



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Washington, DC 20460

OFFICE OF
AIR AND RADIATION

July 2, 2024

Rebecca Garrett
Project Manager
Alaska Energy Authority
813 West Northern Lights Boulevard
Anchorage, Alaska 99503

Dear Rebecca Garrett:

Thank you for your email dated August 9, 2023, to the U.S. Environmental Protection Agency (EPA). According to your email, the Alaska Energy Authority (AEA) is requesting a waiver of program requirements to the 2023 and 2024 Diesel Emission Reduction Act (DERA) State Grant. The request includes:

1. Reduced mandatory cost-share using the 2022 Tribal DERA cost-share requirements for projects benefiting rural Alaska Tribes.
2. Replace lower-tier stationary prime power Engines and Equipment with certified marine Tier 2 engines subject to BAT analysis and waive BAT analysis requirements for marine and nonroad Tier 3 engines.
3. Replace larger stationary prime power nonroad Engines and Equipment (generally 550 hp and larger) 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 2023-2024 DERA State Grants are defined in the EPA's 2023-2024 DERA State Grants Program Guide. The EPA agrees to grant a waiver for AEA to cover 2023-2024 DERA State Grant funds, as defined below. Subject to the availability of funds, the EPA anticipates the 2024 DERA State Grants to be an incremental amendment to existing 2023 DERA State Grants. If Alaska chooses to participate in 2024, this waiver will also apply to those 2024 DERA State Grant funds. See the following list of the EPA's determination on the waiver requests summarized above:

1. The EPA will allow no mandatory cost share/matching funds or leveraged resources for projects operating in areas benefiting rural Alaska Tribes; in alignment with the 2022 DERA Tribal and Insular Area Grant program requirements.
2. The EPA has finalized a rule on engines operating in remote Alaskan communities and 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, the EPA will not require a BAT analysis for projects that operate in areas benefiting remote Alaskan communities that will receive tier 3 marine and nonroad engines. For engine replacements that are subject to BAT analyses, the EPA will allow AEA to use BAT policy requirements from the 2022 DERA Tribal and Territory program for projects benefiting Alaska rural Tribes requiring that a BAT analysis be submitted to use Tier 2 engines.

3. The EPA received the BAT Analysis from AEA on January 22, 2024, that provided data on the replacement of a larger stationary prime power nonroad engine with a Tier 2 engine. The EPA has reviewed and approved the submitted BAT Analysis to allow Tier 2 engine replacements. For Tier 0 and Tier 1 replacements, a BAT analysis specific to these circumstances will need to be separately submitted and approved.
4. The EPA will consider administrative costs in excess of 15% as eligible expenses under the grant, if justified by the Region. Regions have the discretion to allow state matching funds to exceed the 15% cap if the state provides justification for unique circumstances.

AEA's DERA State Grant project must meet all other requirements and eligibility thresholds as set forth in the 2023-2024 DERA State Grants Program Guide and terms and conditions of the award.

If you have further questions, please contact me or your staff may email Jorge Acevedo, the State DERA Program Coordinator, at Acevedo.Jorge@epa.gov.

Sincerely,

Stephanie Watson, Supervisor
Diesel Emissions Reduction Section

cc: Lucita Valiere, Region 10
Jorge Acevedo, OTAQ Headquarters