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Northern Region Office
4800 Enterprise Way
Modesto, CA 95356-8718
(209) 557-6400 • FAX (209) 557-6475

Central Region Office
1990 East Gettysburg Avenue
Fresno, CA 93726-0244
(559) 230-6000 • FAX (559) 230-6061

Southern Region Office
34946 Flyover Court
Bakersfield, CA 93308-9725
(661) 392-5500 • FAX (661) 392-5585

DATE: September 15, 2022

TO: SJVUAPCD Governing Board



FROM: Samir Sheikh, Executive Director/APCO
Project Coordinator: Todd DeYoung

RE: **ITEM NUMBER 7: APPROVE ENHANCEMENTS
TO THE DISTRICT'S BURN CLEANER
PROGRAM TO PROVIDE INCREASED
INCENTIVES FOR THE INSTALLATION OF
NATURAL GAS OR ELECTRIC DEVICES**

RECOMMENDATIONS:

1. Adopt proposed enhancements to the District's *Burn Cleaner Program* to offer increased financial incentives to Valley residents for the replacement of existing high polluting wood burning devices with cleaner alternatives.
2. Adopt the proposed program enhancements for AB 617 communities of Stockton, South Central Fresno, and Shafter for woodstove change-out measures in Board approved Community Emission Reduction Programs, in consultation and coordination with the respective Community Steering Committees.
3. Authorize the Executive Director/APCO, on behalf of your Board, to make administrative changes to the program as necessary.

BACKGROUND:

Since 2006, the District has offered incentives through its *Burn Cleaner Program* for the change-out of old, high-polluting open-hearth fireplaces or uncertified devices with new cleaner, certified units. The program has provided the resources necessary for thousands of Valley residents to make positive changes in their residential wood-burning practices and is a significant part of the District's overall strategy to reduce the impacts of residential wood

burning. To date, the District has issued nearly 27,000 vouchers for almost \$49 million in funding through the *Burn Cleaner Program*.

The District's adopted *2018 Plan for the 1997, 2006, and 2012 PM2.5 Standards (2018 PM2.5 Plan)* included enhanced Valley wide measures and targeted measures focused in specific Hot Spot areas of the Valley (Madera, Fresno, and Kern counties) that will achieve further emission reductions where they are needed most to protect public health and help the Valley attain federally mandated air quality standards. This included, among other measures, increased incentive amounts in designated Hot Spot areas for the installation of new natural gas or electric devices as well as the elimination of incentives for wood or pellet devices in Hot Spot areas with access to natural gas. In 2021, your Board approved additional enhancements to the *Burn Cleaner Program* by eliminating the incentive for wood or pellet devices Valley wide in areas with access to natural gas.

Recently, the District has engaged in discussions with stakeholders and contracted program retailers regarding trends in program participation levels and the forecast for the upcoming winter season. In these discussions program retailers have indicated that, due to inflation, device and labor costs have continued to rise over the past year, meaning that current incentive levels are covering a smaller portion of the overall project cost. Retailers have also indicated that costs will continue to increase by as much as an additional 10% before the end of 2022. In addition, through discussions with the District's various AB 617 community steering committees there is consensus that, given the recent inflation, current incentive levels in the Burn Cleaner program are prohibitive to participation for a large percentage of residents of those communities. Committee members have expressed that the incentive levels are no longer sufficient to fully support low-income residents in making the transition to cleaner burning devices.

In order to meet commitments within the District's *2018 PM2.5 Plan* and to continue to support the replacement of wood burning devices with cleaner burning alternatives for residents throughout the Valley, the purpose of today's item is to seek your Board's approval to adopt the proposed amendments to the *Burn Cleaner Program*. These amendments include increased incentives for devices as well as installation costs.

2018 PM2.5 PLAN COMMITMENT AND PROGRESS:

The District's strategy to reach attainment of the federal PM2.5 standards relies heavily on incentive programs to achieve cost-effective emission reductions of PM2.5. Given the enormity of emissions reductions necessary to bring the Valley into attainment of the federal PM2.5 standards, the Valley cannot reach attainment through regulatory measures alone. Significant additional emission reductions through incentive based measures are necessary.

As an important part of the District's multifaceted Residential Woodsmoke Reduction Program, the District's *Burn Cleaner Program* plays a key role in reducing emissions from residential wood burning. Since 2006, the *Burn Cleaner Program* has helped Valley residents overcome the financial obstacles in purchasing cleaner alternatives by providing incentives to replace wood burning devices with natural gas or EPA certified wood or pellet devices. In addition to regulatory No-Burn curtailments, the District has been able to achieve significant PM2.5 emission reductions through the *Burn Cleaner Program* and has historically experienced high demand from Valley residents for program funds.

The *Burn Cleaner Program* is implemented through robust guidelines and processes consistent with state and federal guidance for State Implementation Plan (SIP) creditable emissions reduction incentive programs. The District has a commitment to achieve 0.33 tons per day of emission reductions associated with the voluntary replacement of wood burning devices through the *Burn Cleaner Program*. Last year, your Board approved the *Burn Cleaner Fireplace and Woodstove Change-out Incentive Measure* for inclusion in the SIP.

The submitted SIP measure also included updated emission reduction calculation methodology for the *Burn Cleaner Program*, which accounts for the number of allowable burn days during the *Residential Wood Burning Curtailment Season* and CARB-established annual wood consumption to ensure a conservative estimate of emission reductions. Based on this updated calculation methodology, the District has been able to demonstrate a total of 0.27 tons per day of emission reductions associated with *Burn Cleaner* projects completed between 2016 and 2021. The District is currently awaiting EPA's approval of the District's SIP submittal, however the District is proceeding with reporting requirements with the expectation that EPA will ultimately approve this request.

BURN CLEANER PROGRAM UPDATE:

To participate in the *Burn Cleaner Program*, Valley residents submit a program application through the District's online application portal and receive approval prior to purchasing and installing their new lower emitting device. The program is implemented in partnership with a Valley-wide network of contracted retailer partners who are able to provide participants the services necessary to complete their project. Currently, incentives of up to \$4,000 are available to Valley residents depending on the type of device they are installing as well as the county they reside. Table 1 below outlines the current incentives available in the *Burn Cleaner Program*:

ITEM NUMBER 7: APPROVE ENHANCEMENTS TO THE DISTRICT'S BURN CLEANER PROGRAM TO PROVIDE INCREASED INCENTIVES FOR THE INSTALLATION OF NATURAL GAS OR ELECTRIC DEVICES

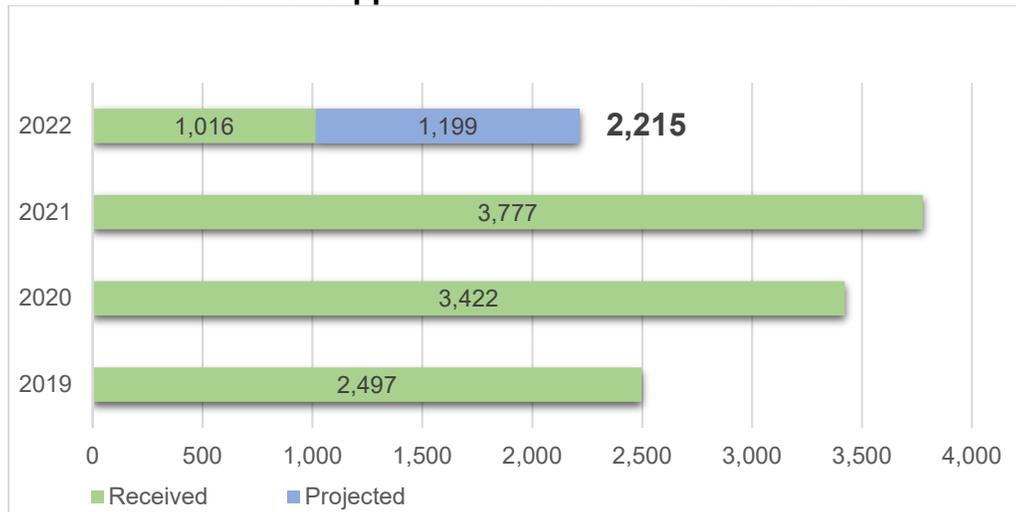
September 15, 2022

Table 1: Current Burn Cleaner Program Incentive Levels

ACCESS TO NATURAL GAS	LOCATION OF OLD DEVICE	ELIGIBLE NEW DEVICE TYPE	INCENTIVE LEVEL
Residence <u>WITH</u> access to piped natural gas	Hot Spot Counties Madera, Fresno, or the Valley Air Basin portion of Kern County, or AB 617 Stockton Community	Natural Gas Insert/Freestanding Stove	Up to \$2,500* + \$500 for eligible installation costs
		Electric Heat Pump	Up to \$4,000*
	Kings, Merced, San Joaquin, Stanislaus, or Tulare County	Natural Gas insert/Freestanding stove	Up to \$1,000 + \$500 for eligible installation costs
		Electric Heat Pump	Up to \$1,500
		Low-income	Additional \$1,500 for qualified applicants
	Residence <u>WITHOUT</u> access to piped natural gas	Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare or the Valley Air Basin portion of Kern County	Certified wood insert/Freestanding stove
Certified pellet insert/Freestanding stove			Up to \$1,000
Natural Gas insert/Freestanding stove			Up to \$1,000 + \$500 for eligible installation costs
Electric Heat Pump			Up to \$1,500
Low-income			Additional \$1,500 for qualified applicants

Between 2019-2021 following the implementation of the Hot Spot strategy and the associated increase in incentive levels, the *Burn Cleaner Program* experienced significant growth in participation. However, to date in 2022 there has been a dramatic decrease in program participation rates with a projected decline in program participation of 41% compared to the previous year. Table 2 below shows annual Burn Cleaner Program participation rates since 2019 and forecasted participation rates for the remainder of 2022:

Table 2: Applications Received 2019 - 2022



As part of the District's ongoing overall program review and more specifically to address the recent decrease in participation rates, The District has reviewed available project data and has compiled feedback from participating program retailers on their current experiences. According to project data, gas devices have increased in cost by 16% and wood/pellet devices by 48% from 2019 to 2022. Additionally, feedback from program retailers indicates that the device and labor cost increase over the last year have resulted in higher out of pocket expenses for participants which has deterred a higher level of participation. Additionally, retailers have indicated that they expect to see additional device cost increases before the end of the year, which may further negatively impact program participation rates. Table 3 below shows the average cost increases by device type since 2019.

Table 3: Average Device Cost by Type



In addition to increased device costs, available program data and information from retailers indicates that there has been a similar increase in installation and labor cost with further increases in cost expected later this year. While the project data analyzed does indicate higher overall installation costs, this data may not represent the true overall cost when other ancillary costs are factored in. Specifically, the cost to install gas lines (if necessary) are often not included in project data submitted to the District to support an applicant's claim for payment. These costs can increase the overall cost of a project significantly.

Feedback from AB 617 Community Steering Committee Members

Through the District's ongoing community engagement process with AB617 Community Steering Committee's in South Central Fresno, Shafter, and Stockton the District has received feedback that the available incentive levels currently available in the Burn Cleaner Program are not sufficient to encourage the transition from wood burning devices to cleaner burning alternatives. The Community Emission Reduction Programs (CERPs) in Shafter, South Central Fresno, and Stockton all include focused funding for the Burn Cleaner Program within their respective communities. However, because of the cost increases identified above, recently several AB 617 community steering committees in the District have voted to increase the incentives available to AB 617 community members.

PROPOSED BURN CLEANER PROGRAM ENHANCEMENTS:

Given the importance of reducing the public’s exposure to particulate matter from residential wood burning as well as achieving additional emission reductions necessary to meet the District’s SIP commitment, it is necessary to ensure that incentive levels continue to provide Valley residents with the resources needed to purchase and install cleaner alternatives. When establishing the current incentive amounts, your Board placed a particular emphasis on ensuring that low-income and Hot-spot residents were generally able to offset the full cost of an entry level natural gas unit through the *Burn Cleaner Program*. In reviewing available device and installation cost data and formulating these recommended enhancements, District staff have kept this key program priority central to any proposed increases to incentive funding levels. This is particularly important for residents in the Valley’s disadvantaged and low-income communities. Beyond increasing incentives for natural gas devices, District staff is also proposing to increase incentives for electric heat pumps in order to further offset the costs associated with the purchase and installation of these zero emission devices.

Based on the information provided by District stakeholders on the increase cost to participate in the *Burn Cleaner Program* District staff is currently recommending increases to incentive levels as outlined below in Table 4. These funding levels are expected to offset the increase in device and labor costs experienced over the previous year as well.

Table 3: Proposed Updated Incentive Levels

Project Type		Current Incentives		Proposed Incentives	
		Hot-Spot	Standard	Hot-Spot	Standard
Gas	Device	\$2,500	\$1,000	\$3,500	\$2,000
	Install	\$500		\$650	
Electric Heat Pump		\$4,000	\$1,500	\$5,000	\$3,500
Low-Income			Additional \$1,500		Additional \$1,500
Fireplace Decommissioning				Up to \$750	

As noted in Table 3, District staff is proposing a new incentive for decommissioning a wood burning fireplace without requiring the installation of a natural gas device or an electric heat pump. This option would require that home owners render their wood burning fireplace, insert, or free standing stove permanently incapable of burning wood and in the case of inserts or freestanding stoves, disposed of at a recycling facility. Fireplace decommissioning is currently a requirement for electric heat pump installations and typically this process involves cementing the top of chimney with 1 – 2 feet of cement to seal off the top of the chimney or sealing up the fireplace with masonry. The proposed \$750 incentive would help Valley residents offset the cost of permanently decommissioning their wood burning devices.

NEXT STEPS:

If approved, the District will work closely with our retailer partners to ensure they understand the new incentive levels available through the program. Additionally, staff will ensure that *Burn Cleaner Program* outreach materials reflect the updated program guidelines. These changes will be immediately incorporated into the program, any applications approved following Board approval of these changes will be funded at the higher incentive levels.

FISCAL IMPACT:

Sufficient funding is included in the District's 2022-23 Recommended Budget accommodate the anticipated increase in program participation and no Budget amendments are recommended at this time.