixty (60) days of receiving the new replacement engine. Permanently disabling the engine while retaining possession of the engine is acceptable. Disabling the engine requires creating a 3-inch diameter hole in the engine block (the part of the engine containing the cylinders). Alternatively, removing the engine oil from the crankcase, replacing it with a forty (40) percent solution of sodium silicate and running the engine for a short time at low speeds, thus rendering the engine inoperable is also an acceptable engine disabling method. Another alternative is to crush or break the engine to the satisfaction of the Department. Other scrapping methods may be allowable, but will require prior approval from the Department.
- For replacement projects, applicants must disable the engine and the chassis of the vehicle they are replacing through the program. Any old, replaced vehicle must be scrapped or rendered permanently disabled within sixty (60) days of delivery and acceptance of the new vehicle.
  - Disabling the engine requires creating a 3-inch diameter hole in the engine block (the part of the engine containing the cylinders). Alternatively, removing the engine oil from the crankcase, replacing it with a forty (40) percent solution of sodium silicate and running the engine for a short time at low speeds, thus rendering the engine inoperable is also an acceptable engine disabling method. Another alternative is to crush or break the engine to the satisfaction of the Department. Other scrapping methods may be allowable, but will require prior approval from the Department.
  - Disabling the chassis requires cutting both rails of the chassis in half. Alternatively, the chassis/body of the vehicle/equipment may be torn apart or crushed to the satisfaction of the Department. Other scrapping methods may be acceptable, but will require prior approval from the Department. Any parts from the vehicle, other than the engine or chassis may be salvaged for reuse from the old vehicle being replaced (e.g. wheels, batteries, lights, cameras, seats, etc.). The engine and chassis may be retained or sold for scrap metal value.

6. Site Visit

The applicant must schedule the date to disable the old vehicle and notify the Department at least two (2) weeks prior to such date to give Department representatives the opportunity to observe the disabling process. If Department representatives elect not to be present on the date scheduled, the disabling may proceed as planned.

7. Award Amounts

The maximum amount of funding an eligible entity may apply for is \$1,000,000. The maximum award an applicant may apply for on a:

	Government-Owned	Privately-Owned
Switch Locomotives	75% of the cost to repower or replace the locomotive	40% of the cost to repower the locomotive
		25% of the cost to replace the locomotive
		50% of the cost to repower or replace the locomotive with an all-electric engine
Tugboats and Ferries	75% of the cost to repower the marine vessel	40% of the cost to repower the marine vessel
		50% of the cost to repower the marine vessel with an all-electric engine

Applicants will receive award monies to cover these maximum funding percentages or the amount of funds requested in the application for the individual repower or replacement project, whichever is less.

B. Restrictions on the Use of Awards

1. Any monies awarded and disbursed to an applicant that are not expended for the purpose for which the monies were awarded will be repaid by the applicant.
2. *Reserved.*
3. The Award is not and shall not be transferrable to any person or entity.
4. Applicants may not use award monies from this program to cover any portion of the following costs:
  - Required cost share for projects partially funded by a state or federal Diesel Emissions Reduction Act (DERA) grant, a Congestion Mitigation and Air Quality Improvement (CMAQ) grant, another state’s share of the trust created under the federal agreement (i.e. Environmental Mitigation Trust Agreement for State Beneficiaries), or any other state or federal funding assistance program, unless the grant or program allows participants to use these funds to cover a portion of the participant’s cost share obligations.
  - Retrofit equipment of any kind, including emission control, idle reduction, aerodynamic technology, or low-rolling resistance tires unless the technology comes included with the purchase of the new vehicle, or this type of equipment is included as an option in the specifications for the new vehicle.
  - Administrative costs.
  - The cost of towing or decommissioning the replaced vehicle or equipment.
  - The cost of operating or maintaining the new replacement vehicle.
  - Any luxury options for new vehicles and equipment, including but not limited to, chrome plating, custom tire rims, and other luxury custom options.
  - The incremental cost of alternative fuels or infrastructure for the fueling, dispensing or blending of liquid or gaseous alternative fuels.

- Emissions reductions that are mandated under Federal, State or local law. This refers to specific compliance dates within the mandate, not when the mandate is passed. Voluntary or elective emissions reduction measures shall not be considered “mandated,” regardless of whether the reductions are included in any other plan.
- Taxes on vehicles or licensing costs.

## **II. Financial Requirements**

### **A. Method of Payment**

1. The applicant shall not purchase the replacement vehicle before the APCP approved start date.
2. The applicant shall submit documentation in compliance with paragraph I.A.3 prior to receiving reimbursement from the Department.
3. By submitting a reimbursement request, the applicant certifies to the best of their knowledge and belief the information submitted is correct, and all outlays were made in accordance with this document, and that payment is due and has not been previously requested.
4. Award Payments to the Applicants

- a. Proof of Payment Invoices (for the project) must be submitted within thirty (30) days of invoice date.

Invoices must include the following:

- i. applicant's name, address, the amount paid by applicant for project, and total cost of the project;
  - ii. include as attachments, copies of paid receipt(s) from the vendor(s) proving total cost of the project and copies of check(s) or wire transfer(s) used to pay for the project for which the applicant is requesting reimbursement; and
- b. Payment may be made upon showing of good cause or special circumstances, as determined and approved by the APCP.
5. For monies withheld or repaid as a result of an enforcement action in subsection III.C. of this document, the APCP may make these monies available to other eligible applicants.

### **B. Retention and Custodial Requirements For Records**

1. The applicant shall retain financial records, supporting documents, and other records pertinent to the Award for a period of five (5) years after the close of the project.
2. If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the five (5)-year period, the applicant shall retain records until completion of the action and resolution of all issues, which arise from it, or until the end of the regular five (5)-year period, whichever is later.
3. The rights to access such records must not be limited to the required retention period but shall last as long as the records are retained.

4. Any representative of the Department shall have the right to visit the project site(s) at any time until the project is closed.
5. The APCP and the Missouri State Auditor's Office or any of their authorized representatives shall have the right of access to any pertinent books, documents, papers, or other records of the applicant, which are pertinent to the award, in order to make audits, examinations, excerpts, and transcripts.
6. The applicant's records shall be maintained as public records pursuant to Chapter 610, RSMo.

C. Financial Management and Reporting

1. Financial Reporting. The applicant shall retain accurate, current, and complete disclosure of financial results of financially assisted activities.
2. Accounting Records. The applicant shall maintain records, which adequately identify the source and application of monies provided for the project.
3. Internal Control. The internal control structure provides reasonable assurance that assets are safeguarded and must assure that assets are used solely for authorized purposes.
4. Source Documentation. Accounting records must be supported by such source documentation as canceled checks and paid invoices. Appropriate electronic verification of cleared checks may also be considered source documentation in lieu of actual canceled checks. The documentation must be made available by the applicant at the APCP's request.

**III. Dispute Resolution and Termination**

A. Dispute Resolution

1. The applicant and the APCP shall attempt to resolve disagreements concerning the project performance including reporting requirements.
2. If an agreement cannot be reached within sixty (60) days of the issuance of the notice of noncompliance, the Department's APCP Director will provide a written decision. Such decision of the APCP Director shall be final unless a request for review is submitted to the Department's Division of Environmental Quality (DEQ) Director within fifteen (15) days of the receipt of the APCP Director's decision. The DEQ Director shall provide a final decision within thirty (30) days of the receipt of the applicant's request. Such requests shall include:
  - a. A copy of the APCP Director's written decision;
  - b. A statement of the amount in dispute;
  - c. A brief description of the issue(s) involved; and
  - d. A concise statement of the objections to the final decision.
3. A decision by the DEQ Director shall constitute final Department action.

B. Termination

1. Termination for Cause.

By the Department:

- a. The Department may terminate any award, in whole or in part, at any time before the date of completion whenever it is determined that the applicant has failed to comply with the requirements of this program.
- b. The Department shall promptly notify the applicant in writing of such a determination and the reasons for the termination, together with the effective date.

2. Termination for Convenience.

The Department or the applicant may terminate the award, in whole or in part, when the parties agree that the continuation of the project would not produce beneficial results commensurate with the further expenditure of monies.

C. Enforcement: Remedies for Noncompliance

If an applicant falsifies any award document, fails to maintain records or submit reports, refuses the APCP access to records, or materially fails to comply with any term of an award, then the APCP may take one or more of the following actions, as appropriate:

1. Suspend or terminate, in whole or part, the award of current or future monies;
2. Temporarily withhold payments pending applicant's correction of the deficiency;
3. Withhold further Awards from the applicant;
4. Compel the repayment of monies provided to the applicant pursuant to the award;
5. Order the applicant not to transfer ownership of assets purchased with award monies without prior APCP approval; or
6. Pursue any other remedies that may be legally available, including cost recovery, breach of contract, and suspension or debarment with respect to the applicant.

**IV. Applicant's Signature**

To be eligible to receive VW Trust monies, the applicant's signature on the application signifies the applicant's agreement to all of the requirements of the award, including the application and the documents incorporated therein.